



**Harper Adams  
University**

# **Annual Report & Financial Statements**

2016/17

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## Chief Executive's Report

Harper Adams University delivers higher education in support of the agricultural, agricultural engineering, food science and technology, environmental science, veterinary science and land-based sectors. It is one of only four UK HE institutions specialising in these subject areas. The University offers multi-disciplinary courses that provide a firm grounding in science and technology to meet the needs of industry, and to help create professionals able to deal with the application of science in the production of food, the management of natural resources and the delivery of renewable energy. The University is also an important source of independent knowledge, advice and education to those already working in these vital sectors and it undertakes applied research of benefit to industry and society. Furthermore, it has a key role to play in a rapidly developing policy environment where its subject base is of increasing importance to the UK economy, to the challenge of achieving global food security and to the future of the UK in the post-EU era.

Our current Strategic Plan covers the period from 2015 to 2020. Our strategy has five objectives:

**1. Education:** We will grow the population of the University to 3,000 FTE students, whilst attracting those already in the professions who need to extend their understanding and expertise, thereby providing a community of learning that will appeal to rural and urban students from the UK and overseas.

**2. Engagement:** We will enhance our engagement with industry and local enterprise partnerships to help grow our capacity for education, research and knowledge exchange.

**3. Research:** We will move from a position where over 50% of our research in the 2014 Research Excellence Framework was assessed as internationally excellent or world leading to a rating of over 60% for these categories in the next Research Excellence Framework.

**4. Influence:** We will enhance the role and reputation of Harper Adams as a contributor to national policy formulation and delivery to improve rural economic development and the UK's contribution to global food security.

**5. Efficiency:** We will maintain our expenditure on administrative activities below the median, when benchmarked against other small and specialist UK higher education institutions, in order to allow us to focus resources, including new technologies, on efficient teaching and the support of our students.

The Strategic Plan acts as a framework to guide our academic activities and to focus on areas where further efficiencies can be delivered. Each year we produce a Corporate Planning Statement that helps put our strategy into operation and which provides a means to monitor progress via the Board of Governors, the Academic Board and their committees. The Corporate Planning Statement for 2017/18 was approved by the Board of Governors in July 2017. At the same time, a final progress report on the Statement for 2016/17 was assessed. All of the objectives for the year were found to have been delivered or were close to being delivered. Our scrutiny of progress against our academic and institutional objectives, and the link between this work and our regular reviews of corporate risks, enable us to ensure that we achieve our targets and effectively deliver our strategy.

During the year we underwent a HEFCE Assurance Review, which looked at our arrangements for governance as well as our procedures for audit and risk management, financial controls and accountability for the information and data we provide to the Funding Council. The University had a successful outcome from this review. We also undertook the first submission under the new HEFCE Annual Provider Review (APR) process, which now covers more closely the Board's responsibilities for the oversight of our academic work. We had prepared ahead of time for the new APR and were pleased to learn that we had met the standard required by the Funding Council for this review.

### External Policy Environment

The UK's proposed departure from the EU and its implications for the farming and food sectors was a major theme of the year. We sought to ensure that the views of the next generation of those working in those sectors could be shared with opinion formers and others involved in the decision making process around our future agricultural and environmental policies.

To this end we hosted a series of lectures and visits during which our students were able to share their views about the future. Our programme started with a member of the EU Agricultural Commissioner's Cabinet, Tom Tynan, who explained the position of the Commission and the particular issues surrounding the relationship between the UK and the Republic of Ireland. A round table meeting with the Vice President of the NFU, Guy Smith, allowed our students to explore the NFU's plans in greater depth, while a later visit by the President of the NFU, Meurig

Raymond, allowed a large audience to hear about the discussions with Government on the shaping of the new domestic agricultural policy. A visit by the High Commissioner for New Zealand, Sir Lockwood Smith, provided a different perspective on the route to farming without subsidies in a presentation that was warmly received by students and staff. The then Secretary of State for the Environment, Andrea Leadsom, met a group of students during a tour of the University and commented later that she had been impressed with their positive view of the opportunities presented by a new policy environment for farming and food production. There is little doubt that this significant change for the UK will result in further debate so our programme of discussions and engagement with industry and political leaders will continue into the 2017/18 academic year.

The policy environment for higher education also witnessed significant developments during the year. The passing of the Higher Education and Research Act was watched closely within the sector, particularly because it will lead to the introduction of a new regulator for higher education, the Office for Students, as well as other changes to the research environment.

One focus of the Office for Students appears likely to be on outcome measures and we began to see this shift during the course of the year. The publication, in June, of Longitudinal Employment Outcomes (LEO) data on graduate incomes highlighted a number of sectoral issues in agriculture and related subjects, which were unlikely to be surprising to those knowledgeable about a sector where farm incomes have been under pressure for many years. At the same time, our institutional graduate performance in this subject area and in engineering, 5 years after graduation, was above the sector averages. While graduate income levels are determined by employers, not universities, the data demonstrate that our graduates are doing well in their chosen areas of employment when compared to others.

The 2017 Destination of Leavers from Higher Education (DLHE) survey supported this conclusion. With a graduate employment rate of 98%, 6 months after graduation, we outperformed other land-based higher education institutions and, after accounting for 4 very small arts and medical institutions, were joint second in England for our graduate employment.

HEFCE published institutional data on the proportions of University staff holding a teaching qualification or who were accredited by the Higher Education Academy (HEA). Our long-term work to address this aspect of teaching quality, together with our HEA accredited PgC programme supported

by an active Educational Development team, led to us being placed 7th in England on this measure.

The Teaching Excellence Framework was another initiative where the University performed well. The metrics element of the assessment under the Framework indicated that we had the required performance for a top rating, but we spent a great deal of time compiling our institutional submission to back up the metrics with many examples of the successful delivery of high quality education and student and graduate success. We achieved a Gold award which underlined the many other positive judgements of the student experience that we achieved during the year.

### **Student Recruitment and Experience**

Undergraduate recruitment in 2016 was slightly affected by an increasingly competitive recruitment environment and other external factors. After a very positive year in 2015 we recruited 672 home undergraduates, a reduction of around 3%. Whilst this remained our second largest ever intake we are mindful of the impact of a variety of factors on student demand for higher education and will be working to address this in the coming months. Postgraduate recruitment was positive, with a total of 337 taught postgraduate students and research student numbers peaking at 87 during the year.

Our investment in student facilities continued. Most notable was the completion of the Elizabeth Creak Laboratories, supported by the Elizabeth Creak Charitable Trust. This striking new building, featuring 'living green wall' sections on three elevations has made a significant impact on our ability to provide teaching laboratory space for our students. The building was formally opened on 7 June 2017.

A number of notable awards began with the Sunday Times University Guide published in September 2016. Our ranking at 36th place in the main table was the highest to date by a post-92 University and resulted in the award of the Guide's title of Modern University of the Year. In February 2017 the Times Higher Education (THE) magazine Student Experience Survey ranked us number one in the UK. In a report on our work the Times Higher noted that we were the first specialist University to have topped this poll, adding that we had been rated highly by students in all 22 aspects covered by the survey, but had done particularly well for the quality of our teaching and campus facilities, our community atmosphere and our strong industry connections. In April 2017 we were named University of the Year in the WhatUni Student Choice Awards. This was the second year in a row that we had won the title and the first time that this

national awards scheme had been won twice in succession.

Our students also performed exceptionally throughout the year. Nicola Blowey won the Agricultural Student category in the 2016 British Farming Awards, the fourth year in a row that this award has been won by a Harper Adams student. Richard Beattie won the RABDF Dairy Student of the Year competition, the third year in a row for the University. Our team, Tim Vries, Joshua Casswell, Gwesyn Davies, Rhys Jones and Will Ayre, won the 2017 FarmPlanner competition while Meredith Hoskin came second in the Farmers Club's 2017 Pinnacle Award. Our team, comprising Helen Brown, Rebecca Creasey, James Whatty and Joe Bagshaw, came second in the Cereals Challenge, and won the Guild of Agricultural Journalists' Award for their reporting of the Cereals Challenge competition.

It was also pleasing to see our students succeed in other national scholarship competitions with, for example, the first Louise Hartley Award by the Farmers Guardian, being won by Jessica Sims. Connie Dale was one of two UK winners of the annual British Equestrian Federation/Virginia Polytechnic Institute and State University competition leading to the award of a three month placement in America. The high standard achieved by our students on the national stage is a testament to their commitment and hard work and we are grateful for the way in which they have acted as such good ambassadors for the University throughout the year.

Once again, our Development Trust has worked tirelessly to help provide scholarship support for our students, and we remain indebted to the Trustees and the many donors who assist in this way. A total of more than £413,000 was awarded this year, with a number of new and very generous awards from our sponsors.

Our investment in the student experience continued, with the launch of a major new project to provide technology and training to further advance teaching and learning at the University. The project will run over the next three years to provide support for academic staff in developing their teaching practice, the adoption of new technologies and the promotion of pedagogical innovations.

### **Research and Knowledge Transfer**

Our research has continued to focus on applied science and the implementation of new knowledge into industry practice. Engagement with the scientific community has been an essential part of our activities, as exemplified at the start of the year by our hosting of the Royal Entomological Society's

Annual National Science Meeting and International Symposium. During the event Sir Paul Nurse was amongst several others given an Honorary Fellowship of the Society. A number of University lecturers, students and alumni presented during the event. We were delighted that doctoral student Pilar Morera Margarit won the best student poster award for her work on a project entitled, 'Do endosymbiotic bacteria play a role in vine weevil ability to adapt to different ecological niches?', highlighting work on the vine weevil in which Harper Adams is collaborating with the James Hutton Institute.

Collaboration was also the theme of research being undertaken in Shropshire, where a no-till biome experiment in being conducted in conjunction with Soulton Hall Estate and the University of Oxford. Our part of the project involves soil analyses and comparisons of the soil mesofauna. The project has been covered by regional BBC news and BBC Farming Today.

Elsewhere, the University has been working with nematologists at the University of Leeds to develop a potato cyst nematode (PCN) population advisory tool, to extend the toolkit already available to the farming industry. Funding for the project is being provided by the NERC and BBSRC.

Dr Edward Dickin has been investigating methods to increase the yields of naked barley, where there is evidence that the beta glucan within the crop can help with type-2 diabetes because it assists blood glucose metabolism. The crop has not been common in the UK since the Bronze Age because its yield quantity is lower than covered barley, but early work has shown that this could be improved and there is interest from food companies in creating products incorporating naked barley. The first naked-barley flake products went on the market in 2016.

Our work on biochar has shown that there are further questions to be addressed about the benefits of its use in temperate climates as a soil additive to increase crop yields. The analysis, which summarised over 1,000 empirical observations from around the world, indicated that benefits could more readily be seen in the tropics where it can help improve yields by up to 25%.

American PhD student, Kelly Racette, from the University of Florida, conducted experiments at Harper Adams to see if a wax, derived from cauliflower leaves, can help peanut plants retain water in drought or other unpredictable weather conditions. The experiments built on earlier work at Harper Adams where there had been positive results for wheat and oil seed rape.

Our research activities were supported with the completion of the Jean Jackson Glasshouse, assisted with a generous donation from the Jean Jackson Charitable Trust. This state of the art facility has allowed the University to branch out into research in novel fields such as new lighting techniques, whilst also providing a modern commercial environment that can be adapted as other technologies emerge.

In addition to the development of those technologies we have been active in assessing their performance in the field, as noted elsewhere in this report.

Importantly, this work has also involved assessing how new technologies impact on other activities. One example is our work with the Royal Air Force to determine how the visibility of agricultural drones might be improved to make them easier to see by other aircraft. This involved live trials over the University where an RAF helicopter was used to observe different visual markers located on the drones. This is a topical debate which has recently led to Government action on drone use around busy airspace, and we hope that our work will contribute to the safe use of agricultural drones as the adoption of these platforms in agriculture grows.

Further details of our research activities can be found on the University's website.

### **Promoting Collaboration**

In addition to collaboration in our research activities we have progressed our links with industry and with other nations during the course of the last year. In particular, our work in agricultural technologies resulted in significant interest from overseas contacts. The Minister Counsellor for Science and Technology from the Chinese Embassy in London visited the University at the start of the academic year, when we also hosted a visiting group of students from Sogang University in South Korea who were keen to learn about developments in precision farming.

The creation of the Agri-EPI Centre on our campus has been a major initiative. A new building, which will host research and knowledge exchange in agricultural engineering and precision farming has been completed as part of a £5.7m allocation from the UK Strategy for Agricultural Technologies. In the initiative we are collaborating with Scotland's Rural College (SRUC) and Cranfield University as well as 110 companies wishing to explore opportunities in this emerging sector. Another element of the investment has seen the creation of a 'smart' dairy with our first robotic parlour, and sensor technologies, that will support further research on dairy cow behaviour and welfare.

Our agri-tech partnership work has also been extended with the success of a Growth Deal bid led by our local authority, amounting to just over £9m, to begin the creation of an agricultural technology innovation park in nearby Newport. Work will begin in early 2018. We will be collaborating with the local authority to encourage business development and inward investment at this new facility, thereby creating the first agri-tech 'cluster' to support economic development and the adoption of new technologies in farming practice.

We have partnered with other organisations during the year to strengthen our connections with the farming sector. Examples include the Institute of Agricultural Secretaries and Administrators conference held in May 2017 and the Farming and Countryside Education (FACE) Annual Meeting and the British Grassland Society Summer Meeting, both held in July 2017. The University is a regular host of events of this nature, enabling our staff and students to learn about the practical issues facing the sectors with which we work.

Our collaboration with Dairy Crest has developed very positively during 2016/17. We appointed a new joint lecturer who is working with the company on cutting edge research as well as within the University. The company generously sponsored our first Institute of Grocery Distribution (IGD) Food Science Summer School which saw year 12 students sample University life and aspects of the food industry during a residential programme at Harper Adams. The success of our collaboration was recognised in two ways. We won the inaugural award for Outstanding Business-University Collaboration in the Times Higher Education Awards in 2016. We were also selected by the European Commission as one of 50 case studies for a major report on the state of University-business collaboration across the European Union. We were invited to present our work at the European Commission's 7th University-Business Summit held in Brussels in April 2017.

### **Demonstrating Public Benefit**

As a registered charity, Harper Adams University has a long tradition of conducting activities that benefit the public. Our work to deliver these benefits has continued apace over the last year. Universities UK and HEFCE have developed a framework by which higher education institutions can report on their contribution to public benefits. The following themes provide some examples of these activities within the established framework.

*Developing people to make a contribution to society*

We began the academic year by saying goodbye to Neil Swain, our visiting agriculturalist from the remote South Atlantic island of Tristan da Cunha. Neil had spent 6 months with us learning about some of the latest farming techniques, and with the experience he gained he has been able to address some of the food production issues facing the island's population of only 251 people.

In December we launched a new access scheme to support students from low-income households with full fees scholarships. This initiative is intended to broaden access to our student community and will run alongside other aspects of our outreach work and student support mechanisms.

Our outreach activities were significantly enhanced with the establishment of an element of the National Collaborative Outreach Programme (NCOP) at the University, as part of the Higher Horizons+ consortium led by Keele University. With additional staff supported by the NCOP we have made a step change in our engagement with local schools and communities. Examples include a 'Big Bang' STEM subject regional event held in July 2017 which was attended by 800 school students and their teachers and which featured a range of science-based interactive displays and activities. Our work has already reached outcome targets for the year and has led to new partnerships with a range of local schools.

Our staff have engaged in a variety of activities, ranging from research and education about rural crime to a new BBSRC-funded Crop Protection Summer School where students from other universities have been able to gain practical field work and applied science experience whilst at Harper Adams. Professor Simon Leather was appointed as the new President of the Amateur Entomological Society which, amongst other objectives, aims to introduce young people to the field of entomology.

Engineering lecturer, David White, was recognised with the Contribution to the Land-based Sector Award by the Institution of Agricultural Engineers. Further afield, Carrie de Silva spent time teaching law to prisoners in Kenya as part of the African Prisons Project to help their rehabilitation and assist them in securing representation on legal matters. Our contributions to international communities have also included work on the role of agriculture in helping address the issue of modern slavery and our collaboration with AGCO's objective to deliver agricultural education in sub-Saharan Africa.

We have engaged with the veterinary profession to provide postgraduate courses aligned with clinical modular training programmes offered by Improve International in collaboration with the European

School of Veterinary Postgraduate Studies. These specialist courses aim to develop clinical skills in areas such as small animal medicine and surgery.

The University has made a significant investment in renewable energy systems over the last year, with new photovoltaic arrays and biomass and combined heat and power systems, coupled with 3.5km of super-insulated heating pipe that will provide district central heating across the University campus. This major project is expected to help the University make significant progress towards meeting its carbon emission reduction targets.

*Innovating, informing and inspiring – opening up the University's knowledge, expertise and resources*

Throughout the year our applied research activities have gained significant external interest for the degree of innovation that they encompass. Our work in agricultural technologies has led to the development of new bale collection equipment for controlled traffic farming environments while our work on laser weeding systems has progressed to farm trials in the East of England.

Our entomologists have also been active, with projects from 'microchipping' slugs to track and better understand their field behaviour, to research by PhD student Joe Roberts on biological control of spider mites which was featured on BBC Radio 4's Farming Today.

We held our latest Drones for Agriculture conference in December 2016 which attracted representatives of the farming community as well as drone service operators and other stakeholders in the development of practical applications of second-generation drones capable of undertaking field tasks. We contributed to a report produced by Anthea McIntyre, MEP presenting the results of her work to raise the profile of these new technologies within the European Parliament. We also featured technological innovations in the poultry industry in the 25th Temperton Report, which was presented to an industry audience at its launch in June 2017.

Innovation was a theme that also drove student related initiatives, such as hosting, for the first time in the UK, the European Field Robot Event. With 14 teams from 7 nations, the furthest being from Mexico, the competition required students to develop a small robot that could undertake field tasks that included identifying and spraying weeds within a maize crop. A team from Germany were worthy winners of the competition. The event not only showed the degree of innovation being developed by the student teams, but also their ability to learn from

each other, across national boundaries, when addressing practical issues in robot design.

The challenge of producing autonomous vehicles will be progressed, in part, by the University's participation in a driverless car project in Manchester, for which a significant research grant was announced during the year. There are lessons to be learned from autonomous vehicle developments in agriculture that could be applied to passenger vehicles, a point endorsed by the House of Lords Select Committee for Science and Technology in their report on autonomous vehicles following written and oral evidence submitted by Professor Simon Blackmore in late 2016.

Autonomous vehicles in agriculture have tended to be developed from the ground up, with robots capable of undertaking specific field tasks. In the last year our Hands Free Hectare project has taken a different approach, using open source technology and software to create an agricultural system employing robots and drones. The project, supported by Innovate UK and the Yorkshire-based SME, Precision Decisions as well as other industry sponsors, set out to grow a hectare of barley without a driver in the seat of the machines or an agronomist in the field. This was a world first experiment that has attracted attention from as far afield as Canada, Australia and China, and has been featured on several BBC television and radio programmes, helping to spread the word to the general public about innovation in agricultural practice. The University's activities in agricultural technologies also reached the wider scientific community via a special article in Nature published in April 2017.

We are continuing to innovate in agricultural technologies, but some of our latest developments will extend to other disciplines. During the year we were delighted to receive support from the Elizabeth Creak Charitable Trust to create two new Chairs in Agri-Tech Applied Economics. This is a new field that will complement the work we are doing with industry in engineering and precision farming. Following an international search, recruitment to these posts is currently in progress.

#### *Engaging communities and working in partnership*

At the start of the academic year we opened a new veterinary physiotherapy service so that practical support could be provided for referrals by vets in the local community. This has got off to a good start and we hope that it will also strengthen our links with veterinary professionals in the area as well as providing further practical experience for our students on veterinary physiotherapy courses.

Our work with schools has grown significantly in the last year, and as well as our NCOP activities we have been active in participating in the British Science Association CREST Award scheme by making our laboratory facilities available to sixth form students. Working with schools in the Newport area we supported a range of student projects through engagement with our STEM Ambassadors and mentoring. The students had to work on their projects for a minimum of 70 hours, and then write a report and make a presentation to complete the Gold Award stage.

Another engagement programme saw 75 students from local schools attend our second 'Harper Means Business' education day, based on the theme of the breakfast food supply chain. The event, which involved contributions from a variety of lecturers and guest lecturers provided insights into the wider world of the food sector with activities in game theory, economics and social media analytics.

Our Chinese students once again contributed to community life by helping with the first ever street celebration of the Chinese New Year in our local town. Our Student Services team and the Planet Harper student society helped organise the event and demonstrated traditional games and dances as part of the celebrations. A local Brownie pack, led by one of our staff, also had the chance to get involved in the University with a visit to our companion animal facilities as part of their work to earn their 'Friends to Animals' badge. They had many questions about our animals and enjoyed the chance to see the work we are doing at the University.

Our students have been engaged in a variety of fundraising events throughout the year, raising money for local and national charities. Final year student Holly Bishop began a challenge to run 8 marathons in a year to raise money for a children's cancer charity and was well on her way to achieving her objective by the end of the academic year. The Students' Union joined in by arranging a weekend of events so that other students could get involved in this campaign, in addition to holding its usual fundraising activities during the year.

The rural community is supported by other aspects of our work. One example is our Rural Security Research Group, which assisted in the production of the NFU's Rural Crime Manifesto. Student Molly Dickson also looked at the issue of rural crime in her home county for her final year dissertation.

#### *Building international connections*

Our work overseas was highlighted in November 2016 in a Universities UK International report. The

report, supported by the Department for Business, Energy and Industrial Strategy, provided examples of how UK universities contribute to international innovation. Harper Adams was one of only 12 universities selected to feature in the publication, with our case study based on our work with a range of industry partners at the AGCO Future Farm in Zambia. The University's activities in Africa extended to a new partnership with the University of Namibia, in which advice was provided to its School of Pharmacy on the development of a postgraduate veterinary pharmacy programme.

In South America, the University was involved in the UK Government's stand at Uruguay's largest agricultural event, Expo Prado. The event saw the first Hackathon Agro, supported by University staff, where the winning project was an app aimed at combatting sheep rustling. Members of the winning team were later invited to attend an Agri-Tech East conference and the Drones for Farming Conference at Harper Adams. The University also extended its international scholarship scheme to Uruguay by offering support for postgraduate students from the Faculty of Agricultural Science at its partner institution, Universidad de la Empresa.

We hosted a doctoral student from the Federal University of Rio Grande do Sul, in Brazil, who was in the UK to attempt to correlate phenotype and genotype characteristics of bulls and the price at which they are sold at auction. Speaking about the 4-month visit, doctoral student Jusecleia Lopes said, 'The support received has been great and I could not thank the staff enough who do everything to make international students feel welcome and integrated'.

Our partnership with HAS University of Applied Sciences in the Netherlands was bolstered with the creation of a joint chair held by Professor Wim de Koning. A number of HAS students joined postgraduate courses at Harper Adams, we hosted our first HAS student intern, identified joint research projects and welcomed HAS staff on study visits. We hope that this relationship will go from strength to strength as we seek to maintain strong academic relationships with European partners in the run up to the UK's departure from the EU. At the same time we have sought to develop links with other European institutions. One example was an ERASMUS staff exchange visit by Professor Irene Guerrero from the INEA Agricultural Engineering School in Valladolid, Spain. Professor Guerrero was able to discuss research in integrated pest management, functional diversity in soils and the delivery of ecosystem services during her visit.

In January 2017 we were delighted to be able to announce the appointment of a visiting professorship

to Professor Michelle O'Malley of the University of California, Santa Barbara. Professor O'Malley is a global expert in new technologies for the use of microbes with applicability to bioenergy and sustainability, as well as to drug development and detection. Her work with Professor Mike Theodorou has focussed on the discovery and use of enzymes from anaerobic fungi for sustainable energy production.

There are many other examples of international engagement by our staff throughout the year. One such case is the University's attendance at the International Conference on Sustainable Agriculture in Indonesia where Professor Theodorou's work on anaerobic fungi was a keynote presentation, whilst other parallel session presentations included the use of biochar for soil improvement and response lags to changes in agricultural practice. Our links with Indonesian universities are growing and we hope to develop them further in the coming year.

### **Planning for the Future**

We will be monitoring closely over the next year the move from HEFCE to the new Office for Students, which is expected to occur early in 2018. It is anticipated that this will involve a range of consultation exercises by Government in which it will be important for the voice of specialist universities to be heard. At the same time, the pilot programme for the subject level Teaching Excellence Framework will begin in 2017/18 and it will be important to see how this develops.

Towards the end of this academic year we announced an initiative to explore with Keele University the establishment of a new joint veterinary school. This is a major project that will support our current veterinary and animal science provision but will also provide a means to engage our agricultural students with trainee veterinarians, ultimately to the benefit of the farming sector. We look forward to working with Keele in the next year to progress this exciting project.

We hope to add to our farm estate in the coming months with the acquisition of land adjoining the University farm, thereby strengthening our farming resources for education and research and securing important space for growth of our farming activities.

The positive result of our submission to the Teaching Excellence Framework this year was a significant success for the University. Feedback from the TEF panel noted that:

'The provider metrics, supplemented by the submission, indicate that students from all

backgrounds achieve excellent outcomes. Very high proportions continue with their studies and progress to employment, highly skilled employment or further study, notably exceeding the provider benchmarks. The metrics also indicate outstanding levels of satisfaction for students from all backgrounds with 'teaching on my course' and 'academic support', which are notably above benchmarks, and very high levels of satisfaction for assessment and feedback.'

We intend to build on this outcome with the type of activities described earlier in this report. There will, undoubtedly, be changes and challenges ahead, but the University is in good shape to deal with them and we will be continuing to work hard to deliver

outstanding results for our students as well as for our local community and wider society.

A handwritten signature in red ink, appearing to read 'D Llewellyn', with a stylized flourish at the end.

**Dr David Llewellyn**  
Vice-Chancellor  
28 November 2017

## Strategic Review

The 2016/17 results show a strong financial performance. We have increased student numbers, invested in further improving the student experience and invested in academic staff and increased research and contract activity.

The financial strategy is an integral part of the University's overall Corporate Plan and essential to achieving the key strategic objectives which provides for the development of infrastructure and delivery of high quality programmes of study whilst ensuring financial sustainability. Performance indicators are monitored to assess the progress of the institution against key objectives which include teaching excellence, student engagement, internationalisation and research. The University identified specific strategic priorities within the budget with funds of £2m set aside for investment in key appointments and innovative projects to further the research and teaching objectives of the University.

The medium term financial strategy for the University is to generate operating cash in excess of 14% of income and for external debt not to exceed 30% of unrestricted reserves.

### Scope of Financial Statements

The financial statements for the year ended 31 July 2017 comprise the results of the University, its wholly owned subsidiary, Cedar Energy Limited, and the separately registered charity, the Harper Adams University Development Trust, which operates independently of the University but is consolidated within the Group financial statements following a review of the beneficial arrangements derived by the University.

### Financial Statements

The financial statements are prepared in accordance with FRS102 under the HE and FE SORP 2015. The financial statements summarise the financial position and performance of the institution, together with the referenced notes to the accounts. These comprise of:

- Balance Sheet that summarises the assets, liabilities and reserves at the end of the financial period;
- Statement of Comprehensive Income and expenditure that summarises the financial performance for the period of report and consequential reserves movement;
- Statement of Changes in Reserves; and

- Statement of cash flows for the reporting period

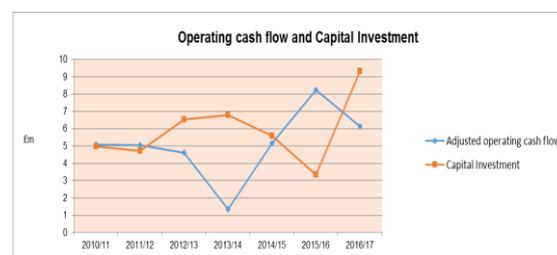
The University revalued its teaching and research facilities and the 237 hectares of University land on transition to FRS102 as at 1 August 2014. As a result the asset values were uplifted by £32m on transition, increasing total net assets reported.

The University has chosen to continue to account for government funded capital grants over the life of the assets that these grants have funded, matching the annual depreciation charge with a recognition of grant income. The balance of capital grants deferred of £12.2m is now required to be reported as a long term creditor.

### Results for the Year

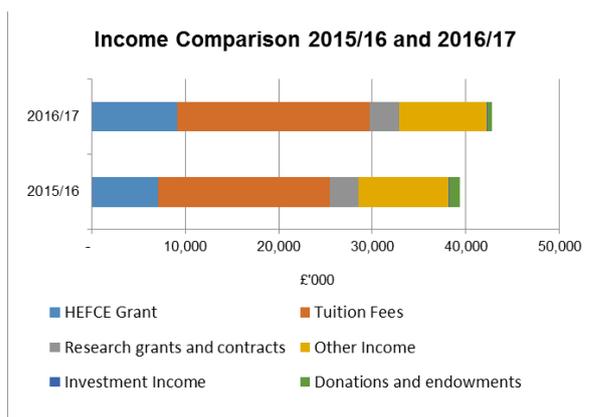
The University has generated an underlying surplus before taxation, of £1,539k (2015/16: £1,999k) with operating cash generated of £5,527k (2015/16: £7,222k), or 12% of income (2015/16: 18%).

Under FRS102 presentation, operating cash generation is one of the key indicators of financial sustainability and the ability to continue to invest and deliver a high quality experience for our students and staff.



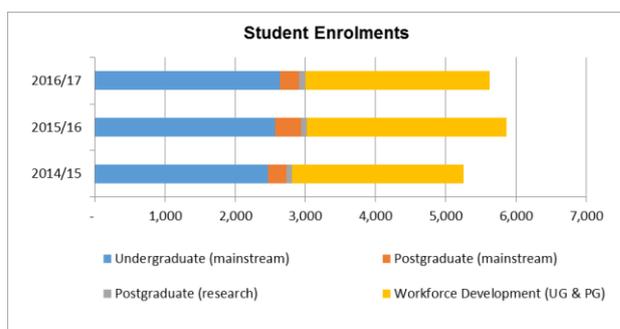
### Income

Total income increased year on year with the University successful in its application for institution specific funding increasing HEFCE grant by £2.2m.



### Applications offers and enrolments

The University recruited 837 first year undergraduate students and 269 postgraduate students with student enrolments totalling 5630, a 4% reduction on 2015/16 which was the highest number in the history of the institution at 5862 students.



The University charged a headline undergraduate tuition fee of £9,000 to UK and European undergraduates. The increase in fees, following the changes to student funding in 2012, were offset against an associated reduction in grant funding, to leave the overall funding of teaching at a similar level per student across all courses. The University has continued to offer tuition fee waivers for students who come from lower income families.

### Research Grants and Knowledge Transfer

Further successes in winning research and consultancy contracts were achieved, with 38 contracts won and the projects in the year generating income of £3,134k (2015/16: £3,055k). Research at the institution is often in partnership with industry. This ensures that the impact of work undertaken at the University is translated to industry practice and incorporated in the curriculum. The University has recognised research and contract income under the performance method where income is recognised when specific delivery milestones are met as defined under the contracts.

The University is a member of two Agritech consortia funded through Agri-Tech industrial strategy funding, managed by two SME companies that comprise both industry and HE partners. The University has facilitated the development of Agri-Tech funded facilities which were in the course of construction at the year end. They will provide further capacity to support industrial research and innovation, and build the capacity of the University to increase the involvement of science and technology in farming practice, also developing, through innovation, new products and markets to support economic development.

The Dairy Crest collaboration is now in its third year of operation with activity extended to support the IGD summer school, sponsorship of research, in addition to the underlying undergraduate academic collaboration.

### Other Income

The University has continued to generate additional income from its facilities and infrastructure with conferences held during academic vacations and the campus established as the venue for a number of annual conferences. The conferencing team has continued to utilise University facilities outside term time.

The University has over 800 student rooms on campus providing a full range of accommodation which is managed and operated by the University. A small number of rooms are used for short stay students and guests throughout the year, whilst out of term time the residences are used as conference guest accommodation enabling fully serviced conference packages to be available to delegates.

The Farm has increased income in the year despite challenging trading environments. There were small improvements in the milk price whilst pig production outperformed budget targets in both weights and price, contributing to a much improved contribution.

Cedar Energy Limited has undertaken slurry storage services in the year, whilst the capital reinvestment in energy production plant has continued throughout the year with energy production expected to recommence during 2017-18. Business interruption insurance following the 2014 failure was fully recognised over the 26 month period ended July 2016 which was consistent with the terms of the insurance cover.

## Major developments during the financial year

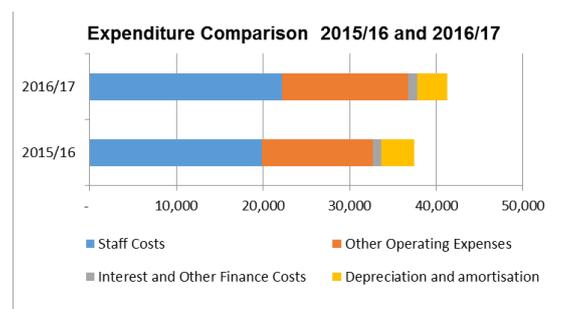
University capital investments amounted to £5.4m funded through grant, loans and philanthropic donations. The extension to the University central laboratories was completed providing additional new teaching laboratories on site. This continued our planned approach to enhance the student experience and our facilities for research. The University worked with Agri Epi Centre Ltd to develop the Agritech innovation hub and work continues on the Agritech robotic dairy, these facilities will strengthen the work on precision and robotic farming by the University in partnership with Agri Epi Centre Ltd.

Investments in educational technologies and refurbishing both teaching and residential facilities prioritised investment in our facilities to enhance student experience at the University.

Cedar Energy Limited worked with specialist consultants on defining and planning a new energy system that should ultimately provide 80% of campus heating needs and 75% of its electricity which should significantly reduce the carbon footprint of the University and provide energy security for the future. The project integrates a range of different technologies, to address the electrical and heating demands of the University and will also demonstrate how rural communities can become self-sufficient and provide local solutions to energy needs. The project includes 650KW of photovoltaic panels, which are installed on the large roof areas of dairy buildings on the University farm. A 1MW biomass boiler will use locally sourced woodchip as a fuel to create hot water. The hot water will be used across the campus and will be distributed via an underground super insulated pipe network, which will be nearly 3.5km long, to heat connected buildings. A Combined Heat and Power unit will use natural gas to generate electricity and heat and to supplement the other technologies. The new plant is in the process of being commissioned and is expected to be fully operational in the autumn.

### **Expenditure**

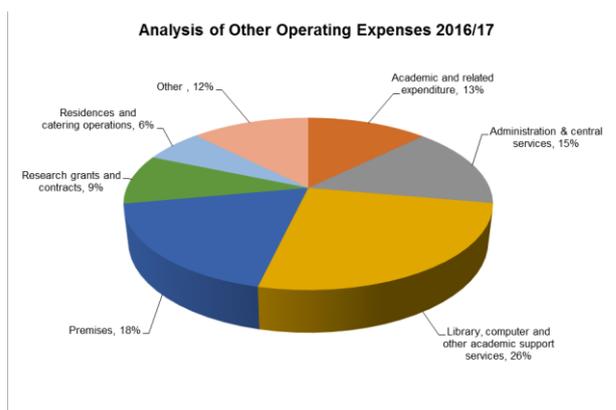
Operational expenditure has increased from £37,120k in 2015/16 to £41,277k in 2016/17.



Pay costs represent the largest single element of the University's expenditure. An increase of 11.5% or £2.3m is shown year on year. Whilst there has been some new posts that were made as strategic appointments, these have been restricted. Overall average staff FTE numbers have increased from 497 to 504 with additional posts being recruited in academic areas and student facing departments. The University participates in national pay awards as agreed by UCEA on behalf of the Higher Education sector, which resulted in a tapered cost of living pay increase of between 1% and 2% from 1 August 2016 accounting for an increase of £350k year on year.

The more significant increases in salary related costs are in respect of pensions and statutory costs. From April 2016 there was a circa 2.5% increase in national insurance costs as a result of the removal of 'contracted out status' for public sector pension schemes resulting in additional costs of circa £300k over 12 months. The Apprenticeship levy was introduced in April 2017 increasing pay costs by a further 0.5% or £36k in the period to 31 July 2017. Further legislative changes were introduced in April for publicly funded organisations, where the status of some contractors was changed with payments now required to be made with the deduction of tax and national insurance. A full review of suppliers was undertaken and as a result a number of contracts that were previously reported under non-pay are included as pay and in respect of a handful of contracts clarification has been sought from HMRC with a provision included within tax and national insurance charges.

Teacher's pension contributions increased by 2.4% in September 2016 increasing pension costs by £220k in respect of the University's academic staff. LGPS pension costs for support staff recognised the annual costs of pension deficits as estimated by actuarial valuations, increasing staff costs by £943k (2016: £386k) and £457k (2015: £382k) interest charges.



Other operating expenses increased in the period to £14.5m from £12.4m in 2015/16. Significant efforts have been made to manage costs across the University with efficiencies delivered in many departments. However, additional costs were incurred in relation to strategic projects and associated software licencing of £690k including curriculum review, embedding technology further into teaching and supporting students and University rebranding. The University was awarded specific outreach funding that enabled the establishment of a team to work with schools to raise aspiration and widen participation in higher education, totalling £112k. Scholarships awards to students supported both by the University and industry increased to £480k. Costs of maintaining equipment and facilities for students and staff also increased with additional costs of £530k this increase in part due to managing capital developments on site. Energy costs increased by 12% in the year or £122k as a result of higher pricing and also due to increased facilities on site. Once Cedar Energy Ltd is supplying heat and power to the University these costs are expected to fall.

### ***Cedar Energy***

The company is in the process of investing in new electric and heat generating equipment infrastructure across the University campus with total investment expected in the region of £4.2m with the plant expected to be commissioned and fully in production by the Autumn. The investment has been financed from the insurance recovery received. Environmental consultants were engaged to ensure that the clean-up of the site previously occupied by the company's anaerobic digester was completed.

The slurry tanks owned by the company were unaffected by the failure of the secondary digester, and continue to be used for slurry storage. An insurance settlement was received in full in December 2015 clearing the insurance debt carried at 31 July 2015.

The University has assessed the company's business plans and resultant cash position which demonstrates that the company is in a position to meet its immediate liabilities and that through the reinvestment of insurance proceeds, it is in a position to rebuild and generate power for the University and hence also support educational objectives. Consequently the investment in the subsidiary at 31 July 2017 is not considered to be impaired.

### ***Balance Sheet***

Total reserves have increased year on year with an operating surplus after tax of £1.6m and an improvement in the LGPS pension liabilities calculated by actuaries for the year end; the updated valuation reducing scheme liabilities to £14.5m from £17.1m at the beginning of the year. The key changes within the valuation that were applied were that life expectancy assumptions were reduced very slightly and the discount rate applied to liabilities increased by 0.1% both of which contribute to a reduction in scheme liabilities together with an increase in share of scheme assets of £1.4m, improved the overall position.

The University has managed its liquid resources through a combination of treasury and cash deposits against a debt of £13.5m to give net funds of £1m (2016: net cash of £3.9m). The intention is that the cash currently held will fund the ongoing and planned capital developments and acquisitions and consequently the University will return to a net debt position.

### ***The Financial Future***

Key performance indicators are set out below with our latest assessment of progress. These measures reflect the strong governance and management of the University's resources and commitment to providing value for money for our students and stakeholders.

Harper Adams University is committed to the delivery of excellence in academic activities, and resources are strategically invested to this end. We have extended the University farm and have acquired 239 acres of agricultural land adjoining the University farm, increasing our farming resources for education and research.

The University was successful in its bid for institution specific funding in 2015/16, with a significant proportion of this funding targeted to increase the capacity of the University to respond to the emerging issues faced by land based industries through the appointment of additional academic staff and by

increasing the University's engagement with industry and policy makers.

The University will continue to work closely with national Agritech initiatives supporting collaboration and research. The development of the Agri-EPI Centre innovation hub at the University has provided the opportunity to host research and knowledge exchange in agricultural engineering and precision farming. Another element of the investment has seen the creation of a 'smart' dairy with a robotic parlour and sensor technologies that will support further research on dairy cow behaviour and welfare.



Mike Lewis  
Chair of Governors  
28 November 2017

A wide ranging review of the curriculum was undertaken in 2015/16 and the new curriculum has been launched for new entrants this year. This review has been undertaken to ensure that our graduates continue to be well placed to become successful and adaptable leaders.



Liz Furey  
Director of Finance  
28 November 2017

Reinvestment in new green energy infrastructure to enable the University group to achieve a level of self-sufficiency in generating power and heat and achieve carbon savings is expected to be completed by the end of the year.

The efficiency of systems continues to be developed across the University with processes reviewed, refined and automated to improve student and staff experience. Specific developments include timetabling and associated student apps. Implementation of the new human resources and payroll system providing enhanced staff self-service and reporting.

## Report of the Governors and Corporate Governance Statement

The Governors have pleasure in presenting their report and financial statements for the year ended 31 July 2017 and confirm they comply with the requirements of the Charities Act 2011, the Memorandum and Articles of Association of the University and the Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP).

The principal activity of the University is the provision of higher education in agriculture and land-based subjects conducted on an estate of 580 hectares (including the University Farm).

The University's mission is to provide world leading 'Higher education and research for the delivery of a sustainable food chain and rural economy'. The essential strategic aims necessary to fulfil this mission are identified in the University's strategic plan 2015/20. The financial statements should be read in the context of a continuous endeavour to secure these aims.

The objectives of the University are set to reflect our educational aims and ethos. In setting our objectives and planning our activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance.

Our key objectives during 2016/17, as set out in the University's strategic plan for the period to 2020 were to extend the University's impact in education, research and influencing national policy whilst enhancing engagement with industry and local partnerships.

We also undertook to manage resources and maintaining our expenditure on administrative activities in the lower half of the small and specialist higher education institutions in the UK higher education sector in order to allow us to focus resources, including new technologies, on efficient teaching and the support of our students.

The University continues to play a distinctive and key role within the UK Higher Education sector, and in particular, as the leading specialist provider of land based higher education, its work is focused on providing world leading teaching and research that meets the needs of the agri-food chain. We believe that the support we provide for rural industries, our students and our work on sustainable agriculture underlines the specialist nature of the institution and distinguishes it from other higher education providers of land-based subjects. Within the higher

education sector the University continues to be recognised for the quality of its provision and the contribution it is making to important higher education policy objectives. The University and its students have also continued to be recognised for their achievement, winning awards at national and international levels.

Overall student applications to the University have been maintained at similar levels to recent years. Development of taught postgraduate courses has continued and the number of PhD students has also grown steadily.

### Statement of Financial Responsibilities

In accordance with the University's Memorandum and Articles of Association, the Board of Governors is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Articles of Association, the FEHE SORP, the HEFCE accounts direction and other relevant accounting standards and comply with the Companies Act 2006. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between the HEFCE and the Board of Governors of the University, the Board, through its designated office holder, the Vice-Chancellor/Chief Executive, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and University along with the Group and University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for that year.

In preparing the financial statements, the Board of Governors has to ensure that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- Financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and to prevent and detect fraud;
- Secure the economical, efficient and effective management of the University's resources and expenditure.

#### **Disclosure of information to auditors**

At the date of making this report each of the University's Board members confirm the following:

So far as each Board member is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware; and

Each Board member has taken all the steps that s/he ought to have taken as a member in order to make themselves aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

#### **Higher Education Grant Funding**

Funding for the University's higher education students is provided by HEFCE and by tuition fee income. The Funding Council's main function is to administer grant provided by the Secretary of State for Education, to fund education, research and associated activities throughout the higher education sector.

#### **Auditors**

KPMG LLP were appointed as auditors in the year and offer themselves for re-appointment as auditors in accordance with Section 489 of the Companies Act 2006.

#### **Corporate Governance Statement**

##### ***General Principles***

The University is committed to exhibiting best practice in all aspects of corporate governance. This section describes the manner in which the University has applied the principles set out in the Committee of University Chairs (CUC) Higher Education Code of Governance. The Code takes account of the relevant sections of the Combined Code on Corporate Governance as they relate to the work of Higher Education Institutions.

The University changed its legal status from that of an unincorporated organisation established by Trust deed to that of a Company Limited by Guarantee with effect from 1 August 2012. The University has retained its status as a Registered Charity in its new legal form. It is established as a higher education institution under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its latest objects, powers and framework of governance are set out in the Articles of Association approved by the Privy Council in 2012 and as amended from time to time by agreement with the Privy Council. The Privy Council conferred its approval for the award of University title to Harper Adams University on 7 December 2012.

The University endeavours to conduct its business in accordance with accepted standards of behaviour in public life which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership, in accordance with the framework provided by the CUC.

##### ***The Governing Body and Academic Board***

The articles require the University to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board of Governors is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction. The governing body has a majority of independent members, chosen in accordance with strict criteria. The chair is elected

from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and students. No members of the governing body receive any reimbursement for the work they do for that body. The Governors are the Trustees of the University.

Subject to the overall responsibility of the governing body, the Academic Board has oversight of the academic affairs of the institution and draws its membership largely from the staff and the students of the institution. It is particularly concerned with general issues relating to the learning and teaching, research and knowledge-exchange work of the institution. The Academic Board reports to the Board of Governors.

The Board of Governors has adopted a statement of primary responsibilities in which the major activities it covers are described in further detail. The Board of Governors has also established key performance indicators with which it monitors the performance of the University.

In respect of its strategic responsibilities, the Board of Governors receives recommendations and advice from the Academic Board and its committees, the University Executive and joint meetings, where required, of the University Executive and members of the Board. The Board of Governors considers the development of strategic and annual plans and monitors, amongst other items, compliance with the University's Instrument and Articles of Government, the conduct of financial management, personnel management, academic and student related developments, the management of academic quality and standards, the management of major estate developments and risk management. Regular reports on developments of note, including liaison with external agencies, are presented to the Board by the University's Vice-Chancellor and other senior managers.

The Board has assumed direct responsibility for oversight of a number of key risks identified in the University's Risk Analysis and Action Plan which is reviewed annually in detail by the Audit and Risk Management Committee and recommended to the Board for approval. The Risk Analysis and Action Plan includes the University's Risk Policy and a statement of its Risk Appetite. It covers risks related to business, operational, compliance and financial matters. The latter sets out how a balanced portfolio of risk exposure will be maintained and managed and the Risk Analysis and Action Plan identifies the responsible individuals who take a lead role in managing risks, and how action planning is incorporated into normal business processes. The Plan also includes a mapping document that

illustrates how the Risk Analysis and Action Plan support the strategic objectives of the University. All risks areas are assigned to the Board or one of its committees for monitoring and action are reported upon at each meeting of the relevant committee.

The Board acknowledges that it is responsible for a sound system of control and requires that the Audit and Risk Management Committee commission the internal auditors to review an aspect of risk management annually. A report on the outcome of the annual audit of risk management is presented to the Board in the Annual Report of the Audit and Risk Management Committee.

The Board of Governors has established a Governance Review Group that has conducted a number of assessments of the Board's performance. During 2014/15 the Governance Review Group, taking into account independent external advice, focused on the quinquennial major review of the effectiveness of the governing body. The review was completed in July 2015 and an action plan highlighting opportunities for enhancing a small number of areas of practice was agreed.

The areas for further action included: some changes to the annual planning day arrangements to allow further time for discussion by members; the introduction of a 'buddy' system for new governors to supplement existing arrangements and proposals related to reporting/agenda papers presented to the Board. Actions were monitored by the Board and approved as fully completed during 2015/16.

HEFCE conducted an Assurance Review of the University in June 2017. The report was positive about the governance arrangements and made no formal recommendations for action.

In accordance with the Articles of Government, the University Secretary has been appointed as clerk to the governing body. In that capacity, she provides independent advice on matters of governance to all members of the governing body. The Academic Registrar and Director of Academic Services acts as secretary to the Academic Board.

The University maintains a register of interests of members of the governing body and senior officers which may be consulted by arrangement with the Clerk to the Governors.

### ***The Vice-Chancellor/Chief Executive***

The Vice-Chancellor/Chief Executive is the head of the University and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of

the formal financial memorandum between the University and HEFCE, the head of the institution is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy and the identification and planning of new developments. Other senior academic and administrative officers contribute in various ways to these activities, but the ultimate responsibility for what is done rests with the governing body.

### **Governing Body Committees**

The Board of Governors and its committees are formally constituted with terms of reference and delegated powers. Although the governing body meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the Audit and Risk Management Committee, Finance and General Purposes Committee, Staffing Committee, Nominations Committee and Remuneration Committee. The decisions of these committees are formally reported to the governing body.

A significant proportion of the membership of these committees consists of independent and co-opted members of the governing body. Co-opted student and staff members may also be eligible to serve on some of these committees, subject to the provisions of the articles. The chairs are normally selected from the co-opted and independent members. No one Governor is a member of the Audit & Risk Management, Finance & General Purposes, Nominations and Remuneration committees.

The Audit & Risk Management Committee meets four times a year, with the University's external and internal auditors in attendance. The committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control, including the safeguarding of assets and prevention and detection of fraud, and management responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's audited risk management activities, and monitors adherence to regulatory requirements. The Committee consists of lay members. Whilst senior University officers attend meetings of the Audit & Risk Management Committee, as required, they are not members of the Committee. At least once a year, the lay members of the Committee meet with the Internal Auditors and then the External Auditors for independent discussions.

The Finance and General Purpose Committee meets four times a year. Amongst other items it recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee is responsible, on behalf of the Board of Governors, for ensuring that proper accounting records are maintained and that the University complies with the FEHE SORP and the Funding Council's Memorandum of Assurance and Accountability. The committee oversees the preparation of financial statements.

The Staffing Committee meets three times a year and oversees the development and implementation of the University's HR Strategy, staffing policies, equality and diversity arrangements and staff training and development.

The Nominations Committee considers nominations for vacancies in the Board of Governors' membership in accordance with the University's Articles of Association. The Committee has a majority of lay members, consisting of the Chairman, Vice Chairman, a further lay governor and the Vice-Chancellor. The Nominations Committee considers skills, professional background and experience, geographical distribution and the promotion of diversity in its succession planning and governor recruitment and appointment processes. A Governor role statement and background information on the University is sent to those interested in serving on the Board to ensure that new Governors are aware of the range of responsibilities attached to University Governorship. Newly appointed Governors attend an induction session normally held each October. Governors also attend development sessions on a range of topics during the course of their appointment, including those offered by the Leadership Foundation for Higher Education. Before re-appointment, Governors who are at the end of their first term of office are evaluated by the Nominations Committee on the contribution they have made to the Board's work. In normal circumstances Governors retire at the end of a second term of office, although the Nominations Committee will consider individual cases for an extension of appointment.

The Remuneration Committee determines the remuneration of the most senior staff, including the University's Vice-Chancellor. The Committee's role, responsibilities and delegated decision making powers were reviewed by the Board in November 2015 and updated terms of reference and procedural documentation were agreed. The decisions made by the Committee, in accordance with its delegated authority are reported to all members of the Board of Governors. Where the Committee wishes to make a recommendation that falls outside its delegated

authority, it is referred to the Board for its consideration, and if appropriate, approval. All decisions made by the Committee during 2016/17 were made in accordance with its terms of reference, and with the procedures approved by the Board.

### **CUC Higher Education Code of Governance**

The University has complied in full with the CUC Higher Education Code of Governance in the year ended 31 July 2017. This included the publication on the University's website of a statement of institutional monitoring for the 2015/16 financial year.

### **Statement on Internal Controls**

The University's Board of Governors is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control has been in place for the year ended 31 July 2017 and up to the date of approval of the Annual Report and Financial Statements.

The Governing Body monitors the effectiveness of the process and its relationship to the University's objectives. It does this in a number of ways. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms that are embedded within operational units. During the year an external fraud was identified. The existing system of controls would have identified and prevented the fraud, though it did not function as designed due to operator error. Following this incident a detailed review of controls and their implementation has been undertaken by the University. The senior management team and the Audit & Risk Management Committee also receive regular reports from internal audit exercises, which include recommendations for improvement and which are risk-based. The Audit & Risk Management Committee's role in this area is confined to a high level review of the arrangements for internal financial and operational systems control, value for money and overall effectiveness. Each of these areas is also covered in terms of the University's Risk Analysis and Action Plan. The Board of Governors' agenda includes regular items for consideration of risk and control and it receives reports thereon from senior managers and sub-committees of the Board of Governors and the Academic Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2017 meeting, the Board of Governors carried out the annual assessment of the Audit & Risk Management

Committee's activities for the year ended 31 July 2017 by considering documentation from the Committee, internal and external audit annual reports, and by taking account of events related to the Risk Analysis and Action Plan since 1 August 2016.

The Board of Governors is of the view that there is an on-going process for identifying, evaluating and managing the University's significant risks that has been in place for the period from the beginning of January 2000 up to the date of approval of the annual report and accounts. This process accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education. Various aspects of the University's compliance with the internal control guidance have been assessed annually by its internal auditors since December 2002 so as to ensure that the University's systems and procedures continue to be satisfactory. The last review of Governance and Risk Management arrangements took place in December 2016, March and May 2017 focusing on Cyber Security, Capital and Estates Management, Data Quality and Student Records (Risk Management) and the University's framework for compliance with the Prevent Duty (Governance). The internal auditor's reports were positive. Where recommendations for further strengthening existing controls have been made, these have been agreed by management, with progress monitoring at each meeting of the Audit and Risk Management Committee. Formal follow-up by internal auditors of all actions will take place during 2017/18.

### **Employees**

The University is committed to providing equality of opportunity in all areas of its operation. The University has continued to review its activities against the requirements of the relevant legislation. In 2016/17 the University's Equality and Diversity Working Group, which is made up of staff and student volunteers, has continued to work on progressing actions arising from the University's Single Equality Scheme and ensuring the Scheme is updated as necessary. It is also University policy to achieve and maintain high standards of health and safety by all practicable means. The Health & Safety Committee, comprising staff representatives, oversees a full programme of work in this area, including legislative developments and an audit programme.

### **Going Concern**

After making appropriate enquiries the Board of Governors considers 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 financial statements.

**Changes in Membership of the Board of Governors during 2016/17 (and up to the date of this report)**

M Lewis *Chairman* (appointed November 2015)  
S Vickers *Vice Chairman* (appointed November 2015)  
T Burnhope  
P Cowdy  
M Roach  
E Folkes  
C Garbutt (SU President from 01 July 2017)  
F Hammond (SU President to 01 July 2017)  
M Harris  
H Jenkins  
D Llewellyn  
L Moroz-Hale  
P Nixon  
J Pointon  
R Hambleton  
C Bailey  
M Thomas  
C Snell  
C Tweed  
J Donaldson  
M Ormerod  
D Wong

The Strategic Review and the Report of the Governors and Corporate Governance Statement (which together constitute the Strategic Review and the Director's Report) was approved by the Board of Governors on 28 November 2017.



**Clerk to the Governors**

C E Baxter  
For and on behalf of the Board of Governors  
28 November 2017

## Independent Auditor's Report to the Board of Governors of Harper Adams University

### Report on the audit of the Financial Statements

#### Opinion

We have audited the financial statements for Harper Adams University ("the University") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of the Accounting Policies and the related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2017 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2016-17 financial statements*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting

is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### Other Information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Review and the Report of the Governors and Corporate Governance Statement, which together constitute the strategic report and the directors report for the financial year, is consistent with the financial statements; and
- in our opinion the strategic report and the directors' report have been prepared in accordance with the Companies Act 2006.

#### Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if in our opinion:

- adequate accounting records have not been kept by the parent University; or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns;

- 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.

We have nothing to report in these respects.

### **Board of Governors responsibilities**

As explained more fully in their statement set out on page 15, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditors report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **Report on Other Legal and Regulatory Requirements**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions); and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988.

Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Mark Dawson (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham, B4 6GH  
29 November 2017

## Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

### Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the FEHE SORP) and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets)

### Consolidation

The consolidated financial statements include the financial statements of the University, its wholly owned subsidiary undertaking Cedar Energy Limited and the Harper Adams University Development Trust. The Harper Adams University Development Trust is treated as a subsidiary of the University on the grounds that the University has the power to exercise, or actually exercise, dominant influence or control over the undertaking.

Intra-group transactions are eliminated on consolidation. The financial statements of Harper Adams Students Union are not consolidated into the financial statements of the University, as the University has no control or significant influence over policy decisions of the Students Union.

The University owns the entire shares of two subsidiary companies "Cedar Energy Limited" and "Harper Adams (Rural Enterprises) Limited" (incorporated 27 July 2009). "Harper Adams Rural Enterprises Limited" has not traded since incorporation.

### Material items

Material items are non-recurring material items which are outside the normal scope of the company's ordinary activities. Such items are disclosed separately within the financial statements.

### Recognition of Income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services

are supplied to the external customers or the terms of the contract have been satisfied.

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

Investment income is credited to the statement of income and expenditure on a receivable basis.

Insurance proceeds are recognised when the company has a contractual right to receive the proceeds in accordance with FRS102.

### Agency Arrangements

Funds that the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### Capital Grants

Government capital grants are recognised as income over the expected useful life of the asset. Other capital grants are recognised as income when the University is entitled to the funds subject to any performance related conditions being met.

### Grant Funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income

within creditors on the balance sheet and released to income as the conditions are met.

### **Accounting for Charitable Donations**

Donations and endowments transactions that do not have performance related conditions are classed as non-exchange transactions. Donations and endowments with donor imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that the funds are utilised in accordance with the restrictive conditions, at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised as income when the University is entitled to the funds.

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

### **Accounting for Retirement Benefits**

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded.)

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

For LGPS, as a defined benefit scheme, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit scheme net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for

their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### **Employment Benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits including leave are identified and accrued as the additional amount the University expects to pay as a result of the unused entitlement at the end of the financial period.

### **Finance Leases**

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

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

### **Operating Leases**

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

### **Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

### **Tangible Fixed Assets**

Tangible fixed assets are recorded at cost/deemed cost less depreciation. Certain items of fixed assets

that had been revalued to fair value on the date of transition to the 2015 FEHE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where components of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

### **Land and Buildings**

All land and University buildings (with the exception of University residences) that had been revalued to fair value on the date of transition to the 2015 FEHE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives. The following rates are normally applied:

Freehold buildings	10 - 60 years
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No depreciation is charged on assets in the course of construction.

### **Equipment**

Equipment, including computers and software, costing less than £5,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Plant and equipment	3 - 35 years
Fixtures and fittings	5 - 10 years
Motor vehicles	5 years

Individual assets are reviewed for impairment in the event that there is some indication that impairment has occurred. Impairment values are calculated as the difference between the carrying value of the asset and its recoverable amount if lower. Recoverable amount is defined as the higher of fair value less costs to sell and the estimated value in use at the date the impairment review is undertaken. Material impairments are recognised in the profit and loss account as material items.

### **Maintenance of Premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

### **Investments**

Fixed and current asset investments are included in the balance sheet at their market value.

### **Agriculture**

Biological assets are living animals or plants held as non-current assets from which economic benefits flow to the University. Agricultural produce is the harvested product of a biological asset. The University's farming operations include dairy cattle which are classified as biological assets. Dairy cattle are stated at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the statement of comprehensive income. The associated agricultural produce, milk, is stored only for a short time before onward sale and hence the value held is not considered material and is not included on the balance sheet.

The University's operations also include arable farming from which economic benefits are derived. The plants and their harvested crops are treated as current assets within stock.

### **Stocks**

Commercial farming stocks are independently valued by Halls Auctioneers Limited of Shrewsbury, Shropshire at cost for growing crops, feedstuffs, sprays and fertilizers, and at a discounted market value at the year-end for the livestock held for resale.

Other stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### **Cash and Cash Equivalents**

Cash includes cash in hand and deposits repayable on demand. 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.

### **Financial Instruments**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the University has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

### **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.

### **Provisions and Contingent Liabilities**

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### **Taxation Status**

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Para 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 478 to 488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The University's subsidiary company is subject to corporation tax.

### **Deferred Taxation**

Deferred taxation is recognised on all timing differences at the balance sheet date where transactions or events that give the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have enacted or substantively enacted by the balance sheet date.

### **Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### **Accounting estimates and judgements**

The preparation of financial statements requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates, assumptions and judgements are continually evaluated based on available information and experience. Estimates based on assumptions and judgements could differ significantly from actual results. The areas most affected by the use of estimates and judgements are described below:

### **Tangible fixed assets**

Tangible fixed assets, other than investment properties and land, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a

number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

### **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Consolidated Statement of Comprehensive Income and Expenditure

Year ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees	1	20,576	20,576	18,428	18,428
Funding council grants	2	9,190	9,190	7,076	7,076
Research grants and contracts	3	3,134	3,134	3,055	3,055
Other operating income	4	9,315	9,327	9,579	8,960
Investment income	5	28	24	81	61
<b>Total income before endowments and donations</b>		<b>42,243</b>	<b>42,251</b>	<b>38,219</b>	<b>37,580</b>
Donations and endowments	6	442	485	864	1,511
<b>Total income</b>		<b>42,685</b>	<b>42,736</b>	<b>39,083</b>	<b>39,091</b>
<b>Expenditure</b>					
Staff costs	7	22,209	22,209	19,896	19,896
Depreciation		3,499	3,480	3,805	3,370
Other operating expenses	8	14,555	14,548	12,462	12,589
Interest and other finance costs	9	1,014	1,014	957	956
<b>Total expenditure</b>		<b>41,277</b>	<b>41,251</b>	<b>37,120</b>	<b>36,811</b>
<b>Surplus before other gains and losses</b>		<b>1,407</b>	<b>1,485</b>	<b>1,963</b>	<b>2,280</b>
Gain on disposal of fixed assets	11	35	53	-	-
Gain on investments	12	97	97	36	36
<b>Surplus before taxation</b>		<b>1,539</b>	<b>1,635</b>	<b>1,999</b>	<b>2,316</b>
Taxation	10	100	-	(80)	(16)
<b>Surplus for the year</b>		<b>1,639</b>	<b>1,635</b>	<b>1,919</b>	<b>2,300</b>
Actuarial gain/(loss) in respect of pension schemes	25	3,952	3,952	(6,614)	(6,614)
<b>Total comprehensive income and expenditure for the year</b>		<b>5,591</b>	<b>5,587</b>	<b>(4,695)</b>	<b>(4,314)</b>
Represented by:					
Restricted comprehensive income for the year		19	150	310	711
Unrestricted comprehensive income for the year		5,572	5,437	(5,005)	(5,025)
		<b>5,591</b>	<b>5,587</b>	<b>(4,695)</b>	<b>(4,314)</b>

All items of income and expenditure relate to continuing activities

The income and expenditure account is in respect of continuing activities

The accompanying accounting policies and notes form part of these financial statements

## Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2017

Consolidated	Income and expenditure account		Total
	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>895</b>	<b>56,513</b>	<b>57,408</b>
Surplus from the income and expenditure statement	794	1,125	<b>1,919</b>
Other comprehensive income	-	(6,614)	<b>(6,614)</b>
Release of restricted funds spent in year	(484)	484	-
<b>Total comprehensive income and expenditure for the year</b>	<b>310</b>	<b>(5,005)</b>	<b>(4,695)</b>
<b>Balance at 1 August 2016</b>	<b>1,205</b>	<b>51,508</b>	<b>52,713</b>
Surplus from the income and expenditure statement	353	1,286	1,639
Other comprehensive income	-	3,952	3,952
Release of restricted funds spent in year	(334)	334	-
<b>Total comprehensive income and expenditure for the year</b>	<b>19</b>	<b>5,572</b>	<b>5,591</b>
<b>Balance at 31 July 2017</b>	<b>1,224</b>	<b>57,080</b>	<b>58,304</b>
<b>University</b>	<b>Income and expenditure account</b>		<b>Total</b>
	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>153</b>	<b>55,364</b>	<b>55,517</b>
Surplus from the income and expenditure statement	1,195	1,105	<b>2,300</b>
Other comprehensive income	-	(6,614)	<b>(6,614)</b>
Release of restricted funds spent in year	(484)	484	-
<b>Total comprehensive income and expenditure for the year</b>	<b>711</b>	<b>(5,025)</b>	<b>(4,313)</b>
<b>Balance at 1 August 2016</b>	<b>864</b>	<b>50,339</b>	<b>51,203</b>
Surplus from the income and expenditure statement	150	1,485	<b>1,635</b>
Other comprehensive income	-	3,952	<b>3,952</b>
Release of restricted funds spent in year	-	-	-
<b>Total comprehensive income and expenditure for the year</b>	<b>150</b>	<b>5,437</b>	<b>5,587</b>
<b>Balance at 31 July 2017</b>	<b>1,014</b>	<b>55,776</b>	<b>56,790</b>

## Consolidated and University Balance Sheet

Year ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Tangible assets	11	87,242	83,296	81,794	81,373
Investments	12	964	1,809	872	1,717
Biological Assets	13	591	591	546	546
Debtors	15	-	1,260	-	1,500
		<b>88,797</b>	<b>86,956</b>	<b>83,212</b>	<b>85,136</b>
<b>Current assets</b>					
Stock	14	984	984	912	912
Trade and other receivables	15	4,265	4,799	3,052	3,163
Investments	12	2,757	2,758	2,500	2,500
Cash and cash equivalents		11,727	11,143	15,996	11,817
		<b>19,733</b>	<b>19,684</b>	<b>22,460</b>	<b>18,392</b>
Creditors - amounts falling due within one year	16	(10,432)	(10,348)	(10,218)	(9,962)
		<b>9,301</b>	<b>9,336</b>	<b>12,242</b>	<b>8,430</b>
<b>Net current assets</b>					
		<b>9,301</b>	<b>9,336</b>	<b>12,242</b>	<b>8,430</b>
Total assets less current liabilities		<b>98,098</b>	<b>96,292</b>	<b>95,454</b>	<b>93,566</b>
Creditors – amounts falling due after more than one year	17	(24,636)	(24,386)	(25,559)	(25,259)
<b>Provisions</b>					
Pensions provisions	25	(14,552)	(14,552)	(17,104)	(17,104)
Other provisions	18	(606)	(564)	(78)	-
		<b>58,304</b>	<b>56,790</b>	<b>52,713</b>	<b>51,203</b>
<b>Total net assets</b>					
		<b>58,304</b>	<b>56,790</b>	<b>52,713</b>	<b>51,203</b>
<b>Restricted reserves</b>					
Income and expenditure reserve – restricted reserve	19	1,224	1,014	1,205	864
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		57,080	55,776	51,508	50,339
		<b>58,304</b>	<b>56,790</b>	<b>52,713</b>	<b>51,203</b>
<b>Total reserves</b>					
		<b>58,304</b>	<b>56,790</b>	<b>52,713</b>	<b>51,203</b>

The financial statements on pages xx to xx were approved by the Board of Governors on 28 November 2017 and signed on its behalf by



Chairman



Vice-Chancellor



Director of Finance

The accompanying accounting policies and notes form part of these financial statements.

## Consolidated Cash Flow Statement

Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		<b>1,639</b>	1,919
<b>Adjustment for non-cash items</b>			
Depreciation		<b>3,499</b>	3,805
Gain on investments		<b>(97)</b>	(36)
Increase in stock and biological assets		<b>(117)</b>	(120)
Increase in debtors		<b>(1,213)</b>	(326)
Increase in creditors		<b>218</b>	1,468
Increase in pension provision	25	<b>943</b>	768
Increase / (Decrease) in other provisions	18	<b>528</b>	(311)
Investment income	5	-	(81)
Interest payable	9	<b>557</b>	575
Profit on the sale of fixed assets		<b>(35)</b>	(29)
Capital grant income		<b>(395)</b>	(410)
<b>Net cash inflow from operating activities</b>		<b>5,527</b>	7,222
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		<b>120</b>	3,966
Capital grant receipts		<b>448</b>	587
Disposal of non-current asset investments		-	-
Disposal of investment		-	110
Investment income	5 / 12	<b>28</b>	81
Payments made to acquire fixed assets		<b>(8,789)</b>	(3,219)
New non-current asset investments		-	(2,250)
Purchase of investment securities		-	-
		<b>(8,193)</b>	(725)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(473)</b>	(563)
New secured loans		-	1,500
Repayments of amounts borrowed		<b>(1,113)</b>	(982)
Capital element of finance lease and service concession payments		<b>(17)</b>	-
		<b>(1,603)</b>	(45)
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(4,269)</b>	6,452
Cash and cash equivalents at beginning of the year		<b>15,996</b>	9,544
Cash and cash equivalents at end of the year		<b>11,727</b>	15,996

The accompanying accounting policies and notes form part of these financial statements.

## Notes to the Financial Statements

1. Tuition fees	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Full time students – home/EU	17,201	17,201	15,139	15,139
Full time students charged overseas fees	1,469	1,469	1,415	1,415
Part time fees	704	704	607	607
Short course fees	857	857	965	965
Other fees	345	345	302	302
	<b>20,576</b>	<b>20,576</b>	18,428	18,428

2. Funding body grants	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Recurrent grant (HEFCE)	8,377	8,377	6,294	6,294
Release of deferred capital grant (HEFCE)	267	267	250	250
Research grant (HEFCE)	546	546	532	532
National scholarship programme (HEFCE)	-	-	-	-
	<b>9,190</b>	<b>9,190</b>	7,076	7,076

3. Research grants and contracts	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research grants and contracts	<b>3,134</b>	<b>3,134</b>	3,055	3,055

Includes Research and Development credit of £80k in the year ended 31 July 2017 (2016: £62k).

4. Other operating income	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Catering and residence	4,098	4,098	4,050	4,050
Conferences and short course accommodation	805	805	757	757
Consultancy	69	69	112	112
Farm	2,460	2,480	2,131	2,131
Other income	1,159	1,151	1,707	1,088
Trial income	192	192	235	235
Validation fees	532	532	587	587
	<b>9,315</b>	<b>9,327</b>	9,579	8,960

5. Investment income	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank interest	24	24	63	47
Other investment income	-	-	14	14
Development Trust Interest	4	-	4	-
	<b>28</b>	<b>24</b>	81	61

6. Donations and endowments	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Capital donations with restrictions	-	-	475	875
Other donations with restrictions	353	484	274	288
Capital donations without restrictions	-	-	45	345
Other donations without restrictions	89	1	70	3
	<u>442</u>	<u>485</u>	<u>864</u>	<u>1,511</u>

7. Staff costs	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Staff Costs :				
Salaries	17,017	17,017	15,805	15,805
Social security costs	1,768	1,768	1,337	1,337
Other pension costs	3,424	3,424	2,754	2,754
Total	<u>22,209</u>	<u>22,209</u>	<u>19,896</u>	<u>19,896</u>

Emoluments of the Vice-Chancellor:

Salary	180	180	155	155
Benefits	5	5	5	5
Employer's pension contributions	25	25	22	22
	<u>210</u>	<u>210</u>	<u>182</u>	<u>182</u>

Remuneration of other higher paid staff, excluding employer's pension:

	No.	No.	No.	No.
£100,000 to £109,999	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Average staff numbers by major category:

	No.	No.	No.	No.
Academic	163	163	161	161
Administration and Support	134	134	124	124
Management & Specialist	31	31	33	33
Other	114	114	130	130
Research	25	25	14	14
Technical	37	37	35	35
	<u>504</u>	<u>504</u>	<u>497</u>	<u>497</u>

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Total staff costs including pension and social security paid to senior management team (including the Vice-Chancellor, comprising of 7 members (2016: 7 members)).

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
<b>Key management personnel emoluments</b>	<b>945</b>	<b>898</b>

**Severance costs**

During the year total costs of £100,197 (2016: £27,422) were incurred in relation to individuals leaving the organisation.

**Members of the Board of Governors**

The University Board of Governors members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of Board may have an interest, including those identified below, are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures:

Harper Adams in Ireland is an alumni association for former Harper Adams students in Ireland and Mr Joe Lawson is a trustee of both Harper Adams in Ireland and Harper Adams University Development Trust. Harper Adams Club is the alumni association for former Harper Adams students and Mr Simon Jones is a trustee of both Harper Adams Club and Harper Adams University Development Trust. During the year payments totalling £5,718 (2016: £5,181) were made to Harper Adams in Ireland and payments totalling £nil (2016: £8,360) to Harper Adams Club.

No Board member has received any remuneration/waived payments from the group during the year (2016: none)

The total expenses paid to or on behalf of 12 Board members was £5,217 (2016: £5,600). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and Charity events in their official capacity.

8. Other operating expenses	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	1,839	1,839	1,446	1,737
Administration and central services	2,209	2,212	2,041	2,042
Library, computer and other academic support services	3,583	3,755	2,760	2,760
Premises - Other premises costs	853	853	576	576
Premises - Refurbishment and maintenance	918	918	807	807
Premises - Utility Costs	910	910	788	788
Research grants and contracts	1,361	1,361	1,479	1,479
Residences and catering operations	899	899	796	796
Other including income generating operations	1,806	1,801	1,474	1,604
Development Trust scholarship expenditure and audit fee	177	-	295	-
	<b>14,555</b>	<b>14,548</b>	<b>12,462</b>	<b>12,589</b>

**Other operating expenses include:**

Audit of these financial statements	30	25	25	25
Amounts receivable by the company's auditor in respect of:				
- Audit of financial statements of subsidiaries of the company	5	-	6	-
- Audit related assurance services		1	3	3
- Taxation compliance services	6	5	14	11
- Other tax advisory services	17	5	9	9
- Other advisory services	29	29	-	-
Internal auditors remuneration	26	26	20	20
<b>Operating lease rentals:</b>				
Plant and machinery	17	17	40	40

9. Interest and other finance costs	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
On bank loans:				
Repayable wholly or partly in more than 5 years	557	557	575	574
Pension finance charge	457	457	382	382
<b>Total payable</b>	<b>1,014</b>	<b>1,014</b>	<b>957</b>	<b>956</b>

## 10. Taxation

The tax charge / (credit) for the year in the University arises from the claim for Research and Development Expenditure Credits (RDEC).

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
UK corporation tax (credit) / charge of 19.67% (2016: 20% on surplus for the year)	(100)	-	80	16
Deferred tax provision	-	-	-	-
<b>Tax on Profit/(Loss) on ordinary activities</b>	<b>(100)</b>	<b>-</b>	<b>80</b>	<b>16</b>

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Profit on ordinary activities before taxation	1,539	1,635	1,999	2,317
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19.67% (2016: 20%)	302	321	400	463
Fixed asset differences	4	-	(60)	-
Expenses not deductible for tax purposes	-	-	92	-
Income not chargeable for tax purposes	-	-	-	-
Losses carried back	43	-	-	-
Chargeable gains / (losses)	(77)	-	-	-
Deferred tax not recognised	-	-	(26)	-
Adjustments to tax charge in respect of previous periods	(64)	-	-	-
Capital allowances in excess of depreciation	-	-	-	-
Other short term timing differences	3	-	-	-
Unrelieved tax losses & other deductions arising in the period	-	-	-	-
Impact of rate change	-	-	(9)	-
Adjustments for charitable activities not subject to corporation tax	(311)	(321)	(317)	(447)
UK corporation tax (credit) / charge	<b>(100)</b>	<b>-</b>	<b>80</b>	<b>16</b>

## 11. Consolidated Fixed assets

	Freehold Property £'000	Plant and Equipment £'000	Assets in the Course of Construction £'000	Non Operational Assets £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2016	66,409	40,646	1,616	499	109,170
Transfers	1,369	-	(1,369)	-	-
Additions	4,198	1,537	3,347	-	9,082
Disposals	(4)	(64)	-	(360)	(428)
<b>At 31 July 2017</b>	<b>71,972</b>	<b>42,119</b>	<b>3,594</b>	<b>139</b>	<b>117,824</b>
<b>Accumulated depreciation</b>					
At 1 August 2016	4,646	22,351	-	379	27,376
Charge for the year	1,130	2,369	-	-	3,499
Disposals	-	(53)	-	(240)	(293)
<b>At 31 July 2017</b>	<b>5,776</b>	<b>24,667</b>	<b>-</b>	<b>139</b>	<b>30,582</b>
<b>Net book value</b>					
At 31 July 2016	61,763	18,295	1,616	120	81,794
At 31 July 2017	66,196	17,452	3,594	-	87,242
Financed by capital grant	13,347	65	-	-	13,412
Other	52,849	17,387	3,594	-	73,830
<b>Net book value at 31 July 2017</b>	<b>66,196</b>	<b>17,452</b>	<b>3,594</b>	<b>-</b>	<b>87,242</b>

Asset impairment has been calculated consistently with the principles of section 20 of FRS102.

Land and certain buildings in the University were re-valued on a fair value basis by an independent Chartered Surveyor as at 31 July 2014. As a first time adopter of FRS102 the University has used that fair value as its deemed cost at 1 August 2014 in accordance with FRS102 paragraph 35.10(c).

Included within freehold property is land costing £20,080,845 (2016: £20,080,845) which is not depreciated.

## 11. University fixed assets

	<b>Freehold Property</b>	<b>Plant and Equipment</b>	<b>Assets in the Course of Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost or valuation				
At 1 August 2016	66,319	40,073	1,369	107,761
Transfers	1,369	-	(1,369)	-
Additions	3,881	1,537	-	5,418
Disposals	(4)	(64)	-	(68)
<b>At 31 July 2017</b>	<b>71,565</b>	<b>41,546</b>	<b>-</b>	<b>113,111</b>
<b>Accumulated depreciation</b>				
At 1 August 2016	4,610	21,778	-	26,388
Charge for the year	1,111	2,369	-	3,480
Disposals	-	(53)	-	(53)
<b>At 31 July 2017</b>	<b>5,721</b>	<b>24,094</b>	<b>-</b>	<b>29,815</b>
<b>Net book value</b>				
At 31 July 2016	61,709	18,295	1,369	81,373
At 31 July 2017	65,844	17,452	-	83,296
Financed by capital grant	13,347	48	-	13,395
Other	52,497	17,404	-	69,901
<b>Net book value at 31 July 2017</b>	<b>65,844</b>	<b>17,452</b>	<b>-</b>	<b>83,296</b>

## 12. Investments

	<b>Year ended 31 July 2017</b>		<b>Year ended 31 July 2016</b>	
	<b>Consolidated £'000</b>	<b>University £'000</b>	<b>Consolidated £'000</b>	<b>University £'000</b>
<b>Long term asset investments</b>				
Investment in subsidiary company	-	1,000	-	1,000
Quoted securities at market value	964	809	872	717
Unquoted securities at cost				
	<b>964</b>	<b>1,809</b>	<b>872</b>	<b>1,717</b>
<b>Current asset investments</b>				
Short term cash deposits	2,757	2,757	2,500	2,500
<b>Total investments</b>	<b>3,721</b>	<b>4,566</b>	<b>3,372</b>	<b>4,217</b>

The University investment in the subsidiary company, Cedar Energy Limited (incorporated in England and Wales) of £1,000,000 comprises 500,000 ordinary £1 shares at par and 500,000 £1 preference shares at par.

## 13. Biological Assets

The University's farming operations include dairy cattle which are classified as biological assets under Long Term Assets in the statement of financial position and are stated at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the statement of comprehensive income. The value of the Dairy cattle classified as biological assets at the reporting date was £591k (2016: £546k).

14. Stock	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Farm stocks	935	935	861	861
Consumables	28	28	31	31
Goods for resale	21	21	20	20
	<b>984</b>	<b>984</b>	912	912

15. Trade and other receivables	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Amounts falling due within one year:</b>				
Research grants receivables	353	353	91	91
Subsidiary company	-	602	-	268
Other trade receivables	2,797	2,797	1,724	1,724
Prepayments and accrued income	779	772	886	886
Other receivables	336	275	351	194
	<b>4,265</b>	<b>4,799</b>	3,052	3,163
<b>Amounts falling due after one year:</b>				
Subsidiary company	-	1,260	-	1,500
	<b>4,265</b>	<b>6,059</b>	3,052	4,663

Harper Adams University has extended a public benefit entity concessionary loan to Cedar Energy Limited of £1.74m payable by June 2022. As at July 2017 £1.26m (July 2016 £1.5m) falls due after one year.

16. Creditors: amounts falling due within one year	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Bank loans	735	735	598	598
HEFCE loans	240	240	432	432
Other loans	157	107	157	107
Deferred income	2,876	2,876	3,630	3,629
Taxation and social security	413	413	439	375
Sundry creditors and accrued expenses	6,011	5,977	4,962	4,821
	<b>10,432</b>	<b>10,348</b>	10,218	9,962
<b>Deferred income</b>				
Research grants received on account	1,302	1,302	1,577	1,577
Grant income	84	84	411	411
Other income	1,490	1,490	1,642	1,641
	<b>2,876</b>	<b>2,876</b>	3,630	3,629

**17. Creditors: amounts falling due after one year**

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	12,218	12,218	12,166	12,166
Other Creditors	17	17		
<b>Loans:</b>				
Bank loans	10,677	10,677	11,272	11,272
HEFCE loans	1,260	1,260	1,500	1,500
Other loans	464	214	621	321
<b>Total creditors due after one year</b>	<b>24,636</b>	<b>24,386</b>	<b>25,559</b>	<b>25,259</b>

**Borrowings:**

Bank loans repayable as follows:

In one year or less	735	735	598	598
Between one and five years	2,317	2,317	2,973	2,973
In five years or more	8,360	8,360	8,299	8,299
	<b>11,412</b>	<b>11,412</b>	<b>11,870</b>	<b>11,870</b>

Bank borrowings have been secured at various fixed rates ranging from 4.3% to 5.8% with the exception of one bank loan which is at a variable rate (2.537% was the rate applicable in July 2016). Borrowings are repayable by quarterly instalments with the final payment scheduled for 3 September 2035.

**HEFCE loans repayable as follows:**

In one year or less	240	240	432	432
Between one and five years	840	840	1,200	1,200
In five years or more	420	420	300	300
	<b>1,500</b>	<b>1,500</b>	<b>1,932</b>	<b>1,932</b>

**Other loans repayable as follows:**

In one year or less	157	107	157	107
Between one and five years	414	214	571	321
In five years or more	50	-	50	-
	<b>621</b>	<b>321</b>	<b>778</b>	<b>428</b>

The borrowings from HEFCE include two repayable public benefit entity concessionary loans. Annual repayments of £159,972 with respect to the loan of £1,439,750 for the REESEP capital project commenced July 2010, however following an agreed revision to the repayment schedule, the loan repayment period was reduced from 9 years to 7 years with an uplifted annual payment of £191,967 commencing as from July 2013 up until July 2017.

Quarterly repayments of £60k with respect to the loan of £2,400k for the anaerobic digester commenced in 2011/12 over a 10 year repayment period. A repayment break was agreed with the funding council and quarterly re-payments will re-commence in the 2016/17 financial year extending the loan repayment to the 2022/23 financial year.

**18. Provision for liabilities**

	<b>Year ended 31 July 2017</b>		Year ended 31 July 2016	
	<b>Consolidated</b>	<b>University</b>	Consolidated	University
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Provision for liabilities and charges is as follows:				
As at 1 August 2016	78	-	389	-
Charge for the year - deferred tax	(36)	-	1	-
Charge for the year - workforce provision	564	564		
Charge for the year - other provisions	-	-	(312)	-
<b>Total provisions for liabilities and charges</b>	<b>606</b>	<b>564</b>	<b>78</b>	<b>-</b>

**Deferred Tax**

The deferred tax provision is in relation to the following:

	<b>Year ended</b>	Year ended 31
	<b>31 July 2017</b>	July 2016
	<b>£'000</b>	£'000
<b>Capital gain on disposal</b>	<b>42</b>	<b>78</b>

No deferred tax asset has been recognised on the remaining losses due to uncertainty regarding their crystallisation in the foreseeable future.

## 19. Restricted reserves

Reserves with restrictions are as follows:

<b>Consolidated</b>	Donations £'000	<b>Total £'000</b>
<b>Balances at 1 August 2016</b>	1,205	<b>1,205</b>
New donations	353	<b>353</b>
Expenditure	(334)	<b>(334)</b>
<b>As at 31 July 2017</b>	<u>1,224</u>	<u><b>1,224</b></u>
<b>Analysis of other restricted funds/donations by type or purpose:</b>	<b>2017 Total £'000</b>	2016 Total £'000
Scholarships and bursaries	<b>179</b>	310
Capital projects	<b>1,045</b>	895
	<u><b>1,224</b></u>	<u>1,205</u>

<b>University</b>	Donations £'000	<b>Total £'000</b>
<b>Balances at 1 August 2016</b>	864	<b>864</b>
New donations	484	<b>484</b>
Expenditure	(334)	<b>(334)</b>
<b>As at 31 July 2017</b>	<u>1,014</u>	<u><b>1,014</b></u>
<b>Analysis of other restricted funds/donations by type or purpose:</b>	<b>2017 Total £'000</b>	2016 Total £'000
Scholarships and bursaries	<b>120</b>	120
Capital projects	<b>894</b>	744
	<u><b>1,014</b></u>	<u>864</u>

## 20. Capital and other commitments

	<b>Year ended 31 July 2017</b>		Year ended 31 July 2016	
	<b>Consolidated £'000</b>	<b>University £'000</b>	Consolidated £'000	University £'000
<b>Capital commitments</b>				
At 31 July 2017, the following amounts had been authorised:				
Authorised and contracted for	454	454	8,498	8,498
<b>Operating leases</b>				
As at 31 July 2017, Harper Adams University had minimum future lease payments under operating leases expiring between one and five years:				
Plant and machinery	57	57	44	44

## 21. Post balance sheet event

On the 28<sup>th</sup> November the University completed the purchase of 239 acres of agricultural land adjacent to its existing site.

## 22. Contingent liabilities

On 3 October 2014, the University entered into a Development Agreement with Dairy Crest Limited where the company agreed to develop a Research and Innovation centre on the University's campus. The partnership is contracted for 25 years, however Dairy Crest have the right to break at 15 years.

In the event of the break clause be exercised, the University will be committed to purchase the building at the written down value of c.£1.25m.

## 23. Related party transactions

Harper Adams University is a member of the Agri-EPI Centre Limited, a company limited by guarantee. Liz Furey, Harper Adams University, Director of Finance, is the University's nominee board director. During the year, the University incurred costs of £3.142m (2016 £2.018m) on behalf of Agri-EPI Centre Limited for whom the University is acting as agent. The University received £3.142m from Agri-EPI Centre Limited by way of reimbursement of costs incurred on its behalf and providing services through service level agreements. At the balance sheet date, Harper Adams University was owed £1.571m (2016 £862k).

The University has taken advantage of the exemption in FRS102, Section 33 of FRS 102 that transactions with wholly-owned subsidiary companies are not disclosed.

## 24. Subsidiary undertakings

The subsidiary companies (all of which are registered in England and Wales), wholly owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status
Cedar Energy Limited	Production of electricity and heat	100% owned
Harper Adams (Rural Enterprises)	Dormant	100% owned
Harper Adams University Development Trust	Provide support for students in the agricultural sector	Controlled undertaking

Cedar Energy Limited suspended activities following the failure of the anaerobic digestion plant on 30 May 2014. The insurance recovery has enabled the company to commit to reinvestment in plant equipment and infrastructure with construction work commencing in June 2016 and continuing across the year end. The trading results are consolidated with the Harper Adams University accounts on the income and expenditure and balance sheet respectively. The principal activity of Cedar Energy Limited is to produce electricity and heat.

Harper Adams University Development Trust is treated as a subsidiary of the University on the grounds that the University has the power to exercise, or actually exercise, dominant influence or control over the. This Trust is a separately registered charity in the UK. The primary purpose of the charity is to raise funds to benefit the University and its students.

## 25. Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), available to all teaching staff, and the Local Government Pension Scheme, operated as Shropshire County Council Pension Fund (SCCPF), available to all non-teaching staff. Both are defined benefit schemes.

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Total pension costs for the year</b>		
Local Government Pension Scheme	2,213	1,586
Teachers' Pension Scheme	1,211	1,168
	<b>3,424</b>	<b>2,754</b>

### (i) Local Government Pension Scheme

Membership of the Local Government Pension Scheme (LGPS) operated as the Shropshire County Council Pension Fund is available to all non-teaching staff. The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2017 was £1,526,705 of which employer's contributions totalled £1,030,081 and employees' contributions totalled £496,624.

As from April 2014, the agreed contribution rates are 14.3% for employers plus a monthly sum (£20,058 as from April 2016, £18,400 as from April 2017) and a variable percentage between 5.5% and 12.5% for employees.

### Assumptions

In accordance with the requirements of FRS102 and the HEFE SORP, the Fund Actuary was instructed to complete a full valuation of the University's element of the fund as at 31 July 2017, with comparative figures at 31 July 2016.

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

#### Principal Actuarial Assumptions

	<b>As at 31 July 2017</b>	As at 31 July 2016
Price inflation (CPI)	<b>2.2%</b>	1.7%
Rate of increase in Salaries	<b>3.7%</b>	3.2%
Rate of increase of Pensions in Payment	<b>2.2%</b>	1.8%
Discount Rate for Liabilities	<b>2.6%</b>	2.5%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>As at 31 July 2017</b>	As at 31 July 2016
	<b>£'000</b>	£'000
<b>Retiring today</b>		
Males	23.0	23.9
Females	26.2	26.4
<b>Retiring in 20 years</b>		
Males	25.2	26.2
Females	28.5	29.2

The assets in the scheme were:

	<b>As at 31 July 2017</b>	As at 31 July 2016	As at 31 July 2015
	<b>£'000</b>	£'000	£'000
Equities	<b>15,802</b>	14,437	13,173
Government bonds	-	-	2,575
Corporate bonds	<b>7,253</b>	5,565	3,575
Property	<b>1,482</b>	1,460	1,050
Cash	<b>1,451</b>	468	725
Other	<b>4,877</b>	5,620	3,900
Total	<b>30,865</b>	27,550	24,998

	<b>As at 31 July 2017</b>	As at 31 July 2016
	<b>£'000</b>	£'000
Scheme assets	1,446	772
Scheme liabilities	2,506	(7,386)
<b>Surplus / (Deficit) in the scheme – net pension liability recorded within pension provisions</b>	<b>3,952</b>	<b>(6,614)</b>
Current service cost	2,135	1,585
Past service costs	-	-
Total operating charge	<b>2,135</b>	<b>1,585</b>

	<b>As at 31 July 2017 £'000</b>	As at 31 July 2016 £'000
<b>Analysis of the amount charged to interest payable/credited to other finance income</b>		
Net interest cost	412	346
Administration expenses	45	36
<b>Net charge to other finance income</b>	<b>457</b>	<b>382</b>
<b>Total profit and loss charge before deduction for tax</b>	<b>1,716</b>	<b>2,316</b>
<b>Analysis of other comprehensive income:</b>		
Gain on assets	1,446	772
Experience gain / (loss) on liabilities	3,010	-
Gain / (loss) on liabilities	(504)	(7,386)
<b>Total other comprehensive income before deduction for tax</b>	<b>5,668</b>	<b>(4,298)</b>
<b>Cumulative actuarial loss recognised as other comprehensive income</b>		
Cumulative actuarial losses recognised at the start of the year	(17,104)	(9,722)
Cumulative actuarial losses recognised at the end of the year	(14,552)	(17,104)
<b>Analysis of movement in surplus/(deficit)</b>		
<b>Deficit at beginning of year</b>	(17,104)	(9,722)
Contributions or benefits paid by the University	1,192	1,199
Current service cost	(2,135)	(1,585)
Past service cost	-	-
Other finance charge	(457)	(382)
Gain recognised in other comprehensive income	3,952	(6,614)
<b>Deficit at end of year</b>	<b>(14,552)</b>	<b>(17,104)</b>
<b>Analysis of movement in the present value</b>		
<b>Present value of liabilities at the start of the year</b>	44,654	34,720
Current service cost (net of member contributions)	2,135	1,585
Past service cost	-	-
Interest on pension liabilities	1,116	1,312
Actual member contributions (including notional contributions)	497	478
Actuarial loss/(gain)	(2,506)	7,386
Actual benefit payments	(479)	(827)
<b>Present value of liabilities at the end of the year</b>	<b>45,417</b>	<b>44,654</b>
<b>Fair value of assets at the start of the year</b>	27,550	24,998
Expected return on assets	704	966
Actuarial gain on assets	1,401	736
Actual contributions paid by University	1,192	1,199
Actual member contributions (including notional contributions)	497	478
Actual benefit payments	(479)	(827)
<b>Fair value of scheme assets at the end of the year</b>	<b>30,865</b>	<b>27,550</b>
The LGPS assets do not include any of the University's own financial instruments, or any property occupied by the University.		
<b>Actual return on scheme assets</b>		
Expected return on scheme assets	704	966
Asset gain / (loss)	1,446	772
	<b>2,150</b>	<b>1,738</b>

**(ii) Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

## **The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis, these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## **Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

## **Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,211,000 (2016: £1,168,000).

## **FRS102 (28)**

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the University has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The University has set out above the information available on the plan and the implications for the University in terms of the anticipated contribution rates.

## Glossary of Terms

APB	Auditing Practice's Board
BBSRC	Biotechnology and Biological Sciences Research Council
CUC	Committee of University Chairs
EU	European Union
FRS	Financial Reporting Standard
HEFCE	Higher Education Funding Council for England
LGPS	Local Government Pension Scheme
RDEC	Research and Development Expenditure Credit
REESEP	Rural Employer Engagement Student Experience Project
SORP	Statement of Recommended Practice
TPS	Teachers Pension Scheme



Harper Adams University  
Newport, Shropshire, TF10 8NB

Tel: +44 (0)1952 820280 Fax: +44 (0)1952 814783  
Website: [www.harper-adams.ac.uk](http://www.harper-adams.ac.uk)