



UNIVERSITY OF
OXFORD

Financial Statements 2015/16



University of Oxford

Financial Statements 2015/16



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COVER PHOTOGRAPHS:

Blavatnik School of Government by John Cairns

The Botanic Garden by Emily Alexander

Cecil the lion by Brent Stapelkamp

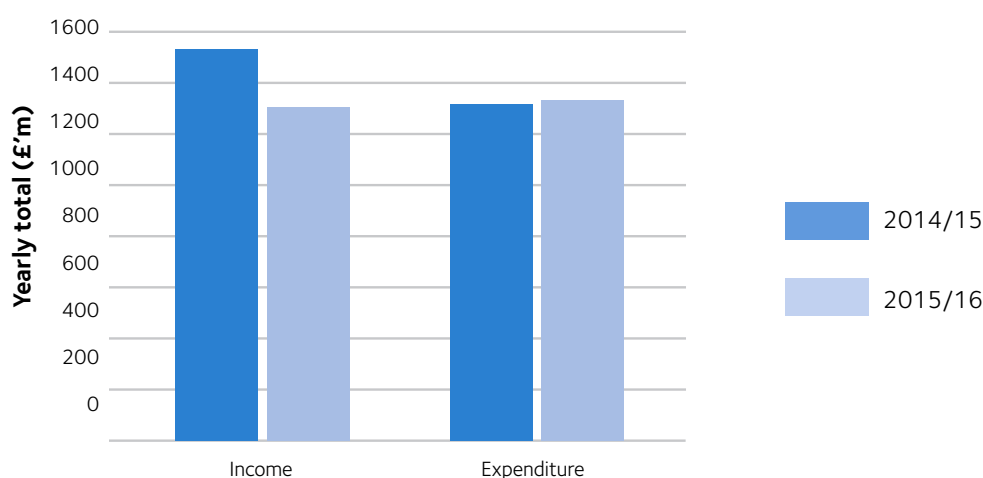
UNIQ Summer School 2016 by John Cairns

Introduction

In the financial year 2015/16 the University generated a total comprehensive income of £173m and managed total funds of £3bn. However, the financial performance depended heavily on healthy investment returns in the year which contributed an income of £188m and for a second year, the operating surplus fell short of the University's key financial target of at least 5% of total income. The University faces a period of economic uncertainty as the UK government negotiates an exit from the European Union and will need to manage resources efficiently if it is to maintain a pre-eminent position amongst the world's leading universities.

Financial Highlights excluding Oxford University Press

Results for the Year¹



Total income decreased by 13.3% to £1,321.8m (2014/15: £1,523.9m).

- 2014/15 included two one-off items being the Research & Development Expenditure Claim ('RDEC') for £85.1m and the special transfer from Oxford University Press ('the Press') for £120m. Once these two items are removed then the underlying income increased in 2015/16 by 0.2%.
- The largest source of income continued to be research grants and contracts. This represented 40.7% of the total income (2014/15: 39.5% after adjustments for the one off items above).

Total expenditure increased by 1.4% to £1,336.5m (2014/15: £1,318.5m).

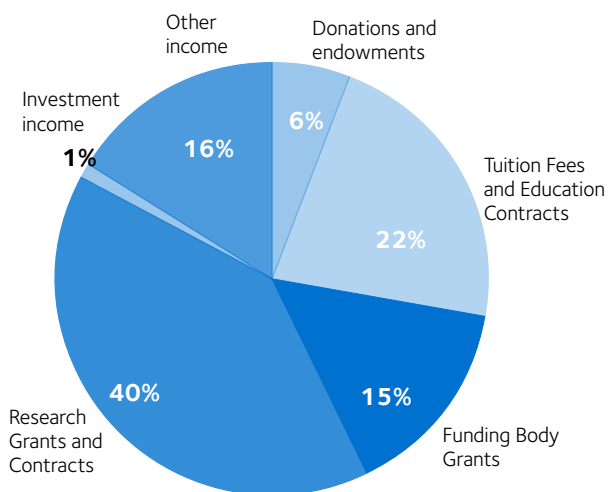
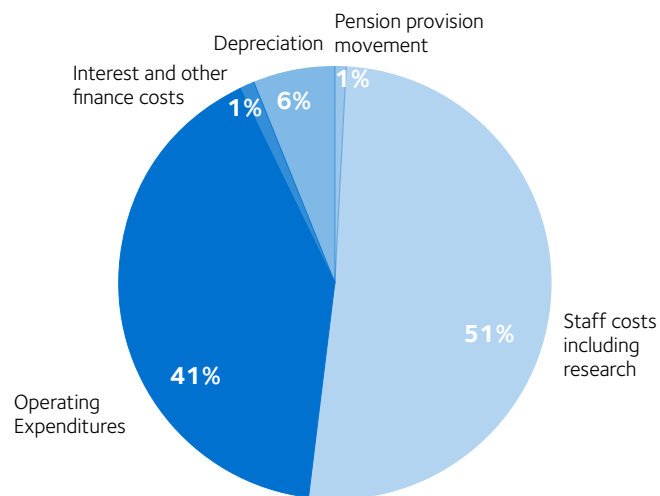
- Staff costs, including pensions and social security costs, increased by 6.6% to £680.3m (2014/15: £638.2m) and were equivalent to 50.9% of total expenditure (2014/15: 48.4%).

The University incurred a consolidated deficit before investment gains of £14.7m (2014/15: surplus £205.4m)

Investment gains of £188.0m (2014/15: £205.4m) were in part due to the weakness of the pound following the referendum decision to leave the EU, which benefitted the value of overseas investments, particularly those denominated in US dollars.

The surplus for the year retained within general reserves was £172.9m (2014/15: £392.3m). The decrease of £225.1m is primarily due to a one-off RDEC tax credit recorded in 2014/15, a special transfer from the Press in 2014/15 and lower levels of donations, new endowments and investment gains.

¹ Accounts prepared for the first time under Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council and the FEHE SORP based upon it.

CONSOLIDATED UNIVERSITY INCOME 2015/16**CONSOLIDATED UNIVERSITY EXPENDITURE 2015/16****Key Achievements**

- Oxford ranked number 1 in the Times Higher Education World University rankings.
- Oxford Thinking Campaign reaches pledges of £2.4bn.
- HRH The Duke of Cambridge opened the Blavatnik School of Government and the redeveloped Weston Library.
- The Bodleian library acquired its 12 millionth book – by Percy Bysshe Shelley.
- Oxford's Institute of Biomedical Engineering was awarded the Queen's Anniversary Prize for its pioneering work in biomedical engineering.
- Bursaries and scholarships totalling £56.8m were distributed to around 2,300 undergraduate students.
- £200m endowment fund to support graduate students almost complete.
- 875 young people attended the university's UNIQ summer school programme.
- Andrew Wiles' Abel Prize for Mathematics and Sir Peter Ratcliffe's Lasker Prize for Medicine
- Oxford University Innovation spun out 20 companies and filed 142 new patent applications.

Strategic Review

The University of Oxford aims to lead the world in research and education in ways which benefit society on a national and a global scale. Over the coming years, the University will build on its long traditions of independent scholarship and academic freedom while fostering a culture in which innovation plays an important role.

Public benefit

The principal objectives of the University are the advancement of learning by teaching and research and its dissemination by every means. In its Strategic Plan 2013–18², the University sets out its aspirations to:

- develop its capacity to generate and share knowledge in the UK, Europe, and globally, ensuring significant contributions to public policy-making and economic growth;
- work effectively with other institutions and organisations, where such partnerships can lead to outstanding research and teaching;
- fulfil the aims that no potential student should be deterred from applying to Oxford by financial or other barriers and that no student's success should be hampered by financial difficulties;
- ensure, through a commitment to the personal education of each student, a quality of education and experience which enables students to apply the values, skills, and intellectual discipline they have acquired in their future lives and careers, and which generates a lifelong sense of connection with Oxford;
- contribute effectively to the cultural, social, and economic life of the city of Oxford and the Oxfordshire region; and
- recruit and retain the best academic staff and ensure that under-represented groups have equality of opportunity in recruitment, personal development, and career progression in all areas of employment in the University.

The following sections provide further detail on how the University's core strategies on research, education, widening engagement and personnel support these aspirations, building upon existing strengths and sharing knowledge with the wider world thus providing public benefit and fulfilling the University's charitable objectives. Enabling strategies on finance, capital, value for money, estates, IT infrastructure and alumni relations and development demonstrate how the University aims to support its core strategies with appropriate facilities, services and systems.

Further information about the University's activities over the last year can be found in the Annual Review, available on the University website at: www.ox.ac.uk/about/organisation/annual-review.

The Annual Report of the Delegates of the University Press sets out how Oxford University Press³ ('the Press') has furthered the University's charitable purposes for the public benefit. This report is available at: global.oup.com/about/annual_report.

Strategic Priorities

The following two overarching priorities have been identified for development over the period of the Strategic Plan. These priorities span the University's core strategies and open up the potential for new and enhanced activity on the part of staff and students, departments and colleges.

Priority 1: Global reach

- To develop the University's position as a global forum for intellectual engagement, through the proactive communication of ideas generated at Oxford and through openness to new ideas generated elsewhere.

Priority 2: Networking, communication, and interdisciplinarity

- To build on Oxford's multiple disciplinary strengths and enable collaborations in new and developing areas.

² Available at: www.ox.ac.uk/about/organisation/strategic-plan

³ In accordance with the University's Regulations, these Financial Statements do not consolidate the accounts of the Press, although extracts from the separate audited accounts of the Press's Trading Operations and Property and Reserve Fund for the year ended 31 March 2016 are set out on pages 80–91. The rest of this Operating and Financial Review does not include the Press unless expressly stated.

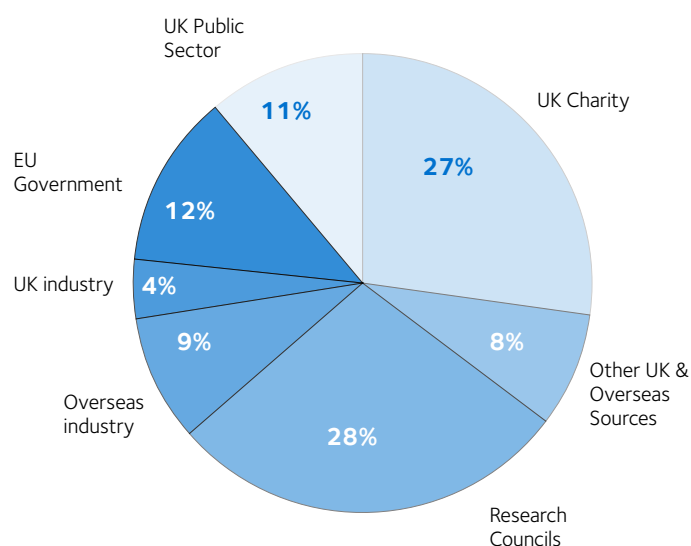
Core Strategies

Research

The scale of the University's research activity is substantial: just over 1,800 academics, 5,000 research staff together with 5,740 postgraduate research students are involved, collaborating with other universities and research organisations, health care providers (especially the Oxford University Hospitals NHS Foundation Trust), businesses, community groups, charities, and government agencies. According to the 2014 Research Excellence Framework, the official UK-wide assessment of all university research, the University has the largest volume of world-leading research in the country. The public benefits from this research include not only advancing fundamental knowledge but also contributing to better public policy, improved health outcomes, economic prosperity, social cohesion, international development, community identity, the arts, culture and the quality of life.

Much of the University's research activity is underpinned by competitively won research grants awarded by third parties (including the UK Research Councils, UK charities and the European Commission) as well as funding from business and other organisations. There are currently 4,581 active research awards worth £2.7bn. In addition, the Higher Education Funding Council for England ('HEFCE') provides invaluable support through Quality-Related block grant funding and the Higher Education Innovation Fund.

EXTERNAL RESEARCH INCOME BY FUNDER TYPE FY 2015/16



Research highlights in 2015/16 included:

- surgeons at the Oxford Eye Hospital implanted a tiny electronic chip at the back of a blind woman's retina, enabling her to read the time for the first time in more than five years; restoring sight to the blind using an electronic device presents huge challenges for the technology, the surgery and above all, the patient, but these early results are very promising;
- technology developed at Oxford's Nuffield Department of Clinical Neurosciences was licensed to a new spin-out, Ox sight. Sight impaired and blind people can navigate independently, avoid collisions and see in the dark using Ox sight's smart glasses, which comprise a unique camera system and computer vision algorithms to detect and highlight objects, operating in real-time;
- pioneering gene therapy, led by Oxford researchers, restored some vision to John Radcliffe Hospital patients with a rare form of genetic blindness. Sustained improvement in vision for up to four years for some patients has raised hopes that the therapy could be used to cure common causes of vision loss;

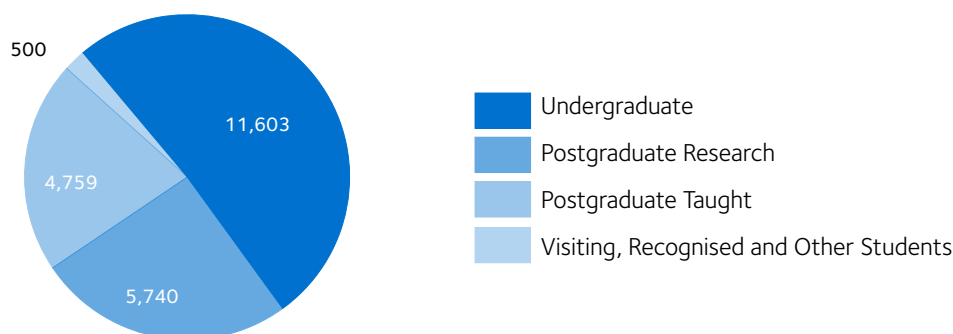
- a smartphone application, developed by doctors at Oxford, in collaboration with a team of Kenyan doctors, provided vital emergency care training to African healthcare workers;
- research at the Jenner Institute led to the launch of Vaccitech, a spin-out company developing a universal flu vaccine that is already showing promise in clinical trials. The next step towards regulatory approval is a series of further trials, the first of which has now begun, with more to follow in 2017. Vaccitech is also developing a clinical stage therapeutic vaccine for prostate cancer, and a number of additional pre-clinical programs;
- Experts discovered that immediate self-treatment with aspirin when patients experience stroke-like symptoms considerably reduces the risk of major stroke over the next few days;
- researchers from the Department of Social Policy and Intervention led the research behind an adolescent parenting support programme developed in partnership with UNICEF, the WHO and the South African Government. The Sinovuyo Teen programme has now been tested in two pilot studies in South Africa's poorest province, and in a 40-village cluster randomised trial. Results showed reductions in child abuse and adolescent delinquency and improvements in positive parenting, social support and mental health for both caregivers and adolescents. In the past year, a number of governments and international agencies have expressed interest in adapting and implementing the programme;
- a large-scale study of adolescent-to-parent violence undertaken by the Centre for Criminology highlighted the hidden plight of many thousands of families across the UK, leading to new policy guidance and improved responses by statutory and voluntary agencies. The work was shortlisted for the Economic and Social Research Council's Celebrating Impact Prize 2016, in the category of Outstanding Impact in Public Policy;
- researchers in the Department of Sociology partnered with the Trussell Trust to improve understanding of the needs of foodbank users in the UK, providing urgently required evidence to inform practice and policy for addressing the increasing problem of hunger in the UK;
- a long-term project aimed at improving photosynthesis in rice entered its third stage, marking another step on the road to significantly increased crop yields that will help meet the food needs of billions of people across the developing world;
- an academic in the Music Faculty acted as series consultant for the Philharmonia Orchestra's 2016 festival, Stravinsky: Myths & Rituals, based in and around London's Southbank Centre and broadcast to public acclaim on BBC Radio 3;
- researchers at the Oxford University Museum of Natural History, working with Yale Peabody Museum of Natural History, Leicester University, and Imperial College London attracted global media attention with the description of a new fossil species, the 'kite runner.' This new species of ancient arthropod was identified from fossils from the Silurian Herefordshire Lagerstätte;
- a new technique was developed that monitors the movement of chickens to predict which flocks are at risk of becoming infected with Campylobacter, the most common bacterial source of food poisoning in humans in the UK; and
- a new book, Photography and Tibet, was published, presenting the first historical and anthropological survey of the subject. Featuring stunning visual material rarely made public or discussed before, it offers remarkable new insights into the attempts of foreign and Tibetan photographers to document the region from the mid-nineteenth century to the present.

Further information on the range of impacts that University research has on the world of policy, health, business and culture is available in a series of case studies and films at: www.ox.ac.uk/research/research-impact.

Education

The University seeks to recruit the best students from the UK and abroad through transparent and fair admissions processes based on achievement and potential, at both undergraduate and graduate level.

Current student numbers (total students at 1 December in the financial year)



On 1 December 2015, the University had 22,602 registered full-time, part-time and visiting students⁴. In addition, within the Department for Continuing Education, there were approximately 14,500 enrolments on a range of more than 800 non-award-bearing courses.

Five-year summary

	2011/12	2012/13	2013/14	2014/15	2015/16
Student Numbers					
Undergraduates	11,752	11,833	11,772	11,703	11,603
Postgraduates (taught and research)	9,621	9,857	9,850	10,173	10,499
Visiting and recognised students	499	488	494	472	500
TOTAL STUDENTS AT 1 DECEMBER IN THE FINANCIAL YEAR	21,872	22,178	22,116	22,348	22,602

Undergraduate admissions, outreach and funding

The University aims to attract the best students to apply to Oxford, regardless of financial means, and works with schools and colleges to raise aspiration for higher education generally, particularly among under-represented groups⁵. The collegiate University engages in a wide range of outreach activity through the University's departments and faculties, its Undergraduate Admissions Office, at college level and through the Oxford University Student Union.

In 2015/16, the University received 19,124 undergraduate applications (an increase of 4.4% on the previous year). 40% of UK applicants were from schools in the maintained sector, and of offers made to UK applicants, 62% were to applicants from the maintained sector. 6,936 applications were received from non-UK (i.e. EU beyond the UK and overseas) applicants, an increase of 7% on 2014/15.

The University's UNIQ summer school programme⁶ brought 875 young people from state schools and colleges to Oxford in 2016 for week-long courses. Success rates for UNIQ 2015 participants who subsequently applied to Oxford were strong, with 42% of applicants receiving an offer (compared with 20% for non-UNIQ students).

The collegiate University provides financial support for UK and EU students through the Oxford Bursary and Tuition Fee Reduction Schemes⁷. In 2015/16, the University provided the lowest-income UK students with financial

⁴ Excluding those undertaking non-award-bearing courses through the Department for Continuing Education

⁵ Further information on these initiatives, which include open days, events for students and teachers both in Oxford and elsewhere and summer schools is available at: www.ox.ac.uk/admissions/undergraduate/open-days-outreach

⁶ A residential access programme for high-performing state school students from schools and areas with little or no history of successful application to Oxford.

⁷ These schemes, targeted at students from households where income is below a certain level, provide assistance with living costs at Oxford and, for students who started their course on or after 2012, reduce the amount of tuition fee loan they need to access from the Student Loans Company, thus reducing their overall debt on graduation. Further information is available at: www.ox.ac.uk/students/fees-funding/ug-funding/oxford-support

support of up to £11,000 per student per year. In 2015/16, £6.6m in bursaries and scholarships was distributed to around 2,300 undergraduate students and a further £3.3m in tuition fee reductions was allocated to over 1,080 undergraduate students.

In 2015/16, the collegiate University will spend approximately 52% of 'additional fee income'⁸ on access measures. Based on current student profiles, around one in four UK undergraduate students at Oxford will receive a bursary (those with household incomes below £42,621).

Graduate admissions and funding

In 2015/16, applications for graduate study rose by 12% compared with 2014/15. Applications from the UK increased by 11.1%, those from the EU beyond the UK by 12.1%, and those from non-EU countries by 12.3%. Applications to date for 2016/17 are up by 5.3% at around 25,500⁹.

In 2015/16, some £18.5m was disbursed in scholarships, supporting more than 950 graduate students. Further information about graduate scholarships available at Oxford can be found at: www.ox.ac.uk/admissions/graduate/fees-and-funding/graduate-scholarships.

Through the Oxford Graduate Scholarship Matched Fund, which offers donors to the collegiate University the opportunity to match their gift with University funds, the University has continued to increase the funding opportunities available to graduate students. The University's £80m of matching funding is now all committed or firmly promised, and the intended £200m endowment fund is almost complete. During 2015/16, 150 graduate students were supported by these scholarships, and more are due to benefit during 2016/17.

In 2015/16, HEFCE ran a second version of its Postgraduate Support Scheme which offered £10,000 bursaries, jointly funded by the University, to encourage UK/EU students from under-represented groups who were charged the higher undergraduate fee in 2012/13 to undertake postgraduate taught courses. Around 90 such bursary holders attended Oxford in 2015/16. This year Oxford published its analysis of its participation in HEFCE's first Postgraduate Support Scheme¹⁰, across a suite of projects to the value of £3.7m.

Equipping students for future study and employment

The University seeks to provide an excellent education and student experience for all its students, through a highly individualised model of teaching delivered by leading academics and underpinned by first-class learning resources and student support services. This education helps to equip students with the skills, knowledge and attributes to succeed in their chosen field and contribute to wider society. The University's Employability Programmes offer learning and development opportunities, generally work-based or experiential, which enable students to develop their confidence, commercial awareness and entrepreneurial skills, and build professional networks within particular industries. In 2015/16, the programmes engaged over 1,800 undergraduate and postgraduate students and included:

- over 500 funded research and professional international placements in more than 40 countries, maintaining the same number of opportunities as the previous year despite the loss of substantial HEFCE funding;
- over 250 micro-internships for students to develop a wide range of employability skills while working on a defined project of value to an organisation in Oxfordshire;
- over 150 students taking part in "Insight Into..." programmes, offering work experience and learning opportunities in teaching, medicine, and business;
- the Student Consultancy, with over 450 students running approximately 100 voluntary consultancy projects for local organisations;
- over 100 female students at undergraduate and master's levels receiving training through the Springboard programme to enhance their academic career and overall life skills;

⁸ Arising from the agreement with OFFA that the University may charge UK and EU undergraduates the maximum permissible fee of £9,000 p.a.

⁹ As at 31 October 2016, compared to the equivalent point in the cycle last year.

¹⁰ www.graduate.ox.ac.uk/hefcepsreport

- over 25 female students at Master's and DPhil levels participating in the Ignite Career Confidence programme;
- 85% of undergraduate finalists engaging with the University's Careers Service; and
- over 750 one-to-one sessions (via Skype) with alumni all over the world, making a total of more than 2,250 of these sessions over the last three years.

Widening engagement

It is fundamental to the University's mission that its world-class research and teaching serves the local, national and global communities.

University researchers share their work and contribute to public discussion in a host of ways, including books and journals, the web and social media, YouTube and iTunes U, and the Oxford University Research Archive¹¹. The University also offers many public lectures, some of which are published online for the global audience. Major events during 2015/16 included the Oxford London Lecture, on work to develop an Ebola vaccine, and the launch of the Women of Achievement series, which aims to showcase and celebrate women's achievement and leadership across a wide range of sectors.

With its wide international reach, the news media is an important channel for public engagement. In 2015, Zurich-based media research institute Media Tenor International ranked Oxford the world's leading university, for the fourth year in a row, for its efforts to showcase research, teaching and collections in the international media.

Alongside traditional news media, commentary websites such as The Conversation¹² provide a valuable means for Oxford researchers to engage with the public on real-world issues. Contributions from Oxford's researchers to The Conversation have provided research-based evidence, expert commentary and analysis on issues that are directly relevant to public life and real-world issues, from migration to mental health. 2015–16 saw the publication of 226 articles by Oxford academics and researchers, with a total readership of over 7 million across the world.

Over the last twelve months there have been many inspiring and innovative projects aimed at involving and consulting the public in ways that enrich both research and society. Many of these were celebrated in the inaugural Vice-Chancellor's Public Engagement with Research Awards: a community archaeology project in East Oxford; the Great Box project, which tested an innovative way to allow communities of origin to access ethnographic collections; co-design of assisted living technologies for older people with complex needs; work with refugee researchers and communities to rethink refugee assistance; communicating with children in Sierra Leone about Ebola vaccines; collaborating with the National Trust to develop researcher-led re-interpretations of its collections; and the Ordered Universe Project, bringing together scientists, humanities scholars and the public to explore the scientific writings of the English thinker Robert Grosseteste.¹³

Showcasing the passion that drives our academics and researchers gives a valuable insight into the human side of research, as demonstrated at The Heart and The Head event at the Oxford University Museum of Natural History. In an evening of storytelling and music organised with Cancer Research UK, researchers from the Wellcome Trust Centre for Human Genetics shared their stories about how emotion influences their working lives.

Sharing the University's collections

The University's award-winning gardens, libraries and museums play a critical role in making both the University's collections and its broader work accessible to the widest possible audiences. Collectively they welcome more than three million people each year – from local residents and school children to national and international visitors – providing a huge programme of exhibitions, talks, tours and family-friendly activities. Collections can be discovered through new spaces like the popular Weston Library or digital resources like digital.bodleian.ox.ac.uk and www.oum.ox.ac.uk/collections.

In 2015, an ambitious new Contemporary Science and Society programme was launched at the Oxford University Museum of Natural History, bringing cutting-edge, multi-disciplinary research into the natural environment to the public. 'Biosense', the first exhibition in the series, saw the museum partner with academics to share their current research with over 200,000 museum visitors.

¹¹ www.ox.ac.uk/itunes-u, ora.ox.ac.uk

¹² theconversation.com/uk

¹³ www1.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/researchsupport/documents/impactandke/publicengagement/Award_Winners_Booklet_-_FINAL.pdf

The Joint Museums Outreach Service also takes collections out into the community and supports those who would not usually visit the museums to do so with confidence. With talks, short courses, crafts and object-handling sessions, the service visits children's centres, care homes, prisons and refugee centres across Oxfordshire.

Involvement with the local community

The collegiate University is deeply embedded in the local community in a multitude of ways, not least as a major employer. It also contributes to the social and cultural life of the city and county by providing sports facilities, concerts, museums, parks and gardens, and student volunteers. Community activities continue to benefit through the Community Grants scheme, including the social enterprise Yellow Submarine, Oxford Conversation Volunteers, Cowley Road Carnival, Pegasus Theatre's Young Programmer's weekend and the 66 Men of Grandpont First World War History project.

In 2016, for the first time, the University was the principal sponsor of the Oxfordshire Science Festival. The festival reaches around 30,000 people each year, with talks, exhibits and hands-on activities, and over three-quarters of the programme featured Oxford researchers presenting or discussing their research.

The University also makes a major contribution to improving quality of life through its research-led engagement in healthcare. In this last year, the innovative SEND project, a collaboration between Oxford University Hospitals NHS Foundation Trust and the University's Institute of Biomedical Engineering, has been rolled out across four Oxfordshire hospitals. It uses tablet computing technology instead of bedside charts to immediately provide advice on how to manage patient care and allow instant sharing of information across hospital sites. A pioneering new charity dedicated to helping young people at risk of infertility was set up by specialists from the Nuffield Department of Obstetrics and Gynaecology and the Oxford University Hospitals NHS Foundation Trust.

The University remains committed to helping improve outcomes for pupils in local schools. The Oxford Education Deanery¹⁴ continues to expand, with new Oxfordshire schools joining the project. The Deanery supports local teachers at all stages of their careers through professional learning and development, access to the latest research on teaching methods and active involvement in research projects. In another project aimed at inspiring the next generation of researchers, the Oxford Centre for Functional MRI of the Brain gives Oxfordshire pupils a chance to observe brain function first-hand using the Centre's MRI scanner. In November 2015, the Bodleian Libraries and the Department of Politics and International Relations worked with Oxfordshire County Council to bring sixth form students together to learn more about select committees, including a special session in the Divinity School with members of the House of Commons Science & Technology Select Committee.

Dissemination through Oxford University Press

As a department of the University, the Press advances learning by disseminating academic and educational materials and services worldwide. Its global operations extend the University's reach through a combination of high-quality publishing across the educational and academic spectrum and a network of offices across 52 countries. The Press publishes thousands of new titles each year across a broad range of areas: from primary and secondary school education texts, English language teaching (ELT) resources, and children's fiction, to university textbooks, scholarly monographs and journals, and a wide range of dictionaries. Every year more than 33 million students use OUP's ELT materials to learn English.

The Press's strategy across its three primary markets - research, education, and the learning of English - is to deliver first-rate materials and services across the world, exploiting the opportunities afforded by digital technology, and with a focus on growth in emerging economies. As part of this strategy, OUP delivered professional development to more than 260,000 teachers across the world during the year on the basis that excellent teaching lies at the heart of the best educational outcomes. The Press also enhanced its impact by publishing across more languages - 43 languages directly, and 54 additional languages published through third-party licensing deals - including the world's most vulnerable languages.

The Press also makes much of its publishing freely available. It has an increasing portfolio of open access titles and, in keeping with the open access policy of the University, also works with its society partners to facilitate "green" access via permission for authors to deposit accepted manuscripts. Further, being committed to providing access to those

¹⁴ www.educationdeanery.ox.ac.uk

with a low resource base, the Press engages in a range of schemes to allow institutions in developing countries to have free or low-cost access to its journals, scholarly online services, and medical handbooks.

While the activities of the Press are integral to the University's objectives, under the University's Statutes and Regulations the financial statements of the Press are not included in the University's financial statements and the Delegacy of the Press is responsible for preparing separate audited accounts of the Press for submission to Council. Extracts from the accounts of the Press for the year ended 31 March 2016 are included for information on pages 80–91, but do not form part of these financial statements.

Personnel

Staff are the major resource of the University, representing 50.9% of expenditure (2014/15: 50.9%, normalised to exclude movement in pension provision in that year). For the financial year, the average number of staff employed by the University on a full time equivalent basis was 12,378¹⁵.

	2011/12	2012/13	2013/14	2014/15	2015/16
Average number of staff - full time equivalent	9,790	10,672	11,307	11,846	12,378
Staff costs as a percentage of expenditure	51.4	52.2	52.0	50.9	50.9

Further statistical information about the University's staff is available at: www.admin.ox.ac.uk/personnel/hrinfoteam/staffing-data/staffingfigures/figures and on the Equality and Diversity website www.admin.ox.ac.uk/eop/policy/data.

In order to recruit and retain high-calibre staff from across the world in an increasingly competitive international market, the University balances the need for cost constraint with the need to reward staff appropriately. During 2015/16, the University has:

- implemented the nationally negotiated 1% pay deal for all staff (with a 1.2%–2% uplift for the lowest pay points, in line with the University's Living Wage employer commitments);
- used a small number of highly targeted recruitment and retention measures to ensure appropriate pay for specific categories of staff. These included: the conferment of the title of Professor through the Recognition of Distinction process which attracts a pay premium; and the annual Awards for Excellence scheme, which targets a small number of academic-related and support staff who have made an exceptional individual contribution;
- achieved accreditation as a Living Wage employer, to help recruit and retain more junior staff in a very competitive local labour market;
- achieved re-accreditation through the EU HR Excellence in Research Scheme, in recognition of its targeted career and personal development support for research staff;
- implemented a revised approach to the recruitment of statutory professors to improve the effectiveness of the search and selection processes, and commenced a similar review of the approach to the recruitment of Associate Professors;
- developed the Temporary Staffing Service which continues to grow and now provides approximately 100 workers at any time, receiving very positive feedback from users as well as saving the University commercial fees;
- improved support to departments employing the University's 900 staff from outside the EU to help ensure compliance with immigration and right to work legislation;
- improved support to staff from outside the EU to better understand the responsibilities and opportunities of the UK immigration system, including support to EU staff and their families following the EU referendum;
- increased its apprenticeship scheme to now employ over 60 young people. The scheme aims to recruit and train apprentices into a variety of appropriate existing vacancies across the University, and uses recently secured Oxfordshire Local Enterprise Partnership funding to help market and communicate the scheme to local people; and

¹⁵ Not including staff employed solely by the colleges or by Oxford University Press.

- trialled a work placement scheme to provide work experience to young people through local youth charities.

Pensions have continued to be a focus of attention throughout the year. A number of changes to the Universities' Superannuation Scheme were implemented, principally: the final salary link ended on 31 March 2016; a revised Career Revalued Benefits section and the associated contribution increases (to 8% for employees, and to 18% for employers) were introduced on 1 April 2016 for all members; and the salary threshold and the new defined contribution section were introduced from 1 October 2016. The University of Oxford Staff Pension Scheme also has significant funding pressures, which are being addressed by the implementation of the agreed schedule of annual 0.5% increases in employer contributions over four years. A working group is reviewing options for change and discussions with input from employee members and trade unions have begun in preparation for a formal consultation on possible changes to the scheme in the coming academic year.

The University is committed to working towards an increasingly diverse staffing profile. In order to address the under-representation of Black and Minority Ethnic (BME) staff and of women in academic and research roles the University has:

- secured funding for a project to engage with the local BME community, to increase BME applicants from the Oxford area;
- continued to work towards a challenging set of targets for gender equality¹⁶;
- co-ordinated the extension of Athena SWAN to the Social Sciences and Humanities and undertaken extensive preparation for an institutional Athena SWAN Silver application in April 2017;
- undertaken quantitative and qualitative work in support of an institutional Bronze Race Equality Charter application in July 2017;
- launched Oxford's first all-staff survey;
- set a new target to increase by 10% its score in the Stonewall Employer's index, with a submission in September 2016;
- continued as a founding member of the UN's 'HeforShe' Impact campaign to engage men in gender equality;
- supported the implementation of a number of projects funded by the Vice-Chancellor's Diversity Fund¹⁷, including a project to diversify portraiture in the University's public spaces¹⁸; and
- co-ordinated the Returning Carers' Fund, which has, in the last two years, made small grants to 132 researchers and academics to support their return to research following a period of leave for caring purposes.¹⁹

In order to further develop the skills and abilities of employees whilst also reducing costs and redeploying resources more effectively, the Oxford Learning Institute's Professional Development Group is moving to a mix of face-to-face and online, self-directed, learning. It offers its support in four key areas:

- leadership and management development, targeted at groupings including Heads of Department and aspiring academic leaders from under-represented groups;
- core, transferable, personal effectiveness skills, such as assertive communication, personal organisation and managing working relationships;
- technical skills, such as project management, proof-reading or minutes and agendas; and
- "compliance" training on topics such as unconscious bias, equality and diversity or recruitment and selection.

The Oxford Learning Institute continues to provide programmes of educational development leading to nationally accredited teaching qualifications. These programmes range from entry-level provision aimed at researchers interested in pursuing academic careers to a senior programme in educational leadership.

The Human Resources Policy team continues to keep the University's employment-related policies under review via consultation with University staff. A wide-ranging consultation on changes to the legislation governing dismissal and redundancy processes that apply to the majority of University employees was completed and proposed revisions are now under consideration by the Privy Council. A five-year review of the University's Employer Justified Retirement Age is currently underway.

¹⁶ www.admin.ox.ac.uk/eop/policy/equalityobjectives

¹⁷ www.admin.ox.ac.uk/eop/inpractice/vc-fund

¹⁸ www.admin.ox.ac.uk/eop/inpractice/portraiture

¹⁹ www.admin.ox.ac.uk/eop/inpractice/vc-fund/returning-carers

The University aspires to be an employer of choice for all staff groups and therefore invests in creating and maintaining a supportive working environment. The Occupational Health and Safety Service offers a variety of services to promote health and wellbeing in the workplace. The introduction of a generous shared parental leave scheme has been popular with a positive take up from staff at all levels and a range of support measures for carers are currently under development. The University nurseries are an enormously popular benefit for University employees and a fifth University nursery on the Old Road Campus site was opened in July 2016.

Enabling Strategies

Finance, capital and value for money

The University aims to achieve an operational surplus of at least 5% (calculated as earnings before interest, tax, depreciation and amortisation – EBITDA) of income to ensure sufficient funds to invest in the maintenance, renewal and replacement of its buildings and infrastructure. This percentage takes into account the increasing cost of replacing assets through inflation and rising expectations of functional suitability. The University's ambitious programme of capital investment is necessary to ensure that libraries, seminar rooms, laboratories, IT systems and research equipment are of sufficient quality to support world class academic endeavour, thus ensuring effective staff recruitment and retention, the dissemination of knowledge, and the development of new ways of working and studying for staff and students.

The University operates a rigorous process of budget target setting for divisions and services. Academic and financial plans are reviewed in detail and only approved by Council if it is satisfied that, in aggregate, they are financially sustainable. The operational surplus percentage achieved in 2015/16 was 3.3% (2014/15: 3.3%) which is below the level required to achieve long term financial sustainability. Accordingly, measures put in place in the 2015/16 financial year to improve EBITDA included a headcount control on non-academic staff numbers, new University-wide purchasing arrangements, a new endowment matching scheme to underpin existing expenditure, reductions in the capital expenditure programme and mechanisms to regularly review and improve the University's overall overhead recovery on research grants.

The University's engagement with the UniForum programme demonstrates its proactive approach to achieving value for money. UniForum has been developed by Cubane Consulting Ltd with research-intensive universities in Australia, New Zealand and the UK to enable universities to benchmark the efficiency and effectiveness of their administrative services against peer institutions. Data from the programme will provide new insights into how the University can continue to improve the effectiveness and efficiency of its administrative services. Oxford piloted its involvement in 2015/16 and will move into full data collection in 2016/17.

Estate

Investment in new buildings and in enhancing the quality of the University's existing estate is helping to improve the condition, functional suitability and environmental performance of the functional estate. The demand for new and more functional space continues and in 2015/6, the University's functional estate grew by 1.1%, to approximately 655,000 square metres.

SIZE OF ESTATE ²⁰	2011/12	2012/13	2013/14	2014/15	2015/16
Buildings (square metres, thousands)	602	613	636	647	655

Key activities to note include:

- new premises in Bullingdon Road for the Ruskin School of Art were completed and opened in September 2015;
- on the Radcliffe Observatory Quarter, the Blavatnik School of Government was completed and opened to students and staff in November 2015, the Grade II listed Outpatients Building was completed in January 2016 and is now occupied by the Department of Primary Care Health Sciences, and the refurbishment of the Grade II listed St Luke's Chapel was completed to provide shared teaching, meeting and exhibition space. Hard and soft landscaping was also completed on the site, providing better outdoor space for staff and students and improved access for visitors and local residents;

²⁰ Excluding Oxford University Press, OUEM, the Colleges (including St Cross and Kellogg), and both the Functional Investment Fund and Commercial estates.

- the Blavatnik School of Government and the Weston Library won prestigious national awards for architecture;
- in January 2016, the refurbishment of the former Mathematical Institute on St Giles was completed and the building is now occupied by the Department of Statistics;
- work has commenced on the Beecroft Building which will provide state-of-the-art laboratories for the Department of Physics. Due for completion in December 2017, the building is presently emerging from a 16m deep excavation in the Science Area;
- work has commenced on the extension to the Tinbergen building which will provide a world class teaching facility for the Department of Chemistry, and on the refurbishment of the existing building for the Departments of Experimental Psychology and Zoology. The extension is due for completion at the end of 2017;
- the completion of the Big Data Institute, a state-of-the-art, interdisciplinary research centre on the Old Road Campus ('ORC'), is due in December 2016;
- the refurbishment of the Triangle Building on the ORC to provide a 100-place childcare and nursery facility was completed in July 2016;
- a number of Estates Services teams have now been accredited to the Customer Service Excellence standard – a national, externally-assessed, government-led scheme. The department as a whole aims to achieve accreditation by the end of 2016; and
- a space modelling tool was developed using staff, student and building data to provide a rapid assessment of space requirements within University buildings.

The University aims to enhance the positive impacts and reduce the negative impacts its actions and activities have on the local, national and global environment. The University's Environmental Sustainability Policy²¹ identifies the University's key impacts and how it aims to manage them. During 2015/16, the University has:

- continued to implement its Sustainable Transport Strategy, including initiatives to better connect the University estate by increasing the number of bike hire stations available in Oxford and adding electric bikes to the fleet, and introducing a new bus service between the University Science Area, the ORC and the Science and Innovation Campus at Harwell;
- managed a large range of carbon reduction projects including the installation of Solar PV panels and the insulation of a variety of buildings. This work has been supported by the award-winning Carbon Innovation Programme, a way of sourcing new ideas from staff and students for development through to implementation; and
- gained international ISO14001 environmental management standard certification for six buildings to enable continuous improvement of the University's environmental impacts.

Information Technology (IT) infrastructure

- The University's IT Strategic Plan aims to prepare the collegiate University to achieve the maximum benefit from IT innovations, increasing research capability, enhancing teaching and learning, and delivering efficiencies in support for administrative functions. It plays an important role in supporting the recruitment and retention of world class students, researchers, academics and IT staff and in the global sharing of research and teaching resources;
- Through an emphasis on IT service excellence, the IT Strategic Plan establishes a framework to drive improved project and service delivery. Key activities during 2015/16 included;
- the continued delivery of infrastructure projects to provide future-proofed network capacity, replace the University telephone system and plan for the provision of resilient Data Centre capacity;
- daily traffic on eduroam has increased by 63% and backbone network traffic by 41%, demonstrating the importance of this infrastructure;
- completion of the phased replacement of the Oracle Student System (OSS) with eVision, the University's new student records system. The new system has since been used to process over 40,000 undergraduate and graduate applicants;

²¹ www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/estatesservices/documents/intranet/EMS_P_0001_Envirionmental_Sustainability_Policy_2016.pdf

- improvements to other central information systems in the form of new upgrades and added features, including a major upgrade to CoreHR, the central HR information system;
- the formation of a new group on Information Security and the creation of a new InfoSec site²² to raise awareness of cybersecurity issues and services to such a level that the success of direct attacks has significantly decreased;
- the introduction of a new content management platform to support the development of University department, group and individual websites. Currently in pilot phase, the platform allows users without web publishing experience to easily create and manage their own websites. The service, which supports the dissemination of information both within and outside the University but also reduces risk of cybersecurity attacks to web servers, will be live in 2017;
- the operation of a single service desk for central IT provision that won a national award in partnership with HEAT Software; and
- the use of innovative mobile applications to extend existing services including new ways of accessing the University collections.

The central IT development investments made in the last year were:

	2014/15 £m	2015/16 £m
IT Systems to support teaching, learning and research through administration: new and improved	11.0	11.1
IT Systems to support teaching, learning and research directly: new and improved	1.7	1.7
Infrastructure upgrades and renewal	7.7	8.2
TOTAL	20.4	21.0

The cost of central operations and service maintenance for 2015/16 for IT services that provide support for existing academic IT, administrative IT and infrastructure services was £21.8m.

Alumni Relations and Development

In 2008, the University launched *Oxford Thinking: The Campaign for the University of Oxford*, with the goal of raising a minimum of £1.2bn to transform the collegiate University for many generations to come. This milestone was met in early 2012 and a new goal of £3bn was announced in October 2012. The *Oxford Thinking Campaign* total reached the £2bn milestone in May 2015.

All of the gifts received for *Oxford Thinking* contribute to the collegiate University's agreed priorities – supporting students, academic posts and programmes, and investing in capital infrastructure and facilities within the colleges, academic divisions and departments, libraries, museums and collections, as well as sports and other activities. At the end of July 2016, the Campaign total stood at over £2.4bn²³. Gifts supporting these priorities include:

- £75m received from The Atlantic Philanthropies in support of the Rhodes Trust. This gift will support the creation of a new knowledge sharing institute, the creation of global fellowship initiatives and the growth of the existing Rhodes scholarship programme;
- two gifts of £10m towards the establishment of a new Institute of Developmental and Regenerative Medicine, a driving force for stem cell-based approaches to treating a wide variety of diseases;

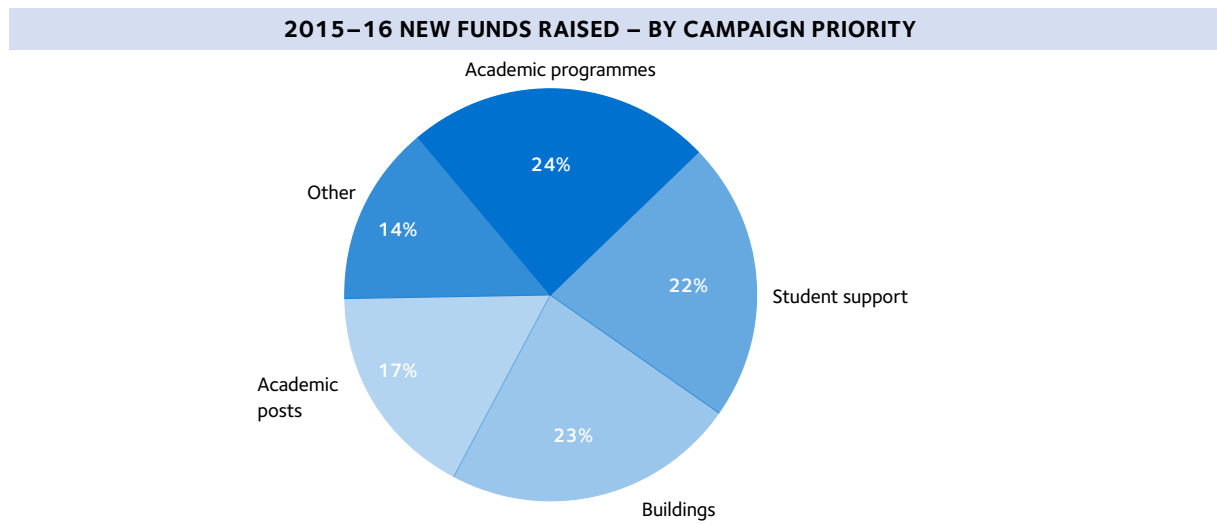
²² www.infosec.ox.ac.uk

²³ Including donations received directly by the colleges up to 31 January 2016.

- £5.5m from the Inamori Foundation and £1.6m from the Africa Initiative for Governance in support of the work of the Blavatnik School of Government;
- £1.9m from The Creat Group and almost £1.3m from the Hong Kong Jockey Club for scholarships for students from China;
- over £900,000 raised from over 12,000 donors following the death of Cecil the lion last year, as a result of a vigorous fundraising campaign to maximise support for the work of the Wildlife Conservation Research Unit; and
- almost £100m for the Oxford Graduate Scholarship Matched Fund, with a goal of raising £120m, matched to create a total endowment pool of £200m.

Further information about the Campaign can be found at: www.campaign.ox.ac.uk

Further information on the funds raised for the University²⁴ during 2015/16 is shown below.



²⁴ Not including donations received by colleges up to 31 January 2016.

Financial Review

The key financial objectives of the University are to provide the long-term resources to strengthen and further its pre-eminent position – nationally and internationally – as a place of outstanding learning, teaching, and research; and to enable it to provide additional support to its three core priorities of students, academic posts, and buildings.

Basis of accounting

This is the first year the University has produced accounts under FRS102 rather than UK GAAP. The adoption of this new accounting standard has materially changed the format of the financial statements. The 2014/15 financial statements have been adjusted to be on a comparable basis to 2015/16. Major changes are the inclusion of market value gains, new endowments and movements in the provisions for the recovery plans for USS and OSPS pension schemes in the statement of Total Comprehensive Income. Details of the changes to the balance sheet and 2014/15 figures are included in the financial statements on page 75–79.

The financial statements do not include the transactions and balances of the Press which is a department of the University rather than a separate legal entity. Under the University's Statutes and Regulations the financial statements of the Press shall not be included in the University financial statements and the Delegacy of the Press is responsible for preparing separate audited accounts relating to the Press for submission to Council. It is this exclusion that caused the independent auditors to qualify their audit opinion on the financial statements. Extracts from the accounts of the Press for the year ended 31 March 2016 are included for information at pages 80–91 but do not form part of these financial statements. Where funds are transferred from the Reserves of the Press these are reflected as income in the financial statements of the University.

Council has reviewed the University's five-year financial forecast and has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the accounts.

Reported Financial Surplus

	2015/16 £'m	2014/15 £'m
Income	1,321.8	1,523.9
Expenditure	(1,336.5)	(1,318.5)
(Loss) / Surplus on ordinary activities before gains & tax	(14.7)	205.4
Investment gains	188.0	205.4
Taxation	(0.4)	(18.5)
TOTAL COMPREHENSIVE INCOME RETAINED WITHIN GENERAL RESERVES	172.9	392.3

Under FRS102, a number of items previously regarded as capital in nature, including new endowments received and capital grants received, are now included as part of total comprehensive income. In addition the majority of the return on invested assets is now included as part of gains on investments and it is no longer permissible to allocate the 4% long term total return from unrestricted permanent endowments to ordinary income. As a consequence, the overall financial result is encapsulated in a single figure described as total comprehensive income. Total comprehensive income for 2015/16 amounted to £172.9m and the comparable figure in 2014/15 was £392.3m. The reduction in total comprehensive income is explained as follows:

- In 2014/15, the University received a special transfer from the Press of £120m and there was no special transfer in 2015/16. As a matter of policy, special transfers occur once every three years.
- In 2014/15, the University recorded a one-off net recoverable amount of £66.6m with respect to research and development tax credits. Following a change in the applicable legislation, no further tax credits of this nature are expected to arise.

- Gains in the market value of investments were £188.0m compared with £205.4m in 2014/15. The value of invested assets is inherently volatile and is likely to fluctuate significantly year on year. The performance of the University's invested assets is measured on a long term basis against a target rate of return. Over the previous five years the annualised return of the Oxford Endowment Fund is 9.6% and for the Oxford Capital Fund is 5.8% exceeding the University's target rate of return. The return for 2015/16 was 8.7% for the Oxford Endowment Fund and 9.8% for the Oxford Capital Fund.
- New endowments recorded as part of total comprehensive income amounted to £37.9m and in 2014/15 amounted to £73.3m. New endowments fluctuate significantly from one year to the next.
- Capital grants received and recorded as part of total comprehensive income amounted to £29.2m (excluding HEFCE grants and grants for research) down from £39.2m in 2014/15 and are recorded as part of income when the related asset is brought into use or in line with phase completion of large construction projects.
- With regard to pensions expense, total comprehensive income includes the cost of pension contributions paid in the year, which increased by 8.8% to £84.2m as well as a charge of £11.0m (2014/15: £75.8m) to recognise the increased cost of past service deficits.

Income

Compared with the previous year, income to the University fell by 13.3%, from £1,523.9m to £1,321.8m. The main changes in 2015/16 were:

- research grants and contracts continued to be the largest source of income to the University and after excluding the prior year one-off research and development expenditure credit of £85.1m increased by 2.8% to £537.4m (2014/15: £522.9m), most of which was matched by related expenditure. The University has continued to receive increased research income from the UK Research Councils and the EU but grants from UK charities have decreased by 3.4% and other non EU funder charities by 8.1%;
- tuition fees and education contracts represent the second largest source of University income and totalled £293.5m, up by 10.5% as a result of higher student numbers, increased fees in some subjects and increased Research Training support grants;
- grants from HEFCE were slightly higher than the prior year at £192.5m. The main increase was in capital grants of £11.3m which offsets a reduction in the recurrent teaching grant of £1.8m and a loss of targeted funding;
- in 2014/15 the University received a special transfer from the Press of £120m. Excluding this, other income has fallen by 5.6% to £213.0m. This is a result of a decrease in capital grants received. The annual OUP transfer included in Other income is £45.8m (2014/15 £46.8m);
- donations and endowments (including donated heritage assets) were £76.6m, down from £113.7m;
- investment income increased from £4.7m to £8.8m due to the release of deferred income from the new Oxford Sciences Innovation plc; and
- investment gains totalled £188.0m. These are mainly unrealised and are derived from gains on the Oxford Funds, University owned investment properties which were all revalued in the year and investments in spin out companies. Part of the gain in the year was due to the weakness of sterling following the Brexit vote causing an appreciation in assets held in foreign currencies particularly the US Dollar.

Expenditure

The University's expenditure of £1,336.5m was 1.4% higher than in 2014/15. The main changes were:

- wages and salaries totalled £547.6m, and increased by 5.8%. The average number of staff rose by 4.5% compared with 2014/15 and the annual negotiated pay settlement was 1% excluding promotional salary increments. In April 2016, new higher rates of pension contribution were implemented for two of the University's principal pension schemes and, as a result, pension contributions increased by 8.8% to £84.2m. In addition, total expenditure includes a charge of £11.0m (2014/15: £75.8m) to recognise the increased cost of past service deficits. Social security costs increased by 12.3% to £48.5m following changes to national insurance arrangements;
- other operating expenditure increased by 5.7% because of increased underlying research activity, higher repairs and maintenance, foreign exchange losses on research and provisions for building remediation works;
- depreciation increased from £82.6m in 2014/15 to £87.1m as a result of significant fixed asset additions during the year which included the completion of the Blavatnik School of Government; and
- interest payments increased from £5.9m to £12.8m following the draw-down of a loan of £200m from the European Investment Bank 'EIB' in July 2015 and higher pension scheme interest costs.

Cash flow and financing

The overall decrease in cash for the year was £21.2m. Net operating cash flow of £35.5m is lower than 2014/15 primarily as a result of the prior year special transfer from the Press of £120m and the research and development expenditure tax credits received. Capital expenditure and capital grants received have increased year on year as the University continues to progress its current strategic capital investment program. The net realisation of cash from investment activities reflects the decision of the Investment Committee to reduce exposure to long and medium term bonds following the exceptional rise in bond prices and the funding of capital expenditure.

	2016 £'m	2015 £'m
Net cash inflow/(outflow) from operating activities	35.5	167.6
Capital expenditure	(154.3)	(132.2)
Capital grants received	63.1	56.3
Net cash impact of investment activities	(8.7)	(266.8)
New loans – EIB	-	200.0
Endowment cash received	53.0	61.6
Other	(9.8)	(4.2)
(DECREASE)/INCREASE IN CASH	(21.2)	82.3

As at 31 July 2016, the University had bank loans outstanding totalling £230.3m. Net liquidity days were 171 (2014/15: 162).

Net Assets

- Net assets totalled £3.01bn (2014/15: £2.84bn).
- Fixed assets, including Intangible Assets, PPE and Heritage Assets increased by £72m to £1,410.9m and included the capitalisation of expenditure on the Blavatnik School of Governance, conversion of the Outpatients building for the Department of Primary Health Care Sciences, refurbishment of accommodation for Statistics and a number of IT projects, in particular student systems.
- Non-current asset investments have increased by £197.0m to £2,057.8m reflecting an increase of 8.7% in market value and the receipt of new endowments less the transfer of some assets to cash and current asset investments to fund future capital expenditure. Endowment assets are now split over their asset types and comparative figures have been adjusted.

The University is a member of three multi-employer pension schemes whose assets and liabilities are not hypothecated to individual institutions. Two of the schemes, USS and OSPS, are funded schemes facing substantial deficits. Details of the schemes and associated deficits are set out in note 34.

The Oxford Funds

The Oxford Funds is an investment vehicle established under the provisions of the Universities and Colleges (Trusts) Act 1943. The Act enables the collegiate University to pool assets held on trust and invest them as one. The Oxford Funds is managed by Oxford University Endowment Management Ltd (OUEM) under investment and distribution policies set by the Investment Committee and Council. There are two unitised class accounts, the Oxford Endowment Fund (OEF) and the Oxford Capital Fund (OCF), and the Funds are open to the University, the colleges and charitable trusts associated with the University. The University's share of the OEF represents the collective endowments of approximately 600 individual trusts.

Oxford Endowment Fund

The OEF aims to preserve and grow the value of the perpetuity capital of the collegiate University of Oxford, while providing a sustainable income stream. Its specific investment objective is to generate an average 5% return over the consumer prices index, with volatility not more than the MSCI World Index. This investment objective is long term, and not a year by year measure. The Fund seeks to achieve its objectives by investing across a range of asset groups that give a diversified stream of returns and which can function in a variety of environments. The OEF's distribution policy is to distribute 4.25% of the average of the last 20 quarters' net asset value subject to a cap of 10% increase and a floor of the previous year's distribution. This ensures that the distribution is directly linked to the performance of the Fund without depleting the capital originally invested.

At 31 July 2016, the market value of the OEF was £2,146m having distributed £71.8m to the collegiate University for the calendar year 2015. For the three years to 31 July 2016, the OEF returned an annualised (average) 9.6%, over five years, it returned an annualised 9.5%; and, over seven years, it returned an annualised 10.4%. For 2015/16, it returned 8.7%. The annualised volatility of the Fund over three years is 5.2%. These performance figures are quoted net of all fund expenses

The Oxford Capital Fund

The OCF exists to invest expendable capital over a medium term time horizon. Typically this capital is for building projects which have a known liability at a fixed point in the future and, accordingly, the OCF seeks to operate at a lower risk tolerance than the OEF. Its specific investment objective is to generate an average 1.5% return over the consumer prices index with an expected volatility range of 5–8%. The OCF does not make an annual distribution as all income generated is reinvested, and it is designed to allow for subscriptions and redemptions on a monthly basis.

At 31 July 2016 the market value of the OCF was £495m. For the twelve month period to 31 July 2016 the OCF returned 9.8%. For the three years to 31 July 2016, it returned an annualised (average) 5.9%, over five years, it returned an annualised 5.8% and, over seven years, it returned an annualised 6.9%. The annualised volatility of the Fund over three years is 4.4%. These performance figures are quoted net of all fund expenses.

Further performance information about the OEF and OCF can be found in The Report of The Oxford Funds at www.ouem.co.uk.

Outlook

The University faces a period of economic uncertainty as the UK Government negotiates an exit from the European Union. The uncertainty affects staff, researchers and students and impacts on the future of teaching and research funding, student fees, endowments and investment returns. The sector also faces uncertainty as the Higher Education & Research Bill passes through Parliament. The University is actively lobbying appropriate bodies to ensure its concerns on all of these issues are heard. As a global institution the University will continue to collaborate with partners in the UK, the EU and the rest of the world.

Other areas of financial uncertainty include the impact of exchange rates on the University's global activities, particularly the Press, and the ability of pension funds to meet future liabilities. The next triennial valuation of USS at 31 March 2017 and OSPS at March 2016 are anticipated to result in an increased pension deficit and this is likely to result in a material increase in the provision for future pension deficits.

Notwithstanding all of these challenges, the University will continue to seek to manage its sources of revenue effectively and its costs efficiently in order to generate the positive long-term cash-flow needed to ensure that Oxford maintains its pre-eminent position amongst the world's leading universities.

Corporate Governance Statement

Oxford University is an independent and self-governing institution, consisting of the University and the colleges. The Council of the University is responsible for the academic policy and strategic direction of the University. Thirty-eight colleges, though independent and self-governing, are related to the University in a federal system. There are also six Permanent Private Halls, which were founded by different Christian denominations, and still retain their religious character today. The colleges (other than Kellogg College and St Cross College)²⁵ and the Permanent Private Halls are legally and financially separate from the University. Their financial results are not consolidated into the University financial statements.

Charitable status

The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of that Act, including the need to register with the Charity Commission. Since 1 June 2010, HEFCE has been 'principal regulator' for charity law purposes of those English universities which are exempt charities.

The members of Council, the University's executive body, are the trustees of the charity. In that capacity they have had regard to the Charity Commission's guidance on public benefit and the supplementary guidance on the advancement of education, in particular, the key principles that there must be an identifiable benefit or benefits and that the benefit must be to the public or a section or sections of the public. Whilst students, both undergraduate and graduate, are immediate beneficiaries of the University's charitable objectives, the public as a whole benefits considerably from the contributions that the University's teaching and research make to society and the economy.

Any private benefit arising from commercially funded research and knowledge transfer activity is incidental to the University's principal objects. The University's trustees are aware of their obligations in respect of these public benefit principles and ensure that the University has procedures and policies in place to cover the creation of intellectual property and the management of conflicts of interest.

Governance Structure

The following information describes the governance and legal structure of the University. These governance arrangements are for the most part set out in the University Statutes and Regulations²⁶.

HEFCE requires the University to provide an explanation of the ongoing differences between the University's governance arrangements and the Higher Education Code of Governance published by the Committee of University Chairs. This can be found in the table available at www.admin.ox.ac.uk/councilsec/governance/governancestructures/theuniversitysgovernancestructure/gov_comp/comptable.

Congregation

The University of Oxford is a lay corporation first established by common law and later formally incorporated by statute. It has no founder and no charter. The sovereign body of the University is Congregation, composed of virtually all academic staff and certain research staff, administrators and librarians. Congregation acts as the 'parliament' of the University and has the power to bind Council. It has responsibility for considering major policy issues submitted to it by Council or members of Congregation; it elects members to certain University bodies, including Council and the Audit and Scrutiny Committee; and it approves changes to the University's Statutes and Regulations.

Council

Council is composed of members of Congregation elected by Congregation, ex officio members and lay members²⁷. It meets regularly and is chaired by the Vice-Chancellor. Subject to the powers of Congregation, Council is the executive governing body responsible for the academic policy and strategic direction of the University, including its relations with colleges and external relations, and for the administration of the University. Council is responsible for the management of the University's finances and assets, in accordance with the conditions of the memorandum of

²⁵ These are departments of the University and, as such, their financial results are consolidated into the University's financial statements.

²⁶ www.admin.ox.ac.uk/statutes

²⁷ Membership of Council can be found on page 23.

assurance and accountability between HEFCE and the University; and for keeping accounts and records of all funds administered by Council and for prescribing the form in which institutions, departments, boards, committees and delegacies of the University shall keep their accounts.

Council is also responsible for determining an adequate and effective system of risk management that covers all risks, including governance, management, quality, reputational and financial risks, which focuses on the most significant risks, and which produces a balanced portfolio of risk exposure; and for determining the system of internal control operated by the University and for monitoring its adequacy and effectiveness.

Council is required to take such other steps as it may consider necessary for the efficient and prudent conduct of the University's financial business, including taking reasonable steps:

- to ensure that there are appropriate controls in place to safeguard public and publicly-accountable funds and funds from other sources, to safeguard the assets of the University and to prevent and detect fraud and other irregularities;
- to ensure that income has been applied in accordance with the University's Statutes, its memorandum of assurance and accountability with HEFCE and its funding agreement with the National College for Teaching and Learning; and
- to secure the economic, efficient and effective management of the University's resources and expenditure.

Council is required to prepare financial statements, which include the accounts relating to the teaching and research activities of the University and the accounts of the University's subsidiary undertakings. These give a true and fair view of the assets and liabilities of the University (other than the Press²⁸) and its subsidiary undertakings at the end of the financial year, and of their income and expenditure for the year under review. In preparing the financial statements, Council is required:

- to select suitable accounting policies and apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the University will continue to operate.

From time to time Council reviews its own effectiveness and the institution's structures and performance to ensure it is able to satisfy itself that it is able to discharge its external accountability (including audit) requirements both in the academic and financial spheres. Its most recent self-review took place in 2015/16. Council approved the findings and is in the process of implementing the recommendations.

In accordance with the Modern Slavery Act 2015, Council is required to approve the University's slavery and human trafficking statement for each financial year. The statement for this financial year is available at www.admin.ox.ac.uk/councilsec/compliance/modernslavery.

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

Committees of Council

Council is advised by a range of committees, including five main committees that report directly to it on core business:

- the **Education Committee** is responsible for defining and keeping under review the educational philosophy, policy and standards of the University, and for the oversight of activities relating to teaching, learning and assessment;

²⁸ See footnote 3 on page 3. The Press has its own financial regulations and procedures. An auditor appointed annually by Council separately audits the Press's accounts.

- the **General Purposes Committee** advises Council on policy in respect of issues or activities which are University-wide, and do not fall wholly within the remit of the other committees of Council. Its remit includes responsibility for keeping under review procedures for identifying and managing risks across the University's activities;
- the **Personnel Committee** is responsible for the development and review of employment policies, for staff relations and for all personnel and equality matters;
- the **Planning and Resource Allocation Committee** advises Council on planning, budgets, forecasts, resource allocation and other financial arrangements, monitors performance against plans and budgets and monitors the implementation of the University's Strategic Plan; and
- the **Research Committee advises Council** on policy and planning issues relating to research, facilitates the preparation of external reviews of the University's research and co-ordinates the gathering of data for such reviews.

Financial and audit committees reporting directly to Council include the following:

- the **Audit and Scrutiny Committee**, the remit of which includes responsibility for the appointment of the University's external auditors (subject to Council's approval) and its internal audit service and for agreeing the nature and scope of their work and their fees. The Committee reviews the adequacy and effectiveness of the University's risk management, internal control, value for money, data quality and governance arrangements, considers the annual financial statements and, under Council, oversees the University's arrangements to detect and prevent fraud and irregularity. During 2015/16, the Audit and Scrutiny Committee had no formal responsibility for assurance over the Press's activities. However, the Committee has been informed periodically about matters within the Press, and members of the Finance and Audit Committees of the Press have attended meetings of the Audit and Scrutiny Committee during the year;
- the **Finance Committee**, responsible, under Council, for the consideration of the financial resources available to the University, and for proposing, for approval by Council, the overall income and expenditure budget, the overall capital expenditure budget and the five-year financial strategy for the University. The Committee is also responsible for the review of, and provision of advice to Council on, the University's annual financial statements and annual accounts of the Delegates of the Press, and providing advice to Council on the needs of the University (as established by its plans) in order that Council can take these views into account when establishing capital investment policy;
- the **Investment Committee**, responsible, under Council, for the management of the University's investment portfolio; and
- the **Committee to Review the Salaries of Senior University Officers**, responsible for making recommendations to Council on the salaries on appointment of the Vice-Chancellor, the Registrar, and the Director of Finance, for determining the salaries on appointment of the Pro-Vice-Chancellors with special responsibility for designated functions and of the Heads of Divisions and for reviewing the salaries of those office-holders thereafter.

The Press

The Delegacy of the Press is responsible for the affairs of the Press, including risk management, treasury policy, governance and internal controls. The composition of the Delegacy includes seventeen members of Congregation appointed by Council. The Finance Committee of the Press is established by the Delegates to direct and manage the business, assets and finances of the Press, under the general authority of the Delegates. The Delegacy of the Press submits the Press's Annual Accounts and a report on those accounts to Council. The Delegates meet fortnightly during term time to review and approve all publishing proposals of the Press.

Membership of Council

The members of Council are the Charity Trustees of the University. Membership of Council from 1 August 2015 to 28 November 2016 was as follows:

POSITION	NAME	DATE
<i>Ex officio members</i>		
Vice-Chancellor	Professor Andrew Hamilton	To 31 December 2015
	Professor Louise Richardson	From 1 January 2016
Chairman of Conference of Colleges	Professor Paul Madden, Provost of Queen's	Throughout
Head of the Medical Sciences Division	Professor Alastair Buchan	Throughout
Head of the Mathematical, Physical and Life Sciences Division	Professor Alex Halliday	To 31 August 2015
	Professor Donal Bradley	From 1 September 2015
Head of the Humanities Division	Professor Shearer West	To 31 August 2015
	Professor Christopher Wickham	From 1 September 2015 to 22 September 2016
	Professor Karen O'Brien	From 23 September 2016
Head of the Social Sciences Division	Professor Roger Goodman	Throughout
Senior Proctor	Dr George Garnett	To 15 March 2016
	Dr Mark Whittow	From 16 March 2016
Junior Proctor	Dr Lisa Bendall	To 15 March 2016
	Dr Elizabeth Gemmill	From 16 March 2016
Assessor	Dr Patricia Daley	To 15 March 2016
	Luke Pitcher	From 16 March 2016
<i>Elected by the Conference of Colleges</i>		
	Professor Henry Woudhuysen, Rector of Lincoln	To 15 September 2016
	The Rt Hon Dame Elish Angiolini, Principal of St Hugh's	From 16 September 2016
<i>Elected by Congregation</i>		
One of four members of Congregation elected by Congregation from members of the faculties in the divisions of Mathematical, Physical and Life Sciences and of Medical Sciences	Professor Lionel Tarassenko	Throughout
	Professor Martin Williams	To 30 September 2015
	Professor Matthew Freeman	From 1 October 2015
	Professor Helen McShane	Throughout
	Professor Richard Hobbs	Throughout
One of four members of Congregation elected by Congregation from members of the faculties in the divisions of Humanities and of Social Sciences	Professor Teresa Morgan	Throughout
	Professor Neil MacFarlane	To 30 September 2016
	Professor Helena Hamerow	From 1 October 2016
	Professor Emma Smith	To 30 September 2015
	Dr Kate Blackmon	From 1 October 2015
One of three members of Congregation, not necessarily being members of any division and not in any case being nominated in a divisional capacity, who shall be elected by Congregation	Dr Ian Watson	Throughout
	Professor Anne Trefethen	Throughout
	Dr Frances Lannon, Principal of Lady Margaret Hall	To 30 September 2015
	Sir Rick Trainor, Rector of Exeter	From 1 October 2015
	Professor Christopher Wickham	To 31 August 2015
	Professor Jonathan Michie, President of Kellogg	From 26 November 2015 to 30 September 2016
Professor Sir Rory Collins	From 1 October 2016	

POSITION	NAME	DATE
<i>External members</i>		
	Ms Jayne Almond	Throughout
	Sir Crispin Davis	Throughout
	Lord Drayson	Throughout
	Sir David Norgrove	Throughout
<i>Co-opted members</i>		
	Professor Sally Mapstone	To 31 August 2016
	Professor Ian Walmsley	From 1 September 2016

Risk Management Statement

Council is responsible for determining an adequate and effective system of risk management that covers all risks, including governance, management, quality, reputational and financial risks, which focuses on the most significant risks, and which produces a balanced portfolio of risk exposure. Risk management is a significant part of the University's system of internal control. Council recognises that risk management cannot eliminate all risk, particularly during an uncertain time for the sector.

The University's objectives for risk management are to align risk management with the University's objectives (as set out in the Strategic Plan and elsewhere); to appraise and manage risks and opportunities in a systematic, structured and timely manner, in accordance with best practice; to strengthen decision-making, prioritisation and planning; to achieve the appropriate balance between stability and innovation; and to assign accountability and responsibility for risk within the University.

The University has implemented a Risk Management Policy, which sets out the arrangements it has adopted to enable it to manage its risks. These arrangements can be summarised as follows:

- The General Purposes Committee is responsible for reviewing the procedures for identifying and managing governance, management, quality, reputational and financial risks across the University;
- Divisional and departmental risk reporting and risk management is embedded in the University's five-year planning process;
- The General Purposes Committee considers the Strategic Risk Register and associated risk management reports; it also receives risk registers and reports on risk management from the major committees of Council;
- Council receives regular reports from the General Purposes Committee on risk management;
- Council reviews the major strategic risks to the University's activities, captured in the University's Strategic Risk Register, and considers reports on management of the key strategic risks;
- The Audit and Scrutiny Committee receives reports from the internal auditors on risk management, and provides assurance to Council on the adequacy and effectiveness of the University's arrangements for risk management.

Council confirms that a system of risk management has been in place and operating as intended during the year ended 31 July 2016, and up to the date of approval of the audited financial statements. It notes that further progress has been made in developing and embedding risk management in the University during 2015/16 with the introduction of a common approach to risk registers for the major Committees, and a standardised set of risk management reports for strategic risks. It expects to see further strengthening of risk management during 2016/17.

The University's Strategic Risk Register considers risks in terms of three themes: capability, sustainability and reputation. Six key strategic risk areas are identified, namely risks relating to:

- strategy, leadership and governance;
- compliance, control and operational risks;
- financial sustainability;

- academic excellence;
- recruiting, rewarding and retaining staff; and
- relationships with the colleges and the Permanent Private Halls.

The Strategic Risk Register captures the key risks to achieving the objectives in the University's Strategic Plan, and is a summary of the key risks facing the University as a whole. In drawing together this Register, consideration has been given to the risk registers from the major committees of Council, other committees with a particular risk focus (such as the Health and Safety Subcommittee and the Security Subcommittee), the academic divisions (which incorporate risks from the departments and faculties), the major services, including IT and Estates Services, and the subsidiary companies. The register therefore combines the top-down, strategic identification of risk, driven by the Strategic Plan, with the consideration of bottom-up, local risks from across the University.

Supporting risk management reports have been developed for each of the risks in the Strategic Risk Register. These reports provide more detail on the risks, how they are managed, and the effectiveness of the controls in place. They are owned primarily by the relevant major committees, and they provide an ongoing record of risk management activity against each risk factor.

Statement of Internal Control

Council is responsible for determining the system of internal control operated by the University and for monitoring its adequacy and effectiveness. It accepts that it is neither possible nor desirable to build a control environment which is free from risk. There is tension between the acknowledged advantages of the University's highly-devolved operating model and the risks inherent in such a devolved structure. The devolved nature of authority and responsibility can present a challenge to the achievements of the internal control.

The University's system of internal control can therefore provide reasonable but not absolute assurance over the governance, operational, compliance, management, quality, reputational and financial risks to the University. The system of internal control is designed to manage the principal risks to the achievement of the University's aims and objectives efficiently, effectively and economically; to safeguard the assets for which Council is responsible, including public funds and other assets; and to ensure that liabilities incurred are recorded and managed effectively.

The following processes have been established to review the adequacy and effectiveness of the University's system of internal control:

- The Audit and Scrutiny Committee meets four times during the year. It carries out regular and detailed monitoring of internal controls on behalf of Council. The Committee agrees a programme of work for the internal audit function; receives regular reports from the internal auditors and from management on the adequacy and effectiveness of internal controls; receives reports from the external auditors; and agrees the actions necessary to implement recommended improvements, among other matters.
- Council receives regular reports from the Audit and Scrutiny Committee on internal control and the business of the Committee.
- Council meets at least eight times during the year to consider the strategic direction and the effective administration of the University.
- PricewaterhouseCoopers LLP ('PwC') provides internal audit services for the University. PwC provides an annual opinion on the adequacy and the effectiveness of internal controls and risk management across the University, in accordance with HEFCE's 'Audit Code of Practice'²⁹.
- KPMG LLP ('KPMG') provides external audit services for the University. KPMG provides an annual opinion on whether funds (including public funds) have been applied for the intended purposes. The external auditors also refer in their annual management letter to any control deficiencies arising from the audit, in accordance with the 'Audit Code of Practice'.
- The University's Financial Regulations set out processes designed to ensure the safeguarding of assets and the effective management of liabilities.

Council confirms that the University's system of internal control has been in place and operating effectively during the year ended 31 July 2016, and up to the date of approval of the audited financial statements.

²⁹ HEFCE's Audit Code of Practice is Annex A to the Memorandum of assurance and accountability between HEFCE and institutions.

Independent auditor's report to the members of the Council of the University of Oxford

We have audited the Group and University financial statements ('financial statements') of the University of Oxford for the year ended 31 July 2016 set out on pages 28–79. 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 of the University of Oxford in accordance with the University's Statutes and the Higher Education Funding Council for England (HEFCE) Memorandum of Assurance and Accountability August 2014. Our audit work has been undertaken so that we might state to the Council's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and the auditor

As explained more fully in the Statement of the Responsibilities of Council, Council is responsible for the preparation of the financial statements that 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 the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report 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.

Basis for qualified opinion on financial statements

As explained in note 1 to the Statement of Accounting Policies, the University has not included the transactions and balances of the Oxford University Press ("the Press") in its financial statements. As the Press is a department of the University rather than a separate legal entity, in our opinion, under the relevant accounting standards, the transaction and balances of the Press should have been included in the University and Group financial statements. Had the University accounted for the Press as part of the University, the University and Group financial statements for the year ended 31 July 2016 would have recognised additional net assets of some £636m (2015: £516m) and an increase in the reported surplus for the year of some £48m (2015: reduction in surplus £52m) based on unaudited management accounts of the Press to 31 July 2016. Extracts from the accounts of the Press for the year ended 31 March 2016 are included for information at pages 80–91 but do not form part of these financial statements.

We qualified our audit opinion on the financial statements for the year ended 31 July 2015 with regard to this same disagreement.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the state of affairs of the Group and the University as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses and changes in reserves and 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 by the Higher Education Funding Council for England Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects,

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the HEFCE Memorandum of Assurance and Accountability;
- 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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Consolidated & University Statements of Comprehensive Income

For the year ended 31 July 2016

		CONSOLIDATED		UNIVERSITY	
		2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Income					
Tuition fees and education contracts	1	293.5	265.7	277.2	251.2
Funding Body Grants	2	192.5	186.1	192.5	186.1
Research grants and contracts	3	537.4	608.0	534.3	604.6
Other income	4	213.0	345.7	168.0	307.6
Investment income	5	8.8	4.7	7.8	4.1
TOTAL INCOME BEFORE DONATIONS		1,245.2	1,410.2	1,179.8	1,353.6
Donations and endowments	6	74.4	103.7	71.0	103.0
Donation of heritage assets	6,14	2.2	10.0	2.2	10.0
TOTAL INCOME		1,321.8	1,523.9	1,253.0	1,466.6
Expenditure					
Staff Costs	7	680.3	638.2	661.5	620.2
Staff costs – movement in pensions provision	24	11.0	75.8	10.6	74.8
Operating expenditure	9	545.3	516.0	504.4	481.1
Depreciation/Amortisation	9,13	87.1	82.6	86.9	82.1
Interest and other finance costs	8	12.8	5.9	12.7	5.8
TOTAL EXPENDITURE		1,336.5	1,318.5	1,276.1	1,264.0
(DEFICIT)/SURPLUS BEFORE OTHER GAINS		(14.7)	205.4	(23.1)	202.6
Gains on investments	5	188.0	205.4	186.1	202.5
SURPLUS BEFORE TAX		173.3	410.8	163.0	405.1
Taxation	10	(0.4)	(18.5)	-	(18.5)
TOTAL COMPREHENSIVE INCOME		172.9	392.3	163.0	386.6
Represented by					
Unrestricted comprehensive income for the year		95.5	237.2	84.6	232.0
Endowment comprehensive income for the year		73.9	147.9	74.9	147.4
Restricted comprehensive income for the year		3.5	7.2	3.5	7.2
		172.9	392.3	163.0	386.6

The activities of the Oxford University Press ('the Press') are not included within the University's Financial Statements. Extracts from the accounts of the Press for the year ended 31 March 2016 are included for information at pages 80–91 but do not form part of these Financial Statements.

All activities relate to continuing operations

Consolidated & University Statements of Changes in Reserves

For the year ended 31 July 2016

CONSOLIDATED	ENDOWMENT RESERVES		INCOME AND EXPENDITURE RESERVES		TOTAL £'m
	Permanent £'m	Expendable £'m	Restricted £'m	Unrestricted £'m	
Balance at 31 July 2014	617.4	70.6	67.0	1,692.4	2,447.4
Income	45.4	34.3	27.4	1,416.8	1,523.9
Expenditure	(14.7)	(12.0)	(20.2)	(1,271.6)	(1,318.5)
Surplus/(deficit)	30.7	22.3	7.2	145.2	205.4
Reserve transfer	(2.2)	12.9	-	(10.7)	-
Other comprehensive income	72.4	11.8	-	102.7	186.9
Balance at 31 July 2015	718.3	117.6	74.2	1,929.6	2,839.7
Income	25.3	12.9	20.8	1,262.8	1,321.8
Expenditure	(15.6)	(5.1)	(17.3)	(1,298.5)	(1,336.5)
Surplus/(deficit)	9.7	7.8	3.5	(35.7)	(14.7)
Reserve transfer	(9.9)	-	-	9.9	-
Other comprehensive income	55.1	11.2	-	121.3	187.6
BALANCE AT 31 JULY 2016	773.2	136.6	77.7	2,025.1	3,012.6

UNIVERSITY	ENDOWMENT RESERVES		INCOME AND EXPENDITURE RESERVES		TOTAL £'m
	Permanent £'m	Expendable £'m	Restricted £'m	Unrestricted £'m	
Balance at 31 July 2014	550.6	70.6	67.0	1,700.4	2,388.6
Income	45.4	34.3	27.4	1,359.5	1,466.6
Expenditure	-	(12.0)	(20.2)	(1,231.8)	(1,264.0)
Surplus/(deficit)	45.4	22.3	7.2	127.7	202.6
Reserve transfer	(14.3)	12.9	-	1.4	-
Other comprehensive income	69.3	11.8	-	102.9	184.0
Balance at 31 July 2015	651.0	117.6	74.2	1,932.4	2,775.2
Income	25.3	12.9	20.8	1,194.0	1,253.0
Expenditure	-	(5.1)	(17.3)	(1,253.7)	(1,276.1)
Surplus/(deficit)	25.3	7.8	3.5	(59.7)	(23.1)
Reserve transfer	(22.9)	-	-	22.9	-
Other comprehensive income	53.5	11.2	-	121.4	186.1
BALANCE AT 31 JULY 2016	706.9	136.6	77.7	2,017.0	2,938.2

Consolidated and University Balance Sheets

As at 31 July 2016

		CONSOLIDATED		UNIVERSITY	
		2016 £'m	2015 £'m	2016 £'m	2015 £'m
Non-current Assets					
Intangible assets and goodwill	12	1.4	0.1	1.6	0.3
Property, plant and equipment	13	1,329.0	1,261.8	1,327.6	1,260.8
Heritage assets	14	80.5	77.0	80.5	77.0
Investments	15	2,057.8	1,860.8	2,005.2	1,797.3
		3,468.7	3,199.7	3,414.9	3,135.4
Current Assets					
Inventories		2.9	3.1	1.4	1.5
<i>Trade and other receivables</i>					
▪ due within one year	17	224.5	236.0	227.1	241.1
▪ due after one year	18	7.2	7.2	7.2	7.2
Investments	19	51.1	65.2	49.9	63.0
Cash & Cash equivalents	20	217.1	233.3	183.1	214.4
		502.8	544.8	468.7	527.2
Creditors: Amounts falling due within one year	21	(493.1)	(474.7)	(481.6)	(459.0)
NET CURRENT ASSETS		9.7	70.1	(12.9)	68.2
TOTAL ASSETS LESS CURRENT LIABILITIES		3,478.4	3,269.8	3,401.9	3,203.6
Creditors: Amounts falling due after more than one year	22	(256.8)	(241.7)	(256.8)	(241.7)
Provisions for liabilities					
Pension provisions	24	(197.4)	(181.2)	(196.2)	(180.4)
Other provisions	25	(11.6)	(7.2)	(10.7)	(6.3)
TOTAL NET ASSETS		3,012.6	2,839.7	2,938.2	2,775.2
Reserves					
<i>Endowment Reserves</i>					
▪ Permanent	26	773.2	718.3	706.9	651.0
▪ Expendable	26	136.6	117.6	136.6	117.6
		909.8	835.9	843.5	768.6
<i>Restricted reserves</i>					
▪ Income and expenditure reserve	27	77.7	74.2	77.7	74.2
<i>Unrestricted reserves</i>					
▪ Income and expenditure reserve		2,025.1	1,929.6	2,017.0	1,932.4
		2,102.8	2,003.8	2,094.7	2,006.6
TOTAL RESERVES		3,012.6	2,839.7	2,938.2	2,775.2

The activities of the Oxford University Press ('the Press') are not included within the University's Financial Statements. Extracts from the accounts of the Press for the year ended 31 March 2016 are included for information at pages 80–91 but do not form part of these Financial Statements.

The Financial Statements were approved by Council on 1 December 2016 and signed on its behalf by:



Prof. Louise Richardson
Vice-Chancellor



G. F. B. Kerr
Director of Finance

Consolidated Statement of Cash Flows

For the year ended 31 July 2016

	CONSOLIDATED	
	2015/16 £'m	2014/15 £'m
Cash flows from operating activities		
Surplus for the year	172.9	392.3
<i>Adjustment for:</i>		
Depreciation	13	87.1
Amortisation of intangibles	12	0.1
(Gain) on investments		(188.0)
Decrease/(increase) in inventories		0.2
(Increase) in receivables	17	(5.2)
Increase in payables	21,22	51.6
Increase in other provisions	25	4.4
Increase in pension provisions	24	10.9
Heritage assets non-cash donation	14	(2.2)
Unrealised exchange rate loss/(gain)		15.3
<i>Adjustment for investing or financing activities:</i>		
Investment income	5	(8.8)
Interest payable	8	12.8
Endowment income	6	(37.9)
Capital grant income		(77.7)
Profit on disposal of property, plant and equipment	13	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	35.5	167.6
Cash flows from investing activities		
Capital grants receipts		63.1
Payments to acquire heritage assets	14	(1.3)
Payments to acquire property, plant and equipment	13	(154.3)
Payments to acquire intangible assets	12	(1.4)
Net divestment/(investment) in current investments	19	14.1
Net (investment) in non-current investments	15	(26.6)
Investment income	5	6.5
NET CASH FLOWS FROM INVESTING ACTIVITIES	(99.9)	(342.7)
Cash flows from financing activities		
Interest paid on borrowings and finance leases	8	(7.5)
Endowment Cash Received		53.0
Repayment of borrowings	21, 22	(2.3)
New borrowings	22	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	43.2	257.4
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(21.2)	82.3
Cash and cash equivalents at beginning of year	233.3	151.0
Effect of foreign exchange rate changes		4.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	217.1
		233.3

Statement Of Accounting Policies

1. Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with the applicable accounting standard FRS 102 (Financial Reporting Standard 102) and the Statement of Recommended Practice: on Accounting for further and higher Education (FEHE SORP), except for the exclusion of Oxford University Press "Press".

The University is a public benefit entity and has applied the relevant public benefit requirements of FRS 102.

The functional currency of the University is Pounds Sterling, the currency of the United Kingdom the primary economic environment the University operates in. The consolidated Financial Statements are also presented in Pounds Sterling. Foreign operations are included in accordance with the policies set out in policy 3.

Judgements made by management in the application of these accounting policies that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed at the end of these policies.

Exclusion of the Press

The Financial Statements do not include the transactions and balances of the Press which is a department of the University rather than a separate legal entity. Under the University's Statutes and Regulations the Financial Statements of the Press shall not be included in the University financial statements and the Delegacy of the Press is responsible for preparing separate audited accounts relating to the Press for submission to Council. Extracts from the accounts of the Press for the year ended 31 March 2016 are included for information at pages 80-91 but do not form part of these financial statements. Where funds are transferred from the Reserves of the Press these are reflected as income in the financial statements of the University. The exclusion of the Press from the University and consolidated financial statements is however not in accordance with applicable Accounting Standards and the Statement of recommended practice: on accounting for further and higher education (FEHE SORP).

The University has complied with all other requirements of FRS 102, the FEHE SORP, and HEFCE accounts guidance in preparation of the Financial Statements.

2. Scope of the Financial Statements

Basis of consolidation

The Financial Statements (apart from the University's own balance sheet, income statement and related notes) consolidate the accounts of the University and of its subsidiary undertakings for the financial year to 31 July 2016.

The results of subsidiaries acquired or sold in the current or prior years are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the purchase method.

The Financial Statements do not consolidate the accounts of the Oxford University Student Union and its subsidiary company, as they are separate and independent legal entities in which the University has no financial interest and it does not exercise direct control or dominant influence over their policy decisions.

The Financial Statements do not consolidate the accounts of those colleges of the University that are separate and independent legal entities. The accounts of Kellogg College and St Cross College are included as they are departments of the University.

Non-company charitable subsidiaries, including trusts, are aggregated into the University accounts where they meet the definition of a 'Special Trust' as per section 287 of the Charities Act 2011. Where a trust does not meet the definition of a special trust, but control can be demonstrated by the University, it is consolidated.

Investment funds where the University is the majority investor, but does not exercise any management control are excluded from consolidation in accordance with the provisions of Section 9 of FRS 102, and accounted for as Investment Assets.

In the Consolidated Financial Statements, associated undertakings are accounted for using the 'Equity Method'. They are initially recognised at transaction cost adjusted each year to reflect the University's share of the associates' Comprehensive Income, recognised through Other Comprehensive Income.

Going concern

After making enquiries, Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future.

The University prepares budgets and forecasts on an annual basis and operates an ongoing 5 year forecast sustainability review in line with HEFCE guidance. The going concern nature of the University has been considered for a period of greater than 12 months from the date of approval of the Financial Statements.

Detailed cash flow forecasts covering a period of greater than 12 months have been prepared and the University is satisfied that it can meet its day to day working capital needs out of cash and liquid investments. Council is not aware of any material uncertainties which would prevent the University from continuing as a going concern.

For these reasons, it continues to adopt the going concern basis in preparing the accounts.

3. Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

4. Income

University income falls into 7 main material categories:

- tuition fees and educational contracts
- provision of other goods and services
- royalty income
- investment income
- research grants and contracts
- funding body grants
- donated and endowment income

Income recognition is determined by the nature of the transaction, income source, and whether or not the transaction has commercial substance.

Transactions with commercial substance

Where a transaction has commercial substance it is accounted for as a revenue transaction. Income is recognised in line with the provision of the associated goods or services, with reference to the terms of the contract.

Tuition fees and educational contracts

Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income over the period students study. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Tuition and other course fees relate directly to the provision of specific academic and non-academic courses. Income is recognised on a pro-rata basis across the length of the course, in line with the provision of the courses to students.

Professional course fees and other educational contracts are accounted for as for service contracts below.

Provision of other goods and services

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customer.

Where services are being rendered, but are not complete at the end of the period income is recognised with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of relevant agreements.

Investment income

Refer to policy 13 for investment income recognition policy.

Agency income

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk.

Transactions without commercial substance

Where the University receives income on a basis that is without commercial substance it accounts for this on a Non-Exchange Transaction basis. A Non-Exchange Transaction is defined as when:

"An entity receives value from another entity without directly giving approximately equal value in exchange".

Performance model

Income is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and performance related conditions specified in the agreement are met. In the absence of performance conditions income is recognised in full as soon as it becomes receivable.

Performance conditions are defined as follows:

"A condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to, the resources conditional on that performance".

Resources received in advance of completion of performance conditions are recognised on the balance sheet as deferred income and released to the Statement of Comprehensive Income as conditions are met. Where grants are received in arrears accrued revenue or receivable assets are recognised in line with income.

Government grants

Both revenue and capital government grants are accounted for under the Performance Model.

- **HEFCE funding grants**

For funding grants relating to a single academic year income is recognised in full in the period to which the grant relates. Grants relating to more than a single year are recognised pro-rata across the term of the grant.

Non-Government grants, donations and endowments

Grant and donation income received from a non-governmental source is accounted for under the Performance Model.

Income is recognised as Donation and Endowment income, with the exception of funding for the purposes of research which is recognised as 'Research Grants and Contracts'.

Non-government grant and donation income is split into 4 classes;

- **Non-government grants and donated income with performance conditions**

Income is recognised within the Statement of Comprehensive Income when receivable (legal/contractual commitment) and performance conditions have been met

- **Donations with restrictions**

A donation is considered to have a restriction when the gift agreement contains;

"A requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance-related condition."

Income with restrictions, but no performance conditions, is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within restricted reserves.

As the funding is expended against the restriction it is transferred to unrestricted reserves by way of a reserves transfer.

- **Donations without restrictions**

Income with neither restrictions nor performance conditions is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within unrestricted reserves.

The University on occasion receives donations and endowments which either take the form of a bequeathment which will be paid upon the death of donor or will be paid in a series of tranches. It is the University's policy to recognise the income on these donations and endowments once it has a legal or constructive right to receive them, with the amounts due from the donors recognised on the Balance Sheet as Donations and Endowments Receivable.

- **Endowments**

Refer to policy 5 for income recognition policy for endowments.

Capital grants

Non-government grants, for the purpose of purchasing or constructing specific assets are recognised as income upon the asset being brought into use, or in line with phase completion of large construction projects. Grants where the University has discretion over the assets purchased/built are recognised in full as income when the grant becomes receivable. Government grants are taken as income as they become receivable.

Grant income is only recognised across the useful life of an asset to the extent that the grant specifically funds the operation/maintenance of the asset.

Research income

Income recognition for research funding is dependent upon the source of the funding and the nature of the transaction. Income is classified as 'Research Grants and Contracts' regardless of source when it meets the Frascati definition of research.

The following specific research income recognition criteria have been applied;

Research funding from United Kingdom Research Councils, and the European Commission is received on the basis of reimbursing the University for costs incurred in performance of the research. Income is recognised in line with expenditure which creates a right to receive funding from these bodies.

Funding from charities and industry is recognised on bases set out in the terms of individual funding agreements. In the majority of cases income is recognised on a reimbursement basis, with income recognised as costs are incurred for which the University has a right to reimbursement.

The following specific research income recognition criteria have been applied;

- Where funding is from a government body, expenditure on the grant purpose is presumed to be the performance condition unless specifically disallowed under the funding agreement.
- Funding from charities and industry is accounted for as non-government grant income unless it is demonstrable that a revenue transaction has taken place with near equal value being exchanged.

5. Endowments

Endowments are a class of donation where the donor requires the original gift be invested, with the return to be spent against the donor's charitable aims. The donor can specify that the capital can be spent (expendable endowment) or maintained in perpetuity (permanent endowment).

Endowments are classified as 'Non-Exchange Transactions' and are accounted for under the Performance Model. The original endowment gift is recognised as 'Donation and Endowment' income when receivable.

Permanent endowments

- **Permanent Restricted**
Donor has indicated the original gift be maintained in perpetuity, with investment income spent on restricted purposes defined by the donor.
- **Permanent Unrestricted**
Donor has indicated the original gift be maintained in perpetuity, with investment income spent on the general purposes of the University.

Upon initial income recognition permanent endowments are recorded as endowment capital within permanent endowment reserves.

Investment income and endowment spend is accounted for under the Total Return model.

Total Return

The University operates a Total Return endowment investment management policy for permanent endowments and an associated Total Return Accounting policy. Total Return Accounting allows the spending of permanent endowment investment gains regardless of whether they are realised/unrealised capital gains or dividend/interest income.

Investment gains on permanent endowment assets are recognised in the Statement of Comprehensive Income as accrued. The gains are recorded within the University's permanent endowment reserves as unapplied return.

For permanent restricted endowments unapplied return is transferred to unrestricted reserves as expenditure is incurred against the charitable purposes of each endowment.

For permanent unrestricted endowments unapplied return is transferred to unrestricted reserves under a spend rule based on the estimated long term investment real rate of return. This is calculated as a percentage (currently 4.0%) of the value of the brought forward endowment.

Indexation of permanent endowment capital

UK charity law requires the University to maintain the charitable benefit of all permanent endowments in perpetuity. The University has adopted a policy of indexing brought forward permanent endowment capital by CPI to maintain the original capital value in real terms. A transfer is made on an annual basis from unapplied return to an indexation reserve (a subset of permanent endowment capital).

Expendable endowments

■ Expendable Restricted

The donor has indicated the original gift may be spent, but unspent funds be invested. The original gift and investment gains are to be spent on restricted purposes defined by the donor.

Expendable restricted endowments upon initial income recognition are recognised within expendable endowment reserves.

Investment income is recognised within the Statement of Comprehensive Income as accrued and recorded as accumulated income within expendable endowment reserves.

Accumulated income is released to unrestricted reserves as a reserves transfer in line with spend against the restricted purposes of each endowment.

6. Employee Benefits

Short-term employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year employees render service to the University. A liability is recognised at each balance sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Statement of Comprehensive Income.

Post-employment benefits (pensions)

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Oxford Staff Pension Scheme (OSPS). The University also contributes on behalf of its employees to a number of other pension schemes including; Superannuation Arrangements of the University of London (SAUL), Medical Research Council Pension Scheme (MRCPS) and NHS Pension Scheme.

These schemes are all defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

USS, OSPS, SAUL, and MRCPS are multi-employer schemes for which it is not possible to identify the assets and liabilities belonging to individual institutional members due to the mutual nature of the schemes and therefore these schemes are accounted for as defined contribution retirement benefit schemes.

The University contributes to USS, OSPS, SAUL and MRCPS at rates set by the scheme actuaries and advised to the University by the scheme administrators. The University contributes to the NHS Pension Scheme at rates in accordance with the Government's actuary's report on the scheme.

The amount charged to the Statement of Comprehensive Income represents the contributions payable to each scheme in respect of the accounting period, excluding any extra costs incurred related to clearing scheme deficits already provided for.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the multi-employer schemes as determined by the scheme management. The associated expense is recognised in the Statement of Comprehensive Income.

7. Leases and Service Concession Arrangements

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 finance lease and associated lease liability are stated at the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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.

The University recognises finance leases only for agreements of £100k or above in line with the minimum value at which Property, Plant and Equipment is capitalised.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Future commitments under operating leases are disclosed in note 31.

Any lease premiums or incentives are recognised as a reduction in expense spread evenly over the minimum lease term. The difference between expenditure recognised and cash flow benefits received is recognised as a liability released to the Statement of Comprehensive Income over the lease term.

Service concession arrangements

Service concession arrangements are finance lease arrangements whereby the lessor also provides services (e.g. maintenance and operation) alongside provision of the assets. Service concession arrangements are accounted for on the same basis as finance leases except for the apportionment of payments.

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

8. Intangible Assets and Goodwill

Goodwill

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired, and the fair value of its separable net assets at the date of acquisition.

Goodwill is amortised over its estimated useful life of between five and ten years on a straight-line basis. A full year of amortisation is taken in the year of acquisition.

Goodwill is assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of goodwill is the present value of the future cash flows of the cash-generating units of which the goodwill is a part.

Negative goodwill relating to non-monetary assets is released to the Statement of Comprehensive Income as those assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets is released to the Statement of Comprehensive Income in the period in which the non-monetary assets are recovered.

Other internally generated intangibles

No internally generated intangibles are capitalised as the future inflow of economic benefits cannot be shown to be probable.

Research and development costs are written off to the Statement of Comprehensive Income as incurred.

9. Property, Plant and Equipment

Property, Plant and Equipment (PPE) consists of equipment, software and vehicles costing over £25k and capital building projects over £100k, land and completed buildings having a useful economic life of greater than 1 year and not intended for resale.

Property, Plant and Equipment (other than properties held for investment purposes) is stated at cost and depreciated on a straight-line basis over the following periods:

Freehold buildings 50 years
 Building plant and equipment 20 years
 Buildings on National Health Service sites 50 years
 Leasehold properties 50 years or the period of the lease if shorter
 Equipment 3–5 years

Freehold land and assets in the course of construction are not depreciated.

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a PPE asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss on assets, the prior impairment loss is reversed only to the extent that it does not lead to a revised carrying amount higher than if no impairment had been recognised.

Borrowing costs

Borrowing costs relating to purchase or construction of PPE assets are recognised as an expense in the Statement of Comprehensive Income in the period in which they are incurred.

10. Heritage Assets

Works of art and other valuable artefacts (heritage assets) acquired since 1 August 1999 and valued at over £25k are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

11. Donated Assets

The University receives benefits in kind such as gifts of equipment, works of art and property. Items of a significant value donated to the University, which, if purchased, the University would treat as Property, Plant and Equipment, are capitalised at their current value and depreciated in accordance with the policy set out above. The value of the donation is included in the Statement of Comprehensive Income in the year they are received.

12. Repairs and Maintenance

Expenditure to ensure that a Property, Plant and Equipment asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income in the period in which it is incurred. The University has a planned maintenance programme, which is reviewed annually.

13. Investments

Basis of valuation

All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date. Where fair value cannot be reliably measured or investments are not publicly traded, they will be measured at cost less impairment.

Investments in listed shares and venture capital vehicles (where shares are publicly traded or their fair value can be reliably measurable) are measured at market value. The majority of listed shares are invested through the Oxford Endowment and Oxford Capital Funds.

Investment properties will be measured at fair value, based on the triennial valuation undertaken by an independent Chartered Surveyor.

Investments in subsidiaries and associated undertakings are accounted for under the Cost Model and recognised at transaction cost less accumulated impairment losses.

Revaluation

All gains and losses on investment assets, both realised and unrealised are recognised in the Statement of Comprehensive Income as they accrue.

External entities

External entities such as Colleges and other bodies closely associated with the University can invest in the Oxford Endowment and Oxford Capital Funds. Since it is not possible to show the specific investments of these entities in the various funds, the amounts held on their behalf by the University are shown as a deduction from the University's Investment Assets.

14. Inventories

Inventories are stated at the lower of cost and selling price less costs to sell. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Consumables are charged to the Statement of Comprehensive Income as purchased or released from stores.

15. Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is listed as a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 472–488 of the Corporation Tax Act 2010 and Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Most of the University's principal activities are exempt from Value Added Tax 'VAT', but certain activities and other ancillary supplies and services are liable to VAT at various rates. Expenditure includes VAT charged by suppliers to the University where it is not recoverable and is likewise included in the cost of fixed assets.

Commercial trading activities undertaken by the University are operated through its subsidiary companies. This income will attract applicable VAT and the profits are liable to Corporation Tax. However, the taxable profits made by these companies are covenanted to the University and paid under Gift Aid, to the extent that the companies have distributable reserves, which negates that liability.

16. Cash and Cash Equivalents

Cash includes cash in hand, cash at bank, 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. These include term deposits and other instruments held as part of the University's treasury management activities.

Cash and cash equivalents contains sums relating to endowment reserves which the University is restricted as to how they are disbursed. Note 26 summarises the assets restricted in their use.

17. Financial Instruments

As allowable under FRS 102 the University has adopted the option to apply the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102.

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

18. Intra-Group Transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity; the part relating to the University's share is eliminated.

19. Public Benefit Concessionary Loans

Where loans are made at below the prevailing market rate of interest, not repayable on demand and made for the purpose of furthering the objectives of the University, they are classified as concessionary loans.

Concessionary loans are initially measured at the amount paid and adjusted at the period end to reflect any accrued income receivable. Should a loan be judged as irrecoverable it is written off to the Statement of Comprehensive Income in the period in which it becomes irrecoverable.

20. Accounting for Jointly Controlled Entities, Assets, and Operations

Jointly controlled entities

The University accounts for its share of jointly controlled entities using the equity method.

Investments in jointly controlled entities are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the Profit or Loss and Other Comprehensive Income of the Joint Operation.

Jointly controlled assets and operations

The University accounts for jointly controlled assets and operations based upon its share of costs incurred, and recognises its share of liabilities incurred pro-rata. Income and expenditure is recognised based upon the University's share.

21. Transition to FEHE SORP/FRS102

This is the first year that the University has presented its Financial Statements under FRS 102 and the FEHE SORP based upon it. The University has consequently applied the first time adoption requirements.

An explanation of how the transition to the FEHE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 35.

Assets and liabilities have been measured at historic cost under previous UK GAAP, as at 31 July 2014, upon transition.

Application of first time adoption grants certain exemptions from the full requirements of the FEHE SORP during the transition period.

The following specific accounting policies have been applied upon transition to the new accounting standards, as allowed under FRS 102;

- Investments in subsidiaries, associates and jointly controlled entities held previously at impaired cost will be initially recognised at the carrying amount at the date of transition.
- Lease incentives on leases entered into before the transition date will continue to be accounted for on the pre-transition basis and not as per Section 20 of FRS 102.

The deemed cost upon transition of Property, Plant & Equipment is the historic depreciated cost under the previous UK GAAP as at 31 July 2014.

22. Legal Form

The University is a civil corporation established under common law, which was formally incorporated by the Act for Incorporation of Both Universities 1571 under the name of 'The Chancellor Masters and Scholars of the University of Oxford'.

The University is incorporated in the United Kingdom.

Principal Office

University of Oxford
University Offices
Wellington Square
Oxford
OX1 2JD

Accounting Judgements and Estimates

The University prepares its consolidated financial statements in accordance with FRS102 as issued by the Financial Reporting Council, the application of which often requires judgements to be made by management when formulating the consolidated financial position and results. Under FRS102, management is required to adopt those accounting policies most appropriate to the circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the University; it may later be determined that a different choice would have been more appropriate.

Management considers that certain accounting estimates and assumptions relating to revenue, debtors, fixed assets and provisions are its critical accounting estimates. A discussion of these critical accounting estimates is provided below and should be read in conjunction with the disclosure of the Group's significant accounting policies provided on page 32–42. Management has discussed its critical accounting estimates and associated disclosures with the external auditors, its Finance Committee and its Audit and Scrutiny Committee.

Research revenue from the Research Councils and European Commission is recognised in line with expenditure which in the judgment of the University creates the right to receive funding from these bodies. Research revenue from charities and industry is recognised in most cases on a reimbursement basis as costs are incurred which it is judged creates the right to reimbursement.

Research and Development Expenditure credits are credited to income on the basis of the estimated amount of credit believed to be receivable. The credit in respect of 2013/14 has been paid in full and the claim for 2014/15 has not yet been submitted. 2014/15 is the last year for which a claim can be made for this credit.

Pensions include key assumptions on discount rates, salary inflation and staff numbers in the future. Sensitivity analysis has been provided in the Pension note on changes in these assumptions. The costs of the USS and OSPS deficit recovery plans have been estimated based on a model devised by USS and the British Universities Finance Directors Group. The model uses the additional costs included in the deficit recovery plan, adjusts accordingly to management judgement of estimated changes in staffing levels and pay increases, and is discounted based on corporate bond levels having a maturity of a similar length to the recovery plan. The scheme actuary reviews the funding of the USS every year and undertakes a formal actuarial valuation every three years, at which time the deficit recovery plan may be amended.

Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the related assets.

Investment properties are revalued triennially. The latest revaluation was July 2016.

The holiday pay provision is calculated using a sample of departments.

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently each year but necessarily requires a degree of estimation. Specific provision is made for individual debts where recovery is believed to be uncertain and this requires an element of judgement.

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Notes to the Financial Statements

1. Tuition fees and education contracts

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Full-time students				
Home and EU	106.1	98.8	106.1	98.8
Overseas and other fees	94.2	80.4	94.2	80.4
Part-time students				
Home and EU	7.4	6.5	7.4	6.5
Overseas and other fees	11.1	11.6	11.1	11.6
Other Fees and education contracts				
Professional and non-matriculated courses	36.4	33.9	20.1	19.4
Examination and other fees	1.2	0.8	1.2	0.8
Research Training Support Grants	37.1	33.7	37.1	33.7
	293.5	265.7	277.2	251.2

2. Funding body grants

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Recurrent grants				
HEFCE	158.1	159.9	158.1	159.9
Specific grants				
Museums, galleries and collections fund	3.4	3.4	3.4	3.4
Higher education innovation fund	3.8	3.6	3.8	3.6
Scholarship	0.4	2.7	0.4	2.7
HEFCE capital grants	26.5	15.2	26.5	15.2
Other	0.3	1.3	0.3	1.3
	192.5	186.1	192.5	186.1

The HEFCE recurrent grant is the annual funding for the purposes of Teaching, Research, and Knowledge Exchange. Each grant relates to a specific academic year and each grant is recognised in full in the year to which it relates.

The Museums, Galleries and Collections Fund is provided by HEFCE to support museums and galleries in the HE sector that have research significance beyond their home institution. Within the University grant funding is provided to support the Ashmolean, Pitt Rivers Museum, Museum of Natural History and the Museum of the History of Science. Grants are awarded on an academic year basis to fund specific operations of each of the museums, income is recognised in full in the academic year in which the operations have been performed.

The Higher Education Innovation Fund is provided by HEFCE to support Knowledge Exchange between members of the HE Sector and the wider-community. HEIF funding is allotted by HEFCE on an annual basis and becomes receivable once the University has provided an approved Knowledge Exchange strategy for the funding. Income is recognised on an annual basis once the strategy has been approved.

HEFCE capital grants are those grants from HEFCE provided for the purposes of purchasing or building of capital assets, they generally do not specify particular assets and income is recognised in full once the University has a right to receive the grant.

3. Research grants and contracts

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
UK funders				
Research councils	152.9	148.4	152.9	148.4
UK government and health authorities	58.1	50.9	58.1	50.9
UK charities	147.0	152.2	147.0	152.2
UK industry and commerce	19.6	18.9	19.6	18.9
EU funders				
European commission and other EU government bodies	64.3	60.4	64.3	60.4
EU based charities	1.1	1.7	1.1	1.7
EU based industry and commerce	8.0	6.1	8.0	6.1
Non-EU funders				
Other government	21.8	21.5	21.8	21.5
Other charities	22.8	24.8	22.8	24.8
Other industry and commerce	41.8	38.0	38.7	34.6
	537.4	522.9	534.3	519.5
Research and Development Expenditure Credit	-	85.1	-	85.1
	537.4	608.0	534.3	604.6

Research grants and contract income includes £22m (2015: £22m) in respect of capital funding

4. Other income

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Residences, catering and conferences	4.7	5.6	4.4	3.5
Other services rendered	49.0	42.0	6.5	6.2
National Health Service	18.0	17.2	18.0	17.2
Royalty income	3.2	7.9	2.0	3.1
Receipts from Educational Activities	12.9	12.8	12.9	12.8
Rental Income from Operating Leases	11.8	11.1	11.8	11.1
Transfer from the Press	45.8	46.8	45.8	46.8
Special transfer from the Press	-	120.0	-	120.0
Other Income	38.4	43.1	37.4	47.7
Capital Grants	29.2	39.2	29.2	39.2
	213.0	345.7	168.0	307.6

Capital Grant income is external funding other than Research or HEFCE for assets capitalised in year and included in the £29.2m is the Blavatnik funding of £22.7m, £2.2m OCMR extension, and £1.9m for the WIMM extension.

Total rentals receivable under operating leases:

31 JULY 2016	Land and buildings £'m
Receivable during the year	11.8
Future minimum lease receivables due	
Not later than 1 year	8.8
Later than 1 year and not later than 5 years	7.2
Later than 5 years	25.4
TOTAL FUTURE LEASE RECEIVABLES DUE	41.4

5. Investment income

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Profit on disposal of spin-out company investments	2.3	1.7	2.3	1.7
Other income and interest from investments	6.5	3.0	5.5	2.4
	8.8	4.7	7.8	4.1

Profit on disposal of spin-outs includes £0.4m (2015: £1.3m) release of deferred income from Beeson Gregory Merchant Bankers for the right to purchase a percentage share of share capital in spin-out companies formed by the Department of Chemistry (see note 22) £0.8m (2015: £0.8m) release of deferred income from Technikos LLP for the right to purchase a percentage share of share capital in spin-out companies formed by the Institute of Biomedical Engineering (see note 22) and £ 1.1m (2015: £0) release of deferred income from Oxford Sciences Innovation plc for the right to purchase a percentage share of share capital in spin-out companies formed by the University (see note 33). This is offset by impairment charges related to other spin-out company investments.

Investment Gains

Analysis of Gains on Investments

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Investments held in the Oxford Funds	149.5	185.5	147.6	182.5
Spin-outs	11.1	17.4	11.1	17.4
Investment Properties held directly	17.8	-	17.8	-
Other Investments	9.6	2.5	9.6	2.6
	188.0	205.4	186.1	202.5

6. Donations and endowments

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Donations				
Donations with restrictions	18.6	18.7	18.6	18.7
Donations without restrictions	17.9	11.7	14.5	11.0
Endowments				
New endowments	37.9	73.3	37.9	73.3
	74.4	103.7	71.0	103.0
Donation of Heritage Assets	2.2	10.0	2.2	10.0
	76.6	113.7	73.2	113.0

Details of material Heritage Assets donated in the year can be found in note 14.

7. Staff Costs

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Wages and salaries	547.6	517.6	532.8	502.5
Social security costs	48.5	43.2	46.5	41.9
Pension costs as paid (note 34)	84.2	77.4	82.2	75.8
	680.3	638.2	661.5	620.2
Pension Provision (note 34)	11.0	75.8	10.6	74.8
	691.3	714.0	672.1	695.0

	2015/16 FTE	2014/15 FTE
Average staff numbers by major category:		
Academic	1,747	1,680
Research	4,634	4,501
Teaching and Research Support	2,608	2,561
Library and Museum Services	497	470
Central Support Services	1,527	1,307
Technical and Crafts	604	566
Ancillary	503	511
	12,120	11,596
Subsidiaries	258	250
AVERAGE NUMBER OF FULL TIME EQUIVALENT STAFF	12,378	11,846

The emoluments of the current Vice-Chancellor from 1 January 2016 were:

	2015/16 £'000	2014/15 £'000
Emoluments (excl. pension contribution)	204	-
Benefits in kind	-	-
Pension contributions	35	-
	239	-

The emoluments of the former Vice-Chancellor to 31 December 2015 were:

	2015/16 £'000	2014/15 £'000
Emoluments (excl. pension contribution)	155	346
Benefits in kind	16	61
Pension contributions	23	55
	194	462

In addition, relocation costs of £6k and the related tax costs of £3k were paid to the former Vice-Chancellor.

The Vice-Chancellors made pension contributions through the Salary Exchange Scheme which is available to all staff who are members of the Universities Superannuation Scheme (USS) and Oxford Staff Pension Scheme (OSPS).

Trustees

No trustee has received any remuneration or waived payments from the University during the year in respect of their services as trustees (2015: nil). The total expenses paid to or on behalf of a trustee were £1,140 (2015: £1,700). This represents travel and other expenses incurred in attending Council and related meetings.

Salary Banding

The numbers of members of staff throughout the University whose emoluments (excluding employer pension contributions and compensation for loss of office but including payments under early retirement schemes) exceeded £100k are set out in the table below.

The salaries reflected in these ranges include payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment. These payments are excluded from the University's Statement of Comprehensive Income. Of the 451 staff earning in excess of £100k, 152 include such payments on behalf of the NHS. Also included are royalty payments to members of staff via the payroll and professorial merit awards to non-clinical staff.

	CLINICAL		NON-CLINICAL		TOTAL	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£100,000 to £109,999	25	35	85	84	110	119
£110,000 to £119,999	16	17	45	40	61	57
£120,000 to £129,999	17	18	44	48	61	66
£130,000 to £139,999	14	9	23	18	37	27
£140,000 to £149,999	9	15	25	30	34	45
£150,000 to £159,999	15	12	16	13	31	25
£160,000 to £169,999	9	9	14	6	23	15
£170,000 to £179,999	11	10	8	12	19	22
£180,000 to £189,999	5	8	8	4	13	12
£190,000 to £199,999	9	6	6	1	15	7
£200,000 to £209,999	5	4	6	4	11	8
£210,000 to £219,999	4	5	5	4	9	9
£220,000 to £229,999	3	4	3	4	6	8
£230,000 to £239,999	3	2	1	5	4	7
£240,000 to £249,999	3	3	2	3	5	6
£250,000 to £259,999	-	1	1	1	1	2
£260,000 to £269,999	1	1	1	-	2	1
£270,000 to £279,999	1	1	1	-	2	1
£300,000 to £309,999	1	1	-	-	1	1
£310,000 to £319,999	-	-	-	1	-	1
£330,000 to £339,999	1	-	1	1	2	1
£370,000 to £379,999	-	-	2	-	2	-
£440,000 to £449,999	-	-	-	1	-	1
£450,000 to £459,999	-	-	1	-	1	-
£770,000 to £779,999	-	-	-	1	-	1
£880,000 to £889,999	-	-	1	-	1	-
	152	161	299	281	451	442

Compensation for loss of office payable to senior post-holders

	2015/16 £'000	2014/15 £'000
Compensation payable	376	-
COMPENSATION PAYABLE	376	-

The severance payments were paid in cash funded from general income and expenditure reserves and were approved by the University's Remuneration Committee.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation paid to key management personnel defined as: the Registrar, Pro-Vice-Chancellors with portfolio, Heads of Division and the Director of Finance. The Vice-Chancellor is excluded from this figure.

	2015/16 £'000	2014/15 £'000
Key management personnel – total remuneration	2,604	2,443
Number of staff	12	12
KEY MANAGEMENT PERSONNEL – AVERAGE REMUNERATION	217	204

8. Interest and other finance costs

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Interest on loans	7.5	1.9	7.4	1.9
Net charge on pension scheme	5.3	4.0	5.3	3.9
	12.8	5.9	12.7	5.8

9. Operating expenditure

CONSOLIDATED AND UNIVERSITY	2015/16			2014/15
	Staff £'m	Non-Staff £'m	Total £'m	Total £'m
Academic departments	274.3	112.9	387.2	360.1
Research grants and contracts	257.2	194.8	452.0	447.1
Academic services	31.0	24.5	55.5	53.5
Residence, catering and conferences	0.4	0.4	0.8	0.7
Bursaries and scholarships	-	56.8	56.8	51.5
Premises	19.7	82.0	101.8	95.5
Administration	72.6	37.5	110.1	99.4
Payments to colleges	-	54.5	54.5	55.9
Other expenses	6.3	20.6	26.9	18.7
Foreign Exchange loss		7.3	7.3	-
TOTAL UNIVERSITY	661.6	591.3	1,252.9	1,182.4
Subsidiary companies	18.7	41.1	59.8	54.4
Movement in pensions provision	-	-	11.0	75.8
Interest and other finance costs	-	-	12.8	5.9
TOTAL CONSOLIDATED	680.3	632.4	1,336.5	1,318.5

Depreciation (£87.1m) and Operating expenditure (£545.3m) are combined in the non staff figures of £632.4m.

In 2014/15 there was a foreign exchange gain which is part of "Other Income" in note 4.

Other operating expenses include:

Remuneration paid to auditors during the year was in respect of the following services:

CONSOLIDATED	2015/16 £'m	2014/15 £'m
Audit of the consolidated University's annual financial statements	170	170
Audit of the subsidiaries annual financial statements	125	110
TOTAL AUDIT FEES	295	280
Services relating to taxation	96	50
Research Grant certification services	251	198
Assurance/VAT advice (OUEM)	23	-
Other non-audit services	13	10
TOTAL NON AUDIT FEES	383	258
TOTAL FEES TO AUDITORS	678	538

Auditors' remuneration in respect of services provided to the Press is disclosed in the separate audited accounts of the Press's Trading Operations and Property and Reserve Fund.

10. Taxation

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
UK Corporation Tax	0.4	18.5	-	18.5
TAXATION CHARGE FOR THE YEAR	0.4	18.5	-	18.5

	CONSOLIDATED		UNIVERSITY	
	2015/16 £'m	2014/15 £'m	2015/16 £'m	2014/15 £'m
Factors Affecting The Tax Charge				
Total Comprehensive Income	172.9	392.3	169.0	386.6
Surplus on ordinary activities multiplied by the standard rate of corporation tax of 20% (2015: 20.67%)	34.6	81.1	32.6	79.9
Less tax due on surplus falling within charitable exemption	(34.2)	(62.6)	(32.6)	(61.4)
TAXATION CHARGE FOR THE YEAR	0.4	18.5	-	18.5

11. OXFORD UNIVERSITY PRESS (“The Press”)

As explained in the accounting policies, these financial statements do not include the accounts of the Press, which is a department of the University. In addition to the transactions disclosed under note 4 (Other Income) the Press provided the rest of the University during the year with goods and services worth approximately £0.9m (2015: £0.9m) which were free of charge. The Press leased premises from the University during the year for a total of £248k (2015: £248k), the University leased premises from the Press during the year for a total of £150k (2015: £97k). At 31 July 2016 the Press owed the rest of the University £0.1m (2015: £0.1m). There were no material amounts due to the Press by the rest of the University at 31 July 2016 or 31 July 2015. An extract of the Press accounts for the year ended 31 March 2016 is included at pages 80–91.

The table below summarises the main transactions with the Press:

	2015/16 £'m	2014/15 £'m
Annual transfer	44.9	45.9
Special transfer	-	120.0
Benefits in Kind – (University year)	0.9	0.9
	45.8	166.8
Lease payments received from Press	0.2	0.2
Lease payments paid to Press	(0.2)	(0.1)

12. Intangible Assets and Goodwill

CONSOLIDATED	GOODWILL	OTHER INTANGIBLES	
	Negative goodwill £'m	Software licences £'m	Total £'m
As at 31 July 2015	(0.2)	0.3	0.1
Additions	-	1.4	1.4
Amortisation	-	(0.1)	(0.1)
AS AT 31 JULY 2016	(0.2)	1.6	1.4

The Negative goodwill arose on the acquisition of the Edward Jenner Institute for Vaccine Research on 1 November 2005 and the Gray Cancer Institute on 20 June 2006.

UNIVERSITY	OTHER INTANGIBLES	
	Software Licences £'m	Total £'m
As at 31 July 2015	0.3	0.3
Additions	1.4	1.4
Amortisation	(0.1)	(0.1)
AS AT 31 JULY 2016	1.6	1.6

13. Property, Plant and Equipment

CONSOLIDATED	LAND AND BUILDINGS				TOTAL £'m
	Freehold £'m	Leasehold £'m	Equipment & machinery £'m	Assets under construction £'m	
Cost					
As at 1 August 2015	1,422.9	20.0	145.4	112.7	1,701.0
Additions	3.3	-	31.1	119.9	154.3
Completed	82.5	5.5	24.2	(112.2)	-
Disposals	-	-	(33.9)	-	(33.9)
AS AT 31 JULY 2016	1,508.7	25.5	166.8	120.4	1,821.4
Depreciation					
As at 1 August 2015	374.3	4.9	60.0	-	439.2
Charge for the year	46.8	1.3	39.0	-	87.1
Disposals	-	-	(33.9)	-	(33.9)
AS AT 31 JULY 2016	421.1	6.2	65.1	-	492.4
Net book value					
AS AT 31 JULY 2016	1,087.6	19.3	101.7	120.4	1,329.0
As at 31 July 2015	1,048.6	15.1	85.4	112.7	1,261.8
<i>Leased assets included above:</i>					
Net book value					
As at 31 July 2016	-	19.3	-	-	19.3
As at 31 July 2015	-	15.1	-	-	15.1

All Property, Plant and Equipment are stated at historic cost.

Land and buildings (Consolidated and University) includes £84.2m (2015: £84.2m) of freehold land on which no depreciation is charged.

There are 'claw back' provisions within the agreement on the Radcliffe Observatory Quarter (ROQ) site to the NHS should the University at some point in the future decide to change the designated use of the site and dispose of part of it for development.

Land and buildings (Consolidated and University) include properties financed and occupied by the University on NHS sites with a net book value of £7.1m (2015: £5.4m).

Equipment additions include £10.7m (2015: £6.5m) of labour capitalisation relating to internal IT resource, which has been applied to major IT projects. The largest spends on a single project were for Students Systems Admissions £3.7m and integrated communications £1.6m.

Saïd Business School: In November 2000, the University entered into a leasing arrangement with the Saïd Foundation in respect of the Saïd Business School. In accordance with FRS 102 section 2.8, Reporting the Substance over form, as the risks and rewards of occupancy vest in the University, the building is included in fixed assets. At 31 July 2016 the fixed assets of the University included a cost of £62.7m (2015: £62.7m) in respect of the building.

Expenditure on certain buildings was financed in part from public funds. In the event of disposal of the relevant buildings the proceeds may revert wholly or in part to HM Treasury.

Equipment is treated as having been disposed of in the year after that in which its net book value becomes zero.

UNIVERSITY	LAND AND BUILDINGS				TOTAL £'m
	Freehold £'m	Leasehold £'m	Equipment & machinery £'m	Assets under construction £'m	
Cost					
As at 1 August 2015	1,420.5	20.0	142.4	112.7	1,695.6
Additions	2.9	-	30.8	119.9	153.6
Completed	82.5	5.5	24.2	(112.2)	-
Disposals	-	-	(33.8)	-	(33.8)
AS AT 31 JULY 2016	1,505.9	25.5	163.6	120.4	1,815.4
Depreciation					
As at 1 August 2015	372.3	4.9	57.6	-	434.8
Charge for the year	46.8	1.3	38.7	-	86.9
Disposals	-	-	(33.8)	-	(33.8)
AS AT 31 JULY 2016	419.1	6.2	62.5	-	487.8
Net book value					
AS AT 31 JULY 2016	1,086.8	19.3	101.1	120.4	1,327.6
As at 31 July 2015	1,048.2	15.1	84.8	112.7	1,260.8
<i>Leased assets included above:</i>					
Net book value					
As at 31 July 2016	-	19.3	-	-	19.3
As at 31 July 2015	-	15.1	-	-	15.1

14. Heritage assets

The University of Oxford collections relate to museums, libraries and other collections. The University objectives are to make the collections a focus for research, teaching, and collection-based scholarship within the University. The collections are used as a research resource for a wide range of scholarly users, a facility for interaction between the University and the public and an active contributor to the region's cultural development.

Heritage assets acquired since 1999 are held at cost or valuation on receipt. Due to the scale and uniqueness of many of the heritage assets, it is not possible to value the University's heritage assets acquired prior to 1999. The cost would also be prohibitive.

The cost of new heritage asset acquisitions in 2015/16 was £1.3m (2015:£0.4m). The main acquisition was the JMW Turner painting of the High Street, Oxford for a total of £0.9m paid for by public and private donations. Disposals are unlikely as most donations have conditions preventing disposal, and there were no disposals in 2015/16. The costs of donated assets are based on valuations by experts in the relevant field. The five year summary for heritage asset donations/additions is:

	2011/12 £'m	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m
BROUGHT FORWARD	24.6	25.3	64.3	66.6	77.0
Acquisitions purchased with specific donations	0.4	10.5	1.1	0.3	-
Acquisitions purchased with University funds	-	-	0.3	0.1	1.3
TOTAL COST OF ACQUISITIONS PURCHASED	0.4	10.5	1.4	0.4	1.3
VALUE OF ACQUISITIONS BY DONATION	0.3	28.5	0.9	10.0	2.2
CARRIED FORWARD	25.3	64.3	66.6	77.0	80.5

Heritage assets of £2.2m were donated in the year (2015: £10.0m). The largest donation was £0.75m for the Simon Digby collection of Islamic and Indian manuscripts. These donations are shown as a separate item in the Statement of Comprehensive Income.

Expenditure required to preserve heritage assets is recognised in the Statement of Comprehensive Income when incurred.

15. Non-current investments

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
<i>Investments stated at market value:</i>				
Spin-out companies	81.5	70.4	81.5	70.4
Investment property	218.8	217.1	218.8	216.8
Global and private equities	2,298.5	1,978.3	2,293.2	1,963.6
Inflation hedges	143.9	138.2	143.9	138.0
Pledges	9.0	8.8	9.0	8.8
Third party managed	97.1	95.4	74.2	69.9
Participating interest in Associates	0.3	0.2	-	-
<i>Investments stated at cost:</i>				
Subsidiary and associated undertakings	-	-	16.9	16.9
	2,849.1	2,508.4	2,837.5	2,484.4
Less: amounts attributable to outside bodies	(791.3)	(647.6)	(832.3)	(687.1)
TOTAL AT END OF YEAR	2,057.8	1,860.8	2,005.2	1,797.3
<i>Investment assets held are split between reserves as follows:</i>				
Income & Expenditure Reserves	1,148.0	1,024.9	1,161.7	1,028.7
Endowment reserves	26 909.8	835.9	843.5	768.6
	2,057.8	1,860.8	2,005.2	1,797.3
Held on behalf of outside bodies	791.3	647.6	832.3	687.1
TOTAL AT END OF YEAR	2,849.1	2,508.4	2,837.5	2,484.4

The investment market value gain is shown in the notes.

16. Investment in Subsidiaries and Associates

Subsidiaries

As at 31 July 2016 the University exercised control of the following subsidiary undertakings (excluding dormant undertakings):

	COUNTRY OF INCORPORATION	NATURE OF ACTIVITY	% INTEREST
Instruct Academic Services Ltd	United Kingdom	Scientific facilities-sharing infrastructure services	100
Oxford Ltd	United Kingdom	Retail and other trading activities	100
Oxford Mutual Ltd ¹	United Kingdom	Provision of discretionary cover	100
Oxford Research South Africa Ltd	United Kingdom	Social policy research	100
Oxford Saïd Business School Ltd	United Kingdom	Executive education	100
Oxford University (Beijing) Science & Technology Co. Ltd	China	Clinical research	100
Oxford University Development (North America), Inc.	United States of America	Office administration	100
Oxford University Endowment Management Ltd	United Kingdom	Investment management services	100
Oxford University Fixed Assets Ltd	United Kingdom	Building management and utilities	100
Oxford University Innovation Centres Ltd	United Kingdom	Innovation technology research services	100
Oxford University Innovation Ltd	United Kingdom	Commercial exploitation of intellectual property	100
Oxford University Innovation (Hong Kong) Ltd ²	Hong Kong	Commercial exploitation of intellectual property	100
Oxford University Trading Ltd	United Kingdom	General trading activities	100
The Gray Laboratory Cancer Research Trust ³	United Kingdom	Radiobiology research	100
University of Oxford China Office Ltd	Hong Kong	Fundraising and alumni relations	100
Voltaire Foundation Ltd	United Kingdom	Publishing	100
James Martin UK Ltd ⁴	United Kingdom	Endowment management	100

As part of the Mortiz-Heyman endowment the University invests in the Sequoia Heritage fund through SCHF OU, LP. The University has a majority share of the capital and reserves of SCHF OU, LP but has no demonstrable control so it is not treated as a subsidiary, instead it is recognised as an investment asset.

All subsidiary undertakings have been included within the consolidated Financial Statements.

All subsidiary undertakings prepare accounts to 31 July each year except for; Jenner Vaccine Foundation which draws up its accounts to 31 March and Oxford University (Beijing) Science and Technology Co Ltd to 31 December each year.

¹ Oxford Mutual Ltd is a company limited by guarantee. The members of Oxford Mutual Limited are the University, Instruct Academic Services Limited, Oxford University Innovation Limited, Jenner Vaccine Foundation, Oxford Limited, Oxford Saïd Business School Limited, Oxford University Endowment Management Limited, Oxford University Fixed Assets Limited, Oxford University Trading Limited, The Gray Laboratory Cancer Research Trust, and Voltaire Foundation Limited.

² Oxford University Innovation (Hong Kong) Ltd is a wholly-owned subsidiary of Oxford University Innovation Ltd.

³ The Gray Laboratory Cancer Research Trust is a company limited by guarantee. The sole member is the University.

⁴ The James Martin Trust is a charitable trust incorporated in the United Kingdom where the University has the power to appoint the majority of the trustees.

UNIVERSITY HOLDINGS IN SUBSIDIARIES	£'m
Cost	
As at 31 July 2015	16.9
Additions	4.0
Capital reduction	(4.0)
AS AT 31 JULY 2016	16.9

Joint venture

The Jenner Vaccine Foundation is a charitable company limited by guarantee set up for the purpose of researching novel human and animal vaccines. The University has the right to appoint half of the directors, with the other half appointed by the Pirbright Institute, and the foundation is accounted for as a joint venture using the equity method based upon its Financial Statements prepared to 31 March 2016.

	Year ended 31 March 2016 £'m	Year ended 31 March 2015 £'m
Income statement		
Surplus/(deficit) for the year to 31 March	(0.1)	-
SHARE OF NET ASSETS	0.8	0.9

Associates

As at 31 July 2016 the University exerted significant influence but not control or joint control over the following associated undertakings (excluding any dormant undertakings).

	COUNTRY OF INCORPORATION	NATURE OF ACTIVITY	% INTEREST
Designer Carbon Materials Ltd	United Kingdom	Commercial exploitation of intellectual property	50
African Research Collaboration for Health	United Kingdom	Medical research	50
Isis Changzhou International Technology Transfer Centre Co. Ltd ¹	China	Technology transfer	40
Oxford Vacmedix UK Ltd	United Kingdom	Commercial exploitation of intellectual property	34
Smith Institute (limited by guarantee)	United Kingdom	Knowledge transfer	33
Oxford Ancestors Ltd	United Kingdom	Commercial exploitation of intellectual property	32
Reox Ltd	United Kingdom	Commercial exploitation of intellectual property	31
Suzhou Isis International Technology Transfer Co. Ltd ²	China	Technology transfer	30
Oxford Risk Research and Analysis Ltd	United Kingdom	Commercial exploitation of intellectual property	30
Oxford Electromagnetic Solutions Ltd	United Kingdom	Commercial exploitation of intellectual property	28
TdeltaS Ltd	United Kingdom	Commercial exploitation of intellectual property	28
Oxtex Ltd	United Kingdom	Commercial exploitation of intellectual property	27
Shenzhen Zhongjin International Technology Transfer Center Ltd ³	China	Technology transfer	25
Kepler Energy Ltd	United Kingdom	Commercial exploitation of intellectual property	23
Minervation Ltd	United Kingdom	Commercial exploitation of intellectual property	22
NightstaRx Ltd	United Kingdom	Commercial exploitation of intellectual property	21
Aurox Ltd	United Kingdom	Commercial exploitation of intellectual property	20
Celleron Therapeutics Ltd	United Kingdom	Commercial exploitation of intellectual property	20
Mind Foundry Ltd	United Kingdom	Commercial exploitation of intellectual property	20
Oxcept Ltd	United Kingdom	Commercial exploitation of intellectual property	20
Oxford Multispectral Ltd	United Kingdom	Commercial exploitation of intellectual property	20

The associated undertakings prepare accounts to various year-ends.

CONSOLIDATED	£'m
Share of net assets of associate undertakings as at 31 July 2015	0.4
Share of surplus/(deficit) of associated undertakings for the year 2015/16	-
SHARE OF NET ASSETS OF ASSOCIATE UNDERTAKINGS AS AT 31 JULY 2016	0.4

¹ Oxford University Innovation (Hong Kong) Limited has entered into a joint venture with the Changzhou government in China

² Oxford University Innovation (Hong Kong) Limited has established a Sino-foreign joint venture in partnership with the Suzhou city government and Oxlink Investment Consulting Co. Ltd (Oxlink). Oxlink is a company registered in PRC.

³ Oxford University Innovation (Hong Kong) Limited has established a Sino-foreign joint venture in partnership with Shenzhen City Jinyucheng Science & Technology Co. Ltd (Jinyucheng), and Shenzhen City Guochuang Lianhe Science & Technology Investment Co. Ltd (Guochuang). Jinyucheng and Guochuang are companies registered in PRC.

17. Trade and other receivables falling due within one year

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Research grants receivable	115.6	107.5	115.8	107.5
Research and Development Expenditure credit	30.4	66.6	30.4	66.6
Prepayments and accrued income	18.2	18.1	15.4	15.1
Other trade receivables	48.5	40.0	37.4	31.5
Other receivables	11.8	3.8	16.9	3.4
Amounts due from subsidiaries	-	-	11.2	17.0
	224.5	236.0	227.1	241.1

18. Receivables amounts falling due after more than one year

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Other receivables	7.2	7.2	7.2	7.2
	7.2	7.2	7.2	7.2

Other receivables include loans to staff for housing in conjunction with recruitment.

19. Current investments

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
As at 1 August 2015	65.2	7.0	63.0	7.7
(Disposals)/Additions	(14.1)	58.2	(13.1)	55.3
AS AT 31 JULY 2016	51.1	65.2	49.9	63.0

20. Cash and cash equivalents

CONSOLIDATED	At 1 August	Cashflows	At 31 July
	2015 £'m	£'m	2016 £'m
Cash and cash equivalents	72.4	77.8	150.2
Cash and Cash equivalents held in Oxford Funds	117.4	(91.8)	25.6
Investment asset cash	43.5	(2.2)	41.3
	233.3	(16.2)	217.1

21. Creditors: Amounts falling due within one year

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Research grants creditors	238.6	227.9	238.6	227.9
Accruals and deferred income	105.7	72.1	90.0	50.2
Capital grants with performance conditions	60.6	58.0	60.6	58.0
Unsecured bank loans	22 2.4	2.3	2.4	2.3
Social security and other taxation payable	26.2	14.0	26.2	13.9
Trade payables	59.6	100.4	60.6	99.3
Amounts due to subsidiaries	-	-	3.2	7.4
	493.1	474.7	481.6	459.0

22. Creditors: Amounts falling due after more than one year

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Oxford Sciences Innovation	16.4	-	16.4	-
Technikos	4.1	4.9	4.1	4.9
Other creditors: Salix Fund	-	0.1	-	0.1
Grant to Turing Institute	3.0	4.0	3.0	4.0
Bank loans	230.3	232.7	230.3	232.7
Loan to Blavatnik School of Government	3.0	-	3.0	-
	256.8	241.7	256.8	241.7
<i>Analysis of unsecured bank loans:</i>				
Due between one and two years	2.6	2.4	2.6	2.4
Due between two and five years	11.2	8.1	11.2	8.1
Due in five years or more	216.5	222.2	216.5	222.2
	230.3	232.7	230.3	232.7

BANK LOANS	Loan 1	Loan 2	Loan 3	TOTAL
	£'m	£'m	£'m	£'m
Amount borrowed	25.0	25.0	200.0	250.0
Amount outstanding at 31 July 2016	7.7	25.0	200.0	232.7
Interest rate	5.13 %	5.07 %	2.55%	-
Final repayment date	April 2019	June 2047	June 2045	-
Amount due within one year	2.4	-	-	2.4
Amount due between one and two years	2.6	-	-	2.6
Amount due between two and five years	2.7	-	8.5	11.2
Amount due after five years	-	25.0	191.5	216.5
	7.7	25.0	200.0	232.7

The University entered into an agreement with Beeson Gregory Merchant Bankers (BG) to fund the Department of Chemistry over a 15-year period commencing 23 November 2000. The total balance released to income in 2015/16 £0.4m. This completed the release of income.

During 2007, the University entered into an agreement with Technikos LLP to fund the Institute of Biomedical Engineering over a 15-year period following completion of a new building. The building was completed on 1 October 2007. Cash of £12m had been received from Technikos by July 2010. The total balance that had not been set against costs at 31 July 2016 was £4.9m.

The University entered into an agreement with Oxford Sciences Innovation plc (OSI) in 2015/16. In return for 50% of its stake in each company spun out from Medical Science and Mathematical, Physical and Life Sciences over the next 15 years, the University received a 5% non-diluted stake in OSI. This stake was valued at £17.5m and is being released to income over 15 years.

The investments of £17.5m in OSI has been treated as deferred income within the Balance Sheet is being released to the Statement of Comprehensive Income evenly over the 15-year period of the agreement. The amount due to be released in 2016/17 is included within Creditors: within one year, with the remaining balance included within Creditors: after more than one year.

23. Financial instruments

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

CONSOLIDATED		2016 £'m	2015 £'m
Financial Assets			
<i>Measured at fair value through the profit or loss</i>			
Global and private equities	15	2,298.5	1,978.3
<i>Measured at undiscounted amount receivable</i>			
Trade and other receivables	17	224.5	236.0
<i>Equity instruments measured at cost less impairment</i>			
Current asset unlisted investments	19	51.1	65.2
		2,574.1	2,279.5
Financial liabilities			
<i>Measured at amortised cost</i>			
Loans payable	22	230.3	232.7
<i>Measured at undiscounted amount payable</i>			
Trade and other payables	21	59.6	100.4
		289.9	333.1

Derivative Financial Instruments

Derivatives that are designated and effective as hedging instruments carried at fair value.

CONSOLIDATED AND UNIVERSITY	CURRENT		NON-CURRENT	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Forward foreign currency contracts for investments	327.0	327.7	-	-
Forward foreign currency contracts for research	25.8	9.7	-	-
	352.8	337.4	-	-

Forward contracts are used by the Oxford Endowment Fund to hedge exposure to foreign exchange risk. These contracts are used as hedging instruments to ensure that the sterling value of investments are within a range decided by the Investment Committee between 40% and 70% of the assets held in the Oxford Endowment Fund.

Such contracts are initially recognised at fair value on the date on which contract is entered into and are subsequently re-measured to fair value. Forward currency contracts are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value contracts are recognised in the income and expenditure account. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The nominal value of current hedging contracts in place at 31 July 2016 was £327.0m and the contracts, when marked to market, showed an unrealised loss of £19.1m.

The University had outstanding forward contracts to sell US Dollars relating to expected US Dollar receipts from research funders. These forward contracts give greater certainty as to expected research income. It also had swap contracts to hedge its exposure to exchange rate fluctuations on Euro denominated cash balances held.

The nominal value of current hedging contracts in place at 31 July 2016 was £25.8m and the contracts when marked to market showed an unrealised gain of £0.6m. In 2015 the value was £9.7m and the contracts, when marked to market, showed an unrealised loss of £1.0m.

Nature of risks being hedged

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the University's value of its investment assets.

Foreign Currency Risk

Risk analysis is an integral part of University's investment decision making and portfolio management. Geographical and foreign current exposures and the liquidity of the underlying portfolio are consistently evaluated. An in-house performance and risk system has been developed to provide the ability to review The Oxford Funds' performance, understand the risks and evaluate them on a real-time basis.

24. Pension Scheme Provisions

CONSOLIDATED	USS	OSPS	OTHER	TOTAL
	£'m	£'m	£'m	£'m
At 1 August 2015	133.6	46.1	1.5	181.2
Utilised in year	-	-	(0.1)	(0.1)
Additions in year	9.9	1.1	-	11.0
Interest release	3.9	1.4	-	5.3
AT 31 JULY 2016	147.4	48.6	1.4	197.4

UNIVERSITY	USS	OSPS	OTHER	TOTAL
	£'m	£'m	£'m	£'m
At 1 August 2015	133.0	45.9	1.5	180.4
Utilised in year	-	-	(0.1)	(0.1)
Additions in year	9.5	(1.1)	-	10.6
Interest release	3.9	1.4	-	5.3
AT 31 JULY 2016	146.4	48.4	1.4	196.2

The University is a member of the Universities Superannuation Scheme (USS) and Oxford Staff Pension Scheme (OSPS) multi-employer pension schemes both of which are in deficit. The University has recognised a provision for its commitments under the agreed deficit reduction plans for each scheme, in calculating these provisions the University has estimated that salary expense will increase at 2.4–4.4% p.a. and the liability is discounted at a 15 year corporate bond rate of 1.4% (2015: 2.95%). A sensitivity analysis to changes in salary and discount rate changes is shown in note 34.

The University has also recognised a provision in respect of pension provisions for retired staff members of Federated Superannuation System for Universities and Employees Pension Scheme who receive pension supplements (see note 34).

25. Other Provisions

CONSOLIDATED	BUILDING DILAPIDATION	OTHER	TOTAL
	£'m	£'m	£'m
At 1 August 2015	-	7.2	7.2
Transfer from income and expenditure account	6.4	0.2	6.6
Utilised in year	(0.3)	(1.9)	(2.2)
AT 31 JULY 2016	6.1	5.5	11.6

UNIVERSITY	BUILDING DILAPIDATION	OTHER	TOTAL
	£'m	£'m	£'m
At 1 August 2015	-	6.3	6.3
Transfer from income and expenditure account	6.4	0.2	6.6
Utilised in year	(0.3)	(1.9)	(2.2)
AT 31 JULY 2016	6.1	4.6	10.7

The "Other" provision relates to provisions for tax and potential repayments to a sponsor. The building dilapidations provision relates to remedial work on Castle Mill Graduate Accommodation.

26. Endowment Funds

Permanent Endowments

CONSOLIDATED	UNRESTRICTED			RESTRICTED			TOTAL
	Capital £'m	Unapplied Return £'m	Total £'m	Capital £'m	Unapplied Return £'m	Total £'m	
Capital – Original gift	75.1	-	75.1	236.5	-	236.5	311.6
Capital – Indexation reserve	21.3	-	21.3	45.2	-	45.2	66.5
Unapplied return	-	153.5	153.5	-	186.7	186.7	340.2
As at 31 July 2015	96.4	153.5	249.9	281.7	186.7	468.4	718.3
Investment Income	-	0.1	0.1	-	0.2	0.2	0.3
New endowments	0.1	-	0.1	24.9	-	24.9	25.0
Reclassification to expendable endowments	4.9	-	4.9	(4.9)	-	(4.9)	-
Indexation	0.6	(0.6)	-	1.5	(1.5)	-	-
Market value gains	-	11.5	11.5	-	43.6	43.6	55.1
Released to Unrestricted reserves	-	(9.9)	(9.9)	-	(15.6)	(15.6)	(25.5)
AS AT 31 JULY 2016	102.0	154.6	256.6	303.2	213.4	516.6	773.2
<i>Represented by:</i>							
Capital – Original gift	80.1	-	80.1	256.5	-	256.5	336.6
Capital – Indexation reserve	21.9	-	21.9	46.7	-	46.7	68.6
Unapplied return	-	154.6	154.6	-	213.4	213.4	368.0
	102.0	154.6	256.6	303.2	213.4	516.6	773.2

UNIVERSITY	UNRESTRICTED			RESTRICTED			TOTAL
	Capital £'m	Unapplied Return £'m	Total £'m	Capital £'m	Unapplied Return £'m	Total £'m	
Capital – Original gift	24.5	-	24.5	233.6	-	233.6	258.1
Capital – Indexation reserve	12.6	-	12.6	45.2	-	45.2	57.8
Unapplied return	-	145.4	145.4	-	189.7	189.7	335.1
As at 31 July 2015	37.1	145.4	182.5	278.8	189.7	468.5	651.0
Investment Income	-	0.1	0.1	-	0.2	0.2	0.3
New endowments	0.1	-	0.1	24.9	-	24.9	25.0
Reclassification to expendable endowments	4.9	-	4.9	(4.9)	-	(4.9)	-
Indexation	0.2	(0.2)	-	1.5	(1.5)	-	-
Market value gains	-	9.9	9.9	-	43.6	43.6	53.5
Released to Unrestricted reserves	-	(7.3)	(7.3)	-	(15.6)	(15.6)	(22.9)
AS AT 31 JULY 2016	42.3	147.9	190.2	300.3	216.4	516.7	706.9
<i>Represented by:</i>							
Capital – Original gift	29.5	-	29.5	253.6	-	253.6	283.1
Capital – Indexation reserve	12.8	-	12.8	46.7	-	46.7	59.3
Unapplied return	-	147.9	147.9	-	216.4	216.4	364.3
	42.3	147.9	190.2	300.3	216.4	516.7	706.9

As required by Charities Law, to apply Total Return Accounting to permanent endowments the University has made a significant judgement as to the rate at which expenditure can be made against unapplied return. This ensures that benefit can be derived both now and in perpetuity.

This is achieved by the investment of endowment funds within the Oxford Endowment Fund which returns each year a cash dividend of 4% of holding value. The University considers 4% to represent a reasonable estimate of the long-term return on investment achievable above inflation.

A transfer to unrestricted reserves for restricted permanent endowments expenditure is recognised to the extent of the spend in the year against the restricted purposes, and for the unrestricted permanent endowments the transfer to unrestricted reserves is based on the long-term real rate of return which is estimated at 4%.

To ensure the preservation of original endowment capital in real terms the University has adopted a policy of indexing brought forward permanent endowment capital each year by the Consumer Price Index (CPI).

Restricted Expendable Endowments

	CONSOLIDATED			UNIVERSITY		
	Capital £'m	Accumulated income £'m	Total £'m	Capital £'m	Accumulated income £'m	Total £'m
As at 31 July 2015	114.7	2.9	117.6	114.7	2.9	117.6
New endowments	12.9	-	12.9	12.9	-	12.9
Market value gains	-	11.2	11.2	-	11.2	11.2
Expenditure	-	(5.1)	(5.1)	-	(5.1)	(5.1)
AS AT 31 JULY 2016	127.6	9.0	136.6	127.6	9.0	136.6

Endowment assets

To ensure that endowment gifts provide the greatest benefit possible and where appropriate to ensure that their charitable benefit is maintained in perpetuity the University invests unspent endowment reserves and capital in a mixture of investment vehicles. These balances are recognised on the Balance Sheet within the balances held for Investments and Cash and Cash Equivalents as follows:

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Investments				
Global bonds and equities	326.7	301.3	309.8	283.1
Non-directional funds	74.3	74.3	69.9	69.8
Private equity	166.1	147.3	156.2	138.3
Inflation Hedges	46.5	40.4	43.7	38.0
Property	79.2	69.8	76.3	67.0
3rd party managed	91.9	83.8	68.9	58.2
Other Assets	17.0	19.3	17.0	16.9
Current asset investments	2.4	-	2.6	-
	804.2	736.2	744.4	671.3
Cash and cash equivalents	105.6	99.7	99.1	97.3
BALANCES AS AT 31 JULY	909.8	835.9	843.5	768.6

Endowment purposes

Endowments, both permanent and expendable, fall into the following categories for the year to 31 July 2016

	As at 31 August 2015	Investment gains	Investment Income	New Endowments		As at 31 July 2016
General Academic	322.5	25.0	0.1	5.3	(11.2)	341.7
Academic posts	245.6	16.6	0.1	15.0	(8.5)	268.8
Scholarship funds	216.6	20.5	0.1	11.8	(8.8)	240.2
Support for libraries and museums	32.1	2.5	-	3.2	(1.2)	36.6
Societies	16.6	1.4	-	-	(0.7)	17.3
Prize funds	2.5	0.3	-	2.6	(0.2)	5.2
TOTAL	835.9	66.3	0.3	37.9	(30.6)	909.8

Material endowments

The following endowment funds are considered to be individually material to the University

	NUFFIELD BENEFACTION	JAMES MARTIN 21ST CENTURY FOUNDATION	MORITZ-HEYMAN
	£'m	£'m	£'m
Capital – Original gift	3.1	50.6	49.6
Capital – Indexation reserve	0.6	8.8	0.4
Unapplied return	82.0	5.6	7.5
As at 31 July 2015	85.7	65.0	57.5
Investment gains and income	7.2	2.0	10.6
Expenditure	(3.1)	(1.4)	(2.1)
AS AT 31 JULY 2016	89.8	65.6	66.0
<i>Represented by</i>			
Capital – Original gift	3.1	50.6	49.6
Capital – Indexation reserve	0.6	9.1	0.7
Unapplied return	86.1	5.9	15.7
	89.8	65.6	66.0

The donor for the Nuffield Benefaction was Lord Nuffield (William Morris). Under the terms of the trust deed dated 24 November 1936 the fund is to be used to widen the scope of the Medical School of the University and provide special facilities for research.

The primary purpose of the James Martin 21st Century Foundation (established in 2004) and James Martin 21st Century (UK) Trust (established in 2012) is to support the Oxford Martin School (formerly James Martin 21st Century School) and establish or support any other entity within the University that advances specialised education relating to the severe problems of the 21st century.

The Moritz-Heyman Scholarship Fund was established in 2012/13 through an endowment gift from the CrankStart Foundation to provide a programme of support for UK resident undergraduate students from disadvantaged backgrounds. Under the terms of the deed of gift, the University is required to commit matching income annually for the same purpose.

Total return accounting can lead to negative unapplied total return especially in the short term as the total return rate is a long term rate of return. The University reduces the risk of trust funds eroding their capital by ensuring that accumulated expenditure does not exceed the accumulated income for individual trust funds. There are no trust funds with greater than £0.5m deficit in their unapplied total return (2014/15: none).

27. Restricted Reserves

The University has received charitable donations and gifts with restricted purposes falling into the following categories

CONSOLIDATED	As at 31 July 2015	New donations & grants	Restricted expenditure	As at 31 July 2016
General academic	11.7	7.4	(6.0)	13.1
Academic posts	1.9	1.7	(1.2)	2.4
Scholarship funds	5.6	7.8	(7.9)	5.5
Support for libraries	1.5	1.2	(1.3)	1.4
Support for museums	2.1	0.5	(0.9)	1.7
Donated heritage assets	48.9	2.2	-	51.1
Mixed use buildings	2.5	-	-	2.5
	74.2	20.8	(17.3)	77.7

UNIVERSITY	As at 31 July 2015	New donations & grants	Restricted expenditure	As at 31 July 2016
General academic	11.7	7.4	(6.0)	13.1
Academic posts	1.9	1.7	(1.2)	2.4
Scholarship funds	5.6	7.8	(7.9)	5.5
Support for libraries	1.5	1.2	(1.3)	1.4
Support for museums	2.1	0.5	(0.9)	1.7
Donated heritage assets	48.9	2.2	-	51.1
Mixed use buildings	2.5	-	-	2.5
	74.2	20.8	(17.3)	77.7

28. Linked Charities

The University administers, either directly or indirectly, a number of charitable institutions that are established for its general purposes or a special purpose of or in connection with it. Under paragraph 28(1) of Schedule 3 of the Charities Act 2011, these institutions are referred to as “paragraph 28” or “linked” charities/ They fall under the umbrella of the University’s charitable status and are exempt from registration with the Charities Commission. The University maintains a detailed register of its linked charities and for those with income of more than £100k publishes information via its gateway page at: www.ox.ac.uk/about/organisation/university-as-a-charity. The financial results of those linked charities are disclosed below.

The Colleges of the University are specifically excluded from being Connected Charities under the 2011 Charities Act being established as charitable entities in their own right.

	AT 31 JULY 2015 £'m	Incoming resources including investment gains £'m	Outgoing resources and expenditure £'m	Transfers £'m	AT 31 JULY 2016 £'m
Consolidated into the Group Financial Statements					
James Martin 21st Century Foundation	25.6	-	-	(25.6)	-
James Martin 21st Century (UK) Trust	37.4	4.9	(2.3)	25.6	65.6
The Gray Laboratory Cancer Research Trust	-	1.5	(1.6)	-	(0.1)
Aggregated into the University Financial Statements					
University of Oxford Development Trust Fund	974.1	305.0	(56.7)	-	1,222.4
Oxford University Law Foundation	0.5	0.1	(0.1)	-	0.5
Excluded from the University and group accounts as they are not controlled by the University					
Oxford University Boat Club	3.9	0.4	(0.4)	-	3.9
Oxford University Rugby Club	0.4	0.2	(0.4)	-	0.2
Oxford University Women's Boat Club	0.1	0.3	(0.3)	-	0.1
Smaller sports charities	0.2	1.1	(1.1)	-	0.2
Smaller non-sports charities	0.7	0.6	(0.6)	-	0.7
Excluded from the University and group accounts as the University does not derive benefit from their activities					
Nuffield Dominions Trust	25.5	0.7	(0.3)	-	25.9
College Contribution Fund	46.9	8.2	(1.6)	-	53.5

Further details about the University’s Connected charities are available via the University’s gateway page at www.ox.ac.uk/about/organisation/university-as-a-charity

29. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016

	CONSOLIDATED		UNIVERSITY	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
At the end of the year the University had major capital commitments for building projects as follows:				
Contracted for:	93.3	77.3	93.3	77.3
At the end of the year the University had commitments to invest additional funds within its investment portfolio	302.0	265.6	302.0	265.6

30. Contingent Liabilities

As explained in the Statement of Accounting Policies, these financial statements do not include those assets and liabilities that relate to the activities of the Press. In the unlikely event of the Press not having sufficient assets to meet such liabilities, those liabilities would fall to be met by the University as a whole. At 31 March 2016 the date of its latest audited balance sheet, the Press had total net assets of £429.8m (2015: £371.4m), after deducting total liabilities of £383.7m (2015: £393.2m).

The University has entered into an agreement with the Trustees of the Oxford Staff Pension Scheme ('OSPS') to eliminate the scheme deficit over a period of years. As security for the payment of the agreed contributions into the Scheme, the University has granted a floating charge in favour of the Trustees of OSPS over certain assets, which are located in the United Kingdom, subject to the value not falling below £100m.

The University as a whole is subject to a number of legal claims and other matters the outcomes of which are uncertain and may give rise to liabilities or other adverse consequences which cannot currently be quantified.

31. Lease obligations

Total rentals payable under operating leases:

	2016 Land and Buildings £'m
PAYABLE DURING THE YEAR	4.0
<i>Future minimum lease payments due:</i>	
Not later than 1 year	4.0
Later than 1 year and not later than 5 years	12.0
Later than 5 years	36.1
TOTAL LEASE PAYMENTS DUE	52.1

32. HEFCE Hardship Funds/National College for Teaching and Leadership ('NCTL')

The University enters into a number of arrangements with funding bodies to disburse funds on their behalf to students. The University accounts for these as agency arrangements as it does not receive the majority of the benefits or incur the risks of the transactions. Neither income nor expenditure is recognised by the University on these transactions beyond any consideration the University has received for the provision of agency services.

In the current year the University has received and disbursed the following funds on an agency basis;

CONSOLIDATED & UNIVERSITY	NCTL £'m
UNDISBURSED FUNDS BROUGHT FORWARD	-
Funds received in the year	2.5
Funds disbursed in the year	(2.6)
UNDISBURSED FUNDS CARRIED FORWARD	(0.1)

The University acts only as a paying agent in relation to NCTL bursaries, distributing them to students. The funds received and related disbursements are therefore excluded from the Statement of Comprehensive Income.

33. Related parties

During the year ended 31 July 2016 the University had transactions with entities and individuals which fell within the definition of Related Parties under Section 33 of FRS 102. Transactions are disclosed where Key Management Personnel including all members of Council and other senior members of staff disclose an interest in a body with which the University undertakes transactions which are considered material to the University's Financial Statements and/or the other party. Due to the nature of the University's operations and the composition of Council (being drawn from colleges and other private and public sector organisations) it is inevitable that transactions in the normal course of business will take place with organisations in which a member of Council may have an interest. All transactions involving an organisation in which a member of Council may have an interest are conducted in accordance with the University's financial regulations and normal procurement procedures.

Included in the Financial Statements are the following transactions between the University and related parties where a member of the University or Senior Officer was also a director or trustee of the related party. This excludes the colleges which are separate legal entities.

RELATED PARTY	INCOME	EXPENDITURE/ TRANSFERS	BALANCE DUE
	£'000	£'000	£'000
BTG International Ltd	25	-	8
Department for Environment Food & Rural Affairs	17	-	94
Edward Penley Abraham Research Fund	288	-	6
Guy Newton Research Fund	52	-	19
Imperial College London	200	287	425
JISC Collections and Janet Limited	-	1,392	-
McGill University	34	243	1
Medical Schools Council	-	18	-
Nanjing University	65	-	-
National Institute for Health Research	2,589	-	1,131
Optical Society of America	-	13	-
Oxford BioMedica (UK) Limited	26	-	6
Royal Academy of Engineering	23	18	12
Saxton Bampfylde Hever Plc	-	71	-
Taylor & Francis Group	23	-	2
The Company of Biologists Ltd	-	18	-
The Russell Group of Universities	-	69	-
University of Helsinki	10	6	9
Wellcome Trust	84,700	119	13,794
Transactions with joint ventures and associates			
Jenner Vaccine Foundation	-	-	-

There were no transactions in the year between the University and Key management personnel other than remuneration.

The University of Oxford, in the form of 'The Chancellor Masters and Scholars of the University of Oxford', is the ultimate controlling entity of the group consolidated into these Financial Statements. It has a number of wholly owned subsidiaries, as set out in note 16, which as per Section 33 of FRS 102 are not considered to be related parties.

During the year, the University made grants and other payments totalling £488K (2015: £402K) to the Oxford University Student Union and its wholly-owned subsidiary.

The Alan Turing Institute: The institute has been created as a government initiative to fund a national centre for data science and analysis, and is a joint venture between five universities who are all making grants to the Institute. The University as a founding partner has agreed to make a grant of £5m to the new Institute. This commitment has been recorded as a creditor at 31st July 2016.

Oxford Sciences Innovation plc, (OSI): The University has signed a 15 year agreement with OSI for the funding and development of spin-out companies based on research from the Mathematical, Physical and Life Sciences and Medical Sciences Divisions. The University will retain a 5% equity stake in OSI.

The University provides support to spin-out companies in which it has invested via Oxford University Spin-Out Equity Management.

Research Councils: In common with many universities, senior members of the University sit on Research Councils, other NHS Trust boards and other grant awarding bodies which have their own internal procedures to avoid potential conflicts of interest. Members of Council also sit on Research Councils and their sub-committees including the Engineering and Physical Sciences Research Council, the Science and Technology Facilities Council, the Medical Research Council and the Arts and Humanities Research Council.

INCOME	2016	2015
	£'m	£'m
Medical Research Council	61.1	54.7
Science and Technology Facilities Council	9.7	8.8
Engineering and Physical Sciences Research Council	45.7	35.3
Arts & Humanities Research Council	3.8	3.2
Biotechnology & Biological Sciences Research Council	10.2	10.4
Natural Environmental Research Council	7.6	7.1
Economic & Social Research Council	5.0	6.4
	143.1	125.9

Colleges

The 36 external colleges of the University of Oxford are independent legal institutions and are therefore not included in the financial results of the University. Whilst the University has no financial responsibility for the colleges, the collegiate nature of Oxford gives rise to financial interaction between the University and colleges. During the year the University paid £54.5m to the colleges via its Joint Resource Allocation Method (JRAM) (see note 9) out of HEFCE funding and fee income (2015: £55.9m).

The University made a payment of £1m to the College Contributions Fund in 2015/16 (2015: £1m) and will make further payments of £1m per year for the next 2 years. The Fund finances a scheme which provides support to colleges with relatively low assets. The University agreed to make these payments to help build up a permanent endowment to provide income grants. Grants are awarded to colleges to improve services in key areas, including the provision of bursaries, scholarships, libraries, IT, and teaching support.

Other areas of interaction with the colleges are as follows:

Hardship funds: A large part of HEFCE hardship funds received by the University is passed to colleges to administer (see note 32).

Investments: The colleges are able to invest in the Oxford Endowment Fund; such investments are treated as 'amounts attributable to outside bodies' and are deducted from Fixed Asset Investments (see note 15). At 31 July 2016 the University held investments in the Endowment Fund amounting to £404.5m (2015: £324.3m) on colleges' behalf. Colleges are also among the investors in the Oxford Capital Fund. They have invested £23.5m as at 31 July 2016 (2015: £13.9m).

General trading takes place between the University and colleges, including the provision of research, accommodation, and teaching facilities. These arrangements are undertaken on a commercial basis.

Other external funds/trusts: Certain external trusts provide research and other funding to the University and some colleges. A number of these trusts (note 26) are allowed to participate in the Oxford Endowment Fund, and such assets held on their behalf by the University are included in the deduction from Fixed Asset Investments (see note 15).

34. Pension schemes

The University participates in two principal pension schemes for its staff – the Universities Superannuation Scheme (USS) and the University of Oxford Staff Pension Scheme (OSPS). The schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and pensionable salary) and until April 2016 were contracted out from the State Second Pension Scheme. The assets of USS and OSPS are each held in separate trustee-administered funds. The schemes are multi-employer schemes and the University is unable to identify its share of the underlying assets and liabilities of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS 102 paragraph 28.11, the University accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the schemes in respect of the accounting period.

In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

However, in OSPS the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

The University also has a small number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS), the Superannuation Arrangements of the University of London (SAUL) and the Medical Research Council Pension Scheme (MRCPS). The University's participation in NHSPS is in respect of employees who meet certain eligibility criteria, including being an active member of the scheme prior to joining the University. The University's participation in SAUL is in respect of employees of the Gray Laboratory Cancer Research Trust which was acquired by the University on 30 June 2006. The University's participation in MRCPS is in respect of employees of whose units transferred from other MRC funded institutions.

The University has made available the National Employment Savings Trust for non-employees who are eligible under automatic enrolment regulations to pension benefits.

Actuarial valuations

The last full actuarial valuation of the NHSPS was performed as at 31 March 2012. The 2012 valuation reported scheme liabilities of £240bn. There are no underlying assets, and therefore no surplus or deficit was reported except on a purely notional basis. An accounting valuation of the scheme liability is carried out annually by the scheme actuary, whose report forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. The actuary agreed that the employer contributions rate would increase from 14.0% to 14.3% from 1 April 2015. With the introduction of the new pension arrangements based on Career Average Revalued Earnings, the 2015 Scheme, the contributions will be 14.3% for a four year period and the rate will be reassessed at the next valuation to be carried out as at 31 March 2016. NHSPS is in a similar position to USS in that in the event of the withdrawal of a participating employer the remaining participating employers will assume responsibility for any increased contributions arising.

The last full actuarial valuation of SAUL was performed as at 31 March 2014. The 2014 valuation reported a deficit on a technical provisions basis of £9m and was 97% funded. From 1 April 2016 the employers' contribution rate increased by 3% to 16% for the period to 31 March 2018 in accordance with the deficit recovery plan. On 1 April 2016 a number of changes were made to the benefits provided including closure of the final salary plan, with all members now building up benefits on a Career Average Revalued Earnings basis at an accrual rate of 1/75ths. In SAUL the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

Qualified actuaries periodically value the USS, OSPS, MRCPS and SAUL schemes using the 'projected unit method', embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions which have the most significant effect on the results of the latest valuations and the determination of the contribution levels are for the two principal schemes shown in the following table. The other schemes do not have significant numbers of University employees contributing.

	USS	OSPS
Date of valuation:	31/03/14	31/03/13
Date valuation results published:	24/07/15	23/06/14
Value of liabilities:	£46.9bn	£597m
Value of assets:	£41.6bn	£424m
Funding surplus / (deficit):	(£5.3bn) ^a	(£173m) ^b
Principal assumptions:		
■ Investment return	5.2%pa ^c	-
■ Rate of interest (periods up to retirement)	-	Gilts' +1.2%
■ Rate of interest (periods after retirement)	-	Gilts' +1.2%
■ Rate of increase in salaries	RPI + 1%pa ^d	RPI + 1%pa
■ Rate of increase in pensions	CPI pa ^d	CPI pa
Mortality assumptions:		
■ Assumed life expectancy at age 65 (males)	24.2 yrs	22.5 yrs
■ Assumed life expectancy at age 65 (females)	26.3 yrs	25.2 yrs
Funding Ratios:		
■ Technical provisions basis	89%	71%
■ Statutory Pension Protection Fund basis	82%	69%
■ 'Buy-out' basis	54% ^e	44%
■ Estimated FRS102 Total Funding level	85% ^e	82%
Recommended employer's contribution rate (as % of pensionable salaries):	18% ^e	21.5%, increasing to 23.5% ^f
Effective date of next valuation:	31/03/17	31/03/16

^a USS's actuarial valuation as at 31 March 2014 takes into account the revised benefit structure effective 1 April 2016 agreed both by the Joint Negotiating Committee and the Trustee in July 2015 following the Employers' consultation which concluded in June 2015. Key changes agreed include: for Final Salary section members, the benefits built up to 31 March 2016 were calculated as at that date using pensionable salary and pensionable service immediately prior to that date and going forwards will be revalued in line with increases in official pensions (currently CPI); all members accrue a pension of 1/75th and a cash lump sum of 3/75ths of salary each year of service in respect of salary up to a salary threshold, initially £55,000 p.a., with the threshold applying from 1 October 2016; member contributions are 8% of salary; a defined contribution benefit for salary above the salary threshold at the total level of 20% of salary in excess of the salary threshold; and optional additional contributions payable into the defined contribution section from 1 October 2016 of which the first 1% of salary is matched by the employer. Further details about the changes may be reviewed on USS's website, www.uss.co.uk. For the period up to 1 April 2016 the employer deficit contribution was 0.7% p.a. of salaries based on the assumptions made. After allowing for those changes, the actuary established a long term employer contribution rate of 18% pa of salaries for the period from 1 April 2016 to 31 March 2031. On the assumptions made and with the salary threshold and defined contribution section implemented this gives rise to deficit contributions of at least 2.1% p.a. of salaries. At 31 March 2016 USS reported that the funding deficit had increased to £10.0 bn (83% funded), from £8.2 bn (86% funded) at 31 March 2015.

^b OSPS's actuarial valuation as at 31 March 2013 identified a required long-term employer contribution rate of 20.1% of total pensionable salaries, with a funding deficit of £173 m. The University of Oxford, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by raising the employer contribution rate in increments of 0.5% of pensionable salary to 23.5%, with this increase being implemented over the three years to 1 August 2017. The actuary has certified that the additional contribution should eliminate the deficit by 30 June 2026. At 31 March 2015 the scheme reported a funding deficit of £213.4 m (71% funded) from £134.8 m (77% funded) at 31 March 2014. The next triennial valuation is due with an effective date of 31 March 2016.

^c USS's actuary has assumed that the investment return is 5.2% in year 1, decreasing linearly to 4.7% over 20 years.

^d USS's actuary has assumed that general pay growth will be CPI in year 1, CPI + 1% in year 2 and RPI + 1% pa thereafter. It is assumed that CPI is based on the RPI assumption (market derived price inflation of 3.6% p.a. less an inflation risk premium) less RPI/CPI gap of 0.8% p.a.

^e As noted above (note a) the USS employer contribution rate is 18% of salaries from 1 April 2016. Prior to that date it was 16% of salaries. The total employer contributions include provisions for the cost of future accrual of defined benefits (DB) (net of member contributions to the DB section), deficit contributions, administrative expenses of 0.4% of salaries and from the implementation of the salary threshold the employer contribution towards defined contribution benefits including employer matching contributions and certain investment management costs relating to the DC section.

^f As noted above (note b), the OSPS employer contribution rate required for future service benefits alone at the date of the valuation was 20.1% of total pensionable salaries. It was agreed that employers increase their contribution rate by 0.5% each year to 1 August 2017 to 23.5%.

Sensitivity of actuarial valuation assumptions

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

USS		
Assumption	Change in assumption	Impact on USS liabilities
Initial discount rate	increase / reduce by 0.25%	decrease / increase by £0.8bn
Discount rate in 20 years' time	increase / reduce by 0.25%	decrease / increase by £1.1bn
RPI inflation	increase / decrease by 0.1%	increase / decrease by £0.8bn
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £0.5bn

OSPS		
Assumption	Change in assumption	Impact on OSPS liabilities
Valuation rate of interest	increase / decrease by 0.5%	decrease / increase by £63m
Rate of pension increases	increase / decrease by 0.5%	increase / decrease by £41m
Rate of salary growth	increase / decrease by 0.5%	increase / decrease by £13m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £20m

Deficit Recovery Plans

In line with FRS 102 paragraph 28.11A, the University has recognised a liability for the contributions payable for the agreed deficit funding plan. The principle assumptions used in these calculations are tabled below:

	OSPS	SAUL	USS
Finish Date for Deficit Recovery Plan	30/06/26	31/03/18	31/03/31
Average staff number increase	2.4–4.4%	0%	2.4–4.4%
Average staff salary increase	2.00%	2.00%	2.00%
Average discount rate over period	1.40%	1.50%	1.75%
Effect of 0.5% change in discount rate	£1.4m	-	£5.8m
Effect of 1% change in staff growth	£2.9m	-	£12.5m

A provision of £197.4m has been made at 31 July 2016 (2015: £181.2m) for the present value of the estimated future deficit funding element of the contributions payable under these agreements, using the assumptions shown.

Pension charge for the year

The pension charge recorded by the University during the accounting period (excluding pension finance costs) was equal to the contributions payable after allowance for the deficit recovery plan as follows:

SCHEME	2015/16	2014/15
	£m	£m
Universities Superannuation Scheme	74.5	131.4
University of Oxford Staff Pension Scheme	15.6	14.3
NHS Pension Scheme	4.1	3.9
MRC	0.4	0.5
Other schemes – contributions	0.7	1.6
TOTAL	95.3	151.7

Included in other creditors are pension contributions payable of £10.9m (2015: £9.9m).

A copy of the full actuarial valuation report and other further details on the scheme are available on the relevant website: www.uss.co.uk, www.nhsbsa.nhs.uk/Pensions, www1.admin.ox.ac.uk/finance/epp/pensions/schemes/osps, www.saul.org.uk.

35. Transition to FRS 102

This is the first year the University has prepared accounts under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the FEHE SORP based upon it. The transition to the new accounting standard has required the University to adopt new accounting policies for many balances with a material impact upon the University's Financial Performance and Position. The policies which have changed are as follows;

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 2 entities. This has changed the University's policy for recognising income on government grants, non-government 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 as receivable, or straight-line over time giving an adjustment to transition date reserves and 2014/15 income.

New Endowments

The new FEHE SORP requires new endowments be recognised as income rather than directly in Endowment Reserves and they be 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 for endowments receivable but not yet received and 2014/15 income for new endowments receivable in the year.

Restricted reserves

The new FEHE SORP requires the University to recognise reserves for restricted income and expenditure separately from unrestricted reserves. The new income recognition requirements for non-exchange transactions also requires income to be recognised as receivable in the absence of performance conditions, this requires restricted donation deferred income under the previous SORP being recognised as restricted reserves under the new SORP. This requires a restatement of reserves at the transition date for unspent restricted donations and gifted restricted heritage assets.

The University has changed its policy for recognising gifts as expendable endowments to only those gifts which specifically state the gift is an endowment or that the unspent capital be invested. This has resulted in a transfer between endowment and restricted reserves.

Capital grants

Under previous accounting standards the University applied an accruals model for capital grant accounting. Income was recognised in line with 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 a treated sub class of non-exchange transactions, for grants related to the purchase of specified assets income is recognised when the asset is purchased whereas grants for building projects are recognised upon completion of the building. Grants received are held in deferred income until income is recognised. This accounting policy change has 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 pensions actuarial surpluses and deficits on defined benefit schemes as they were multi-employer 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.

Non-reserves adjusting policy changes

Investment market value gains

The University's previous accounting policy for investment asset market value gains was to recognise them directly within reserves, either in the revaluation reserve for unrealised gains or retained earnings for realised gains. Under FRS 102 all investment returns must be recognised in the Statement of Comprehensive Income as earned regardless of whether they are realised or unrealised.

Cash equivalents

Short term deposits previously classified as current asset investments, under FRS 102 will now be classified as cash equivalents.

Foreign currency translation of overseas subsidiaries

Under FRS 102 the income and expenditure transactions of overseas subsidiaries which report in a currency other than Pounds Sterling will now be translated at the exchange rates prevailing on the transaction date rather than an average for the year.

Reconciliation of Total Funds

31 July 2014

CONSOLIDATED	Unrestricted £'m	Restricted £'m	Deferred Capital Grants £'m	Endowments £'m	Minority Interest £'m	Total £'m
TOTAL FUNDS UNDER PREVIOUS UK GAAP	1,192.8	-	670.0	705.9	0.4	2,569.1
New endowments receivable, not yet received	-	-	-	12.2	-	12.2
Recognise restricted donations within reserves	-	16.4	-	-	-	16.4
Recognise restricted heritage assets within reserves	(38.8)	38.8	-	-	-	-
Reclassify endowments under new SORP	19.7	-	-	(19.7)	-	-
Expendable endowments reclassified to restricted donations	-	9.2	-	(10.4)	-	(1.2)
Investment gains in mixed-use properties	-	2.6	-	-	-	2.6
Gains on Investments in Spin-out Companies	40.0	-	-	-	-	40.0
Capital grants recognised on performance basis	579.7	-	(670.0)	-	-	(90.3)
Short-term employee benefit accrual	(5.7)	-	-	-	-	(5.7)
Remove minority interest	-	-	-	-	(0.4)	(0.4)
Pension deficit funding provision	(90.8)	-	-	-	-	(90.8)
Subsidiary adjustments	(4.5)	-	-	-	-	(4.5)
TOTAL FUNDS UNDER FRS 102	1,692.4	67.0	-	688.0	-	2,447.4

UNIVERSITY	Unrestricted £'m	Restricted £'m	Deferred Capital Grants £'m	Endowments £'m	Total £'m
TOTAL FUNDS UNDER PREVIOUS UK GAAP	1,195.5	-	671.9	639.1	2,506.5
New endowments receivable, not yet received	-	-	-	12.2	12.2
Recognise restricted donations within reserves	-	16.4	-	-	16.4
Recognise restricted heritage assets within reserves	(38.8)	38.8	-	-	-
Reclassify endowments under new SORP	19.7	-	-	(19.7)	-
Expendable endowments reclassified to restricted donations	-	9.2	-	(10.4)	(1.2)
Investment gains in mixed-use properties	-	2.6	-	-	2.6
Gains on Investments in Spin-out companies	40.0	-	-	-	40.0
Capital grants recognised on performance basis	581.6	-	(671.9)	-	(90.8)
Short-term employee benefit accrual	(5.7)	-	-	-	(5.7)
Pension deficit funding provision	(90.8)	-	-	-	(90.8)
Other minor adjustments	(1.1)	-	-	-	(1.1)
TOTAL FUNDS UNDER PREVIOUS	1,700.4	67.0	-	621.2	2,388.6

31 July 2015

CONSOLIDATED	Unrestricted £'m	Restricted £'m	Deferred Capital Grants £'m	Endowments £'m	Minority Interest £'m	Total £'m
TOTAL FUNDS UNDER PREVIOUS UK GAAP	1,478.3	-	706.7	833.9	0.4	3,019.3
New endowments previously accrued	-	-	-	(6.1)	-	(6.1)
Research income recognised on performance basis	5.5	-	-	-	-	5.5
Recognise restricted donations within reserves	-	16.4	-	-	-	16.4
Recognise restricted heritage assets within reserves	(39.7)	39.7	-	-	-	-
Expendable endowments reclassified to restricted donations	(17.6)	15.7	-	1.9	-	-
Investment gains in mixed-use properties	-	2.6	-	-	-	2.6
Gains on Investments in Spin-out companies	58.5	-	-	-	-	58.5
Capital grants recognised on performance basis	636.5	-	(706.7)	-	-	(70.2)
Short-term employee benefit accrual	(5.4)	-	-	-	-	(5.4)
Remove minority interest	-	-	-	-	(0.4)	(0.4)
Pension deficit funding provision	(179.7)	-	-	-	-	(179.7)
Consolidation adjustments (other)	(1.2)	-	-	-	-	(1.2)
Other minor adjustments	(3.0)	(0.2)	-	3.6	-	0.4
TOTAL FUNDS UNDER FRS 102	1,932.2	74.2	-	833.3	-	2,839.7

UNIVERSITY	Unrestricted £'m	Restricted £'m	Deferred Capital Grants £'m	Endowments £'m	Total £'m
TOTAL FUNDS UNDER PREVIOUS UK GAAP	1,475.1	-	706.9	766.6	2,948.6
New endowments previously accrued	-	-	-	(6.1)	(6.1)
Research income recognised on performance basis	5.5	-	-	-	5.5
Recognise restricted donations within reserves	-	16.4	-	-	16.4
Recognise restricted heritage assets within reserves	(39.7)	39.7	-	-	-
Expendable endowments reclassified to restricted donations	(21.0)	19.0	-	2.0	-
Investment gains in mixed-use properties	-	2.6	-	-	2.6
Gains on Investments in Spin-out companies	57.4	-	-	-	57.4
Capital grants recognised on performance basis	636.7	-	(706.9)	-	(70.2)
Short-term employee benefit accrual	(5.4)	-	-	-	(5.4)
Pension deficit funding provision	(178.9)	-	-	-	(178.9)
Other minor adjustments	5.2	-	-	0.1	5.3
TOTAL FUNDS UNDER FRS 102	1,934.9	77.7	-	762.6	2,775.2

Reconciliation of 2014/15 Surplus

These financial statements present the 2014/15 Income and Expenditure restated under FRS102. The net surplus as reported under the previous accounting standards reconciles to the surplus under FRS102 as follows:

	CONSOLIDATED	UNIVERSITY
	2014/15 £'m	2014/15 £'m
2014/15 NET SURPLUS UNDER PREVIOUS UK GAAP	184.3	178.3
Research grant income recognised on performance basis	5.5	5.5
Endowment on earnings not Total Return	(24.0)	(21.6)
Holiday Pay accrual	0.5	0.5
Donation income recognised on performance basis	0.7	0.7
New endowments recognised as income when receivable	67.4	67.4
Investment gains recognised as income as earned	205.4	202.5
Endowment income recognised as reserves transfer instead of income	(11.8)	(11.8)
Pension provision change	(75.8)	(75.8)
Capital grants recognised on performance basis	35.0	35.0
Other adjustments	5.1	5.9
2014/15 NET SURPLUS UNDER FRS 102	392.3	386.6

Oxford University Press: Financial Report Extracts

Abstract of the Accounts of the Trading Operations and the Delegates' Property and Reserve Fund of Oxford University Press for the year ended 31 March 2016

Introductory note

The Delegates wish to observe that:

- (a) the abstracts of Accounts are drawn from the full audited non-statutory accounts of the Trading Operations and the Delegates' Property and Reserve Fund of the Press;
- (b) with regard to the abstract of the combined Balance Sheet of the Trading Operations, the short term cash position is substantially stronger at 31 March than at certain other times of the year;
- (c) a proportion of earnings and cash balances arising in certain overseas countries is not available for use elsewhere;
- (d) the Delegates' Property and Reserve Fund was established during the year ended 31 March 1984 in order to distinguish more clearly the reserve investments of the Press from the assets and liabilities relating to the Trading Operations. The Fund holds and manages the properties of the Press together with the income arising therefrom. The main purpose of the Fund is to manage, in the short and medium term, the impact on the Press, and consequently on the University, of the realisation of material economic and financial risks to the Press.

Oxford University Press: Financial Report Extracts

Independent Auditor's Statement to the Delegates of the Oxford University

We have examined the Abstract of the non-statutory accounts of the Trading Operations and the Delegates Property and Reserve Fund of Oxford University Press for the year ended 31 March 2016 which comprises the abstract of the combined balance sheet, combined statement of comprehensive income and combined statement of changes in equity, and accompanying note on explanation of transition to FRS102 from Old UK GAAP of the Trading Operations and the abstract of the combined balance sheet and combined statement of financial activities of the Delegates Property and Reserve Fund ("the Abstract") and accompanying note on explanation of transition to FRS102 from Old UK GAAP.

This statement is made solely to the Delegates of the Oxford University Press, as a body, in accordance with our terms of engagement. Our work has been undertaken so that we might state to the Delegates those matters we have agreed to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Oxford University Press and the Delegates, as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of the Delegates and KPMG LLP

The Delegates are responsible for preparing the Abstract within the Financial Statements of the University of Oxford in accordance with the applicable Statutes of Oxford University. Our responsibility is to report to you our opinion on the accurate extraction of the captions and amounts included in Abstract within the Financial Statements of the University of Oxford with the full annual non-statutory accounts of the Trading Operations and Delegates Property and Reserve Fund of Oxford University Press.

Basis of opinion

Our examination of the Abstract consisted primarily of agreeing the captions and amounts included in the Abstract to the corresponding items within the full annual non-statutory accounts of the Trading Operations and the Delegates Property and Reserve Fund of Oxford University Press for the year ended 31 March 2016. We also read the other information contained in the Financial Statements of the University of Oxford and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Abstract.

This engagement is separate from the audit of the annual non-statutory accounts of Trading Operations and the Delegates Property and Reserve Fund of Oxford University Press and the report here relates only to the extraction of the Abstract from those annual non-statutory accounts and does not extend to the annual non-statutory accounts taken as a whole.

As set out in our audit report on those non-statutory accounts, that audit report is made solely to the Delegates, as a body, in accordance with Council Regulation 20 of 2002 of Oxford University. The audit work has been undertaken so that we might state to the Delegates those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trading Operations and Delegates Property and Reserve Fund of Oxford University Press and the Delegates as a body for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

Opinion

On the basis of the work performed, in our opinion the captions and amounts included in the Abstract have been accurately extracted from the full annual non-statutory accounts of the Trading Operations and Delegates Property and Reserve Fund of Oxford University Press for the year ended 31 March 2016.

KPMG LLP

Chartered Accountants
Arlington Business Park, Theale, Reading, RG7 4SD
31-May-16

Abstract of the Combined Balance Sheet of the Trading Operations as at 31 March 2016

	2016		2015	
	£'m	£'m	£'m	£'m
Fixed Assets				
Tangible assets		22.4		22.1
Intangible fixed assets		83.9		81.8
Investments		0.5		0.5
		106.8		104.4
Current Assets				
Intangible assets - pre-publication	20.0		21.0	
Stock and work-in-progress	73.2		77.3	
Debtors	203.8		199.5	
Current asset investments	174.2		153.4	
Cash at bank and in hand	22.0		23.6	
	493.2		474.8	
Current Liabilities				
Creditors: amounts falling due within one year	(209.3)		(208.3)	
Taxation	(12.8)		(11.5)	
Bank loans and overdrafts	(8.0)		(13.5)	
	(230.1)		(233.3)	
Net Current Assets		263.1		241.5
TOTAL ASSETS LESS CURRENT LIABILITIES		369.9		345.9
Creditors: amounts falling due after more than one year		(7.2)		(6.0)
Provisions for liabilities		(1.6)		(1.9)
NET ASSETS EXCLUDING PENSION LIABILITY		361.1		338.0
PENSION LIABILITY		(126.7)		(135.8)
NET ASSETS		234.4		202.2
Capital Employed				
Accumulated Fund		232.7		200.7
Minority Interests		1.7		1.5
TOTAL FUND		234.4		202.2

Abstract of the Combined Results of the Trading Operations for the year ended 31 March 2016

	2016	2015
	£'m	£'m
TURNOVER	760.5	762.2
PROFIT BEFORE TAX	85.3	96.3
Taxation	(10.1)	(9.3)
PROFIT AFTER TAX	75.2	87.0
Profit attributable to minority interests	(0.4)	(1.5)
PROFIT FOR THE YEAR	74.8	85.5
The above results relate to continuing operations.		

Abstract of the Combined Statement of Comprehensive Income of the Trading Operations for the year ended 31 March 2016

	2016	2015
	£'m	£'m
PROFIT FOR THE YEAR	74.8	85.5
Other Comprehensive Income:		
Effective Portion Of Changes In Fair Value Of Cash Flow Hedges	(10.6)	1.7
Actuarial Losses On Group Pension Schemes		
Actuarial Gain/(Loss) Arising During Period	28.9	(63.4)
Return On Scheme Assets (Less)/Greater Than Discount Rate	(16.2)	28.8
Net Investments	-	3.7
TOTAL OTHER COMPREHENSIVE INCOME	2.1	(29.2)
TOTAL RECOGNIZED COMPREHENSIVE INCOME RELATING TO THE YEAR	76.9	56.3

Abstract of the Combined Statement of Changes in Equity of the Trading Operations for the year ended 31 March 2016

	CASH FLOW HEDGING RESERVE	PROFIT AND LOSS ACCOUNT	TOTAL
	£'m	£'m	£'m
Balance At 1 April 2014	3.1	287.2	290.3
Total Comprehensive Income For The Year:			
Profit For The Year	-	85.5	85.5
Other Comprehensive Income	1.7	(30.9)	(29.2)
Transfer To Delegates' Property And Reserve Fund	-	(145.9)	(145.9)
BALANCE AT 31 MARCH 2015	4.8	195.9	200.7
Total Comprehensive Income For The Year:			
Profit For The Year	-	74.8	74.8
Other Comprehensive Income	(10.6)	12.7	2.1
Transfer To Delegates' Property And Reserve Fund	-	(44.9)	(44.9)
BALANCE AT 31 MARCH 2016	(5.8)	238.5	232.7

Explanation of Transition to FRS102 from Old UK GAAP

These are the Trading Operations' first non-statutory accounts prepared in accordance with FRS 102. The accounting policies set out in note 2 have been applied in preparing the non-statutory accounts for the year ended 31 March 2016 and the comparative information presented in these non-statutory accounts for the year ended 31 March 2015.

In preparing its FRS 102 balance sheet, the Press has adjusted amounts reported previously in non-statutory accounts prepared in accordance with its previous basis of accounting, old UK GAAP. An explanation of how the transition from UK GAAP has affected the Press's financial position and financial performance is set out in the following tables.

RECONCILIATION OF EQUITY		31 MARCH 2015		
		Old UK GAAP	Effect of transition	FRS 102
		£'m	£'m	£'m
Fixed Assets				
Tangible fixed assets	(a)	40.3	(18.2)	22.1
Intangible fixed assets	(a)	63.6	18.2	81.8
Investments		0.5	-	0.5
		104.4	-	104.4
Current Assets				
Intangible assets – pre-publication	(b)	-	21.0	21.0
Stock and work-in-progress	(b)	98.3	(21.0)	77.3
Debtors	(c)	190.6	8.9	199.5
Current asset investments	(c)	153.3	0.1	153.4
Cash at bank and in hand		23.6	-	23.6
		465.8	9.0	474.8
Creditors				
Amounts falling due within one year	(c),(d),(e)	(226.6)	(6.7)	(233.3)
NET CURRENT ASSETS		239.2	2.3	241.5
TOTAL ASSETS LESS CURRENT LIABILITIES		343.6	2.3	345.9
Creditors				
amounts falling due after more than one year	(c)	(4.3)	(1.7)	(6.0)
PROVISION FOR LIABILITIES		(1.9)	-	(1.9)
NET ASSETS EXCLUDING PENSION LIABILITY		337.4	0.6	338.0
Pension Liability		(135.8)	-	(135.8)
NET ASSETS INCLUDING PENSION LIABILITY		201.6	0.6	202.2
Reserves		200.1	0.6	200.7
Minority Interests		1.5	-	1.5
TOTAL FUND		201.6	0.6	202.2

Explanation of Transition to FRS102 from Old UK GAAP

		1 APRIL 2014		
		Old UK GAAP	Effect of transition	FRS 102
		£'m	£'m	£'m
RECONCILIATION OF EQUITY (CONTINUED)				
Fixed Assets				
Tangible assets	(a)	36.1	(15.8)	20.3
Intangible fixed assets	(a)	75.8	15.8	91.6
Investments		0.5	-	0.5
		112.4	0.0	112.4
Current Assets				
Intangible assets - pre-publication	(b)	-	24.1	24.1
Stock and work-in-progress	(b)	98.4	(24.1)	74.3
Debtors	(c)	188.5	5.5	194.0
Current asset investments	(c)	212.0	(0.3)	211.7
Cash at bank and in hand		32.7	-	32.7
		531.6	5.2	536.8
Creditors				
Amounts falling due within one year	(c),(d),(e)	(231.3)	(7.1)	(238.4)
NET CURRENT ASSETS		300.3	(1.9)	298.4
TOTAL ASSETS LESS CURRENT LIABILITIES		412.7	(1.9)	410.8
Creditors				
Amounts falling due after more than one year	(c)	(4.8)	(0.3)	(5.1)
Provision For Liabilities		(1.7)	-	(1.7)
NET ASSETS EXCLUDING PENSION LIABILITY		406.2	(2.2)	404.0
Pension Liability		(112.5)	-	(112.5)
NET ASSETS INCLUDING PENSION LIABILITY		293.7	(2.2)	291.5
Reserves		292.4	(2.2)	290.2
Minority Interests		1.3	-	1.3
TOTAL FUND		293.7	(2.2)	291.5

Notes on reconciliation of equity:

- (a) Classification of Fixed Assets under FRS 102 requires computer software assets, including costs of configuring and implementing computer systems, to be shown as an intangible asset separate from the hardware on which the software is installed rather than a tangible fixed asset for the combined software and hardware. The net book value of capitalised software that has been reclassified as Intangible Fixed Assets, at 31st March 2015: £18.2m (1st April 2014 £15.8m).
- (b) Pre-production costs of publications have been shown as First Costs within Stock, and amortized over twelve months from first publication. Under FRS 102, these costs will be reclassified as Intangible Assets – Pre-Publication but will continue to be disclosed alongside Stock as Current Assets in the balance sheet. These assets will also continue to be amortised over twelve months from publication. Pre-production costs of publications were £21.0m at 31st March 2015 and £24.1m at 1st April 2014.
- (c) The Press enters into hedging contracts to protect itself from within-period exchange rate volatility. Under old UK GAAP, there was no requirement to hold hedging instruments (such as future currency sales or purchases at a fixed rate) on the balance sheet or to revalue them to current market value. Effective hedging under FRS 102 allows transactions to be recorded at the hedged rate and changes in the market value of hedges relating to future periods to be recorded through OCI rather than in the profit and loss account for the current period. This is achieved by matching FX contracts with phased cash flow forecasts. Hedges deemed as ineffective are revalued to market rate with changes in value taken through the profit and loss account. Previously, hedged transactions were recorded at the hedged rate and any mismatch between the value of transactions and hedges was closed out at spot rate with any differences taken to exchange gains and losses in the profit and loss account (this is equivalent to assuming that all hedges were fully effective) and periodic changes in market value of the hedging instruments did not need to be reflected in the profit and loss account. Under FRS 102, all outstanding invoiced transactions are revalued to the period end spot rate. At 1st April 2014 amounts recognised in the balance sheet in relation to cash flow hedges, the revaluation of invoiced items and cash to the year end rate was £2.0m (31st March 2015 £4.8m). In 2014/15, amounts taken to the Profit and Loss account due to ineffectiveness, the revaluation of invoiced items and cash was a loss of £1.1m. Effective hedges recognised in OCI at 1st April 2014 was a gain of £3.1m, the movement on OCI in 2014/15 was a gain of £1.8m.
- (d) The cost of unused holiday entitlement at the end of the year is accrued under FRS 102 with movements in the accrual taken through the Profit and Loss account. An opening accrual of £3.9m has been posted in the balance sheet at 1st April

2014, and the movement in the accrual will be recognised in the profit and loss account each year. The accrual at 31 March 2015 was calculated to be £4.2m, thus a £0.3m profit and loss account movement was recognised in 2014/15.

- (e) Deferred tax on unremitted earnings – under old FRS 19 unremitted earnings of subsidiaries only gave rise to deferred tax liabilities to the extent that dividends had been accrued. Under FRS 102 deferred tax is recognised when income from a subsidiary or branch has been recognised in the financial statements and the subsidiary is a regular remitter of dividends. Deferred tax on unremitted earnings was £0.2m at 1st April 2014 and reduced to £0.1m at 31st March 2015, with the movement taken to Taxation in the profit and loss account in 2014/15.

Explanation of Transition to FRS102 from Old UK GAAP

RECONCILIATION OF PROFIT AND LOSS		31 MARCH 2015		
		Old UK GAAP	Effect of transition	FRS 102
		£'m	£'m	£'m
TURNOVER	(a)	767.2	(5.0)	762.2
Trading profit before sale of fixed assets		105.1	(3.4)	101.7
Profit on sale of fixed assets		0.1	-	0.1
OPERATING PROFIT	(c)	105.2	(3.4)	101.8
Net interest receivable/(payable)		(1.0)	-	(1.0)
Other finance (expense)/income	(b)	(0.5)	(4.3)	(4.8)
PROFIT BEFORE INVESTMENT INCOME		103.7	(7.7)	96.0
Investment income		0.3	-	0.3
PROFIT BEFORE TAX	(a)	104.0	(7.7)	96.3
Taxation	(d)	(9.5)	0.2	(9.3)
PROFIT AFTER TAX		94.5	(7.5)	87.0
Profit attributable to minority interest		(1.4)	(0.1)	(1.5)
PROFIT FOR THE YEAR		93.1	(7.6)	85.5

Notes on reconciliation of profit and loss:

- (a) Under previous UK GAAP the translation of results from overseas operations into Sterling was made at period end closing rates. The Balance Sheet and Profit and Loss account were translated at the same rate. Under FRS 102, assets and liabilities for each Balance Sheet are translated at the closing rate at the date of that Balance Sheet. Income and expenses for each Profit and Loss account are translated at the exchange rate of the dates of the transactions, although for practical reasons the average rate of each currency each month has been used. All resulting exchange differences are recognised in Other Comprehensive Income. The retranslation of the profit and loss account for the year ended 31st March 2015 to average rates reduced Trading Operations turnover by £5.0m and net profit before tax by £4.2m compared to what was previously reported under old UK GAAP.
- (b) The costs of providing post-retirement benefits for employees is recognised in the Profit and Loss account through a Service Charge that recognises the cost of the benefits actually accruing to current employees during the year, and a Finance Charge which reflects the notional interest on the future scheme liabilities (calculated at a discount rate set in line with high quality corporate bonds) less the income generated from scheme assets. Under FRS 17, the income on assets was calculated according to the type and mix of assets and different rates of income were assumed on each separate class of asset. Under FRS 102, there is no change in Service Charge but returns on assets are calculated using the same rate used to discount the liabilities and no investment premium can be assumed. The resultant increase in Finance Charge for 2014/15 was £4.3m.
- (c) The profit and loss account movement in the holiday accrual in 2014/15 was a charge of £0.3m.
- (d) Deferred tax on unremitted earnings recognised in the profit and loss account in 2014/15 was a £0.1m credit.

Abstract of the Combined Balance Sheet of the Delegates' Property and Reserve Fund as at 31 March 2016

	2016		2015	
	Strategic Property Reserve £'m	Effective Operating Reserve £'m	Total £'m	Total £'m
Fixed Assets				
Properties	167.5	84.8	252.3	233.8
Investments	5.0	25.2	30.2	40.1
	172.5	110.0	282.5	273.9
Current Assets				
Debtors	0.2	0.1	0.3	0.2
Cash at bank and in hand	29.3	-	29.3	14.6
	29.5	0.1	29.6	14.8
Creditors: amounts falling due within one year	(6.6)	(9.8)	(16.4)	(18.1)
NET CURRENT ASSETS/(LIABILITIES)	22.9	(9.7)	13.2	(3.3)
TOTAL ASSETS LESS CURRENT LIABILITIES	195.4	100.3	295.7	270.6
NET ASSETS	195.4	100.3	295.7	270.6
Reconciliation Of Funds				
Opening balance	169.0	101.6	270.6	248.9
Net movement in funds	26.4	(1.3)	25.1	21.7
CLOSING BALANCE	195.4	100.3	295.7	270.6

Abstract of the Combined Statement of Financial Activities of the Delegates' Property and Reserve Fund for the year ended 31 March 2016

	2016		2015	
	Strategic Property Reserve £'m	Effective Operating Reserve £'m	Total £'m	Total £'m
Incoming Resources From Generated Funds				
Rental income from properties	14.8	3.0	17.8	17.7
Income from investments	0.2	0.1	0.3	0.4
Transfer from Trading Operations	-	44.9	44.9	145.9
TOTAL INCOMING RESOURCES	15.0	48.0	63.0	164.0
Expenditure				
Costs of generating funds				
Other resources expended	(8.3)	(0.9)	(9.2)	(9.1)
Expenditure on charitable activities				
Transfer of funds to the rest of the University:				
▪ Cash	-	(44.9)	(44.9)	(165.9)
▪ Benefits in kind	(1.0)	-	(1.0)	(0.9)
TOTAL EXPENDITURE	(9.3)	(45.8)	(55.1)	(175.9)
Gains on investment properties	9.7	6.1	15.8	27.8
NET INCOME	15.4	8.3	23.7	15.9
Transfer Between Funds	9.6	(9.6)	-	-
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	25.0	(1.3)	23.7	15.9
Currency Translation Differences On Foreign Currency Net Investments	1.4	-	1.4	5.8
NET MOVEMENT IN FUNDS	26.4	(1.3)	25.1	21.7
Reconciliation Of Funds				
Total Funds Brought Forward	169.0	101.6	270.6	248.9
TOTAL FUNDS CARRIED FORWARD	195.4	100.3	295.7	270.6

The Above Results Relate To Continuing Operations.

Explanation of Transition to FRS102 from Old UK GAAP

These are the DPRF's first non-statutory accounts prepared in accordance with FRS 102. The accounting policies set out in note 2 have been applied in preparing the non-statutory accounts for the year ended 31 March 2016 and the comparative information presented in these non-statutory accounts for the year ended 31 March 2015.

In preparing its FRS 102 Balance Sheet, the DPRF has adjusted amounts reported previously in non-statutory accounts prepared in accordance with its previous basis of accounting, old UK GAAP. An explanation of how the transition from old UK GAAP has affected the DPRF's financial position and financial performance is set out in the following tables.

RECONCILIATION OF EQUITY		31 MARCH 2015		
		Old UK GAAP	Effect of transition	FRS 102
		£'m	£'m	£'m
Fixed Assets				
Properties	(a)	131.0	102.8	233.8
Investments		40.1	-	40.1
		171.1	102.8	273.9
Current Assets				
Debtors		0.2	-	0.2
Cash at bank and in hand		14.6	-	14.6
		14.8	-	14.8
Creditors				
Amounts falling due within one year	(f)	(16.7)	(1.4)	(18.1)
NET CURRENT ASSETS		(1.9)	(1.4)	(3.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		169.2	101.4	270.6
Creditors				
amounts falling due after more than one year	(c)	-	-	-
NET ASSETS		169.2	101.4	270.6
Reconciliation Of Funds				
Opening balance		172.4	76.5	248.9
Net movement in funds		(3.2)	24.9	21.7
TOTAL FUNDS		169.2	101.4	270.6

Explanation of Transition to FRS102 from Old UK GAAP

RECONCILIATION OF EQUITY	1 APRIL, 2014		
	Old UK GAAP	Effect of transition	FRS 102
	£'m	£'m	£'m
Fixed Assets			
Properties ^a	117.9	77.7	195.6
Investments	47.0	-	47.0
	164.9	77.7	242.6
Current Assets			
Debtors	0.4	-	0.4
Cash at bank and in hand	22.7	-	22.7
	23.1	-	23.1
Creditors			
Amounts falling due within one year ^b	(15.5)	(1.2)	(16.7)
NET CURRENT ASSETS	7.6	(1.2)	6.4
TOTAL ASSETS LESS CURRENT LIABILITIES	172.5	76.5	249.0
Creditors			
Amounts falling due after more than one year	(0.1)	-	(0.1)
NET ASSETS	172.4	76.5	248.9
Reconciliation Of Funds			
Opening balance	152.8	-	152.8
Net movement in funds	19.6	76.5	96.1
TOTAL FUNDS	172.4	76.5	248.9

Notes on reconciliation of equity:

- (a) Strategic properties, regardless of their occupation for business use, are treated as Investment Properties in the non-statutory accounts, as the exemption under old UK GAAP for properties held by other companies within a group has been removed in FRS 102. The movement in the fair value of investment properties is recognised in the Statement of Financial Activities (including investment properties already held at fair value in the EOR). The fair value of properties, based on management opinion, at 1st April 2014 increased the net assets of the DPRF balance sheet by £77.7m as they were previously recognised at depreciated cost. At 31st March 2015 the revaluation of the strategic properties, based on professional advice, increased the value of properties by a further £25.1m.
- (b) FRS 102 section 29 requires deferred tax to be recognised in respect of all timing differences at the reporting date. The recognition of deferred tax for timing differences arising on a revaluation is recognised consistent with the accounting itself, therefore, the upward revaluation of an asset gives rise to a deferred tax liability. Under FRS 19, asset revaluations did not give rise to deferred tax assets and liabilities where gains and losses were recorded in the SOFA unless there was a binding commitment to sell, and the resulting gain/loss on disposal was recognised in the non-statutory accounts. At 1st April 2014 the deferred tax liability on the movement in property valuation in taxable jurisdictions was £1.2m (31st March 2015: £1.5m).

Explanation of Transition to FRS102 from Old UK GAAP

RECONCILIATION OF STATEMENT OF FINANCIAL ACTIVITIES		YEAR ENDED 31 MARCH 2015		
		Old UK GAAP £'m	Effect of transition £'m	FRS 102 £'m
Income				
Rental income from properties	(a)	18.0	(0.3)	17.7
Income from investments		0.4	-	0.4
Transfer from Trading Operations		145.9	-	145.9
TOTAL INCOME		164.3	(0.3)	164.0
Expenditure				
Costs of generating funds				
Other resources expended	(a),(b),(c)	(10.7)	1.6	(9.1)
Expenditure on charitable activities				
Transfer of funds to the rest of the University:				
▪ Cash		(165.9)	-	(165.9)
▪ Benefits in kind		(0.9)	-	(0.9)
TOTAL EXPENDITURE		(177.5)	1.6	(175.9)
Gains on investment properties		-	27.8	27.8
NET (LOSS)/ INCOME		(13.2)	29.1	15.9
Other gains/(losses):				
Surplus on revaluation of investment properties	(b)	8.2	(8.2)	-
Currency translation differences on foreign currency net investments	(a),(c)	1.8	4.0	5.8
NET MOVEMENT IN FUNDS		(3.2)	24.9	21.7
Reconciliation Of Funds				
TOTAL FUNDS BROUGHT FORWARD		172.4	76.5	248.9
TOTAL FUNDS CARRIED FORWARD		169.2	101.4	270.6

Notes:

- (a) Under previous UK GAAP the translation of results from overseas operations into Sterling was made at period end closing rates. The Balance Sheet and statement of financial activities were translated at the same rate. Under FRS 102, assets and liabilities for each Balance Sheet are translated at the closing rate at the date of that Balance Sheet. Income and expenses for each Profit and Loss account are translated at the exchange rate of the dates of the transactions, although for practical reasons the average rate of each currency each month has been used. All resulting exchange differences are recognised within the net movement in funds. The retranslation of total income for the year ended 31st March 2015 to average rates reduced total income by £0.3m compared to what was previously reported under old UK GAAP.
- (b) As investment properties are recognised at market value, depreciation that would previously have been charged was added back to other resources expended. Gains on the revaluation of investment properties were recognised within net income on the statement of financial activities as well as the gain on EOR investment properties which was previously shown within the net movement of funds.
- (c) An increase in the deferred tax liability of £0.3m on revaluation gains of investment properties was recognised within other resources expended.

