

Keele



UNIVERSITY

Statement of Accounts 2017/18

KEELE UNIVERSITY
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2018

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STRATEGIC REPORT

Review of 2017/18 and the future performance of the University

Headlines

- **Ranked the number one broad-based public university in England for overall student satisfaction in the 2018 National Student Survey (NSS). This is the fourth time that Keele has been ranked number one of broad-based universities in the NSS.**
- **Top 5 in the Teaching Excellence Framework – Times Higher ranking of the TEF (broad-based Universities)**
- **In the most recent national Research Excellence Framework (2014), 97% of our research was classified as world leading, or of international importance**
- **96% graduate employability – HESA Destinations of Leavers from Higher Education 2017**
- **Joint 1st in England for student satisfaction with course – Guardian University League Table 2019**
- **Global top 20 for campus sustainability – UI Green Metric ranking 2017**
- **Continued strong home undergraduate recruitment**
- **Achieved gold award in the Teaching Excellence Framework**

Results for the year

The Financial Statements comprise the consolidated results of the University and its wholly owned subsidiary companies under Financial Reporting Standard (FRS) 102 and the Higher Education Statement of Recommended Practice which both apply to the Higher Education sector. The Statement of Comprehensive Income and Expenditure ("SOCI") results for the year to 31 July 2018, together with the 2016/17 comparisons, are summarised below:

	Year ended 31 July 2018	Year ended 31 July 2017
	Consolidated £'000	Consolidated £'000
Total Income	166,345	155,732
Total Expenditure before pension interest and actuarial adjustments	(160,519)	(151,896)
Surplus before other gains and losses and before pension interest and actuarial adjustments	5,826	3,836
Pension interest and actuarial adjustments	1,028	(776)
Surplus before other gains and losses	6,854	3,060
Gain / (Loss) on disposal of fixed assets	1,264	(18)
Gain on investments	461	1,755
Taxation	-	-
Gain / (Loss) in respect of pension schemes	397	(1,332)
Total comprehensive income and expenditure for the year	8,976	3,465

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The surplus before other gains and losses and before pension interest and actuarial adjustments for 2017/18 of £5,826k represents a satisfactory year, but it must be noted that there was a one-off £3,750k capital grant income release included in this. Expenditure has increased due to rising staff costs, including the impact of a full year of the Apprenticeship Levy and pension costs, together with a combination of one-off non-pay project related costs and the voluntary severance scheme costs.

Higher Education Regulation in England

At 31 March 2018, the Higher Education Council for England (HEFCE) was replaced by the Office for Students (OfS) as the new regulator of higher education providers in England. On 17 July 2018, the OfS confirmed that the University was in the Register of English higher education providers as Approved (fee cap). The fee that the University can charge is capped at the higher amount, and our eligible students will be able to access student support up to this level. Amongst other items, the University provided the OfS with an access and participation plan as part of this process. The Register lists all the English higher education providers officially registered by the OfS. It is a single, authoritative reference about a provider's regulatory status.

Additionally, simultaneously, Research England was created as a new council within UK Research and Innovation. Research England oversees UK Research and Innovation's England-only functions in relation to university research and knowledge exchange, including providing grant funding to English universities for research and knowledge exchange activities and developing and implementing the Research Excellence Framework in partnership with the UK Higher Education funding bodies

Student Experience and Recruitment

A key aim of the University Strategic Plan is to provide an outstanding discipline-based education and a unique portfolio of personal development opportunities in the context of a sector-leading student experience. Keele is delighted to have been ranked number one in England for overall student satisfaction in the 2018 National Student Survey (NSS) of broad-based public universities. This is the fourth time that the university has been ranked number one of broad-based universities in the NSS. In May 2018, it was announced that Keele was joint number one in England for Student Satisfaction with Course in the Guardian University League Table 2019.

It was announced in June 2017 that Keele was awarded Gold in the Teaching Excellence Framework ("TEF"). The TEF awards were decided by an independent panel of experts including academics, students and employer representatives. Drawing on national data, and evidence submitted by each university, the TEF measured excellence in three areas: teaching quality, the learning environment and the educational and professional outcomes achieved by students. In addition, Keele is in the top five in the Times Higher ranking of the TEF for broad-based universities. The University retains an excellent track record in terms of graduate employability, and had 96% graduate employability in the HESA – Destinations of Leavers from Higher Education 2017 results.

Student recruitment has remained strong year-on-year. Keele has been able to successfully recruit in line with the strong demand for its courses, and undergraduate recruitment has remained strong post removal of the student numbers cap. In March 2018, as part of the government announcement of increased medical training places, Keele was successful in its bid to increase the number of students for the School of Medicine, which is still subject to a student number control. An additional 35 places were awarded over the next two years, which represents a 30% overall growth in the undergraduate medicine places. Additionally, Keele will support the establishment of a medical school at Sunderland

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University, which successfully bid in the same round to develop a new medical school, adopting the Keele medical curriculum. Sunderland will start admitting students from September 2019.

Overseas recruitment remains challenging and overseas tuition fee income in 2017/18 reduced by 8.5% compared with 2016/17. The University continues to work hard to address this and measures are being implemented to improve the long-term future overseas recruitment.

Research

Research grant income has fallen in the year from £18.5m in 2016/17 to £17.8m in 2017/18. This is due to lower levels of income from Health related funding, although this is partially offset by research funded from European Regional Development Funding.

As reported in the section of this report on the Public Benefit Statement, Keele had a very positive outcome from the 2014 Research Excellence Framework (REF) with 97% of its research being assessed as world leading and of international importance. This positive outcome, together with the growth in research grant income, consolidates Keele's position as a strong research-led university undertaking world-leading research.

Staff Costs

Staff costs continue to represent the most significant cost for the University, and as such it needs to balance staff costs whilst at the same time investing in areas of development in order to achieve sustainable growth. As part of this process, a voluntary severance scheme was completed in July 2018 to try and achieve medium to long term savings. Additionally, there are external pressures on pay costs, including the Apprenticeship Levy and the long-term implications for employers and employees of funding pension scheme deficits.

A Key Performance Indicator for the University is staff costs as a percentage of income:

	2017/18 Actual	2016/17 Actual
Total income (£k)	166,276	155,732
Staff costs (£k)	88,053	85,413
Staff costs as a % of income	53%	55%

Included within the above is a £2.4m credit (2015/16 £0.5m credit) for pension actuarial adjustment which reduced the staff costs, and hence also affected the percentage ratio. Ignoring the pension credit, the ratio would be 54.4% for 2017/18 and 55.2% for 2016/17.

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Capital Projects

The University and subsidiaries invested a total of over £20m in capital expenditure projects during 2017/18. The salient projects are:

Completed Projects

Project	Cost in Year	Description
453 new en-suite rooms at Barnes Hall (£21.6m total cost)	£3.3m	These were completed in December 2017. As a result of this, the Hawthorns site was sold to our development partner for a housing development.
Huxley Laboratory (£10.6m total cost)	£0.7m	The University has refurbished and extended the Huxley Building, which was part funded by a specific £3.75m HEFCE grant. This has provided additional laboratory space in the form of a new build, together with the reconfiguration of existing laboratory space. This will allow Life Sciences to provide flexible and more efficient teaching space to both undergraduate and postgraduate students, and will allow future expansion of student numbers.

On-going Projects

Project	Cost in Year	Description
Central Science Laboratories (£33.2m total cost)	£8.3m	The Central Science Laboratories (CSL) will comprise a four-floor state-of-the-art-building for both undergraduates and postgraduates. It will house new open-plan teaching and research laboratories, IT provision, and student social learning spaces. The laboratories will be linked to the existing Lennard-Jones building (LJ), with a central glass corridor providing vistas right through the building. The project provides for the installation of new infrastructure to supply energy from the Horwood Energy Centre to CSL and other buildings within the vicinity. Construction works began in autumn 2017 and are expected to be completed by summer 2019.
Smart Innovation Hub (£17.5m total cost)	£2.5m	Smart Innovation Hub is a £17.5m building and will comprise the Management School, an additional Science Park Innovation Centre and space for the promotion of business investment, research and innovation. This is part funded by the University, which leveraged external investment from a number of sources including the European Regional Development Fund (ERDF). Construction work began on the building in February 2018 with an anticipated completion date of July 2019.
Smart Energy Network Demonstrator (SEND) (£8.9m total cost)	£3.0m	SEND is a project running until 2021 that brings together a single, integrated electric, gas and heat smart energy network demonstrator. It will also be a facility for research, development and demonstration of new smart energy technologies and services in partnership with business and industry. This is funded by external investment including ERDF.

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Pensions

Pensions for the majority of the University's staff are provided through the Universities Superannuation Scheme (USS) and the Keele Superannuation Scheme (KSS). Both of these are defined benefit schemes.

Scheme Contributions	Description
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USS	£11.0m	USS is a national multi-employer scheme providing pensions for the UK higher education sector. The latest triennial valuation of the Scheme as at 31 March 2014 showed that the Scheme had an overall deficit of £5.3 billion. At 31 July 2018 the University had 1,777 active members participating in the scheme, and at that date the employer contribution rate paid by the University was 18.0% and employee contributions were 8.0% of pensionable salaries.
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As stated in section 22 of the Accounting policies, note 21 Provisions for liabilities and note 30 Pension Schemes, there is considerable uncertainty around the USS provision. In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

The University makes a provision for its share of the agreed USS deficit payments on its balance sheet. The provision at 31 July 2018 was £20.6m.

Scheme Contributions	Description
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KSS	£1.1m	KSS was established in 1972 to provide retirement and death benefits for all eligible employees of Keele University. The Scheme is closed to new members and to future accrual, and has no active members. However, KSS is required to service the pension costs of the members that had contributed up to the point of closure. At 31 July 2018 the scheme had a deficit of £34.9m. The Scheme's latest signed valuation was at 31 July 2014. In agreement with the KSS Trustees and the Pension Regulator, the University continues to make substantial contributions in order to reduce this deficit over a 20-year period. The valuation at 31 July 2017 is currently subject to review by both the Trustees and the University.
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In line with many other defined benefit schemes, the long term funding positions of USS and KSS have been adversely affected by the unprecedented low yield on government securities, which causes an increase in the valuation of the liabilities, by increases in staff pay levels and by the increased expected longevity of pensioners in the scheme. The on-going costs and risks associated with both pension schemes continue to be an important element in the future financial planning for the University.

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Subsidiary Companies

The University has the following wholly owned subsidiary companies

Company	Description
Keele University Science and Business Park Limited	Established to support the development of the 70-acre site adjacent to the existing Science Park. During the year, two plots for the Caudwell International Children's Centre were recognised as a sale, and work started on the Smart Innovation Hub. The company also owns Home Farm, which provides both a University facility to demonstrate sustainable energy technologies and rental space for external businesses, including student start-up businesses.
Keele Facilities Management Limited	Dormant.
Keele Hotels Limited	Dormant.

Cash Generated from Operations

Net cash generated from operating activities for 2017/18 was £2.9m, 1.8% of turnover. There were some significant movements in working capital balances, with creditors reducing by £4.4m in the cash flow. Cash generation is an area that the University is continually looking to improve.

The amount of cash and cash equivalents on the balance sheet increased from £9m at 31 July 2017 to £43m at 31 July 2018. However, this was expected due to the timing of receiving the £45m loan in September 2017 and expenditure marked against this being through to 2019/20.

Going Concern

The University ended the year with cash and cash equivalents of £43m. In addition, a significant proportion of the £40m fixed asset investments are invested in liquid funds that could be available to the University at short notice. The budget for 2018/19 and forecasts for subsequent years show that the University will continue to generate surpluses and have adequate available financial resources.

The majority of the University's external loan funding of £73m is long term in nature. Further loan funding of £45m was received in September 2017, relating to senior notes issued to Massachusetts Mutual Life Insurance Company and CM Life Insurance Company, represented by Barings Bank. The notes are to be repaid in two tranches, being £22.5m in 2037 and £22.5m in 2042. The University Council is confident that the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements.

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Impact of Brexit

On 29 March 2017, the Prime Minister officially invoked Article 50, triggering the UK's formal withdrawal from the EU. This has caused uncertainty for the Higher Education sector in this country in areas such as research partnerships with EU institutions, student recruitment from EU countries, the ability to attract and retain EU and overseas staff, the impact that Brexit may have on bank lending and also the ability to utilise European Regional Development Funding (or whatever may replace this important source of funding).

It has now been confirmed that EU students starting courses at universities in England in the 2019/20 academic year will pay the same tuition fee as UK students and remain eligible for financial support for the full duration of the course, even if the course concludes after the UK's exit from the EU. This is a helpful assurance. Whilst the University is not anticipating any short term impact on the immediate performance and position of the business, the full impact of Brexit will continue to unfold.

Trade Union Representation time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative. The regulations provide a framework for open and transparent monitoring and for demonstrating the effective use of taxpayer's money. The data below covers the relevant period of 1 April 2017 to 31 March 2018.

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period – 22
Full-time equivalent employee number – 20.68

Percentage of time spent by Relevant Union Officials on facility time

Percentage of time	Number of Employees
0%	3
1-50%	19
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time (£k)	£33k
Total pay bill (£k)	£88,924k
Percentage of the total pay bill spent on facility time	0.04%

Paid trade union activities

As a percentage of total paid facility time hours, hours spent by employees who were relevant union officials during the relevant period on paid trade union activities	19.76%
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Gender Pay Gap

Building on the University's founding principles, our commitment to promoting equality and valuing diversity is at the centre of our efforts to ensure that all staff and students have the opportunity to flourish and fulfil their potential. In recent years the University has carried out an annual Equal Pay Analysis across our pay grades which demonstrates that there is no pay inequality within our Pay Grading Structure, i.e. that we pay men and women equally for work at the same level. However, there is work to do in addressing our Gender Pay Gap which exists, not because of an equal pay failure, but due to issues relating to the composition of the workforce.

Keele's Gender Pay Gap is in favour of men, and this is not a surprise to us. We are aware that men and women are not equally represented at the highest and lowest levels within the institution and that this influences heavily our Gender Pay Gap. We are not satisfied with the level of gap that exists and are committed to understanding the reasons behind this and to taking actions to close the gap where we can. While the gap reflects to a large extent broader societal trends that disproportionately impact on women, we take seriously our responsibility to understand and to address workplace barriers to gender equality and resulting pay disparity. We became a founding member of the Equality challenge Unit's Athena SWAN Charter in 2005. The Charter which recognises work undertaken to address gender equality provides a framework for us to make real and tangible progress on this key agenda. In our latest submission to Athena SWAN, we have included some challenging, but realistic targets, to improve female representation at the higher academic grades. A full gender pay report can be found on the University website, alongside other equality, diversity and inclusion reports.

Ethical Investment Code of Practice

Keele University's Ethical Investment Code of Practice aims to ensure that its investments are managed in a productive but socially responsible manner which reflects the mission and values of the University. It is based on the premise that the University's choice of where to invest should be in line with its strategic aims and its environmental, social and ethical values. The Business Review Committee, on behalf of Council, will actively monitor and take a view on the ethical position of the University's investments. In particular, the Committee may advise against investment in areas which it considers to be ethically unacceptable.

Public Benefit Statement

Keele University is an exempt charity. In respect of the Charity Commission's guidance on public benefit, the Council has highlighted some of the ways in which the University has had a positive impact on society during 2017-18. As Keele approach's our 70th anniversary, our founding ethos of "the pursuit of truth in the company of friends" remains as true today as it did in 1949, and the initiatives included here are testament to our original mission and values.

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Research that improves lives

Keele research continued to make headlines and improve lives across the world this year.

Professor Toby Bruce was awarded a major £1.1million grant from the Biotechnology and Biological Sciences Research Council (BBSRC) to investigate solutions to the rising problem of the fall armyworm, in collaboration with the International Centre of Insect Physiology and Ecology (icipe) in Kenya. The voracious fall armyworm has recently invaded and rapidly spread across large areas of Africa, where it has become a major threat to agriculture, sustainable food production, food security and livelihoods, affecting at least 400,000 ha and causing estimated crop losses worth \$3 billion a year. Smallholder farming communities in sub-Saharan Africa are particularly vulnerable to crop losses to pests because they generally cannot afford pesticides, and as subsistence farmers they depend directly on the crops for their own family's food security. The research project will develop a novel pest management system which fights 'nature with nature' without using pesticides.

Keele launched a major new collaborative research programme which aims to improve relationships between police and the communities they work with, after funding of almost £1m was awarded by the Economic and Social Research Council (ESRC). Led by Keele, in partnership with University College London and the London School of Economics, the ESRC-funded project will investigate how encounters with the police shape police community relationships among marginalised communities. The research teams will work closely with policing partners in three of the UK's largest police forces - West Midlands, West Yorkshire and the Metropolitan Police - in order to observe day-to-day interactions as well as following arrested individuals through the criminal justice process. The research will then be utilised to develop new policies and practices to improve community policing.

In the Philippines around 25% of people live below the poverty line, and the weak infrastructure makes access to healthcare a big challenge. Only 10% of the country's clinicians work in rural areas - where more than half of the population live - and the shortage of primary care doctors is one of the most urgent challenges for public health in the country.

Keele's interdisciplinary Stories of Public Health through Local Art-based Community Engagement (SOLACE) research project aims to tackle some of these public health issues in the Philippines through local art-based community engagement and ethnographic fieldwork, by bringing together researchers from different disciplines including medicine, social sciences, arts and humanities. Led by Keele University in collaboration with Ateneo de Manila University, this project brings academics together to work towards the UN Sustainable Development Goals, specifically addressing health and well-being in the Philippines, and explores how can we improve and provide efficient healthcare in areas that are difficult to reach.

Shoulder problems affect one in five adults in the UK. The conditions can be very painful, affecting sleep, work, and day-to-day life. In England, about 1.5 million people visit their GP for shoulder pain each year. However, 40% experience ongoing pain despite treatment. Now an ambitious £2.7 million research programme led by Keele University with joint funding from the National Institute for Health Research (NIHR) and Arthritis Research UK aims to develop a more effective way of ensuring that patients receive treatments they are most likely to benefit from.

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Researchers from Keele University were selected to present their work on the quest for a life-like prosthetic hand at the Royal Society Summer Science Exhibition this year, an annual showcase of the most cutting-edge science and technology research projects in the UK. Current prosthetic hands may look human, but their movements are robotic and limited. Biomedical Engineers Dr Dimitra Blana and Dr Ed Chadwick, from Keele's Institute for Science and Technology in Medicine, in collaboration with colleagues at Newcastle University, are striving to transform prosthetics by recreating the natural brain-to-hand control signals, so prosthetic hands will move and feel like the real thing. Their research explores ways to convert a prosthetic user's desired action into movement of their prosthetic hand, and to generate sensory feedback from the prosthesis to the brain.

Education and the Student Experience

The student community at Keele is varied and diverse. Keele recruit's from across the UK and across the world as well as locally, with approximately 40% of our students coming from the West Midlands. During term time, over 7,000 students live on or within a ten-mile radius of campus, having a significant impact on the local community. Their wide-ranging interactions with the community, both on and off-campus, through their studies, their residency and activities such as volunteering, enrich both their experience and the companies, institutions and individuals with whom they interact.

The 2018 NSS results – which placed Keele No.1 in England for student satisfaction amongst public broad-based universities – along with the Teaching Excellence Framework Gold award, highlight the breadth and quality of Keele's educational provision and student experience, producing graduates who have subject expertise and the skills sets that they need to make a difference to society.

Keele graduates encompass a broad range of subjects, building on Keele's founding principle of a broad education, with 96% of graduates moving on to further study or employment within six months of graduation. 15.7% of Keele students are on courses that lead directly into a profession, including medicine, nursing and midwifery, pharmacy, physiotherapy, social work and counselling. A further 10.6% are on courses that can lead to professional exams, such as law, accounting and psychology.

Widening Participation

As a University that was founded on the principles of widening participation, Keele has always placed great importance on supporting underrepresented groups, both pre and post entry.

The University deploys a number of project officers that work in schools and with underrepresented protected groups, both regionally and nationally, which includes an array of in-school sessions, curriculum support days and residential events on campus.

Keele is also the lead institution for Higher Horizons+, one of the largest consortiums in the National Collaborative Outreach Programme. As such, Keele oversees four outreach hubs at Keele, Staffordshire University, the University of Chester, and Harper Adams University, with 32 members of staff dedicated to producing and delivering rich and impartial activities to over 100 schools and colleges across Staffordshire, Shropshire and Cheshire. In the academic year 2017-18 Keele's network organised 438 events and activities and generated 36,753 learner interactions, with 75% of those engaged being from quintile one or two areas. Moreover, 38% of Keele's 2017-18 intake were from these postcode areas.

Keele's student services function then provides a whole host of support initiatives post-entry via our award-winning student services centre.

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Business Engagement

In the academic year 2017-18, Keele University supported 159 local businesses with innovation-led growth, research and development support, and a leadership programme for entrepreneurs and innovators across Stoke-on-Trent and Staffordshire, via the University's landmark New Keele Deal.

Launched in 2017, the Deal is a commitment to deliver a £70m package of investment to generate long-term economic growth, create high-value jobs, provide opportunities for students and graduates to gain experience working in growing and innovative businesses, while at the same time providing businesses with fresh talent. The Deal, a concordat of local partners - including University Hospitals of North Midlands NHS Trust (UHNM), Staffordshire County Council, Stoke-on-Trent City Council, Newcastle-under-Lyme Borough Council and the Stoke-on-Trent and Staffordshire Local Enterprise Partnership - is building on £200m+ of annual gross value added (GVA) and 4,800 high-value jobs already provided by the direct economic impact of the University to the community, and enabling the University to contribute an extra £210m per year on top of this as a result of the Deal.

January 2018 saw the announcement of a major new investment on campus, a new multi-million pound state-of-the-art facility that will house both Keele Management School and incubated companies in a sector-leading Smart Innovation Hub. The Smart Innovation Hub will provide accommodation to support the creation and growth of innovation-led businesses, alongside major new facilities to enable the University to grow its established programme of collaborative research, development and innovation support to local firms.

Healthcare

The University has a considerable impact upon society in the area of medicine and healthcare through our research, education and citizenship activities, as well as membership of trust and national advisory boards, charity work, and volunteering.

Development of medical technologies, interventional approaches, the patient experience and service design and delivery are just some of the research activities undertaken which impact positively at a local, national, and international level.

The University has just over 2,000 undergraduate students studying professional programmes in the areas of medicine, midwifery, nursing, pharmacy, physiotherapy and radiography who are engaged in direct service delivery and patient care during their clinical placements. This experience takes place within at least twenty NHS trusts, 100 GP practices, and over 200 private, voluntary or independent providers, and spans the whole of the west midlands, Cheshire, Liverpool, Wales and as far away as Kent and Durham.

Keele students also undertake placements around the world both in a voluntary capacity or as a planned student exchange, having a global impact on health.

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Sustainability

One of Keele's six strategic aims is to "embed sustainability in everything we do" and our vision is to be an international leader in campus sustainability encompassing activity across all aspects of the University estate and operations, our business activities, our engagement with the wider community, and in our core areas of education and research.

The next few years will see a significant step-change in progress associated with some specific initiatives, including major campus-wide sustainability projects such as our Smart Energy Network Demonstrator, HyDeploy (a trial to add hydrogen to our gas grid), and the launch of our new interdisciplinary research institute, the Institute for Sustainable Futures.

These initiatives will also allow the University to further develop its unique position as a campus which on the scale of a small-town and that includes educational, research, residential and business communities, to be a genuine "living laboratory" where we can develop and test innovative sustainability solutions which can ultimately be introduced to wider society.

This year Keele also launched an overarching Root and Branch campaign, spanning all of the University's sustainability endeavours and communicating the benefits to everybody across our campus community and beyond.

Notable achievements this year include:

- Nominations in the 2018 Green Gown Awards in the Sustainability Institution of the Year and Outstanding Leadership Team of the Year categories, as well as the Student Engagement category with 'the Great Donate' project, and the Enterprise category with a student's own entrepreneurial project.
- Re-accreditation to the NUS Responsible Futures scheme, demonstrating excellence in partnership working between the University and the Students' Union, and resulting in over 2,000 students being engaged in different sustainability activities.
- Close to 100% coverage of sustainability in our undergraduate programmes, through our innovative approach that was Highly Commended in the Learning and Skills category of the Green Gown Awards
- Continued reduction in electricity use (6.1%) and CO₂e emissions (12.8%) since 2016
- An increase in Halls recycling to 30%, and one tonne of waste diverted from landfill through the Warp-it furniture reuse scheme
- Our students raised £50,000 for the British Heart Foundation through donations of furniture and household appliances - saving the equivalent of eight tonnes of waste and carbon dioxide
- Three tonnes of food collected for our local Trussell Trust foodbank
- Continued growth in our National Cherry Tree Collection - the largest in the UK - to 280 varieties, and continued integration of the Keele arboretum and grounds into well-being, curriculum and outreach activities for students and the local community.

Professor T J McMillan
Vice-Chancellor

D Hall
Treasurer

November 2018

CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Annual Review and Statement of Accounts of Keele University to obtain a better understanding of its governance and legal structure. It covers the period 1 August 2017 to 31 July 2018 and up to the date of approval of the audited financial statements.

Legal Status of the University

Keele University is an independent corporation and is the successor to the University College of North Staffordshire, founded in 1949. The University derives its legal status from the Royal Charter granted in 1962 (as subsequently amended) and the status of its degrees is recognised by the University of Keele Act 1962. Like many English universities, the University is a charity exempt from registration with the Charity Commission and the Higher Education Funding Council for England ("HEFCE") was the principal charity regulator for the University until 1 April 2018 when responsibility transferred to the newly established Office for Students ("OfS"). This means that members of the Council have the responsibilities of charity trustees in relation to ensuring the institution's work is for the public benefit and that it complies with Charity Commission expectations.

How the University is governed

The University is committed to exhibiting best practice in all aspects of corporate governance. The University, like other public bodies has a duty to conduct its affairs in a responsible and transparent way and to take into account the requirements of its funding bodies and the Higher Education Code of Governance published by the Committee of University Chairs (CUC). The University also conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The CUC Code was revised and published in December 2014 and the University is confident that it has in place the primary elements of the Code and that it meets the supporting statements that underpin the primary elements. The University is also committed to the principles of academic freedom and equality of opportunity in its approach to governance.

The University has a responsibility to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. Our Modern Slavery and Human Trafficking Statement can be accessed on our website at: <https://www.keele.ac.uk/modern-slavery/>

In line with CUC guidance and sector best practice, the University commissioned a review of Council effectiveness during the 2017/18 financial year, which was undertaken by the Leadership Foundation for Higher Education. The review concluded that the Council and governance generally was sector leading in a number of areas, for example, board culture, the streamlined and effective approach to decision-making, secretariat support, the Chairing of meetings, briefings on the wider HE policy landscape and a shared commitment and endeavour from members and the executive to ongoing improvements in University governance.

In June 2017 HEFCE completed a quinquennial Assurance Review of the University to examine how the University exercises accountability for the public funding it receives. The report was based on the most recently submitted annual accountability returns, the minutes of Council, the Business Review Committee and Audit & Risk Committee meetings in the 12 months prior to the Review and interviews with members of the Council and the executive. HEFCE concluded that it was able to place reliance on the University's accountability information and made only minor observations in respect of our reporting.

CORPORATE GOVERNANCE

The University's Corporate Governance Framework

The University's powers and framework of governance are set out in the Charter, its supporting Statutes, Ordinances and Regulations. These currently require the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council members are sometimes referred to as the Trustees of the University. The Council has a majority of members from outside the University (described as lay members), from whom its Chair and Deputy Chairs must be drawn. Members also include representatives of the University's academic and support staff and student body. For a full list of Council members who have served during the last year see the final page of this report.
- **The Senate** is the academic authority of the University and draws its membership entirely from the academic and academic related staff and the students of the institution. Its role is to regulate and superintend the education, welfare and discipline of students and the promotion of learning and research. The Vice-Chancellor is the Chair of the Senate. A light-touch review of its effectiveness was also undertaken during 2017/18, alongside the review of Council.

The University undertook a comprehensive review of the committee structure and business in 2014/15. The purpose of the review was to promote a more agile decision-making structure and to maximise efficiency in the delivery of the new Strategic Plan and the operation of university business, to ensure that it is well positioned to respond proactively to changes in the dynamic external environment. A number of committees were discontinued or merged and these changes took effect from the beginning of the 2015/16 academic year. For the start of the 2017/18 academic year, two new executive committees with responsibility for Health & Safety and Equality & Diversity were established with lay representation.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and HEFCE/OfS, the Vice-Chancellor is the Accountable Officer of the University.

The Council met five times during 2017/18, held a joint meeting with the Senate and had a strategy day. The Council has a number of committees, which undertake a lot of the detailed scrutiny on behalf of the Council and their decisions are reported back to the Council and, where relevant, the Senate. All committees are formally constituted with written terms of reference and have majority lay member representation.

Council Committees

The Business Review Committee provides detailed scrutiny on behalf of the Council on matters concerning the operation and financial sustainability of the University. It receives and recommends approval to the Council of the draft budget, financial forecasts and statutory accounts, monitors financial performance against agreed plans and budgets, receives reports on the University's wholly-owned subsidiary companies and monitors the University's portfolio of investments.

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The Nominations Committee considers appointments to the Council and its committees taking into account skills and experience and seeking to ensure the promotion of equality and diversity in reflecting both the diversity of society and the needs of the University. The University, in accordance with guidance based on the Lambert Report, normally advertises vacancies nationally against defined person specifications. The Nominations Committee is also responsible for identifying members of the College of Fellows and candidates for honorary degrees. In 2017/18 responsibility for nominations for honorary degrees transferred from the Nominations Committee to a new Honorary Degrees Committee, reporting to both the Senate and the Council.

The Senior Remuneration Committee determines the remuneration of the most senior academic and academic related staff, including the Vice-Chancellor. The University adopted the CUC HE Senior Staff Remuneration Code, which was published on 6 June 2018 and demonstrates Council's leadership and stewardship in seeking to protect the University's reputation and provide greater assurances to key stakeholders and partners, including the student community and wider society.

The Audit & Risk Committee meets at least three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Audit & Risk Committee undertakes an annual appraisal of its effectiveness and prepares an Annual Report for both Council and HEFCE/OfS. It also receives and considers reports from HEFCE/OfS as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit & Risk Committee, they are not members of the Committee and the Committee members meet both the Internal and External Auditors on their own for independent discussions at least once a year.

Statement of Primary Responsibilities - The Role of Council

The appointment and powers of the Council are laid down by the Charter and Statutes of the University. Its main general responsibilities are as follows:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.

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6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To ensure, subject to the relevant legislation, that appropriate arrangements are in place for the management and operation of such companies as are wholly or partly owned by the University.
14. To accept ultimate responsibility for the health and safety of employees, students and other individuals while they are on the institution's premises and in other places where they may be affected by its operations. And to ensure that the institution has a written statement of policy on health and safety and arrangements for the implementation of that policy.
15. To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
17. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Preparation of the Financial Statements

In accordance with the University Statutes, the Council is responsible for governing, managing and regulating the finances, accounts, investments, property, business and all affairs whatsoever of the University and is required to present audited financial statements for each financial year.

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The Council is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms of the HEFCE/OfS Financial Memorandum of Assurance and Accountability agreed between HEFCE/OfS and the University. The Council, through its accountable officer, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, Council has ensured that:

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

The Council has taken reasonable steps to:

- ensure that funds from HEFCE/OfS are used only for the purposes for which they have been given and in accordance with the Memorandum of Financial Assurance and Accountability and any other conditions which it may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure;
- ensure that material risks are identified, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

Risk Management and the System of Internal Control

As the governing body of Keele University, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which the University is responsible in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and in the Memorandum of Assurance and Accountability with HEFCE/OfS. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve 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 on-going process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The University has reviewed and updated its risk management procedures, which continue to enable it to be fully compliant with HEFCE/OfS requirements.

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The University has a published Risk Management Policy, which was approved by the Council in June 2011 and reviewed and updated in November 2011 and November 2015. This policy identifies clearly and distinguishes the roles and responsibilities of both the Council and the executive. A key element of the policy is the Corporate Risk Register, which is intrinsically linked to the University's Strategic Plan. Progress against the six strategic aims in the Strategic Plan is presented to the Council at each meeting along with the key performance indicators and a review of the Corporate Risk Register. The Corporate Risk Register is also reviewed by the Audit & Risk Committee at each meeting.

The University employs UNIAC to undertake its internal audit functions and they operate to standards defined in the HEFCE/OfS Audit Code of Practice. The internal auditors submit regular reports to the Audit & Risk Committee, including the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Chair of Audit & Risk Committee provides the Council with regular reports concerning internal control.

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

Value for Money

The University strives to apply value for money considerations to all its processes and activities and this is supported by strong awareness and vigilance across the executive. The Audit & Risk Committee receives the Value for Money Strategy on an annual basis, monitors progress against the Value for Money Action Plan at each meeting and receives the annual Value for Money Report prior to submission to HEFCE/OfS. The Audit & Risk Committee also receives a comprehensive report on the Transparent Approach to Costing (TRAC) analysis undertaken by the University and submitted to HEFCE/OfS in January of each year. In addition, all relevant internal audit review undertaken and submitted to the Audit Committee makes specific observations and judgements concerning the value for money demonstrated.

Register of Interests

The University maintains a Register of Interests of members of the Council and the executive, which may be consulted by arrangement with the Secretary to the Council. Lay members of the Council receive no remuneration for their role although they are reimbursed for travelling and other expenses incurred in attending Council and Committee meetings and other University business in their official capacity. The total sum of expenses claimed by 13 members of the Council for the year to 31 July 2018 was £10,771 (2017: £7,000 to 11 council members).

Further Information

Any enquiries about the constitution and governance of the University should be addressed to the Secretary to the Council.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF KEELE UNIVERSITY

Opinion

We have audited the financial statements of Keele University ("the University") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the Statement of 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 2018 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Council is responsible for the other information, which comprises the Strategic Report 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 the "Preparation of the Financial Statements" section of the Corporate Governance statement set out on pages 18 and 19, 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.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF KEELE UNIVERSITY

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;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the Office for Students and Research England have been applied in accordance with these conditions and the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other 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 of the Charters and Statutes of the institution and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it 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 Council for our audit work, for this report, or for the opinions we have formed.

Robert Jones

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants,

1 St Peters Square,

Manchester

M2 3AE

Statement of Comprehensive Income and Expenditure ("SOC")
Year Ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	80,201	80,201	76,326	76,326
Funding body grants	2	25,795	25,795	18,814	18,814
Research grants and contracts	3	17,777	17,777	18,511	18,511
Other Income	4	40,231	40,117	39,989	40,132
Investment Income	5	2,051	2,096	1,936	1,965
Donations and endowments	6	290	290	156	156
Total Income		166,345	166,276	155,732	155,904
Expenditure					
Staff costs	7	88,053	88,053	85,413	85,413
Other operating expenses	8	59,382	59,031	56,375	56,258
Depreciation	12	7,673	7,576	7,993	7,896
Interest and other finance costs	9	4,383	4,383	2,891	2,891
Total expenditure	10	159,491	159,043	152,672	152,458
Surplus before other gains/ losses and share of operating surplus/(deficit) of joint ventures		6,854	7,233	3,060	3,446
Gain / (Loss) on disposal of fixed assets		1,264	1,264	(18)	(18)
Gain on investments		461	461	1,755	1,755
Surplus before tax		8,579	8,958	4,797	5,183
Taxation	11	-	-	-	-
Surplus for the year		8,579	8,958	4,797	5,183
Other comprehensive income and expenditure					
Actuarial gain / (loss) in respect of pension schemes	30	397	397	(1,332)	(1,332)
Total comprehensive income and expenditure for the year		8,976	9,355	3,465	3,851
Represented by:					
Endowment comprehensive income for the year	22	25	25	93	93
Restricted comprehensive income for the year	23	(209)	(209)	(535)	(535)
Unrestricted comprehensive income for the year		9,160	9,539	3,907	4,293
		8,976	9,355	3,465	3,851

All items of income and expenditure relate to continuing activities

**Statement of Changes in Reserves
Year Ended 31 July 2018**

Consolidated

	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2016	955	744	143,250	144,949
Surplus for the year from the income and expenditure statement	93	209	4,495	4,797
Other comprehensive income and expenditure	-	-	(1,332)	(1,332)
Release of restricted funds spent in year	-	(744)	744	-
Total comprehensive income for the year	93	(535)	3,907	3,465
Balance at 1 August 2017	1,048	209	147,157	148,414
Surplus for the year from the income and expenditure statement	25	5,372	3,182	8,579
Other comprehensive income and expenditure	-	-	397	397
Release of restricted funds spent in year	-	(5,581)	5,581	-
Total comprehensive income for the year	25	(209)	9,160	8,976
Balance at 31 July 2018	1,073	-	156,317	157,390

University

	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2016	955	744	141,263	142,962
Surplus for the year from the income and expenditure statement	93	209	4,881	5,183
Other comprehensive income and expenditure	-	-	(1,332)	(1,332)
Release of restricted funds spent in year	-	(744)	744	-
Total comprehensive income for the year	93	(535)	4,293	3,851
Balance at 1 August 2017	1,048	209	145,556	146,813
Surplus for the year from the income and expenditure statement	25	5,372	3,561	8,958
Other comprehensive income and expenditure	-	-	397	397
Release of restricted funds spent in year	-	(5,581)	5,581	-
Total comprehensive income for the year	25	(209)	9,539	9,355
Balance at 31 July 2018	1,073	-	155,095	156,168

See note 22 for endowment reserves and note 23 for restricted reserves, which relate to capital grant income.

Balance Sheet

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	12	264,406	261,282	254,286	251,065
Investment Properties	12	8,750	8,750	8,250	8,250
Heritage assets	12 / 13	12,116	12,116	12,116	12,116
Investments	14	39,900	39,900	40,452	40,452
Investments in joint venture	15	-	-	-	-
		325,172	322,048	315,104	311,883
Current assets					
Stock	16	7,144	196	5,662	193
Trade and other receivables	17	15,959	20,695	13,552	16,479
Cash and cash equivalents	25	42,747	42,372	9,480	9,446
		65,850	63,263	28,694	26,118
Less: Creditors: amounts falling due within one year	19	48,584	47,821	(49,461)	(49,383)
Net current asset / (liabilities)		17,266	15,442	(20,767)	(23,265)
Total assets less current liabilities		342,438	337,490	294,337	288,618
Creditors: amounts falling due after more than one year	20	(126,181)	(122,455)	(86,377)	(82,259)
Provisions					
Pension provisions	21	(56,181)	(56,181)	(58,746)	(58,746)
Other provisions	21	(2,686)	(2,686)	(800)	(800)
Total Net Assets		157,390	156,168	148,414	146,813
Restricted Reserves					
Income and expenditure reserve – endowment reserve	22	1,073	1,073	1,048	1,048
Income and expenditure reserve – restricted reserve	23	-	-	209	209
Unrestricted reserves					
Income and expenditure reserve – unrestricted reserve		156,317	155,095	147,157	145,556
Total Reserves		157,390	156,168	148,414	146,813

The financial statements were approved by the Governing Body on 22 November 2018 and were signed on its behalf by:

T. J. McMillan, Vice-Chancellor

D. Hall, Treasurer

Statement of Cash Flows
Year Ended 31 July 2018

Consolidated	Notes	31 July 2018	31 July 2017
		£'000	£'000
Cash flows from operating activities			
Surplus for the year		8,579	4,797
Adjustment for non-cash items			
Depreciation	12	7,673	7,993
Gain on investments		(461)	(1,755)
(Increase) / decrease in stock	16	(1,482)	25
(Increase) / decrease in debtors		(296)	891
Decrease in creditors		(4,396)	(6,477)
Pension movements included in staff costs	7	(2,446)	(495)
Interest payable on pension schemes	9	1,418	1,271
KSS deficit contributions paid	30	(1,140)	(1,020)
Increase in other provisions		1,886	716
Adjustment for investing or financing activities			
Investment Income	5	(2,051)	(1,936)
Interest payable (including loan interest)	9	2,965	1,620
Endowment income	6	(178)	(143)
(Gain) / loss on sale of fixed assets		(1,264)	18
Revaluation of Investment Property	12	(500)	(650)
Capital grant income		(5,372)	(1,389)
Net cash inflow from operating activities		2,935	3,466
Cash flows from investing activities			
Proceeds from sales of fixed assets		3,534	-
Capital grant receipts		6,332	1,370
Disposal of non-current asset investments		8,319	4,639
Investment income		2,045	1,952
Payments made to acquire fixed assets		(19,437)	(29,620)
New non-current asset investments		(7,306)	(3,811)
		(6,513)	(25,470)
Cash flows from financing activities			
Interest paid		(2,449)	(1,609)
Endowment cash received		178	143
New loans		45,000	7,500
Repayments of amounts borrowed		(5,884)	(1,768)
		36,845	4,266
Increase / (decrease) in cash and cash equivalents in the year		33,267	(17,738)
Cash and cash equivalents at beginning of the year	25	9,480	27,218
Cash and cash equivalents at end of the year	25	42,747	9,480

Statement of Accounting Policies

For the year ended 31 July 2018

1. Basis of preparation

These financial statements have been prepared in accordance with the Accounts Direction issued by the Office for Students (OfS), the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

The University's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. This also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities, the University's capital position and its financial risk management strategy.

The Council is therefore content that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Basis of Accounting

The financial statements have been prepared under the historical cost convention, with the exception of certain investment properties which have been revalued to fair value as at the year ended 31 July 2018.

These financial statements are presented in pounds sterling (rounded to £'000) because that is the currency of the primary economic environment in which the University operates.

3. Basis of Consolidation

The consolidated financial statements include the University, its wholly owned subsidiaries and a joint venture company for the financial year to 31 July 2018. Details of these companies are provided in notes 14 (b) and 15.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised on acquisition. Intra-group transactions are eliminated on consolidation.

Associated companies and joint ventures are accounted for using the equity method.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions. The Students' Union is a Charitable Incorporated Organisation separately registered with the Charity Commission.

4. Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Externally funded bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

In both 2000/01 and 2006/07 the University received premiums for the lease of student accommodation to Keele Residential Funding plc, previously Owengate (Keele) plc. These premiums are held under Creditors on the balance sheet and are being released to the Statement of Comprehensive Income and Expenditure over the period of the respective lease agreements on a straight-line basis.

The income received for student lettings of the Halls is recognised as income in full, with any payments that are made to Keele Residential Funding Plc being accounted for as non-pay expenditure.

Funds which the University receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income and Expenditure of the University where the University enjoys minimal economic benefit related to the transaction.

Grant funding

Revenue Government grants including Funding Council and Government research grants are recognised within the Statement of Comprehensive Income and Expenditure over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Income recognition (continued)

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments with restrictions:

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 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.
4. 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.

Capital grants

Capital grants are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

5. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

6. 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 are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

7. Accounting for Research and Development

Expenditure on pure and applied research is treated as a part of the continuing activities of the University. Expenditure on development activities is carried forward and amortised over the period expected to benefit.

8. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Where a property comprises two or more major components with substantially different useful economic lives ("UEL"), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred to the extent that they increase the expected future benefits to the University.

Freehold buildings are depreciated by component from the date of completion over their expected UEL on a straight-line basis as follows:

Structure	50 years
Plant and Machinery	25 years
Fit Out	15 years
Refurbishments	10 years

Leasehold land and buildings are depreciated over the life of the lease up to a maximum of 50 years.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

No depreciation is charged on assets in the course of construction.

Statement of Accounting Policies (continued)

For the year ended 31 July 2018

Fixed assets (continued)

Equipment and Furniture

Equipment, including software, and furniture costing less than £20,000 is written off in the year of acquisition. All other equipment is capitalised, including equipment used for research. Capitalised equipment and furniture is stated at cost and depreciated from the month of purchase over its expected useful life of between 4 to 10 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Impairment

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

9. 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 bought 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.

The Keele Residential Fund agreement is not treated as a service concession arrangement, and as such no financial liability was created and the Halls of Residence were valued in use as part of fixed assets.

10. Leases

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 are stated 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, less accumulated depreciation and less accumulated impairment losses.

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.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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.

11. Heritage assets

Works of art and other valuable artefacts (heritage assets) costing in excess of the capitalisation threshold of £20,000 will be capitalised and recognised at their cost or value where reasonably obtainable. The University uses the valuation for insurance purposes as the basis for the value reflected in the financial statements. The University's significant donated assets are works of art, porcelain and antiques. These are accounted for as heritage assets.

Heritage assets are revalued in line with insurance valuations, with any movements taken to the Statement of Comprehensive Income and Expenditure. The valuations are usually carried out every five years, and on an interim basis for specific items. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. However, they are reviewed for impairment purposes.

12. Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

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

Statement of Accounting Policies (continued)

For the year ended 31 July 2018

13. Financial instruments

The University has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full. Financial assets and financial liabilities are recognised in the University's balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Universities financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS102 Section 11.8. All financial assets and liabilities are initially recognised at the transaction price plus any additional directly attributable transaction costs. They are subsequently measured as follows:

Investments

Listed investments held as fixed asset investments are shown at market value with movements taken to the Statement of Comprehensive Income. Other non-current investments are held on the Balance Sheet at amortised cost less impairment. Investments in subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of comprehensive income in other operating expenses.

14. Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Statement of Comprehensive Income and Expenditure.

15. Subsidiary undertakings, Joint Operations, Jointly Controlled Assets and Joint Ventures

In the University balance sheet, investments in subsidiaries are stated at cost less provision for impairment.

A joint venture is an entity where the University has joint control and is entitled to a share of the net assets and liabilities. Investments in joint ventures are accounted for by the equity method, which involves recognition in the Statement of Comprehensive Income and Expenditure of the University's share of the joint venture's net surplus or deficit for the year. The interest in a joint venture is carried on the balance sheet as the University's share in the net assets of the joint venture together with any goodwill less any impairment loss. When the University's share in a loss exceeds the carrying amount of the joint venture, the carrying amount is reduced to zero. No further losses are recognised, unless the University has responsibility for obligations relating to the joint venture.

The University accounts for its share of transactions from joint operations and jointly controlled assets through the Statement of Comprehensive Income and Expenditure.

16. Stock

Stock is held at the lower of cost and net realisable value. Stock held under Maintenance and Building stores is held using an average cost. Food and beverage stock is held at latest cost. Materials held by academic and academic service departments are excluded, this expenditure being charged to the Statement of Comprehensive Income and Expenditure when incurred.

The development land for sale is valued on a "per acre" basis for the remaining unsold plots on the development site by an external valuer. The building under construction is work-in-progress held at cost.

17. 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 in value.

18. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) 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.

Statement of Accounting Policies (continued)

For the year ended 31 July 2018

Provisions, contingent liabilities and contingent assets (continued)

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.

19. Taxation

Current tax, including UK Corporation Tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

The University is an exempt charity within the meaning of Schedule 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 accordingly, the University is potentially exempt from UK Corporation Tax 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's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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

20. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme ("USS") and the Keele Superannuation Scheme ("KSS"). The schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (the scheme). 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 institutions and a scheme-wide contribution rate is set. The University 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 University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University 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.

Statement of Accounting Policies (continued)

For the year ended 31 July 2018

Accounting for retirement benefits (continued)

Keele Superannuation Scheme

The University operates the KSS providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the University. The scheme is closed to future accrual. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method, and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The KSS surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is credited / charged to the Statement of Comprehensive Income and Expenditure.

Others

The University participates in the Local Government Pension Scheme ("LGPS"). This is a defined benefit scheme which is externally funded. The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The LGPS surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is credited / charged to the Statement of Comprehensive Income and Expenditure.

A small number of staff are also in the NHS pension scheme. The amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period.

21. Reserves

Reserves are allocated between restricted and unrestricted reserves. 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 through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

22. Significant estimates and judgements

The preparation of the financial statements requires management to make judgements and estimates that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due.

Investment properties

Full valuations are undertaken every five years by an independent external team of chartered surveyors. This is updated annually by a desk top review by them based on the current tenant rents and an estimate of the rental yield going forward.

Impairments

Management make judgements as to whether any indicators of impairment are present for any of the University's assets.

Provisions

Management apply judgement to arrive at the best estimate for any obligation required. The amount recognised as a provision is management's best estimate of the present value of the amount required to settle the obligation. To arrive at this amount management assess the likelihood and extent of any future settlement and make judgements based on these.

Employee leave accrual

A liability for holiday pay is recognised due to accounting standards necessitating that short term employee benefits be charged to the Statement of Comprehensive Income and Expenditure as the employee service is received. Information has been gathered from the HR/Payroll system on holiday balances, with assumptions having been made for staff where this information was not possible to collect. These balances were then applied against individual pay data to calculate the employee leave accrual.

Significant estimates and judgements (continued)

Retirement benefits

Keele Superannuation Scheme and Local Government Pension Scheme

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The actuarial assumptions are set by the University, having first considered actuarial advice. In determining the appropriate discount rate, the University considers the interest rates of corporate bonds with an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases for KSS are based on expected future inflation rates, and for LGPS are based on the most recent actuarial valuation for the Staffordshire Local Government Pension fund. Further details are given in note 30.

University Superannuation Scheme

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The University is satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

There is particular uncertainty around the USS pension provision for the 31 July 2018 year end. In April 2018, the Joint Negotiating Committee (JNC), made up of UUK and UCU representatives and an independent Chair, withdrew its proposed changes to the future benefit structure of USS and no alternatives were tabled. Instead, UCU and UUK set up a Joint Expert Panel (JEP) to review the 2017 valuation and, in the absence of a decision by the JNC, the default cost sharing rule was invoked by the trustee. As part of completing the 2017 valuation, a 60 day employer consultation with affected employees and their representatives on the cost sharing proposals took place during September and October 2018. These responses will be considered by employers and the trustee during November.

Whilst various announcements as regards contribution levels have been made by the USS trustees, as noted above these are still subject to consultation and agreement. This includes the level of deficit contributions. Therefore as these are only proposals at the moment, and the interim arrangements to April 2020 do not contain any change to the deficit funding levels, the legal obligation to pay 18.0% employer contributions which includes 2.1% deficit contributions until 2031 (as set out in the existing Schedule of Contributions) still remains.

Given the above, the university has concluded that the current schedule of contributions is the correct one to use for the July 2018 provision calculation. See note 21 for additional details.

Notes to the Accounts
For the year ended 31 July 2018

Notes	Year ended 31 July 2018 Consolidated and University £'000	Year ended 31 July 2017 Consolidated and University £'000
1 Tuition fees and education contracts		
Home and EU students	62,789	57,342
International students	10,590	11,580
Short course fees	1,094	664
Home and EU fees paid by the Department of Health	5,528	6,433
Other fees	200	307
	<u>80,201</u>	<u>76,326</u>
2 Funding body grants		
Recurrent grant		
Higher Education Funding Council / Office for Students	16,031	15,323
Capital Grant	5,372	1,389
Specific grants		
Higher Education Funding Council / Office for Students	3,381	1,385
Higher Education Innovation Fund	1,011	717
	<u>25,795</u>	<u>18,814</u>

The University recognised the Teaching and Research capital income in full during 2017/18 for the OfS grant year from 1 April 2018 to 31 March 2019. Additionally, a HEFCE STEM capital bid has been released in the year as the building has been completed.

Notes	Year ended 31 July 2018 Consolidated and University £'000	Year ended 31 July 2017 Consolidated and University £'000
3 Research grants and contracts		
Research councils	3,073	2,392
Research charities	1,977	1,982
UK central government	9,279	9,861
UK industry & commerce	298	497
Other	3,150	3,779
	<u>17,777</u>	<u>18,511</u>

"Other" above includes EU government bodies, UK local authorities, health and hospital sources and other UK, EU and overseas sources.

Notes to the Accounts
For the year ended 31 July 2018

4 Other income	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, catering and conferences		18,381	18,381	18,146	18,146
KRF rental payment received	29(e)	4,516	4,516	4,337	4,337
KRF premium release	29(e)	2,842	2,842	2,842	2,842
Other services rendered		1,348	1,348	1,314	1,314
Other income		13,144	13,030	13,350	13,493
		40,231	40,117	39,989	40,132

5 Investment income		Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Investment income on endowments	22	4	4	3	3
Decrease in fair value of derivatives		283	283	334	334
Other investment income		1,764	1,809	1,599	1,628
		2,051	2,096	1,936	1,965

6 Donations and endowments		Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
New endowments		178	178	143	143
Unrestricted donations		112	112	13	13
		290	290	156	156

7 Staff costs		Year ended	Year ended
		31 July 2018	31 July 2017
		Consolidated and University £'000	Consolidated and University £'000
Salaries		71,321	68,475
Social security costs		6,563	6,272
Occupational pension costs (see note 30)			
- Employer contributions		11,609	11,011
- Actuarial movements on pension provisions		(2,446)	(495)
		87,047	85,263
Severance costs (see below)		1,006	150
Total		88,053	85,413

A general pay award of 1.7% was made from 1 August 2017 for all staff on the Keele Spine, except for staff on Grades 1 – 4 who received a slightly higher award.

During 2017/18, the University had a voluntary severance scheme in place. The above severance costs were payable to 58 post-holders (2017: 24).

Average staff numbers by major category:	Year ended	
	31 July 2018	31 July 2017
	FTE	FTE
Academic / Research	725	708
Technical	91	90
Academic Related	311	285
Secretarial / Clerical	468	456
Other	256	279
	1,851	1,818

7 Staff costs (continued)

	Year ended	
	31 July 2018 £	31 July 2017 £
Emoluments of the highest paid senior post holder	279	267
Emoluments of the Vice-Chancellor (Professor McMillan)		
	Year to 31 July 2018 £'000	Period to 31 July 2017 £'000
Basic salary	227	219
Payments in lieu of pension contributions	38	34
Non-taxable benefit – Clock House residence	9	9
Remuneration excluding pension contributions	274	262
Contributions to USS – Death In Service	5	5
Total Remuneration	279	267

Professor McMillan is required by the University to have accommodation on campus. The Clock House residence is the market value equivalent of the rental on the property. The University paid contributions to the University Superannuation Scheme for the Death In Service element only. The Vice-Chancellor had no salary sacrifice arrangements, and did not receive any bonus or expenses allowance in the current year or previous period. The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff.

Basis of the remuneration package of the Vice-Chancellor

The remuneration of the Vice-Chancellor is reviewed annually by the Senior Remuneration Committee with reference to the terms set out in the "Salary Review Framework for the Vice-Chancellor" which was adopted in August 2013 and updated in July 2018 to align with the principles of the Committee of University chairs (CUC) voluntary Higher Education Remuneration Code for Senior Staff published in June 2018. The Committee has regard for the promotion of equality and diversity, and ensures equality of opportunity in the way it conducts itself and in the transaction of its business. Committee members consider the public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance to the staff within its remit.

During the year, the Committee met in November 2017, March 2018 and July 2018. The membership of the Committee is:

Name	Position	Dates of meeting attended		
		Nov 17	March 18	July 18
Mrs Sally Bucknall (Chair)	Member of Council	Yes	Yes	Yes
Mr Ralph Findlay	Pro-Chancellor	Yes	Yes	Yes
Mr Anthony Crouch	Honorary Treasurer	Yes	Yes	Yes
Dame Jo Williams	Member of Council	Yes	Yes	Yes
Professor Alistair Ulph	Deputy Pro-Chancellor	Yes	Apologies	Yes
Professor Trevor McMillan	Vice-Chancellor	Yes	N/A	N/A
Secretary in attendance: Mrs Rachel Adams	Director of Human Resources	Yes	Yes	Yes

After the November 2017 meeting, it was agreed that the Vice-Chancellor should step down as a member of the Committee. Going forward, the Vice-Chancellor may be in attendance at the Committee, except for an item where their remuneration is under consideration.

Context in which Keele University operates

The University operates in the United Kingdom Higher Education sector, which is both competitive and complex. There is competition across the sector to recruit both UK and International students for undergraduate and postgraduate studies, alongside the desire of all institutions to attract and retain a high quality of academic and professional service staff. This obviously includes key management personnel, including the Vice-Chancellor. Alongside teaching, research is the other key strand of the sector, an area that encompasses varied specialisms, funding streams and requirements. As a result of the staff involved in teaching and research, universities are able to engage in innovation, business engagement and technology transfer, or collectively knowledge exchange.

Terms of the Vice-Chancellor's Salary Review

In considering any pay increase, Senior Remuneration Committee takes into account the following:

1 The size and complexity of the role, relevant market comparators, pay ratio data and other metrics as appropriate and the need to protect the strategic interests of the University.

The Vice Chancellor's salary is benchmarked annually against the salary data for comparable roles and institutions set out within the latest available UCEA Remuneration Report, as a basis for ensuring broad based fairness and comparability. However it is not the intention that the salary is automatically adjusted to reflect a specific percentile point or range.

7 Staff costs (continued)

2 Performance in role

The Vice Chancellor's performance is reviewed annually by the Chair of Council with due consideration of both long and short term objectives. Only in the case where the Vice Chancellor is deemed to have demonstrated significant achievement and exceptionality of performance in his/her role against key performance indicators and personal objectives will a salary review based on performance be considered.

3 Affordability – the University's financial position – current and longer terms.

Any increase considered against 1) and 2) above is balanced against available and projected long term funding, expenditure priorities, discretionary pay expenditure, and pay as a percentage of income in the short to medium term

4 National Pay Restraint and any associated Public and Employee Relations issues

Any recommended increase is considered within the context of the relevant pay climate. The Vice Chancellor's remuneration package is published annually within the annual statutory accounts which are available on the University's website and the University must be able to properly explain any enhancements based on the strategic interests of the institution.

Pay ratio of the Vice-Chancellor compared to the median pay of staff

The Higher Education Senior Staff Remuneration Code was published by the Committee of University Chairs (CUC) on 6 June 2018 and requires HE providers to publish the pay multiple of the head of institution and the median earnings of the institution's whole workforce (Principle E). Paragraph 10 of the Code notes that "to assist with consistency and comparison, the definition for the multiple should be based on the methodology used by Universities & Colleges Employers Association (UCEA)". Sector-level multiples will be published annually by UCEA. As they use the HESA data, the latest available multiple calculated by UCEA is for the year ended 31 July 2017 with the year ended 31 July 2018 expected to be published in April 2019. Therefore, the year end 31 July 2017 figures below reflect the agreed UCEA figure, whilst the year end 31 July 2018 figure is based on the same methodology.

	Year ended	
	31 July 2018	31 July 2017
	Pay multiple	Pay multiple
Basic salary of Vice-Chancellor compared to median of University staff	6.76	6.85
	Pay multiple	Pay multiple
Total remuneration of Vice-Chancellor compared to median of University staff	8.34	8.34

Remuneration of other higher paid staff (excluding the Vice-Chancellor)

The remuneration below includes taxable benefits in kind but excludes compensation for loss of office, employer pension contributions before any salary sacrifice, employer National Insurance and expenses. In line with the Office for Students Accounts Direction, staff who joined or left part-way through a year, but who would have received salary in these bands in a full year, are excluded. Additionally, where a proportion of the salary is reimbursed (for example by the NHS), only the portion paid by Keele is disclosed below.

	Year ended	
	31 July 2018	31 July 2017
	Number	Number
£100,000 to £104,999	6	4
£105,000 to £109,999	1	3
£110,000 to £114,999	3	2
£115,000 to £119,999	-	2
£120,000 to £124,999	1	-
£125,000 to £129,999	-	-
£130,000 to £134,999	2	-
£135,000 to £139,999	1	2
£140,000 to £144,999	1	-
	15	13

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University through the University Executive Committee. Key management personnel costs are based on 15 (2017: 14) University employees. Note that compensation consists of salary, benefits, compensation for loss of office, employer's national insurance and employer's pension contribution

	Year ended	
	31 July 2018	31 July 2017
	£'000	£'000
Key management personnel	2,114	2,019

8 Other operating expenses

Notes	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Other operating expenses include:				
External auditors remuneration - audit services	41	36	39	35
External auditors remuneration - non-audit services	42	24	96	84
Internal auditors remuneration	95	95	94	94
Operating lease rentals				
Land and buildings	-	123	-	143
Other	241	241	432	432

9 Interest and other finance costs

	Year ended 31 July 2018	Year ended 31 July 2017
	Consolidated and University	Consolidated and University
	£'000	£'000
Loan interest	2,962	1,623
Exchange differences	3	(3)
	<u>2,965</u>	<u>1,620</u>
Net charge on pension schemes	30 1,418	1,271
	<u>4,383</u>	<u>2,891</u>

10 Analysis of total expenditure by activity

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic	60,493	60,493	60,620	60,620
Academic services	13,644	13,644	13,241	13,241
Central administration	12,861	12,857	11,372	11,368
General education	6,454	6,454	3,012	3,012
Staff and student facilities	5,671	5,671	7,233	7,233
Premises	20,125	19,681	17,117	16,907
Residences, catering and conferences	21,006	21,006	20,794	20,794
Research grants and contracts	15,553	15,553	16,016	16,016
Other expenses	2,678	2,678	3,117	3,117
Restructuring	1,006	1,006	150	150
	<u>159,491</u>	<u>159,043</u>	<u>152,672</u>	<u>152,458</u>

11 Taxation

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recognised in the statement of comprehensive income				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Total tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The University has not provided a full tax reconciliation disclosure as tax is not material to the financial statements. The University does not believe that any current taxation will be payable by the group.

Notes to the Accounts
For the year ended 31 July 2018

12 Fixed Assets

Consolidated	(Restated) Freehold Land and Buildings	Leasehold Land and Buildings	Equipment	Assets in the Course of Construction	Tangible Fixed Assets Total	Investment Properties	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / valuation								
At 1 August 2017	236,078	413	16,210	29,859	282,560	8,250	12,116	302,926
Additions	7,112	-	1,141	12,124	20,377	-	-	20,377
Valuation increase	-	-	-	-	-	500	-	500
Transfers	26,173	-	1,860	(28,033)	-	-	-	-
Disposals	(6,550)	-	(597)	(44)	(7,191)	-	-	(7,191)
At 31 July 2018	262,813	413	18,614	13,906	295,746	8,750	12,116	316,612
Depreciation								
At 1 August 2017	17,976	24	10,274	-	28,274	-	-	28,274
Charge for the year	6,200	9	1,464	-	7,673	-	-	7,673
Disposals	(4,118)	-	(489)	-	(4,607)	-	-	(4,607)
At 31 July 2018	20,058	33	11,249	-	31,340	-	-	31,340
Net book value								
At 31 July 2018	242,755	380	7,365	13,906	264,406	8,750	12,116	285,272
At 31 July 2017	218,102	389	5,936	29,859	254,286	8,250	12,116	274,652
University	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / valuation								
At 1 August 2017	232,586	413	16,131	29,859	278,989	8,250	12,116	299,355
Additions	7,112	-	1,141	12,124	20,377	-	-	20,377
Valuation increase	-	-	-	-	-	500	-	500
Transfers	26,173	-	1,860	(28,033)	-	-	-	-
Disposals	(6,550)	-	(597)	(44)	(7,191)	-	-	(7,191)
At 31 July 2018	259,321	413	18,535	13,906	292,175	8,750	12,116	313,041
Depreciation								
At 1 August 2017	17,693	24	10,207	-	27,924	-	-	27,924
Charge for the year	6,106	9	1,461	-	7,576	-	-	7,576
Disposals	(4,118)	-	(489)	-	(4,607)	-	-	(4,607)
At 31 July 2018	19,681	33	11,179	-	30,893	-	-	30,893
Net book value								
At 31 July 2018	239,640	380	7,356	13,906	261,282	8,750	12,116	282,148
At 31 July 2017	214,893	389	5,924	29,859	251,065	8,250	12,116	271,431

At 31 July 2018, freehold land and buildings included £34,518k university and £34,810k consolidated (2017 - £34,761k University; £35,053k Consolidated) in respect of freehold land that is not depreciated.

There are no leased assets included in the above, other than the Leasehold Land and Buildings.

A full valuation of the Group and University's land and buildings, including the Investment Property, was carried out on 31 July 2014 by GeraldEve LLP, an independent and qualified valuer. All the remaining land and buildings are presented at this revalued amount.

As at 31 July 2018, the Investment Properties were reviewed by GeraldEve LLP, and fair valued at £8,750k (2017:£8,250k).

The consolidated freehold land and buildings cost and accumulated depreciation as at 1 August 2017 have both been restated by a £183k reduction. There is no impact on the consolidated net book value.

13 Heritage assets

Consolidated and University

The University has a number of different types of heritage assets, some of which it owns, and some of which are held on loan deposit. During the year, the heritage assets were not revalued as a result of a valuation for insurance purposes. The total heritage assets are split between:

Library: Archives and Special Collections

The University holds a large number of manuscripts, archives and other special collections; these collections are housed in the University Library. They are held and maintained principally for their contribution to knowledge and culture.

Collections are acquired by deposit, gift and purchase. The University is committed to ensuring that these collections are exploited to their maximum advantage and made available efficiently and effectively. The University's collecting policy states that material should conform to at least one of the following criteria:

- It fits with the current or future teaching and research profile of the University
- It is of strategic local interest
- It supplements an existing collection
- It is material generated by the University and considered worth preserving.

The collections were professionally valued for insurance purposes during 2015/16 by Hansons Auctioneers and Valuers Ltd. The valuation of items owned by the University totalled £6,972k.

Listed below are the collections owned by the University:

Arnold Bennett Papers
Wilfred Bloor Papers
Goldendale Iron Company
T.E. Hulme Archive
William Jack Collection
The Foundations of British Sociology Archive (formerly called the LePlay Collection)
Lord Lindsay Papers
Local Collection
Karl Mannheim Papers
Pape Collection
Raymond Richards Collection
Sneyd Family Papers
Warrillow Collection
Josiah Clement Wedgwood Collection
Jeavons Collection of 20th Century Slides
An Illuminated Manuscript
Reserve stock (13,529 other titles held by the University)
George Thomas Baggaley – Finishing Designs
Ray Pahl Papers

No significant additions or disposals have occurred of University owned heritage assets in this or the previous four years.

Additionally, within the Hansons Auctioneers and Valuers Ltd insurance valuation there were items that were not owned by the University and were on deposit, valued at a total of £977k.

Other Miscellaneous Artefacts

The University has various miscellaneous artefacts that it owns, mainly situated in Keele Hall and the Library. These are classed as follows:

- Silver and Plated Ware
- Ceramics
- Furniture
- Sculpture
- Pictures (including Drawings and Prints)

During 2015/16, the collections were professionally valued for insurance purposes by Hansons Auctioneers and Valuers Ltd. The new valuation totalled £5,144k. Additionally, within the valuation there were items that were not owned by the University and were on deposit, valued at a total of £241k.

No additions or disposals have occurred of University owned heritage assets in this or the previous four years.

14 Non-Current Investments

Consolidated	Keele Residential Fund (see 14a)		(see 14b)	(see 14c)	(see 14d)	Total
	Stanhope Capital	Nat West Guaranteed Investment	Subsidiary companies	Investment in spinouts	Other fixed asset investments	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	20,449	18,994	-	-	82	39,525
Additions	2,907	904	-	-	-	3,811
Disposals	(3,496)	(1,143)	-	-	-	(4,639)
Change in market value	1,755	-	-	-	-	1,755
At 1 August 2017	21,615	18,755	-	-	82	40,452
Additions	6,418	888	-	-	-	7,306
Disposals	(6,696)	(1,623)	-	-	-	(8,319)
Change in market value	461	-	-	-	-	461
At 31 July 2018	21,798	18,020	-	-	82	39,900

University	Keele Residential Fund (see 14a)		(see 14b)	(see 14c)	(see 14d)	Total
	Stanhope Capital	Nat West Guaranteed Investment	Subsidiary companies	Investment in spinouts	Other fixed asset investments	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2016	20,449	18,994	-	-	82	39,525
Additions	2,907	904	-	-	-	3,811
Disposals	(3,496)	(1,143)	-	-	-	(4,639)
Change in market value	1,755	-	-	-	-	1,755
At 1 August 2017	21,615	18,755	-	-	82	40,452
Additions	6,418	888	-	-	-	7,306
Disposals	(6,696)	(1,623)	-	-	-	(8,319)
Change in market value	461	-	-	-	-	461
At 31 July 2018	21,798	18,020	-	-	82	39,900

14 (a) Keele Residential Fund Investments

The Keele Residential Fund investments relate to monies generated from the financial restructuring deals in 1999 and 2007, and can be categorised as follows:

Stanhope Capital Investment Funds and Refurbishment Funds

The strategic asset investment funds are an overall fund managed by Stanhope Capital on behalf of the University. The fund is held over a variety of different investments. Where an element of the fund is held in liquid assets, this is shown as cash and cash equivalents with the rest shown as non-current asset investments above. All of the investments are shown at market value, as provided by the investment managers, with any changes in market value being adjusted for in the Statement of Comprehensive Income and Expenditure.

National Westminster Bank plc (Nat West) Guaranteed Investment Contract

The Nat West Guaranteed Investment Contract is a separate fixed interest cash account against which a specified annual amount is drawn down by the University to use for the Halls of Residence refurbishment works. The ability of the University to draw down against the profile is subject to confirmation by Keele Residential Funding plc, and the final draw down is in 2029 when the balance in the account will be £nil. The whole of the Guaranteed Investment Contract is included in fixed asset investments.

This was previously the Royal Bank of Scotland Plc ("RBS") Guaranteed Investment Contract. During the year, due to bank ring-fencing requirements, the Guaranteed Investment Contract was transferred to the National Westminster Bank plc ("Nat West"). Nat West confirmed that the terms and conditions of the facility have not changed. The contract was switched from RBS to Nat West on 16 June 2018.

14 (b) Investment in wholly owned subsidiary companies

The University had the following investments in wholly owned subsidiary companies as at 31 July 2018, all of which had a 31 July year end:

Name of Investment	Class of share	Proportion held by University	Nature of business
Keele University Science and Business Park Ltd	Ordinary	100%	Land development and associated activity
Keele Facilities Management Ltd	Ordinary	100%	Dormant company
Keele Hotels Ltd	Ordinary	100%	Dormant company

All of the above companies are registered in England and Wales. There were no acquisitions in the year. The University does not believe that there is any material difference between the cost and market value of the shares in the above companies, and the investment is shown at cost.

14 (c) Investment in spin out companies

The University had the following investments in spin out companies as at 31 July 2018:

Name of Investment	Class of share	No of shares purchased	Proportion held by University & Group	Nature of business
Prescribing Decision Support Limited (PDS)	£1 Ordinary (1,000) £1 Ordinary B (100)	250 -	25.0% -	Software to assist pharmacists

As at 11 July 2018, each class of shareholder in nanoTherics Ltd sold all of their allotted shares to the Chief Executive Officer of the company who took over nanoTherics Ltd as sole shareholder. The University sold its full allocation of 1,680 2.5 pence ordinary, 112 2.5 pence "A" ordinary and 707 2.5 pence "B" ordinary shares, which had represented 3.5% of the business.

The University does not believe that there is any material difference between the cost and market value of the shares in PDS, and the investment is shown at cost. Where the University holds 20% or more of the share capital of any spin out company, the University does not account for these investments as associates but holds them as simple investments in line with those in which it has a less than 20% shareholding. This is on the basis that the University merely holds the shares as an investment, and does not seek to exercise any significant influence over the operating and financial policies of a spin out company.

14 (d) Other Investments

The University holds the following equity shares, which are accounted for at cost as a simple investment:

£	Shares held in	Description
31,761	CVCP Properties PLC	CVCP Properties plc is a company owned by 100 Higher Education institutions, whose executive heads are members of Universities UK.
49,850	KRF Holdings Ltd	The University holds 99.7% of the shares, being "A" Ordinary shares. These shares have no voting rights, and the holders of this class of shares do not have any right to appoint directors of the company. Consequently, the University has no Board representation. On the basis that the University lacks the ability to control the entity, KRF Holdings Ltd has not been consolidated into the accounts and is included at cost.

Notes to the Accounts
For the year ended 31 July 2018

15 Investment in jointly controlled company and other partnerships

(a) Keele Seddon Limited

The University holds a 50% share of Keele Seddon Limited, a company limited by ordinary shares. This is a jointly controlled company whose business is land development, and is owned equally by the University and Seddon Homes Limited. The arrangement is treated as a jointly controlled company and is accounted for using the equity method, which involves recognition in the Statement of Comprehensive Income and Expenditure of the University's share of the jointly controlled company's net surplus or deficit for the year. When the University's share in the deficit exceeds the carrying amount of the jointly controlled company, the carrying amount is reduced to zero. No further losses are recognised, unless the University has responsibility for obligations relating to the jointly controlled company.

As Keele Seddon Limited has net liabilities, the value of the jointly controlled company is recorded on the balance sheet as £nil.

The company has an accounting reference date of 31 December. The University will account for the jointly controlled company using financial information as at 31 July of each year. As at 31 July 2018, there are no significant contingent liabilities related to Keele Seddon Ltd, although there is a £0.3m (2017: £3.7m) capital commitment with Seddon Construction Limited in connection with the recently completed Barnes Halls of Residence (see note 29 b).

	Year ended 31 July 2018		Year ended 31 July 2017	
	£'000	£'000	£'000	£'000
Statement of Comprehensive Income				
Income		<u>2,116</u>		<u>7,855</u>
Surplus / (deficit) before tax		<u>513</u>		<u>(1)</u>
Balance sheet				
Fixed assets	-		-	
Current assets	<u>13</u>	13	<u>113</u>	113
Creditors: amounts due within one year	(13)		(533)	
Creditors: amounts due after more than one year	<u>-</u>	(13)	<u>-</u>	(533)
Share of net liabilities		<u>-</u>		<u>(420)</u>

(b) Joint contracts and partnerships

The University operates a number of collaborative provision arrangements with other Universities and educational establishments, as follows:

Partner	Country	Type of arrangement
Active		
Beijing Foreign Studies University (first cohort Sept 2018)	China	Joint Award
International Study Centre: Bellerbys Education Services Limited	United Kingdom	Articulation
Foundation for International Medical Education and Research	USA	Validation
Shaw Education Trust and Keele and North Staffordshire Primary SCITT	United Kingdom	Franchising
Undergoing teach out		
Staffordshire University	United Kingdom	Joint Award
Nanjing XiaoZhuang University	China	Articulation
KDU University College	Malaysia	Franchising
University of Salford (will not be renewed when agreement expires on 31 July 2019)	United Kingdom	Joint Award
IST / Metropolitan College	Greece	Franchising

The agreements with the University of Liverpool (Marie Curie Palliative Care Institution), SEGi College, Ludong University and the Sri Lanka Institute of Information Technology Computing have come to an end during the year.

Notes to the Accounts
For the year ended 31 July 2018

16 Stock

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Work in progress – Building works	1,983	-	-	-
Finished goods	196	196	193	193
Development land	4,965	-	5,469	-
	<u>7,144</u>	<u>196</u>	<u>5,662</u>	<u>193</u>

17 Trade and other receivables

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	2,160	2,160	2,483	2,483
Other trade receivables	3,785	3,785	2,424	2,424
Other receivables	1,599	1,500	1,227	1,160
Prepayment and accrued income	5,089	5,074	3,927	3,913
Amounts due from subsidiary companies	-	29	-	5
	<u>12,633</u>	<u>12,548</u>	<u>10,061</u>	<u>9,985</u>
Amounts falling due after one year:				
Prepayment and accrued income	3,326	3,326	3,491	3,491
Amounts due from subsidiary companies	-	4,821	-	3,003
	<u>15,959</u>	<u>20,695</u>	<u>13,552</u>	<u>16,479</u>

Within the prepayments balances are deferred costs relating to the Keele Residential Funding agreements in 1999 and 2007, which are being expended over the life of the leases.

18 Current Investments

Current asset investments include deposits held with banks and building societies operating in the London market and licenced by the Financial Services Authority with more than three months but less than twelve months maturity at the balance sheet date. The University does not hold any deposits with a maturity of three months or greater. As such, any liquid investments held are classified as cash and cash equivalents.

19 Creditors: amounts falling due within one year

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans (see note 20a)	1,962	1,962	5,885	5,885
Trade payables	4,565	4,565	4,515	4,515
Other creditors	877	696	420	420
Social security and other taxation payable	2,019	2,019	2,028	2,028
Accruals and deferred income	25,993	25,389	23,518	23,434
Research grants and contract advances	7,280	7,280	6,888	6,888
Payments received on account	2,498	2,498	2,534	2,534
Amounts due to subsidiary companies	-	22	-	6
Deferred income: Keele Residential Funding premium (see Note 20b)	2,842	2,842	2,842	2,842
Derivative (see note 24)	548	548	831	831
	<u>48,584</u>	<u>47,821</u>	<u>49,461</u>	<u>49,383</u>

Notes to the Accounts
For the year ended 31 July 2018

19 Creditors: amounts falling due within one year (continued)

Deferred income

Included within creditors falling due within one year are the following items of income which have been deferred until specific performance related conditions have been met.

	At 31 July 2018 Consolidated and University £'000	At 31 July 2017 Consolidated and University £'000
Capital grant income	6,642	3,892
Research grants received on account	1,524	471
Other income	22	23
	<u>8,188</u>	<u>4,386</u>

20 Creditors: amounts falling due after more than one year

	At 31 July 2018 Consolidated £'000	University £'000	At 31 July 2017 Consolidated £'000	University £'000
Unsecured loans (see note 20a)	70,717	70,717	27,679	27,679
Deferred income: Keele Residential Funding premium (see Note 20b)	51,738	51,738	54,580	54,580
Other long-term creditors	3,726	-	4,118	-
	<u>126,181</u>	<u>122,455</u>	<u>86,377</u>	<u>82,259</u>

20 (a) Mortgages and unsecured loans

	At 31 July 2018 Consolidated £'000	At 31 July 2017 Consolidated £'000
Analysis of secured and unsecured loans:		
Due within one year or on demand	1,962	5,885
Due between one and two years	1,962	1,962
Due between two and five years	5,886	5,886
Due in five years or more	62,869	19,831
Total secured and unsecured loans	<u>72,679</u>	<u>33,564</u>
Secured loans	-	-
Unsecured loans repayable by 2042	<u>72,679</u>	<u>33,564</u>
	<u>72,679</u>	<u>33,564</u>

The loans are all held by the University, with no loan facilities in the subsidiary companies. As at 31 July 2018, the loans comprise of the following:

Lender	Term	Balance £'000	Interest rate %
Royal Bank of Scotland	2029	4,574	LIBOR hedged at 5.22% plus agreed margin
Royal Bank of Scotland	2029	2,000	9.19% fixed
Royal Bank of Scotland	2029	2,778	LIBOR plus agreed margin
Barclays Bank	2035	11,379	Mix of 6.885% fixed and LIBOR plus agreed margin
Barclays Bank (Revolving credit facility)	2022	-	Variable rate plus 1.25% margin
Lloyds Bank	2034	6,948	Mix of 5.715% fixed and LIBOR plus agreed margin
Barings Bank	2037/2042	45,000	3.27% Series A and 3.37% Series B Senior Notes
Total		<u>72,679</u>	

20 (b) Keele Residential Funding premium

The Keele Residential Funding premium represents the premiums received on the lease of student accommodation to Keele Residential Funding plc. The premiums are held as deferred income in creditors, and are being released on a straight-line basis over the period of the lease agreements.

21 Provisions for liabilities

Consolidated and University

	Obligation to fund deficit on pensions for:			Total Pensions Provisions £'000	Pay and severances £'000	Other provisions £'000	Total Other Provisions £'000
	USS £'000	KSS £'000	LGPS £'000				
At 1 August 2017	22,618	35,087	1,041	58,746	-	800	800
Utilised in year	-	-	-	-	-	(709)	(709)
Transfer from statement of comprehensive income	(1,981)	995	(439)	(1,425)	-	(91)	(91)
University deficit contributions	-	(1,140)	-	(1,140)	-	-	-
Additions	-	-	-	-	586	2,100	2,686
At 31 July 2018	20,637	34,942	602	56,181	586	2,100	2,686

USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension Scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

The University recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.18% as at 31 July 2018, are included in note 30 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges. In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £20.6m (assuming the same discount rate of 2.18%):

- The impact of a 1.0% increase of employers deficit contribution – would increase provision to £30.5m
- The impact of an increase of employers deficit contribution from 2.1% to 6.0% i.e. an increase of 3.9% (per latest estimate by USS) – would increase provision to £58.9m

KSS and LGPS deficit

These relate to pension scheme obligations that have been calculated by actuaries. See note 30 for further details.

Pay and severances

The University has recently completed a voluntary severance scheme. The provision relates to severance payments that the University and individuals have agreed by 31 July, but the University had not paid by that date.

Other provisions

The year-end provision relates to a payment that the University is required to make as part of exiting a contract.

Notes to the Accounts
For the year ended 31 July 2018

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

Consolidated and University

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2016 Total £'000	
Balances at 1 August 2017					
Capital	204	-	11	215	
Accumulated income	78	-	755	833	
	<u>282</u>	<u>-</u>	<u>766</u>	<u>1,048</u>	
New endowments	36	-	149	185	
Investment income	1	-	3	4	
Expenditure	(1)	-	(163)	(164)	
Reclassification	11	-	(11)	-	
	<u>47</u>	<u>-</u>	<u>(22)</u>	<u>25</u>	
	<u>329</u>	<u>-</u>	<u>744</u>	<u>1,073</u>	
At 31 July 2018					
Represented by:					
Capital	251	-	-	251	
Accumulated income	78	-	744	822	
	<u>329</u>	<u>-</u>	<u>744</u>	<u>1,073</u>	
				2018	2017
				Total	Total
				£'000	£'000
Analysis by type of purpose:					
General fund				443	430
Hardship fund				35	35
Prize funds				190	177
Scholarships and bursaries				371	372
Student Loans				34	34
				<u>1,073</u>	<u>1,048</u>

The funds are held as cash and cash equivalents.

There are no deficit balances as at 31 July 2017 or 31 July 2018

Notes to the Accounts
For the year ended 31 July 2018

23 Restricted Reserves

Reserves with restrictions are as follows:

Consolidated and University	Capital Grant Income Unspent
	£'000
Balances at 1 August 2017	209
New capital grant income	5,372
Capital grants utilised	(5,581)
	<u>(209)</u>
At 31 July 2018	-

The restricted reserves relate to capital grant income.

24 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, debtors and creditors, investments, 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 main risks to the University's treasury activities are:

- Credit and counterparty risk (security of investments);
- Liquidity risk/refinancing risk (inadequate cash resources/impact of debt maturing in future years);
- Interest rate risk (fluctuations in interest rate levels);
- Inflation risk (exposure to inflation); and
- Foreign exchange risk.

Interest rate risk

The University is exposed to risk in terms of its exposure to interest rate movements on its borrowings and cash equivalent investments. Movements in interest rates have a dual impact on the University. A rise in interest rates would increase the interest payable costs of any variable rate loans, but interest income credited to the surplus or deficit will rise for investments and cash equivalents that are based on a variable interest receivable. The University 'hedges' its interest rate risk using swaps which provide stability against interest rate fluctuations, as highlighted below.

The carrying values of the Group and University's financial assets and liabilities are summarised by category below:

	Notes	At 31 July 2018		At 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Categories of financial instruments					
Financial assets					
<i>Financial assets at fair value through Statement of Comprehensive income</i>					
Listed investments	14	21,798	21,798	21,615	21,615
<i>Financial assets that are equity instruments measured at cost less impairment</i>					
Other investments	14	18,102	18,102	18,837	18,837
<i>Financial assets that are debt instruments measured at amortised cost</i>					
Trade and other receivables	17	3,785	3,785	2,424	2,424
		<u>43,685</u>	<u>43,685</u>	<u>42,876</u>	<u>42,876</u>
Financial liabilities					
<i>Financial liabilities at fair value through Statement of Comprehensive income</i>					
Derivatives (see below)	19	548	548	831	831
<i>Financial liabilities measured at amortised cost</i>					
Loans	19/20	72,679	72,679	33,564	33,564
Trade and other payables	19	4,565	4,565	4,515	4,515
		<u>77,792</u>	<u>77,792</u>	<u>38,910</u>	<u>38,910</u>

24 Financial instruments (continued)

Derivatives

The derivative above relates to a Royal Bank of Scotland bank loan hedge held at fair value at the balance sheet date. It relates to the £11m element of the loan which started in October 2004 and has a completion date of October 2029. The loan has an interest rate based on LIBOR hedged at 5.22%, plus an agreed margin. The hedge covers up to 31 July 2022, but covers the full £11m loan value and is therefore treated as an "ineffective" hedge from an FRS 102 accounting perspective.

The Group and University's income, expense, gains and losses in respect of financial instruments are summarised below:

	Notes	At 31 July 2018		At 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Interest income and (expense)					
Total interest income for financial assets at fair value	5	612	612	613	613
Total interest income for financial assets at amortised cost	5	875	875	899	899
Total interest expense for financial liabilities at amortised cost	9	(2,962)	(2,962)	(1,623)	(1,623)
		<u>(1,475)</u>	<u>(1,475)</u>	<u>(111)</u>	<u>(111)</u>
Fair value gains and (losses)					
On financial assets measured at fair value through the Statement of Comprehensive Income		461	461	1,755	1,755
On financial liabilities measured at fair value through the Statement of Comprehensive Income	5	283	283	334	334
		<u>744</u>	<u>744</u>	<u>2,089</u>	<u>2,089</u>

25 Cash and cash equivalents

	At 1 August 2017 £'000	Cash Flows £'000	At 31 July 2018 £'000
Consolidated			
Cash at bank and on deposit	9,480	33,267	<u>42,747</u>

The cash at bank and on deposit represents cash in hand together with current and short term deposit accounts without a notice period or a notice period of less than 3 months.

26 Capital and other commitments

Provision has not been made for the following capital commitments:

	31 July 2018 Consolidated and University £'000	31 July 2017 Consolidated and University £'000
Commitments contracted for (order placed but work not completed)	<u>21,261</u>	<u>5,897</u>

27 Contingent liabilities

	31 July 2018 Consolidated and University £'000	31 July 2017 Consolidated and University £'000
Repurchase of houses sold to staff	<u>13,527</u>	<u>13,297</u>

The University has a stock of houses on campus that is available to purchase or rent for employees under various Schemes. If a house is purchased by an individual, the University covenants to re-purchase the house from that person if they are unable to sell to another eligible person. The contingent liability represents the stock of houses that the University would be liable to purchase if all of the owners called on the University to do so as at 31 July at an estimated market value.

28 Leases

(a) Lease commitments

Total rentals payable under operating leases:

Consolidated

	31 July 2018		31 July 2017	
	Land and Buildings £'000	Equipment leases £'000	Land and Buildings £'000	Equipment leases £'000
Payable during the year	-	241	-	432
Future minimum lease payments due:				
Not later than 1 year	-	161	-	-
Later than 1 year and not later than 5 years	-	524	-	-
Later than 5 years	-	-	-	-
Total lease payments due	-	685	-	-

University

	31 July 2018		31 July 2017	
	Land and Buildings £'000	Equipment leases £'000	Land and Buildings £'000	Equipment leases £'000
Payable during the year	123	241	143	432
Future minimum lease payments due:				
Not later than 1 year	127	161	148	-
Later than 1 year and not later than 5 years	553	524	646	-
Later than 5 years	633	-	942	-
Total lease payments due	1,313	685	1,736	-

The equipment relates to a contract that the University has in place for multifunctional printing devices.

The land and buildings relate to a lease that the University has with Keele University Science and Business Park Limited for the lease of the Sustainability Hub building.

(b) Lessor disclosures

Total rentals receivable as lessor:

	31 July 2018 £'000	31 July 2017 £'000
Future minimum lease receipts due:		
Not later than 1 year	4,427	4,318
Later than 1 year and not later than 5 years	18,841	18,382
Later than 5 years	162,016	166,902
Total lease receipts due	185,284	189,602

The lease relates to the leasehold interest in the University Halls of Residence property held by KRF Holdings Ltd. There are no financial restrictions imposed by the lease agreement. There is no contingent rent recognised as income.

Further details of the KRF agreement are disclosed under note 29 (f).

29 Related Party Transactions

All transactions with Related Parties are conducted at arms-length and in accordance with the University's Financial Regulations and usual procurement procedures.

29 (a) Payment for services provided to the University by trustees

Due to the nature of the University's operations and the composition of the Council, being drawn from public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms-length and in accordance with the University's Financial Regulations and usual procurement procedures. There were no payments for services provided by a trustee in the year (2017 – £nil).

29 (b) Joint Ventures

The University holds shares in a joint venture company, Keele Seddon Ltd. During the year, the new Halls of Residence at Barnes were completed. Work to the value of £2,791k (2017: £16,499k) was carried out in the year by Keele Seddon Ltd, with a creditor balance of £nil (2017: £6k) at the balance sheet date.

As at 31 July 2018 there was an amount owed to the group from Keele Seddon Ltd of £nil (2017: £526k).

During 2017/18, the University sold the Hawthorns land to Seddon Homes Ltd, the Joint Venture Partner. In connection with this, a balance of £314k (2017: £nil) was included in trade debtors.

29 (c) Keele Superannuation Scheme ("KSS")

KSS is a final salary defined benefit scheme in the United Kingdom, with the assets held in separate trustee-administered funds. The University is the principal employer. KSS is closed to future service benefit accrual. Accordingly, no further contributions by either members or the University to KSS have been made with the exception of the deficit funding contributions paid by the University in line with the recovery plan. For the year ended 31 July 2018, these were £1,053k (2017: £1,020k), which included £nil (2017: £nil) outstanding contributions at the balance sheet date.

The University settles the pensions payable of £1,407k (2017: £1,290k) through its payroll. These costs are then recharged by the University to the Scheme.

From 1 August 2015, as the Scheme has become a closed scheme, the administrative expenses of £262k (2017: £176k) have been re-imbursed by the University, including Trustees Indemnity Insurance. The University recovers VAT on behalf of the Scheme, in relation to VAT levied on administration expenses. At the year end the amount due to the University was £nil (2017: £nil).

29 (d) Transactions with Keele University Students' Union ("KSU") and Keele Postgraduate Association ("KPA")

The President of KSU and the President of the KPA are Council members during their term of office. As such they are trustees of the University, and transactions are required to be disclosed between the University and the two bodies.

During the year, grants were awarded to KSU of £1,158k (2017 - £1,051k) and to the KPA of £53k (2017 - £49k). At the year end, £71k (2017 - £nil) was owed to KSU and £nil (2017 - £nil) was owed to the KPA.

During the year, sales of £22k (2017 - £18k) were made by the group to KSU and £2k (2017 - £2k) to the KPA, with a related debtor of £1k (2017 - £4k) and £nil (2017 - £2k) respectively on the balance sheet. During the year, £219k (2017 - £172k) was purchased by the group from KSU and there was a trade creditor balance of £27k (2017 - £39k). For the KPA, the University purchased items from them for £2k (2017 - £1k) and had a trade creditor balance of £nil (2017 - £nil).

29 (e) Keele Residential Funding ("KRF") agreement

The term Keele Residential Funding ("KRF") is used to describe several linked transactions running throughout the financial statements. The principle relationships and transaction flows are described in this note.

During the financial year 1999/2000, the University undertook a securitisation deal around its Halls of Residence up to 2029 with Keele Residential Funding plc. In 2006/07, this was extended to 2047. The University received a premium on both occasions, and this premium (together with associated costs) is being released to the Statement of Comprehensive Income and Expenditure over the life of the agreements. The residual premium and associated costs are recognised as deferred income and prepayments respectively on the Balance Sheet.

The university collects rent on behalf of Keele Residential Funding plc under a Letting Services agreement, and passes these rents over on an annual basis. Halls of Residence rental income is recognised in full within income for the University, with the payment to Keele Residential Funding plc being a cost recognised in other operating expenses. Keele Residential Funding plc pays the University a management fee for the management of the Halls of Residence, which is included within income, and disclosed in note 4 to the accounts.

As part of these agreements, the University leases a proportion of its student accommodation portfolio to Keele Residential Funding plc. The assets leased remain on the balance sheet of the University, because the substance of the transaction is that they will fully revert back to the University at the end of the agreement in 2047. The updated net book value on the University fixed asset register as at 31 July 2018 of these assets is £89,628k (2017: £70,338k).

Additionally, the University has a contractual duty to maintain and refurbish the student halls of residence. Investments of £28,886k (2017: £29,936k) have been set aside in fixed asset investments as at 31 July 2018 to enable the University to meet its future obligations in respect of the agreed refurbishment programme. These investments are shown as part of the Keele Residential Funding investments. The University is required to ensure funds are maintained at a level to ensure compliance with agreed maintenance programmes and failure to comply may result in monies being withheld from annual University management payments due from Keele Residential Funding plc.

As highlighted in note 14(d), the University holds shares in KRF Holdings Ltd, but does not consolidate its accounts into the University accounts. KRF Holdings Ltd owns 100% of the share capital of Keele Residential Funding plc, which owns 100% of the share capital of KRF Management Ltd.

30 Pension Schemes

The University contributes to the following pensions schemes:

- Universities' Superannuation Scheme (USS)
- Keele Superannuation Scheme (KSS)
- Local Government Pension Scheme (LGPS)
- National Health Service Pension Scheme (NHS)
- National Employment Savings Trust (NEST)

The two principal pension schemes for University staff are USS and KSS. Both are defined benefit schemes which, until 31 March 2016, were contracted out of the State Second Pension (S2P). The assets of these pension schemes are held in separate trustee administered funds.

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Contributions paid		
USS	10,967	10,412
KSS	-	-
LGPS	203	144
NHS	432	447
NEST	7	8
	<u>11,609</u>	<u>11,011</u>
Actuary adjustment		
USS	(2,406)	(426)
KSS	108	15
LGPS	(148)	(84)
	<u>(2,446)</u>	<u>(495)</u>
Total pension cost for year (charged to staff costs in the Statement of Comprehensive Income and Expenditure as per Note 7)	<u>9,163</u>	<u>10,516</u>
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Actuarial (gain) / loss in respect of pension schemes in the Statement of Comprehensive Income and Expenditure		
KSS	(81)	2,115
LGPS	(316)	(783)
Total actuarial (gain) / loss in respect of pension schemes in the Statement of Comprehensive Income and Expenditure	<u>(397)</u>	<u>1,332</u>
	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Net interest charge on pension schemes in the Statement of Comprehensive Income and Expenditure		
USS	425	396
KSS	968	832
LGPS	25	43
Total net interest charge on pension schemes in the Statement of Comprehensive Income and Expenditure	<u>1,418</u>	<u>1,271</u>

(i) The Universities Superannuation Scheme (USS)

The total cost charged to salaries in the Statement of Comprehensive Income and Expenditure is £8,561k (2017: £9,986k). Also, interest was charged of £425k (2017: £396k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed. 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 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

30 Pension Schemes (continued)

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases – CPI	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated 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:

	2018	2017
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	<u>Post-retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment 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.	CMI_2014 with a long term rate of 1.5% p.a.

The current future life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

The University has a provision of £20.6m (2017:£22.6m) for USS on the balance sheet. The three significant judgement areas used to calculate the University provision are changes in University staff numbers going forward, estimated pay increases going forward and the discount rate of 2.18% (2017: 1.88%) used to calculate the University's share of the deficit. The discount rate is based on the rate issued by Mercers in their workings for the sector through BUFDG. A movement of 0.5% up or down on either of the staff numbers or pay categories would result in a movement of approximately £0.75m on the provision.

(ii) Keele Superannuation Scheme (KSS)

The KSS is a final salary defined benefit scheme in the United Kingdom that pays out pensions at retirement based on service and final pay, with the assets held in separate trustee-administered funds. The employer cash contribution made for the year ended 31 July 2018 was £1,053k (2017: £1,020k), with £262k (2017: £176k) of expenses paid by the University on behalf of the Scheme. This includes £nil (2017: £nil) outstanding contributions at the balance sheet date.

In 2013, it was decided to close KSS to future service benefit accrual and to transfer active members to USS. Therefore, no further contributions by either members or the University have been made in this financial year, with the exception of the deficit funding contributions paid by the University in line with the recovery plan agreed between the University and the KSS Trustees that began in November 2015.

Assumption

The following information is based upon a full actuarial valuation of KSS at 1 August 2014 updated to 31 July 2018 by a qualified independent actuary. The next full actuarial valuation was undertaken as at 1 August 2017, and the revised recovery plan is currently being agreed between the University and KSS Trustees.

30 Pension Schemes (continued)

The principal financial assumptions used to calculate scheme liabilities under FRS102 are:

	At 31 July 2018 %pa	At 31 July 2017 %pa
Discount rate	2.85	2.80
Rate of increase in salaries	3.20	3.30
Price Inflation (RPI)	3.20	3.30
Price Inflation (CPI)	2.45	2.55
Rate of increase of pensions in payment and deferred pensions:		
Pre 1 August 2001 Service	4.10	4.10
1 August 2001 to 30 November 2006 Service	3.20	3.20
Post 1 December 2006 Service	2.00	2.10
Commutation allowance (Members commute % of their pension)	25%	25%

No allowance has been assumed for early retirement.

The most significant non-financial assumption is the assumed level of longevity. The table below shows life expectancy assumptions (in years) used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Current Pensioner aged 65 (Male)	Non-pensioner currently aged 45 (Male)	Current Pensioner aged 65 (Female)	Non-pensioner currently aged 45 (Female)
At 31 July 2018	22	24	24	27
At 31 July 2017	22	24	24	26

The actuarial tables used for this are 102% S2PA with CMI 2015 improvements trending to 1.25% (2017: 102% S2PA with CMI 2015 improvements trending to 1.25%).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets of KSS

The assets in the scheme were:

	Fair value as at	
	31 July 2018 £'000	31 July 2017 £'000
Equities / Return seeking Funds	17,585	18,435
Corporate bonds	12,063	12,171
Cash	10	7
Total	29,658	30,613

The scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of the amount shown in the balance sheet for KSS		
Scheme assets	29,658	30,613
Scheme liabilities	(64,600)	(65,700)
Deficit in the scheme – recorded within pension provisions (note 21)	(34,942)	(35,087)
Total operating charge		
Staff costs and administrative expenses	283	191
Analysis of the amount charged to interest payable for KSS		
Interest on net deficit	968	832
Total profit and loss charge before deduction for tax	1,251	1,023

30 Pension Schemes (continued)

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Analysis of other comprehensive income for KSS:		
Experience gain on assets	(1,146)	415
Loss on liabilities	1,227	(2,530)
Total other comprehensive income before deduction for tax	81	(2,115)
	At 31 July 2018 £'000	At 31 July 2017 £'000
Cumulative actuarial loss recognised as other comprehensive income for KSS		
Cumulative actuarial losses recognised at the start of the year	14,576	12,461
Cumulative actuarial losses recognised at the end of the year	(14,495)	(14,576)
Analysis of movement in deficit for KSS		
Deficit at beginning of year	(35,087)	(33,145)
Contributions paid by the University	1,053	1,020
Administration expenses paid by the University	262	176
Total operating charge	(283)	(191)
Other finance charges	(968)	(832)
Deficit at end of year	(34,942)	(35,087)
	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of movement in the present value of KSS liabilities		
Present value of KSS liabilities at the start of the year	65,700	63,200
Total operating charge	283	191
Interest cost	1,816	1,591
Actuarial loss	(1,227)	2,530
Actual benefit payments	(1,689)	(1,621)
Administration expenses paid by KSS	(283)	(191)
Present value of KSS liabilities at the end of the year	64,600	65,700
	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	30,613	30,055
Expected return on assets	848	759
Actuarial gain on assets	(1,146)	415
Contributions paid by University	1,053	1,020
Administration expenses reimbursed by the University	262	176
Actual benefit payments	(1,689)	(1,621)
Administration expenses paid by KSS	(283)	(191)
Fair value of scheme assets at the end of the year	29,658	30,613

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

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Actual return on Scheme assets		
Expected return on assets	848	759
Actuarial gain on assets	(1,146)	415
Actual return on Scheme assets before administration expenses	(298)	1,174
Administration expenses	(283)	(191)
Actual return on Scheme assets before administration expenses	(581)	983

The University expects to contribute in the region of £1,300k to the scheme in the next year, through deficit contributions and expenses payments.

30 Pension Schemes (continued)

(iii) Local Government Pension Scheme (LGPS)

The LGPS is a defined benefit statutory scheme in the United Kingdom, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. Until 31 March 2016, it was contracted out of the State Second Pension. The employer contribution (including contributions in respect of unfunded benefits) made for the year ended 31 July 2018 was £207k (2017: £146k). This includes £nil (2017: £nil) outstanding contributions at the balance sheet date.

For the year ended 31 July 2018, the University has been contributing at a rate of 27.60% from 1 August 2017 to 31 March 2018 and 29.80% from 1 April 2018, with agreed lump sum contributions to the scheme of £141k for the year to 31 March 2018 and £203k for the year to 31 March 2019. Employee contributions were tiered at 6.50% and 6.80% of pensionable salaries.

Assumptions

The following information is based upon a full actuarial valuation of LGPS as at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

The principal financial assumptions used to calculate scheme liabilities under FRS102 are:

	At 31 July 2018 %pa	At 31 July 2017 %pa
Discount rate	2.70	2.60
Price Inflation (RPI)	3.40	3.40
Price Inflation (CPI)	2.40	2.40
Rate of increase in salaries	2.80	2.80
Rate of increase of pensions	2.40	2.40
Commutation allowance (Members commute % of their pension) – pre-April 2008 service	50%	50%
-post-April 2008 service	75%	75%

The most significant non-financial assumption is the assumed level of longevity. The table below shows future life expectancy assumptions (in years) used in the accounting assessments based on the life expectancy of male and female members.

	Current Pensioner aged 65 (Male)	Non-pensioner currently aged 45 (Male)	Current Pensioner aged 65 (Female)	Non-pensioner currently aged 45 (Female)
At 31 July 2018	22.1	24.1	24.4	26.4
At 31 July 2017	22.1	24.1	24.4	26.4

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2013 model assuming the current rate of improvement has reached a peak and will converge to a long term rate of 1.25% p.a.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets of LGPS

The assets in the scheme were:

	Fair value as at	
	31 July 2018 £'000	31 July 2017 £'000
Equities / Return Seeking Funds	2,914	2,902
Corporate bonds	749	458
Property	333	305
Cash	166	153
Total	<u>4,162</u>	<u>3,818</u>

30 Pension Schemes (continued)

The scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of the amount shown in the balance sheet for LGPS		
Scheme assets	4,162	3,818
Scheme liabilities	(4,764)	(4,859)
Deficit in the scheme – recorded within pension provisions (note 21)	(602)	(1,041)
Current service cost	59	62
Past service costs	-	-
Total operating charge	59	62
Analysis of the amount charged to interest payable for LGPS		
Interest income on net assets	(99)	(78)
Interest cost on defined benefit obligation	124	121
Net charge to other finance income	25	43
Total profit and loss charge before deduction for tax	84	105
Analysis of other comprehensive income for LGPS:		
Experience gain on assets	250	518
Experience loss on liabilities	-	370
Change in demographic assumptions	-	18
Change in financial assumptions	66	(123)
Total other comprehensive income before deduction for tax	316	783
	At 31 July 2018 £'000	At 31 July 2017 £'000
Cumulative actuarial loss recognised as other comprehensive income for LGPS		
Cumulative actuarial losses recognised at the start of the year	(565)	218
Cumulative actuarial losses recognised at the end of the year	881	565
Analysis of movement in deficit for LGPS		
Deficit at beginning of year	(1,041)	(1,865)
Contributions or benefits paid by the University	207	146
Current service cost	(59)	(62)
Past service cost	-	-
Other finance charges	(25)	(43)
Deficit at end of year	(602)	(1,041)

30 Pension Schemes (continued)

	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	4,859	5,123
Current service cost	59	62
Interest cost	124	121
Actuarial loss	(66)	(265)
Contributions paid by scheme members	11	11
Actual benefit payments	(223)	(193)
Administration expenses paid	-	-
Present value of LGPS liabilities at the end of the year	4,764	4,859

	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	3,818	3,258
Expected return on assets	99	78
Actuarial gain on assets	250	518
Actual contributions paid by University	207	146
Contributions paid by scheme members	11	11
Actual benefit payments	(223)	(193)
Administration expenses paid	-	-
Fair value of scheme assets at the end of the year	4,162	3,818

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

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Actual return on Scheme assets		
Expected return on assets	99	78
Actuarial gain on assets	250	518
Actual return on Scheme assets before administration expenses	349	596
Administration expenses	-	-
Actual return on Scheme assets before administration expenses	349	596

The University expects to contribute in the region of £265k to the scheme in the next year through deficit contributions and on-going service costs.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits ("GMP"). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

31 Non adjusting Post Balance Sheet Event

As noted above, on 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. LGPS is considered above.

We are working with the trustees of our Keele Superannuation Scheme to understand the extent to which the judgment crystallises additional liabilities for our pension scheme. The extent to which the judgment will increase the liabilities in the Keele Superannuation Scheme is not possible to identify at this point. For the University's other defined benefit scheme, being USS, the provision included within the financial statements at note 21 will only be impacted to the extent the change in benefits increases cash financing.

THE COUNCIL

The following were members of Council for the period from 1 August 2017 to the date the Financial Statements were approved (unless noted):

Members Ex-Officio

The Pro-Chancellor	R. Findlay BSc, FCA, MCTDip (left Council 31 August 2018) Dame J. Williams (appointed 1 September 2018)
The Deputy Pro-Chancellors	R. Barnes S. Bucknell (appointed Deputy Pro-Chancellor 1 September 2018) R. Callaway (appointed Deputy Pro-Chancellor 1 September 2017) E. Manley (left Council 31 August 2017) Professor A. Ulph
The Vice-Chancellor	Professor T. J. McMillan BSc, PhD, Hon MRCP, Hon FRCR
The Treasurer	A. Crouch (left Council 31 August 2018) D. Hall FCA (appointed 1 September 2018)
The Deputy Vice-Chancellor	Professor R. M. Ormerod

Members of University Staff

Professor P. Andras (appointed 17 October 2017)
Professor N. Forsyth
V. Hooper
Dr R. Leach (appointed 1 September 2017)
Dr H. Parr (left Council 31 August 2017)
Professor G. Rogerson (left Council 15 September 2017)

Lay Members appointed by the Council

R. Bagley (appointed 1 September 2018)
S. Bucknell (appointed Deputy Pro-Chancellor 1 September 2018)
R. Callaway (appointed Deputy Pro-Chancellor 1 September 2017)
P. Clark
A. Harris
S. Hashmi
M. Lukha
S. Ramery
S. Schaefer
Dame J. Williams (appointed Pro-Chancellor 1 September 2018)

Student Representatives

G. Blake (appointed 1 July 2018)
I. Smith (left Council 31 June 2018)
T. Snape

Director of Finance (in attendance)

P. W. Buttery, ACMA (Interim - 1 August 2017 to 28 May 2018)
R. Eastwood, BA, FCA (appointed Chief Financial Officer 29 May 2018)

Secretary to Council

Dr H. Galbraith

Professional Partners

External Auditors

KPMG LLP
1 St Peters Square
Manchester
M2 3AE

Bankers

Royal Bank of Scotland
High Street
Newcastle-under-Lyme
Staffordshire ST5 1PP

Internal Auditors

UNIAC
Oxford Road
Manchester
M1 7ED

University Status

The University of Keele (trading as Keele University) is a charity but it is not a "Registered Charity". Instead it holds charity status as one of the exempt charities listed in Schedule 2 of the Charities Act 1993 (An exempt charity is exempt from certain requirements, notably the need to register with the Charity Commission). The University preserves its exempt status under the Charities Act 2006 and the Office for Students (OfS) is the University's principal regulator. The University of Keele was established by Act of Parliament and the granting of a Royal Charter in 1962. The University's registered correspondence address is:

Keele University, Keele, Staffordshire, England ST5 5BG

Although the University is not a company, it has a Companies House registration number of RC000655 as a Company Incorporated by Royal Charter in England and Wales. Royal Charter companies are not obliged to register any documents with Companies House.