

Directors' Report and Financial Statements

1 August 2015 – 31 July 2016

Southern Universities Management Services

SOUTHERN UNIVERSITIES MANAGEMENT SERVICES
(A company limited by guarantee)

Registered in England and Wales No 02732244

Registered Charity No 1042175

**Directors' Report and
Financial Statements**

1 August 2015 – 31 July 2016

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Legal and Administrative Information

Company Name: Southern Universities Management Services

Registered Company Number: 02732244 (Registered in England and Wales)

Registered Charity Number: 1042175

Registered Office and Operational Address: University of Reading
Science & Technology Centre
Earley Gate
Whiteknights Road
Reading
RG6 6BZ

Directors of the Charitable Company:

C Burns (appointed 13/11/2015, retired 29/02/2016)	University of Brighton
I Creagh (retired 13/11/2015)	Kings College London
S Grant (appointed 29/01/2016)	University of Hertfordshire
R Knight	University College London
P Large (retired 31/07/2016)	Oxford Brookes University
H Lloyd Wildman	UWE Bristol
G Melly (retired 13/11/2015)	University of Surrey
J Strachan (appointed 13/11/2015)	University of Hull

These directors of the charitable company are also trustees of the charity for the purpose of charity law and are referred to as Members of the Management Committee in the Articles of Association.

Senior Management Team:

M-B Hyde	Managing Consultant and CEO
S Wright	Head of SUPC

Company Secretary:

L Wilde	Head of Finance and Administration
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Auditors:

Moore Stephens LLP
Prospect House
58 Queens Road
Reading
RG1 4RP

Legal Advisors:

Clarkslegal
One Forbury Square
Reading
RG1 3EB

Report of the Directors for the Year Ended 31 July 2016

The directors present their report together with the audited financial statements of the charitable company for the year ended 31 July 2016. The Report of the Directors is the Directors Report as required by S.417 of the Companies Act 2006 and the Trustees' Report as required by the Charities Act 2011. The financial statements comply with the requirements of the Companies Act 2006, the Charities Act 2011, the charitable company's Memorandum and Articles of Association and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE).

Structure, Governance and ManagementGoverning Document

The organisation is a charitable company limited by guarantee, incorporated on 17 July 1992 and registered as a charity on 18 November 1994. The charitable company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. The current Memorandum and Articles of Association were adopted on 14 October 2011. Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. As at 31 July 2016 there were 30 Members and the total number of such guarantees was 30 (2015: 31).

Appointment of Directors

Under the provisions of the Articles of Association the directors are appointed for an initial term not exceeding four years by the Members of the charitable company in General Meeting. Directors may be elected for a second term not exceeding four years, but may not serve more than two terms of office. Directors retire in rotation.

Director Induction and Training

SUMS directors are member representatives of the institutions that comprise the charitable company's membership. As such they have a good understanding of how SUMS is structured and operates and will have already worked with SUMS in their capacity as member representative. As part of the induction process new directors participate in discussions with the Managing Consultant and CEO. The Charity Commission publication 'The Essential Trustee' along with the Memorandum and Articles of Association and a role profile are distributed to new directors.

Management

The Management Committee consists of six directors comprising five representatives appointed by Members of the charitable company and one appointed to represent the Purchasing Division: Southern Universities Purchasing Consortium (SUPC). The Management Committee meet four times a year. The Managing Consultant and CEO carries out day-to-day management of the charitable company under the direction of the members of the Management Committee.

The charitable company is organised into two divisions: SUMS Consulting and SUPC. SUMS Consulting has six full-time employees, four part-time employees and a pool of associate consultants. SUMS Consulting provides management consultancy services. Its principal activity is to promote the efficiency of the administration of educational charities in direct pursuit of their objects through the conduct of management consultancy assignments at the request of beneficiaries.

SUPC has eleven full-time employees and two part-time employees and a pool of associate consultants. SUPC provides services to higher education institutions that are its subscribers. Its principal activity is the co-ordination of purchasing activity between its beneficiaries in order to share expertise and to achieve efficiency in purchasing.

Report of the Directors for the Year Ended 31 July 2016 (continued)Remuneration Policy for Key Management Personnel

The salary policy, which includes the framework for setting pay for all staff including key management personnel is reviewed by the Management Committee every two years. The basis of the annual salary review detailed within the policy is to set an annual cost of living increase, alongside consideration of any further increases related to performance and changes to each role across the year. The cost of living increase is set having regard to the award applied to the HE sector, whilst the review of performance and roles are undertaken against both the banding structure in place, with benchmarking against similar roles both within the sector and outside considered every 2-3 years.

Related Parties

The University of Reading is a member of the charitable company for which it pays the annual subscription fee. The University of Reading also provides payroll, creditor payments, investment management, banking services and pensions facilities to the charitable company. The charitable company makes payment to the University of Reading for the accounting and administrative services provided and for rentals paid for the premises occupied under lease by the charitable company.

Risk Management

Major risks to which the charitable company is exposed are reviewed regularly, documented in a Risk Register and categorised according to their severity based on their likelihood and impact. Actions and procedures have been established to identify and mitigate these risks. The Risk Register is reviewed by the Management Committee annually, with dynamic risks being reviewed at each meeting of the Management Committee and of the Executive Group. The impact of Britain's exit from the EU upon SUMS Members: EU student numbers and research funding, is considered the key risk faced, with all other risks rated as moderate, low or negligible.

Objectives and Activities, Achievements and Performance

In setting the objectives and planning the activities of the charitable company the Management Committee has given consideration to the Charity Commission's general guidance on public benefit, and in particular to its supplementary public benefit guidance on the advancement of education. The objects for which the charitable company is established are to promote the efficiency of the administration of educational charities in direct pursuit of their objects by:

- (a) advice, training and information about financial planning, effective management procedures, and the best use of available resources, and
- (b) any other assistance appropriate to the provision of financial planning, procedural advice and resource management.

The services provided promote the efficiency and effectiveness of educational charities. The directors have access to the Charity Commission's website which they review regularly, to help ensure that the aims of the charitable company meet the public benefit requirement.

SUMS Consulting this year has focused on delivering consulting assignments, seminar and workshop events to help Members ensure their organisations are efficient and effective given the challenges faced by Higher Education.

SUPC has continued to focus on developing collaborative procurement and framework agreements. The Procurement Shared Service has primarily focused on the delivery to English Higher Education institutions of a procurement maturity assessment programme that helps increase the effectiveness and efficiency of procurement.

The objectives, activities, output and achievements of the two operating units are set out in detail in two separate annual reviews that focus on their operating activities. These reports are produced by the operating units and are available either from their respective websites (www.sums.org.uk and www.supc.ac.uk), or upon request to the charitable company at its registered office. Copies of the operating units' detailed annual reviews are distributed widely within the HE sector and beyond.

Report of the Directors for the Year Ended 31 July 2016 (continued)**Financial Review**

For the financial year 2015/16, incoming resources exceeded resources expended by £161k (2015: £76k surplus).

SUPC's events programme this year included the Conference on University Purchasing (COUP), held in September 2015, an event which it oversees once every ten years. This event has contributed £91k to the surplus made in 2015/16, which has been set aside within a designated fund to be used on a discrete initiative aimed at enhancing procurement in the HE sector.

The amount that SUMS aims to recover from Members in subscriptions is based on a break even budget, although it is recognised that small surpluses/deficits will be realised. These are then considered within future budget plans to ensure that, in line with our reserves policy, they are balanced out over time.

Incoming Resources

Overall income for the year was £2,236k, an increase of £419k (23%) versus prior year income of £1,817k. This was primarily due to an increase in event income of £189k due to the COUP event held, alongside an increase in marketing premium retained of £134k. The year has also seen an increase in consulting income of £79k, an increase that has resulted from the move towards a fee-based consultancy approach of the Procurement Shared Service programme.

Resources expended

Overall expenditure for the year was £2,075k, an increase of £334k (19%) versus prior year expenditure of £1,741k.

In line with prior years, a significant proportion of expenditure (65%) relates to professional staff and consultants' costs in place to deliver consultancy and support activities to our Members.

The impact of incoming resources being higher than expenditure for the year was an increase of £161k in reserves.

Reserves Policy

The directors review and consider the charitable company's reserves in the context of risks and funding. In setting a reserves policy the directors aim to establish reasonable, but not absolute protection against risks and to balance this with the need to deploy resources in pursuit of the company's charitable objectives. SUMS maintains financial reserves to provide flexibility to meet:

- Future investments for new and/or growing areas of activity
- Annual fluctuations in operating income and/or expenditure
- The liability that is to arise from SUMS pension schemes, for which reserves are to be held within a designated fund
- An element of financial risk, to which the company is exposed
- Most potential unexpected costs.

The Management Committee have agreed that target free reserves – working capital – to be maintained in a range of 6 and 12 months of operating costs.

Report of the Directors for the Year Ended 31 July 2016 (continued)Reserves Held

The University of Reading Employees Pension Fund (UREPF) was closed to new entrants on 31 August 2011 and since then the number of active members of the scheme has been in decline. At the point the charitable company ceases to have any active members of the scheme a cessation event will be triggered. The potential liability arising from this was estimated by the scheme's actuaries as at 31 July 2015 to be £214k, which, as at 31 July 2016, is being held in a designated fund in accordance with the reserves policy.

A designated fund has also been set aside in relation to the USS pension scheme deficit. Due to the multi-employer nature of the scheme SUMS is unable to identify its share of the scheme's assets and liabilities, and has therefore used a pension deficit modeller developed by USS for the HE sector to enable an estimate of the liability to be made. As at 31 July 2016 this liability is estimated at £200k.

Reserves at the end of the financial year were £1,688k (2015: £1,527k), a 10.5% increase year on year. These reserves include designated reserves of £505k (2015: £210k), of which £414k is in relation to SUMS pension scheme liabilities detailed in note 12, and £91k in relation to the surplus generated from the COUP event.

Principal Funding Sources

The majority of the charitable company's funding is from its membership subscriptions and subscribers. As at 31 July 2016 there were 30 Members of the charitable company and 61 subscribers to SUPC: 43 full subscribers and 18 associates.

Additional funding is obtained for the performance of extra consulting work over and above core membership work, marketing rebates for contract support activities and also fees for events.

Investment Policy

Surplus funds are managed by The University of Reading which provides the majority of the charitable company's banking services and pays interest on funds held. The charitable company operates a bank account primarily for the receipt of funds due from debtors, with surplus funds being transferred to the University for investment. Interest is earned on surplus funds held by the University of Reading at the rate achieved through the University's investment pool and is credited to the charitable company on a monthly basis. The rate of interest earned for the financial year has ranged from 0.41% to 0.74% (2015: 0.56% to 0.57%).

Future Plans

The charitable company plans to continue similar activities into future periods, tailoring the content of these activities to meet specific member needs alongside focusing on the issues, challenges and opportunities emerging for the Higher Education sector as a whole.

SUPC will, whilst adopting a category management approach, continue to develop more collaborative framework agreements for the Higher Education Sector. The Procurement Shared Service that includes the Procurement Maturity Assessment Programme will continue.

Report of the Directors for the Year Ended 31 July 2016 (continued)**Responsibilities of the Directors**

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue to operate.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

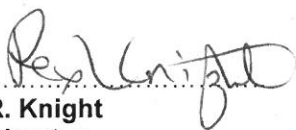
As far as the directors are aware, there is no relevant audit information of which the charitable company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Auditors

The auditors, Moore Stephens, have indicated their willingness to stay in office.

The financial statements were approved by the directors on 18 November 2016 and signed on their behalf by:


R. Knight
Director

Date: 18/11/16

Independent Auditor's Report to the Members of Southern Universities Management Services

We have audited the financial statements of Southern Universities Management Services for the year ended 31 July 2016 which are set out on pages 9 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Moore Stephens LLP

Mike McAllister, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

58 Queens Road
Reading
Berkshire
RG1 4RP

12-12-2016

Statement of Financial Activities for the year ended 31 July 2016
(Including Income and Expenditure Account)

	Notes	2016	2015
		£	£
Incoming resources			
Incoming resources from charitable activities:			
Subscription income		1,343,450	1,306,950
Consulting income		334,346	255,450
Event income		260,551	71,797
Marketing premium rebate retained	10	283,856	150,000
Grants and donations		-	21,113
Investment income		13,442	11,290
Total incoming resources		<u>2,235,645</u>	<u>1,816,600</u>
Resources expended			
Charitable activities:			
Travel & meeting costs		84,572	73,354
Professional staff and consultants		1,350,916	1,150,375
Administration costs		460,101	346,563
Premises costs		71,534	68,808
Governance costs		107,614	101,955
Total resources expended		<u>2,074,737</u>	<u>1,741,055</u>
Net incoming resources		160,908	75,545
Total funds brought forward at 1 August 2015		1,527,149	1,451,604
Total funds carried forward at 31 July 2016		<u>1,688,057</u>	<u>1,527,149</u>

The Statement of Financial Activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities.

The notes on pages 11 to 18 form part of these financial statements.

Balance Sheet as at 31 July 2016

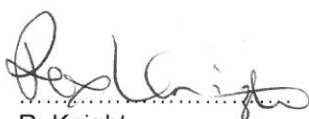
	Notes	£	2016 £	£	2015 £
Fixed assets	6		3,622		564
Current assets:					
Debtors	7	2,291,192		1,781,921	
Investment: short-term deposits	8	-		600,000	
Cash at bank		19,115		-	
Creditors:					
Amounts falling due within one year	9	(625,872)		(855,336)	
Net current assets			1,684,435		1,526,585
Net assets			<u>1,688,057</u>		<u>1,527,149</u>
Unrestricted funds					
General fund			1,183,197		1,317,149
Designated funds	12		504,860		210,000
Total funds	13		<u>1,688,057</u>		<u>1,527,149</u>

The company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 31 July 2016. The Members have not required the company to obtain an audit of its financial statements for the year ended 31 July 2016 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. The directors have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective January 2015).

These financial statements were approved by the directors and authorised for issue on 18 November 2016, and are signed on their behalf by:



R. Knight
Director

The notes on pages 11 to 18 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 July 2016**1. Accounting policies**

- a) The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015) and the Companies Act 2006. Assets and liabilities are initially recognised at historical cost.
- b) If there is a restriction on the purpose to which a fund may be put, the fund is classified as a restricted income fund. In instances where restrictions on the use of grants are set, the grant is spent according to these requirements. The directors are responsible for determining the purposes to which all other funds may be put.
- c) Incoming resources from charitable activities consists of Members' subscriptions, fees charged to other institutions of higher education, marketing rebates for contract support activities, event income and grant income. This income is included on an accruals basis. Investment income is included when receivable.
- d) Resources expended are recognised on an accruals basis in the period in which the liability is incurred. All costs are allocated between the expenditure categories of the SoFA on a basis designed to reflect the use of the resource. Costs are allocated to the appropriate activity within consulting or procurement by way of individual cost centres. Costs relating to a particular activity are allocated directly; others are apportioned on an appropriate basis.
- e) Governance costs include costs associated with providing the governance infrastructure and generating required statutory information. The costs include audit, legal and accounting fees and an apportionment of salary costs to approximate time spent on strategic management and governance of the charitable company.
- f) Capital items with a cost exceeding £1,000 are capitalised and depreciated. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, which in all cases is estimated at 4 years.
- g) Irrecoverable VAT is charged against administration costs.
- h) The charitable company participates in the both the Universities Superannuation Scheme (USS) and the University of Reading Employees' Pension Fund (UREPF). Both funds are defined benefit schemes which are contracted out of the State Second Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. The charitable company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

The charitable company also participates in the University of Reading Pension Scheme (URPS), a defined contribution scheme.
- i) Rentals paid under operating leases are charged to the SoFA as incurred.

Notes to the Financial Statements for the year ended 31 July 2016 (continued)**2. Net income/(expenditure) for the year is stated after charging:**

	2016	2015
	£	£
Net incoming resources are stated after charging:		
Depreciation	1,775	809
Trustee indemnity insurance*	500	500
Auditor's remuneration for audit and other services	3,950	3,750

* The cost of liability cover is not separately identified but has a declared value of £500 in the annual return to the Charity Commission following advice from the insurers.

3. Analysis of restricted fund income and expenditure

There were no grants received or expended within the year.

	2016	2015
	£	£
Incoming resources		
Grant income	-	32,350
Repayment of surplus grant	-	(11,237)
Total incoming resources	<u>-</u>	<u>21,113</u>
Outgoing resources		
Travel & meeting costs	-	268
Administration costs	-	764
Professional staff & consultants	-	8,596
Governance costs	-	104
Total outgoing resources	<u>-</u>	<u>9,732</u>
Net movement in funds in the year	<u>-</u>	<u>11,381</u>

4. Staff costs and numbers

	2016	2015
	£	£
Staff costs were as follows:		
Salaries and wages	1,177,993	1,011,840
Employer's national insurance costs	115,523	91,341
Employer's pension costs	137,324	127,531
	<u>1,430,840</u>	<u>1,230,712</u>

The average number of full-time equivalent persons employed during the year was 21 (2015: 18) and various associates were engaged to provide services.

The number of staff who received emoluments in the following ranges was:

	2016	2015
£60,001 to £70,000	2	1
£70,001 to £80,000	1	1
£80,001 to £90,000	3	3
£90,001 to £100,000	1	1

Notes to the Financial Statements for the year ended 31 July 2016 (continued)

5. Taxation

The charitable company is exempt from corporation tax on its charitable activities.

6. Fixed assets

	2016 £	2016 £	2016 £
	IT Equipment	Fixtures & Fittings	Total
Cost:			
At 1 August	17,975	31,536	49,511
Additions	-	4,833	4,833
Disposals	(15,553)	(1,648)	(17,201)
At 31 July	2,422	34,721	37,143
Accumulated Depreciation:			
At 1 August	17,411	31,536	48,948
Charge for the year	564	1,211	1,775
Disposals	(15,553)	(1,648)	(17,201)
At 31 July	2,422	31,099	33,521
Net book value at 31 July 2016	-	3,622	3,622
Net book value at 31 July 2015	564	-	564

7. Debtors

	2016 £	2015 £
Trade debtors	350,354	386,040
Other debtors	75,757	108,438
Money held on trust by the University of Reading	1,865,081	1,287,443
	2,291,192	1,781,921

8. Short term investment

The investment fund with Royal London Cash Management within which £600,000 was previously held was closed on 29 July 2016. As at 31 July 2016 the balance was held by the University of Reading, on behalf of Southern Universities Management Services. Interest generated and portfolio management costs incurred were recorded against income and expenditure.

	2016 £	2015 £
Cash deposit	-	600,000
	-	600,000

Notes to the Financial Statements for the year ended 31 July 2016 (continued)

9. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	31,935	11,756
Accruals and deferred income	115,504	322,498
Other creditors (VAT due to HMRC)	50,814	63,291
Funds received as agent	427,619	457,791
	<u>625,872</u>	<u>855,336</u>

10. Funds received as agent

The charitable company acts as an intermediary agent for volume rebates payable under contract by suppliers to subscribers to SUPC. SUPC collects the rebates, retains an agreed proportion and then distributes the balance to subscribers. The charitable company has no legal ownership of the distributable resources and no responsibility for their ultimate application. The amounts collected and due to be collected are therefore not recognised in the Statement of Financial Activities.

	2016 £	2015 £
Opening balance 1 August	457,791	421,939
Received during the year	860,092	682,443
Rebate income retained	(283,856)	(150,000)
Paid out during the year	(606,408)	(496,591)
Total fund held as agent at 31 July	<u>427,619</u>	<u>457,791</u>

11. Operating lease commitments

The following operating lease payments are committed to be paid:

	2016 £	2015 £
Leases which expire:		
Within one year	72,900	-
One to two years	-	72,900
Two to five years	707	707

12. Movement in funds

Unrestricted funds	2016 £ General	2016 £ Designated	2016 £ Total	2015 £ Total
Balance at 1 August	1,317,149	210,000	1,527,149	1,462,985
Incoming resources	2,235,645	-	2,235,645	1,795,487
Outgoing resources	(2,074,737)	-	(2,074,737)	(1,731,323)
Transfer to designated fund	(294,860)	294,860	-	-
Balance 31 July	<u>1,183,197</u>	<u>504,860</u>	<u>1,688,057</u>	<u>1,527,149</u>

The designated funds held as at 31 July 2016 include pension provisions of £414,000 (US\$ £200,000 and UREPF £214,000), alongside £90,860 in relation to the surplus generated from the COUP event.

Notes to the Financial Statements for the year ended 31 July 2016 (continued)

12. Movement in funds (continued)

Restricted funds	2016 £	2015 £
Balance at 1 August	-	(11,381)
Incoming resources	-	21,113
Outgoing resources	-	(9,732)
Balance 31 July	-	-

Analysis of net assets between funds	2016 £ Fixed Assets	2016 £ Net CA	2016 £ Total	2015 £ Total
Unrestricted	3,622	1,684,435	1,688,057	1,527,149
Restricted	-	-	-	-
Total Net Assets	3,622	1,684,435	1,688,057	1,527,149

13. Related party transactions

No director of the charitable company or any persons connected with them have received any remuneration during the year. Two directors received reimbursement of travel expenses during the year of £126 (2015: £209).

Southern Universities Management Services has a service agreement with The University of Reading. During the year the charitable company received the following value of goods and services from The University of Reading:

	2016 £	2015 £
Room hire and catering	9,047	12,202
IT and telecommunications	4,531	3,771
Printing and postage services	924	808
Rent and maintenance	72,453	70,017
Professional fees	9,894	8,191
	96,849	94,989

The University of Reading is also a member of the charitable company and a subscriber to SUPC. Subscriptions and fees are paid by them which are consistent with all other Members.

At the 31 July 2016 The University of Reading held investment funds of £1,865,081 (2015: £1,287,443) on trust for the charitable company.

One director of the charitable company is also a director of Procurement England Ltd (PEL), through which SUPC and three other English purchasing consortia provide a collaborative procurement and contract management service for higher and further education institutions in England. In 2015/16 the charitable company has made a contribution to the development of an HE contracts system of £5,950, which is now in use by all PEL members.

Notes to the Financial Statements for the year ended 31 July 2016 (continued)

14. Pensions

Universities Superannuation Scheme

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

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

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

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

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

Notes to the Financial Statements for the year ended 31 July 2016 (continued)**14. Pensions (continued)****University of Reading Employees' Pension Fund**

The charitable company participates in the University of Reading Employees' Pension Fund (UREPF), a defined benefit scheme. The assets of the scheme are held in a separate fund administered by the Trustees and are managed by Blackrock Investment Management (UK) Limited and Sarasin and Partners. The University of Reading has the power to appoint and remove trustees. As at 31 July 2016, UREPF has 378 active members and the charitable company has 1 active member participating in the scheme.

Because of the multi-employer nature of the scheme, the charitable company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. The charitable company prepares its financial statements in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015) which differs in its treatment of industry wide schemes from FRS102. To ensure consistency across the reporting of pension contributions the charitable company has adopted the treatment prescribed by FRS17. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 July 2014. This was the third valuation for UREPF under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The agreed funding objective is to reach, and then maintain, assets equal to the technical provisions, assessed on an ongoing basis allowing for future salary increases for active members.

The valuation was carried out using the projected unit method. To calculate the technical provisions, it was assumed that the investment return pre-retirement would be 5.3% (2011: 6.1%) per annum, investment return post-retirement would be 3.6% (2011: 5.4%) per annum, salary increases would be 4.30% (2011: 4.50%) per annum, RPI price inflation would be 3.30% (2011: 3.50%) per annum and CPI price inflation would be 2.5% (2011: 2.9%) per annum.

At the valuation date, 31 July 2014, the value of the assets of the scheme was £136.7m (2011: £106.2m) and the value of the scheme's technical provisions liabilities was £141.1m (2011: £117.3m) indicating a shortfall of £4.4m (2011: £11.1m). The Scheme's Funding Level was therefore 97% (2011: 91%).

The actuary also estimated the wind-up funding level of the fund at the valuation date of 31 July 2014 as 74% (2011: 70%). The estimated shortfall of meeting benefits in full on the latest valuation date was £48.9m (2011: £44.8m).

In light of the valuation The University of Reading and the Trustees have agreed on a recovery plan. The University has agreed to make shortfall contributions of £2.33m for the year ending 31 July 2014, £1.94m for the year ending 31 July 2015, £2.04m for the year ending 31 July 2016, £1.94m for the year ending 31 July 2017, £1.94m for the year ending 31 July 2018, £1.94m for the year ending 31 July 2019. If the assumptions made for assessing the recovery plan are borne out in practice these contributions would eliminate the shortfall by 31 July 2021.

The next formal triennial actuarial valuation is due as at 31 July 2017.

This scheme was closed to new entrants on 31 July 2011. Accrual of final salary benefits will cease on 31 July 2011 and from 1 August 2011 benefit accrual will be on a Career Average type basis. As at 31 July 2014, the Contribution rate to employees remained the same. However, the closure of the scheme means that a Section 75 debt will arise at some indeterminable point in the future when SUMS ceases to have any active members in the scheme. The actuary's estimate of this debt as at 31 July 2014 is £214,000 (2011: £210,000). A new scheme was set up to replace UREPF from 1 August 2011. This is a defined contribution scheme.

Notes to the Financial Statements for the year ended 31 July 2016 (continued)**14. Pensions (continued)**

The contribution rate (ignoring Salary Sacrifice) payable by the charitable company was 23.80% (2011: 18.20%) of pensionable salaries for UREPF. Pension Contributions are usually deducted via salary sacrifice. Members contribute 6.25%.

University of Reading Pension Scheme

The charitable company participates in the University of Reading Pension Scheme (URPS), a defined contribution scheme. This scheme started on 1 August 2011.

The Scheme's administration and investment of assets was provided by BlackRock (until 29 February 2016) and by Friends Life (from 1 March 2016 onwards). The Scheme is a Qualifying Scheme for auto-enrolment purposes. The latest Re-enrolment date was 1 July 2016.

As at 31 July 2016, URPS has 859 active members and the charitable company has 9 active members participating in the scheme.

The contribution rate (ignoring Salary Sacrifice) payable by the charitable company was 5% of pensionable salaries for URPS members who have been employed less than 5 years and 7% for members who have been employed 5 years and over. Members must contribute a minimum 4% of their pensionable salaries to the Scheme. Pension Contributions are usually deducted via salary sacrifice.

The University of Reading has the power to appoint and remove trustees.

The pension costs incurred in relation to the respective schemes are set out below:

Pension costs	Employer contribution	Active members
	2016	As at 31 July 2016
	£	No.
USS	119,378	14
UREPF	7,188	1
URPS	11,982	9
	138,548	24

