



Statement of Accounts 2015/16

KEELE UNIVERSITY

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2016

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STRATEGIC REPORT

Review of 2015/16 and the future performance of the University

Headlines

- **Continued strong home undergraduate recruitment**
- **Good financial result which builds on strong financial performance over recent years**
- **Number One in Student Satisfaction Survey for 2014, 2015 and 2016**
- **University of the Year for Student Experience in The Times and Sunday Times awards**
- **First for graduate employment amongst broad based Universities in the UK, with 97.5% of our graduates in employment or further study six months after graduating**
- **Excellent research – 97% assessed as world leading or of international importance**
- **Financial statements prepared under new accounting convention which has introduced significant changes**

Results for the year

The Financial Statements comprise the consolidated results of the University and its wholly owned subsidiary companies. With effect from the 2015/16 financial year, the Higher Education sector has adopted a new accounting convention. A new Financial Reporting Standard (FRS) 102 and an updated HE Statement of Recommended Practice apply to all Universities from 1 August 2015. The comparative figures for the year ended 31 July 2015 have also been revised in accordance with the new convention. The introduction of the new convention has resulted in significant changes to the financial statements. The Statement of Comprehensive Income and Expenditure ("SOC") results for the year to 31 July 2016, together with the revised 2014/15 comparisons, are summarised below:

	Year ended 31 July 2016 Consolidated £'000	Year ended 31 July 2015 Consolidated £'000
Total Income	148,576	141,056
Total Expenditure, before pension interest and actuarial adjustments	(140,545)	(136,603)
Surplus before other gains and losses and before pension interest and actuarial adjustments	8,031	4,453
Pension interest and actuarial adjustments	(3,659)	(11,131)
Surplus / (deficit) before other gains and losses	4,372	(6,678)
Loss on disposal of fixed assets	-	(404)
Gain on investments	1,379	1,432
Taxation	(58)	(469)
Unrealised surplus on revaluation of heritage assets	6,505	-
Losses in respect of pension schemes	(8,286)	(4,393)
Total comprehensive income and expenditure for the year	3,912	(10,512)

The surplus for 2015/16 represents an excellent result which builds on the strong financial operating performance of recent years.

The results for both years are adversely impacted by the introduction of FRS 102 and, in particular, in common with most of the sector, by the recognition of losses and increased interest and actuarial adjustments in relation to pension schemes. These pension charges to the comprehensive income and expenditure are not cash transactions and total £11,945k for 2015/16 and £15,524k for 2014/15. In 2015/16 there is also an unrealised surplus of £6,505k on the revaluation of heritage assets. A more detailed explanation of the adjustments resulting from the introduction of FRS 102 is provided in note 30 to the accounts.

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 therefore delighted that it has been voted as first for student satisfaction in the National Student Survey for three consecutive years (2014, 2015 and 2016). In addition, individual disciplines scored well - in 2016, nineteen of our subject areas were in the top 10. In September 2016, it was announced that Keele was the University of the Year for Student Experience in The Times and Sunday Times awards. The University retains an excellent track record in terms of graduate employability, and in 2016 was first for graduate employment amongst broad based Universities in the UK. This success, together with the surrounding media attention, has been reflected in excellent undergraduate recruitment for 2015/16 and 2016/17.

2015/16 was the first year when student number controls were removed from Universities, meaning that there were no government restrictions on the number of home undergraduates that could be recruited. The lifting of these restrictions meant that for 2015/16 Keele was able to successfully recruit in line with the strong demand for its courses and undergraduate recruitment was 18% up compared with 2014/15. In 2016/17 Keele will build on its successful 2015/16 undergraduate recruitment with indications of an increase of a further 2% recruitment beyond the 2015/16 levels. In both 2015/16 and 2016/17, the University has been successful in recruiting to the intake limit still imposed in relation to the Undergraduate Medical School.

STRATEGIC REPORT

Overseas recruitment remains challenging and overseas tuition fee income in 2015/16 reduced by 4% compared with 2014/15. The University continues to work hard to address this and measures are being implemented to improve the long-term future overseas recruitment. These measures include an ongoing refocussing of courses to ensure that they are attractive to the overseas market and a more targeted and informed marketing campaign.

Keele had a student retention rate of 95% for undergraduate students in 2014/15, which, subject to final verification of the statistics, will be repeated in 2015/16.

Research

Research grant income (excluding RDEC income) continues to grow year on year although at £16.7m for 2015/16, showed only a small increase compared with 2014/15. In addition, postgraduate research student numbers have continued to show excellent growth.

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 and an increase in the number of research students, consolidates Keele's position as a strong research-led university undertaking world-leading research.

Staff Costs

The University continues to contain its staff costs whilst at the same time investing in areas of development in order to achieve sustainable growth. This is at a time when there are many external pressures on pay costs - increases to the employer pension contributions, additional Employer National Insurance costs due to the abolition of contracting out and significant costs associated with the National Minimum Wage. April 2017 will also see the introduction of the apprenticeship levy.

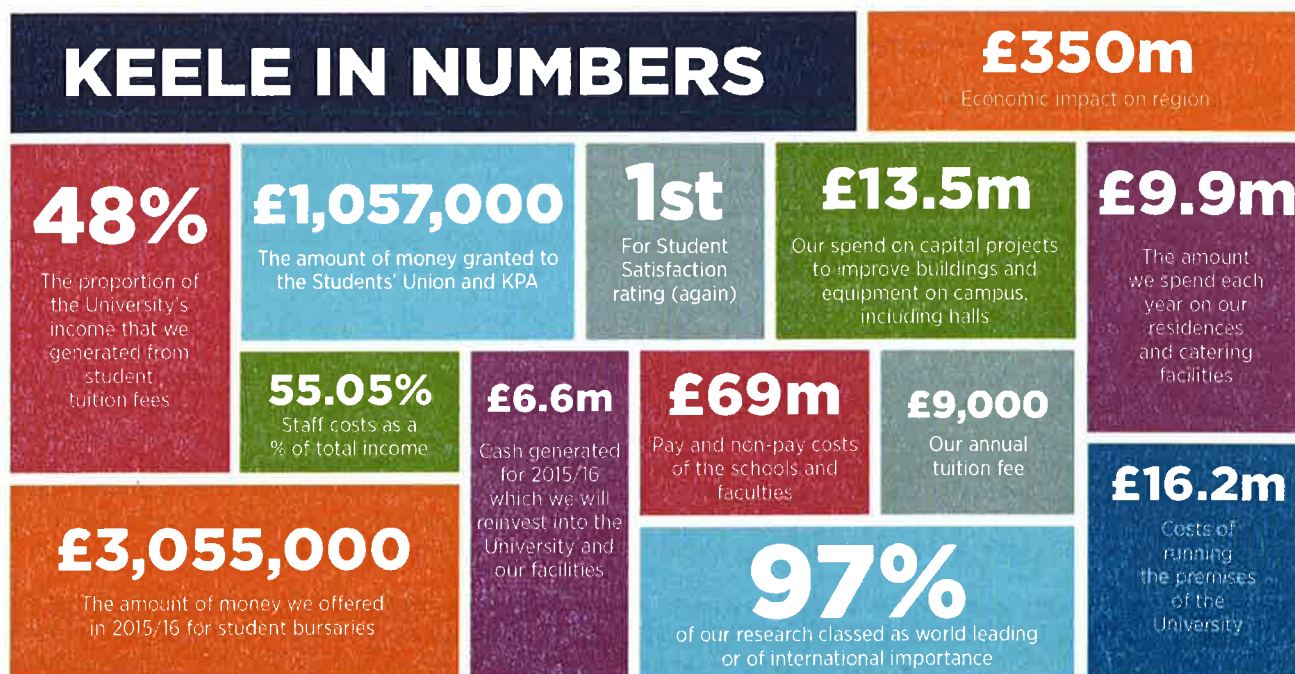
A Key Performance Indicator for the University is staff costs as a percentage of income:

	2015/16 Actual	2014/15 Actual
Staff costs (£k)	81,799	86,220
Total income (£k)	148,576	141,056
Staff costs as a % of income	55%	61%

The 2014/15 figures included a £9.9m (2015/16 £2.3m) USS pensions actuarial adjustment which increased the staff costs, and hence also the percentage ratio.

Overview

A pictorial representation of University key statistics is shown in the following Infograph:



STRATEGIC REPORT

Capital Projects

The University and subsidiaries invested a total of over £13.5m in capital expenditure projects during 2015/16. The salient projects are:

Completed Projects

Project	Cost in Year	Description
Upgrade to external sports facilities (£1.7m total cost)	£1.6m	Creation of a full size 3G synthetic football pitch, a smaller training 3G area, re-configuration of a section of the tennis court area to provide courts for basketball and beach volleyball, and upgrading of the existing astroturf area, surrounding access roads and pathways. This area has been named the Keith L. Harrison Sports Park (Sport, Benevolence, Charity and Friendship), in honour of Keith Harrison who passed away recently. The honour recognises Keith's commitment to sport at Keele over nearly 20 years.

On-going Projects

Project	Cost in Year	Description
453 new en-suite rooms at Barnes Hall (£21.6m total cost)	£1.8m	The University received planning permission to build 453 new en-suite rooms at Barnes Halls. This project has now started. It is anticipated that the new rooms will be completed in autumn 2017. Additionally, the planning permission also included the sale and redevelopment of the Hawthorns land just off the main campus of the University, which will be developed for houses by our development partner.
Huxley Laboratory (£10.6m total cost)	£4.2m	The University has started the refurbishment and extension of the Huxley Building, which has been part funded by a £3.75m HEFCE grant. The project will provide for 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. It is anticipated to be completed by spring 2018.
David Weatherall (£3.3m total cost)	£0.9m	Work commenced on an extension to this Health Faculty building during spring 2016. The extension is required due to the expansion and continued success of the Research Institute of Primary Care and Health Sciences.

Future Projects

Project	Description
Refurbish and replace Halls of Residence. Improve academic and campus facilities	There are major projects being developed and assessed for the further improvement of student accommodation and academic facilities. The University recognises that good quality halls of residence and campus facilities are essential to providing a high quality student experience.

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
USS	£9m	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. Contributions were increased as part of a package of measures aimed at ensuring that USS continues to operate as a viable pension scheme. At 31 July 2016 the University had 1,711 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. Under FRS 102, the University makes a provision for its share of the agreed USS deficit payments on its balance sheet. The provision at 31 July 2016 was £23m.

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Scheme	Contributions	Description
KSS	£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 2016 the scheme had assets of £30m and liabilities of £63m giving a deficit of £33m. 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.

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.

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. The infrastructure works on the site are now complete with funding of £9.5m provided by Advantage West Midlands (now managed by the Home & Communities Agency) in the form of a repayable grant. Construction of the first building on the development site was completed in July 2016. The company has also refurbished Home Farm, which provides both a University facility to demonstrate sustainable energy technologies and rental space for new businesses, including student start-up businesses.
Keele Facilities Management Limited	All trading activities were transferred to the University during 2014/15, and the company has ceased to trade. During 2015/16, the company made a small gift aid payment to the University and cleared the final working capital balances from the balance sheet. The company will be retained as a dormant company.
Keele Hotels Limited	Dormant.
Keele University Science Park Limited	The company owned and rented three properties on the University campus. During 2014/15 the buildings and related trading activities were transferred to the University and the company was voluntarily dissolved during the financial year ending 31 July 2016.

Cash Generated from Operations

Net cash generated from operating activities for 2015/16 was £6.6m, 4.5% of turnover. There were some significant movements in working capital balances, with creditors reducing by £6m in the cash flow. However, this was offset by the strong operational performance.

The amount of cash and cash equivalents on the balance sheet increased by £15m from £12m at 31 July 2015 to £27m at 31 July 2016. This was primarily due to the £20m of KRF investments that were liquidated into short-term cash balances before the year-end to support the £10m investment in the new Barnes Halls and £10m to underwrite the Council approved short-term capital projects.

Going Concern

The University ended the year with cash and cash equivalents of £27m. 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 2016/17 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 £28m is long term in nature with 69% repayable in 5 years' time and beyond. A further loan facility of £7.5m with Lloyds will be drawn down in spring 2017, to support the Barnes Hall development. 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.

STRATEGIC REPORT

Impact of the United Kingdom vote on 23 June 2016 to leave the European Union (EU) ("Brexit")

Business as usual. That is the message that the University wants to get over to all our staff, all our UK, EU and overseas students, our national and international research partners and all of our stakeholders. Of course the Brexit vote has created a considerable amount of political and economic uncertainty not only in the United Kingdom, but also across the European Union and the world. However, Keele University welcomes all of our students and colleagues from across the globe.

The full impact and consequences of the vote to leave the EU are likely to last for several years, during which time there will be considerable uncertainty for the Higher Education sector in this country. This includes areas around research partnerships with EU institutions, student recruitment from EU countries, the impact that Brexit may have on bank lending and also the ability of the University to utilise European Regional Development Funding (or whatever may replace this important source of funding).

Whilst the government has recently provided some assurances in respect of EU funding and the fee regime for EU students in the short-term, there is still uncertainty for the Higher Education sector around:

- risks for international research collaboration
- maintaining the UK's ability to attract and retain EU and overseas students and staff
- the impact on EU students that are currently studying in the UK, including eligibility for loans and grants
- the ability to bid for EU funding beyond Horizon 2020.

Whilst the University is not anticipating any short term impact on the immediate performance and position of the business, the full impact of Brexit is yet to be resolved.

Public Benefit Statement

Keele University is an exempt charity under the terms of the Charities Act 1993 and the members of the University's Council also act in the capacity of Trustees to the charity. This Public Benefit Statement has been included as part of the reporting requirements introduced by the Higher Education Funding Council for England (HEFCE) as the principal regulator of English higher education institutions under the Charities Act 2006. When setting and reviewing the University's objectives and activities, the Trustees have due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The overall purpose of the University is to promote excellence in teaching, research and enterprise and the advancement of education. The University's mission is to make a difference in society by providing innovative, high quality education for students from all backgrounds and by undertaking world-leading research that transforms understanding and brings benefit to society, communities and individuals. Observing Keele's founding ethos of "the pursuit of truth in the company of friends", the University is committed to a set of values that underpin its vision and mission.

Strategic and Financial Planning

The University Strategic Plan for 2015 to 2020 was formally approved by Council in February 2015. It has six over-arching Strategic Aims:

- To continue building Keele as a broad-based research-led University of about 13,000 students recognised internationally for excellence in education, research and enterprise
- To provide outstanding discipline-based education and a unique portfolio of personal development opportunities in the context of a sector-leading student experience
- To deliver international excellence and impact in focused areas of research
- To contribute positively to the society, economy, culture, health and well-being of the communities we serve
- To promote environmental sustainability in all that we do
- To transform how we work to ensure the University's development is sustainable and delivers world-leading teaching and research.

Essential to the development of the 2015-2020 strategic plan was the recognition that Keele needs to respond to the financial challenges of the sector and to have a strong financial model underpinning its future plans. Whilst Keele wishes to retain the benefits, culture and appeal of being a relatively small University, it was also recognised that growth in student numbers and overall income is essential to deliver economies of scale and increased levels of surpluses, thus supporting the University in maintaining its sector leading student experience and further enhancing its research profile. Overall there are some ambitious aims underpinning the Strategic Plan which seek to increase the University's income significantly and to generate increased annual cash surpluses. Alongside these aims, and pivotal to them, is the commitment to provide a sector-leading student experience.

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Strategic aim 6 of the University Plan is to transform how we work to ensure the University's development is sustainable and delivers world-leading teaching and research. A key objective supporting this aim is **to maintain financial sustainability and build income and expenditure reserves** by:

- increasing income and generating increased levels of surpluses and cash from operations for investment in the University's infrastructure, in line with a clear funding plan
- targeting staffing investments in areas of growth, whilst managing staff costs overall
- strategically prioritising the programme of capital development funded by both internal and external sources
- continuing to develop robust risk management processes
- the promotion of fundraising and delivering the development campaign.

These financial objectives are expanded upon in the University's 2016 to 2020 Financial Strategy. The purpose of the Financial Strategy is to ensure the long-term financial sustainability of the University by responding positively to the challenges and pressures currently being experienced by the higher education sector. The expected adoption of the Higher Education and Research Bill 2016-17 will introduce fundamental changes to the sector. Significant issues over the period to 2020 are expected to include the introduction of the Teaching Excellence Framework, the introduction of a new student fee regime, changes to the role of HEFCE as regulator together with revised mechanisms for national oversight of teaching and research activities and the student experience, and revisions to the Research Excellence Framework. It is inevitable that other, as yet unknown changes, will also occur during the period covered by the Strategic Plan. To help in addressing these future challenges the University has established an Effectiveness and Efficiency Group, which will seek to deliver savings as a result of efficiencies and process improvements, and a Restructuring Development Group, which will review and advise on suitable funding sources for approved capital projects.

Student Admission and Widening Participation

Widening Participation is about giving people with the ability to benefit from a university education the information and opportunity to access it, regardless of social and economic circumstances. Keele University is committed to fair access, ensuring that all its courses, including the most competitive, can be accessed by students from any background. Keele practises fair admissions policies and provides bursaries (financial payments to undergraduates) and support in order that individuals from under-represented groups at the University have the best chance of success when choosing Keele as a place to study. One of Keele's underpinning values is the equality of educational opportunity.

In order to achieve widening participation, the University works with thousands of school-aged students every year. It also works with parents, teachers, other Higher Education Institutions and external partners, providing information and aspiration-raising activities.

Research for the Public Benefit

The University places a high value on excellent research and supports internationally competitive expertise throughout Natural Sciences, Humanities and Social Sciences, and Health. The quality and extent of the University's research was underlined in the latest UK-wide Research Excellence Framework (REF) published in December 2014, with 97% of Keele's research being assessed as world leading and of international importance. Keele performed exceptionally well in the areas of allied health professions, primary care, general engineering (combining medical bioengineering and diagnostics and sustainable technology and materials) and history. The University produces high quality, multi-disciplinary research and, importantly, applies research knowledge to produce beneficial outcomes. This was also recognised in the REF which rated the impact of Keele's research as world-leading.

Examples of research undertaken at Keele are the development of insights into the causes of disease and ways of treating them, improving social care outcomes, developing sustainable energy technologies and alleviating arthritis. Significant research grants have been awarded in 2015/16 including grants to fund the following projects:

- A randomised trial concerning the prevention of pneumonia in patients with dysphagia after an acute stroke
- A randomised placebo-controlled trial, in primary care, of Chondroitin sulphate for hand osteoarthritis
- The advancement of knowledge of the formation and dynamics of star clusters
- The establishment of a multidisciplinary centre of excellence for the understanding of sustainable prosperity.

Environmental Sustainability

There is considerable expertise at Keele both in terms of environmental policy and science. This expertise has enabled leading edge research in this field and has also led to the introduction of multi-disciplinary courses in Environment and Sustainability. Keele has established itself as a hub for environmental sustainability, demonstrating new initiatives to universities, researchers, local communities, schools, national and international experts, and those wishing to learn about sustainability.

STRATEGIC REPORT

Risk Management

The following key principles outline the University's approach to risk management and internal control:

- Council has responsibility for establishing an overall Risk Management Policy within the University, which ensures that appropriate systems of management and control for the identification, evaluation, management and monitoring of risks that exist within the University
- The Audit Committee has oversight of the operation of the Risk Management Policy and utilises the Risk Assurance Map to prioritise the internal audit programme
- The University and its Council has an open and receptive approach to risk, which encourages honesty about risk and an acceptance that however good the risk management of the University is, problems will sometimes occur
- The Vice-Chancellor and the senior management team support, advise on and implement policies approved by Council. They are also responsible for encouraging good risk management practice throughout the University and reporting regularly on the status of the risks and controls
- The University makes realistic recognition and disclosure of the financial and non-financial implications of risk
- Key risk indicators are identified and closely monitored on a regular basis
- Council has agreed that the University should define its risk appetite and has approved both an institutional risk appetite statement and individual appetite statements for key risk areas.

The University has a well-established risk management framework consisting of a Corporate Risk Register (linked to the University Strategic Plan), embedded local registers and a risk appetite framework to inform decision-making and prioritising of strategic projects by Council. The University reviews its risk register, key strategic objectives and risk management processes in conjunction with its internal auditors through a process known as risk assurance mapping in order to prioritise audits on the annual Internal Audit Programme.

Based on revised management approaches to ensuring delivery of the Strategic Plan, use of KPIs and the interdependency with risk management, the Corporate Risk Register has been revised in format and updated. The more streamlined risk register is intended to provide a more agile and pro-active approach to the management of risk, by focusing on those key risks that are likely to affect the delivery of the Strategic Plan. Corporate risks have been mapped against the six aims of the Strategic Plan, which collectively capture all aspects of the University's activity including the key objectives underpinning the Finance Strategy.

Conclusion

The University has had a very successful year with many positive achievements, both financially and operationally. We would like to thank all staff across the University for their contributions to the success of Keele. Finally, thank you to our students for choosing Keele and for again voting us Number One in the National Students Satisfaction Survey. We look forward to working with our staff and students to successfully address the challenges and opportunities that lie ahead.

Professor T J McMillan
Vice-Chancellor

A Crouch
Treasurer

November 2016

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.

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 since 1 June 2010 the Higher Education Funding Council for England ("HEFCE") has been the principal charity regulator for the University.

The University is committed to exhibiting best practice in all aspects of corporate governance. The University endeavours to conduct 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 University confirms its adoption of the *The Higher Education Code of Governance* published by the Committee of University Chairs (CUC) in December 2014. It 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.

In line with CUC guidance and sector best practice, Council undertook a review of its own effectiveness during the 2014/15 financial year. The work of the review group indicated a strong and healthy relationship between Council and the senior management team. Council is challenging of management whilst remaining constructive and supportive. Matters of strategic importance are presented to Council and appropriate information around the risks currently facing the University and action to mitigate such risks are also presented and discussed. Key financial information, including action being taken to improve financial performance and sustainability, is presented and Council members were involved fully in developing the University's new Strategic Plan 2015-2020.

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. 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. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work they do for the University. 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 review of its effectiveness was also undertaken during 2014/15, 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.

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 the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the Accountable Officer of the University.

Council Committees

The Council meets five times a year and currently has several committees, including a Business Review Committee, a Nominations Committee, an Audit Committee and several Promotions Committees for different categories of staff including a Senior Remuneration Committee. All of these committees are formally constituted with written terms of reference and have majority lay member representation.

The Business Review Committee provides detailed scrutiny on behalf of Council on matters concerning the operation and financial sustainability of the University. It recommends the annual revenue and capital budget and monitors performance against budget during the year.

The Nominations Committee considers appointments to 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 nominations for honorary degrees.

The Senior Remuneration Committee determines the remuneration of the most senior academic and academic related staff, including the Vice-Chancellor.

CORPORATE GOVERNANCE

The Audit 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 Committee undertakes an annual appraisal of its effectiveness and prepares an Annual Report for both Council and HEFCE. It also receives and considers reports from HEFCE as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit 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.

The University maintains a Register of Interests of members of the Council, which may be consulted by arrangement with the Secretary to Council. Any enquiries about the constitution and governance of the University should also be addressed to the Secretary to Council.

Statement of Primary Responsibilities - The Role of Council

The appointment and powers of Council are laid down by the Charter and statutes of the University. Its main general responsibilities and duties, as adopted in June 2011 as part of the Council Review of Council Effectiveness and re-stated in 2015, 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 head of the institution, 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.
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 head of the institution 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 make such provision as it thinks fit for the general welfare of students, in consultation with the senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

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. 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 requirements.

CORPORATE GOVERNANCE

The University has a published Risk Management Policy, which was approved by 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. The risk appetite framework was approved by Council in January 2011 and also forms part of the Risk Management Policy. It supports decision-making and monitors a portfolio of activities in different business areas by establishing tolerances in terms of financial risk, resources and the potential impact on the University's reputation. Both the Corporate Risk Register and the Risk Appetite Framework are reviewed by the Audit Committee on a routine basis and amendments are approved by Council.

The University employs UNIAC to undertake its internal audit functions and they operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports to the Audit 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 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.

RESPONSIBILITIES OF THE COUNCIL OF KEELE UNIVERSITY

In accordance with its Charter of Incorporation, the Council of Keele University is responsible for the administration and management of the affairs of Keele University including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Council has responsibility for ensuring that the University keeps 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's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England (HEFCE) and the Council of Keele 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 causing the financial statements to be prepared, the 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 unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken such steps as are reasonably open to it to:

- Ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE and any other conditions which HEFCE 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;
- Secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council;
- A professional Internal Audit team whose annual programme is approved by the Audit Committee and whose head provides the Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF KEELE UNIVERSITY

We have audited the financial statements of Keele University for the year ended 31 July 2016. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective Responsibilities of the University's Council and Auditor

As explained more fully in the Statement of Responsibilities of the Council of Keele University set out on page 13, the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The maintenance and integrity of the Keele University website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2016, of the Group's and 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 United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to Higher Education institutions for 2015-16 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and 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;
- 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; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to Higher Education institutions for 2015-16 financial statements* have been met.

Michael Rowley
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants,
One Snowhill, Snow Hill Queensway, Birmingham, West Midlands B4 6GH

Statement of Comprehensive Income and Expenditure ("SOCIF")
Year Ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	71,335	71,335	64,720	64,720
Funding body grants	2	17,722	17,722	17,169	17,169
Research grants and contracts	3	17,067	17,067	18,656	18,656
Other Income	4	40,281	40,353	38,421	43,068
Investment Income	5	2,092	2,118	1,994	2,343
Total Income before donations and endowments		148,497	148,595	140,960	145,956
Donations and endowments	6	79	471	96	1,581
Total Income		148,576	149,066	141,056	147,537
Expenditure					
Staff costs	7	81,799	81,799	86,220	86,220
Other operating expenses	8	51,587	51,870	50,972	51,129
Depreciation	12	7,759	7,660	7,500	7,215
Interest and other finance costs	9	3,059	3,059	3,042	3,042
Total expenditure	10	144,204	144,388	147,734	147,606
Surplus/(deficit) before other gains/ losses and share of operating surplus/(deficit) of joint ventures		4,372	4,678	(6,678)	(69)
Loss on disposal of fixed assets		-	-	(404)	(209)
Gain on investments		1,379	1,379	1,432	1,432
Share of operating surplus / (deficit) in joint venture	15	-	-	-	-
Surplus / (Deficit) before tax		5,751	6,057	(5,650)	1,154
Taxation	11	(58)	(58)	(469)	(482)
Surplus / (Deficit) for the year		5,693	5,999	(6,119)	672
Other comprehensive income and expenditure					
Unrealised surplus on revaluation of Heritage assets	13	6,505	6,505	-	-
Actuarial loss in respect of pension schemes	29	(8,286)	(8,286)	(4,393)	(4,393)
Total comprehensive income and expenditure for the year		3,912	4,218	(10,512)	(3,721)
Represented by:					
Endowment comprehensive income for the year	22	6	6	(25)	(25)
Restricted comprehensive income for the year	23	(414)	(414)	113	113
Unrestricted comprehensive income for the year		4,320	4,626	(10,600)	(3,809)
		3,912	4,218	(10,512)	(3,721)

All items of income and expenditure relate to continuing activities

**Statement of Changes in Reserves
Year Ended 31 July 2016**

Consolidated

	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2014	974	1,045	149,530	151,549
Surplus / (deficit) for the year from the income and expenditure statement	(25)	1,158	(7,252)	(6,119)
Other comprehensive income and expenditure	-	-	(4,393)	(4,393)
Release of restricted funds spent in year	-	(1,045)	1,045	-
Total comprehensive income for the year	(25)	113	(10,600)	(10,512)
Balance at 1 August 2015	949	1,158	138,930	141,037
Surplus for the year from the income and expenditure statement	6	744	4,943	5,693
Other comprehensive income and expenditure	-	-	(1,781)	(1,781)
Release of restricted funds spent in year	-	(1,158)	1,158	-
Total comprehensive income for the year	6	(414)	4,320	3,912
Balance at 31 July 2016	955	744	143,250	144,949

University

	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 August 2014	974	1,045	140,446	142,465
Surplus / (deficit) for the year from the income and expenditure statement	(25)	1,158	(461)	672
Other comprehensive income and expenditure	-	-	(4,393)	(4,393)
Release of restricted funds spent in year	-	(1,045)	1,045	-
Total comprehensive income for the year	(25)	113	(3,809)	(3,721)
Balance at 1 August 2015	949	1,158	136,637	138,744
Surplus for the year from the income and expenditure statement	6	744	5,249	5,999
Other comprehensive income and expenditure	-	-	(1,781)	(1,781)
Release of restricted funds spent in year	-	(1,158)	1,158	-
Total comprehensive income for the year	6	(414)	4,626	4,218
Balance at 31 July 2016	955	744	141,263	142,962

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 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	12	232,755	229,437	232,480	223,594
Investment Properties	12	7,600	7,600	6,900	6,900
Heritage assets	12 / 13	12,116	12,116	5,611	5,611
Investments	14	39,525	39,525	56,135	56,610
Investments in joint venture	15	-	-	-	-
		291,996	288,678	301,126	292,715
Current assets					
Stock	16	5,687	218	222	222
Trade and other receivables	17	14,338	16,864	14,034	16,639
Investments	18	-	-	-	-
Cash and cash equivalents	24	27,218	27,168	12,358	12,202
		47,243	44,250	26,614	29,063
Less: Creditors: amounts falling due within one year	19	(48,917)	(48,710)	(47,467)	(47,900)
Net current liabilities		(1,674)	(4,460)	(20,853)	(18,837)
Total assets less current liabilities		290,322	284,218	280,273	273,878
Creditors: amounts falling due after more than one year	20	(87,631)	(83,514)	(92,398)	(88,296)
Provisions					
Pension provisions	21	(57,658)	(57,658)	(46,700)	(46,700)
Other provisions	21	(84)	(84)	(138)	(138)
Total net assets		144,949	142,962	141,037	138,744
Restricted Reserves					
Income and expenditure reserve – endowment reserve	22	955	955	949	949
Income and expenditure reserve – restricted reserve	23	744	744	1,158	1,158
Unrestricted reserves					
Income and expenditure reserve – unrestricted		143,250	141,263	138,930	136,637
Total Reserves		144,949	142,962	141,037	138,744

The financial statements were approved by the Governing Body on 10 November 2016 and were signed on its behalf by:

T. J. McMillan, Vice-Chancellor

K. J. Clarke, Finance Director

R. Findlay, Pro-Chancellor

A. Crouch, Treasurer

Statement of Cash Flows
Year Ended 31 July 2016

Consolidated	Notes	31 July 2016	31 July 2015
		£'000	£'000
Cash flows from operating activities			
Surplus / (deficit) for the year		5,693	(6,119)
Adjustment for non-cash items			
Depreciation	12	7,759	7,500
Gain on investments		(1,379)	(1,432)
Decrease in stock (Finished goods)	16	4	5
Decrease / (increase) in debtors		639	(1,994)
Decrease in creditors		(6,243)	(6,404)
Pension movements included in staff costs	7	2,331	9,850
Interest payable on pension schemes	9	1,328	1,281
KSS deficit contributions paid	29	(988)	(955)
(Decrease) / increase in other provisions		(54)	2
Share of operating surplus / (deficit) in joint venture	15	-	-
Adjustment for investing or financing activities			
Investment Income	5	(2,092)	(1,994)
Interest payable (including loan interest)	9	1,731	1,761
Endowment income	6	(56)	(86)
Loss on sale of fixed assets		-	404
Loss on transfer of Heritage assets		-	1
Revaluation of Investment Property	12	(700)	-
Capital grant income		(1,335)	(1,318)
Net cash inflow from operating activities		<u>6,638</u>	<u>502</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		-	-
Capital grant receipts		4,029	2,166
Disposal of non-current asset investments		20,426	3,282
Investment income		2,077	2,087
Payments made to acquire fixed assets		(12,383)	(7,932)
New non-current asset investments		(2,437)	(5,951)
		<u>11,712</u>	<u>(6,348)</u>
Cash flows from financing activities			
Interest paid		(1,806)	(1,686)
Endowment cash received		56	86
New loans		-	-
Repayments of amounts borrowed		(1,740)	(1,741)
		<u>(3,490)</u>	<u>(3,341)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>14,860</u>	<u>(9,187)</u>
Cash and cash equivalents at beginning of the year	24	12,358	21,545
Cash and cash equivalents at end of the year	24	27,218	12,358

1. Basis of preparation

These financial statements have been prepared in accordance with 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 accounting standards.

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

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 has a reasonable expectation 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. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 30.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost at 1 August 2014; fair value has been used for deemed cost for land and buildings within fixed assets.

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 2016. 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.

4. Accounting judgements and estimates

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:

Retirement benefits

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. 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 and pension increases are based on expected future inflation rates. Further details are given in note 29.

5. 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.

Income recognition (continued)

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 is exposed to minimal risk or 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.

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.

6. 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.

Accounting for retirement benefits (continued)

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme which, until 31 March 2016, was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period. 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 the resulting expense in the Statement of Comprehensive Income and Expenditure.

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 that provided by 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. The University is satisfied that the scheme provided by 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.

Keele Superannuation Scheme

The University operates the Keele Superannuation Scheme 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 Keele Superannuation Scheme 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. This is a defined benefit scheme which is externally funded. The assets of the Local Government Pension Scheme are measured using closing market values. Local Government Pension Scheme 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 Local Government Pension Scheme 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.

7. 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.

8. 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.

Statement of Accounting Policies (continued)

For the year ended 31 July 2016

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. 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. 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.

12. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation, with the exception of the Hawthorns land which is stated at historic cost. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

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

Freehold buildings are depreciated from the date of completion over their expected useful lives 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.

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

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. 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. The capitalisation level has been increased from £10,000 in previous years. The impact in the current financial year on the value of equipment capitalised of this change is £116,000.

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

13. 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.

14. 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.

15. 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.

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.

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.

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. Accounting for Joint Operations, Jointly Controlled Assets, Jointly Controlled Operations and Joint Ventures

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.

Statement of Accounting Policies (continued)

For the year ended 31 July 2016

20. Taxation

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

The University 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.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised on the Balance Sheet when they are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

21. 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.

22. 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.

23. 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.

Notes	Year ended 31 July 2016 Consolidated and University £'000	Year ended 31 July 2015 Consolidated and University £'000
1 Tuition fees and education contracts		
Home and EU students	50,347	42,671
International students	13,602	14,222
Short course fees	891	1,078
Home and EU fees paid by the Department of Health	6,351	6,453
Other fees	144	296
	<u>71,335</u>	<u>64,720</u>
2 Funding body grants		
Recurrent grant		
Higher Education Funding Council Capital Grant	15,639 1,335	15,382 1,157
Specific grants		
Higher Education Funding Council Higher Education Innovation Fund	270 478	(134) 764
	<u>17,722</u>	<u>17,169</u>

The University recognised the Teaching and Research capital income in full during 2015/16 for the HEFCE grant year from 1 April 2016 to 31 March 2017. A STEM capital bid has been deferred on the balance sheet until the building has been completed, at which point the grant will be recognised.

Notes	Year ended 31 July 2016 Consolidated and University £'000	Year ended 31 July 2015 Consolidated and University £'000
3 Research grants and contracts		
Research and Development Expenditure Credit (RDEC)	349	2,140
Research income – see analysis below	16,718	16,516
	<u>17,067</u>	<u>18,656</u>
Research Income analysis	£'000	£'000
Research councils	2,718	2,383
Research charities	2,377	2,159
UK central government	7,594	7,915
UK industry & commerce	589	550
Other	3,440	3,509
	<u>16,718</u>	<u>16,516</u>

RDEC is a government scheme administered by Her Majesty's Revenue and Customs that allows entities to make a claim based on eligible research and development expenditure. Universities were only able to claim RDEC from 1 April 2013 to 31 July 2015. The above income includes the gross income, with the corresponding tax deduction from the claims accounted for as a taxation cost in note 11. The final claim to 31 July 2015 was submitted in 2015/16 and was in excess of the estimate included in the 2014/15 accounts.

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

4 Other income	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, catering and conferences		17,879	17,879	16,871	16,852
KRF rental payment received	28(f)	4,232	4,232	4,181	4,181
KRF premium release	28(f)	2,842	2,842	2,842	2,842
Other services rendered		1,076	1,076	1,214	1,214
Other income		14,252	14,324	13,313	17,979
		40,281	40,353	38,421	43,068

5 Investment income		Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Investment income on endowments	22	4	4	4	4
Other investment income		2,088	2,114	1,990	2,339
		2,092	2,118	1,994	2,343

6 Donations and endowments		Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
New endowments		56	56	86	86
Unrestricted donations		23	415	10	1,495
		79	471	96	1,581

7 Staff costs	Year ended 31 July 2016 Consolidated and University £'000		Year ended 31 July 2015 Consolidated and University £'000	
	Salaries	64,380		62,579
Social security costs	5,152		4,550	
Occupational pension costs (see note 29)				
- Employer contributions	9,613		8,800	
- Actuarial movements on pension provisions	2,331		9,850	
	81,476		85,779	
Severance costs	323		441	
Total	81,799		86,220	

A general pay award of 1.0% was made from 1 August 2015 for all staff, except for staff on the lowest two grades who received a slightly higher award.

On 9 August 2015, Professor Nicholas Foskett retired from the post of Vice-Chancellor and on 10 August 2015 Professor Trevor McMillan became the new Vice-Chancellor. A separate disclosure is required for each Vice-Chancellor of the University in the year.

Professor N Foskett (from 1 August 2015 to 9 August 2015)	Year ended	
	31 July 2016 £'000	31 July 2015 £'000
Emoluments of the Vice-Chancellor		
Salary (including holiday pay)	19	262
Housing Allowance	-	10
Remuneration excluding pension contributions	19	272
Pension contributions to USS	-	-
Remuneration including pension contributions	19	272

Professor Foskett did not receive any bonus or expenses allowance in the year. No employer pension contributions were made by the University into any pension scheme for the Vice-Chancellor. The Vice-Chancellor had no salary sacrifice arrangements. The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff.

7 Staff costs (continued)

Professor T McMillan (from 10 August 2015 to 31 July 2016)

	31 July 2016 £'000	31 July 2015 £'000
Emoluments of the Vice-Chancellor		
Salary	216	-
Housing Allowance	9	-
Remuneration excluding pension contributions	225	-
Contributions to USS - Pension	14	-
Contributions to USS – Death In Service	1	-
Remuneration including pension contributions	240	-

Professor McMillan did not receive any bonus or expenses allowance in the year. The University paid employer pension contributions of £13,559 to the Universities Superannuation Scheme for the Vice Chancellor between August and December 2015 inclusively, at which point the Vice-Chancellor left the pension scheme. From April 2016, the University re-started contributions to the University Superannuation Scheme for the Death In Service element only. These contributions were £1,449 for April to July 2016 inclusively. The Vice-Chancellor had no salary sacrifice arrangements. The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff.

	Year ended	
	31 July 2016 £	31 July 2015 £
Emoluments of the highest paid senior post holder	244	272

Remuneration of other higher paid staff (excluding the Vice-Chancellor), including taxable benefits in kind but excluding compensation for loss of office, employer pension contributions before any salary sacrifice, employer National Insurance and expenses:

	Year ended	
	31 July 2016 Number	31 July 2015 Number
£100,000 to £109,999	9	6
£110,000 to £119,999	4	2
£120,000 to £129,999	2	-
£130,000 to £139,999	1	1
£140,000 to £149,999	1	3
£150,000 to £159,999	2	1
£160,000 to £169,999	2	2
£170,000 to £179,999	1	1
	22	16

Average staff numbers by major category:

	Year ended	
	31 July 2016 FTE	31 July 2015 FTE
Academic / Research	698	620
Technical	86	81
Academic Related	260	240
Secretarial / Clerical	445	433
Other	292	361
	1,781	1,735

The University has implemented a new combined Human Resources and Payroll System, called Keele People. The implementation of the new system and processes may have resulted in some changes to the analysis and categorisation of staff compared with the comparative year.

There was no compensation for loss of office payable to a senior post-holder (2015: £nil)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Key management personnel costs are based on 14 (2015: 13) 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 2016 £'000	31 July 2015 £'000
Key management personnel	1,925	1,780

7 Staff costs (continued)

Council Members

No council member has received any remuneration from the University during the year (2015: none). The total expenses paid to or on behalf of 8 council members was £4,000 (2015: £6,000 to 7 council members). This represents travel and subsistence expenses incurred in attending Council and Committee meetings in their official capacity.

8 Other operating expenses	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Other operating expenses include:					
External auditors remuneration - audit services		38	34	42	34
External auditors remuneration - non-audit services		3	3	90	74
Operating lease rentals					
Land and buildings		-	140	-	150
Other		470	470	409	409

9 Interest and other finance costs		Year ended 31 July 2016 Consolidated and University £'000		Year ended 31 July 2015 Consolidated and University £'000	
		Loan interest	1,632		1,746
Exchange differences	(4)		1		
Increase in fair value of derivatives	103		14		
		1,731		1,761	
Net charge on pension schemes	29	1,328		1,281	
		3,059		3,042	

10 Analysis of total expenditure by activity	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic	56,872	56,872	53,914	53,914
Academic services	11,989	11,989	9,984	9,984
Central administration	9,830	9,826	11,128	11,104
General education	2,276	2,276	2,216	2,216
Staff and student facilities	6,450	6,450	6,308	6,308
Premises	16,272	15,985	16,619	16,519
Residences, catering and conferences	19,910	19,910	19,322	19,319
Research grants and contracts	13,833	13,833	14,023	14,023
Other expenses	6,449	6,924	13,779	13,778
Restructuring	323	323	441	441
	144,204	144,388	147,734	147,606

11 Taxation	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense – RDEC (see note 3)	58	58	482	482
Deferred tax credit				
	-	-	(13)	-
Total tax expense	58	58	469	482

The University has not provided a full tax reconciliation disclosure as tax is not material to the financial statements. Other than the statutory corporation tax deduction from the gross RDEC claim, the University does not believe that any current taxation will be payable by the group.

12 Fixed Assets

Consolidated	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
Cost / valuation								
At 1 August 2015	228,449	413	13,359	3,054	245,275	6,900	5,611	257,786
Additions	4,261	-	1,049	8,193	13,503	-	-	13,503
Valuation increase	-	-	-	-	-	700	6,505	7,205
Transfers	2,515	-	264	(2,779)	-	-	-	-
Transfer to stock	(5,469)	-	-	-	(5,469)	-	-	(5,469)
At 31 July 2016	229,756	413	14,672	8,468	253,309	7,600	12,116	273,025
Depreciation								
At 1 August 2015	5,787	8	7,000	-	12,795	-	-	12,795
Charge for the year	6,074	8	1,677	-	7,759	-	-	7,759
At 31 July 2016	11,861	16	8,677	-	20,554	-	-	20,554
Net book value								
At 31 July 2016	217,895	397	5,995	8,468	232,755	7,600	12,116	252,471
At 31 July 2015	222,662	405	6,359	3,054	232,480	6,900	5,611	244,991
University								
Cost / valuation								
At 1 August 2015	219,305	413	13,281	3,054	236,053	6,900	5,611	248,564
Additions	4,261	-	1,049	8,193	13,503	-	-	13,503
Valuation increase	-	-	-	-	-	700	6,505	7,205
Transfers	2,515	-	264	(2,779)	-	-	-	-
At 31 July 2016	226,081	413	14,594	8,468	249,556	7,600	12,116	269,272
Depreciation								
At 1 August 2015	5,511	8	6,940	-	12,459	-	-	12,459
Charge for the year	5,979	8	1,673	-	7,660	-	-	7,660
At 31 July 2016	11,490	16	8,613	-	20,119	-	-	20,119
Net book value								
At 31 July 2016	214,591	397	5,981	8,468	229,437	7,600	12,116	249,153
At 31 July 2015	213,794	405	6,341	3,054	223,594	6,900	5,611	236,105

At 31 July 2016, freehold land and buildings included £34,761k university and £35,053k consolidated (2015 - £34,761k University; £40,522k Consolidated) in respect of freehold land that is not depreciated.

There is no capitalised interest included in the cost of fixed assets (2015 - £nil)

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 land and buildings are presented at this revalued amount, with the exception of the land and buildings at the Hawthorns site which remained at historical cost.

As at 31 July 2016, the Investment Properties were reviewed by GeraldEve LLP, and fair valued at £7,600k in total, an increase of £700k from the 31 July 2015 value.

The equipment items were reviewed, and all fully depreciated equipment items have been removed from the fixed asset register. An adjustment has been made to the opening balance to reflect this.

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 revalued by £6,505k (2015:£nil) 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.

During the year, the collections were professionally valued for insurance purposes 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. The University has been gifted some items, and purchased two items to complement existing collections. None of these are financially significant.

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 the year, the collections were professionally valued for insurance purposes by Hansons Auctioneers and Valuers Ltd, updating the previous valuation from 2009. 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 £'000
	Stanhope Capital £'000	RBS Guaranteed Investment £'000	Subsidiary companies £'000	Investment in spinouts £'000	Other fixed asset investments £'000	
At 1 August 2014	33,581	18,365	-	-	88	52,034
Additions	5,082	869	-	-	-	5,951
Disposals	(2,838)	(438)	-	-	(6)	(3,282)
Change in market value	1,432	-	-	-	-	1,432
At 1 August 2015	37,257	18,796	-	-	82	56,135
Additions	1,545	892	-	-	-	2,437
Disposals	(19,732)	(694)	-	-	-	(20,426)
Change in market value	1,379	-	-	-	-	1,379
At 31 July 2016	20,449	18,994	-	-	82	39,525

University	Keele Residential Fund (see 14a)		(see 14b)	(see 14c)	(see 14d)	Total £'000
	Stanhope Capital £'000	RBS Guaranteed Investment £'000	Subsidiary companies £'000	Investment in spinouts £'000	Other fixed asset investments £'000	
At 1 August 2014	33,581	18,365	475	-	88	52,509
Additions	5,082	869	-	-	-	5,951
Disposals	(2,838)	(438)	-	-	(6)	(3,282)
Change in market value	1,432	-	-	-	-	1,432
At 1 August 2015	37,257	18,796	475	-	82	56,610
Additions	1,545	892	-	-	-	2,437
Disposals	(19,732)	(694)	(475)	-	-	(20,901)
Change in market value	1,379	-	-	-	-	1,379
At 31 July 2016	20,449	18,994	-	-	82	39,525

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.

During 2015/16, some of the investments were sold in order to provide funds for capital projects. As at 31 July 2016, the cash received for these investments is included in cash and cash equivalents.

RBS Guaranteed Investment Contract

The RBS 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.

14 (b) Investment in wholly owned subsidiary companies

The University had the following investments in wholly owned subsidiary companies as at 31 July 2016, 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.

During 2014/15, the trading activities of Keele University Science Park Ltd were transferred to the University. On 14 June 2016, Keele University Science Park Ltd was formally dissolved by Companies House as requested by the University. The University's investment in the company was written off in full during 2015/16.

14 (c) Investment in spin out companies

The University had the following investments in spin out companies as at 31 July 2016:

Name of Investment	Class of share	No of shares purchased	Proportion held by University & Group	Nature of business
Prescribing Decision Support Limited	£1 ordinary	250	25.0%	Software to assist pharmacists
nanoTherics Ltd	2.5 pence ordinary	1,680)	3.5%	Gene transfection technology
	2.5 pence "A" ordinary	112)		
	2.5 pence "B" ordinary	707)		

During the year, nanoTherics Ltd issued additional share capital through a rights issue, which the University chose not to take up. As such, the proportion of shares held by the University and Group was diluted from 4.7% to 3.5%.

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. Where the University holds 20% or more of the share capital of the spin out companies, 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 the spin out companies.

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.

15 Investment in joint venture 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 joint venture company whose business is land development, and is owned equally by the University and Seddon Homes Limited. The arrangement is treated as a joint venture 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 joint venture's net surplus or deficit for the year. When the University's share in the deficit 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.

As Keele Seddon Limited has net liabilities, the value of the joint venture 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 joint venture using financial information as at 31 July of each year. As at 31 July 2016, there are no significant contingent liabilities related to Keele Seddon Ltd, although there is a £21m capital commitment with Seddon Construction Limited to build the new Barnes Halls of Residence (see note 28 a).

Statement of Comprehensive Income	Year ended 31 July 2016		Year ended 31 July 2015	
	£'000	£'000	£'000	£'000
Income		<u>558</u>		<u>-</u>
Deficit before tax		<u>(80)</u>		<u>(95)</u>
Balance sheet				
Fixed assets	-		-	
Current assets	<u>44</u>	44	<u>31</u>	31
Creditors: amounts due within one year	(560)		(467)	
Creditors: amounts due after more than one year	<u>-</u>	(560)	<u>-</u>	(467)
Share of net assets		<u>(516)</u>		<u>(436)</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
International Study Centre: Bellerbys Education Services Limited	United Kingdom	Articulation
University of Liverpool (Marie Curie Palliative Care Institution)	United Kingdom	Joint delivery
University of Salford	United Kingdom	Joint Award
Staffordshire University	United Kingdom	Joint Award
SEGi College	Malaysia	Franchising
Nanjing XiaoZhuang University	China	Articulation
KDU University College	Malaysia	Franchising
Ludong University	China	Articulation
Foundation for International Medical Education and Research	USA	Validation
Sri Lanka Institute of Information Technology Computing	Sri Lanka	Franchising
Seabridge Primary School operating as the Keele and North Staffordshire Primary SCITT	United Kingdom	Franchising
Independent Studies of Science Technology and Training (IST) College	Greece	Franchising

The agreement with International Medical University in Malaysia has now come to an end.

16 Stock

	At 31 July 2016		At 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Finished goods	218	218	222	222
Development land	5,469	-	-	-
	<u>5,687</u>	<u>218</u>	<u>222</u>	<u>222</u>

The development land is in Keele University Science and Business Park Limited, and was transferred from fixed assets during the year as the land is now treated as a "trading" asset as plots are available for disposal.

17 Trade and other receivables

	At 31 July 2016		At 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	1,314	1,314	1,416	1,416
Other trade receivables	4,248	4,248	3,510	3,506
Other receivables	1,503	1,163	1,000	994
Prepayment and accrued income	3,617	3,602	4,285	4,016
Amounts due from subsidiary companies	-	7	-	436
	<u>10,682</u>	<u>10,334</u>	<u>10,211</u>	<u>10,368</u>
Amounts falling due after one year:				
Prepayment and accrued income	3,656	3,656	3,823	3,823
Amounts due from subsidiary companies	-	2,874	-	2,448
	<u>14,338</u>	<u>16,864</u>	<u>14,034</u>	<u>16,639</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 2016		At 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank overdraft	-	-	-	-
Unsecured loans (see note 20a)	1,740	1,740	1,740	1,740
Trade payables	5,284	5,284	4,794	4,794
Other creditors	316	316	658	471
Social security and other taxation payable	2,002	2,002	1,784	1,784
Accruals and deferred income	23,103	22,883	21,633	21,390
Research grants and contract advances	9,907	9,907	10,286	10,286
Payments received on account	2,558	2,558	2,668	2,668
Amounts due to subsidiary companies	-	13	-	863
Deferred income: Keele Residential Funding premium (see Note 20b)	2,842	2,842	2,842	2,842
Derivative	1,165	1,165	1,062	1,062
	<u>48,917</u>	<u>48,710</u>	<u>47,467</u>	<u>47,900</u>

The derivative relates to a bank loan hedge held at fair value at the balance sheet date.

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 2016 Consolidated and University £'000	At 31 July 2015 Consolidated and University £'000
Capital grant income	3,750	938
Research grants received on account	1,026	1,146
Other income	61	129
	<u>4,837</u>	<u>2,213</u>

20 Creditors: amounts falling due after more than one year

	At 31 July 2016		At 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	26,091	26,091	27,831	27,831
Deferred income: Keele Residential Funding premium (see Note 20b)	57,423	57,423	60,265	60,265
Other long-term creditors	4,117	-	4,302	200
	<u>87,631</u>	<u>83,514</u>	<u>92,398</u>	<u>88,296</u>

20 (a) Mortgages and unsecured loans

	At 31 July 2016 Consolidated £'000	At 31 July 2015 Consolidated £'000
Analysis of secured and unsecured loans:		
Due within one year or on demand	1,740	1,740
Due between one and two years	1,740	1,740
Due between two and five years	5,221	5,221
Due in five years or more	19,130	20,870
Total secured and unsecured loans	<u>27,831</u>	<u>29,571</u>
Secured loans	-	-
Unsecured loans repayable by 2035	<u>27,831</u>	<u>29,571</u>
	<u>27,831</u>	<u>29,571</u>

The loans are all held by the University, with no loan facilities in the subsidiary companies. As at 31 July 2016, the loans comprise of the following:

Lender	Term	Balance £'000	Interest rate %
Royal Bank of Scotland	2029	5,741	LIBOR hedged at 5.22% plus agreed margin
Royal Bank of Scotland	2029	2,000	9.19% fixed
Royal Bank of Scotland	2029	3,272	LIBOR plus agreed margin
Barclays Bank	2035	16,818	Mix of 6.885% fixed and LIBOR plus agreed margin
Lloyds Bank (Facility of £7,500k)	2034	-	Mix of 5.715% fixed and LIBOR plus agreed margin
Total		<u>27,831</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:

	USS £'000	KSS £'000	LGPS £'000	Total Pensions Provisions £'000	Pay and severances £'000	Deferred taxation £'000	Total Other Provisions £'000
At 1 August 2015	19,956	25,022	1,722	46,700	138	-	138
Utilised in year	-	-	-	-	(138)	-	(138)
Transfer from statement of comprehensive income	2,692	9,111	143	11,946	84	-	84
University deficit contributions	-	(988)	-	(988)	-	-	-
At 31 July 2016	22,648	33,145	1,865	57,658	84	-	84

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. See note 29 for further details.

KSS and LGPS deficit

These relate to pension scheme obligations that have been calculated by actuaries. See note 29 for further details.

Pay and severances

The provision relates to severance payments that the University and individuals have agreed, but the University has not yet paid. It is expected that the severance payments will be made shortly after the year end.

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 2015					
Capital	117	-	11	128	
Accumulated income	82	-	739	821	
	<u>199</u>	<u>-</u>	<u>750</u>	<u>949</u>	
New endowments	2	-	54	56	
Investment income	-	-	4	4	
Expenditure	(3)	-	(51)	(54)	
	<u>(1)</u>	<u>-</u>	<u>7</u>	<u>6</u>	
At 31 July 2016	<u>198</u>	<u>-</u>	<u>757</u>	<u>955</u>	
Represented by:					
Capital	117	-	11	128	
Accumulated income	81	-	746	827	
	<u>198</u>	<u>-</u>	<u>757</u>	<u>955</u>	
				2016 Total £'000	2015 Total £'000
Analysis by type of purpose:					
General fund				420	414
Hardship fund				35	35
Prize funds				184	189
Scholarships and bursaries				282	279
Student Loans				34	32
				<u>955</u>	<u>949</u>

The funds are held as cash and cash equivalents.

There are no deficit balances as at 31 July 2016 (31 July 2015: None)

23 Restricted Reserves

Reserves with restrictions are as follows:

Consolidated and University	Capital Grant Income Unspent
	£'000
Balances at 1 August 2015	1,158
New capital grant income	1,335
Capital grants utilised	<u>(1,749)</u>
	(414)
At 31 July 2016	<u><u>744</u></u>

The restricted reserves relate to capital grant income.

24 Cash and cash equivalents

	At 1 August 2015	Cash Flows	At 31 July 2016
	£'000	£'000	£'000
Consolidated			
Cash at bank and on deposit	<u>12,358</u>	14,860	<u>27,218</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.

25 Capital and other commitments

Provision has not been made for the following capital commitments:

	31 July 2016 Consolidated and University £'000	31 July 2015 Consolidated and University £'000
Commitments contracted for	<u>29,885</u>	<u>4,198</u>

26 Contingent liabilities

	31 July 2016 Consolidated and University £'000	31 July 2015 Consolidated and University £'000
Repurchase of houses sold to staff	<u>13,327</u>	<u>12,575</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.

27 Leases

(a) Lease commitments

Total rentals payable under operating leases:

Consolidated	31 July 2016		31 July 2015	
	Land and Buildings £'000	Equipment leases £'000	Land and Buildings £'000	Equipment leases £'000
Payable during the year	-	470	-	409
Future minimum lease payments due:				
Not later than 1 year	-	445	-	445
Later than 1 year and not later than 5 years	-	-	-	445
Later than 5 years	-	-	-	-
Total lease payments due	-	445	-	890

University	31 July 2016		31 July 2015	
	Land and Buildings £'000	Equipment leases £'000	Land and Buildings £'000	Equipment leases £'000
Payable during the year	140	470	140	409
Future minimum lease payments due:				
Not later than 1 year	142	445	140	445
Later than 1 year and not later than 5 years	593	-	583	445
Later than 5 years	963	-	1,115	-
Total lease payments due	1,698	445	1,838	890

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

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 2016 £'000	31 July 2015 £'000
Future minimum lease receipts due:		
Not later than 1 year	4,213	4,110
Later than 1 year and not later than 5 years	17,933	17,496
Later than 5 years	171,669	176,320
Total lease receipts due	193,815	197,926

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 28 (f).

28 Related Party Transactions

28 (a) Joint Ventures

The University holds shares in a joint venture company, Keele Seddon Ltd. The University and its joint venture partner are currently equally funding the activities of Keele Seddon Ltd.

In the year, planning permission was granted for the new Halls of Residence at Barnes Halls and also the redevelopment of the Hawthorns site for housing. Keele Seddon Ltd began work on the Barnes site during the year. Invoices to the value of £1,119k (2015: £nil) were paid in the year to Keele Seddon Ltd, with a creditor balance of £nil (2015: £nil) at the balance sheet date.

As at 31 July 2016 there was an amount owed to the group from Keele Seddon Ltd of £526k (2015: £446k).

28 (b) 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 2016, these were £988k (2015: £955k), which included £nil (2015: £nil) outstanding contributions at the balance sheet date.

The University settles the pensions payable of £1,219k (2015: £1,148k) through its payroll. These costs are then recharged by the University to the Scheme.

For the year ended 31 July 2015, the University made an annual administration charge to the Scheme of £32k and recharged Trustees' indemnity insurance due on behalf of the Scheme of £6k. From 1 August 2015, as the Scheme has become a closed scheme, the administrative expenses have been re-imbursed by the University, amounting to £167k for the year. 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 (2015: £nil).

28 (c) 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 (2015 – £nil).

28 (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 £1,018k (2015 - £920k) and to the KPA of £39k (2015 - £2k). At the year end, £nil (2015 - £18k) was owed to KSU and £nil (2015 - £nil) was owed to the KPA.

During the year, sales of £22k (2015 - £15k) were made by the group to KSU and £1k (2015 - £1k) to the KPA, with a related debtor of £5k (2015 - £nil) and £nil (2015 - £nil) respectively on the balance sheet. During the year, £174k (2015 - £66k) was purchased by the group from KSU and there was a trade creditor balance of £24k (2015 - £31k). For the KPA, the University purchased items from them for £5k (2015 - £4k) and had a trade creditor balance of £nil (2015 - £nil).

28 (e) Connected Charitable Institutions

A number of charitable institutions are administered by the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the charities Act 2011, these connected institutions are exempt from registration with the Charity Commission.

Of these funds, all are included in the consolidated accounts and all have income below £100,000. The movements in the year on the total funds of all connected institutions were as follows:

	Brought forward at 1 August 2015	Income	Expenditure	Carry forward at 31 July 2016
	£'000	£'000	£'000	£'000
Endowment linked paragraph 28 charities	165	9	(6)	168
Keele Concert Society	(18)	21	(35)	(32)
	147	30	(41)	136

28 (f) 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 2016 of these assets is £72,135k (2015: £74,240k).

Additionally, the University has a contractual duty to maintain and refurbish the student halls of residence. Investments of £30,394k (2015: £30,304k) have been set aside in fixed asset investments as at 31 July 2016 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 Fund 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.

29 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 (NHSPS)
- 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 2016 £'000	Year Ended 31 July 2015 £'000
Contributions paid		
USS	9,055	8,283
KSS	-	-
LGPS	115	97
NHS	437	417
NEST	6	3
	<u>9,613</u>	<u>8,800</u>
Actuary adjustment		
USS	2,343	9,563
KSS	44	324
LGPS	(56)	(37)
	<u>2,331</u>	<u>9,850</u>
Total pension cost for year (charged to staff costs in the Statement of Comprehensive Income and Expenditure as per Note 7)	<u>11,944</u>	<u>18,650</u>
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Actuarial loss in respect of pension schemes in the Statement of Comprehensive Income and Expenditure		
KSS	8,146	4,315
LGPS	140	78
	<u>8,286</u>	<u>4,393</u>
Total actuarial loss in respect of pension schemes in the Statement of Comprehensive Income and Expenditure	<u>8,286</u>	<u>4,393</u>
	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Net interest charge on pension schemes in the Statement of Comprehensive Income and Expenditure		
USS	348	342
KSS	921	876
LGPS	59	63
	<u>1,328</u>	<u>1,281</u>
Total net interest charge on pension schemes in the Statement of Comprehensive Income and Expenditure	<u>1,328</u>	<u>1,281</u>

(i) The Universities Superannuation Scheme (USS)

The total cost charged to salaries in the Statement of Comprehensive Income and Expenditure is £11,398k (2015: £17,846k). Also, interest was charged of £348k (2015: £342k).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme 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. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

29 Pension Schemes (continued)

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases – CPI	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ("light") YoB tables – No age rating
Female members' mortality	99% of S1NA ("light") YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current future life expectancies on retirement at age 65 are:

	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 2016	24.3	26.4	26.5	28.8
At 31 July 2015	24.2	26.3	26.4	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

The University has a provision of £22.6m (2015:£20.0m) for USS on the balance sheet. Changes in staff numbers and estimated pay increases are the two areas of significant judgement to calculate the University provision. A movement of 0.5% up or down on either of these two categories would result in a movement of approximately £0.9m 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 2016 was £988k (2015: £955k), with £167k (2015: £nil) of expenses paid by the University on behalf of the Scheme. This includes £nil (2015: £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 2016 by a qualified independent actuary. The next full actuarial valuation is due as at 1 August 2017.

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

	At 31 July 2016 %pa	At 31 July 2015 %pa
Discount rate	2.55	3.75
Rate of increase in salaries	2.70	3.20
Price Inflation (RPI)	2.70	3.20
Price Inflation (CPI)	1.95	2.45
Rate of increase of pensions in payment and deferred pensions:		
Pre 1 August 2001 Service	3.80	4.00
1 August 2001 to 30 November 2006 Service	2.60	3.10
Post 1 December 2006 Service	1.90	2.10
Commutation allowance (Members commute % of their pension)	25%	25%

No allowance has been assumed for early retirement.

29 Pension Schemes (continued)

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 2016	22	24	24	26
At 31 July 2015	22	24	24	26

The actuarial tables used for this are 102% S2PA CMI 2015 1.25% (2015: 102% S1PA CMI 2010 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 2016	31 July 2015
	£'000	£'000
Equities / Return seeking Funds		
Corporate bonds	16,628	17,791
Cash	13,420	11,584
	7	3
Total	30,055	29,378

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 2016	At 31 July 2015
	£'000	£'000
Analysis of the amount shown in the balance sheet for KSS		
Scheme assets	30,055	29,378
Scheme liabilities	(63,200)	(54,400)
Deficit in the scheme – recorded within pension provisions (note 21)	(33,145)	(25,022)
Current service cost	-	22
Administration expenses (2016: non-pay; 2015: actuarial pay adjustment)	211	302
Total operating charge	211	324
Analysis of the amount charged to interest payable for KSS		
Interest on net deficit	921	876
Total profit and loss charge before deduction for tax	1,132	1,200
Analysis of other comprehensive income for KSS:		
Experience gain on assets	93	647
Loss on liabilities	(8,239)	(4,962)
Total other comprehensive income before deduction for tax	(8,146)	(4,315)

29 Pension Schemes (continued)

	At 31 July 2016 £'000	At 31 July 2015 £'000
Cumulative actuarial loss recognised as other comprehensive income for KSS		
Cumulative actuarial losses recognised at the start of the year	4,315	-
Cumulative actuarial losses recognised at the end of the year	(12,461)	(4,315)
Analysis of movement in deficit for KSS		
Deficit at beginning of year	(25,022)	(20,462)
Contributions paid by the University	988	955
Administration expenses paid by the University	167	-
Total operating charge	(211)	(324)
Other finance charges	(921)	(876)
Deficit at end of year	<u>(33,145)</u>	<u>(25,022)</u>

	At 31 July 2016 £'000	At 31 July 2015 £'000
Analysis of movement in the present value of KSS liabilities		
Present value of KSS liabilities at the start of the year	54,400	48,900
Total operating charge	211	324
Interest cost	2,013	2,093
Actuarial loss	8,239	4,962
Actual benefit payments	(1,452)	(1,577)
Administration expenses paid	(211)	(302)
Present value of KSS liabilities at the end of the year	<u>63,200</u>	<u>54,400</u>

	At 31 July 2016 £'000	At 31 July 2015 £'000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	29,378	28,438
Expected return on assets	1,092	1,217
Actuarial gain on assets	93	647
Contributions paid by University	988	955
Administration expenses re-imbursed by the University	167	-
Actual benefit payments	(1,452)	(1,577)
Administration expenses paid	(211)	(302)
Fair value of scheme assets at the end of the year	<u>30,055</u>	<u>29,378</u>

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

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Actual return on Scheme assets		
Expected return on assets	1,092	1,217
Actuarial gain on assets	93	647
Actual return on Scheme assets before administration expenses	<u>1,185</u>	<u>1,864</u>
Administration expenses	(211)	(302)
Actual return on Scheme assets before administration expenses	<u>974</u>	<u>1,562</u>

The University expects to contribute in the region of £1,032k to the scheme in the next year through deficit contributions and £168k through expenses payments.

29 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 made for the year ended 31 July 2016 was £115k (2015: £97k). This includes £nil (2015: £nil) outstanding contributions at the balance sheet date.

For the year ended 31 July 2016, the University has been contributing at a rate of 25.40%, with agreed lump sum contributions to the scheme of £60k for the year to 31 March 2016 and £80k for the year to 31 March 2017. 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 2013 updated to 31 July 2016 by a qualified independent actuary.

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

	At 31 July 2016 %pa	At 31 July 2015 %pa
Discount rate	2.40	3.50
Price Inflation (RPI)	2.90	3.30
Price Inflation (CPI)	1.90	2.40
Rate of increase in salaries	3.90	4.30
Rate of increase of pensions	1.90	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 2016	22.1	24.3	24.3	26.6
At 31 July 2015	22.1	24.3	24.3	26.6

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvement has reached a peak and will converge to a long term rate 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 2016 £'000	31 July 2015 £'000
Equities / Return Seeking Funds	2,509	2,234
Corporate bonds	326	332
Property	261	272
Cash	162	181
Total	3,258	3,019

29 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 2016 £'000	At 31 July 2015 £'000
Analysis of the amount shown in the balance sheet for LGPS		
Scheme assets	3,258	3,019
Scheme liabilities	(5,123)	(4,741)
Deficit in the scheme – recorded within pension provisions (note 21)	(1,865)	(1,722)
Current service cost	59	60
Past service costs	-	-
Administration expenses	-	-
Total operating charge	59	60
Analysis of the amount charged to interest payable for LGPS		
Interest on net deficit	-	-
Interest income on net assets	(103)	(112)
Interest cost on defined benefit obligation	162	175
Net charge to other finance income	59	63
Total profit and loss charge before deduction for tax	118	123
Analysis of other comprehensive income for LGPS:		
Experience gain on assets	280	105
Experience loss on liabilities	42	35
Loss on liabilities	-	-
Change in financial assumptions	(462)	(218)
Total other comprehensive income before deduction for tax	(140)	(78)
	At 31 July 2016 £'000	At 31 July 2015 £'000
Cumulative actuarial loss recognised as other comprehensive income for LGPS		
Cumulative actuarial losses recognised at the start of the year	78	-
Cumulative actuarial losses recognised at the end of the year	(218)	(78)
Analysis of movement in deficit for LGPS		
Deficit at beginning of year	(1,722)	(1,618)
Contributions or benefits paid by the University	115	97
Current service cost	(59)	(60)
Past service cost	-	-
Other finance charges	(59)	(63)
Deficit at end of year	(1,865)	(1,722)

29 Pension Schemes (continued)

	At 31 July 2016 £'000	At 31 July 2015 £'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	4,741	4,580
Current service cost	59	60
Interest cost	162	175
Actuarial loss	420	183
Contributions paid by scheme members	11	13
Actual benefit payments	(270)	(270)
Administration expenses paid	-	-
Present value of LGPS liabilities at the end of the year	5,123	4,741

	At 31 July 2016 £'000	At 31 July 2015 £'000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	3,019	2,962
Expected return on assets	103	112
Actuarial gain on assets	280	105
Actual contributions paid by University	115	97
Contributions paid by scheme members	11	13
Actual benefit payments	(270)	(270)
Administration expenses paid	-	-
Fair value of scheme assets at the end of the year	3,258	3,019

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

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Actual return on Scheme assets		
Expected return on assets	103	112
Actuarial gain on assets	280	105
Actual return on Scheme assets before administration expenses	383	217
Administration expenses	-	-
Actual return on Scheme assets before administration expenses	383	217

The University expects to contribute in the region of £126k to the scheme in the next year through deficit contributions and on-going service costs.

30 Transition to FRS102 and the 2015 HE/FE SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Balance Sheet at 1 August 2014. In preparing its FRS 102 and 2015 SORP based Balance Sheet, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following notes and tables.

Financial Position	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Total reserves under 2007 SORP	80,429	77,438	81,811	85,499
Research income - performance basis	235	235	200	200
Expendable endowments reclassified to unrestricted donations	-	-	-	-
Capital grants recognised on performance basis	1,045	1,045	944	944
Short-term employee benefit accrual	(2,600)	(2,600)	(3,050)	(3,050)
Pension deficit funding provision	(10,051)	(10,051)	(19,956)	(19,956)
Revaluation reserve transfer	-	-	-	-
Revaluation of fixed assets at 1 August 2014	73,535	73,144	73,537	73,144
Loan Hedging Instrument	(1,048)	(1,048)	(1,062)	(1,062)
Non exchange transaction - recognition of income	363	363	234	234
Keele Residential Fund Investments revaluation	3,939	3,939	4,945	4,945
Fixed asset depreciation charge	-	-	(1,928)	(1,973)
Lease contributions	-	-	(36)	(36)
Fixed asset disposals	-	-	(187)	(145)
Joint Venture	342	-	436	-
Subsidiary adjustment	5,218	-	5,007	-
Consolidation adjustment on reserves	142	-	142	-
Total effect of transition to FRS 102	71,120	65,027	59,226	53,245
Total reserves under 2015 SORP	151,549	142,465	141,037	138,744

Financial Performance	31 July 2015	
	Consolidated £'000	University £'000
Surplus for the year under 2007 SORP	7,443	14,031
Research income - performance basis	(35)	(35)
Expendable endowments reclassified to unrestricted donations	(97)	(97)
Capital grants recognised on performance basis	(451)	(383)
Short-term employee benefit accrual	(450)	(450)
Pension deficit funding provision	(14,977)	(14,977)
Revaluation reserve transfer	(724)	(702)
Revaluation of fixed assets at 1 August 2014	-	-
Loan Hedging Instrument	(14)	(14)
Non exchange transaction - recognition of income	(130)	(130)
Keele Residential Fund Investments revaluation	1,190	1,190
Fixed asset depreciation charge	(1,928)	(1,973)
Lease contributions	(36)	(36)
Fixed asset disposals	(167)	(145)
Joint Venture	95	-
Subsidiary adjustments	(231)	-
Consolidation adjustment on reserves	-	-
Total effect of transition to FRS 102	(17,955)	(17,752)
Total comprehensive income for the year under 2015 SORP	(10,512)	(3,721)

Cash Flows

The main impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents.

Reserves adjusting policy changes

- Income recognition on non-exchange transactions

FRS 102 has introduced the concept of non-exchange transactions where there is not an exchange of equal benefit between two entities. This has changed the University's policy for recognising income on government capital grants, non-government revenue and capital grants, donations and endowments from an accruals model (income is recognised in line with expenditure) to a performance model (income is recognised when performance conditions specified by the grantor/donor are met).

- Research Income

In the majority of cases research income will continue to be recognised on a spend basis as defined by the funding agreements. In a small number of cases, income is recognised on receipt giving an adjustment to transition date reserves and 2014/15 income.

- Endowments

The 2015 SORP requires endowments to be recognised as income rather than, as previously, in endowment reserves. They are recognised when the University has a legal/constructive right to receive the endowment rather than when the assets are received. This has resulted in a restatement of transition date endowment reserves and 2014/15 income for endowments receivable in the year. Under the 2015 SORP, the endowments form part of the income and expenditure reserves.

- Capital grants

Under previous accounting standards the University applied an accruals model for capital grant accounting. Income was recognised in line with the depreciation of the associated asset built or purchased with the grant, with unrecognised income being held in the deferred capital grants reserve. Under FRS 102 capital grants are treated as non-exchange transactions. For grants related to the purchase of specified assets, income is recognised when the asset is purchased, and grants for building projects are recognised upon completion of the building. Grants received are held in deferred income until the income is recognised. This accounting policy change has also resulted in the removal of the deferred capital grants reserve.

- Short-term employee benefits

FRS 102 has introduced a requirement to accrue for employee benefits earned but not taken as at the reporting date.

- Pension deficit funding provision

Under the previous accounting standards the University was exempt from recognising pension actuarial surpluses and deficits on multi-employer defined benefit schemes for which it was not possible to separately identify the University's share of the assets and liabilities. Under FRS 102, the University is still exempt from disclosing actuarial surpluses and deficits, but is required to provide for its known future contributions under published deficit funding schemes.

In relation to KSS and LGPS, any actuarial gains or losses would previously have been accounted for through the Statement of Recognised Gains and Losses, whereas under FRS 102 these are accounted for directly through the Statement of Comprehensive Income.

- Revaluation Reserve (Transfer of old reserve and revaluation at 31 July 2014)

Under FRS 102, the University has taken the opportunity to revalue Land and Buildings at 31 July 2014 (with the exception of the Hawthorns land which remained under old UK GAAP cost) and used this as "deemed cost". Both the revaluation reserve held under the previous accounting standards and the revaluation adjustment created by the decision to revalue at 31 July 2014 have been taken to general unrestricted reserves.

- Loan Hedging Instrument

The University has adopted the provisions in Section 11 and Section 12 of FRS 102 in full, and not chosen to adopt the provisions of IAS 39 of full IFRS. Under sections 11 and 12, the University was required to review its loan portfolio, and as part of this an interest loan hedge is required to be recognised on the balance sheet. This is held on the balance sheet at fair value.

- Non exchange transaction - recognition of income

FRS 102 has introduced non-exchange transactions, which require income to be recognised in the year of receipt rather than being able to be deferred. The University has reviewed the deferred income balances under the previous accounting standards and has released income on the basis that these transactions were non-exchange transactions.

- Keele Residential Fund (KRF) Investments revaluation

FRS 102 states that if investments are publicly traded or if their fair value can otherwise be measured reliably they should be recognised at market value. Under the previous accounting standards, there were only a limited number of KRF Investments that were held at market value. An adjustment was required on the balance sheet to "mark to market" the KRF Investment portfolio.

- Fixed asset depreciation charge

As noted above, the University and group have revalued its fixed assets. Consequently, the depreciation charge has increased compared to the previous UK GAAP due to the higher fixed asset base and also adjusted asset lives, which were reviewed as part of the revaluation process.

- Lease Contributions

The University has made contribution payments at the inception of leases that under previous accounting standards have been treated as fixed assets. Under FRS 102, these have been re-classified to debtors as a prepayment and spread over the life of the lease or 50 years (whichever is shorter).

- Fixed asset disposals

The loss on disposal of fixed assets has been re-calculated to take into account the higher base figure, due to the revaluation exercise, of the building that was part demolished.

- Joint Venture

Under FRS 102, the University has to account for Joint Ventures under the equity method. Under the previous accounting standards, the University carried a negative asset for the Joint Venture as its liabilities are greater than its assets. Under FRS 102, any negative net assets would be accounted for only to the extent that the University has any underlying liabilities associated with the Joint Venture, which as at 31 July 2014 and 2015 it did not.

- Subsidiary adjustment

Under FRS 102, an adjustment was made to the value of the development land held within Keele University Science and Business Park Limited. As the amount repayable to the Homes and Community Agency is directly linked to the value of the land, the University has provided against the balance owed.

- Reserves adjustment

An historical consolidation adjustment between the University and Keele University Science and Business Park Limited has been removed, on the basis that it related to a transfer of fixed assets against which the value of the assets has now changed and the adjustment is no longer required.

Non-reserves adjusting policy changes

- Investments and Cash

Cash term deposits classified as fixed asset investments under FRS 102 will now be classified as either cash and cash equivalents or current asset investments, depending on whether the maturity of the deposit is 3 months and under (cash equivalents) or between 3 and 12 months (current investments). Any investments held previously as endowment investments have been transferred to general investments.

THE COUNCIL

The following were members of Council for the period from 1 August 2015 to the date the Financial Statements were approved (unless noted):

Members Ex-Officio

The Pro-Chancellor	R. Findlay BSc, FCA
The Deputy Pro-Chancellors	Professor A. Ulph E. Manley
The Vice-Chancellor	Professor N. H. Foskett, MA, PhD, PGCE, FRSA (left Council 9 August 2015) Professor T. J. McMillan BSc, PhD, Hon MRCP, Hon FRCR (appointed Vice-Chancellor 10 August 2015)
The Treasurer	D. Webster (left Council 31 August 2016) A. Crouch (appointed 1 September 2016)
The Deputy Vice-Chancellor	Professor T. J. McMillan BSc, PhD, Hon MRCP, Hon FRCR (appointed Vice-Chancellor 10 August 2015) Professor R. M. Ormerod (appointed 10 August 2015)

Members of University Staff

Dr C. Bücher (left Council 31 August 2016)
Professor A. Francis (left Council 31 December 2015)
Dr S. George (left Council 31 August 2016)
V. Hooper (appointed 1 September 2015)
Dr H. Parr
Professor N. Forsyth (appointed 1 September 2016)

Lay Members appointed by the Council

R. Barnes
S. Bucknell (appointed 1 September 2015)
R. Callaway
J. Clark (left 31 August 2015)
P. Clark
A. Crouch (appointed 1 September 2015 – see Treasurer above)
A. Harris
S. Hashmi
M. Lukha (appointed 1 September 2015)
L. Nash-Jennings (left Council 11 November 2015)
S. Ramery
G. Robinson, RIBA, MAPM, ARB (left Council 31 August 2015)
S. Schaefer (appointed 7 July 2016)
Dame J. Williams

Student Representatives

C. Heath (left Council 30 June 2016)
J. Granger (left Council 30 June 2016)
E. Horsfall (appointed 1 July 2016)
R. Meredith (appointed 1 July 2016)

Director of Finance (In attendance)

K. J. Clarke, MA, ACA

Secretary to Council

Dr S. Clarke (left Council 11 September 2015)
G.L.M. Lowe, Solicitor (appointed 24 September 2015)

Professional Partners

External Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers

Royal Bank of Scotland
High Street
Newcastle
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 Higher Education Funding Council for England (HEFCE) is the University's principle 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