

Annual Report 2018/19
and Financial Statements to 31 July 2019

WE MAKE THE
EXCEPTIONAL HAPPEN
BY CHALLENGING
TRADITIONAL THINKING
AND DEFYING
CONVENTIONAL
BOUNDARIES

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Chair's Foreword

Exeter has a strong track record of high performance and 2018/19 was no exception.



- The Business School achieved triple accreditation, adding the US-based Association to Advance Collegiate Schools of Business, to its existing EQUIS and AMBA accreditations and joining an elite club of less than 100 business schools worldwide to hold this triple crown.
- The Medical Research Council Centre for Medical Mycology relocated to Exeter from the University of Aberdeen, creating one of the largest groups of mycology (fungal research) experts in the world. It brings with it an outstanding global reputation and exciting opportunities for international collaboration and postgraduate teaching.
- We were awarded £30m of funding for a new Centre for Resilience in Environment, Water and Waste, in partnership with South West Water and £6m of funding from the Expanding Excellence in England Fund to expand our world-renowned diabetes research team, working in partnership with the Royal Devon and Exeter NHS Foundation trust.

These are examples of the impactful leading-edge research being undertaken by the University, but they represent the tip of an iceberg; last year we achieved a record level of new research awards totalling over £106m across our six Colleges, covering the Humanities, Life and Environmental Sciences, Social Sciences, Medicine, Engineering and the Physical Sciences and the Business School. Our success follows recent and continued investment in the best talent from around the world tackling the global challenges we all face.

One such challenge is climate change, an area where the University's expertise is world-leading. We declared an environmental and climate emergency, establishing a cross University team to develop evidence-based actions so that we respond in a meaningful and purposeful way.

Philanthropy continues to play a vital role and a £1m commitment from Dragon Capital to fund a new Dragon Capital Chair in Biodiversity Economics in the Business School provides a compelling example of the interdisciplinary approach we believe is essential in solving global challenges.

Complementing our research strength is our focus on teaching and learning. The University has been awarded an Institute of Technology, in partnership with regional providers and employers, developing our growing provision of employer-focused degree apprenticeships. This sits alongside the first admissions into a number of financial services professional degree apprenticeship programmes delivered in association with J.P. Morgan.

Teaching and Learning is part of our core mission. It was therefore pleasing to see the University reclaim its Top 10 position in the Guardian 2020 University League tables, a ranking focused on teaching and learning criteria. While we remain among the highest nationally for student satisfaction, ranking 18th in the UK for Overall Satisfaction in the 2019 National Student Satisfaction (NSS) survey, we are not complacent. The NSS data shows that we have further work to do to improve the student experience for many of our students and this will be a priority for coming years.

Among the challenges facing the sector, including Brexit and the uncertain fee regime, one, namely pensions, is a pressing concern and is set to invoke industrial action in the coming year.

The Universities Superannuation Scheme (USS) is a national multi-employer scheme and Exeter is just one of over 350 employers. Following strike action in 2018 a funding solution has been found, preserving benefits but at an increased cost to both staff and employers. Our USS pension liability this year has increased by over 200% to £129m and if the valuation were undertaken today the liability would be even higher than this. We are not alone in experiencing these changes and while we can, and we do, attempt to influence outcomes at a national level finding a long-term sustainable solution is not in our gift alone. We will continue to work hard with others to contribute towards developing an affordable and sustainable solution.

The Financial Statements, included in this Annual Report, support our high academic performance with a strong financial performance. Cash generation is up, capital investment is up and cash balances increased over the year. Yet despite this, we have posted a deficit for the year of £72m as a result of accounting for the 2017 USS deficit recovery plan as required by accounting standards. As the Financial Statements report this headline deficit is a result of reflecting a commitment to pay down the deficit over the next decade as a single lump-sum accounting charge in the 2018/19 financial year. If this accounting charge is excluded we would have posted an underlying surplus for the year of £15m.

Our fundamental financial performance last year is amongst the best we have ever produced thanks to the work of all of the University's staff. The Vice-Chancellor and his executive team are working hard to ensure the University is well prepared to tackle the challenges of pensions and Brexit that are likely to unfold over the next 12 months.

Sarah Turvill
Chair of Council and Pro-Chancellor



Robert Plant joined Rod MacSween, one of the world's most successful agents, on stage as his achievements were recognised with an Honorary Degree.



The £12m Stella Turk building, opened this year in Cornwall. Named after the pioneering Cornish scientist Stella Turk, MSc, MBE.



Exeter secures top 10 status in Guardian league table.



The Business School gained triple accreditation – EQUIS and AMBA and now the Association to Advance Collegiate Schools of Business (AACSB).

YEAR IN



Professor Austin Smith FRS, influential and renowned stem cell researcher appointed as the new Director of the Living Systems Institute.



An autopsy carried out by scientists at the University of Exeter revealed Sidmouth fatberg's content secrets.



The University of Exeter has received an £800,000 funding boost to create a vibrant and innovative 'Enterprise Zone', that will be based at Exeter's Science Park.



Nobel Prize winner Madame Bouchamaoui, delivered a public lecture about creating change in Tunisia and what the future holds for the region.



The new South West Institute of Technology was given the green light - a multimillion pound partnership that will revolutionise digital technology education across the South West.



Victims Commissioner Dame Vera Baird praised a pioneering University of Exeter programme which trains football coaches to act as role models and intervene when they witness unacceptable behaviour or language in the locker room.



Research England announced a £10.5 million investment to fund The Centre for Resilience in Environment, Water and Waste (CREWW), designed to solve some of the most pressing global environmental challenges of our time.

PICTURES



Exeter University Women's Rugby Football Club (EUWRFC) have done the BUCS Golden double and taken the rugby 7s title to back up their rugby 15s triumph at Twickenham.



The University of Exeter declared an environment and climate emergency to support those calling for urgent action and show commitment to leading the change required.



Places in Poetry - one of the year's most successful national arts projects had thousands of writers celebrate Britain's diverse landscapes.



Dragons' Den star and businesswoman Deborah Meaden helped to launch the University of Exeter's new Centre for Entrepreneurship.

Our Vision, Mission, Strategy and Values



Our Vision

Our driving ambition is to be a Global 100 research leader and create graduates of distinction, within a community of the most talented and creative minds. We are working towards this vision over the coming years.

Our Mission

Our Mission is to make the exceptional happen by challenging traditional thinking and defying conventional boundaries. Our Strategy establishes how we will work towards achieving this, laying the foundations for our future success as a Global 100 research leader.

Our Strategy

Making the Exceptional Happen

Our strategy Making the Exceptional Happen, sets out how we will achieve our vision and mission and is built around five goals:

- 1 **Building research power to tackle global challenges:** We will generate research power and build on our already strong teams so that they can meet the challenges facing our world.
- 2 **Delivering an internationally excellent education:** We will provide an education that makes our talented students stand out, giving them the ability to make a difference in the world.
- 3 **Creating an impact regionally, national and globally:** We play an important role locally and globally. We realise that engaging with communities strengthens us and increases the benefits to society.
- 4 **Supporting our people to make the exceptional happen:** We must attract, develop and retain outstanding individuals, fostering a diverse community which is unified by our values.
- 5 **Making the most of our resources:** We must manage our resources properly, investing so that our infrastructure is ready for the next generation, whilst ensuring we are environmentally responsible.

Our Values

We have a core set of values, which are central to everything we do. These describe our defining characteristics and what makes Exeter different. They are shared by our students, colleagues, graduates, stakeholders and supporters, and guide us in our day-to-day decisions:

Ambition: Ambition has driven us to where we are today, and will help sustain a Global 100 position

Challenge: We relish challenge and reach for the previously unachievable

Collaboration: We work at our best when collaborating with students, colleagues and partners

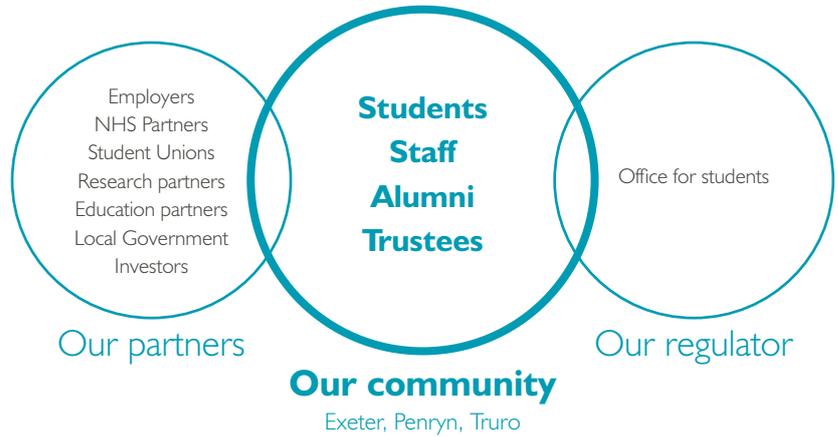
Community: We support and inspire each other to be the best that we can be

Impact: Our vision requires disruptive thinking, fresh ways of working and solutions with impact

Rigour: We strive to reach the highest standards of scholarships and service

Our Stakeholders

The University serves a multitude of stakeholders. Our members – students, staff, alumni and trustees – are what make the University. Our activity reaches out locally, regionally, nationally and globally. We are an important part of our local community in Devon and Cornwall, making a significant economic contribution, working with local partners such as the Royal Devon and Exeter NHS Foundation Trust, the Exeter Mathematics School and Exeter City and Cornwall County Council as well as working with local and national employers.



How we create value

We create value through the knowledge our people create and transmit, through the numerous relationships, partnerships and networks they develop, all supported by our physical and financial resources. This is reflected in the range of our outputs, from producing graduates of distinction to contributing to the solution of global challenges.

Our purpose is to transform lives and, through our Making the Exceptional Happen strategy, to have a real and lasting impact on the world around us and challenge our talented students to achieve more than they ever thought possible.

Our strategies - building research power to tackle global challenges, delivering an internationally excellent education, creating impact regionally, nationally and globally, supporting our people and making the most of our resources – encapsulate what we are about and how we are setting out to deliver it.

This Annual Report describes how we have developed all of our key resources – people, knowledge, relationships, physical and financial – over the last year, setting out our performance for the year ended 31 July 2019 in each of these areas. We hope this will give you a good understanding of what we do and how we have performed, enabling you to better judge the value for money we provide.

OUR VALUE MODEL



Value for money

Our strong and consistent performance in the Student National Satisfaction Survey, in graduate destinations and recent data relating to graduate earnings, demonstrates the value we provide to our students in return for their considerable investment in their own education. The quality and impact of our research, reflected in successive Research Excellence Framework exercises, substantiated in research league tables, demonstrates the return on investment in our research. Regionally¹, the University contributes £708m to the South West economy, supporting over 6,900 jobs, generated by the University's direct activity, along with the spending of our staff, students and their visiting family and friends.

Where does my tuition fee go? is a frequently asked question. Our students pay a range of fees, from home/EU undergraduates where fees are capped at £9,250 by legislation but who also benefit from £13m of taxpayers support in the form of Teaching grants, through to international students from outside the EU, and for post graduate taught students, where fees are determined by the market. The business model of a University is based on rich layers of cross flows of money between activities (e.g. teaching and research) and across different disciplines (e.g. science and humanities).

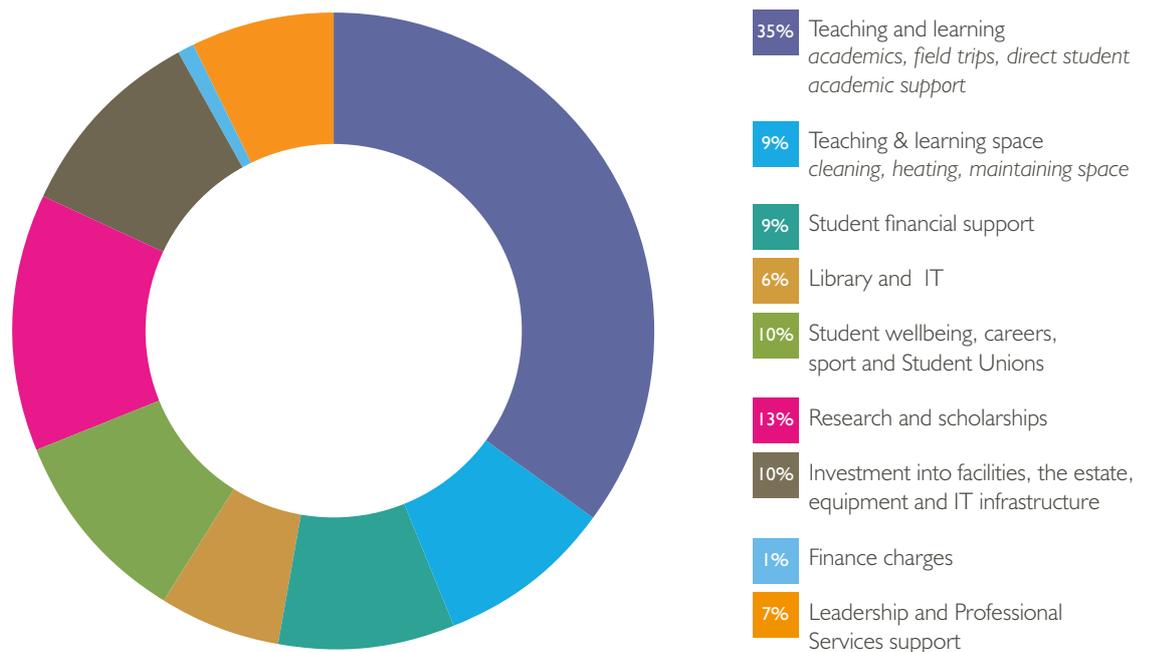
As a charity we reinvest our surpluses to support the delivery of our core mission. We also solicit philanthropic support of our teaching and learning activities and currently have an endowment fund of £41m, the return from which funds academic posts, scholarships and other forms

of teaching and research activity. We also receive £13m of recurrent teaching grant from the Office for Students (OfS) to support the delivery of high cost disciplines, such as medicine and laboratory-based sciences, as well as to encourage participation, and provide on-going support to under-represented groups. The cost of providing education is not only funded from student fees but from these other sources as well.

Student fees fund much more than direct contract-time in the form of lectures and seminars. They also fund a wide range of learning resources, such as the library, the IT network and the numerous IT applications embedded in the learning experience, as well as student services such as employability, wellbeing, sports and the estate infrastructure.

At the heart of the learning experience, both teaching quality and its content, is research. The University's research activities inform our teaching, helping attract and retain the best academic staff who use their research to inform their teaching. Research also builds the University's reputation which in turns fuels the value of an Exeter degree. For these reasons we believe that teaching and research are inseparable activities and it is inevitable that there are financial cross-flows between the two.

So the answer to the question *where does my fee go?*, is not so straight-forward to answer when all these factors are taken into account. The chart below does give an indication how student fees are spent:



¹ The region is defined as that encompassed by the heart of the South West Local Economic Partnership, covering Cornwall, Devon and Somerset

Vice-Chancellor's Introduction

This document reports on the many incredible achievements of the University over the last year with a number of firsts. Our first Medical Research Council Centre in the field of Medical Mycology and our first award under the UK Research Partnership Innovation Fund to establish the Centre for Resilience in Environment, Water and Waste. Not only that, but for the first time research grant awards exceeded £100m, reflecting the quality of research undertaken across our six Colleges as well as helping to underpin future income streams to the University in these uncertain times.



I signed my first Balance Sheet in 2002. Seventeen years later our income has increased nearly 5 fold and our research income 7 fold.

In 2002 we reported on the establishment of our brand new campus in Cornwall, working in partnership with the then Falmouth College of Arts (now Falmouth University). From today's perspective it is astonishing to see how successful and vibrant our shared Cornwall campus is, with exceptionally high scores in the National Student Satisfaction survey and a number of genuinely world-leading research groups in the fields of marine, ecology and the environment. Our researchers based in Cornwall collectively generate over 20% of the University's research income.

Back in 2002 we also reported that our then joint Peninsula Medical School was preparing to take its first cohort of medical students. Seventeen years later our College for Medicine and Health has established itself as one of the UK's leading medical schools, this year winning £6m in funding to enhance our diabetes research from Research England's programme to expand research excellence. This comes on top of the £10m philanthropic gift from Mireille Gilling's foundation which I reported last year, and which has now translated into the construction of a new neuroimaging centre being built on the site of the Royal and Devon and Exeter NHS Foundation Trust site in Exeter. This year we welcome our first intake of nursing students into the College.

The UK higher education sector has been living through unprecedented levels of uncertainty. Last year's Annual Report focused on the risks associated with Brexit and the Review of Post-18 Education and Funding undertaken by Philip Augar.

The Augar report, published in May 2019, made many wide ranging recommendations addressing the under-funding of further education to very many proposals relating to University funding. During the Review's long gestation, the briefing suggested that the headline home/EU undergraduate fee would be cut, raising serious doubts about the future funding of University education and the research base which operates symbiotically with it. As the potential impact of the review was included in many institutions risk registers, including our own, I have no doubt that one of the unintended consequences has been to slow down investment in research and development as a hedge against this financial uncertainty. On the other hand there have been some welcome reversals in previous policy, such as the recently announced 2-year post-study work visa which is likely to bolster demand for UK study in a number of international markets.

Brexit uncertainty remains and our focus is firstly on our own EU staff and students, along with protecting the UK's access to critical EU research funding. One of our priorities for the coming years is going to be an increasing focus on internationalism, a cornerstone of the best and most successful universities.

I am immensely proud of all of my colleagues, world leading researchers, brilliant teachers and professional services staff who demonstrate each day their commitment and professionalism in running the University. It is the strength and capability of our team that gives me confidence that we will weather whatever Brexit storms come our way and we will continue to propel the University's teaching and research success.

Professor Sir Steve Smith
Vice-Chancellor and Chief Executive



How we performed:

Knowledge - teaching and learning

Excellence in teaching and learning and enabling the very best outcomes for all of our students is fundamental to our university. Central to this is a strong partnership with our students and a culture of student support, research-inspired learning and pedagogic innovation.

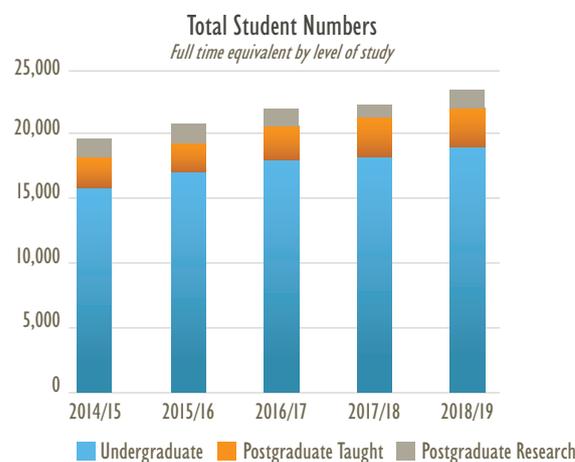
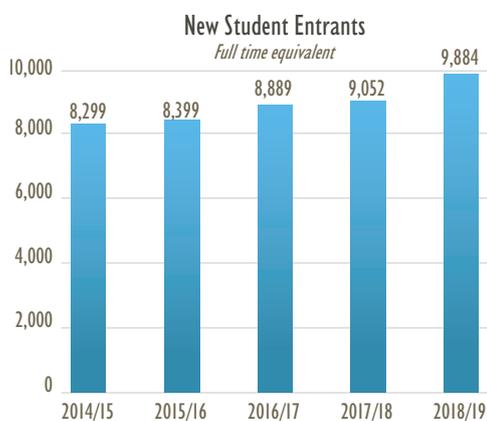
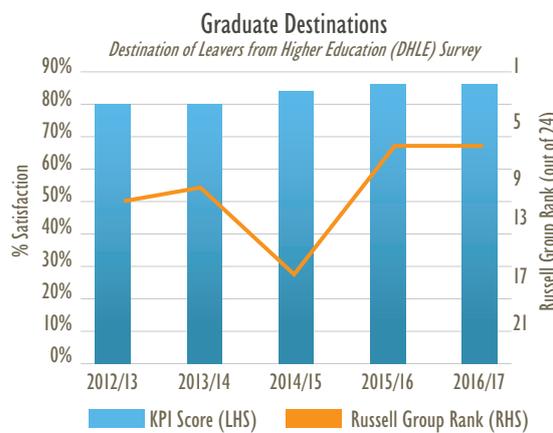
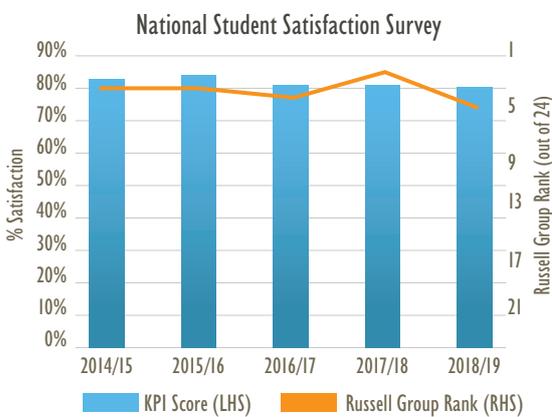
Our commitment to enable the best outcomes for our students is demonstrated in our results, including a continuation of the decade-long trend of National Student Survey (NSS) scores for overall satisfaction of over 87%. Nearly 89% of students gained a good honours degree (1st or 2:1) in 2018/19 while 85.5% of our graduating cohort from 2017 were in graduate-level employment or further study within six months of graduating.

The overall satisfaction score from the NSS is a crude and broad measure. Our own NSS KPI score is based on the

Times league table methodology² which focuses on teaching quality and student experience. In 2019 this reduced by 1.1 percentage points compared to 2018 but we maintain our top 5 position within the Russell Group.

In 2018 the University admitted 9,884 new students across all study levels, 27% from outside the EU. They were enrolled in 37 disciplines in our six academic colleges over our three campuses in Streatham and St Luke's in Exeter and Penryn in Cornwall. The total student body rose to 23,613 full time equivalent students in 2018/19.

² The Times calculate a teaching quality score, weighting this 2/3 rds and a student experience score with a 1/3 rd weighting, based on nine questions within the National Student Satisfaction survey



Our vision is of a diverse learning community within an Education-Research ecosystem, in which we aim to be known globally for empowering our students, involving them in

the core mission of the University to change the world and contribute to society through the creation, dissemination and application of new knowledge

We celebrate inquiry-led learning, in which students are equal members of the learning community, studying about research, and learning through their own research, inquiries and discoveries, and we do this in collaboration with a wide range of external partners. This will develop our students as agents of change both within the University, as co-creators of Knowledge, Societal Engagement, Impact Generation, Industrial Engagement, and beyond, as Global 21st Century Citizens. This is the foundation of our new Education Strategy, which has been developed through an extensive consultation process during the last year.

Our partnership with students is fundamental, building upon our established ethos of Students as Change Agents. We are proud of the strong relationship we have with our two students' unions, the Students' Guild in Exeter and the Students' Union in Cornwall, who are integrated into our planning and governance processes as well as important work streams such as the Provost Commission and Wellbeing and Welfare Review.

This year we also celebrated the 10th anniversary of the Guild and Students' Union's Teaching Awards, recognising passion, commitment and innovation in Education across the University. The 1,103 nominations we received took the total since the launch of the Awards in 2009 to almost 17,000.

The consultation process around our new Education Strategy has been open to the whole University community, with a team of more than 30 volunteers acting as Theme Leads to facilitate discussion. These included academic and professional services staff, and students from all campuses and levels of study, with the process engaging around 180 people through workshops in Exeter and Cornwall, online fora and other feedback mechanisms. Our new Strategy for 2019-25 was approved by Senate and Council in June and July. It emphasises an agreed set of Characteristics of Excellence – statements that capture our aspirations in relation to learning, teaching and the student experience – and five strategic priorities:

- A. To Enhance our Undergraduate Offer in: the Quality of Learning, Teaching, Student Support and Student Outcomes; and in International Attractiveness
- B. To Create an Internationally-Recognised, Market-Led Postgraduate Taught Portfolio
- C. To Support and Enable Our People
- D. To Capitalise on Digital Transformation
- E. To Articulate a Distinctive Model for Education at Exeter

Innovation

Recognising the challenges posed by the 4th industrial revolution and our ambition to develop the skills our graduates need for the future of work, we continue to expand and embed entrepreneurship and innovation within our portfolio. In 2018/19, enabled by a significant philanthropic donation, we launched a new Engineering and Entrepreneurship undergraduate degree. In September 2019 we launch our MSc in Entrepreneurship and Innovation Management, delivered through the Centre for Entrepreneurship.

These new programmes build on the success of our student entrepreneurship programme, Think, Try, Do, which in total has attracted over 800 students to events and workshops across both Exeter and Cornwall, as well as 90 students attending 'Start Up Weekends' and more than 210 student entrepreneurs making use of one-to-one appointments with expert advisors.

We continue to see increasing diversification in the ways in which our students engage with learning, including through the innovative blended delivery models championed through our growing degree apprenticeship portfolio. Since launching in 2016 with 9 degree apprentices on a single programme, we now have 331 enrolled across programmes covering IT, Management, Civil Engineering and our new Academic Professional Programme. The total number of registrations on our Massive Open Online Courses, first launched in 2014, has now exceeded 200,000. Of significance for our on-campus students, the proportion of taught modules captured for students to re-watch on demand has risen to 82% (from 59% in 2016). These and other changes in pedagogy enabled by digital transformation are integral to our new Education Strategy. Supporting our capacity to capitalise on the digital revolution, the EdTech Exeter programme is a major investment in the digital educational experience of our students and staff.

Preparing for the world of work

The University continues to provide a rich and varied careers, employability and skills development portfolio to engage large numbers of students. Over 56,000 individual engagements with events and services were recorded last year (excluding digital), representing 98% of the student population. This engagement enables us to support students in their preparations for work, and enables both the careers service and students to track their career-readiness. 2019 marks the launch of 'Careers Forever', an initiative to extend the reach of these services to alumni who are now able to access a range of provision at a distance including vacancy listings, networking opportunities and career development webinars.

CASE STUDY



Education Incubator

The Exeter Education Incubator supported 21 projects over the year, from creating immersive virtual landscapes to understanding the barriers posed to diverse students by the 'hidden curriculum', working in conjunction with EdTech Exeter and the Research-Inspired Learning steering group to explore and promote pedagogic innovation. In July, 100 attendees joined the 'Incubator Café' event showcasing projects, and findings have been disseminated through 11 conferences, invited papers and workshops. More than 30 students have also been involved in projects, establishing a student researchers' network.

CASE STUDY



Holocaust Memorial Conference

In January, 3rd-year History student Barnabas Balint coordinated a group of students and staff to run the now-annual Holocaust Memorial Day Conference at the University, attended by hundreds of students and local teenagers. Attendees witnessed the incredible courage of concentration camp survivor Mala Tribich, who spoke at the event organised to raise awareness of the Holocaust and its continuing impact and relevance.

CASE STUDY



Voices

Founded by then Falmouth and Exeter Students' Union President (Community and Welfare) Harry Bishop in 2016, the Voices project aims to better represent the needs of an increasingly diverse cohort of students. The project has produced a number of publications featuring the stories of individuals in relation to subjects including sexuality, race, gender, disability and faith. A documentary series was also produced – the stories within which have been taken up by BBC Three.

CASE STUDY



Grand Challenges

Around 450 students across all campuses, as well as nine from the University of South Florida in the US, and pupils from a number of local schools, took part in Grand Challenges 2019 from 10th-14th June. Teams came together with high-profile speakers and mentors from a range of organisations to develop innovative solutions to challenges including: Climate Change, Food for Thought, Mental Health, Global Security, Gender Inequality and the Case for Earth (hosted on the Penryn Campus).



Prestigious Triple Accreditation for Business School

In April, our Business School joined an elite group of fewer than one hundred international institutions to hold coveted 'Triple Crown' status from the three largest and most influential business school accreditation organisations worldwide. Having already gained recognition from EQUIS and AMBA, the Business School was accredited by the US Association to Advance Collegiate Schools of Business (AACSB).

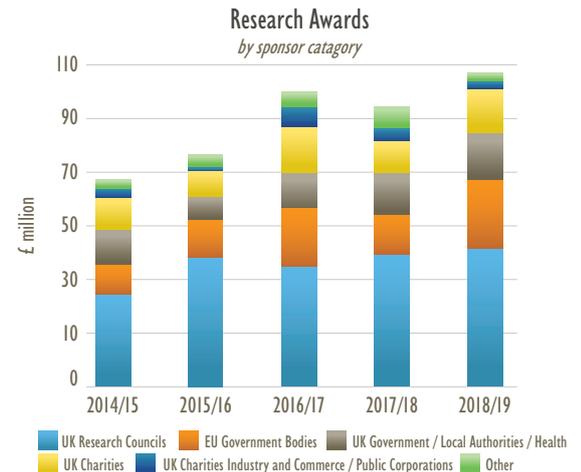
How we performed:

Knowledge – research and impact

Creating and disseminating knowledge that has an impact on society; addressing the many challenges facing humankind is central to our mission.

This year 833 new research awards were secured in a highly competitive peer-reviewed environment, totalling £106.7m. These awards fund multi-year projects, converting to income over the next few years as projects are mobilised and delivered through to completion. Awards represent current and future income. Research grants and contracts income for 2018/19 was £87m, up 14% over the previous year, driven by growth in previous year's research awards.

Funding was attracted from the UK's Research Councils and national academies, Innovate UK, from the European Research Council and other Horizon 2020 schemes, the Wellcome Trust, other medical charities and over 40 industry funders such as AstraZeneca, Novartis, Unilever Research, Quorn, Nike, Exeter City Football Club, Fujitsu, British Telecom and Arup.



³ Based on HESA data, between 2012-13 and 2017-18, our FTE of staff on Education and Research contracts grew by 39% and our staff on Research contracts by 53%.

Research and Impact Strategy

The success of our 2015-2020 Research and Impact Strategy is illustrated by significant growth in research volume; growing at a faster rate than that achieved by any other Russell Group University. This represents a near 40% increase in research active staff and a doubling of staff funded from research contracts within the last 6 years, providing a major expansion of our capacity to undertake ground-breaking research and deliver research-inspired learning.³

Creating a culture of impactful and engaged research is a fundamental priority for the University, and resources and training have been created to support our academics to understand and articulate the opportunities and impact that their research brings. This has resulted in our community being recognised through prestigious awards, personal and institutional recognition and multiple interventions and changes to national policy.

Internationally, researchers have been involved in collaborative initiatives with UN organisations such as the World Health Organisation, the Food and Agricultural Organisation, the UNHCR, the European Food Safety Authority, the Intergovernmental Panel on Climate Change, the Interagency Coordination Group on Antimicrobial Resistance and by advising government departments worldwide, for example in Bangladesh, Tanzania and the USA.

In 2018, 3 in 4 of all co-authored publications involved an international collaboration demonstrating the strength of our burgeoning partnerships that has enhanced the reach and impact of our research. The University continues to grow its portfolio of large-scale collaborative and cross-disciplinary research. Some of this year's successes include a £1M EPSRC Exeter Multidisciplinary Plastics Research

Hub known as ExeMPLaR led by the University of Exeter Business School that has involved colleagues in Biosciences, Psychology and the College of Medicine and Health (see below).

As the UK higher education sector has embraced a more engaged and multidisciplinary research agenda, we too have opened our research to wider academic and non-academic audiences. Through our Open Research Exeter institutional repository, we provide open access to nearly 24,000 outputs. In January 2019, our institutional repository ranked 6th amongst the UK's 150 institutional repositories for the number of publication downloads with 1.8 million downloads in the 2018 academic year.

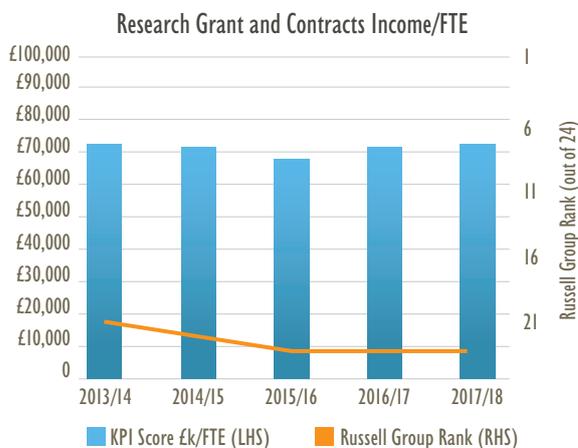
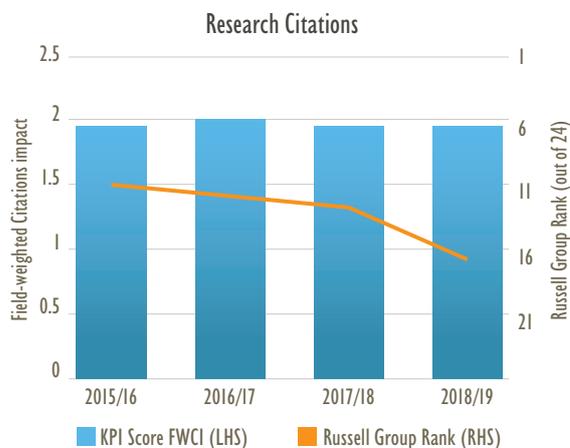
Our Global Systems Institute, launched in 2017/18, hosted the seminal Lovelock Centenary: the Future of Global System Thinking conference in July 2019, bringing together 300 researchers, policy makers, citizens and other professionals from industry and the third sector with 5000 watching a live streamed interview with James Lovelock. The conference reached more than 27 million people via social media.

Led by Professor Neil Gow, the Deputy Vice-Chancellor, we have begun to develop our next Research and Impact Strategy 2020-2025, soliciting input from staff and students from across the University, along with external stakeholders. This is being developed against the backdrop of a changing funding landscape and will enable us to demonstrate the intellectual and methodological agility to flourish in this new context. Our overarching goal will be to ensure we generate the type of environment and culture in which staff feel enabled to realise their individual and collective research goals and full potential. The new strategy will launch in early 2020.

Research Excellence

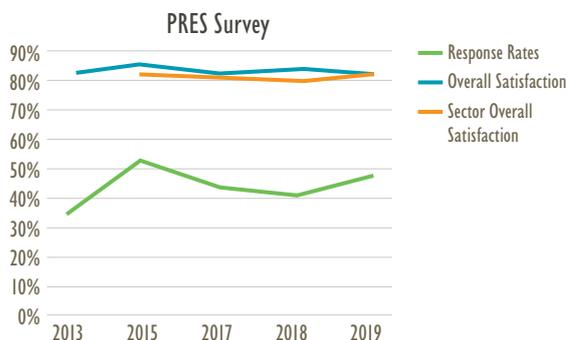
In the Research Excellence Framework 2014 exercise, 98% of the University's research was rated as of internationally excellent quality. The research community, whilst rapidly expanding in number, remains relatively small compared to others within the Russell Group (the UK's most research-intensive institutions). However, Exeter punches above its

weight in terms of research quality as evidenced in the 2019 Leiden Ranking (which are measured by the percentage of publications in the top 10 per cent most cited). This ranks Exeter as 24th in the world, 9th in Europe, 6th in the UK and 5th within the Russell Group. The 2018 Thomson Reuters Highly Cited Researchers list for 2018 featured 12 Exeter researchers.



Research community and careers

We aim to develop talent at all levels – from our strong postgraduate and early career research community through to our most cited research stars. Our annual Postgraduate Research Experience Survey (PRES), measuring the satisfaction of our Postgraduate research students, saw a slight decrease in overall satisfaction from 83.9% in 2018 to 81.3% in 2019, against a Russell Group Average of 81%.



Research sustainability

This year's financial results continue to show a positive trajectory of research performance with research income of £87m, up 14% on 2017/18 with an improved cost recovery rate of 34.7% of income (27.8% in 2017/18). Our strategies for growth and building interdisciplinary capacity and capability has meant that our research income per staff FTE is modestly growing in recent years, increasing from £73.2k per FTE in 17/18 to £77.6k per FTE in 18/19. By this measure we continue to be ranked 22nd (out of 24) in the Russell Group, reflecting the relative size of our science and medicine base in comparison to the large civic and London institutions in our peer group.

We aim to foster an environment that nurtures impactful research as the list below illustrates:

- Professor Mark Jackson (History) awarded the 2018 Wilkins-Bernal-Medawar Medal by the Royal Society for his contributions to the history of science and medicine
- Dr Steve Simpson received the 2019 Zoological Society of London Scientific Medal
- Professor Peter Stott (Mathematics) was awarded the 2019 Royal Meteorological Society Climate Science Communication Prize

- Professor Frances Wall (Camborne School of Mines) received the 2019 Geological Society of London's William Smith Medal for her achievements in applied geology
- Professor Huw Williams (Psychology) won the British Psychological Society's 2019 Barbara Wilson Award for Lifetime Achievement in Clinical Neuropsychology
- In March 2019 Dr Katie Lunn (College of Medicine and Health) was awarded the 2019 Cavanagh Prize from The British Neuropathological Society for her significant contribution to the understanding of the Neuropathology of Neurological Disease
- Professor Clive Ballard (College of Medicine and Health) was awarded the 2019 Weston Brain Institute International Outstanding Achievement Award
- Professor Bill Barnes was awarded the Institute of Physics 2019 Thomas Young Medal for his contributions to nanophotonics
- Professor Gilles Chabrier the 2019 Fred Hoyle Medal for his contributions to astrophysics
- Dr Ryan Hanley (History) received the Royal Historical Society's 2019 Whitfield Prize for British or Irish History
- Professor Annette Broderick received the 2019 Zoological Society of London March Award for Marine and Freshwater Conservation
- Professor Tamara Galloway (Biosciences) was awarded the OBE for services to environmental science
- Professor Lee Elliot Major (Education) received an OBE for his work on social mobility
- Dr Timothy McDonald (College of Medicine and Health) received the NHS Healthcare Scientist of the Year award in March 2019
- Professor Andrew Hattersley (College of Medicine and Health) featured in the Pathologist's Power List 2018: the 100 most inspirational and influential professionals in laboratory medicine.
- Professor Tamsin Ford (College of Medicine and Health) was awarded the CBE for her work in improving the mental health of children
- Professor Richard Betts, of the Met Office Hadley Centre and the University of Exeter, was awarded an MBE for services to understanding climate change



Vibration Simulation Centre established at Exeter Science Park to build industrial partnerships

A new £7.2 million national research facility supported by EPSRC will build partnerships with businesses, architects, engineering and healthcare organisations who are interested in understanding the impact of vibrations on buildings, structures, equipment and people's health and wellbeing.

Two purpose-built, multi-dimensional Vibration Simulators have been created of which one will establish a unique facility at Exeter Science Park, enabling a multi-disciplinary team of engineers, medics, physiologists and psychologists led by Professor Alex Pavic to work with partners to better understand how vibrations from very tall buildings, bridges and floors could affect the integrity of those structures and the human environment, their work, performance, and behaviour. A new three storey building at Exeter Science Park is due to open in early 2020.

The 'VSimulators' national testing facility will not only recreate the structural motion people experience, but the surroundings, temperature, humidity, noise, air quality and even smells of buildings. State-of-the-art virtual reality and human body motion capture equipment will help the team to devise solutions to mitigate impact and help designers, planners, architects and engineers in the construction or refurbishment of buildings. A 4x4 metre motion platform, linked to the VR scenarios, will enable up to nine occupants simultaneously to perceive realistic motion as they move around in a virtual world, whilst optical and inertial motion capture systems and an array of force plates will record their experiences.

CASE STUDY



IDSAI and the Alan Turing Institute

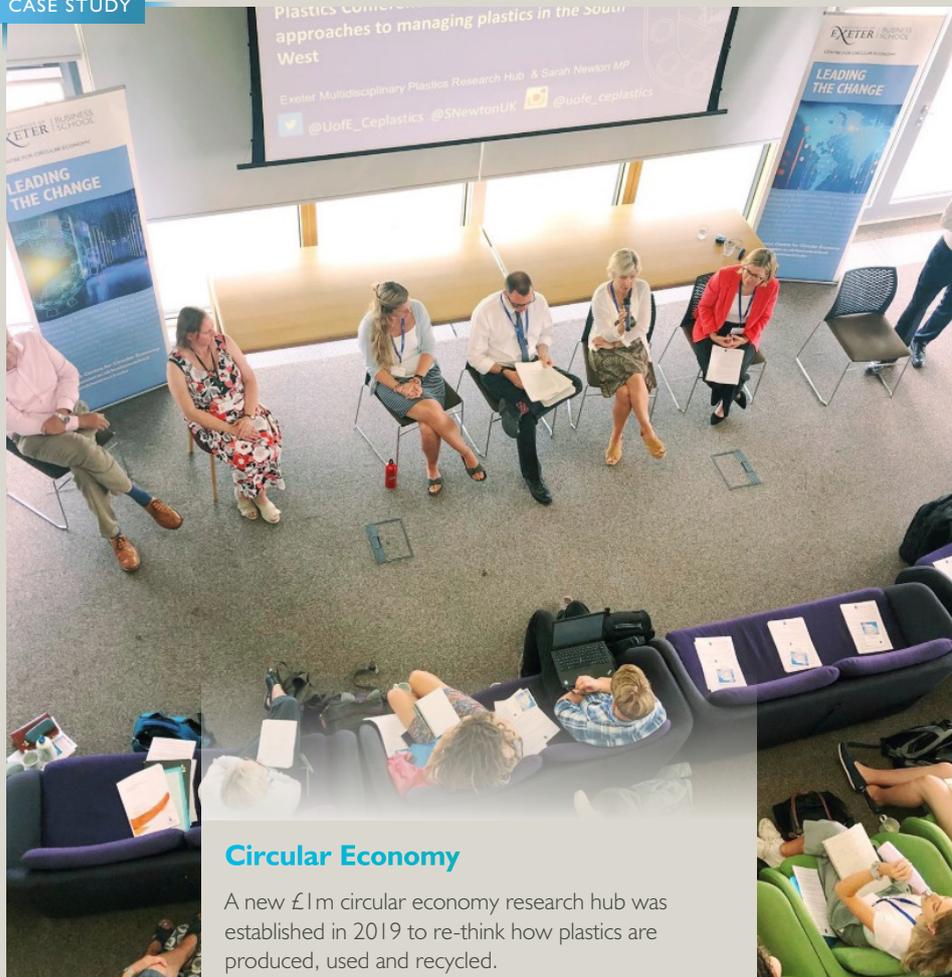
Our recently established Institute of Data Science and Artificial Intelligence (IDSAI) represents a step change in the University's data analytic capabilities enabling cutting-edge fundamental research to occur, driving new collaborations and creating transformative impact in a wide range of academic contexts.

IDSAI is the focus for Exeter's partnership with the Alan Turing Institute - the UK's national institute for data science and AI. Since joining the Institute we have been awarded five funded research projects totalling £1.5m over three years and have generated a cadre of 25 Alan Turing fellows who are embedded in all six of our Colleges across a wide diversity of disciplines including mathematics and computer science, medicine and biosciences, philosophy, geography, politics and business.

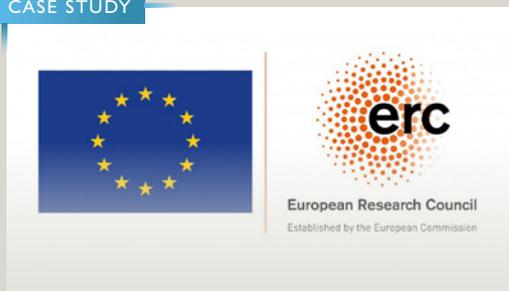
One such research project, "Data Science for Sustainable Development: Environment, Climate and Health", is led by Professor Gavin Shaddick and Professor Tim Lenton, and seeks to utilise a combination of algorithms, machine-learning and data science approaches along with high-performance computing facilities to capitalise on the enormous volumes of environmental data available in order to enable evidence-based decision making in this context. This will enable progress to be measured and evidenced against national Sustainable Development Goals, for example. The project complements a new £5.3m UKRI Centre for Doctoral Training programme in Environmental Intelligence awarded to Exeter that will train 50 PhD students over the next 8 years.

Professor Susan Banducci was awarded a Turing Fellowship to apply data science and machine learning algorithms to social science questions, seeking to understand how social media inform, engage and mobilise the electorate and contribute to political polarisation through misinformation.

CASE STUDY



CASE STUDY



European Research Council success

The EU Horizon 2020 programme includes European Research Council (ERC) grants that give researchers a unique opportunity to follow their scientific curiosity and conduct blue sky research.

These grants are highly competitive with a success rate of around 11-12% in 2018 funding rounds, providing funding at scale for extended projects. Early career researchers can apply for ERC Starting Grants, which support five-year programmes of research in innovative and ground-breaking areas:

- Dr Bertram Daum, a member of our interdisciplinary Living Systems Institute, was awarded an ERC Starting Grant (c. €1.7m) to pioneer new research that will use the distinctive properties of a diverse group of microorganisms, called archaea, to engineer microscopic robots, dubbed 'biohybrid microrobots'.
- Dr Muireann Maguire, Senior Lecturer in Russian in the College of Humanities, was awarded an ERC Starting Grant (c. €1.3m) for the project The Dark Side of Translation: 20th and 21st Century Translation from Russian as a Political Phenomenon in the UK, Ireland, and the USA. This aims to demonstrate the links between translation and national identity at key points over the last century, improving our understanding of how the ever-changing political situation between Russia and the rest of the world affects the translation of Russian literature.
- Dr Dave Phillips, a Senior Postdoctoral Fellow in CEMPS, was awarded an ERC Starting Grant (c. €1.8m) for a project called Rendering the opaque transparent: Untangling light with bespoke optical transforms to see through scattering environments. His research will uncover how to control light that has been scrambled by passing through opaque media such as biological tissue, leading to the development of new non-invasive imaging systems to peer into environments such as the human body using only visible light.

Circular Economy

A new £1m circular economy research hub was established in 2019 to re-think how plastics are produced, used and recycled.

The Exeter Multidisciplinary Plastics Research Hub (ExeMPLaR) is one of eight prestigious new research projects across the UK and employs researchers to investigate alternatives to fossil-based production of plastics, as well as looking into the complex factors involved in the life cycle of plastic materials, from consumers' and business' needs and behaviours, to how technologies can be used to reclaim or break down plastics.

ExeMPLaR will combine the expertise of academics from across the University who will also work alongside a large number of partners, including public bodies, businesses and the public sector. This requires a whole systems approach and a shift in mind-set from a linear take-make-dispose to a circular economy model.

The Hub is co-led by Professor Peter Hopkinson, Director of the University's Centre for Circular Economy within the Business School, and by Professor Tamara Galloway, Professor of Ecotoxicology in Biosciences. Their collaborative and interdisciplinary approach will develop regional circular plastics systems to design out plastic waste at the outset and design a system to enable plastics to be re-used at their highest value for the longest period.

ExeMPLaR is one of the very first projects to be funded through the Plastics Research Innovation Fund (PRIF). Through the fund, UKRI is drawing UK researchers together with private sector companies to address the challenges of plastic waste reduction to prevent it entering the environment and its disruption of natural ecologies and food chains.

CASE STUDY



Expanding Excellence in England - E3 award

Diabetes research at Exeter has an international reputation and has led to significant practical medical advances. Diabetes is a global challenge with an estimated 387 million people worldwide with diabetes in 2014 (2.8 million in the UK) rising to an estimated 592 million by 2035. It is a major cause of heart disease, stroke, blindness and kidney failure and accounts for greater than 10% of all UK health spending. Exeter is leading the way with research focused on improving patient diagnosis, treatment and care.

Research England's Expanding Excellence in England (E3) scheme helps to build new capacity to deliver excellent research by funding projects to grow small but excellent research units. It made 13 awards in its first allocation round in June 2019, with the University receiving an award of almost £6 million for a three year project to grow the Diabetes Research Unit.

E3 funding will expand the team's ability to holistically investigate the disease by strategically focussing on building capabilities in immunology, data science and cell biology to create a step-change. The Research England award will also support investment in state-of-the-art imaging and sequencing equipment and create a new PhD programme to expand capacity in this field.

CASE STUDY



£1m donation for project to examine the price of birdsong

What is the natural world worth? Can you put a price on birdsong? These are among the questions to be addressed by a new project which aims to discover how economics can help protect the environment.

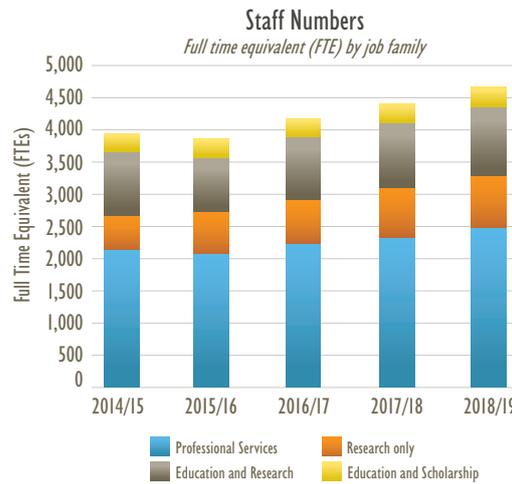
Economics and conservation are often seen as unrelated, but the project will try to place an economic value on biodiversity so it can be taken into account and become part of individual, corporate and governmental decision making. Fund management company Dragon Capital and the University have together committed £1.6m over the next five years, and a newly appointed Professor will take the role of "Dragon Capital Chair in Biodiversity Economics" next year.

Alumnus Dominic Scriven, Executive Chairman and Co-Founder of Dragon Capital, said he wanted the University to investigate how much are people willing to pay to maintain the existence of, or be compensated for the loss of, biodiversity in all its forms: "It has never been more important for businesses and individuals to understand the impact they are making on society to ensure the conservation of our planet. We are therefore delighted to be making this combined commitment and look forward to working with the University to find answers to the key questions that too few people are asking."

Our combined investment will concentrate resource into an important area where economics meets ecology and the Dragon Capital Chair will encourage market behaviours that foster the preservation of the natural environment. The project will address the central question of whether there is any correlation between biodiversity and the success of the economy and whether individuals and organisations can, and should, place an economic value on biodiversity.

As part of the applied research, the Dragon Capital Chair will develop trading platforms to advance price measurements of biodiversity. Individuals and businesses will have access to counterparties offering a wide array of conservation solutions in-country, following through on their stated preferences. The international programme will cover both developed and developing countries, with a particular interest in the United Kingdom and in South East Asia (especially Vietnam, Cambodia, Myanmar, Sri Lanka and Bhutan).

How we performed: People



Working together to attract, develop and retain outstanding individuals from around the globe

We have a strong and vibrant community of dedicated staff, students and graduates which are key to our success as an institution. The Higher Education sector has faced a challenging and uncertain year, but we are proud of the many achievements we have made to secure our position as a top performing, global University. An important part of this is supporting our 4,697 staff to fulfil their potential

as part of our People Strategy; rewarding colleagues fairly for their contribution and creating a positive working environment for all. You can read more about our People Strategy here: www.exeter.ac.uk/staff/employment/about/hr/strategy/

The 2018/19 full time equivalent staff increased by 6% while total staff costs increased by 9.7%, reflecting continued investment in staff, along with increased pay and pensions costs.

Apprenticeships

Our apprenticeship scheme has seen exponential growth over the year with a 200% increase on last year's new starters. Between April 2017 and March 2019 there were 113 apprentices working for the University. The University is now a member of The 5% Club, joining around 300 other employers to demonstrate our commitment to investing in apprentices by raising numbers on formal programmes to 5% of our total workforce within five years.

Organisational Development

We strive to make Exeter a place where people can fulfil their potential, placing learning at the heart of our organisational development in line with our People Strategy. We are continuing to develop our award winning Exeter Academic programme and have successfully launched our new ePDR (electronic Performance Development Review) system, which encourages more regular interaction and feedback on performance and development.

Equality, Diversity and Inclusivity

We are committed to creating an environment where all members of our community can flourish. We want our commitment to equality, diversity and inclusivity to underpin how we operate, how we think about our strategies, how we implement our goals and how we interact and communicate at all levels. We have been on a journey of reflection regarding our culture and how we take our equality, diversity and inclusivity commitments further. This has been informed by a number of initiatives and by listening to our staff and student community. To drive the next step in this journey we developed a new EDI vision in 2018/19 with our community, to guide our development over the next five years. Amongst our flagship initiatives are celebrating our diversity and cultural richness through events such as Exeter Respect on Campus, annual Diwali celebrations, celebrations of Exeter Pride and bringing influential role models and champions of equality to our campuses through the Individuality Speaker Series. In terms of facilitating reporting, we have now introduced University 'Speak Out Guardians' to join our strong network

of Dignity and Respect Advisors, providing confidential and informal support services. Our Equality and Diversity Annual Report is available online at: www.exeter.ac.uk/staff/equality/equalitydata/annualreports/

Gender Pay Gap

We are pleased to see a 1.2% improvement in our institutional gender pay gap metric, from 17.2% in 2017 to 16% in 2018, demonstrating our longstanding commitment to improving career opportunities for women and working towards increased gender equality. We have also seen a notable increase in female professors, from 17% in 2012 to 28% in 2018, reflecting the positive steps to increase the representation of women in senior roles and providing greater support through the promotion process.

Race Equality Charter Mark

Building on our Athena SWAN success of achieving an institutional silver award, we made a commitment this year to gain the Advance HE's Race Equality Charter Mark.

The Provost Commission

The Provost Commission was established in May 2018 by the Provost, Professor Janice Kay. It is designed to recommend and implement new approaches and policies to ensure we are an open, diverse and safe University community. The Commission is comprised of a group of students, members of the Students' Guild and The Falmouth and Exeter Students' Union, the Speak out Guardians and supported by colleagues in the EDI team. The group also engages with alumni and other stakeholders and partners locally, nationally and internationally.

For the past 12 months, the group has been working to create an inclusive culture across the University, celebrating our diversity through events such as Exeter Respect on campus, reviewing our policies and how we communicate, creating new educational resources and implementing new anonymous and informal tools to encourage reporting of harassment or discrimination.

CASE STUDY

**EXETER
SPEAKS OUT**

CASE STUDY

Individuality Speaker Series

In recognition of feedback from students that there should be more diverse role models on campus, the Individuality Speaker Series was launched to share new perspective, insights and to celebrate individuality. Two events were held in 2018/19 hosted by the Provost; Professor Tawara Goode, Director of the National Centre for Cultural Competence at Georgetown University shared insights on how we can use cultural competence to further EDI and Zrinka Bralo, CEO of Migrants Organise spoke on the topic of creating welcoming environments.

Exeter Speaks Out

One of the first actions of the Provost Commission was to create a new hub of information and support related to equality, diversity and inclusion with tools for reporting concerns. This has made accessing information and support more straightforward and clear. The webpages have been promoted to students and staff with a particular emphasis on promotion during Freshers' Week and induction activities. We are monitoring our effectiveness and seeking further opportunities to make reporting easier.

CASE STUDY

CASE STUDY

Revolutionising the All-Terrain Mobility Platform with SC Group

Supacat, part of SC Group, are a world leader in the design and development of high mobility all-terrain vehicles for defence and domestic applications. Their founding product, the popular diesel powered All-Terrain Mobility Platform (ATMP), has remained unchanged in over 2 decades and Supacat were keen to reinvigorate the vehicle by powering it with the latest hybrid and electric technology. Such changes would reduce fuel consumption and environmental impact, increase the vehicle's range and create new applications for the ATMP.

Following a series of group design projects with Engineering students, SC Group embarked on a Knowledge Transfer Partnership (KTP).

Through the KTP, Supacat have worked closely with Professor Chris Smith and Matt Harvey, a recent graduate employed as the KTP Associate, to research, develop and integrate an electric drivetrain in the ATMP. The project aimed to produce a working prototype suitable for customer testing as well as develop new technologies that are transferrable to the entire Supacat range.

Now nearing completion, the project has successfully built and tested an electric-powered ATMP vehicle that was showcased to considerable acclaim at the Defence Industries flagship tradeshow, DSEI, at EXCEL in London.

This successful KTP has led to the creation of another KTP with Supacat. Led by Dr Prathyush Menon, the new KTP is developing an optionally manned, autonomous ATMP electric vehicle to work in extreme, unstructured off-road environments.

Career mentoring: Valeria Winkelmann, President, of SIHMUN a 5 day Swiss International Hospitality Model United Nations (SIHMUN) Conference

"I wanted to thank you again for sending us such an amazing group of students! They were simply wonderful: eager to learn, excited to participate and so active during all activities that they brought so much pleasure not only to the entire SIHMUN team but also to all speakers and other participants during this event! We really appreciated having them and we couldn't have wished for a better group! It would be a delight for us to welcome you and students from your University of Exeter anytime again at EHL!"

Philanthropic Relationships

Over £8.5m of philanthropic funds were raised during the last year, one of the University's best ever annual fundraising performances, with over 2,800 donations made. Particular highlights are the two £1m donations from the John Oldacre Foundation to support research into sustainable agriculture and from alumnus Dominic Scriven to fund the Dragon Capital Chair in Biodiversity Economics.

11,499 volunteering hours were also secured from supporters with the majority of alumni time spent mentoring students. The impact of this is significant; those students who participate in the Career Mentoring Programme record, on average, a 7% uplift in graduate employment scores compared to those who don't.

By the end of the 2018/19 financial year, the Making the Exceptional Happen Campaign had raised funds totalling £55.9m, 93% of the campaigns target, with 78,807 volunteering hours secured, representing 131% of target. The Campaign is due to close in December 2020.

How we performed:

Relationships

This was another record breaking year for our work with non-academic partners on research, education and philanthropic collaborations. Our income from partnerships with business and other partners reached £60.2m; the campaign reached £50m - 85% of the overall target and donor numbers increased so that over the last three years the University has averaged the highest growth rate of donor numbers in the Russell Group; and student work experience opportunities have increased by 1,000, with Exeter ranked 105th in the World for the 'employer reputation' metric used in the QS World University Rankings - our highest ever ranking.

Collaborations with business and government agencies

The University ranks 22nd overall, an improvement of one place, in the HE-Business and Community Interaction Survey with projects worth £60.2m. Our growth on last year was 11%, almost twice the overall national increase of 6%.

Highlights included the £31m partnership with South West Water for the establishment of the Centre for Resilience in Environment, Water and Waste (CREWW), £10m of which is funded from Research England's UK Research Partnership and Investment Fund and the £25m South West Institute of Technology - a partnership with FE Colleges across the South West along with the University of Plymouth - to revitalise training in digital and technology subjects in the South West. Exeter now ranks 10th in the UK for the number of Knowledge Transfer Partnerships - business and technology improvement projects with small businesses and ranks 4th in our comparator group for spin-outs with an average of 3 per year.

The University was also awarded a £10m Centre for Doctoral Training in Environmental Intelligence with a wide range of business partners including the Met Office Informatics lab, EDF Energy, OASIS, Amazon Web Services, Microsoft, Google Deepmind, Ordnance Survey, Hydrographic Office, Office for National Statistics, IBM, World Health Organisation and Exeter City Futures.

Partnerships for employability

A further 1,000 work-related learning opportunities have been created to assist students expanding their exposure to employers, opportunities and better understanding professional career paths in the labour market, including group 'Insight' visits to employer sites in the South West e.g. Goonhilly Earth Station, Met Office and further afield such as China Internships and visits to the United Nations

in Geneva. The year saw the 10th anniversary since the launch of the Career Mentoring Scheme with over 2,500 Exeter students participating. This year will see a record 640 students (a 37% increase on last year) partnered with experienced professionals from local-based and national employers from a diverse range of sectors and occupations, with an additional 200 students supported through the alumni-supported Expert career-enquiry service. Many of these mentors will be alumni, over 20% of which are entrepreneurs and over 25% holding senior positions at board level of national and international organisations. These partnerships not only benefit the career prospects of our students but extend the University's reputational 'reach' to external influencers across all industries."

CASE STUDY

South West Water Research Partnership

During the last 3 years, the University has brought together academics across departments and teams across South West water (SWW), to create a transformative institution-scale relationship. This has resulted in SWW's commitment to establishing a multi-million pound collaborative research centre - the Centre for Resilience in Environment, Water and Waste at the University, part funded with a £10m grant from Research England's UK Research Partnership Investment Fund. The new research facility will be the first purpose-built centre of this type in the water sector, and enable the innovative, transdisciplinary 'whole system' approach required to address the current and future challenges of the industry. The initiative is led by Professor Richard Brazier, Professor of Earth Surface Processes. His collaboration with SWW's Upstream Thinking programme has won the Utility Industry and Water Industry Achievement Awards, the CIWEM Wetlands Award, the Pennon Environmental Award and personal recognition via the pride of Devon Environmental Award.

How we performed:

Physical resources

The major focus over the last year has been enabling our ambitious Capital Strategy with significant investment in our built estate, digital services, IT services and research equipment; creating and enhancing the capabilities to deliver world-class research and internationally excellent education.

Medical Research Council (MRC) Centre for Medical Mycology (CMM)

The MRC CMM is a joint investment by the MRC and the University, representing one of the most ambitious strategic investments in medical mycology worldwide. The centre spans both the College of Life and Environmental Sciences and the College of Medicine and Health.

Mycology is an area of urgent medical need with more than 1.5 million deaths worldwide each year caused by fungal infections. We have committed £13m to a project that will involve relocation of 89 staff and create space and creation of labs to accommodate up to 130 new research posts.

The Centre complements and enhances our existing research strength in living systems, life sciences and medicine, placing Exeter at the forefront of fungal research. The Centre aims to expand internationally with an ambitious network of research activity in low and middle income countries, which suffer from the burden of fungal related diseases, building upon an established unit in Cape Town to serve as a research and training hub for the whole of Africa with plans for similar hubs in South America and Asia.

The new Mireille Gillings Neuroimaging Centre

The new Mireille Gillings Neuroimaging Centre forms part of the University of College of Medicine and Health's clinical research infrastructure. It will transform research and diagnosis of dementia and other neurological diseases, funded by part of a £10 million donation from the Dennis and Mireille Gillings Foundation. Work is currently under way to construct a cutting-edge new imaging centre expected to rapidly accelerate dementia research and improve healthcare which is scheduled to be officially opened in spring 2020.

Student Residences - East Park, Moberly and Spreytonway

New student residences projects at East Park, Moberly, and Spreytonway commenced during the year as part of the University's ongoing commitment to provide a high quality on-campus student experience. These residences will create over 1,500 new student bedrooms to accommodate more students on our Streatham Campus and reduce pressure on the city's accommodation, supporting the City Council's requirements to accommodate at least 75% of student growth numbers in purpose built accommodation.

The University has once again partnered with University Partnerships Programme (UPP) to deliver the new residences, a partnership that started in 2009. Following the completion of East Park, Moberly, and Spreytonway, UPP will operate over 4,120 rooms on the University's campuses.

East Park financial close was achieved in December 2018, realising a capital receipt to the University in excess of £30m with UPP funding the £95m construction works which commenced in January 2019 to construct 1,182 bedrooms over two phases. Phase 1 will deliver 604 rooms in August 2020.

All the new residences will provide high-quality accommodation for our students at different rental levels, within walking distance of lectures, the library and education support services, as well as the Students' Union and our excellent sports facilities. Each residence will also provide accessible accommodation, cycle storage, and spaces to socialise and study.

How we performed:

Physical resources



University declares an environment and climate emergency and also strike a collaborative clean energy deal to cut prices and emissions

On the 20 May 2019 the University declared an environment and climate emergency to support those calling for urgent action and show commitment to leading the change required. As an institution that is at the forefront of environment and climate change research we had no hesitation in making the declaration.

In order to act on it we have bought together our world leading experts on climate change and the environment, along with our Professional Services teams, into a group headed up by Professor Juliet Osborne, Director of the Environment and Sustainability Institute. The group has been tasked with developing an action plan based on evidence and science.

The University has been a driving force as a board member of The Energy Consortium (TEC) collaboratively joining forces with nineteen of the country's leading universities to strike a landmark renewable energy deal that will reduce both their bills and carbon footprints. The ground-breaking aggregated power purchase agreements (PPA) will see the pioneering universities buy £50m of renewable energy from a portfolio of wind farms. The deal fixes power prices at a competitive rate for the next ten years – and in doing so, minimises their exposure to market volatility.

This is part of a portfolio of measures that the University is taking to ensure that our utility supplies are from renewable sources. This includes our current electricity which is supplied by 100% backed renewable sources and through on site generation such as the recently completed solar PV car port within Streatham car park B, which is our largest installation to date.

Stella Turk Building

In February 2019 the £12m Stella Turk Building was successfully opened on the Penryn Campus, providing extensive research and laboratory space, accommodating 200 researchers, specialists and post-graduate students across all disciplines, including the Business School, the Centre for Ecology and Conservation, Renewable Energy Policy and Mathematics. The building has achieved BREEAM Excellent rating for its sustainable credentials. Professor David Hosken, Dean of Strategic Development of the Cornwall Campuses, said:

“From its inception, the Penryn Campus has continually expanded its research endeavors and now accounts for 20% of the University’s overall research activity. However this success has created pressure on existing research space.

The Stella Turk building allows us to build on our research strengths and further expand our research capabilities in sustainability. It will also help us to engage with local businesses and enterprises, increasing our contribution to the Cornish knowledge economy and helping to create jobs and wealth in the local area.

We are incredibly grateful to the Garfield Weston Foundation for their contribution and for helping us in realising our ambitious plans to provide outstanding research facilities in Penryn.”

Project North Park

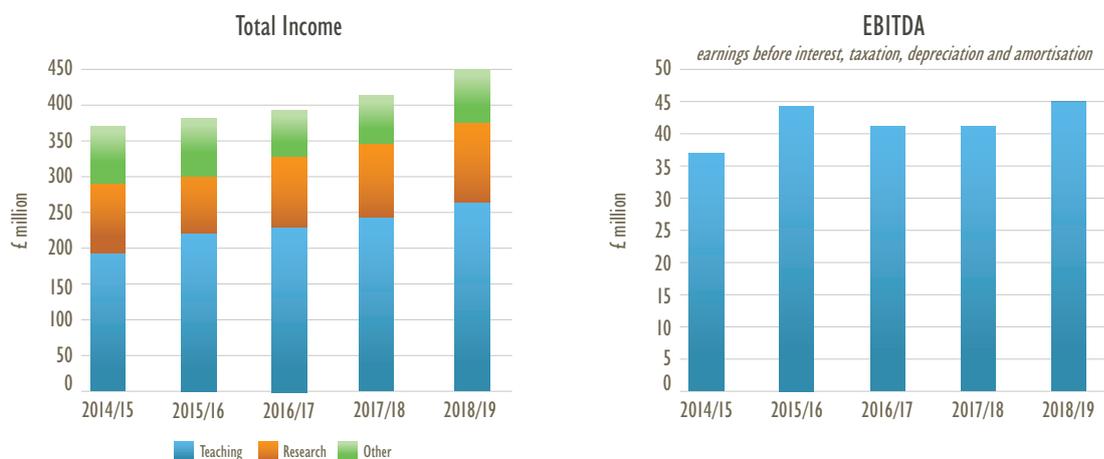
North Park, an £82.5m research and teaching facility, is planned for the Streatham Campus. The building will create a space to grow research that addresses some of the greatest challenges the world is facing now and in the future, including global sustainability, Data Science and AI, resilient water and waste management, and star and planet formation. It will be a place where academics, students, our external partners and the public can come together to collaborate, innovate and be inspired by research and education in a digitally enhanced environment.

In July 2019 Council approved plans to move ahead with the detailed design of building, with planning permission expected by spring 2020 and construction starting in December 2020.

How we performed:

Finances

Strong finances underpin the delivery of all our strategies. Over the year, total income grew to £449m (£416m in 2017/18), driven by a 14% increase in research income and a 7% increase in teaching income.



Our finance target is based on generating sufficient cash each year, defined by EBITDA, to fund our capital strategy and our debt servicing costs.

Last year was an exceptional one in terms of our financial performance: EBITDA of £45m was £3m higher than the prior year, capital expenditure of £42m was £6m higher and cash and investments balances ended the year at £137m, up £32m on the prior year. This level of performance was partly driven through a 14% increase in income from research grants and contracts and a 12% increase in income from higher margin international student tuition fees.

However, accounting for pensions, in particular the 2017 valuation of the national multi-employer Universities Superannuation Scheme (USS) has resulted in a material one-off charge of £87m, and as a result the University has posted a deficit for the year of £72m. This charge is a result of the 2017 USS valuation, recording a scheme deficit of £7.5 billion. In September 2019, after the balance sheet date, this plan was superseded by the 2018 USS valuation, resulting in a reduced scheme deficit of £3.6 billion. Had this 2018 valuation been in place at 31 July then the Group deficit for the year would have been £17m rather than the £72m posted. UK accounting standards requires the recognition of the commitment to pay down the scheme deficit over the next 10 years as a single up-front accounting charge. Our budgets make provision for the cash funding of increased annual deficit repayments over the next decade.

Pensions remain a significant challenge for the sector and considerable work is planned over the coming 2 years, likely to involve significant reform to the sectors pensions' provision to place it on a financially sustainable footing.

The deficit for the year, driven by the increase in USS pension liability, also resulted in the net assets reducing to £463m (£538m in 2017/18).

Cash and investments balances, at £137m (£105m in 2017/18) would cover 126 days of average expenditure. The increase in cash reflects a material one-off capital receipt arising from the granting of a service concession arrangement for the development and operation of 1,200 student bedrooms on the Streatham campus, currently in the course of construction. This receipt is treated as deferred income, to be released to income over the 52-year life of the contract.

As the capital strategy continues to ramp up, particularly with the delivery of the accelerating the digital programme and the progress of the North Park project, capital expenditure will begin to exceed planned EBITDA in the coming years and as a result cash balances are planned to decline.

Further details of how our finances performed over the year can be found in the Financial Statements to 31 July 2019 on page 33 of this report.

What do our students think?

The 2018/19 Presidents of our two students' unions give their view of the University's performance over the last year and the value students receive.



The University and Students' Guild are constantly responding to changes within the sector, a volatile and uncertain political environment and an ever changing cohort of students. Just as both organisations believe they are providing the best services possible, everything changes. Together the Guild and University have to be as proactive and reactive as possible to ensure that students' experience are at the forefront of all that is done. This is closely monitored and made possible by the positive working relationship between the University and both student unions, a unique relationship not to be taken for granted. Students are represented throughout all structures and elected officers are invited to champion on behalf of the student body.

Where does my tuition fee go?' is a question heard constantly throughout the University. With the ever changing array of degrees on offer from the institution this in turn results in a disparity of experience among students. From home undergraduate students, to international masters students, to medics in Truro, to degree apprenticeship students, to part time distance learners and everything in between the Students' Guild and the University must work together to ensure that students from all backgrounds - wherever they are based at home or abroad and however long they are studying - feel as though they are receiving the best value possible.

With growing student numbers and planned growth it is essential that the University is prepared and that expansion will not have a negative impact on student experience. Value does not simply just link to the investment and monetary output students and their families make but also to the value of their time through the extra curricular activities on offer, the skills they learn and in turn the jobs they will aim to secure upon graduation and far beyond. It is important that the University is transparent with students regarding where their fees and investment is going. This is a global institution constantly achieving ground breaking research that often students in unrelated subjects are unaware of. The University should celebrate and share its achievements with the community.

The University alongside students has worked tirelessly throughout the past year to help co-design and create new Education and Research and Impact strategies that will impact students first hand. Through innovative thinking and collaborative working the University has ensured that the quality of teaching, variety of assessment and subsequent feedback, the facilities and resources including investment into digital transformation will be of top quality moving forward. There have been huge investments over the past year in to facilities to push the institution to achieve and share success in many areas, the climate emergency and sustainability to name one.

The relationship between the University, the Students' Guild in Exeter and Student Union in Penryn is critical in ensuring that students voices are heard, needs are catered for and the experience is of the highest possible standard it can be.

Grace Frain, Guild President 2018/19



The University of Exeter's Cornwall Campuses and Student Union are a unique part of the University and demonstrate key values that are important in providing an outstanding student experience, as well as opportunities for development. The Student Union for the University of Exeter in Cornwall has developed a strong voice for students in the wider network of the University since the campuses were built over 10 years ago. This is reflected in the partnership working that takes places on senior university committees between the University and both Student Unions, such as Council, Senate and Education Executive.

The Higher Education landscape is faced with challenging times as political uncertainty and climate change continue to impact on the lives of the students we work to support. When faced with such significant hurdles, it is important that the voices of students are heard loud and clear, so that the student experience now and in the future is not lost in discussions of finances and forecasts. It is more important than ever that we foster cultures of collaboration. Be that in engaging, co-developed, research-led teaching between staff and students, in open and productive Student-Staff Liaison Committees, and in respect and understanding of the diverse student population that we have at each of the University of Exeter's campuses.

As a student representative on the University Council in 2018/19, I felt a genuine development in understanding of the unique student experience at the Cornwall Campuses by the University Executive and appointed members of Council, and how the factors that contribute to that experience are and will be affected by local and national issues, such as the importance of our shared location with Falmouth University, small student numbers and sense of community.

It is my hope that the feedback raised by student representatives continues to be built into plans for the future development of every aspect of the University, so that we can work together to preserve the student experience for each and every student.

Izi Robe, FXU President Exeter 2018/19

Risk

How we manage risk

The University's risk appetite sets out the amount of risk that the institution is willing to seek or accept in pursuit of its long term objectives, and acknowledges that exposure to key legal, regulatory or significant financial risks must also be minimised. It is also acknowledged that the appetite for risk will vary depending on the activity being undertaken.

The risk category classification is set out in the table below, defining the appetite that the University has, and the tolerance – the maximum level of risk accepted for each category. A score that meets the criteria for "High Amber" (marked "H" within the table) is the maximum level of risk tolerated. Risks meeting this score are discussed at the Professional Services Leadership Team (PSLT), and, where appropriate, reported onwards to the Vice Chancellor's Executive Group (VCEG).⁴

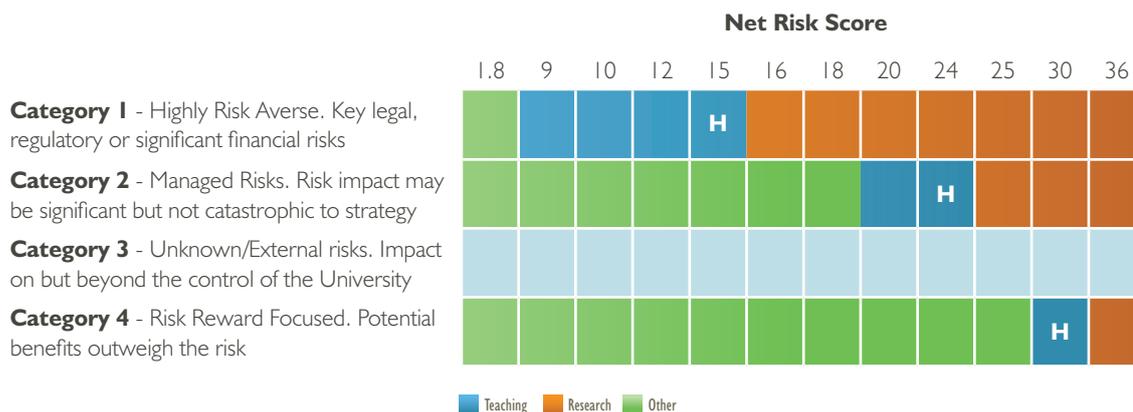
Institutional Risk Registers

This corporate risk management model is used for all risk registers across the University, ensuring consistency in scoring, articulation and prioritisation of risks. This enables key emerging risks at college or service level to be flagged and fed up to the corporate risk register where this is appropriate.

The institutional risk registers are listed below:

- **Corporate risk register** – key strategic risks identified and reviewed at senior management level. Reviewed by relevant Dual Assurance Group(s). Reported to VCEG termly and to Council twice a year. The highest scoring principle risks on this register are detailed below.
- **College risk registers** – risks identified, reviewed and managed at college level. Reviewed at Director of College Operations level regularly, reported to VCEG termly and to Council twice a year. Red and high amber risks are also reviewed at PSLT prior to reporting to VCEG and Council, and by relevant Dual Assurance Groups.
- **Professional Service risk registers** – risks identified, reviewed and managed at service level. Reviewed at Directorate level regularly, reported to VCEG termly and to Council twice a year. Red and high amber risks are also reviewed at PSLT prior to reporting to VCEG and Council, and by relevant Dual Assurance Groups.

⁴ VCEG is the University's senior team. PSLT is the leadership group of Professional Services covering the administration and operational support functions of the University.



Principle Risks to University Strategy

The following 7 risks are the highest scoring risks on the corporate risk register.

Risk	Threats to Information Security Systems	Pensions Costs	Failure of Information Governance	Health and Safety Enforcement
Current Position	<p>The threat and instances of cyberattack remain high.</p> <p>The University has implemented a Security Information Event and Management (SIEM) solution to mitigate this. This enables increased scrutiny of activity across the University network, enabling rapid detection and response.</p>	<p>The USS pension scheme requires increased employer/employee contributions to recover a deficit.</p> <p>This risk is externally imposed.</p> <p>While pension liabilities have materially increased they will be paid out over the next decade..</p> <p>A second report from the Joint Expert Panel is due in the Autumn, informing the next USS 2020 valuation that has just commenced.</p> <p>The senior executive team are keeping a watching brief. It is likely that the pensions issue will lead to national industrial action by trade unions.</p>	<p>2019 has seen a small number of data breach incidents reaching the level required for self-reporting to the Information Commissioner's Office (ICO). All three incidents have been subject to ICO investigations with no further regulatory action. Mandatory Information Governance and Security training is now required to be completed every two years by all staff.</p> <p>Phase Two of the GDPR project is progressing well and due to complete in December 2019.</p>	<p>Improvements in our management of Health Surveillance have led to an increase in RIDDOR reportable instances. This was expected, and is an important aspect of tightening health and safety controls. The increase in reporting has resulted in further HSE inspections. No action has been taken by the HSE, however there is a risk of repeat inspections as we progress with the programme.</p>
Governance and Oversight	IGSSG* Reported to VCEG*		IGSSG Reported to VCEG	Health and Safety Executive Reported to VCEG
Link to Strategy	1 4 5	4 5	1 4 5	2 3 4 5

*IGSSG is Information Governance Strategy Steering Group
VCEG is the Vice-Chancellor's Executive group

Strategy Key:

- 1
 Building research power to solve global challenges
- 2
 Delivering an internationally excellent education
- 3
 Creating an impact regionally, nationally and globally
- 4
 Supporting our people to make the exceptional happen
- 5
 Making the most of our resources

Risk	Damage to Reputation	Taught Admissions – risks to student numbers	Negative impact of political uncertainty / policy change	Negative Impact of Brexit
Current Position	There is sustained media attention on the HE sector, with a propensity to recycle negative news stories. A monitoring system is in use to enable targeted tracking and response to social media activity, sitting alongside wider monitoring of local, national and global media for references to the University.	Risks to student recruitment remain just at the criteria for scoring at amber, due to the potential and unknown impact of Brexit. The University has established a Brexit Operational Group which is monitoring and developing relevant mitigating actions. There is also a risk that the quality of entry standards either fails to improve, or declines. This is an ongoing risk, which is managed operationally via targeted marketing and recruitment, management of prospectus content and analysis of competitor data.	Policy change is closely monitored and scenario planned with regard to the University and the impact on the University and the wider Russell Group. The Vice-Chancellor and other senior officers are networking at senior levels of the Office for Students, Department for Education, Universities UK, the Russell Group and other relevant agencies.	The University has assessed the two potential scenarios of (a) a managed withdrawal, with an overall net score of 12 across 10 sub risks, and (b) a “no deal” exit, with a total net risk score of 16 across 12 sub risks. The latter would have a greater negative impact on the University. A “Brexit Operational Group” has been convened, comprising of University-wide stakeholders to consider the risks and develop mitigations for both scenarios. This reports to the senior EU Referendum Working Group, chaired by the Provost and the Registrar and Secretary. The Government has not released any further guidance since the announcement of an extended deadline to October 2019, but the existing Brexit risk register remains under regular review as more information becomes available.
Governance and Oversight	Reported to VCEG Reported to Council	Brexit Operational Group Reported to VCEG	Strategic Futures Group Reported to VCEG Reported to Council	EU Referendum Impact Group Reported to VCEG Reported to Council
Link to Strategy	3 4	1 2 3 4 5	2 3 4 5	3 4 5

Strategy Key:

- | | | | | |
|--|---|--|--|----------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Building research power to solve global challenges | Delivering an internationally excellent education | Creating an impact regionally, nationally and globally | Supporting our people to make the exceptional happen | Making the most of our resources |

Financial Statements
to 31 July 2019

WE MAKE THE
EXCEPTIONAL HAPPEN
BY CHALLENGING
TRADITIONAL THINKING
AND DEFYING
CONVENTIONAL
BOUNDARIES

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Members of the Council

Chancellor

Lord Paul Myners of Truro CBE

Council year ended 31 July 2019

Officers:

Sarah Turvill, Pro-Chancellor and Chair of Council
Sarah Buck OBE, Pro-Chancellor
Richard Atkins CBE, Pro-Chancellor

Professor Sir Steve Smith, Vice-Chancellor and Chief Executive
Professor Janice Kay CBE, Provost and Senior Deputy Vice-Chancellor
Professor Mark Goodwin, Deputy Vice-Chancellor

Members appointed by Council:

Jo Binding
Gerry Brown
Nicholas Cheffings (appointed 1 August 2019)
Graham Cole CBE
Kiron Farooki (resigned on 10 October 2019)
Judy Hargadon OBE (appointment ended 31 July 2019)
Salam Katbi (appointed 18 October 2018)
Dame Clare Marx CBE, DL, PRCS (appointment ended 31 December 2018)
Professor Caroline MacEwen, MD, FRCOphth, FRCS (appointed 28 February 2019)
Sir John O'Reilly
Alison Reed
Richard Sargeant (appointment ended 31 July 2019)
Andrew Greenway (appointed 1 August 2019)
Glenn Woodcock (appointed 13 December 2018)

Members appointed by the Senate:

Professor David Hosken (appointment ended 31 July 2019)
Professor Anni Vanhatalo (appointed 8 October 2018)
Professor Wendy Robinson BEd Cantab, MA London, PhD Cantab PFHEA
Professor Andrew McRae (appointed 1 August 2019)

Member of Staff other than Academic Staff:

Alison Rose (appointed from 1 September 2018)

Student Members:

Grace Frain (appointment ended 31 July 2019)
Patrick Hoyle (appointed 1 August 2019)
Izi Robe (appointment ended 31 July 2019)
Joe Rigby (appointed 1 August 2019)

Vice-Chancellor's Executive Group as at 21 November 2019

Vice-Chancellor and Chief Executive

Professor Sir Steve Smith, BSc MSc PhD Soton FAcSS

Provost and Senior Deputy Vice-Chancellor

Professor Janice M Kay CBE, BA Newc PhD Cantab AFBPsS

Deputy Vice-Chancellors

Professor Mark Goodwin, BA Sussex PhD LSE FAcSS
DVC for Global Engagement

Professor Tim Quine, BSc UCL PhD Strath
DVC for Education

Professor Neil Gow, FRS, FMedSci, FRSE, FRSB, FAAM, FECMM, DSc
DVC for Research and Impact

Pro-Vice-Chancellors and Executive Deans

Professor David Allen, BA MFA MBA PhD
Professor Clive Ballard, MBChB (Medicine), MMed Sci, MRC Psych, MD
Professor Dan Charman, BSc Newc PhD Soton
Professor Ken Evans, BSc PhD CEng CPhys
Professor Wendy Robinson, BEd Cantab, MA London, PhD Cantab, PFHEA
Professor Andrew Thorpe, BA (Hons) Birm PhD Sheff FRHistS

Pro-Vice-Chancellor Cornwall

Professor David Hosken, BSc PhD

Registrar and Secretary

Mike Shore-Nye, BA (Hons)

Director of Human Resources

Imelda Rogers, FCIPD

Director of Communications and Corporate Affairs

Jane Chafer, BSc MBA FCIM

Chief Financial Officer

Andrew Connolly, BA (Hons) CPFA

Chief College Operations Officer

Linda Peka BSc (Hons) FCPFA

Director of Campus Infrastructure and Operational Support Services

Craig Nowell B.Eng. (Hons), C.Eng, M.I.Mech.E

BANKERS

National Westminster Bank PLC
18 St Thomas Centre
Cowick Street
Exeter EX4 1DE

Barclays Bank PLC
3 Bedford Street
Exeter EX1 1LX

INVESTMENT MANAGERS

Rathbones Greenbank Investments
8 Fishbury Circus
London
EC2M 7AZ

EXTERNAL AUDITOR

KPMG LLP
Plym House
3 Longbridge Road
Plymouth PL6 8LT

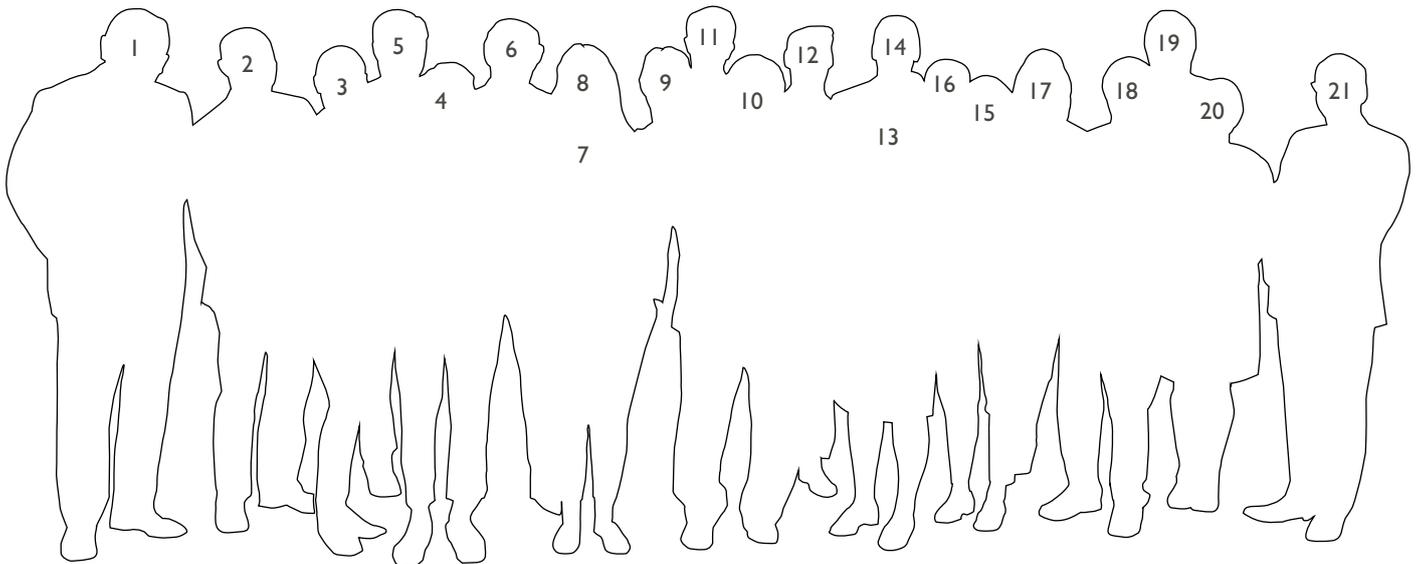
INTERNAL AUDITOR

PriceWaterhouse Cooper LLP
1 Embankment Place
London WC2N 6RH



Members of the Council

From left to right



- 1 Graham Cole CBE, Independent Member
- 2 Glenn Woodcock, Independent Member
- 3 Professor Anni Vanhatalo, Senate Representative
- 4 Patrick Hoyle, President, Students' Guild
- 5 Mike Shore-Nye, Registrar and Secretary, and Secretary to Council
- 6 Joe Rigby, Exeter President, The Students' Union
- 7 Jo Binding, Independent Member
- 8 Alison Reed, Independent Member
- 9 Sarah Buck OBE, Pro-Chancellor
- 10 Professor Sir Steve Smith, Vice-Chancellor and Chief Executive
- 11 Professor Andrew McRae, Senate Representative
- 12 Andrew Greenway, Independent Member

- 13 Sarah Turvill, Pro-Chancellor and Chair of Council
- 14 Professor Mark Goodwin, Deputy Vice-Chancellor (Global Engagement)
- 15 Salam Katbi, Independent Member
- 16 Alison Rose, Professional Services Representative
- 17 Professor Wendy Robinson, Senate Representative
- 18 Gerry Brown, Independent Member
- 19 Richard Atkins CBE, Pro-Chancellor
- 20 Professor Caroline MacEwen, Independent Member
- 21 Nicholas Cheffings, Independent Member

Absent from photograph:

Professor Janice Kay CBE, Provost
Sir John O'Reilly, Independent Member

Financial Review

HIGHLIGHTS

Performance

Total income: **£449m** (£415m), up **8%**

EBITDA: **£45m** (£42m), up **6%**

Deficit for the Year: **£72m** (Surplus £4m)

Surplus for the Year : **£14m** (£3m) excluding changes to pension provisions

Staff cost ratio: **54.0%** of total income (53.3%)

Investment

Capital expenditure: **£42m** (£36m)

Capital grants: **£5m** (£5m)

Liquidity and Debt

Total debt: **£210m** (£210m)

Total cash: **£137m** (£105m)

cash and current asset investments

Net debt: **£73m** (£105.0m)

Financial Strength

Net current assets ratio: **1.6** (1.5)

Net assets: **£463m** (£538m)

* Comparative data for the prior year 2017/18 is shown in parenthesis throughout the business review

Scope of the Financial Statements

These Financial Statements cover the University of Exeter, its subsidiary undertakings and joint ventures and have been prepared in accordance with Financial Reporting Standard 102 (FRS102) as interpreted by the 2015 edition of the Statement of Recommended Practice: Accounting for Further and Higher Education.

Results for the Year

The last year was an exceptional one in terms of our financial performance: EBITDA of £45m was £3m higher than the prior year, capital expenditure of £42m was £6m higher and cash balances ended the year at £137m, up £32m on the prior year.

Despite delivering material improvements in our fundamental financial performance we posted an unprecedented deficit for the year of £72m, causing our net assets (our wealth) to decrease by the same amount, standing at £463m at 31 July. This is a result of the first time recognition of the 2017 USS deficit recovery plan, reflecting a material increase in the size of the national USS scheme deficit, from £5.3 billion to £7.5 billion and an increase in

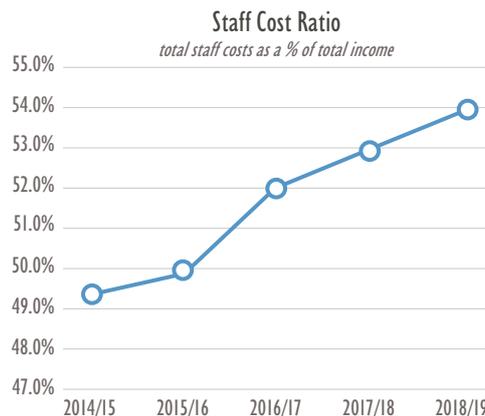
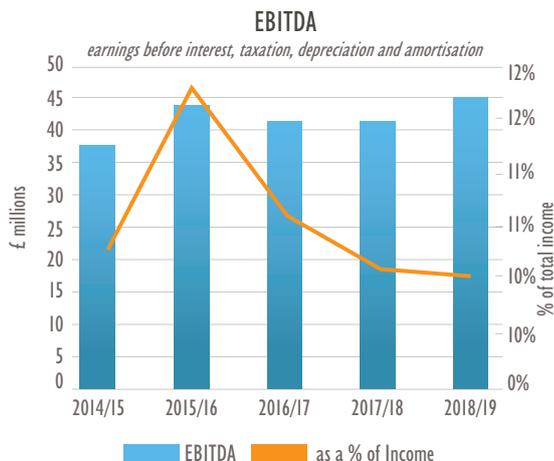
the employer contributions necessary to fund it. However, after 31 July a new Recovery Plan has been agreed as part of a new 2018 Valuation which has resulted in a reduction of the scheme deficit to £3.6 billion. Had the 2018 Plan been in force at 31 July then University would have posted a deficit for the year of £17m rather than £72m.

We measure our financial performance by two key financial indicators: EBITDA⁵ and the staff cost ratio.

EBITDA represents the cash operating surplus and is targeted to achieve a level sufficient to fund our capital plans and to service our debt. It represents a better indicator of our financial performance as it excludes accounting charges such as depreciation and movement to pension provisions; it excludes data driven by snapshot market valuations such as changes to the value of endowment investments, along with excluding income that is not available for general purposes such as capital grants, new endowments and service concession income. EBITDA also excludes material non-recurrent items such as re-structuring costs to enable meaningful comparisons with prior year's performance. The table below reconciles the deficit for the year to EBITDA:

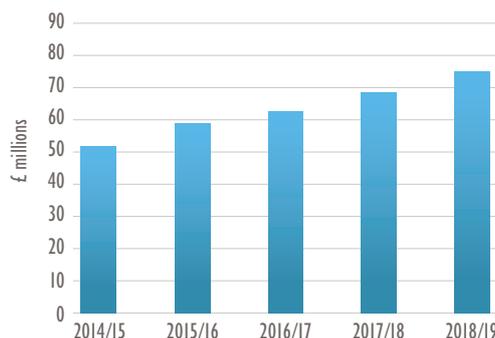
	2018/19 £000	2017/18 £000	
EBITDA	45,098	42,356	⁵ EBITDA is earning before interest, taxation, depreciation and amortisation.
less depreciation ⁶	(43,737)	(40,356)	⁶ Depreciation of £43.7m excludes £2.6m of research equipment funded depreciation which is a charge against EBITDA in the University's budget model.
less interest payable on debt	(5,564)	(2,564)	
less movement on pension liabilities	(86,828)	(416)	
add service concession income	14,291	13,754	
add deficits from non-distributing group entities	(67)	(341)	
add capital grants	4,792	4,759	
add movement to market value of investments	1,898	1,241	
add surplus/(deficit) on endowments	502	(455)	
add revaluation of heritage assets	507	-	
less non-recurrent material items:			
- restructuring costs	(2,620)	(2,399)	
- Alan Turing Institute donation	-	(5,000)	
- refinancing breakage costs	-	(6,845)	
(Deficit)/Surplus for the Year	(71,728)	3,734	

EBITDA increased by £2.5m over the year, an improvement of 5%. This has been driven by a 12% increase in international student tuition fee income and a 14% increase in income from research grants and contracts.



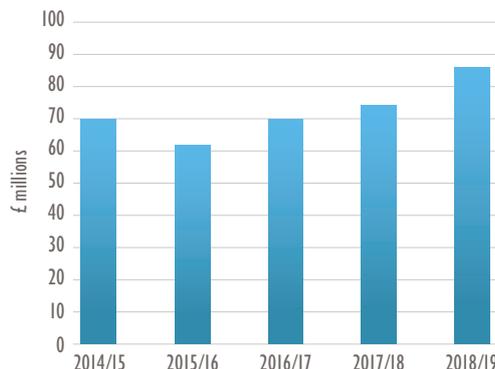
The trend of staffing costs increasing at a faster rate than income continues. This reflects both investment in new staff ahead of income streams as well as staff cost inflation (pay awards and salary increases and pensions) outpacing inflation on income streams, in particular the regulated home/EU undergraduate tuition fee of £9,250 which did not increase in 2018/19. This persistent trend has required the University to grow volumes, diversify into non-regulated markets and make cost efficiencies in order to be able to fund staff cost inflation. During the year a staff severance exercise was completed resulting in a net reduction of 28 posts which will result in recurrent cost savings of £1.8m from 2019/20 onwards. The exercise resulted in one-off severance costs of £2.2m charged in 2018/19.

International Tuition Fee Income



The relentless pressure on pay costs, including the costs of funding pensions, along with a static home/EU undergraduate tuition fee at £9,250, is one of our biggest financial challenges looking forward. The accumulating effect of this over time is very material, the gap between pay inflation on our largest cost, staffing, and 0% income inflation on our largest income stream, the home/EU undergraduate tuition fee, is around £9m per year. As a result we are focusing on substituting in higher margin activity as well as making further efficiency savings.

Research Grants and Contracts Income



Over the last year income from international fees collected from students outside of the EU, grew by 12% to £76m. Our staffing numbers saw the number of academic posts increase by 165 FTE, an increase of 8%.

We remain focused on growing our research power as this is critical to reputation and building our brand globally. This is partly reflected in growth of academic staffing by 6% and the research grant and contract income they earn, growing by 14% over the year to £87m.

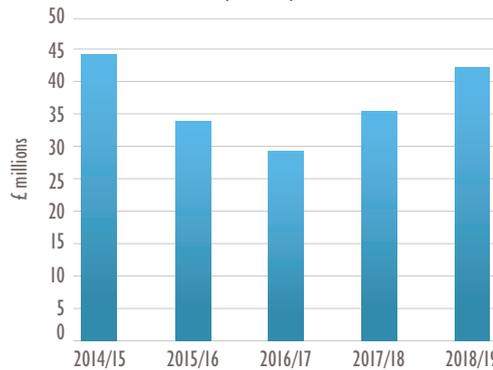
Investment

Our capital strategy will see investment of £462m over ten years. The commencement of the capital strategy is reflected in the continued up-turn in capital investment in 2018/19, totalling £42m (£36m in 2017/18), a trend that will continue into 2019/20 and beyond as we approve major new investments in teaching and learning facilities and a digital strategy.

Of particular note over the last year was the completion of the Stella Turk research facility in Penryn, the completion of the Crosskeys café refurbishment in St Lukes and the commencement of a new building to house a pioneering VSimulator experiential facility based on the Exeter Science Park.

In January 2019 we completed a major transaction to grant a 52-year service concession arrangement with UPP Ltd, to design, develop, finance and operate 1200 new student bedrooms, to be built on the Streatham campus. This transaction has resulted in the University receiving a lease premium of £31m, along with UPPm Ltd investing £95m in the construction of the on-campus facility. The development is expected to be completed in two phases, with 600 bedrooms available for the 2020/21 year and a further 600 in the 2021/22. The University's financial obligation will be limited to nominating a number of rooms, ranging from 0% to 100%, for a single academic year. This

Capital Expenditure



increase in capacity on the main University campus will house planned growth and enable the University to reduce the number of rooms it currently nominates on a short-term basis from private landlords in the city.

The £31m cash receipt arising from this transaction is treated as deferred income and released to income over the life of the 52-year contract. It comes on top of an £8m receipt in the previous year, arising from a smaller service concession arrangement with UPP Ltd, to develop the Spreytonway and Moberley student residences.

Liquidity and Debt

Gross debt of £210m remains unchanged following the issue of private placements in 2017.

Cash balances increased by £32m over the year, standing at a healthy £137m as at 31 July 2019 (£105m in 2017/18), representing 126 liquidity days. The increase reflects a broad balance of operating cash inflow matched by capital expenditure and debt servicing costs, supplemented by the exceptional receipt from the student accommodation lease premium, illustrated in the chart below.

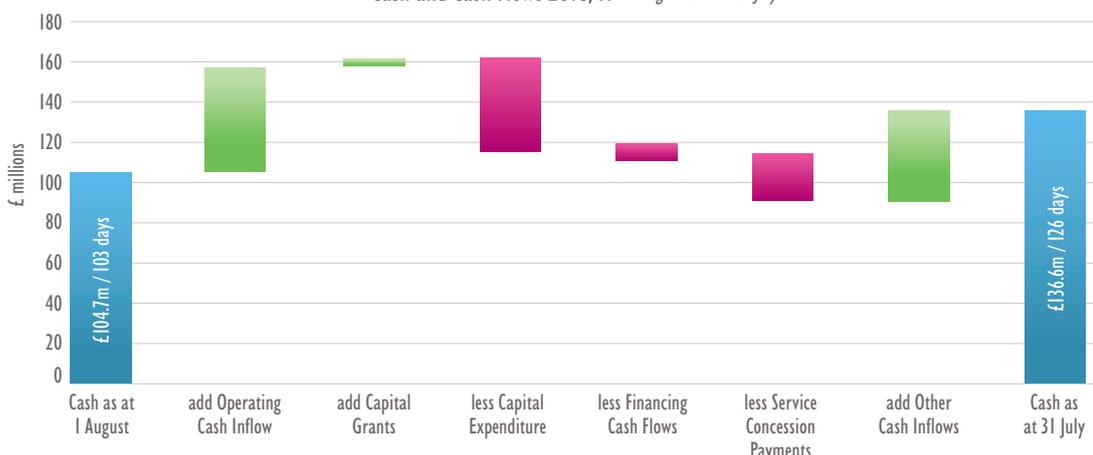
Cash balances have been abnormally high for a number of years, reflecting a previous focus on transformation savings, increasing cash generation, rather than on capital investment, resulting in several years of cash conservation. The capital

strategy now underway will result in future cash balances being drawn down over the next few years before stabilising with annual cash generation funding annual capital investment and debt servicing on a balanced basis.

The 2018/19 year has also benefited from the full year reduction in debt servicing costs, to £5.5m per year, following the re-financing of the University's debt in January 2018. This transaction simplified the University's debt arrangements and resulted in a significant reduction in debt servicing arising from a reduction in interest costs and through adopting a bullet repayment profile.

The University also has access to a low-cost 7-year £50m revolving credit facility. During 2018/19 this facility was undrawn and there are no plans to draw upon it in the next 12 months.

Cash and Cash Flows 2018/19 | August 2018 to 31 July 2019



Other cash inflows include exceptional receipts from a student accommodation transaction, along with interest and investment income.

Pensions

Defined benefit pension obligations have materially increased and represent a significant liability at £134m (£45m in 2017/18). This comprises a liability arising under the Universities Superannuation Scheme (USS) deficit recovery plan of £129m (£42m), an increase of £87m over the year, and a liability relating to the University's own Exeter Retirement Benefit Scheme (ERBS) estimated at £5m (£3m in 2017/18).

USS completed its 2017 triennial valuation during the year, indicating an increase in the national schemes deficit from £5.3 billion at the 2014 valuation to £7.5 billion in the 2017 valuation. In September 2018 a report of the Joint Expert Panel, comprising employer and employee representatives, challenged some of the assumptions underlying the 2017 valuation and as a result a new 2018 valuation was commissioned, to import the recommendations of the expert panel. This resultant new 2018 valuation was completed in September 2019, after the 31 July 2019 balance sheet date, and shows that the scheme deficit has reduced to £3.6 billion.

These Financial Statements account for the liability that arises under the USS deficit recovery plan. Any increase in that liability is a charge to income. As a result of the 2017 recovery plan being in force as at 31 July it is this plan that is reflected in the Financial Statements, with the increase in liability resulting in an accounting charge of £87m. This increase is a result of higher employer contribution levels required to pay down the deficit compared to the previous recovery plan. In turn this has resulted in the group posting a deficit for the year of £72m. The 2017 recovery plan has now been replaced by a new 2018 recovery plan. Had this new plan been in force at balance sheet date the University would have posted a deficit for the year of £17m, as the table below illustrates:

	2018/19 £m
Deficit for the Year per Financial Statements	(72)
add back movement to USS liability under the 2017 recovery plan	87
Surplus for the Year excluding movement to USS liability	15
Less movement to USS liability under the 2018 recovery plan	(32)
Deficit for the Year accounting for current 2018 USS recovery plan	(17)

A consequence of the timing of the 2018 recovery plan is that the reduction in USS liability arising under the plan will result in an estimated credit of £52m to the 2019/20 Surplus for the Year, assuming there are no material changes to the assumptions underpinning this estimate.

The University closed its own ERBS scheme to future accrual of defined benefits on 1 December 2016. ERBS concluded its 2018 triennial scheme valuation in December 2018. This showed that the deficit recovery plan agreed under the former valuation was on track. The plan was updated in the new valuation and the University additionally agreed to make a further £1.5m payment during 2017/18 towards deficit repair and to cover an expected increase in scheme liabilities arising from a court ruling for defined benefit schemes to equalise benefits for men and women related to guaranteed minimum pensions.

Endowments

During the year our new Investment Policy was implemented, focused on a best-in-class environmental, social and governance (ESG) approach covering our £41m endowment portfolio. This has no exposure to non-electric autos, coal mining or airlines while our policy prohibits exposure to tobacco, coal and tar sands. Exposure to other oil and gas is low and around 3% of the portfolio is focused on companies that are directly supporting a low carbon transition.

The carbon footprint of the companies in our equity portfolio is 32% lower than if equivalent funds were invested in the FTSE350.

The Investment Policy mandates our new fund managers, Rathbone Greenbank, not only to screen companies for their performance on a range of ESG issues, investing only in those considered to be best in class, but also to have an active engagement programme. This is critical as it enables the University to influence and foster change, encouraging companies to align their activities with a low carbon pathway in a more effective way than adopting a blunt exclusion policy.

Future Outlook

Student recruitment in 2019 is in line with our budget. Research awards, the order book for future research activity and income continues to be strong and this is translating into higher income streams. Confidence that the 2019/20 research income budget will be delivered is high.

The increase in employer contribution rates from October 2019 arising out of the 2018 USS valuation have been provided for in the 2019/20 budget. However, the valuation provides for a further increase in contributions from October 2021. These are not budgeted for. A new 2020 valuation is about to commence and the sector is anticipating that this valuation, informed by further work from the Joint Expert Panel, will propose changes to place the scheme on an affordable and sustainable footing.

Brexit remains a significant uncertainty. The Government have announced that EU students starting their programmes in 2020 will be eligible for the same fees as UK students, as well as have access to the student loans for their fees for the duration of their study in the UK. More uncertainty surrounds research funding, although by its nature the University's 'order book' the stock of current research awards, will drive future levels of research income, so there is unlikely to be a cliff-edge effect if the Government leaves the EU without a deal and if the Government do not replace lost EU research funding.

Going Concern

In July 2019 Council approved the five year financial plans which will be submitted to the Office for Students, including income and expenditure, cash flow, capital investment and balance sheets. These show a continuation of improving finances as the University heads towards its target EBITDA, underpinned by the delivery of its capital strategy that will strengthen its long-term financial future.

Cash balances remain high, representing 126 days average expenditure at 31 July. July and August represent the lowest point of the University's cash balances during the year as capital works are in full swing pending the start of the following academic year in October. In addition, the University holds a £50m revolving credit facility which gives it access to cash should it be required. This facility was not used during 2018/19 and there are no plans to draw upon it for the foreseeable future.

The University has significant headroom in its loan covenants and is projected to operate comfortably within covenant limits as set out in the five year forecasts submitted to the Office for Students.

The University is confident that it will be able to meet all of its future financial obligations and commitments, operating within its financial investor covenants for the next 12 months and will continue to do so for the foreseeable future.

These Financial Statements have been prepared and approved by Council on a going concern basis.

Andrew Connolly
Chief Financial Officer

Corporate Governance

Legal status of the University

The University is an incorporated body with charitable status. It is an exempt charity, meaning it is exempt from registration with the Charity Commission. The Office for Students (OfS), the regulator for higher education in England, also acts as the regulator for higher education charities. The University is a registered higher education provider and as such is recorded on the OfS register of providers without any additional conditions.

Governance

The articles of governance for the University are contained within its Royal Charter, Statutes and Ordinances. Under the terms of the Royal Charter, the University is required to have a supreme governing body, the Council, and a senior academic body, the Senate. Management responsibility is devolved under a scheme of delegation by Council to the Vice-Chancellor, who is supported by a Vice-Chancellor's Executive Group (VCEG), details of which are given under the section on management.

Council

Council, as the governing body, is responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. There are 22 members of Council, the majority of whom are from outside the University (independent members). The members include representatives of staff and students. Council met 6 times during 2018/19. Additionally it held a strategic away day and a joint meeting with Senate. The responsibilities of Council are more fully described below.

Senate

Senate, as the senior academic body, is given devolved responsibility by the Council, for student matters, academic quality and standards, and plays a key role in the development and approval of the University's education and research strategies. There are 64 members of the Senate, including members elected by the University's academic colleges and student representatives. There were 3 meetings of the Senate during 2018/19, plus a strategic away day held with the Council.

The arrangements described above were in place during the period covered by this annual report, including up to the point they were approved in November 2019.

Responsibilities of Council

The Council is responsible for preparing the Annual Report and the Financial Statements in accordance with the requirements of the Office for Students Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Internal Control

Council has responsibility for ensuring the maintenance of a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of non-achievement of policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the University's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the Financial Statements.

As the governing body, Council must assure itself of the effectiveness of the University's systems of internal control. It meets at regular intervals to consider the plans and strategic direction of the institution and receives the minutes of Audit Committee and periodic reports from the Chair of Audit Committee concerning internal control. The review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development, maintenance and continual review of the internal control framework.

The Audit Committee receives regular reports from internal audit, which include an independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement. During the year no significant control weaknesses were identified.

During the last year a small number of weaknesses were identified, principally relating to cyber security. The University has since invested significantly in this area as well as review its policies and procedures, reflecting the level of escalating external cyber threat.

VCEG has responsibility for risk management, receiving updated risk registers from Colleges and Services, updating the corporate risk register and reporting on risk to Council throughout the year. Council and VCEG are assisted in the definition and scoring of risk across the institution and the development of risk management policies by the Risk Dual Assurance Group. The work of these key groups with regard to risk is supported by the Compliance, Governance and Risk Directorate.

Responsibility for the operational management of individual corporate, college and professional services risks rests with risk owners and the risk facilitators in these areas. Risks are evaluated on their likelihood and the impact of risks becoming a reality. Key risks are escalated to Council and VCEG as part of their termly reporting, or sooner through the dual assurance governing mechanism. These reports are used to inform the Corporate, Colleges and Professional Services risk registers considered by VCEG, Council and Audit Committee. This ensures that the risk information provided via the registers to VCEG and Council includes business, operational, compliance and financial risk from all areas of the University.

The University uses a tolerance / appetite model of risk reporting. This approach is underpinned by four categories: risk averse, unknown risk, managed risk and risk reward. These categories have different reporting thresholds and allow management to understand tolerance of risk in a more granular and focused manner (e.g. by setting lower reporting levels for compliance risks and higher ones for strategic risks). This model has allowed the University to better understand its key risks and put in place mitigating actions in partnership with its Colleges and Professional Services.

Report from the Chair of Audit Committee

In addition to Audit Committee's terms of reference for 2018/19 the Committee agreed twelve ambitious objectives for the year; these included a focus on value for money, a strong student voice and a strong academic voice; as result each meeting had a Pro-Vice-Chancellor in attendance.

Whilst the Committee consists entirely of non-executive members, in addition to a Pro-Vice-Chancellor, senior officers from the University regularly attended, including the Registrar and Secretary, the Chief Financial Officer and the Director of Compliance, Governance and Risk, others are called to the Committee as and when requested. The Deputy Secretary to Council acts as Secretary to the Committee.

The Committee met four times during 2018/19. Membership and attendance at meetings, was as follows:

	Eligible to Attend	Actually attended
Gerry Brown, Independent Member of Council and Chair	4	4
Graham Cole, CBE, Independent Member of Council	4	4
David Dupont BA (Hons) MBA, Independent External Member of Audit Committee	4	4
Simon Enoch LLB, Independent External Member of Audit Committee	4	4
Judy Hargadon OBE, Independent Member of Council	4	3
Alison Reed ACA, Independent Member of Council	4	4

Audit Committee had an additional informal meeting to focus on the business case for a proposed investment in a new building project.

We welcomed new internal auditors PWC at the first meeting of the year and completed work with our previous auditors BDO. The Committee agreed the plan of work for 18/19 with PWC and during the year reviewed the outcome of 15 reports on internal audits and also continued to ensure strong focus on the completion of outstanding audit recommendations.

During the year a strong focus on value for money included a presentation by the Student Guild on the student perception of value for money at Exeter and across the sector. The College perspective of how the University provides value for money was presented by the Business School.

The Committee also focused on cyber security and has reviewed the threat to the University, our protection and prevention plans and our insurance cover. Part of this is the programme of mandatory training for staff and the responsibility of staff and students. Both were reviewed and the new student contract will cover student responsibility in this area.

Our external auditors kept the Committee abreast of sector developments. The Committee held closed meetings with both the external and internal auditors on separate occasions.

At the start of the year the University rolled out new finance software and the Committee received progress reports on implementation from the Finance team and also from service users in Colleges. For part of the year Committee members received weekly email updates on progress.

Other key areas of work have included:

- GDPR compliance updates including data breach reports.
- Data assurance and quality.
- Updated financial regulations.
- A review of the utilisation of University assets.
- TRAC insights into the University's financial performance and business model.
- Procurement processes and the new manager meet with the Committee.
- Consideration of the University's research cost recovery.

The Committee was satisfied that these areas were being managed effectively.

We have also continued to work closely with the Risk Dual Assurance team to review risk management policies and procedures; including reviewing risk discussions that are held at Council.

In our Annual Report to the Vice-Chancellor, Council and the Office for Students (OfS) for 2018/19, the Committee was of the opinion that the University had a sound framework of risk management, control and governance, value for money and the management and quality assurance of data.

Gerry Brown
Chair of Audit Committee

Reports from the Chair of Nominations Committee

The Nominations Committee is responsible for making recommendations to Council in relation to the following positions:

- The Chancellor
- The Pro-Chancellors
- The Chair of Council
- Independent Members of Council
- Members of Committees of Council and other University committees
- Dual Assurance appointments
- Appointments to Trusts associated with the University

It is also responsible for reviewing arrangements for developing future leaders of the University and for succession planning. In 2018-19, the Committee's Terms of Reference were updated to include responsibility for reviewing the training and development needs of the governing body, updating role descriptions for Council members and chairs of sub-committees and oversight of reporting and reviewing conflicts of interest of members of Council. The Committee's recommendations are informed by a skills matrix, which details the relevant skills of Council's current membership and skills sought in new appointments.

The Nominations Committee actively promotes equality and diversity in all its deliberations and appointments.

The Committee met three times in the academic year 2018/19. Membership and attendance at meetings was as follows:

	Eligible to Attend	Actually attended
Sarah Turvill, independent member and Chair of Council (Chair)	3	3
Dr Sarah Buck OBE, independent member of Council	3	3
Richard Atkins CBE, independent member of Council	3	1
Professor Sir Steve Smith, Vice-Chancellor	3	3
Professor Janice Kay CBE, Provost and Senior Deputy Vice-Chancellor	3	2
Mike Shore-Nye, Registrar and Secretary	3	3
Bettina Rigg, co-opted member	3	3

The Committee made the following recommendations to Council which were subsequently approved:

- Glenn Woodcock was appointed as a Class II (Independent Member) for an initial three year term of office with effect from 13 December 2018.
- Professor Caroline MacEwen was appointed as a Class II (Independent Member) of Council for an initial three year term of office with effect from 4 April 2019.
- Andrew Greenway was appointed as a Class II (Independent Member) for an initial three-year period with effect from 1 August 2019.
- Nicholas Cheffings was appointed as a Class II (Independent Member) for an initial three-year period with effect from 1 October 2019.
- Sarah Buck was reappointed as Pro-Chancellor for a second three-year term with effect from 1 August 2019.
- Graham Cole, Alison Reed, Kiron Farooki and Jo Binding were reappointed as Class II (Independent Member) for second three year terms with effect from 1 August 2019.
- Gerry Brown was reappointed as a Class II (Independent Member) for a third and final three year term with effect from 1 August 2019.
- The terms of office for Class III (Senate members) and IV (Professional Services member) was amended so the members in these classes could only serve one term; thereby maximising the potential for different staff members to participate.
- A Joint Council and Senate Committee was established to oversee the appointment of the new Vice-Chancellor.

The Committee reviewed Dual Assurance areas and the independent leads; outcomes included agreement that Arts and Culture would no longer be a Dual Assurance business area and that Health and Safety would no longer form part of the HR Dual Assurance portfolio.

- Glenn Woodcock was appointed as Independent lead for Dual Assurance Sustainability.
- Carrie MacEwen was appointed as Independent lead for Dual Assurance Ethics.
- Salam Katbi was appointed as Independent lead for Dual Assurance Equality, Diversity and Inclusion.

The Committee also reviewed the diversity of the membership of Council. For 2019/20 the Independent Members of Council, including the Pro-Chancellors, are made up of seven males and seven females, two of whom identify as BAME.

The Committee received a presentation at two of the three meetings from the Head of People Development on the Developing Future Leaders programme and succession planning. The due diligence process and training requirements for independent external members were also reviewed.

Sarah Turvill
Chair of Nominations Committee

Report from the Chair of Remuneration Committee

⁷ www.exeter.ac.uk/about/organisation/governance/committees/remuneration_committee/

The Remuneration Committee is responsible for determining the Reward Strategy of the University and for setting the remuneration of the Vice-Chancellor and other members of the Vice-Chancellor's Executive Group (VCEG).

The membership of the Committee comprises entirely of independent members of Council. The Committee is chaired by a Pro-Chancellor and includes the Chair of Council and three other independent members of Council. The Vice-Chancellor is not a member of the Committee. No member of staff is present for the discussion of their own remuneration or when the Committee makes decisions on the reward of members of the Vice-Chancellor's Executive Group.

The Committee met five times during 2018/19. The attendance of members at meetings was as follows:

	Eligible to Attend	Actually attended
Richard Atkins	5	5
Sarah Turvill	5	5
Sarah Buck	5	5
Judy Hargadon	5	4
Kiron Farooki	5	5

The Committee publishes a full annual report as recommended by the Committee of University Chairs. This is available on the Remuneration Committee section of the University website⁷ together with the Committee's Executive Reward Policy and Terms of Reference.

Decisions on the reward of the Vice-Chancellor are made by the Remuneration Committee taking account of the achievement of strategic goals, the institution's national and international rankings and his performance against key performance metrics. Sir Steve's remuneration reflects his contribution to the success of the University and his higher education leadership experience. The Committee made no change to the base salary of the Vice-Chancellor this year. Details of the reward arrangements for the Vice-Chancellor are given in the Staff Costs section of the Financial Statement on page 60.

At the beginning of the year, the Committee reviewed and approved the institutional and personal targets for 2018/19 under the Executive Performance Reward Scheme. The Committee also agreed its annual report for 2017/18 and its schedule of work for 2018/19.

At its 2018 autumn term meetings, the Committee reviewed the achievement of the institutional and personal objectives for members of the Vice-Chancellor's Executive Group which had been agreed for 2017/18. Taking account of these assessments, the Committee made decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement of personal and institutional objectives.

During the year the Committee agreed new protocols for its annual cycle of meetings, roles and responsibilities, the annual review of salaries of members of the Vice-Chancellor's Executive Group and its schedule of delegation. The Committee also reviewed and revised its Executive Reward Policy.

The Committee also considered recent communications from HM Revenue and Customs on the taxation of Vice-Chancellors' accommodation.

After reviewing its Policy on Pension Taxation, the Committee agreed to extend the suspension of the scheme for a further 12 months.

The Committee received a report on external work undertaken by senior executives in 2018/19.

The Committee reviewed the base salaries of members of the Vice-Chancellor's Executive Group, in accordance with the Committee's Executive Reward Policy, taking account of benchmarking data from the universities sector, affordability and performance. The Committee agreed increases to basic salary for 6 (of the 17) members, increasing the total cost of the basic salaries of the Vice-Chancellor's Executive Group by 1.4%.

At its first meeting in the autumn term 2019, the Committee reviewed the achievement of institutional targets and personal objectives for 2018/19. Taking account of these assessments, the Committee made interim decisions on the percentage of performance related reward which should be paid under the Executive Performance Reward Scheme to recognise the achievement otherwise of these institutional and personal objectives. The Committee also agreed the personal and institutional performance targets for 2019/20 under the Executive Performance Reward Scheme. Further information about the Executive Performance Reward Scheme is provided in the Committee's annual report available on the Remuneration Committee section of the University website.⁷

Richard Atkins

Chair of the Remuneration Committee

Senate

Senate is the academic authority of the University and its role is to direct and regulate the teaching and research work of the University. Senate draws its membership from senior academic and other staff and representatives of the students of the University. It is chaired by the Vice-Chancellor and meets at least 3 times a year with an additional joint meeting with Council.

Senate Committees

Although Senate meets regularly each academic year, much of its detailed work is delegated to committees, in particular the Taught Programmes and Graduate Research Faculty Boards, the Flexible Combined Honours Degree Board of Studies and Ethics Committee.

Further information about Council and Senate Committees can be found at: www.exeter.ac.uk/about/organisation/governance/committees/



Dual Assurance

The University's business is governed through a mechanism known as dual assurance. As its name suggests, this model involves two people. The first of these is a member of VCEG, who takes responsibility for the management and development of policy in a particular area of business. The other is an independent member of Council, knowledgeable in the same area, who provides assurance to Council that this activity is well-managed and that decisions have been reached following

due process and appropriate consultation. The dual assurance mechanism is designed to minimise the number of committees, empower senior managers, speed up decision-making and make the most of the talents of independent members.

The table below shows the areas governed through dual assurance and the management and independent leads as at November 2019:

Business Area	Management Lead	Independent Lead
Finance and Investment	Chief Financial Officer	Alison Reed
Research	DVC (Research and Impact)	Sir John O'Reilly
Innovation and Business	DVC (External Engagement)	Graham Cole
Human Resources including Wellbeing	Director of People Services and Global Partnerships	Kiron Farooki
Equality and Diversity and Inclusivity	DVC (External Engagement)	Salam Katbi
Estates	Registrar and Secretary	Dr Sarah Buck
Ethics	DVC (Research and Impact)	Caroline MacEwan
Information Technology, including digital	Registrar and Secretary	Andrew Greenway
Education	DVC (Education)	Richard Atkins
Global Strategy	DVC (Global Engagement)	Graham Cole
Global Advancement	Provost	Gerry Brown
Risk	Registrar and Secretary	Vacant
Communication and Reputation	Director of Communication and Corporate Affairs	Jo Binding
Sport	Director of Campus Infrastructure and Operational Support Services	Jo Binding
Sustainability	Director of Campus Infrastructure and Operational Support Services	Glenn Woodcock

Management

The principal academic and administrative officer of the University is the Vice-Chancellor who has general responsibility to Council and Senate for maintaining and promoting the efficiency and good order of the University. The Vice-Chancellor has been nominated the accountable officer under the Terms and Conditions of Funding with the Office for Students.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. Senior Managers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

VCEG comprises of the senior management team of the University. Led by the Vice-Chancellor and Chief Executive, it includes the Provost, three Deputy Vice-Chancellors, six Pro Vice-Chancellors, Director of People Services and Global Partnerships, Chief Financial Officer, the Director of Communications and Corporate Affairs, the Chief College Operations Officer and the Director of Campus Infrastructure and Operational Support Services. Details of VCEG membership is given at the front of these Financial Statements.

Higher Education Code of Governance

Council has adopted the Committee of University Chairs Higher Education Code of Governance, issued in December 2014 and revised in June 2018. In accordance with the Code, the Council has adopted a Statement of Primary Responsibilities which is based on the Code's model and is adapted to reflect the powers and responsibilities derived from University Statutes.

In accordance with the Code, Council undertook a review of its effectiveness during 2013/14 and produced an action plan in response to the recommendations raised.

The Corporate Governance Statement and Responsibilities of the Council of the University on pages 37 to 38 were approved by Council on 21 November 2019 and signed on its behalf by:

S Turvill

Chair of the Council

Professor Sir S Smith

Vice-Chancellor and Chief Executive

Fundraising standards

In line with the Charities (Protection and Social Investment) Act 2016, the University is required to provide information about fundraising activities for the University and Exeter University Foundation (the Foundation).

The University of Exeter employs a team of professional fundraisers, as well as a number of student telephone fundraisers, to raise new funds through a variety of methods, namely: legacy fundraising, major gift fundraising from individuals, fundraising from charitable trusts and foundations and low level fundraising requests made via telephone, email, mail, or crowdfunding. The University takes a long-term approach to fundraising, taking time to develop relationships with potential donors and then carefully stewarding existing donors. The University seeks to engage all alumni, whether they choose to donate or not, and is keen to maintain mutually beneficial relationships with all its stakeholders.

The University is careful to ensure that its approach to fundraising protects vulnerable people and other members of the public from unreasonable intrusion, persistent approaches or from placing undue pressure on a person to give money or other property.

- The University provides regular opportunities for all alumni and other individuals being solicited to opt out of all or some of a variety of fundraising approaches. These preferences are accurately recorded on the central database and are reflected in data selections for specific appeals.
- The University of Exeter does not actively fundraise from individuals over the age of 80 by telephone or over the age of 83 for postal or e-appeals, where age is known or suspected. Donors over the age of 80 are informed of the impact of their existing donations by post and phone, but are not asked to increase their donations.
- All contactable alumni, regardless of age, receive generic communications from the University, updating them about the University's activities and progress, including the impact of previous donations. These communications may include details of how to support the University.
- The University does not solicit donations from each individual more than once per year over the telephone or more than four times per year through direct mail.

All fundraising staff are trained to ensure that no undue pressure is placed on potential donors. The University takes a life-long approach to relationships with alumni and others and does not want to impede those relationships by pressuring individuals to make donations.

Activities carried out by fundraisers are monitored through standard University procedures surrounding Performance Development Reviews. All fundraising activity is recorded on a central database.

Neither the University nor any person acting on behalf of it was subject to an undertaking to be bound by any voluntary scheme for regulating fundraising, or any voluntary standard of fundraising, in respect of activities on behalf of the charity.

The University received no complaints about its fundraising activities for the year to 31 July 2019.

Independent Auditor's Report

To Council of University of Exeter

Report on the audit of the financial statements

Opinion

We have audited the financial statements of University of Exeter ("the University") for the year ended 31 July 2019 which comprise the Group and University Statement of Comprehensive Income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement, and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Council, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the with Group and University future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period"). We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Council is responsible for the other information, which comprises the Strategic Review and the Report of the Governors and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Council responsibilities

As explained more fully in their statement set out on page 38, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University'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 it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other legal and regulatory requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council, in accordance with the University's statutes. Our audit work has been undertaken so that we might state to the Council 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 University and Council for our audit work, for this report, or for the opinions we have formed.

**Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
Plym House
3 Longbridge Road
Plymouth PL6 8LT

Principal Accounting Policies

Basis of preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice 2015 (SORP 2015): Accounting for Further and Higher Education and in accordance with Financial Reporting Standard 102 (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The Financial Statements are prepared in accordance with the historical cost convention except for the revaluation of heritage assets, investment property and pensions.

Council has a reasonable expectation that the University and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Financial Statements.

Basis of consolidation

The results of the University's subsidiary undertakings and undertakings in which it has a controlling interest for the financial year to 31 July 2019, have been consolidated in the Financial Statements. Details of these subsidiaries are provided in note 15.

Jointly controlled entities are accounted for using the equity method. The University's share of income and expenditure in joint venture entities is recognised in the Statement of Comprehensive Income for the Group, and its share of assets and liabilities in joint venture entities are recognised in the consolidated Balance Sheet. Details of these joint ventures are provided in note 16.

The Group's Financial Statements do not include the income and expenditure of the University of Exeter Students' Guild and the Falmouth and Exeter Students' Union, as the University does not operate dominant or significant influence over their activities.

Recognition of Income

Recurrent grants and Tuition fees

Recurrent grants from funding bodies represent the funding allocations, which are attributable to the current financial year and are credited directly to the income and expenditure account.

Tuition fees represent all fees chargeable to students or their sponsors, received and receivable, which are attributable to the current accounting period net of discounts. The cost of any fees waived by the University is deducted from tuition fee income. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Grant funding

Grant funding including funding council grant, research grants from government sources and grants (including research grants) from non-government sources are recognised when the University is entitled to the income and performance related conditions have been met. If no performance conditions exist, income is recognised on entitlement. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants are recognised within income when the University is entitled to the funds, subject to any performance related conditions being met.

Principal Accounting Policies

(continued)

Donations and endowments

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

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

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

Gifts in kind are included in donations using a reasonable estimate of their gross value or the amount realised.

Other income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Investment income is included in full in the income and expenditure account. Income from endowment assets held for restricted purposes imposed by the donor or funder is recognised in line with the conditions attached to the University's right to the investment income.

The University acts as an agent in the collection and payment of hardship funds and training bursaries from the funding bodies. Related receipts from the National College for Teaching and Leadership and subsequent disbursement to students are excluded from the income and expenditure account. Details are provided in note 32 of transactions in the year.

Income within the University's subsidiary companies represents the fair value of consideration receivable, excluding Value Added Tax, in the ordinary course of that Company's business for goods and services provided. In respect of long-term contracts and contracts for on-going services, income represents the value of work done in the year, including estimates of amounts not invoiced. Income in respect of long-term contracts for on-going services is recognised by reference to the stage of completion.

Accounting for retirement benefits

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Exeter Retirement Savings Scheme (ERSS). A third scheme, the University of Exeter Retirement Benefit Scheme (ERBS) closed to future accrual in November 2016.

The USS is a defined benefit, multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the University due to the mutual nature of the scheme and therefore is accounted for as a defined contribution retirement benefit scheme. A scheme wide contribution rate is set and the institution is therefore exposed to actuarial risks associated with the other institutions' employees. As a result, the amount charged to the staff costs represents the contribution payable to the scheme in the accounting period and a liability is recorded within provisions for any contractual commitment to fund past deficits, at a discounted rate within the USS scheme. The University has entered into an agreement with USS to fund a share of the scheme deficit. These agreed future contributions are recognised as a provision in the Financial Statements, with any movements in the provision charged to staff costs. The fund is revalued every three years by professionally qualified independent actuaries.

ERSS is a new defined contribution scheme, which opened in December 2016. The University pays fixed contributions to the fund with these being recognised within staff costs.

ERBS, a defined benefit scheme, was closed to future accrual in November 2016. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and compared to the fair value of any plan assets valued at bid price.

Further information on pension schemes and post-retirement benefits are disclosed in note 29.

Employment benefits

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

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Principal Accounting Policies

(continued)

Operating leases

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

Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate ruling at that date. Resulting exchange differences arising on translation are recognised in the income statement.

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any other commercial organisation.

Tangible and intangible assets

Non-current tangible and intangible assets are stated at cost less accumulated depreciation/amortisation and accumulated impairment losses. Land and buildings that had been revalued to fair value on or prior to the date of transition to the SORP 2015, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Capitalisation

Tangible and intangible assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- Individually have a cost greater than £25,000; or
- Collectively have a cost equal to or greater than £25,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

The University has a five-year rolling long-term maintenance plan, which forms the basis of the on-going maintenance of the estate. Expenditure on long term maintenance which does not either enhance an asset beyond its original condition or increase its expected economic life, and expenditure on all routine corrective maintenance, is charged to the income and expenditure account as incurred. Major replacement and refurbishment work is capitalised if the work creates or enhances an existing asset, or improves or substantially overhauls an asset. Finance costs directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

Intangible assets held by the University relates to software.

Heritage assets

Heritage assets are capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Where reliable estimates of cost or value are not available on a cost-benefit basis, these assets are omitted from the Financial Statements. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

Heritage assets are valued at fair value by independent valuation agents every 3 years with a physical inspection occurring every 5 years.

Any costs of maintaining and displaying the collection are reported in the Statement of Comprehensive Income in the year that they are incurred.

Depreciation / Amortisation

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal, with the exception of research equipment which is depreciated monthly on a straight line basis. All depreciation is calculated on a straight line basis as follows:

Principal Accounting Policies

(continued)

Freehold land	Not depreciated
Freehold buildings	Over their expected remaining useful lives, subject to a maximum of 50 years
Leasehold buildings	Over the shorter of the lease term and the expected useful lives, subject to a maximum of 50 years
Assets under construction	Not depreciated
Assets held for sale	Not depreciated
Infrastructure	Over their expected remaining useful lives, subject to a maximum of 50 years
Computer equipment and IT infrastructure	Over its expected useful life between 4 to 8 years
Intangible Assets / Software	Over its expected useful life between 3 to 5 years
Other Equipment	Over its expected useful life between 3 to 8 years

Building works that are greater than £150,000 are analysed into the following components:

Component	Life
Building shell	40-60 years
Mechanical and Engineering Services	10-30 years
Fit Out	20-25 years

Investment Property

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Rental property held primarily for the provision of social benefits (e.g. student residences) are accounted for as tangible fixed assets rather than Investment Property, in accordance with FRS 102.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

Non-current investments are held on the balance sheet at amortised cost less impairment. Current asset investments are included in the balance sheet at fair value. Increases/decreases in value arising on the revaluation of fixed asset investments are recognised in the Surplus or Deficit.

In the Financial Statements of the University the investments in subsidiary undertakings are included in the balance sheet at cost.

Stock

Stock is shown at the lower of cost and net realisable value and is measured using a first in first out formula. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Stocks of consumables held for administration purposes and in Colleges are not valued.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

Financial Instruments

The provisions of both section 11 and 12 of FRS 102 are applied in full. Basic financial instruments are held at amortised cost using the effective interest method or cost and are subject to an annual impairment review.

Complex financial instruments are held at fair value, with changes in the fair value taken directly to the Statement of Comprehensive Income, except where hedge accounting is applied.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes when required.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

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

Key Estimates and Judgements

Key sources of estimation uncertainty

The Financial Statements are based on a number of key estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pensions - USS

USS is a multi-employer scheme whereby the liabilities of the scheme cannot be separately attributable to individual Universities / employers. The University has a liability to fund the deficit recovery plan and this liability is recognised as a pensions provision, calculated as the discounted fair value of the contractual contributions under the recovery plan in existence at the balance sheet date.

Assumptions used to calculate the scheme liability in the current financial year are detailed in note 29.

Pensions - ERBS

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the University's retirement benefit obligation and pension assets/liabilities. Assumptions used in the current financial year are detailed in note 29.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 12 for the carrying amount of the property, plant and equipment, and the tangible assets accounting policy for the useful economic lives for each class of assets.

Impairment of debtors

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the ageing profile of debtors, our knowledge of individual debtors and our historical experience.

Provisions - Exeter Science Park Loan Guarantee

The University has recognised a provision in respect of the loan guarantee with Exeter Science Park Limited, based on the estimated liability as at the 31 October 2023, the date at which this liability would transfer to the University. Further details are included in note 28.

Critical accounting judgements in applying the University's accounting policies

There are no such judgements in either the current or prior year.

Statement of Comprehensive Income

For the year ended 31 July 2019

	Notes	Group		University	
		Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
INCOME					
Tuition fees and education contracts	1	247,898	232,065	247,898	232,065
Funding body grants	2	47,006	45,795	47,006	45,795
Research grants and contracts	3	86,965	76,073	86,965	76,073
Other income	4	62,751	57,584	62,532	57,360
Investment income	5	1,413	1,450	1,413	1,454
Endowments and donations	6	3,245	2,522	5,610	2,788
Total income		449,278	415,489	451,424	415,535
EXPENDITURE					
Staff costs	7	244,521	222,863	244,483	222,842
Staff costs – movement on pension provisions	7	85,878	(285)	85,878	(285)
Operating expenses	8	142,261	139,969	142,257	139,965
Depreciation	9	46,323	41,594	46,323	41,594
Interest and other finance costs	10	6,514	10,110	6,514	10,110
Total expenditure		525,497	414,251	525,455	414,226
(Deficit)/surplus before other gains/(losses) and share of operating surplus in joint ventures		(76,219)	1,238	(74,031)	1,309
Gain on investments	15	2,491	1,404	2,491	1,404
Share of operating surplus in joint venture	16	2,000	1,092	-	-
(Deficit)/surplus for the year		(71,728)	3,734	(71,540)	2,713
Revaluation of heritage assets	13	1,847	-	1,847	-
Actuarial (loss)/gain in respect of pension scheme	29	(4,933)	24,607	(3,899)	23,748
Total comprehensive (expenditure)/income		(74,814)	28,341	(73,592)	26,461
Represented by:					
Endowment comprehensive income for the year	23/24	2,498	1,047	2,498	1,047
Restricted comprehensive income/(expenditure) for the year		33	(13)	33	(13)
Unrestricted comprehensive (expenditure)/income for the year	25	(79,525)	27,592	(78,563)	25,452
Revaluation reserve comprehensive income/(expenditure) for the year	26	2,180	(285)	2,440	(25)
		(74,814)	28,341	(73,592)	26,461

All items of income and expenditure relate to continuing activities

Statement of Changes in Reserves

For the year ended 31 July 2019

Group	Endowment	Restricted	Unrestricted	Revaluation	Total
	Reserve	Income and	Income and	Reserve	
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2017	37,181	30	450,686	21,392	509,289
Surplus/(deficit) from the Statement of Comprehensive Income	1,047	(13)	2,725	(25)	3,734
Other comprehensive income	-	-	24,607	-	24,607
Transfers between revaluation and income and expenditure reserve	-	-	260	(260)	-
Total comprehensive income / (expenditure)	1,047	(13)	27,592	(285)	28,341
Balance at 1 August 2018	38,228	17	478,278	21,107	537,630
Surplus/(deficit) from the Statement of Comprehensive Income	2,498	33	(76,699)	2,440	(71,728)
Other comprehensive income	-	-	(3,086)	-	(3,086)
Transfers between revaluation and income and expenditure reserve	-	-	260	(260)	-
Total comprehensive income / (expenditure)	2,498	33	(79,525)	2,180	(74,814)
Balance at 31 July 2019	40,726	50	398,753	23,287	462,816

University	Endowment	Restricted	Unrestricted	Revaluation	Total
	Reserve	Income and	Income and	Reserve	
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2017	37,181	30	452,412	7,159	496,782
Surplus/(deficit) from the Statement of Comprehensive Income	1,047	(13)	1,704	(25)	2,713
Other comprehensive income	-	-	23,748	-	23,748
Total comprehensive income / (expenditure)	1,047	(13)	25,452	(25)	26,461
Balance at 1 August 2018	38,228	17	477,864	7,134	523,243
Surplus/(deficit) from the Statement of Comprehensive Income	2,498	33	(76,511)	2,440	(71,540)
Other comprehensive income	-	-	(2,052)	-	(2,052)
Total comprehensive income / (expenditure)	2,498	33	(78,563)	2,440	(73,592)
Balance at 31 July 2019	40,726	50	399,301	9,574	449,651

Balance Sheets

As at 31 July 2019

	Notes	Group		University	
		Year Ended 31 July 2019	Year Ended 31 July 2018	Year Ended 31 July 2019	Year Ended 31 July 2018
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11	11,937	7,365	11,937	7,365
Tangible fixed assets	12	713,757	704,304	713,245	703,864
Heritage assets	13	9,093	7,244	9,093	7,244
Investments	15	38,073	41,998	38,788	42,641
Investment in joint venture	16	13,081	14,374	-	-
		785,941	775,285	773,063	761,114
Current assets					
Stock		506	553	506	553
Receivables falling due within one year	17	58,421	37,806	58,278	37,714
Receivables falling due after one year	17	15,792	15,925	15,792	15,925
Investments	18	29,274	61,606	29,274	61,606
Cash and cash equivalents		107,277	43,076	106,535	42,522
		211,270	158,966	210,385	158,320
Less: Creditors: amounts falling due within one year	19	(128,463)	(108,306)	(128,043)	(108,028)
		82,807	50,660	82,342	50,292
Net current assets					
		82,807	50,660	82,342	50,292
Total assets less current liabilities					
		868,748	825,945	855,405	811,406
Creditors: amounts falling due after more than one year	20	(269,363)	(240,972)	(269,185)	(240,820)
Provisions					
Pension provisions	30	(134,169)	(44,943)	(134,169)	(44,943)
Other provisions	30	(2,400)	(2,400)	(2,400)	(2,400)
		462,816	537,630	449,651	523,243
Total net assets					
Restricted Reserves					
Endowment reserve	23/24	40,726	38,228	40,726	38,228
Income and expenditure reserve		50	17	50	17
Unrestricted Reserves					
Income and expenditure reserve	25	398,753	478,278	399,301	477,864
Revaluation reserve	26	23,287	21,107	9,574	7,134
		462,816	537,630	449,651	523,243
Total Reserves					

The financial statements on pages 54 to 89 were approved by Council on 21 November 2019 and were signed on its behalf by:

Professor Sir S Smith
Vice-Chancellor and Chief Executive

S Turvill
Chair of the Council

A Connolly
Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended 31 July 2019

		Year Ended 31 July 2019	Year Ended 31 July 2018
	Notes	£'000	£'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(71,728)	3,734
Adjustment for non-cash items			
Depreciation	12	43,515	40,610
Amortisation of intangibles	11	2,808	984
Gain on investments	15	(2,491)	(1,404)
Decrease/(increase) in stock		47	(66)
Increase in debtors		(20,462)	(9,921)
Increase in creditors		18,720	10,749
Increase in pension provision	30	85,328	396
Share of operating surplus in joint ventures		(2,000)	(1,092)
Adjustment for investing and financing activities			
Investment income		(1,414)	(1,450)
Interest and other finance costs	10	6,514	10,110
New endowments	6	(3,180)	(2,048)
Loss on the sale of fixed assets		86	71
Capital grant receipts		(4,792)	(4,759)
Net cash inflow from operating activities		50,951	45,934
Cash flow from investing activities			
Disposal of non-current asset investments		3,708	190
Investment income		3,338	1,016
Capital grants receipts		4,792	4,759
Withdrawal of deposits		32,332	(2,320)
New non-current asset investments		-	(1)
Payments made to acquire fixed assets	12,13	(600)	(1,251)
Payments made to acquire assets under construction	12	(37,022)	(32,150)
Payments made to acquire intangible assets	11	(4,911)	(2,266)
Net cash inflow/(outflow) from investing activities		1,637	(32,023)
Cash flow from financing activities			
Interest and other finance costs		(6,534)	(10,141)
New endowments		3,180	2,048
New bank loans		13	210,000
Repayments of amounts borrowed		(101)	(235,243)
Capital element of finance lease and Lease premium received		(15,675)	(13,911)
		30,730	8,388
Net cash inflow/(outflow) from financing activities		11,613	(38,859)
Increase/(Decrease) in cash and cash equivalents		64,201	(24,948)
Cash and cash equivalents at beginning of the year		43,076	68,024
Cash and cash equivalents at end of the year		107,277	43,076

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 1 TUITION FEES AND EDUCATION CONTRACTS

	Group		University	
	Year Ended 31 July 2019	Year Ended 31 July 2018	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000	£'000	£'000
Full-time home and EU students	154,027	152,795	154,027	152,795
Full-time international students	75,567	67,524	75,567	67,524
Part-time home and EU students	6,245	1,303	6,245	1,303
Part-time international students	858	744	858	744
Research Training Support Grant	8,614	7,577	8,614	7,577
Non-credit bearing course fees and other tuition fees	2,587	2,122	2,587	2,122
	247,898	232,065	247,898	232,065

NOTE 2 FUNDING BODY GRANTS

	Group		University	
	Year Ended 31 July 2019	Year Ended 31 July 2018	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000	£'000	£'000
Recurrent Grant				
Office for Students - Teaching grant	12,567	12,323	12,567	12,323
Research England - Research grant	24,403	23,596	24,403	23,596
Specific Grants				
Office for Students - Capital grants	1,710	1,904	1,710	1,904
UKRI - Capital grants	3,082	2,855	3,082	2,855
Higher Education Innovation Fund	3,952	2,244	3,952	2,244
Office for Students - Other grants	1,292	2,690	1,292	2,690
Teach First	-	183	-	183
	47,006	45,795	47,006	45,795

The Office for Students (OfS) is the independent regulator of higher education in England. OfS distributes higher education funding in respect of teaching activities.

Research England oversees higher education research and knowledge exchange and provides grant funding in support of these areas.

NOTE 3 RESEARCH INCOME

	Group		University	
	Year Ended 31 July 2019	Year Ended 31 July 2018	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000	£'000	£'000
Research Councils	35,201	31,270	35,201	31,270
UK Research Charities	9,616	11,030	9,616	11,030
UK Central Government, local authorities and health authorities	13,552	10,506	13,552	10,506
UK Industry and commerce	3,805	3,080	3,805	3,080
European Union government	17,346	15,739	17,346	15,739
European Union industry / other bodies	2,000	241	2,000	241
Other	5,445	4,207	5,445	4,207
Total Research Income	86,965	76,073	86,965	76,073

NOTE 4 OTHER INCOME

	Group		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	£'000	£'000	£'000	£'000
Residences, catering and conferences	24,718	23,380	24,572	23,153
Service concession arrangement income (note 14)	14,290	13,754	14,290	13,754
Other revenue grants	2,376	1,074	2,373	1,123
Other services rendered	2,688	2,704	1,518	1,690
Income from health authorities and trusts	4,602	3,805	4,602	3,805
Sports and swimming pool income	2,302	2,368	2,302	2,368
Summer Schools, fair and degree day income	411	282	411	282
ERASMUS income	1,121	1,028	1,121	1,028
Rental income and room hire	1,769	586	1,141	65
Externally charged staff time	1,833	1,600	2,307	2,169
Supplies and services to external customers	3,262	2,520	4,578	3,615
Library and IT related income	106	118	105	118
Family centre fees	417	463	417	463
Other income	2,856	3,902	2,795	3,727
	62,751	57,584	62,532	57,360

NOTE 5 INVESTMENT INCOME

	Note	Group		University	
		Year Ended	Year Ended	Year Ended	Year Ended
		31 July 2019	31 July 2018	31 July 2019	31 July 2018
		£'000	£'000	£'000	£'000
Investment income on expendable endowments	24	93	206	93	206
Investment income on permanent endowments	23	247	628	247	628
Other investment income		1,073	616	1,073	620
		1,413	1,450	1,413	1,454

NOTE 6 ENDOWMENTS AND DONATIONS

	Note	Group		University	
		Year Ended	Year Ended	Year Ended	Year Ended
		31 July 2019	31 July 2018	31 July 2019	31 July 2018
		£'000	£'000	£'000	£'000
New expendable endowments	24	3,162	1,813	3,162	1,813
New permanent unrestricted endowments	23	18	235	18	235
Restricted donations		33	15	-	15
Unrestricted donations		32	459	2,430	725
		3,245	2,522	5,610	2,788

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 7 STAFF COSTS

Average staff numbers (including senior post holders) employed by the University during the year and expressed as full-time equivalents, are presented in the table below:

	Year Ended 31 July 2019	Year Ended 31 July 2018
	Number	Number
Academic	1,487	1,389
Research	823	756
Professional Services	2,629	2,528
Total	4,939	4,673

Staff costs for the above persons:	Note	Year Ended 31 July 2019	Year Ended 31 July 2018
		£'000	£'000
Salaries		192,439	175,852
Employer taxes		18,911	17,194
Pension contributions	29	30,961	28,270
Direct staff costs		242,311	221,316
Severance payment		2,210	1,547
Movement on USS pension provision		86,780	(1,385)
Movement on ERBS pension provision		(902)	1,100
Total staff costs		330,399	222,578

Context and Institutional Performance 2018/19

The University's strategy for 2016-2021 (Making the Exceptional Happen) sets out ambitious plans to grow the University by increasing our research volume, quality and impact, delivering an internationally exceptional educational experience to a more diverse and international student body and to raise the University's international reputation so that we become a sustainable Global 100 research institution. The strategy outlines our goals to build research power to tackle global challenges, deliver an internationally excellent education, create an impact regionally, national and globally, support our people to make the exceptional happen, and make the most of our resources. The University is planning to achieve these challenging targets in an increasingly competitive environment both in the UK

and internationally. There is significant global competition for the very best students and academic experts. We are also operating within an environment of financial uncertainty, competing with other research intensive Universities for limited research funding and managing the uncertainties of Brexit. We will continue to measure our progress towards the achievement of our aims within the UK and international markets by the use of performance metrics, including maintaining and improving our standing in the main global and UK league tables.

Institutional Performance 2018/19

The University's achievement in 2018/19 are detailed in the "How we performed" section of the Annual Report.

NOTE 7 STAFF COSTS (continued)

Justification for the Vice-Chancellor's salary

Professor Sir Steve Smith has led the University of Exeter as Vice-Chancellor since 2002. The role of Vice-Chancellor as Chief Academic Officer and Chief Executive of the institution is a complex and challenging one, requiring not only excellent administrative and people skills to deal with the wide range of stakeholders which exist in every university, but also a comprehensive insight into the future of higher education. Sir Steve is an outstanding leader.

During his tenure the University has been transformed into one of the UK's leading research intensive universities. In 2002 the University of Exeter was 34th in the national league tables and today is in the top 12 in the UK and top 150 universities in the world. In the 2014 Research Excellence Framework, the University saw the third highest increase in QR funding in the UK, and has moved from 38th to 12th in terms of Research Council awards. Under his leadership, Exeter has become a member of the Russell Group of leading UK research intensive universities, it has established the University of Exeter Medical School – one of the most successful new Medical Schools in the country and has become recognised as one of the best teaching and research universities in the country with a Gold rating for teaching excellence.

Since 2002 the University's turnover has increased from £85m to £449m and research awards have increased from £8m to £107m. In this period, the University has grown from an institution of 12,000 students and 2500 staff to 23,600 students and 5300 staff today. Significant in this growth has been the establishment of the Penryn campus in partnership with Falmouth University and the enormously successful expansion of our activities in Cornwall over the last fourteen years.

Sir Steve's considerable leadership experience as one of the UK's longest serving Vice-Chancellors enables him to act as an ambassador for the University, and UK higher education in general, both within the UK and globally. As a Board Member of both Universities UK and the Russell Group, he contributes to the development of higher education in the UK. Locally, he is a Board Member of Heart of the South West Local Enterprise Partnership, promoting the University's contribution to the local economy. The University injects £1.1 billion into the local economy, creating 11,000 jobs, fuelling business and research, and sponsoring and supporting local schools.

Remuneration Decisions

Decisions on the reward of the Vice-Chancellor are made by the University's Remuneration Committee (which is composed entirely of independent members of the University's Governing Body) taking account of the achievement of strategic goals, the institution's national and international rankings and his performance against key performance metrics. Sir Steve's remuneration reflects his contribution to the success of the University and his higher education leadership experience.

In reviewing the performance of the Vice-Chancellor in 2018/19, the Committee noted that he has continued to lead the University in an exemplary manner during a challenging year. The University's research income has grown to £87 million and our REF 2021 plans are on target. We rose to 10th in the 2020 Guardian league table, and to 24th in the world in the Leiden Rankings for the proportion of papers in the top 10% most cited. The new Academy for Nursing in the College of Medicine and Health has been launched successfully. We have secured £10.5 million funding from Research England and South West Water for The Centre for Resilience in Environment, Water and Waste (CREWW), a pioneering new collaborative research centre, designed to solve some of the most pressing global environmental challenges of our time. Collaboration between the University of Exeter and partner education institutions in the region for a new Institute of Technology for the South West has also been successful. The Medical Research Council (MRC) Centre for Medical Mycology has moved from Aberdeen to join with existing Exeter scientists to create one of the largest groups of mycology (fungal research) experts in the world. The University achieved its EBITDA target and exceeded the target for philanthropy. We continue to improve the diversity of our senior staff and we are now implementing the recommendations of the Provost's Commission to improve equality, diversity and inclusion within the University. The Vice-Chancellor has also continued to play a leading role nationally and internationally on behalf of the higher education sector. He has built a strong leadership team.

Emoluments of the Vice-Chancellor and Chief Executive

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Salary	315	315
Performance related remuneration ⁸	41	47
Additional pay in lieu of pension contributions	51	53
Sub-total excluding pension contributions	407	415
Other taxable benefits	2	2
Other non-taxable benefits	12	12
Total emoluments	421	429

The remuneration received by the Vice-Chancellor in year ended 31 July 2019 was:

- a base salary of £315,000;
- an allowance in lieu of employer pension contributions;
- an interim performance award (under the Executive Performance Reward Scheme) of 13% (out of a potential 20%) in respect of institutional and personal performance.

The University pays an annual subscription to provide space for business meetings held by the Vice-Chancellor when he is in London. It is necessary for the subscription to be in the name of the Vice-Chancellor and HM Revenue and Customs require this to be taxed. The cost to the University in the financial year 2018/19 was £2,034 (2017/2018: £1,952).

⁸ At the time the financial statement for 2017/18 was agreed and published, the Remuneration Committee had made an interim payment to members of the Vice-Chancellor's Executive Group for the achievement of institutional performance targets in 2017/18 under the Executive Performance Reward Scheme. A later meeting of the Remuneration Committee agreed a final level of award which was paid after the financial statement had been published. The figure for total emoluments in 2017/18 in the table shows the amended figure.

Notes to the Financial Statements

For the year ended 31 July 2019

⁹ The prior year's data has been re-stated to reflect the updated calculation method and enable comparability with 2018/19.

NOTE 7 STAFF COSTS (continued)

The University requires the Vice-Chancellor to occupy accommodation on the University campus. Since this accommodation is provided for the better performance of his duties, this is not treated as a benefit in kind. The accommodation comprises of private living accommodation and space for business use. If the property was rented out privately, the income to the University in 2018/19 (for the proportion of the property which is apportioned to the Vice-Chancellor's private living accommodation) would be approximately £12,000 (2017/18: £11,700).

Full details of the long-term performance reward and retention arrangements for Professor Sir Steve Smith were given in the Committee's 2017/18 Annual Report.

The ratio between the Vice-Chancellor's basic salary and the median basic salary of all other employees, including casual workers, at 31 July 2019 is 10.36 (31 July 2018: 10.57)⁹. The ratio between the Vice-Chancellor's total reward in 2018/19 and the median total reward of all other employees including casual workers and employer pension contributions, excluding non-cash benefits at 31 July 2019 is 9.83 (31 July 2018: 10.50)⁹. When the value of the accommodation provided to the Vice-Chancellor is included in the total reward pay ratio calculation, the figure is 10.12 (31 July 2018: 10.80)⁹.

The pay ratio figure encompasses all University employees and workers, including academic and professional services staff.

£100,000 to £104,999	24	24
£105,000 to £109,999	6	24
£110,000 to £114,999	23	9
£115,000 to £119,999	13	14
£120,000 to £124,999	10	4
£125,000 to £129,999	7	4
£130,000 to £134,999	2	-
£135,000 to £139,999	5	4
£145,000 to £149,999	-	2
£150,000 to £154,999	1	1
£155,000 to £159,999	1	-
£160,000 to £164,999	1	1
£165,000 to £169,999	1	1
£170,000 to £174,999	4	4
£200,000 to £204,999	2	2
£215,000 to £219,999	-	-
£220,000 to £224,999	1	1
£230,000 to £234,999	1	1

	Restated
Year Ended 31 July 2019	Year Ended 31 July 2018
Number	Number
24	24
6	24
23	9
13	14
10	4
7	4
2	-
5	4
-	2
1	1
1	-
1	1
1	1
4	4
2	2
-	-
1	1
1	1
102	96

This table excludes the Vice-Chancellor's remuneration, which is detailed on page 61.

Independent members do not receive payment, apart from reimbursement of expenses for fulfilling their role as members of the governing body. Reimbursement of expenses amounted to £8,107 for 10 trustees (2018: £11,097 for 9 trustees). An additional £18,905 was paid directly by the University for travel, accommodation and subsistence for Council members (2018: £16,548).

Unlike some other higher education institutions, the University of Exeter has not contracted out services on a significant scale.

Compensation for loss of office

The total amount of any compensation for loss of office paid by the University for the year ended 31 July 2019 was £2,210k and relates to 175 posts (£1,547k for 144 posts to 31 July 2018). The University run a voluntary severance scheme in 2017/18 and 2018/19 to facilitate restructuring, and these figures include employees who have left, or will leave in the next 12 months, under this scheme, as well as statutory redundancy payments and payments in lieu of notice.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Such persons have been defined as members of the Vice-Chancellors Executive Group. Remuneration of key management personnel, excluding employer's pension contributions, was £3,399k for 17 posts for the year ended 31 July 2019 (£3,235k for 17 posts to 31 July 2018).

Remuneration of higher paid staff, excluding employer's pension contributions (except where this is part of a salary sacrifice scheme) and partner institutions in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded in the University's Statement of Comprehensive Income is reported in the following table:

Council Members

The University Council members are the charitable trustees. Due to the nature of the University's operations and the composition of the University Council (with members being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. Details of the organisations in which members of Council have an interest are published online at www.exeter.ac.uk/about/organisation/council/whowear

Further information on related party transactions is included in note 31.

NOTE 8 OTHER OPERATING EXPENSES

	Group		University	
	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Residences, catering and conferences	9,004	8,905	8,942	8,871
Rents and rates	1,604	1,490	1,998	1,946
Light, heat, power and water	6,100	5,809	6,074	5,788
Repairs and general maintenance	9,237	10,568	9,208	10,456
Research	18,353	18,091	18,353	18,091
Sport	1,447	1,811	1,447	1,811
Penryn Campus costs	6,312	5,681	6,312	5,681
Laboratory equipment and consumables	3,235	3,719	3,235	3,719
IT hardware, software and licences	3,404	2,860	3,343	2,803
Other equipment (including loss on disposal of equipment)	6,641	6,756	6,640	6,754
Books and periodicals	6,346	5,536	6,346	5,536
Agency, seconded staff and staff support costs	3,951	6,429	3,951	6,429
Publicity, publications and student recruitment	5,708	5,709	5,701	5,701
Travel and subsistence	12,325	11,431	12,324	11,428
Scholarships, prizes and student support	32,161	27,881	31,988	27,773
Grants paid to Alan Turing Institute	-	5,000	-	5,000
Auditors remuneration	112	29	81	23
Auditors remuneration in respect of non-audit services	41	44	41	41
Other expenses	16,280	12,220	16,272	12,114
	142,261	139,969	142,257	139,965
Included within other operating expenses are:				
Internal audit costs (within other expenses)	129	148	129	148
External audit costs (within Auditors remuneration)	112	65	81	58
Operating lease expenses	505	651	433	578

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 9 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

Group	Staff	Other	Depreciation/ Amortisation	Interest Payable	2019 Total	2018 Total
	Costs	Operating Expenses				
	£'000	£'000	£'000	£'000	£'000	£'000
Academic colleges	115,218	31,397	2,240	-	148,855	129,053
Academic services	25,138	6,595	3,180	-	34,913	33,018
Administration and central services	49,079	51,691	3,096	-	103,866	105,057
Premises	9,926	23,442	18,942	5,564	57,874	62,806
Residences, catering and conferences	5,054	9,004	16,279	-	30,337	28,956
Research grants and contracts	40,106	20,132	2,586	-	62,824	54,945
Pension adjustment	85,878	-	-	950	86,828	416
	330,399	142,261	46,323	6,514	525,497	414,251

NOTE 10 INTEREST AND OTHER FINANCE COSTS

Group and University	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Loan interest	5,550	2,557
Other finance costs	14	7
Finance costs relating to refinancing	-	6,845
Net charge on pension schemes	950	701
	6,514	10,110

NOTE 11 INTANGIBLE ASSETS

Group and University	Software	Assets under construction	Total
	£'000	£'000	£'000
Cost			
As at 1 August 2018	9,223	5,395	14,618
Additions	-	4,911	4,911
Transfers	9,401	(6,932)	2,469
As at 31 July 2019	18,624	3,374	21,998
Depreciation			
As at 1 August 2018	7,253	-	7,253
Charge for the year	2,808	-	2,808
As at 31 July 2019	10,061	-	10,061
Net Book Value			
At 31 July 2019	8,563	3,374	11,937
At 31 July 2018	1,970	5,395	7,365

NOTE 12 TANGIBLE FIXED ASSETS

Group	Land and buildings		Service	Equipment	Assets	Total
	Freehold	Long Leasehold	concession arrangement		under construction	
	£'000	£'000	(Note 14) £'000	£'000	£'000	£'000
Deemed Cost						
At 1 August 2018	634,464	90,481	14,291	83,863	19,354	842,453
Additions	-	-	14,862	522	37,022	52,406
Disposals	-	-	(14,291)	(213)	-	(14,504)
Transfers between categories	(13,888)	13,888	-	-	-	-
Transfers from assets under construction	26,474	348	-	7,711	(37,002)	(2,469)
Transfer from Investment Property	3,041	-	-	-	-	3,041
At 31 July 2019	650,091	104,717	14,862	91,883	19,374	880,927
Depreciation						
At 1 August 2018	68,530	10,272	-	59,347	-	138,149
Transfers between categories	(872)	872	-	-	-	-
Charge for the year	17,582	3,048	14,291	8,594	-	43,515
Disposals	-	-	(14,291)	(203)	-	(14,494)
At 31 July 2019	85,240	14,192	-	67,738	-	167,170
Net book value						
At 31 July 2019	564,851	90,525	14,862	24,145	19,374	713,757
At 31 July 2018	565,934	80,209	14,291	24,516	19,354	704,304

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 12 TANGIBLE FIXED ASSETS (continued)

University	Land and buildings		Service concession arrangement (Note 14)	Equipment	Assets under construction	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Deemed Cost						
At 1 August 2018	634,024	90,481	14,291	83,601	19,354	841,751
Additions	-	-	14,862	522	37,022	52,406
Disposals	-	-	(14,291)	(213)	-	(14,504)
Transfers between categories	(13,888)	13,888	-	-	-	-
Transfers from assets under construction	-	-	-	-	-	-
	26,474	348	-	7,711	(37,002)	(2,469)
Transfers from Investment Property	2,969	-	-	-	-	2,969
At 31 July 2019	649,579	104,717	14,862	91,621	19,374	880,153
Depreciation						
At 1 August 2018	68,530	10,272	-	59,085	-	137,887
Transfers between categories	(872)	872	-	-	-	-
Charge for the year	17,582	3,048	14,291	8,594	-	43,515
Disposals	-	-	(14,291)	(203)	-	(14,494)
At 31 July 2019	85,240	14,192	-	67,476	-	166,908
Net book value						
At 31 July 2019	564,339	90,525	14,862	24,145	19,374	713,245
At 31 July 2018	565,494	80,209	14,291	24,516	19,354	703,864

At 31 July 2019, freehold land and buildings included £88.7m (2018: £88.7m) in respect of freehold land which is not depreciated.

a) Included in the cost of freehold land and buildings is £1.1m (2018: £1.1m) bank loan interest payable that has been capitalised. This has been calculated at the loan interest rate of 5.88%. These finance costs are directly attributable to the construction of student residences and were capitalised as part of the cost of those assets whilst they were in the course of construction. There has been no capitalisation of interest payable in the current or prior years.

b) Upon transition to FRS102 tangible fixed assets were valued at deemed cost following a valuation performed by the external Chartered Surveyors, Jones Lang LaSalle, as at 31 July 2014 on the basis of existing use or depreciated replacement cost according to the nature and use of each building. This valuation was prepared in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors. No further revaluations of tangible fixed assets will occur, with the exception of investment properties (note 15) and heritage assets (note 13).

c) Long leasehold land and buildings comprise the University owned buildings on the Penryn Campus, which were acquired under a 125 lease (109 years remaining) and the Research, Innovation, Learning and Development ("the RILD") buildings on the Royal Devon and Exeter Hospital (Wonford) site in Exeter, which was completed in 2013/14. The RILD buildings are held under a finance lease arrangement which has been fully paid in advance.

NOTE 12 TANGIBLE FIXED ASSETS (continued)

A finance lease liability and the equivalent prepayment have been included on the balance sheet in relation to the RILD buildings on the following basis:

	Note	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Debtors: Amounts falling due within one year	17	134	133
Debtors: Amounts falling due after more than one year	17	15,792	15,925
Creditors: Amounts falling due within one year	19	(134)	(133)
Creditors: Amounts falling due after more than one year	20	(15,792)	(15,925)

Of the amounts falling due after more than one year, £133k is due within one to two years, £400k is due within two to five years, and £15,258k is due after more than five years. (2018: £133k; 399k; £15,393k respectively).

NOTE 13 HERITAGE ASSETS

Group and University	Special Collections £'000	Fine Art Collection £'000	Total £'000
Cost/Valuation			
As at 1 August 2018	2,950	4,294	7,244
Additions	20	58	78
Disposals	-	(76)	(76)
Revaluation	149	1,698	1,847
As at 31 July 2019	3,119	5,974	9,093

History of heritage assets

Year-ended 31 July	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Acquisition of heritage assets	78	-	-	108	-
Donated heritage assets	9	-	-	40	-
Revaluation of collections	1,847	-	-	75	-

Library special collection

Special Collections manages unique and distinct collections of archives, manuscripts and rare books. The collections are used extensively in University teaching and research programmes across a range of disciplines and are particularly strong in twentieth-century literary papers by writers associated with the south west of England, Arab and Islamic Studies and religious archive and book collections. Recent acquisitions have included new archive material relating to Daphne du Maurier.

Fine art and furniture collection

The University has a collection ranging from paintings, prints and drawings to sculpture and silverware. The University has a collection of sculpture across Streatham Campus by distinguished artists such as Barbara Hepworth, Paul Mount and Michael Ayrtton.

Both the library and fine art collection were professionally valued as at 31 July 2019 by external Fine Art Auctioneers and Valuers, Messrs. Bearn's Hampton and Littlewood, on an open market value basis.

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 13 HERITAGE ASSETS (continued)

Bill Douglas Cinema Museum

The Bill Douglas Cinema Museum holds a collection of books, prints, artefacts and ephemera relating to the history and pre-history of cinema. The initial collection was donated to the Exeter University Foundation in 1991 but since then other collections have also been donated. No value is reported in the Group's balance sheet as no reliable cost

or valuation can be attributed to this unique and irreplaceable collection. These assets are managed by the curator and his staff to ensure their cataloguing, safe keeping and preservation and are insured against accidental damage or loss at the University's expense. The museum was opened to the public in 1997 and is free of charge.

NOTE 14 SERVICE CONCESSION ARRANGEMENTS

The University has a number of service concession arrangements with University Partnerships Programme Limited (UPP) for the provision of student residential accommodation services.

In September 2009 the University entered into a 42 year contract with UPP for the provision of residential accommodation services, providing accommodation for 2,569 students. The assets and liabilities relating to this contract are recognised on the University's Balance Sheet to the extent that the University is required to fulfil nomination commitments at each 31 July. At the end of the contract term the buildings will revert back to the University. The University has the right to nominate rooms each January for the following academic year. This commits the University to pay for these rooms in the following year only. It is anticipated that student rents received will fully fund this obligation.

In June 2018 the University entered into a 52 year contract with UPP for the demolition, development and operation of residential services, providing accommodation for 382 students at Spreytonway and Moberly on the Streatham campus. These facilities are currently under construction and will be available for the start of the 2020/21 academic year.

In January 2019 the University entered into a 52 year contract with UPP to develop and operate student accommodation, providing 1,182 rooms in two phases on East Park on the Streatham campus. These facilities are currently under construction and 604 rooms will be available for the start of the 2020/21 year and a further 578 rooms for the start of the 2021/22 year.

Service Concession Arrangement assets

The asset value of the service concession in the Balance Sheet as at 31 July 2019 is £14.9m (2018: £14.3m).

Service Concession Arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2019 were £14.9m (2018: £14.3m), representing the present value of lease obligations for the following academic year.

Future Commitments

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

	Payable within 1 year
	£'000
Liability repayments	14,838
Service charge	24
	<u>14,862</u>

NOTE 15 NON-CURRENT INVESTMENTS

	Endowment Funds £'000	Investment Property £'000	Subsidiary companies £'000	Other investments £'000	Total 2019 £'000	Total 2018 £'000
Group						
At 1 August	36,760	5,183	-	55	41,998	44,952
Withdrawals	(3,512)	-	-	-	(3,512)	-
Investment income	335	-	-	-	335	834
Fees	(198)	-	-	-	(198)	(190)
Transfer to Tangible Fixed Assets	-	(3,041)	-	-	(3,041)	(5,002)
Revaluation gain	1,898	593	-	-	2,491	1,404
	(1,477)	(2,448)	-	-	(3,925)	(2,954)
At 31 July	35,283	2,735	-	55	38,073	41,998
University						
At 1 August	36,760	5,624	210	47	42,641	45,462
Withdrawals	(3,512)	-	-	-	(3,512)	-
Investment income	335	-	-	-	335	834
Fees	(198)	-	-	-	(198)	(190)
Transfer to Tangible Fixed Assets	-	(2,969)	-	-	(2,969)	(4,869)
Revaluation gain	1,898	593	-	-	2,491	1,404
	(1,477)	(2,376)	-	-	(3,853)	(2,821)
At 31 July	35,283	3,248	210	47	38,788	42,641

Endowment Funds

The University holds an investment portfolio to invest part of its endowment funds, which are managed in line with the University Investment Policy. The investment objective of endowment funds is to achieve an absolute rate of return that deemed achievable in the market place and sufficient to fulfil the charitable objectives of the donation, taking into account risks and any requirements to preserve capital. For more details on the endowment funds see notes 23 and 24.

Investment Property

The University holds investment property where buildings are held to earn external rental income. Where premises are occupied by subsidiary companies, these assets are not included as investment property at a consolidated level and are instead included within tangible fixed assets (note 12).

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 15 NON-CURRENT INVESTMENTS (continued)

Subsidiary companies

The investment in subsidiary undertakings, as consolidated in the financial statements, comprises the following:

Directly owned Indirectly owned	Group Holding	Shareholding	Principal business activity
UOE Consulting Limited	100%	60,110 Ordinary £1	Consultancy activities
Peninsula Innovations Limited	100%	2 Ordinary £1	Property management
ESI Enterprises Limited	100%	1 Ordinary £1	Dormant company
Living Systems Technology Ltd	100%	1 Ordinary £1	Dormant company
Exeter ISC Limited	100%	100 Ordinary £1 and 149,900 Redeemable preference £1	Holding company of INTO University of Exeter LLP
ERBS Trustee Limited	100%	1 Ordinary £1	Dormant company

All of the above companies are registered in England and Wales.

The activities of The Exeter University Foundation (Foundation), a registered charity, are consolidated on the grounds that the University has a controlling influence over its activities. From 2015/16 the University is the sole

corporate trustee of the Foundation. The Foundation supports the collections of The Bill Douglas Cinema Museum. It does not actively solicit donations, but will accept donations from those who prefer to donate to the Foundation rather than the University. The Foundation shares a year end of 31 July with the University.

Other investments

Other investments of the University comprise the following:

Name	Holding
Attomarker Limited	765 Ordinary £1 shares
Biosystems Technology Limited	270 Ordinary £0.50 shares
ChocEdge Limited	10 Ordinary £1 shares
Cotton Mouton Diagnostics Limited	132,800 Ordinary £0.01 shares
CVCP Properties Limited	37,355 Ordinary £1 shares
Disigi Limited	12 Ordinary £1 shares
Full Scales Dynamics Limited	1,600 Ordinary £1 shares
Health Behaviour Group	Limited by Guarantee
Industrial Tomography Systems Plc	249,564 Ordinary £0.01 shares
Isca Diagnostics Limited	2,500 Ordinary £1 shares
Myco Sciences Limited	125 Ordinary £1 shares
One Health Ventures Limited	500,050 Ordinary £0.01 shares
TTL Holdings Limited	1,583 Ordinary £1 shares
Trireme Systems Limited	59,220 Ordinary £1 shares

These are all minority shareholdings whereby the University does not have significant influence or control over the companies.

The University also holds shares in Exeter Science Park Ltd but these are held at nil value, reflecting the uncertainty and remoteness of a return on investment. The development of the Science Park is being funded in part from the Heart of the South West Local Enterprise Partnership loan facility, for further details on the loan see note 28.

NOTE 16 INVESTMENT IN JOINT VENTURES

Falmouth Exeter Plus Ltd Group (FX+ Ltd)

FX+ Ltd is a joint venture company with two members - the University and Falmouth University. It is a company limited by guarantee without share capital. FX+ Ltd has been established to provide student accommodation, student support and commercial services for the Penryn campus, occupied by the University and Falmouth University and has the status of an exempt charity.

Tremough Development Vehicle Limited (TDV Ltd) is a dormant wholly owned subsidiary of FX+ Ltd. It was established to provide the construction of the main campus for the University and Falmouth University.

Cornwall Plus Limited is a wholly owned subsidiary of FX+ Ltd. It was established to operate non-student letting of residences, non-academic conferences, external events and corporate hospitality. It commenced trading on 1 August 2013.

FX+ Ltd, TDV Ltd and Cornwall Plus Ltd have financial years that end on 31 July.

INTO University of Exeter LLP

INTO University of Exeter LLP is a limited liability partnership between Exeter ISC Limited, a wholly owned subsidiary of the University, and INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited. Its principal place of business is INTO Building, Stocker Road, Exeter, EX4 4PY. INTO University of Exeter LLP was formed in December 2006 and operates from the University of Exeter's Streatham campus. Its principal activity is the provision of pre-university academic and language courses, primarily to non-EU and non-UK students.

Exeter ISC Limited and INTO University of Exeter LLP have financial years that end on 31 July.

Jointly controlled entities

Both FX+ Ltd and INTO University of Exeter LLP arrangements are jointly controlled entities and are accounted for using the gross equity method, such that 50% of each company's net equity (gross assets less gross liabilities) is included in the consolidated balance sheet of the University and 50% of their net income is reported in the University's consolidated income and expenditure account.

Both INTO University of Exeter LLP and Exeter ISC Limited have entered into a gift aid arrangement to distribute surpluses arising on their activities to the University and joint venture partners accordingly.

		Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Share of operating surplus	FX+	(67)	(341)
	INTO	2,067	1,433
		2,000	1,092
Share of total comprehensive income	FX+	(1,101)	518
	INTO	2,067	1,433
		966	1,951
Share of gross assets	FX+	43,471	44,110
	INTO	8,999	7,935
		52,470	52,045
Share of gross liabilities	FX+	(31,150)	(30,687)
	INTO	(8,239)	(6,984)
		(39,389)	(37,671)
Share of net assets	FX+	12,321	13,423
	INTO	760	951
		13,081	14,374

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 17 TRADE AND OTHER RECEIVABLES

	Group		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Accrued research grant income	24,054	20,877	24,054	20,878
Prepayments	17,893	8,654	17,529	8,432
Other receivables	16,454	8,255	15,927	8,357
Amounts due from subsidiary companies	-	-	748	27
Amounts due from group undertakings	20	20	20	20
	58,421	37,806	58,278	37,714
Amounts falling due after one year				
Finance lease prepayment	15,792	15,925	15,792	15,925

NOTE 18 CURRENT ASSET INVESTMENTS

	Group		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	£'000	£'000	£'000	£'000
Short term deposits	10,146	29,753	10,146	29,753
Other short term investments	19,128	31,853	19,128	31,853
	29,274	61,606	29,274	61,606

Deposits are held with banks and building societies operating in the London market and authorised by the Prudential Regulation Authority with greater than three months but less than twelve months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 1.50% (2018: 0.89%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 231 days (2018: 175 days).

Other short term investments are money market funds, certificates of deposit, floating rate notes and corporate bonds with greater than three months maturity but less than 12 months at the balance sheet date.

NOTE 19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	£'000	£'000	£'000	£'000
Other payables	10,698	11,128	10,698	11,125
Obligations under finance leases	133	133	133	133
Trade payables	11,235	5,011	9,915	4,970
Service Concession Arrangement	14,862	14,291	14,862	14,291
Social security and other taxation payable	5,580	5,341	5,580	5,293
Accruals and deferred income	37,894	27,458	38,794	27,272
Research grants received on account	48,061	44,944	48,061	44,944
	128,463	108,306	128,043	108,028

NOTE 20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	Year Ended	Year Ended	Year Ended	Year Ended
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	£'000	£'000	£'000	£'000
Bank loans	209,538	209,524	209,538	209,524
Obligations under finance lease	15,792	15,925	15,792	15,925
Deferred income	40,704	11,225	40,704	11,225
Other creditors	3,329	4,298	3,151	4,146
	269,363	240,972	269,185	240,820

Deferred income represents receipts from a number of service concession arrangements that are released to the Statement of Comprehensive Income over the life of contract. There is no contractual or constructive obligation to repay these receipts.

Analysis of bank loans Group and University

	Year Ended	Year Ended
	31 July 2019	31 July 2018
	£'000	£'000
Due within one year (note 19)	-	-
Due within one and two years	-	-
Due within two and five years	-	-
Due in five or more years	209,538	209,524
Total secured and unsecured loans	209,538	209,524

Included within the total balance above is the following:

Lender	Facility	Interest Rate %	Repayment	Maturity	Year Ended	Year Ended
	£'000				31 July 2019	31 July 2018
					£'000	£'000
Northwestern Mutual Life	35,000	2.58	Bullet	2038	34,924	34,921
Pricoa Capital Group	60,000	2.61	Bullet	2043	59,868	59,864
Pricoa Capital Group	90,000	2.68	Bullet	2048	89,801	89,796
Macquarie Investment Management	25,000	2.68	Bullet	2048	24,945	24,943
					209,538	209,524

In January 2018 the University issued Loan Notes of £210m to three lenders at fixed interest rates.

Transaction fees of £482k are being amortised over the duration of the Loan Notes and charged to Other Finance costs.

All borrowings are unsecured but include a negative pledge obligation to each of the lenders, whereby the University has agreed not to grant security over its assets to third parties.

In November 2017, the University entered into a 7-year £50m revolving credit facility with Barclays Bank. No drawings from the facility have been made during the year.

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 21 ANALYSIS OF CHANGES IN NET DEBT

Group	At 1 August 2018 £'000	Cash flow in year £'000	Change in creditor £'000	At 31 July 2019 £'000
Cash and cash equivalents	43,076	64,201	-	107,277
Current asset investments	61,606	(32,332)	-	29,274
	104,682	31,869	-	136,551
Bank loan and borrowings				
Due within 1 year	-	-	-	-
Due after 1 year	(209,524)	-	(14)	(209,538)
Other borrowings	(169)	169	-	-
	(209,693)	169	(14)	(209,538)
	(105,011)	32,038	(14)	(72,987)

NOTE 22 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Examples of financial instruments include: cash; bank accounts; debtors and creditors; investments and options, forward contracts and hedging instruments and loans.

Nature and Extent of Risks Arising from Financial Instruments

The University's activities expose it to a variety of financial risks. The Council oversees the management of these risks by reviewing and agreeing policies and ensuring conformity. The main risks to the University's activities are presented below.

Credit and Counterparty Risk

Credit and counterparty risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The University is exposed to credit risk from both its primary and ancillary activities and financial activities, including deposits with banks and financial institutions.

Outstanding receivables are regularly monitored. The maximum exposure to credit risks at the reporting date is the carrying value of each class of financial asset.

The risk applicable to financial activities is minimised through the investment strategy, and more specifically by the defined lending counterparty criteria, which sets out the principles with which potential counterparties' creditworthiness is judged. Such principles take account of counterparty ratings by the three major ratings agencies: Fitch, S&P and Moody's; with the lowest rating of the three being used. Limits are set on the amount that can be invested with each financial institution based on ratings, group structure, duration, and country of domicile.

The lending counterparty criteria are proposed and approved regularly, incorporating any changes in financial institutions or developments in the wider political, economic, or legal environment.

A range of indicators are used to assess counterparties' creditworthiness, not just credit ratings. Among other indicators that are taken into account are:

- Credit default swaps and spreads;
- Likelihood and strength of parental support;
- Government guarantees and support;
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

NOTE 22 FINANCIAL INSTRUMENTS (continued)

Liquidity/Refinancing

Liquidity risk arises from the University's management of working capital, the finance charges and principal repayment on its borrowings. It is the risk that the University will encounter difficulty in meeting its financial obligations as they fall due. The University's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows, ensuring it has appropriate levels of cash and borrowing facilities to meet liabilities as they fall due.

Within a treasury management function a comprehensive cash flow management system is operated to ensure that cash is available as needed. Cash investments are made with outlook for the forecasted cash requirements for operational and capital spending. Short-term deposits are made with suitable counterparties, and it has become more frequent under current market conditions that call accounts are used.

A revolving credit facility of £50m is retained which can be drawn to mitigate the effects of any unexpected cash movements.

Market Risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices, including but not limited to changes triggered by fluctuation of interest rate. The financial instruments held by the University that are affected by market risk are principally cash balances, borrowings and two invested endowment funds.

Private placement borrowings have fixed interest rates applicable for the entire term of borrowings and therefore its exposure to a market risk is minimal.

The University has an undrawn £50m (2018: £50m) revolving credit facility which has a variable interest rate.

Endowment funds are invested with a reputable investment manager who ensures diversification and acts within the University's investment policy. The funds are placed on a nominee account opened in the name of the University. Compliance with the investment policy and performance of the investments is monitored regularly.

The University monitors its interest rate exposure on all cash balances. The University seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

As far as investments are concerned, the University seeks to optimise returns commensurate with its objectives of security and liquidity. With the UK Bank Rate increasing from 0.5% to 0.75% during 2018-2019, short term money market rates remained at very low levels, having a significant impact on investment income. Some call accounts offered yields in excess of those by offering time deposits up to twelve months, which meant that it was beneficial to use these facilities, not just for liquidity and yield, but in mitigating counterparty and interest rate risks.

Foreign Exchange Risk

Bank accounts held are denominated in Sterling, Euros and Dollars. Foreign currency invoices are raised predominantly in Euro or Dollar. By holding Euro and Dollar denominated accounts exchange rate risk exposure is mitigated. Receipts in foreign currency in excess of scheduled respective currency payments are converted in Pound Sterling - the University's functional currency.

Political Risk

University funding could suffer as a result of political factors. In May 2019 an official review panel, commissioned by the UK government, recommended that the tuition fee should be cut by 19% and maintenance grants should be reintroduced. There are also political talks concerning the the abolishment of student fees completely which would likely require caps to student numbers.

It is currently unclear how the government will react to the panel's report. The Council closely monitor the political situation, conducts assessment of potential impact and reviews the University's strategic direction accordingly.

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 23 PERMANENT ENDOWMENT RESERVES

Group and University	Restricted permanent endowment £'000	Unrestricted permanent endowment £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August:				
Original gift	8,880	1,850	10,730	10,495
Unapplied total return	15,435	337	15,772	15,489
	24,315	2,187	26,502	25,984
New endowments	-	18	18	235
Investment income	227	20	247	628
Expenditure	(1,162)	(12)	(1,174)	(925)
Increase in market value of investments	1,350	122	1,472	580
		148	563	518
Total permanent endowment comprehensive income for the year	415			
Balances at 31 July	24,730	2,335	27,065	26,502
Represented by				
Original gift	8,880	1,868	10,748	10,730
Unapplied total return	15,850	467	16,317	15,772
	24,730	2,335	27,065	26,502
Analysis by asset			£'000	£'000
Investment portfolio			27,180	26,381
Cash and cash equivalents			(115)	121
			27,065	26,502
Analysis by type of purpose				
Institute for Arab and Islamic Studies			19,376	19,211
Exeter Forever Fund			2,334	2,187
Devon Research Scholarships			907	856
Special Collections			798	769
Entrance Scholarships			533	510
Other permanent funds			3,117	2,969
			27,065	26,502

Fund Descriptions

- The Institute for Arab and Islamic Studies (IAIS) Fund provides financial support for academic chairs within the Institute.
- The Exeter Forever Fund is a permanent unrestricted endowment. All legacies donated to the University (except those with specific restrictions) are allocated to the Exeter Forever Fund.
- The University hold funds for research scholarships for specific awards for residents of Devon and Cornwall.

- The Special Collections fund is held to fund future additions to the Heritage Asset investments.
- The University holds funds for Entrance Scholarships for new entrants residing in Cornwall or Devon who also meet the specific requirements of the individual awards.
- The remaining permanent funds comprise 80 separate funds that are used for scholarships, prizes and general educational support.

NOTE 24 EXPENDABLE ENDOWMENT RESERVES

Group and University	2019 Total £'000	2018 Total £'000
Balances at 1 August:		
Original gift	11,317	10,793
Accumulated income	409	404
	11,726	11,197
New endowments	3,162	1,813
Investment income	93	206
Expenditure	(1,696)	(2,151)
Increase/(Decrease) in market value of investments	376	661
	1,935	529
Total expendable endowment comprehensive income for the year	13,661	11,762
Balances at 31 July		
Represented by	13,216	11,317
Original Gift	445	409
Accumulated income	13,661	11,726
	£'000	£'000
Analysis by asset	7,966	10,291
Investment Portfolio	5,695	1,435
Cash and cash equivalents	13,661	11,726
	£'000	£'000
Analysis by type of purpose		
HRH Prince Al-Waleed Al Saud Awards	1,673	1,651
J Oldacre Foundation	1,041	57
The Carlotta Palmer Legacy	769	774
Gillings Family Foundation	570	661
Vandervell	633	615
Other expendable endowments	8,975	7,968
	13,661	11,726

Fund Descriptions

- The HRH Prince Al-Waleed Al Saud scholarships are for IAIS students who are citizens of countries outside the Arab world. The scholarships are intended to support IAIS students in their University of Exeter assessments, by contributing to the cost of visiting Arab countries to undertake a recognised Arabic language course, or undertake research for a dissertation.
- The Gillings Family Foundation donated £1 million towards the Medical School's pioneering work in genetic disorders.
- The Vandervell fund holds non-restricted grants awarded from the Vandervell Foundation, primarily for medical research.

- The Carlotta Palmer Legacy funds were left to the University by the donor to be utilised within science disciplines. These funds are now used to support a minimum of 9 studentships across 3 colleges.
- John Oldacre Foundation gift of £1m was received for funding John Oldacre Foundation research fellow between 2019 and 2023 with subsequent creation of a permanent endowment fund for funding PhD students.
- The remaining expendable funds comprise 321 separate funds which were donated for a specified purpose, with no restriction to retain as capital, all of which are restricted. The University does not hold expendable unrestricted endowments.

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 25 UNRESTRICTED RESERVE

Income and expenditure reserve	Group		University	
	Year Ended 31 July 2019	Year Ended 31 July 2018	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000	£'000	£'000
Balances at 1 August	478,278	450,686	477,864	452,412
Surplus/(deficit) from the income and expenditure statement	(76,699)	2,725	(76,511)	1,704
Other comprehensive income	(3,086)	24,607	(2,052)	23,748
Transfers between revaluation and income and expenditure reserve	260	260	-	-
Total comprehensive income for the year	(79,525)	27,592	(78,563)	25,452
Balances at 31 July	398,753	478,278	399,301	477,864

NOTE 26 REVALUATION RESERVE

Revaluation reserve Group	Freehold land and buildings £'000	Fixed asset investment £'000	2019	2018
			Total £'000	Total £'000
Balances at 1 August	13,973	7,134	21,107	21,392
Revaluation in year	-	2,440	2,440	(25)
Transfers from revaluation to general reserve				
Depreciation on re-valued assets	(260)	-	(260)	(260)
Total reserve movement for the year	(260)	2,440	2,180	(285)
Balances at 31 July	13,713	9,574	23,287	21,107

Revaluation reserve University	Freehold land and buildings £'000	Fixed asset investment £'000	2019	2018
			Total £'000	Total £'000
Balances at 1 August	-	7,134	7,134	7,159
Revaluation in year	-	2,440	2,440	(25)
Total reserve movement for the year	-	2,440	2,440	(25)
Balances at 31 July	-	9,574	9,574	7,134

NOTE 27 CAPITAL COMMITMENTS

Group and University	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Commitments contracted at 31 July	38,408	14,204
Authorised but not contracted at 31 July	52,251	41,275
Total	90,659	55,479

Capital commitments will be funded by a mixture of grants, loans, donations and internal working capital.

NOTE 28 FINANCIAL COMMITMENTS

Operating Leases	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Expiring within one year	356	381
Expiring between two and five years	288	555
Total	644	936

Guarantees	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Exeter Science Park Ltd	2,400	2,400

The Heart of the South West Local Enterprise Partnership (LEP) has provided a loan facility to Exeter Science Park Limited (ESPL) for the development of the Science Park Centre. The University, jointly with Devon County Council, has provided a loan guarantee facility for up to 50% of the debt outstanding on the loan expiration date. The University has prudently provided for this guarantee, setting aside £2.4m in the event that the University is required to fund its repayment to the LEP. The liability becomes payable on 31 October 2023. The amount provided for is based on the likelihood of interim loan repayments by ESPL to the LEP, according to their Business Plans, discounted to present value.

Other Liabilities

In addition to the liabilities recognised in these Financial Statements, the University also has financial guarantees and commitments with third parties which are not quantified as the likelihood of them being realised is remote. The two key commitments in place as at 31 July 2019 are:

- The University acts as guarantor, jointly with Falmouth University, on the FX+ Ltd bank loans.
- The University underwrites the rental income charged to INTO University of Exeter LLP for the use of academic buildings.

Notes to the Financial Statements

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NOTE 29 PENSION SCHEMES

Different categories of staff were eligible to join one of five different schemes:

- Universities' Superannuation Scheme (USS)
- University of Exeter Retirement Benefits Scheme (ERBS)
- University of Exeter Retirement Savings Scheme (ERSS)
- National Employer Savings Trust Pension Scheme (NEST)
- National Health Service Pension Scheme (NHSPS)

On the 30 November 2016 the University of Exeter Retirement Benefits Scheme (ERBS) was closed to future accrual and the University of Exeter Retirement Savings Scheme was opened in place of it. ERSS is a defined contribution scheme which is open to all staff on grades B-D.

The USS and ERBS are both defined-benefit schemes the assets of which are held in separate trustee administered funds.

Costs for the schemes, included within the staff costs (note 7) were

Pension Contributions	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
USS	26,727	23,497
ERSS	1,890	2,346
ERBS	1,601	1,845
Other pension schemes	743	582
Total	30,961	28,270

(i) Universities Superannuation Scheme

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the assets are not attributed to individual participants and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement ("the Recovery Plan") that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost of increased liability attributable to USS and charged to the Consolidated Statement of Comprehensive Income is £87.7 m (2018: £11.1m).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%:

Scheme Assets and Liabilities

	2019	2018
Scheme assets	£60.0bn	£63.6bn
Total Scheme liabilities	£67.5bn	£72.0bn
FRS 102 total Scheme deficit	£7.5bn	£8.4bn
FRS 102 total funding level	89%	88%

NOTE 29 PENSION SCHEMES (continued)

Recovery Plan

The funding position of the scheme has since been updated on an FRS 102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
102 total funding level	85%	88%

Key assumptions used are:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £41.7.1m to £129.4m as set out in note 30. £89.8m of this increase is attributable to the change in the deficit contributions contractual commitment.

The assumptions used for the calculation of the recovery plan liability are as follows:

	2019	2018
Discount rate	1.62%	2.16%
Salary Inflation	2.5%	3%
Staff Changes	0%-6.9%	0%-5.9%

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £74.4m, a decrease of £55.0m from the current year end provision and a lower deficit on the Statement of Comprehensive Income of £55.0m.

Key Sources of Estimation Uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Determining the liability for future contributions requires an estimation of the present value of future cash flows which depends on the percentage of contributions which will be attributed to deficit elimination along with future salary inflation and the identification of a suitable discount rate.

The key financial assumptions used in the 2017 valuation are described below:

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI - 1.32% Years 21+: CPI + 1.7%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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For the year ended 31 July 2019

NOTE 29 PENSION SCHEMES (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post-retirement: 96.5% of SAPS SINMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectations on retirement at age 65 are:

	2019	2018
Males currently aged 65 years	24.6	24.5
Females currently aged 65 years	26.1	26.0
Males currently aged 45 years	26.6	26.5
Females currently aged 45 years	27.9	27.8

(ii) University of Exeter Retirement Benefit Scheme (ERBS)

The University operated a final salary defined benefit pension scheme that non-academic employees of the University could participate in, called the University of Exeter Retirement Benefit Scheme. The Scheme is externally funded and is contracted out of the S2P of pension provision. The Exeter Retirement Benefits Scheme closed to future accrual with effect from November 2016. A replacement defined contribution scheme, the University of Exeter Retirement Savings Scheme (ERSS) was effective from 1 December 2016.

University of Exeter Retirement Benefit Scheme (ERBS)

The last formal triennial actuarial valuation of the ERBS scheme was performed as at 5 April 2015 by a professionally qualified actuary. This valuation continued to show that the funds held by the Scheme were insufficient to meet anticipated future commitments. The University has set a revised target of 14 years and four months from April 2015, to eliminate this deficit and increased employers' contributions temporarily to 22.5% (from 19%) from 1 August 2013 in order to fund the projected shortfall. This rate reduced to 20% from 1 December 2016.

The financial assumptions used to calculate scheme liabilities under FRS 102 as at 31 July are:

	2019	2018
Discount rate	2.1%	2.7%
Inflation assumption (RPI)	3.4%	3.3%
Inflation assumption (CPI)	2.4%	2.3%
Pension payment increase for ERBS members – pre 01/08/10	2.4%	2.3%
Pension payment increase for ERBS members – post 01/08/10	2.1%	2.0%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used (in years from date of retirement):

	2019	2018
Males currently aged 65 years	20.9	22.2
Females currently aged 65 years	22.8	23.9
Males currently aged 45 years	21.9	23.2
Females currently aged 45 years	24.0	25.1

NOTE 29 PENSION SCHEMES (continued)

Scheme assets and expected rate of return for ERBS

The assets in the scheme and the expected rates of return together with the reconciliation of funded status to the balance sheet were as follows:

		2019		2018
		£'000		£'000
Equities	19.3%	28,089	40.1%	53,783
Corporate Bonds	10.8%	15,772	8.7%	11,684
Government Bonds	66.7%	97,065	49.9%	67,036
Cash / Other	3.2%	4,696	1.3%	1,688
Total		145,622		134,191
Present value of scheme liabilities		(150,379)		(137,403)
Pension liability		(4,757)		(3,212)

Actual return on Scheme Assets

	Year Ended		Year Ended
	31 July 2019		31 July 2018
	£'000		£'000
Actuarial (loss)/gain on assets	(3,899)		23,748
Interest income	3,597		3,292
	(302)		27,040

Analysis of the amount charged to the Statement of Comprehensive Income

	Year Ended		Year Ended
	31 July 2019		31 July 2018
	£'000		£'000
Past service costs	(500)		-
Scheme expenses	(524)		(440)
Interest income on assets	3,597		3,292
Interest cost on defined benefit obligations	(3,645)		(3,993)
Total charge to Statement of Comprehensive Income	(1,072)		(1,141)

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 29 PENSION SCHEMES (continued)

Analysis of movements

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Movement in the scheme deficit		
Opening deficit	(3,212)	(27,664)
Past service cost	(500)	-
Contributions paid	3,426	1,845
Scheme expenses	(524)	(440)
Interest income on assets	3,597	3,292
Interest cost on defined benefit obligations	(3,645)	(3,993)
Actuarial (loss)/gain	(3,899)	23,748
Deficit on scheme at the end of the year	<u>(4,757)</u>	<u>(3,212)</u>

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Movement in the fair value of scheme assets		
Opening fair value of assets	134,191	128,209
Interest income	3,597	3,292
Actuarial gain on assets	9,740	5,894
Employers' contributions	3,426	1,845
Members' contributions	-	-
Scheme expenses	(524)	(440)
Actual benefit payments	(4,808)	(4,609)
Fair value of assets at the end of the year	<u>145,622</u>	<u>134,191</u>

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

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Movement in the present value of ERBS Defined Benefit Obligations		
Opening Defined Benefit Obligations	137,403	155,873
Past service cost	500	-
Interest cost	3,645	3,993
Member's contributions	-	-
Actuarial losses/(gains)	13,639	(17,854)
Actual benefit payments	(4,808)	(4,609)
Closing Defined Benefit Obligations	<u>150,379</u>	<u>137,403</u>

NOTE 30 PROVISIONS FOR LIABILITIES

	Obligation to fund deficit on USS pension	Defined Benefit Obligations on ERBS pension	Total pensions provision	Other provisions	Total provisions 31 July 2019	Total provisions 31 July 2018
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	41,731	3,212	44,943	2,400	47,343	70,694
Utilised in year	(2,133)	(2,354)	(4,487)	-	(4,487)	(2,711)
Actuarial Gains	-	(3,899)	(3,899)	-	(3,899)	(23,748)
Additions in 2018/19	89,814	7,798	97,612	-	97,612	3,108
At 31 July 2019	129,412	4,757	134,169	2,400	136,569	47,343

Pension provisions

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out in note 29(i).

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £41.7m to £129.4m. More details on the 2017 actuarial valuation are set out in note 29 (i).

Change in assumptions at 31 July 2019

0.5% p.a. decrease in discount rate	5,519
0.5% p.a. increase in salary inflation over duration	5,419
0.5% p.a. increase in salary inflation year 1 only	631
0.5% increase in staff changes over duration	5,512
0.5% increase in staff changes year 1 only	605
1% increase in deficit contributions from April 2020	25,065
1 year increase in term	3,980

Impact: increase of USS provision

£'000

5,519
5,419
631
5,512
605
25,065
3,980

Other Provisions

£2.4m of the other provision is in relation to the guarantee held over Exeter Science Park Limited. See note 28 for more details.

The sensitivity of the principal assumptions used to measure the ERBS deficit provision are set out below:

Change in assumptions at 31 July 2019

0.5% p.a. increase / decrease in discount rate	-8.8% / +10.0%
0.5% p.a. increase / decrease in assumed rate of future inflation	+9.2% / -8.2%
All members assumed not to exchange any pension at retirement for an additional cash sum	+1.6%

Impact on ERBS provision

NOTE 31 RELATED PARTY TRANSACTIONS

The University has taken advantage of the exemption not to disclose transactions with subsidiaries that are wholly owned. Included in the table below are transactions with related parties of the University not covered by the exemption.

Year ended 31 July 2019

	Recognised Income £'000	Recognised Expenditure £'000	Balance due to/(from) the University £'000
BSW Consulting	-	2	-
Camborne School of Mines Trust	25	-	5
Cornwall and Isles of Scilly LEP	2	-	-
Exeter College	80	1	-
Exeter Mathematics School	14	1	-
Falmouth Exeter Plus Limited	14	6,876	(368)
Global City Futures Limited	-	9	-
INTO University of Exeter LLP	1,043	559	52
Exeter Northcott Theatre	103	221	-
One Health Ventures Limited	66	-	-
Oxygen House Limited	1	-	-
St Luke's Foundation	4	-	-
Universities Central Admissions Service (UCAS)	5	59	-
University of Exeter Students' Guild	335	1,948	110
Willis Group Holdings plc	45	-	-
FXU	-	357	-

This includes members of Council, as detailed at the front of the accounts. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length under normal market conditions and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest.

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 31 RELATED PARTY TRANSACTIONS (continued)

Year ended 31 July 2018	Recognised Income £'000	Recognised Expenditure £'000	Balance due to/(from) the University £'000
Biotechnology and Biological Sciences Research Council	4,212	-	-
Camborne School of Mines Trust	317	-	-
Dartington Hall Trust	-	8	-
Falmouth Exeter Plus	68	6,822	(240)
INTO University of Exeter	1,440	548	169
Universities Central Admissions Service (UCAS)	5	-	-
University of Exeter Students' Guild	105	1,806	25
Willis Group Holdings plc	60	-	15
FXU	10	-	-

- The Camborne School of Mines Trust funds research and teaching. The school merged with the University of Exeter in 1993. One Council member is a Trustee.
 - INTO University of Exeter LLP is a limited liability partnership between Exeter ISC Limited, a wholly owned subsidiary of the University, and INTO Exeter Limited, a wholly owned subsidiary of INTO University Partnerships Limited.
 - The Exeter Mathematics School is a state funded 6th form college, jointly sponsored by the University of Exeter and Exeter College.
 - One Health Ventures Limited is a research and development company. The University has significant control over the entity.
 - UCAS is a sector shared service, providing an undergraduate application and admission service. One Council member is Chair of the Board and its Remuneration and Nominations Committee.
 - The annually elected Student President of the University of Exeter Student Guild is a Council Member.
 - Willis Group Holdings plc is a multinational risk advisor, insurance brokerage and reinsurance brokerage company. One Council member is an Employee.
 - BSW Consulting is a civil and structural engineering company. One Council member is a senior consultant.
 - Cornwall and Isles of Scilly LEP is a partnership between public and private sectors established to drive the economic strategy for the area. One Council member is a Board Member.
 - Falmouth FX Plus Limited is the service delivery vehicle of Falmouth University and the University of Exeter which provides shared academic and IT services and facilities management.
 - Global City Futures Limited is a consultancy that partners with local authorities and institutional leaders to co-create lasting solutions to urbanisation and establish sustainable, 21st Century cities. One Council member is a Director of the company.
 - Exeter Northcott theatre is a registered charity in England and Wales and a company limited by guarantee. The University is one of core funders of the company. One Council member is a Trustee of the company.
 - Oxygen House group invests in environmental rebalance to contribute towards a carbon-neutral society through use of radical data technology. One Council member is a director of the company.
 - St Luke's Foundation supports the advancement of further and higher education in Religious Education and Theology. One Council member is a trustee of the foundation.
 - The Falmouth and Exeter Student's Union (FXU) is a membership-led charity for Falmouth and Exeter Universities' students.
 - The University of Exeter Retirement Benefit Scheme (ERBS) is a post-employment benefit plan for the benefit of the University employees. Details of transactions with ERBS are provided in note 29.
- All outstanding balances with the related parties are unsecured and are due for settlement in the form of cash. There was no expense recognised during the year in respect of bad or doubtful debt and no provisions were made for uncollectable receivables.
- ### FX+ Limited
- For further information on FX+ Limited see note 16 on Joint Ventures.
- The University and Falmouth University have jointly and equally guaranteed four loan facilities to FX+ Limited:
- A loan from Lloyds TSB Bank plc of £18.6m for 30 years at a fixed rate of 5.215% which was drawn down in September 2004.
 - A loan from Lloyds TSB Bank plc for £10m for a term of 30 years at a fixed rate of 5.065% which was drawn down in December 2006.
 - A loan from Barclays Bank Plc of £20.5m for new residences. The loan is repayable over 30 years, at a fixed rate of 2.5%, and was drawn down in July 2010.
 - A loan of £8m for new residences, £4m from the European Investment Bank (EIB) at a fixed rate of 2.4% and £4m from Lloyds TSB Bank at a fixed rate of 3.8%. The loan is repayable over 16 years. The EIB loan was drawn down in May 2012 and the Lloyds loan was drawn down in various stages from June 2012 – Oct 2013.
 - The total FX+ debt as at 31 July 2019 is £45.4m (2018: £47.8m). The University has guaranteed 50% of this balance, totalling £22.7 (2018: £23.9m).

NOTE 31 RELATED PARTY TRANSACTIONS (continued)

The FX+ Limited has capital commitments as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Commitments contracted at 31 July	4,933	512
Authorised but not contracted at 31 July	2,945	8,255
	7,878	8,767

Amounts authorised are in respect of various construction and other capital projects at Penryn Campus less commitments to date.

Transactions between the University and FX+ Limited were as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Income derived from the FX+ Limited	14	68
Expenditure incurred with the FX+ Limited	6,876	6,822

The balances owing between the University and FX+ Limited at the year end were as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Amount owing from the University to the FX+ Limited	368	240

INTO University of Exeter LLP / Exeter ISC Limited

For further information on INTO see note 16 on Joint Ventures.

Transactions between the University and INTO University of Exeter LLP in the normal course of business were as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Income derived from INTO University of Exeter LLP	1,043	1,440
Expenditure incurred with INTO University of Exeter LLP	559	548

The balances owing between the University and INTO University of Exeter LLP at the year end were as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Amount due to the University from INTO University of Exeter LLP	52	169

Notes to the Financial Statements

For the year ended 31 July 2019

NOTE 32 NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL) INITIAL TEACHER TRAINING BURSARIES

NCTL training bursaries are available solely for students; the University acts only as paying agent. The training bursaries are therefore excluded from the Income and Expenditure Account.

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Balance at 1 August	141	123
NCTL Grants	4,447	3,356
	<u>4,588</u>	<u>3,479</u>
Disbursed to students	(4,181)	(3,338)
Balance at 31 July	<u>407</u>	<u>141</u>

NOTE 33 POST BALANCE SHEET EVENT

Universities Superannuation Scheme

In October 2019, after the balance sheet date, USS Trustees finalised the 31 March 2018 valuation resulting in the scheme deficit of £3.6 billion.

The figures included in the Financial Statements for USS provision are based on the 2017 valuation. Had the March 2018 valuation been in force at the balance sheet date, its impact would have been material, reducing the University's USS liability by £55m, to £74.4m as at 31 July 2019. In turn this would have had the effect of reducing the University's deficit for the year to £17m rather than the £72m reported in these Financial Statements.

The effect of the USS 2018 valuation, agreed after the balance sheet date is presented in the table below:

	2017 Valuation per Financial Statements		2018 Valuation agreed in September 2019		Changes due to updated valuation	
	£'000	£'000	£'000	£'000	£'000	£'000
Opening provision for USS liability		41,731		41,731		
Staff costs	86,780		31,757		55,023	
Interest payable	901		901			
Total charge to Statement of Comprehensive Income		87,681		32,658		55,023
Closing provision for USS liability Deficit for the year		<u>129,412</u>		<u>74,389</u>		<u>55,023</u>
		<u>(71,728)</u>		<u>(16,705)</u>		<u>55,023</u>
Total net assets		<u>462,816</u>		<u>517,839</u>		<u>55,023</u>

These pages do not form part of the Statutory Financial Statements

FIVE YEAR SUMMARY ACCOUNTS

INCOME AND EXPENDITURE	2018/19	2017/18	2016/17	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	247,898	232,065	219,237	203,549	181,580
Funding body grants	47,006	45,795	44,019	46,261	41,238
Research grants and contracts	86,965	76,073	70,241	61,853	69,926
Other income	62,751	57,584	58,543	56,620	63,209
Investment income	1,408	1,450	1,161	1,233	1,731
Donations and endowments	3,250	2,522	3,855	1,600	2,474
Total income	449,278	415,489	397,056	371,116	360,158
Expenditure					
Direct staff costs	244,521	222,863	206,346	185,537	177,766
Movement on pension provision	85,878	(285)	45	(1,267)	16,575
Fundamental restructuring costs	-	-	-	-	7,452
Other operating expenses	142,261	139,969	131,837	124,949	110,162
Depreciation	46,323	41,594	41,350	37,869	36,115
Interest and other finance costs	6,514	10,110	10,093	11,091	10,383
Total expenditure	525,497	414,251	389,671	358,179	358,453
Surplus/(Deficit) before other gains losses and share of joint ventures	(76,219)	1,328	7,385	12,937	1,705
Gain/(Loss) on investments	2,491	1,404	2,821	(63)	1,875
Share of operating surplus in joint venture	2,000	1,092	1,117	1,650	1,122
Curtailment Gain on Defined Benefit Pension Scheme	-	-	6,884	-	-
(Deficit)/Surplus before tax	(71,728)	3,734	18,207	14,524	4,702
Taxation	-	-	-	(14)	(1,743)
(Deficit)/Surplus for the year	(71,728)	3,734	18,207	14,510	2,959
EBITDA for HE	59,445	48,756	53,509	53,471	55,912
University EBITDA	44,858	42,356	42,265	43,683	37,492

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BALANCE SHEET	2018/19	2017/18	2016/17	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000
Tangible and intangible assets	725,694	711,669	698,376	696,693	687,469
Heritage assets	9,093	7,244	7,244	7,244	7,171
Investments	38,073	41,998	44,952	42,039	41,895
Investment in joint venture	13,081	14,374	12,823	13,050	13,584
Net current assets	82,807	50,660	63,257	62,270	62,082
Creditors: due after one year	(269,363)	(240,972)	(246,689)	(268,456)	(255,092)
	599,145	584,973	579,963	552,840	557,109
Pension liability and other provisions	(136,569)	(47,343)	(70,674)	(77,319)	(72,484)
Total net assets	462,816	537,630	509,289	475,521	484,625
Represented by:					
Endowment reserve	40,726	38,228	37,213	32,533	33,197
Income and expenditure reserve	398,803	478,295	450,684	421,233	429,338
Revaluation reserve	23,287	21,107	21,392	21,755	22,090
Total reserves	462,816	537,630	509,289	475,521	484,625

	2018/19	2017/18	2016/17	2015/16	2014/15
Finance Strategy KPIs					
Earnings (EBITDA) as a % of Total Income	10.0%	10.2%	10.6%	11.8%	10.4%
Staff Cost ratio (Staff costs per note 7 excluding movement in pension provisions and severances costs, as % of total income)	54.0%	53.3%	52.0%	49.9%	49.4%

EBITDA is defined in the business review for the relevant year, and reflect the results per the Financial Statements adjusted for material non-repeat items.





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