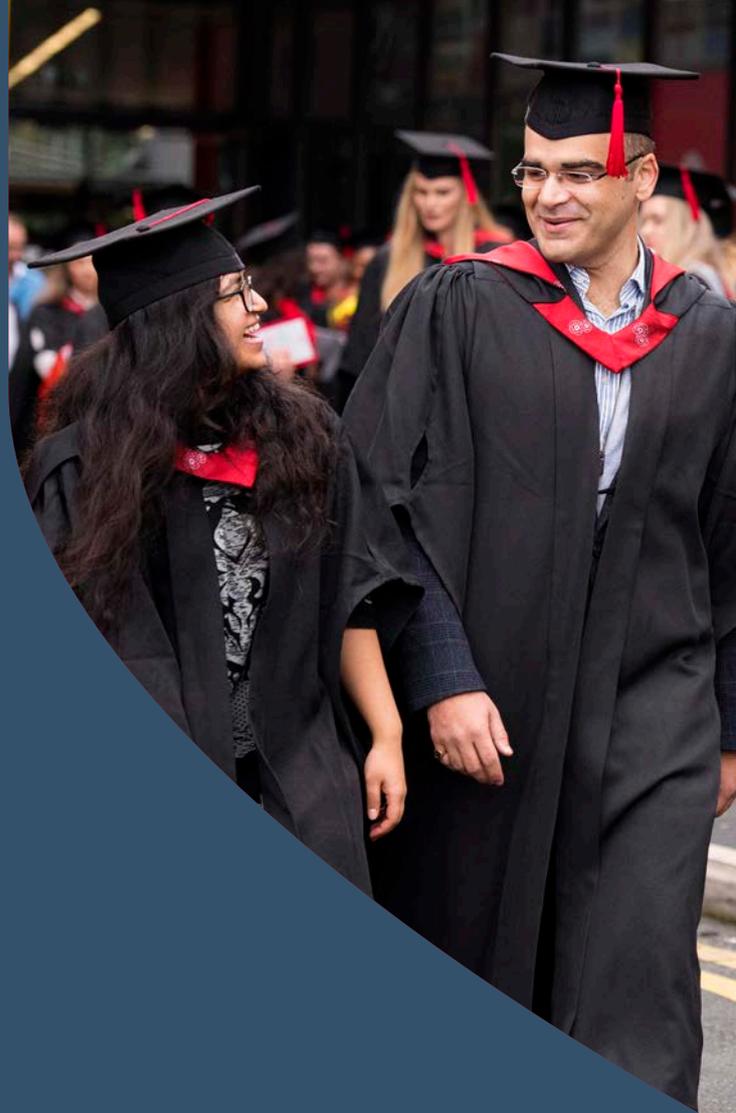




University of  
Central Lancashire  
UCLan



# Financial Statements

For the year ended 31 July 2020

Where opportunity  
creates success

# Report and financial statements

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# Legal and Administrative Details

## Members of the Board

D Taylor	R Hext
A Adams	S Ion
F Armstrong	S Kaur (resigned 30 June 2020)
G Baldwin (appointed 1 October 2019)	L Lloyd
Z Chikh (appointed 1 July 2020)	R Lowry
N Danino	A McCarthy
M Darby-Walker	L Norris
J Edney	W McQueen
R Gurjee	

## Professional Advisors

Auditor - external:	KPMG LLP	
Auditor - internal:	RSM Risk Assurance Services LLP	
Tax advisors:	Corporation Tax	KPMG LLP (until 31 May 2020)
		Grant Thornton (from 1 June 2020)
	VAT	Deloitte LLP (until 31 March 2020)
		Grant Thornton (from 1 April 2020)
Banker:	Barclays Bank plc	
Insurance broker:	AON Limited	
Solicitors:	Berrymans Lace Mawer LLP	
	Shakespeare Martineau LLP	

# Operating and Financial Review

## Introduction

**The academic year was significantly dominated by the issues that arose as a consequence of COVID-19. When the United Kingdom moved into lockdown in Spring 2020, the University responded positively and by putting the welfare of our student, staff and local communities as the primary objective.**

We responded widely and quickly. In response to the appeal for help from Government and regulatory bodies for any and all support that could be provided to the healthcare sector, we saw around 20 of our final year medical students and 300 of our final year nursing students graduating early and proceeding straight to the frontline, providing crucial medical care across the region and beyond. Our expert staff volunteered their services to clinical, laboratory and pharmacy settings within the NHS, including microbiologists, pharmacists, molecular biologists, doctors in emergency medicine and physician associates.

The University of Central Lancashire has the largest University health provision in Lancashire, with partners across the county and into Cumbria and beyond, who we have supported in many ways. This included the supply of key and specialist equipment such as respirator valves and acetate visors for NHS staff, and hundreds of items of PPE besides this, distributed to the appropriate sites in need countywide. We offered student accommodation for use by staff at Royal Preston Hospital, to allow them a safe place to live, isolated safely from their families to help reduce the virus spread. We hosted urgent research work with the renowned Pirbright Institute towards the development of a novel COVID-19 test, and our world-class engineering facilities and staff expertise helped design, manufacture and 3D-print personal protective and technical equipment. Several of our sites were offered and developed for medical use, including the Sir Tom Finney Sports Centre in Preston as a patient recovery centre and Victoria Mill at our Burnley Campus for use as a temporary care site.

We considered all these actions as our collective civic responsibility as a University - to reach and support as many of those local and regional communities that we possibly could in such trying and uncertain circumstances. The University is positioned uniquely to mobilise in this way, owing

to our size and active collaborations with our fellow civic pillars of local authorities and NHS Trusts.

However, it was the welfare of our students and staff which was our foremost concern throughout the lockdown period. We waived all third semester accommodation fees for students with University accommodation contracts and encouraged all private provider partners to consider how they could support their student tenants at such a difficult time.

We established our Coronavirus Hardship Fund, which allowed students access to key funds making things just that little bit more comfortable and supporting them wherever we could. We offered extensive support to students who remained in accommodation during lockdown, with daily telephone calls and deliveries of food parcels and vouchers supporting those students who were self-isolating.

In terms of our day-to-day operations we moved our entire academic provision to online delivery in a matter of days, and amended our arrangements for final year assessments to ensure students could complete their courses on time, and provided hundreds of laptops and 4G internet dongles to suitably equip those students who might have struggled to log on to their teaching sessions.

And, when the time came to return to campus for the new academic year, the University mobilised in a way to ensure a safe return for all. At this point more than ever, the safety of our student and staff communities was our paramount concern, regardless of personal circumstance, mode of study or area of employment within the University.

We have continued to offer all courses into the new academic year, and the structure and content of our courses has not changed unless absolutely necessary due to COVID-19. The teaching experience has seen a mixture of face-to-face and online learning, while non-essential

## Operating and Financial Review (continued)

### Introduction (continued)

and non-student-facing staff have continued to work remotely and from home where possible. We have introduced several new safety measures applicable to all campuses and campus users, in full compliance with the Governmental coronavirus guidance, as well as the applicable local restrictions being implemented across the country.

The measures include reducing the number of people on campus, putting in place keep left systems, social distancing practice and hand sanitiser stations, introducing a free University safety app - 'SafeZone', and asking all students to complete a personalised evaluation before attending campus. We are providing free car parking to support those who have access to a car in order to avoid public transport and we have extended teaching into the evenings and weekends to maximise opportunities to get onto campus despite the reduced capacity.

We do of course recognise that university life will continue to feel rather different until a time when the additional safety measures can be relaxed in line with Governmental guidance; until that time, we will continue to review our own approach and amend safety procedures as necessary.

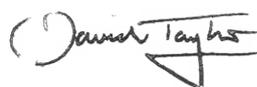
Notwithstanding such challenging circumstances, the University has continued to work hard to ensure ongoing progress and development.

The newly formed Vice-Chancellor's Group has enabled the University to coordinate and manage its day-to-day operations with increased efficiency, as well as defining more clearly its future strategy and approach to communications.

The construction of the new Student Centre and University Square has continued apace and is due to open in Spring 2021, and the new student accommodation at Sandygate Square, Burnley, opened its doors to student residents for the first time this academic year.

Our recruitment figures are also extremely encouraging, with applications and acceptances for the new academic year increasing for both domestic and international admissions - a considerable achievement.

As the University continues to progress, we are committed to playing a concurrent and significant role in the regional and national recovery from coronavirus - it is our responsibility as a civic university to do so, and we will work closely with our partners to ensure the communities and locales we serve recover safely, strongly and positively.



**David Taylor**  
Pro-Chancellor and  
Chairman of the Board



**Graham Baldwin**  
Vice-Chancellor



## Operating and Financial Review (continued)

### Financial Results

Total Income has increased by £9.2m (3.9%) to £244m.

Tuition fee income increased by 8.5% compared with 2018/19 to £173m. This includes a £12.7m (49.6%) increase in international students to £38.4m as we continue to see strong growth in demand in this area.

Total funding body grants were £34.4m in the year (compared with £32.4m in 2018/19), of which grant funding to the Group from the Education and Skills Funding Agency was £9.6m in the year, a growth of 42%, as the University is rapidly expanding its portfolio of degree apprenticeships.

Income to fund research projects decreased by 5.8% to £7m due to project delays caused by the covid pandemic. The pandemic also impacted the income from other sources (including student accommodation charges, catering, and academic trading) which reduced by 17.6% to £28.4m as we did not charge students for their final accommodation instalments and the switch to online learning reduced our trading income.

Total Expenditure has increased by £2.9m (1.2%) to £252.7m.

Staffing costs increased by £5.6m (3.4%) to £167.6m, £7.1m of which relates to severance costs of staff leaving through the Voluntary Redundancy scheme the University ran during the year. The average staff FTE reduced by 74 (2.4%) to 2,959.

Other operating expenses reduced by £3.2m (4.2%) to £73.2m as the University continues to run a cost reduction programme. Student bursaries and expenses though increased by £1.4m (26.4%) as we supported our students during lockdown.

The University continues to invest in academic delivery through the acquisition of new teaching and learning environments, including through further development of the Masterplan, and an increase in levels of expenditure in academic staff and student facing services.

The operating deficit reduced by £6.3m (41.9%) to £8.7m as the University makes steps to get back to an operating surplus.

Total comprehensive expenditure for the year was £73.5m, including an actuarial loss for the Local Government Pension Scheme of £64.2m, which is driven by an increase in liabilities due to the volatility in the equity markets this year as a result of the pandemic as well as a change in CPI assumptions.

Net cash inflow from operating activities was £15.5m. The University's Masterplan programme continued despite the pandemic. The Group's net reserves decreased in the year by 34.3% to £140.9m (July 2019: £214.4m) as a result of the significant increase in pension provision.

The University currently holds substantial cash and investment balances (£95.5m as at July 2020); it invests these balances in a variety of instruments primarily with UK banks. The University operates to an agreed schedule of investment counterparties based on credit ratings and other relevant factors and invests in line with an agreed risk profile and investment strategy.

## Operating and Financial Review (continued)

### Financial Future Outlook

The University's budget for 2020/21 recognised the impact of the covid pandemic and the increasing complexity of the Higher Education sector, and a challenging undergraduate recruitment market. The competitive market environment means we are being prudent with our recruitment forecasts in future years and the focus over the few years will be on increasing market share and income diversification.

Key areas of growth and development include postgraduate activity, degree apprenticeships, the continued expansion of the Medical School and the University's internationalisation strategy.

Updated forecasts anticipate a return to low levels of operating surpluses in 2020/21, which is likely to be further challenged by the continuing pandemic situation and external cost pressures such as increasing pension costs. Regular review and forecasting of the financial position of the University for cash, income and expenditure will ensure that appropriate risks are highlighted and mitigated in a timely manner.

Major risks for all UK universities in the immediate future are the impact of leaving the European Union, and the continuing political volatility within the UK. The Brexit decision has ramifications for student recruitment and staff stability, research partnership developments, funding opportunities, and the reputation of the UK as a welcoming destination for international students. On the other hand, the University's established presence in Cyprus should go some way to mitigate against these risks. International provision remains strong this year and the University continues to invest substantially in this area. The University also engages closely with the outcomes of sectoral reviews, in order to be risk aware and to manage the consequences of such reviews having an impact on current funding regimes.

# Statement of Public Benefit

**The University of Central Lancashire (UCLan) is an exempt charity under the terms of the Charities Act 2011. The Board of Governors is aware of its responsibilities as a charity to act for the public benefit across all of its activities and has had due regard to the latest version of the Charity Commission's public benefit guidance and that provided by the Office for Students Regulatory Framework for Higher Education in England.**

As a Higher Education Corporation (HEC), the University's objects are inferred from the powers of a Higher Education Corporation, as set out in section 124 of the Education Reform Act 1988 and Part II of the Further and Higher Education Act 1992. The University's charitable objects are to provide higher education and carry out research and knowledge exchange. These are embodied within the University's Strategy 2015-2020.

Our mission is to create positive change in our students, staff, business partners and wider communities, enabling them to develop their full potential by providing excellent higher education, innovation and research. We achieve this through our five strategic aims:

- To create an **inspirational student experience**, enabling people, irrespective of their backgrounds, to fulfil their potential, develop as global citizens and meet their life and career goals.
- To be **innovative and entrepreneurial** in our approach to research and knowledge exchange in order to maximise our positive social, environmental and economic impact locally, nationally and globally.
- Operating in a **global marketplace**, to ensure our activities, from our internationally focused research to our curriculum and study opportunities, will be international in their outlook.
- To continue to inspire **positive change** in organisations and people from all walks of life, enabling them to achieve their full potential.
- To further strengthen our **financial stability**, growing income from a diverse range of sources, so enabling continual reinvestment in our people and infrastructure.

During the year, the University has operated in the context of the global COVID-19 virus pandemic, which posed unprecedented challenges to the continued delivery of the wide-ranging educational, research and innovation activities through which it acts for the public benefit. By rapidly adapting learning, teaching, assessment, innovation and research and shifting to a combination of interactive online and face-to-face media, the University ensured students were able to remain on track with or complete their courses and at the same time researchers created high quality impactful research outputs. The University was well placed to achieve this, with all academic staff already using mobile technology to support classroom learning. The University became the fifth highest volume user of the Microsoft Teams facility nationally during the year and staff quickly developed new interactive skills and online laboratory teaching facilities, evidencing the success and extent of the shift of learning into the 'flipped classroom'. Working closely with professional bodies the University graduated early its first full cohort of medical students, hundreds of nursing students, paramedics and other health sector professionals in their final year of studies so that they could move immediately into employment and contribute additional much needed capacity into the regional and national NHS Trusts. It also increased the flow of progressing students into placements in the health sectors, for example more than 300 nursing students onto wards and into communities, paramedic students staffing NHS 111 telephone lines and community volunteering students working with local community groups and charities to get vital support to vulnerable families.

At the same time the pandemic stimulated students, professionals and researchers from across the University to find new and innovative ways to support the national challenge. Partnering with the People's Health Trust, the University provided expert training, support and advice to

## Statement of Public Benefit (continued)

community groups across England, Scotland and Wales, preparing them to run vital services such as delivery of food parcels to families, collection of prescriptions, supply of toys and educational aids to help families with home childcare and telephone and digital befriending services for vulnerable and older people. Joining forces with Age UK, staff and students worked on helping to ease loneliness among shielding older members of the community by developing online digital programmes to support vulnerable residents to cope better with loneliness and isolation.

The University received many messages acknowledging the very significant positive impact it had in supporting the response to the pandemic from community leaders, businesses, national and regional health professionals, policy makers and politicians, as well as the direct recipients of the University's work. As the largest provider of health provision in Lancashire and with partners across the county and into Cumbria, examples of the COVID-19 response include:

- conducted urgent work with the Pirbright Institute to complete research work at UCLan to produce a cheap and novel COVID-19 test, from the cutting-edge research carried out by renowned Medicinal Chemistry group;
- identified all of its protective equipment and, with the Lancashire Resilience Forum as well as partner NHS Trusts, distributed this to the appropriate sites alongside the manufacture and distribution to care homes and other community groups of high volume of hand-cleaning product sanitiser;
- provided a much-needed ventilator from the Clinical Skills Laboratory;
- used its world-class School of Engineering facilities and staff to help design, manufacture and 3D-print much needed pieces of personal protective and technical equipment, such as facial visors and breathing mask components, which were used in regional hospitals and care homes;
- utilised its large network of business connections to ensure manufacturing of equipment scaled up as the demand required;
- manufactured much needed health personal protective clothing in its School of Design;

- offered the use of medical facilities at Burnley Campus' Victoria Mill as a temporary care site;
- supported the response through the conversion of its Sir Tom Finney Sports Centre into an urgent care hospital facility during the height of the pandemic;
- offered facilities and expertise for training current NHS staff and those who offered to return after retirement to provide critical care support on all three campus sites in Preston, Burnley and Westlakes;
- established and co-ordinated an acclaimed cross NHS Trust clinical facility providing much needed mental health support and counselling for NHS staff and relatives suffering bereavement illness or mental health challenges because of the impact of the pandemic in their work.

As a broad-based institution, the University continued to help talented people from all walks of life to make the most of their potential, moulding informed leaders, creative thinkers and entrepreneurial business minds. The University remains a place where committed people are inspired to develop their ideas and dreams and that includes self-employment via graduate start-up businesses. Indeed, UCLan continues to be ranked as the leading UK University for incubated start-up businesses still active after three years of trading while the latest Government employment statistics show that 95.5% of UCLan graduates are in employment or further study six months after graduation.

As a civic anchor institution, the University sees the importance of adding social value and playing its role in the economic prosperity of the places in which it operates - whether that's in Preston or Burnley in Lancashire, Whitehaven in Cumbria, or Larnaca in Cyprus. It will continue to work in partnership with home-grown businesses and organisations, sourcing products and services locally, helping to boost jobs, strengthen local businesses and deliver economic growth. Its 2015-2020 Strategic Plan was founded upon a commitment to widening participation, social inclusion and economic development through education, skills and knowledge exchange. Through the final phase of this Plan, the University has continued to engage, lead and contribute to a range of formal and informal groups that

## Statement of Public Benefit (continued)

oversee local economic development policy and funding issues, including a regular BEIS NW Higher Education Group and the Lancashire Enterprise Partnership. The University is a strategic contributor to all sub-regional strategies and plans including Local Economic Strategy for Lancashire, the ESIF Strategy, Lancashire Innovation Plan and the Local Industrial Strategy. The University has been fully immersed within the regional growth and regeneration ecosystem, through its active participation and support to the North West University's Economic Development Unit, Chambers of Commerce and Industry, Local Authorities, Allied Health Science Network, NHS Trusts, Burnley Bondholders, Preston Partnership and sector bodies such as the North West Aerospace Alliance.

The University dedicated significant resources to local and regional priorities and as a major employer supported 4,500 FTE jobs across Lancashire, generating £220m in annual gross value added (GVA) for the North West economy through education, research and scholarship. Working in partnership with local stakeholders it has made a significant contribution to the increased regional growth and regeneration. Recent regionally focussed projects funded by the EU, the University and its partners have supported 2,000 businesses and 2,600 individuals, creating 486 jobs and increasing the GVA from £15m to £31m.

The University's strategic priorities for local growth and regeneration are consistent with regional priorities and align with the University's mission to deliver a knowledge exchange that meets the needs of the people of Lancashire, the region and beyond. In particular, the University committed to and delivered education, research and training that increased qualifications and skills and boosted inclusion and productivity across Lancashire and the North West. Its partners included major private, public and not-for-profit employers, as well as the Lancashire Enterprise Partnership (LEP), Lancashire County Council, Metropolitan Borough Councils and NHS Trusts. The University's knowledge exchange activity and strategic contribution to local growth and regeneration were the result of a consultative process with a wide range of public, private and not-for-profit partnerships.

The University resourced the Centre for SME Development enabling it to expand their membership and network to more than 1,000 Lancashire SMEs. The Centre supported colleagues and partners to identify opportunities to link SMEs with researchers and with students for projects that deliver local economic growth. The Centre was highlighted within the Industrial Strategy White Paper as a headline example of university-business collaboration. The University established a Business Development Team to engage directly with employers and to act as a conduit to understand better the needs of employers and to promote the University knowledge exchange offer to businesses across the region. The team has succeeded in developing new engagements with 2,200 Lancashire employers. The Creative Innovation Zone (CiZ) pioneered the application of interdisciplinary communities to ideate for a wide range of sectors including Manufacturing, Retail, Engineering and the Public Sector. This approach to exchanging knowledge and preparing undergraduates for 'real world' working was singled out by the BBC in their English Skills Review, broadening civic engagement and impact in communities served.

The University continued delivery of a major £200m public realm contribution to the City of Preston and Lancashire through a comprehensive programme of new and enhanced infrastructure. The University Campus Masterplan is transforming the appearance of Preston's University Quarter with state-of-the-art campus and publicly accessible community facilities, new buildings and public spaces. The University also invested in new campus developments in the Lancashire town of Burnley, to establish a 'University Town', as a resource and support to the regeneration of East Lancashire. Building a more innovative and entrepreneurial university, such innovation and enterprising behaviours are fundamental to the growth of the local economy. The University, through the Propeller entrepreneurship programme, provided staff, graduates and students with expert support and advice to develop and implement enterprising and entrepreneurial ideas. The Intellectual Property and Commercialisation team supported students, graduates and employees to commercialise their research and knowledge, spin out businesses and to develop enterprising skills. During the year the team was ranked 1st in

## Statement of Public Benefit (continued)

Lancashire and 4th in the NW when assessed for their ability to convert research into successful and sustainable companies.

Since 2018, the University has won 11 sector awards for knowledge exchange and partnership working, including triple success at the Times Higher Awards, for 'Best International Collaboration', 'Excellence and Innovation in the Arts' and the most 'Innovative University Business Collaboration'. The highly acclaimed annual Lancashire Science Festival and Fashion Degree Show moved to an online environment.

Our new £35m Engineering Innovation Centre (EIC) was fully open, the largest single investment in Lancashire and its educational infrastructure, and is providing hundreds of locally trained graduates in areas including engineering, energy technologies and aerospace. The EIC is helping the region's businesses to engage with the University of Central Lancashire to deliver the benefits of the 'fourth industrial revolution' in areas such as virtual reality, artificial intelligence and additive manufacturing. The University is achieving new growth areas of employment through our portfolio of degree apprenticeships, which is recognised by Government as crucial in boosting productivity and economic growth locally, regionally and nationally. This is supported by its strategic alliance with charity Training 2000, one of the largest group training associations in the UK. As such the University of Central Lancashire has one of the largest portfolios of degree apprenticeship programmes in the UK. It continues to empower our staff, students and partners to make a positive difference to society with knowledge, leadership and professionalism.

On the world stage, the University's research teams continued to push back the boundaries of knowledge, maximising their positive social, environmental and economic impact locally, nationally and globally. Whether it's helping to produce the world's first photograph of a Black Hole, advising the Government on the potential health risks to those living near Grenfell Tower, or supporting the wellbeing of those living with dementia, UCLan researchers are delivering accessible and impactful research that is relevant to society. Researchers have also been recognised for their efforts to support the thousands of child refugees living on the island of Lesbos through the



'Letters from Lesbos' project and the team worked with the UN Refugee Agency, the University of the Aegean, Metadrasi and other NGOs to give a voice to children fleeing conflict or persecution.

The University received several awards in the year recognising its achievements and contributions to the communities it serves. Ranked number one in the country for student wellbeing in The 2020 Student Welfare League Table, the University was also named Edufuturists' 2020 University of the Year for promoting the effective use of technology in teaching and learning. It was one of the first universities to receive a Gold Employer Recognition Scheme award from the Ministry of Defence. The School of Medicine's postgraduate programmes received the prestigious quality kitemark from the Royal College of Surgeons of England and its midwifery programmes were recognised with a prestigious UNICEF UK Baby Friendly Award. The Engineering Innovation Centre was named Building Services Project of the Year (North West) and it won a 2020 Scottish Design Award for Architecture in Education.

# Corporate Governance Statement

## Regulation and Charitable Status

The University of Central Lancashire is a Higher Education Corporation (HEC) established under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. The principal regulator is the Office for Students (OfS) and the University is subject to its ongoing conditions of registration, as defined in the OfS Regulatory Framework. Under the terms of the Charities Act 2011, the University is also exempt from registration and regulation by the Charities Commission.

The charitable purpose of the University is the advancement of education for the public benefit and the Members of the Board of Governors are also Trustees of the University for the purposes of Charity Law.

Governance arrangements in place throughout the year ended 31 July 2020 and up to the date of approval of the Financial Statements are described below.

## Our Approach to Corporate Governance

The University's Instrument and Articles of Government, as approved by the Privy Council, provide the constitutional framework for the University and define its objects and powers. Amongst other things, the Instrument and Articles provide that the University has a Board of Governors (The Board), a Vice-Chancellor and an Academic Board, each with clearly defined objectives and responsibilities.

The University is committed to achieving best practice in all aspects of corporate governance via compliance with the Committee of University Chairs (CUC) Higher Education Code of Governance, and CUC Codes relating to Audit Committees and Senior Staff Remuneration, the OfS's ongoing conditions of registration and the Seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

## Summary of the University's Structure of Corporate Governance

The Board is the Governing Body of the University. The responsibilities of the Board and its Committees are set out in the [Instrument and Articles, Statement of Primary Responsibilities, Committee Terms of Reference](#) and by the [OfS Regulatory Framework](#) and various other statutory regulatory provisions.

The Articles of Government provide that the following key responsibilities are reserved for decision by the Board:

- the determination of the educational character and mission of the University;
- the approval of the annual estimates of income and expenditure;
- ensuring the solvency of the University and the safeguarding of its assets;
- the appointment or dismissal of the Vice-Chancellor, the Clerk to the Board, the Chair and Deputy Chair; and
- the varying or revoking of the Articles of Government.

The [Board of Governors](#) is led by an Independent Chair and has a majority of independent members. Board Members also include the Vice-Chancellor, the President of the Students' Union and two staff members.

The Vice-Chancellor is accountable to the Board and has responsibility for the organisation, direction and management of the University and leadership of its staff and is the Accountable Officer for the purposes of the OfS conditions of registration.

The University has an OfS Compliance Manager within the Governance Team of the Office of the University Secretary and General Counsel. Reports on OfS compliance issues are presented to the Vice-Chancellor's Group and, where necessary, the Board.

## Corporate Governance Statement (continued)

### Register of Interests

Board Members and the Executive Team ('Vice-Chancellor's Group') declare any potential conflicts of interest annually. In addition, they are also asked to declare any specific interests relating to matters on the agenda at each Board and Committee meeting. A Register of Interests of Members of the Board and the Vice-Chancellor's Group is maintained by the Office of the University Secretary and General Counsel.

### Conduct of Business

During the 2019/20 academic year, the Board met five times including one in-depth session to consider the University's strategy and two informal briefing sessions.

The Board has appointed Committees, each with agreed Terms of Reference which define their remit, powers and rules for how meetings are conducted.

During the 2019/20 academic year, the Board had the following Committees:

- Resources Committee
- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Urgent Business Committee

### Resources Committee

The Resources Committee is responsible for considering and agreeing (or recommending to the Board) various key financial decisions and documents including the budget, Financial Statements and capital expenditure plans. The Committee also has oversight of the Estates, Human Resources and Technology strategies. The Committee also acts on behalf of the University in respect of the University's involvement in limited companies and significant developments and joint ventures. The Committee also agrees the terms of the University's Financial Regulations and various related policies and procedures.

The Committee met seven times during the 2019/20 academic year.

### Audit and Risk Committee

The Audit and Risk Committee is responsible for reviewing the effectiveness of the University's system of governance, internal control and risk management. The Committee demonstrates leadership and stewardship in relation to the audit of the University, and in doing so helps to protect its reputation and provides a level of assurance to key stakeholders, partners (including the student community) and society more widely. It advises the Board on matters relating to the appointment of internal and external auditors and considers detailed reports from each. The Committee agrees the Internal Audit Plan, oversees the work of both Internal and External Auditors and receives regular reports from both on their activities and conclusions. The Committee produces an Annual Report to the Board summarising its work during the year and providing the Board with the assurance that Committee has fulfilled its responsibilities and discharged its functions.

The Committee met five times during the 2019/20 academic year.

### Nominations Committee

The Nominations Committee is responsible for the oversight of Board membership, including considering the appointment, induction, performance, reappointment of governors and making recommendations to the Board.

The Committee prepares and reviews a skills matrix for the Board and considers its succession planning and development as well as the Board's diversity, in line with the University's Equality, Diversity and Inclusion Policy.

The Committee also considers and agrees the awards of Honorary Fellowships of the University.

## Corporate Governance Statement (continued)

### Remuneration Committee

The Remuneration Committee agrees the remuneration and terms and conditions of employment of the Vice-Chancellor and members of the Vice-Chancellor's Group. The Committee also reviews the performance of the Vice-Chancellor.

In line with best practice, the Committee presents an annual report to the Board summarising the Committee's work and certain information set out in the CUC Senior Staff Remuneration Code.

The Committee met once during the 2019/20 academic year.

### Urgent Business Committee

The Committee has power to take any decision on behalf of the Board provided that:

- it is not a decision specifically required by legislation and/or the University Constitution to be taken by the Board; and
- the Committee is satisfied that the decision sought is urgent and cannot reasonably await consideration at the next meeting of the Board.

The Committee did not meet during the 2019/20 academic year but approved the Financial Return to the OfS via written resolution.

### Review of Corporate Governance and Board Effectiveness

The Board has established its governance arrangements with due regard to the provisions of relevant guidance and good practice, in particular the Higher Education Code of Governance issued by the Committee of University Chairs (CUC).

The Board is assisted in ensuring its effectiveness by periodic independent reviews of the University's corporate governance arrangements and its compliance with relevant best practice. The most recent review was undertaken in 2017 and assessed the University's compliance with the CUC's Higher Education Code of Governance. The review made a number of recommendations but concluded that the University has good structures, policies and processes in place to facilitate effective governance.

A revised Higher Education Code of Governance was published by the CUC in September 2020 and a new Code relating to Audit Committees was

published earlier in the Summer. Additionally, the OfS has published an Accounts Direction which impacts upon Higher Education Corporate Governance arrangements. In light of these documents and other revised guidance the University will shortly make a number of changes to its internal governance framework.

It is intended that, following the implementation of the revised arrangements, a further independent review be undertaken in the 2020/21 academic year.

### Governor Training and Development

The University has an induction process in place for all newly appointed governors, which is tailored to meet the needs of each individual. In addition, Board Members are given the opportunity to attend training, briefings and events hosted internally or by the internal and external auditors or other relevant experts on a range of subjects that may help them undertake their role. The Vice-Chancellor also provides relevant updates at each Board meeting and, if necessary, between meetings.

### Use of Public Funding

The University aims to achieve value for money in its use of resources and publishes a statement [here](#).

The Financial Regulations of the University ensure that budget holders within the University operate in compliance with the relevant legislation, within their delegated authority, and with propriety. The Regulations reflect the need for efficiency, economy, effectiveness and prudence in the administration of the University's resources. They are currently under review and will be revised during 2020/21.

### Transparency

In order to maximise the transparency of the University's corporate governance arrangements, the constitutional documents, Board and Executive Members details, Terms of Reference and memberships of Committees and all non-confidential Board Minutes are available online or from the Office of the University Secretary and General Counsel.

## Corporate Governance Statement (continued)

### Academic Governance

Oversight of academic issues within the University is principally undertaken by the University's Academic Board.

The Academic Board is responsible for:

- general issues relating to the research, scholarship, teaching and courses at the University, including criteria for the admission of students;
- oversight of the effective implementation of the academic strategies;
- the appointment and removal of internal and external examiners;
- policies and procedures for assessment and examination of the academic performance of students;
- the content of the curriculum, academic standards, quality of teaching, the student experience and the validation and review of courses, the procedures for the award of qualifications and honorary academic titles;
- the procedures for the expulsion of students for academic reasons;
- the governance of standards and returns to the OfS and other Professional and Regulatory Bodies relating to academic and professional body standards;
- policies and procedures relating to equality, diversity and inclusion.

In order to provide the University Board with assurance as to academic quality issues in the University, the University Board receives an Annual Report from the Deputy Vice-Chancellor on the activities of the Academic Board. In order to further strengthen the oversight of the academic quality and standards, the University Board has appointed two independent Board Members to the Academic Board. These Members also present reports to the University Board on academic quality and related issues.

### Internal Control and Risk Management

The University Board has overall responsibility for ensuring the University's internal control and risk management systems are effective.

The University's internal control system is embedded in ongoing operations, supported by a number of policies and documents approved by the University Board and/or its Committees. These include:

- Financial Regulations
- The Institutional Risk Register
- Anti-Corruption and Bribery Policy
- Public Interest Disclosure Policy
- Anti-Money Laundering Policy
- Treasury Management Policy
- Fraud Policy Statement and Response Plan

The University has an ongoing process for identifying, evaluating and managing significant risks to the achievement of its objectives. The system of internal control is designed to manage, rather than eliminate, the risk of failure and therefore provides a reasonable, not absolute, assurance of effectiveness. The following arrangements have been in place throughout the year ended 31 July 2020 and up to the date of approval of the Financial Statements.

The Institutional Risk Register is prepared by the Vice-Chancellor's Group, led by the Deputy Vice-Chancellor, reviewed by the Audit and Risk Committee, and agreed by the Governing Body. It has been subject to review during 2019/20, at the same time as the University's new strategy for 2020-2025 has been under development, and the risks to the University have been reassessed in the context of COVID-19. The Register includes key risks to the University, including financial, corporate, academic, operational and compliance.

The likelihood and impact of each risk is assessed and robust prioritisation is applied. The Register sets out the action already taken and further action proposed to mitigate each risk, and the direction of travel for each over time. This enables the Board, Audit and Risk Committee and Vice-Chancellor's Group to consider the degree of risk the University is willing to accept, and what further action may be necessary.

## Corporate Governance Statement (continued)

### Internal Control and Risk Management (continued)

The Audit and Risk Committee discusses key strategic risks as well as the Institutional Risk Register as a whole. The University Board receives and discusses reports on specific internal control and risk issues. During the period covered by this statement, this has included the Institutional Risk Register, the Annual Report of the Audit and Risk Committee, the Annual Report of the Academic Board (in-depth report of academic risks, outcomes of quality assessments, complaints information and an overview of governance processes), various financial reports, as well as regular reports from Executives and key issues and confirmation of completed compliance returns. The Board receives regular reports from the Committee Chairs and an Annual Report from the Audit and Risk Committee which presents the Committee's review of the effectiveness of internal controls and risk management processes. An Annual Report is also submitted by the Remuneration Committee summarising the action taken by the Committee over the year, along with various information specified in the CUC guidance on senior pay.

The Resources Committee also considers key financial issues and risks, receiving reports and presentations from the Chief Finance Officer and where necessary, the Vice-Chancellor or other member(s) of the Vice-Chancellor's Group.

The University's independent internal auditor, RSM LLP, undertakes a programme/plan of audit reviews and presents reports to each meeting of the Audit and Risk Committee. The Internal Audit Annual Report presents the internal auditors' opinion on the adequacy and effectiveness of:

- governance, risk management and control; and
- economy, efficiency and effectiveness (value for money and data quality) arrangements.

For 2019/20 the internal auditor's annual report provides a reasonable level of assurance overall over the adequacy of the University's risk management, internal control and governance frameworks.

The Audit and Risk Committee noted that whilst only limited assurance could be given over financial planning and budget setting in 2019/20, the work being undertaken by the University in respect of its Strategic Budget Setting Framework will rectify this and is aligned to the changes still being made to the University's financial systems. The Committee recognised that further work will be necessary to strengthen controls over the provision of degree apprenticeships. Degree apprenticeships are a new and rapidly growing stream of business for the University, which have different funding, quality assurance and delivery structures and systems, and their quality assurance is being reviewed.

The Audit and Risk Committee also noted that Management had reviewed the completion of all prior years' audit recommendations, and this has also been reviewed independently by the Internal Auditors.

The University's external auditor, a partner of KPMG LLP, attends each meeting of the Audit and Risk Committee and presents reports throughout the year. The External Audit Year End Report includes an assessment of the University's control environment and significant risks of which none were identified.

### Data Quality

During 2019/20 RSM undertook a review of data quality as part of our Higher Education Statistics Agency (HESA) Student Record audit. They identified issues in regard to the coding of data and updating of source records once HESA data has been amended at the validation stage but nonetheless were able to provide 'reasonable' assurance over the framework in place for the preparation, review and submission of the University's HESA Student Record.

## Corporate Governance Statement (continued)

### **Audit and Risk Committee's Opinion**

The Committee has satisfied itself that the financial and non-financial systems in place at the University are generally effective and operating satisfactorily, and where issues are raised they are addressed in a timely manner. The Committee is satisfied that, although assurance can never be absolute, the University Board of Governors can rely upon the adequacy and effectiveness of the University's arrangements with regard to:

- (a) risk management, control and governance;
- (b) economy, efficiency and effectiveness (value for money); and
- (c) management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, Education and Skills Funding Agency (ESFA), the OfS, Research England and other funding bodies.

The Committee has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Committee is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks for the year ended 31 July 2020.

The process of Risk Management is considered regularly at meetings of the Committee and the Committee believes that this process has continued to be embedded throughout the University during the year.

# Statement of Primary Responsibilities of the Board

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To approve and to oversee compliance with key policies and procedures which are reserved for the Board and/or its Committees.
3. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
4. To delegate authority to the Vice-Chancellor for the academic, corporate, financial, estate and human resource management of the institution and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
6. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
7. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the institution.
9. To appoint the Vice-Chancellor and to put in place suitable arrangements for monitoring his/her performance.
10. To appoint a Clerk to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
11. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
12. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
13. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
14. To receive assurance that adequate provision has been made for the general welfare of students.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
16. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

# Statement of the Board of Governors Responsibilities in respect of the Operating and Financial Review and the Financial Statements

The Board of Governors are responsible for preparing the Operating and Financial Review and the financial statements in accordance with the requirements of the Office for Students' terms and conditions of funding for higher education institutions and Research England's terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare Group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the Group and parent University financial statements, the Board of Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

- 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;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the University's resources and expenditure.

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

# Independent Auditor's Report to the Board of Governors of the University of Central Lancashire

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of University of Central Lancashire ("the University") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, 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 2019 *Statement of Recommended Practice - Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

### Basis for opinion

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

### Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

# Independent Auditor's Report to the Board of Governors of the University of Central Lancashire (continued)

## Other information

The Board of Governors is responsible for the other information, which comprises the Operating and Financial Review and the Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Board of Governors responsibilities

As explained more fully in their statement set out on page 17, the Board of Governors 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 auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Articles of Government; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

## Independent Auditor's Report to the Board of Governors of the University of Central Lancashire (continued)

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

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 9b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 4 to the financial statements has been materially misstated.

We have nothing to report in these respects.

### 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 the Charters and Statutes of the institution and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Timothy Cutler  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

4 December 2020



# Statement of Accounting Policies

## 1. Basis of preparation

The Group and parent University financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

### Going concern

The Group and parent University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Operating and Financial Review which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors consider to be appropriate for the following reasons.

The University has prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements. After reviewing these forecasts the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Forecasts have looked at potential financial impacts from COVID-19 on student recruitment, student progression, other income losses and exceptional expenditure. Stress testing of these forecasts has shown that the University has sufficient cash flows and significant cash reserves to be able to withstand the downside scenarios and meet its commitments.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. Financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of tangible fixed assets and investments).

These financial statements have been prepared on a going concern basis.

The Group has adopted amendments permitted under FRS102 paragraphs 29.14A and 29.22A which relate to gift-aid payments made within charitable groups.

### Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2020. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the University of Central Lancashire Students' Union as the University does not exert control or dominant influence over policy decisions. Associated companies and joint ventures are accounted for using the equity method. For the purposes of consolidation, UCLan (Cyprus) Limited is treated as an associate.

## Statement of Accounting Policies (continued)

### 2. Recognition of income

Income from the sale of goods and 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 Comprehensive Income and 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.

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

#### Revenue grants

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

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

#### Donations and endowments

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

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

Donations with no restrictions are recorded within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

#### Capital grants

Government grants which relate to the purchase or construction of assets are recorded in income on a systematic basis over the useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance conditions being met.

### 3. Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), (formerly the Teachers' Superannuation Scheme), for academic staff, and the Local Government Pension Scheme (LGPS), for those staff not included as academic. In addition a small number of academic staff are members of the Universities Superannuation Scheme (USS). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P).

The TPS is valued every five years by the Government Actuary and the LGPS is valued every three years by a professionally qualified

## Statement of Accounting Policies (continued)

### 3. Pension schemes (continued)

independent actuary. Pension costs are assessed on the latest actuarial valuations of each scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. Variations from regular cost are spread over the expected remaining working lifetime of members of the schemes after making allowances for future withdrawals.

The USS scheme is a multi-employer scheme and is unable to identify individual employer's share of assets and liabilities. Consequently, individual employers are unable to apply defined benefit accounting. Section 28 of FRS102 states that if sufficient information is not available to use defined benefit accounting for a multi- employer plan that is a defined benefit plan, an entity shall account for the plan as if it was a defined contribution plan.

#### Defined Contribution Plan

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

#### Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University's net obligation in respect of defined benefit pension plans (and other post-employment benefits) is calculated (separately for each plan) by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) (and any unrecognised past service costs) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the term of the University's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the University, the recognised asset is limited to the

total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

### 4. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional liability expected to arise as a result of the unused entitlement.

### 5. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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.

### 6. 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.

### 7. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences

## Statement of Accounting Policies (continued)

### 7. Foreign currency (continued)

arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

### 8. Maintenance of premises

The cost of all maintenance is charged to the income and expenditure account as incurred.

### 9. Intangible fixed assets

Intangible software assets purchased separately or developed within the University are initially recognised at cost.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment.

Intangible assets are amortised on a straight line basis over their estimated useful life of five years from initial use of the asset.

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ from the residual

value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

### 10. Tangible fixed assets

#### a) Land and buildings

Land and buildings are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Certain land and buildings that had been revalued to fair value on or prior to 31 July 2014, the date of transition to SORP 2015/FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life of 50 years. Leasehold buildings are amortised over 50 years, or if shorter, the life of the lease.

Where land and buildings are acquired with the aid of government grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

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

## Statement of Accounting Policies (continued)

### 10. Tangible fixed assets (continued)

#### b) Equipment

Equipment costing less than £10,000 per individual item or in the same category of items is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. Capitalised equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	20% per annum
Computer equipment	-	33% per annum
Equipment acquired for specific projects	-	Project life

Where equipment is acquired with the aid of specific government grants it is capitalised and depreciated in accordance with the above accounting policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income and Expenditure over the useful economic life of the related equipment.

#### c) Borrowing costs

Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

### 11. Investment properties

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

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

### 12. Investments

Both non-current and current asset investments are held on the Balance Sheet at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Investments in subsidiaries and associates are carried at cost less any impairment in the University's accounts.

### 13. Stocks and work in progress

Stocks and work in progress are valued at lower of cost and net realisable value.

### 14. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash with insignificant risk of change in value.

### 15. Provisions and contingent liabilities

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow 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 the 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 liabilities are not recognised in the balance sheet, but are disclosed in the notes.

## Statement of Accounting Policies (continued)

### 16. Taxation status

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

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

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

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

### 17. Accounting for associates

The University accounts for its share of associates using the equity method.

### 18. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The University has a number of basic financial instruments included on its balance sheet with associated income and expense recognised as part of the Consolidated Statement of Income and Expenditure. A financial asset or a financial liability is recognised when the University becomes party to the contractual provisions of the instrument. At inception, they are measured at either transaction price or the discounted present value of the asset or liability subject to the nature of the transaction. Subsequent measurement at each balance sheet date will be at cost or amortised cost using the effective interest method and are subject to an annual impairment review as detailed in FRS 102.



# Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2020

	Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	173,041	171,906	159,417	156,223
Funding body grants	2	34,408	29,669	32,377	27,531
Research grants and contracts	3	7,021	7,252	7,454	7,700
Other income	4	28,357	28,151	34,426	33,712
Investment income	5	1,165	1,003	1,164	1,001
<b>Total income</b>		<b>243,992</b>	<b>237,981</b>	<b>234,838</b>	<b>226,167</b>
<b>Expenditure</b>					
Staff costs	6	167,609	162,095	162,044	154,253
Other operating expenses	7	73,206	72,285	76,378	75,431
Depreciation	12	9,290	8,955	8,559	8,177
Interest and other finance costs	8	2,594	2,539	2,841	2,779
<b>Total expenditure</b>	9a	<b>252,699</b>	<b>245,874</b>	<b>249,822</b>	<b>240,640</b>
<b>Deficit before other gains/(losses)</b>		<b>(8,707)</b>	<b>(7,893)</b>	<b>(14,984)</b>	<b>(14,473)</b>
Gain/(loss) on investment property valuation		(125)	(45)	40	-
Gain/(loss) on investments		(345)	(193)	183	163
Profit/(loss) on sale of tangible fixed assets		770	770	(87)	(87)
<b>Deficit before tax</b>		<b>(8,407)</b>	<b>(7,361)</b>	<b>(14,848)</b>	<b>(14,397)</b>
Taxation	10	(455)	(440)	(4)	-
<b>Deficit for the year</b>		<b>(8,862)</b>	<b>(7,801)</b>	<b>(14,852)</b>	<b>(14,397)</b>
Actuarial gain/(loss) in respect of pension schemes	25	(64,627)	(64,179)	4,518	5,008
<b>Total comprehensive expenditure for the year</b>		<b>(73,489)</b>	<b>(71,980)</b>	<b>(10,334)</b>	<b>(9,389)</b>

The accompanying notes form an integral part of these financial statements.

# Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2020

Consolidated	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000		
Balance at 1 August 2019	116,822	97,532	214,354
Surplus/(deficit) from the income and expenditure statement	(8,862)	-	(8,862)
Other comprehensive income	(64,627)	-	(64,627)
Transfers between revaluation and income and expenditure reserve	1,606	(1,606)	-
Balance at 31 July 2020	<u>44,939</u>	<u>95,926</u>	<u>140,865</u>

University	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000		
Balance at 1 August 2019	109,441	97,100	206,541
Surplus/(deficit) from the income and expenditure statement	(7,801)	-	(7,801)
Other comprehensive income/ (expenditure)	(64,179)	-	(64,179)
Transfers between revaluation and income and expenditure reserve	1,639	(1,639)	-
Balance at 31 July 2020	<u>39,100</u>	<u>95,461</u>	<u>134,561</u>

**Consolidated and University Statement of Changes in Reserves (continued)**  
**Year Ended 31 July 2020 (continued)**

Consolidated	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000		
<b>Balance at 1 August 2018</b>	125,482	99,206	224,688
Surplus/(deficit) from the income and expenditure statement	(14,852)	-	(14,852)
Other comprehensive income	4,518	-	4,518
Transfers between revaluation and income and expenditure reserve	1,674	(1,674)	-
<b>Balance at 31 July 2019</b>	<b>116,822</b>	<b>97,532</b>	<b>214,354</b>

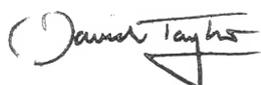
University	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000		
<b>Balance at 1 August 2018</b>	117,156	98,774	215,930
Surplus/(deficit) from the income and expenditure statement	(14,397)	-	(14,397)
Other comprehensive income	5,008	-	5,008
Transfers between revaluation and income and expenditure reserve	1,674	(1,674)	-
<b>Balance at 31 July 2019</b>	<b>109,441</b>	<b>97,100</b>	<b>206,541</b>

# Consolidated and University Balance Sheet

	Notes	2020		2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	11	1,891	1,891	574	574
Tangible assets	12	305,342	299,390	289,194	282,912
Investments	13	1,279	1,883	1,431	1,883
		<u>308,512</u>	<u>303,164</u>	<u>291,199</u>	<u>285,369</u>
<b>Current assets</b>					
Stock	14	39	14	110	29
Trade and other receivables	15	33,479	32,639	34,717	32,727
Investments	16	21,505	21,505	61,510	61,020
Cash and cash equivalents	21	<u>73,974</u>	<u>70,443</u>	<u>46,727</u>	<u>43,180</u>
		<u>128,997</u>	<u>124,601</u>	<u>143,064</u>	<u>136,956</u>
Less: Creditors amounts falling due within one year	17	<u>55,988</u>	<u>55,298</u>	<u>48,748</u>	<u>47,087</u>
<b>Net current assets</b>		<u>73,009</u>	<u>69,303</u>	<u>94,316</u>	<u>89,869</u>
<b>Total assets less current liabilities</b>		<u>381,521</u>	<u>372,467</u>	<u>385,515</u>	<u>375,238</u>
Creditors: amounts falling due after more than one year	18	<u>64,466</u>	<u>64,466</u>	<u>66,889</u>	<u>66,813</u>
<b>Provisions</b>					
Pension provisions	20	176,190	173,440	101,492	99,104
Other	20	-	-	2,780	2,780
<b>Total net assets</b>		<u>140,865</u>	<u>134,561</u>	<u>214,354</u>	<u>206,541</u>
<b>Unrestricted Reserves</b>					
Income and expenditure reserve		44,939	39,100	116,822	109,441
Revaluation reserve		95,926	95,461	97,532	97,100
<b>Total Reserves</b>		<u>140,865</u>	<u>134,561</u>	<u>214,354</u>	<u>206,541</u>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 23 to 52 were approved by the Board on 26 November 2020 and were signed on its behalf by:



**D Taylor**  
Chair of the Board



**G Baldwin**  
Vice-Chancellor

# Consolidated Cash Flow Statement

Year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(8,862)	(14,852)
<b>Adjustment for non-cash items</b>			
Depreciation	12	9,290	8,559
<b>Loss/(gain) on investments</b>			
Decrease in stock	14	71	27
Decrease/(increase) in debtors	15	1,119	(11,896)
Increase/(decrease) in creditors	17	7,701	(1,938)
Increase in pension provision	25	10,071	12,519
(Decrease)/increase in other provisions	20	(2,780)	2,780
<b>Adjustment for investing or financing activities</b>			
Exchange movement on translation		-	(2)
Investment income	5	(1,165)	(1,164)
Interest payable	8	2,594	2,841
(Profit)/loss on the sale of tangible fixed assets		(770)	87
Capital grant income (deferred grants released)		(2,275)	(3,695)
Revaluation of investment properties		125	(40)
Impairment of current investments		-	10
<b>Net cash inflow/(outflow) from operating activities</b>		<b>15,464</b>	<b>(6,947)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of tangible fixed assets		805	1
Capital grants receipts		136	6,813
Investment income		1,283	1,086
Payments made to acquire intangible fixed assets	11	(1,317)	(574)
Payments made to acquire tangible fixed assets	12	(25,598)	(29,514)
Purchase of Investments		-	(65)
Receipts from/(Payments into) short term deposits		39,322	(28,500)
		<b>14,631</b>	<b>(50,753)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2,599)	(2,856)
Repayments of amounts borrowed		(739)	(662)
Cash withdrawn from investment		490	139
		<b>(2,848)</b>	<b>(3,379)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>	21	<b>27,247</b>	<b>(61,079)</b>
Cash and cash equivalents at beginning of the year		46,727	107,806
Cash and cash equivalents at end of the year		73,974	46,727

# Notes to the Financial Statements

Year ended 31 July 2020

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1. Tuition fees</b>				
UK students	124,855	123,720	118,547	115,353
EU students	5,361	5,361	5,161	5,161
International students	38,390	38,390	25,662	25,662
Education contracts	4,435	4,435	10,047	10,047
	<u>173,041</u>	<u>171,906</u>	<u>159,417</u>	<u>156,223</u>
<b>2. Funding body grants</b>				
<b>Recurrent grant</b>				
Office for Students	13,775	13,775	13,474	13,474
Research England	4,477	4,477	3,971	3,971
Education & Skills Funding Agency	9,630	4,891	6,781	1,935
<b>Specific grants</b>				
Selective initiatives	1,828	1,828	3,821	3,821
Higher Education Innovation Fund	3,179	3,179	1,422	1,422
Capital grant	1,519	1,519	2,908	2,908
	<u>34,408</u>	<u>29,669</u>	<u>32,377</u>	<u>27,531</u>
<b>3. Research</b>				
Research Council	1,261	1,261	1,178	1,178
UK charities	675	906	753	999
UK Government and other bodies	2,326	2,326	2,742	2,742
UK industry and commerce	578	578	539	539
EU Government and other bodies	1,778	1,778	1,996	1,996
Other	239	239	246	246
Capital Grant	164	164	-	-
	<u>7,021</u>	<u>7,252</u>	<u>7,454</u>	<u>7,700</u>
<b>4. Other income</b>				
Residences, catering, conferences	6,741	6,692	8,999	8,898
Other income generating activity	13,946	13,404	13,713	13,562
Other capital grants	592	592	787	787
Other services rendered	3,448	3,448	3,484	3,484
Rental income	754	504	531	531
Other income	2,876	3,511	6,912	6,450
	<u>28,357</u>	<u>28,151</u>	<u>34,426</u>	<u>33,712</u>

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Note:</b> The source of grant and fee income included in notes 1-4 above is as follows:				
Grant income from the OfS	15,822	15,822	17,109	17,109
Grant income from other bodies	18,586	13,847	15,268	10,422
Fee income for taught awards (exclusive of VAT)	170,272	170,272	154,666	154,666
Fee income for research awards (exclusive of VAT)	1,634	1,634	1,557	1,557
Fee income from non-qualifying courses (exclusive of VAT)	3,160	2,025	6,670	3,476
Total grant and fee income	<u>209,474</u>	<u>203,600</u>	<u>195,270</u>	<u>187,230</u>
<b>5. Investment income</b>				
Other investment income	1,165	1,003	1,164	1,001
	<u>1,165</u>	<u>1,003</u>	<u>1,164</u>	<u>1,001</u>
<b>6. Staff costs</b>				
Salaries	123,195	118,248	121,980	115,063
Social security costs	11,985	11,611	11,906	11,360
Pension costs	31,810	31,622	27,558	27,239
Apprenticeship levy	619	614	600	591
Total costs	<u>167,609</u>	<u>162,095</u>	<u>162,044</u>	<u>154,253</u>

Staff costs above includes severance costs of £7.1m relating to 190 persons (2019: £3.9m relating to 132 persons).

### Emoluments of the Head of Institution

The 2020 financial year emoluments below relate to the Deputy Vice-Chancellor for the period to 30 September 2019 whilst acting as Institutional Lead and to the new Vice-Chancellor who was appointed as Institutional Lead from 1 October 2019. In the 2019 financial year, the role of Institutional Lead was held jointly by two Deputy Vice-Chancellors from 1 December 2018, prior to which the previous Vice-Chancellor was in post.

	2020 £'000	2019 £'000
<b>From 1 October 2019 to 31 July 2020</b>		
Vice-Chancellor - Professor G Baldwin		
Salary	233	-
Relocation cost	5	-
	<u>238</u>	<u>-</u>

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

6. Staff costs (continued)	2020 £'000	2019 £'000
<b>From 1 December 2018 to 30 September 2019</b>		
Deputy Vice-Chancellor - Dr L Livesey		
Salary uplift as Joint Institutional Lead	<u>8</u>	<u>25</u>

In addition to the emoluments above, whilst Institutional Lead, Dr Livesey received salary as Deputy Vice-Chancellor (Academic) of £25,069 (2019: £100,277) and employers pension contributions of £9,050 (2019: £16,256).

<b>From 1 December 2018 to 31 July 2019</b>		
Deputy Vice-Chancellor - Mrs L Bromley		
Salary uplift as Joint Institutional Lead	<u>-</u>	<u>25</u>

In addition to the emoluments above, whilst Institutional Lead, Mrs Bromley received salary as Deputy Vice-Chancellor (Corporate) of £0 (2019: £100,277), employers pension contributions of £0 (2019: £16,256) and payment for loss of office of £0 (2019: £136,472). This position has not been replaced since 31 July 2019.

<b>From 1 August 2018 to 30 November 2018</b>		
Vice-Chancellor - Professor M Thomas		
Salary	-	85
Compensation for loss of office	-	134
	<u>-</u>	<u>219</u>

The University of Central Lancashire is one of the UK's largest universities, with a turnover of £244m per annum, around 30,000 students learning and engaging with the University across a number of UK and overseas campuses. In Preston the University is a major civic institution, employing more than 3,000 people, offering learning opportunities and partnerships for a significant proportion of the population and local businesses. In setting the Vice-Chancellor's salary, however, the University is also mindful that Preston is in the county of Lancashire which has a number of economic challenges to face, including a rural economy, unemployment and a growing elderly population. The county lacks some of the high value financial and professional service sectors that would bring wealth and higher salaries into the region. Average earnings therefore tend to be below the national average.

The salary of the Vice-Chancellor is benchmarked against local providers and the national average. The role of the Vice-Chancellor is to head a large and complex organisation which delivers accessible education for many students for whom University may not be an obvious choice. A significant proportion of students come from the local area, and graduate with skills which feed into local workforce development and contribute to the regional economy as many choose to remain local. The wide ranging curriculum requires a Vice-Chancellor able to engage with the NHS, with industry, with other educators,

with local and national government and with regulatory bodies and the salary recognises those attributes, without being above national or local benchmarks. The contribution that the University makes to its students and staff, to the local regional economy, and to the tax payer more generally is a key objective for the Vice-Chancellor and a contributing factor to their pay level.

The periodic review of the salary by the Remuneration Committee also considers the performance of the Vice-Chancellor against relevant appraisal targets. It should also be noted that the Vice-Chancellor's current remuneration comprises salary only, with no additional benefits (such as house, car, pension etc.).

As to the decision making process, the Terms of Reference of the Remuneration Committee provide that the Committee shall comprise of at least three independent Members of the Board. Additionally, during the consideration of Senior Executive remuneration issues, the Board member nominated by the Students' Union is also a member of the Committee. The Vice-Chancellor is not a member of the Committee and attends meetings by invitation only in order to report on the performance of other staff. The Committee has also commissioned independent remuneration specialists to provide advice and assistance on senior pay and related issues.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

6. Staff costs (continued)	2020 Pay multiple	2019 Pay multiple
Pay ratio of the Head of Institution compared to the median pay of staff		
Basic salary of the Vice-Chancellor compared to the median of staff	7.6	7.0
Total remuneration of the Vice-Chancellor compared to the median of staff	6.4	6.2

Pay ratios have not been calculated in respect of the Joint Institutional Lead posts as, due to the nature of their joint appointment and substantive roles as Deputy Vice-Chancellor, any ratio calculated would not provide a meaningful comparison as Head of Institution.

Basic salary of higher paid staff, excluding employer's pension contributions:	2020 Number	2019 Number
£100,000 to £104,999	-	5
£105,000 to £109,999	3	6
£110,000 to £114,999	1	-
£115,000 to £119,999	1	1
£120,000 to £124,999	1	-
£125,000 to £129,999	1	-
£135,000 to £139,999	1	-
£140,000 to £144,999	4	3
£150,000 to £154,999	-	2
£155,000 to £159,999	1	-
£160,000 to £164,999	1	-
	<u>14</u>	<u>17</u>

Compensation for loss of office payable to higher paid staff:

Compensation recorded within staff costs relating to two senior post holders amounted to £66k. (2019: £264k relating to two senior post holders).

Average staff numbers by major category:	2020 FTE	2019 FTE
Academic	1,651	1,766
Academic Support	409	337
Administration & Central Services	562	551
Premises	177	181
Other	160	198
	<u>2,959</u>	<u>3,033</u>

	£'000	£'000
Key management personnel costs	1,929	1,519

The number of staff whose costs are included in key management personnel costs above was 11 in 2020 and nine in 2019. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes costs paid to key management personnel. Key management personnel are classed as those staff who form part of the University's Vice-Chancellors Group.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7. Other operating expenses</b>				
Professional services	10,937	10,883	5,460	5,126
Student bursaries and expenses	6,859	6,744	5,426	4,864
Residences, catering and conference expenses	6,477	6,431	6,499	6,418
Premises costs	5,692	5,248	6,343	5,622
Franchised courses	5,160	5,160	5,552	5,552
Repairs and general maintenance	4,272	4,188	5,827	5,710
Furniture and equipment	3,567	3,415	2,474	2,372
Travel, subsistence and conference fees	3,429	3,332	6,795	6,423
Placements/Educational visits	2,903	2,903	2,679	2,679
Advertising and publicity	2,863	2,809	3,168	3,104
Consumables and laboratory expenditure	2,801	2,687	4,913	4,646
Movement in bad debts provision	2,535	2,467	2,187	2,037
Subscriptions and donations	2,396	2,355	2,489	2,489
Academic learning materials	2,440	2,325	2,687	2,564
Licences	1,856	1,856	1,318	1,247
Grants to Students' Union	1,258	1,258	1,085	1,085
Other expenses	7,761	8,224	11,476	13,493
	<u>73,206</u>	<u>72,285</u>	<u>76,378</u>	<u>75,431</u>
<b>Other operating expenses above include:</b>				
External auditor's remuneration: audit related fees	118	97	95	73
External auditor's remuneration: tax services	22	22	38	25
External auditor's remuneration: advisory services	125	125	60	60
Internal auditor's remuneration: audit and other services	115	115	184	184
<b>8. Interest and other finance costs</b>				
Loan interest	386	391	426	414
Net charge on pension scheme	2,208	2,148	2,415	2,365
	<u>2,594</u>	<u>2,539</u>	<u>2,841</u>	<u>2,779</u>

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9a. Analysis of total expenditure by activity</b>				
Academic and related expenditure	115,859	112,204	110,412	105,179
Academic support services	27,957	27,587	24,388	24,844
Administration and central services	63,400	61,085	61,010	58,137
Premises (including service concession cost)	15,252	14,718	18,170	17,387
Residences, catering and conferences	6,760	6,655	7,212	7,081
Research grants and contracts	6,959	6,959	7,007	7,007
Other expenses	16,512	16,666	21,623	21,005
	<u>252,699</u>	<u>245,874</u>	<u>249,822</u>	<u>240,640</u>
<b>9b. Access and Participation</b>				
Access Investment	1,103	1,103		
Financial Support	4,016	4,016		
Disability Support	1,082	1,082		
Research and Evaluation (i)	80	80		
	<u>6,281</u>	<u>6,281</u>		

(i) £1,902k of these costs are already included in the overall staff costs figures included in the financial Statements, see note 6.

The University has published its access and participation plans online:  
[https://www.uclan.ac.uk/about\\_us/access-widening-participation.php](https://www.uclan.ac.uk/about_us/access-widening-participation.php)

<b>10. Taxation</b>				
Recognised in the statement of comprehensive income				
Current tax expense	<u>455</u>	<u>440</u>	<u>4</u>	<u>-</u>

<b>11. Intangible assets</b>	Consolidated £'000	University £'000
<b>Software</b>		
At 1 August 2019	574	574
Additions in the year	1,317	1,317
<b>At 31 July 2020</b>	<u>1,891</u>	<u>1,891</u>
<b>Amortisation</b>		
At 1 August 2019	-	-
Charge for the year	-	-
<b>At 31 July 2020</b>	<u>-</u>	<u>-</u>
<b>At 31 July 2020</b>	<u>1,891</u>	<u>1,891</u>
<b>At 31 July 2019</b>	<u>574</u>	<u>574</u>

The addition during the year relates to both the ongoing purchase and internal development of software intangible assets. The amortisation period is five years from the date of initial use of the completed asset.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

<b>12. Tangible Assets</b>	<b>Freehold Land and Buildings</b>	<b>Fixtures, Fittings and Equipment</b>	<b>Assets in the Course of Construction</b>	<b>Investment Properties</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Consolidated</b>					
<b>Cost or Valuation</b>					
At 1 August 2019	310,466	48,200	14,893	1,570	375,129
Additions	1,771	2,944	20,883	-	25,598
Revaluation	-	-	-	(125)	(125)
Disposals	(2,100)	(115)	-	-	(2,215)
Transfers between categories	4,589	-	(4,589)	-	-
<b>At 31 July 2020</b>	<b>314,726</b>	<b>51,029</b>	<b>31,187</b>	<b>1,445</b>	<b>398,387</b>
<b>Depreciation</b>					
At 1 August 2019	45,408	40,527	-	-	85,935
Charge for the year	6,168	3,122	-	-	9,290
Disposals	(2,065)	(115)	-	-	(2,180)
<b>At 31 July 2020</b>	<b>49,511</b>	<b>43,534</b>	<b>-</b>	<b>-</b>	<b>93,045</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>265,215</b>	<b>7,495</b>	<b>31,187</b>	<b>1,445</b>	<b>305,342</b>
At 31 July 2019	265,058	7,673	14,893	1,570	289,194

At 31 July 2020, freehold land and buildings and investment properties included £24,694k in respect of freehold land (2019 - £24,622k) which is not depreciated.

<b>University</b>					
<b>Cost or valuation</b>					
At 1 August 2019	302,039	44,480	14,893	270	361,682
Additions	1,762	2,868	20,883	-	25,513
Revaluation	-	-	-	(45)	(45)
Disposals	(2,100)	(115)	-	-	(2,215)
Transfers between categories	4,589	-	(4,589)	-	-
<b>At 31 July 2020</b>	<b>306,290</b>	<b>47,233</b>	<b>31,187</b>	<b>225</b>	<b>384,935</b>
<b>Depreciation</b>					
At 1 August 2019	40,922	37,848	-	-	78,770
Charge for the year	6,013	2,942	-	-	8,955
Disposals	(2,065)	(115)	-	-	(2,180)
<b>At 31 July 2020</b>	<b>44,870</b>	<b>40,675</b>	<b>-</b>	<b>-</b>	<b>85,545</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>261,420</b>	<b>6,558</b>	<b>31,187</b>	<b>225</b>	<b>299,390</b>
At 31 July 2019	261,117	6,632	14,893	270	282,912

At 31 July 2020, freehold land and buildings and investment properties included £23,987k in respect of freehold land (2019 - £23,916k) which is not depreciated.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

13. Non-Current Investments	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
<b>Consolidated</b>			
At 1 August 2019	-	1,431	1,431
Additions	-	-	-
Disposals	-	(152)	(152)
<b>At 31 July 2020</b>	<b>-</b>	<b>1,279</b>	<b>1,279</b>
<b>University</b>			
At 1 August 2019	1,849	34	1,883
Additions	-	-	-
Disposals	-	-	-
<b>At 31 July 2020</b>	<b>1,849</b>	<b>34</b>	<b>1,883</b>

	Proportion held by the University	Share of net assets / (liabilities)	
		2020 £'000	2019 £'000
<b>Associate</b>			
<b>Name of Associate</b>			
UCLan Cyprus Limited	51%		
Balance as at 1 August		-	-
Losses in year		(1,244)	(1,697)
Advances to associate made in year		841	643
Provision		(841)	(643)
Write back losses in excess of investment *		1,244	1,697
<b>Balance as at 31 July</b>		<b>-</b>	<b>-</b>

\* In accordance with Section 14.8 (h) of FRS102 losses in excess of investment have not been recognised.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 13. Non-Current Investments (continued)

##### Investment in subsidiaries

The subsidiary companies, wholly-owned or effectively controlled by the University, are as follows:

Subsidiary undertakings	Percentage of Issued Shares Held	Country of Operation and Incorporation	Principal Activity
<b>Owned by University</b>			
Centralan Holdings Limited	100%	Great Britain	Holding company
Delonore Limited	100%	Cyprus	Holding company
Training 2000 Limited	100%*	Great Britain	Education and training
UCLan Community Dentists Limited	100%*	Great Britain	Dental Clinic
Westlakes Research Limited	100%*	Great Britain	Research
<b>Owned by Centralan Holdings Limited</b>			
UCLan Business Services Limited	100%	Great Britain	Consultancy and training
UCLan (Overseas) Limited	100%	Great Britain	Overseas activities
<b>Owned by UCLan (Overseas) Limited</b>			
UCLan Cyprus Limited	51%	Cyprus	Higher education
UCLan (HK) Limited	100%	Hong Kong	Holding company
UCLan Lanka (Private) Limited	100%	Sri Lanka	Holding company
UCLan (Thailand) Company Limited	49%	Thailand	Investment
<b>Owned by UCLan Business Services Limited</b>			
UCLan Dental Clinic Limited	100%	Great Britain	Dormant
<b>Owned by UCLan (HK) Limited</b>			
UCLan Technology (Shenzhen) Limited	100%	China	Research

\*Limited by guarantee

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>14. Stock</b>				
General consumables	39	14	110	29
	<u>39</u>	<u>14</u>	<u>110</u>	<u>29</u>
<b>15. Trade and other receivables</b>				
Amounts falling due within one year:	14,409	14,035	11,787	10,624
Other trade receivables	170	142	158	103
Other receivables	18,900	18,238	22,772	21,753
Prepayments and accrued income	-	224	-	247
Amounts due from subsidiary companies	<u>33,479</u>	<u>32,639</u>	<u>34,717</u>	<u>32,727</u>
<b>16. Current Investments</b>				
Short term investment in shares	0	0	9,520	9,520
Short term deposits	21,505	21,505	51,500	51,500
Land & buildings	0	0	490	-
	<u>21,505</u>	<u>21,505</u>	<u>61,510</u>	<u>61,020</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>17. Creditors: amounts falling due within one year</b>				
Secured loans	600	600	662	600
Deferred capital grants	1,853	1,853	2,245	2,245
Annual leave accrual	5,224	5,102	5,152	5,082
Trade payables	1,489	1,484	2,761	2,306
Social security and other taxation payable	5,858	5,739	5,272	5,072
Accruals and deferred income	33,027	32,313	24,154	23,265
Group creditors	-	393	-	647
Other creditors	7,937	7,814	8,502	7,870
	<u>55,988</u>	<u>55,298</u>	<u>48,748</u>	<u>47,087</u>
<b>18. Creditors : amounts falling due after more than one year</b>				
Deferred capital grants	58,841	58,841	60,588	60,588
Secured loans	5,625	5,625	6,301	6,225
	<u>64,466</u>	<u>64,466</u>	<u>66,889</u>	<u>66,813</u>
<b>Analysis of secured and unsecured loans:</b>				
<b>Due within one year (Note 17)</b>	600	600	662	600
Due between one and two years	600	600	662	600
Due between two and five years	1,800	1,800	1,814	1,800
Due in five years or more	3,225	3,225	3,825	3,825
<b>Due after more than one year</b>	<u>5,625</u>	<u>5,625</u>	<u>6,301</u>	<u>6,225</u>
<b>Total secured and unsecured loans</b>	<u>6,225</u>	<u>6,225</u>	<u>6,963</u>	<u>6,825</u>

Included in loans are the following:

	Amount	Term (Years)	Interest rate	Borrower
<b>Lender</b>				
Barclays	3,525	25	5.735	University
Barclays	2,700	25	6.01	University
Total	<u>6,225</u>			

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>19. Financial instruments</b>				
<b>Financial assets measured at cost less impairment:</b>				
Cash and cash equivalents	73,974	70,443	46,727	43,180
Investments (non-current)	1,279	1,883	1,431	1,883
Investments (current)	21,505	21,505	61,510	61,020
Trade and other receivables	14,579	14,401	11,945	11,092
	<u>111,337</u>	<u>108,232</u>	<u>121,613</u>	<u>117,175</u>
<b>Financial liabilities measured at amortised cost:</b>				
Loans	6,225	6,225	6,964	6,825
Trade and other payables	1,489	1,484	2,761	2,306
	<u>7,714</u>	<u>7,709</u>	<u>9,725</u>	<u>9,131</u>

The principal financial instruments are cash, investments and loans. Additionally, there are financial assets and liabilities arising directly from operations, for example trade debtors and trade creditors. Financial risk is managed through the Treasury Management Group that sets and oversees investment and treasury policy.

<b>20. Provisions for liabilities</b>	At 1 August 2019	Utilised in Year	Additions in Year	At 31 July 2020
Consolidated and University	£'000	£'000	£'000	£'000
Obligation to fund deficit on USS pension	2,384	(1,049)	-	1,335
Pension enhancements on termination	5,876	(446)	228	5,658
Defined benefit obligations (Note 25)	90,844	-	75,603	166,447
Other	2,780	(2,780)	-	-
Total provisions - University	101,884	(4,275)	75,831	173,440
Subsidiary pension provision	2,388	-	362	2,750
<b>Total provisions - Consolidated</b>	<u>104,272</u>	<u>(4,275)</u>	<u>76,193</u>	<u>176,190</u>

#### Pension enhancement

The pension enhancement provision is subject to full actuarial revaluation every three years and such a valuation was undertaken in July 2018.

#### USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to assessing the value of this provision. Since the year end, following completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is included in note 25. The 2020 deficit recovery liability reflects this plan.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

21. Cash and cash equivalents	At 1 August 2019 £'000	Cash Flows £'000	At 31 July 2020 £'000
Consolidated	46,727	27,247	73,974
University	43,180	27,263	70,443

22. Capital and other commitments Provision has not been made for the following capital commitments at 31 July 2020:	2020		2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	31,419	31,419	51,571	51,571
	31,419	31,419	51,571	51,571

### 23. Contingent Liabilities

The University Group has given written undertakings to support several of its subsidiary undertakings.

24. Lease Obligations	Land and Buildings	Plant and Machinery	2020 Total	2019 Total
Total rentals payable under operating leases:	£'000	£'000	£'000	£'000
<b>Consolidated</b>				
Payable during the year	2,759	271	3,030	3,391
<b>Future minimum lease payments due:</b>				
Not later than one year	125	243	368	2,951
Later than one year and not later than five years	361	428	789	1,112
Later than five years	4,244	-	4,244	4,422
<b>Total lease payments due</b>	<b>4,730</b>	<b>671</b>	<b>5,401</b>	<b>8,485</b>
<b>University</b>				
Payable during the year	2,666	207	2,873	3,194
<b>Future minimum lease payments due:</b>				
Not later than one year	162	207	369	2,793
Later than one year and not later than five years	542	414	956	727
Later than five years	1,029	-	1,029	101
<b>Total lease payments due</b>	<b>1,733</b>	<b>621</b>	<b>2,354</b>	<b>3,621</b>

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 25. Pension Schemes

Different categories of staff were eligible to join one of three different schemes:

- Teachers' Pension Scheme (TPS)
- Local Government Pension Scheme (LGPS)
- Universities' Superannuation Scheme (USS)

The two main schemes are the Teachers' Pension Scheme (TPS) and Local Government Pension Scheme (LGPS). LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds, TPS is an unfunded defined benefit pension scheme where contributions payable are credited to the Exchequer and a notional set of investments maintained. The pension cost is assessed every five years by the Government Actuary.

The other scheme is the Universities' Superannuation Scheme (USS). The University has a strictly limited membership of the scheme to cover a small number of staff who have transferred from other institutions.

##### (i) The Universities' Superannuation Scheme

The institution participates in Universities' Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Consolidated Income and Expenditure represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the profit and loss account.

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

#### Subsequent Events

In September 2020, the Trustee of the USS launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustee has indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn. This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustee of the Pension Scheme. For the 2019-20 financial year however, this is considered a non-adjusting event.

#### Pension Costs

The total cost charged to the Statement of Consolidated Income and Expenditure is £645k (prior year: £1,968k). The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete. Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole. The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 25. Pension Schemes (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<p><b>Pre-retirement:</b> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p><b>Post retirement:</b> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.</p>
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8%pa for males and 1.6%pa for females.

The current life expectancies on retirement at age 65 are:

	2020	2019
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	2.59%	2.44%
Pensionable salary growth	4.20%	2.11%

#### (ii) Local Government Pension Scheme

##### (Retirement Benefits) Disclosure for the accounting period ending 31 July 2020

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The last formal triennial actuarial valuation of the scheme was performed as at 31 March 2019 by a professionally qualified actuary. During the accounting period, the total contribution was £10,554k, of which employer's contributions totalled £7,903k and employee's contributions totalled £2,651k. With effect from 1 April 2017 the agreed contribution rate was 14.3% for the University and moved to a sliding scale for employees, ranging from 5.5% to 12.5% dependant on salary.

##### Assumptions

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

	2020 % pa	2019 % pa
Price Inflation (CPI)	2.30	2.2
Rate of increase in salaries	3.80	3.70
Rate of increase of pensions in payment	2.40	2.30
Discount Rate	1.60	2.2

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

	2020	2019
Future pensioner age 65 in 20 years' time	23.8 (26.8)	25.1 (28.2)
Current pensioner aged 65	22.3 (25.0)	22.8 (25.5)

##### Scheme assets and expected rate of return for LGPS

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 25. Pension Schemes (continued)

The assets in the scheme were:	2020 £'000	2019 £'000
Equities	129,371	136,126
Government bonds	-	-
Other bonds	19,576	4,557
Property	38,584	25,061
Cash/Liquidity	5,107	5,126
Other	91,071	113,914
Total	<u>283,709</u>	<u>284,784</u>
Actual return on plan assets	(2.2)%	12.9%

Analysis of the amount shown in the balance sheet for LGPS pensions:	2020 £'000	2019 £'000
Scheme assets	283,709	284,784
Scheme liabilities	(450,156)	(375,628)
<b>Deficit in the scheme - net pension liability recorded within pension provisions (Note 20)</b>	<u>(166,447)</u>	<u>(90,844)</u>
Current service cost	(14,107)	(12,522)
Past service cost	(1,133)	(2,990)
Curtailments and administration expenses	(2,175)	(236)
<b>Total operating charge:</b>	<u>(17,415)</u>	<u>(15,748)</u>
<b>Analysis of the amount charged to interest payable/credited to other finance income for LGPS</b>		
Interest cost	(8,209)	(8,704)
Expected return on assets	6,297	6,551
<b>Net charge to other finance income</b>	<u>(1,912)</u>	<u>(2,153)</u>

Total profit and loss charge before deduction for tax	2020 £'000	2019 £'000
<b>Analysis of other comprehensive income for LGPS pension:</b>		
Gain/(loss) on assets	(10,033)	30,100
Gain/(loss) on assumptions	(54,146)	(25,092)
<b>Total other comprehensive income before deduction for tax</b>	<u>(64,179)</u>	<u>5,008</u>

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a circa £40m increase in the Fund's liabilities since the prior year end.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 25. Pension Schemes (continued)

History of experience gains and losses - LGPS pensions	2020	2019	2018	2017	2016
<b>Difference between expected and actual return on assets</b>					
Amount £'000	(10,033)	30,100	12,831	11,101	27,196
% of assets at end of year	3.5%	10.6%	5.2%	4.9%	13.1%
<b>Experience (gains)/losses on scheme liabilities</b>					
Amount £'000	54,146	25,092	(2,674)	17,284	48,692
% of liabilities at end of year	12.1%	6.7%	0.8%	5.5%	16.6%

Cumulative actuarial loss recognised as other comprehensive income for LGPS pension	2020 £'000	2019 £'000
Cumulative actuarial losses recognised at the start of the year	(90,844)	(84,527)
Cumulative actuarial losses recognised at the end of the year	(166,447)	(90,844)
<b>Analysis of movement in surplus/(deficit) for LGPS pension</b>		
<b>Deficit at beginning of year</b>	<b>(90,844)</b>	<b>(84,527)</b>
Contributions or benefits paid by the University	7,903	6,576
Current service cost (includes admin expenses)	(17,415)	(15,748)
Other finance charge	(1,912)	(2,153)
Loss recognised in other comprehensive income	(64,179)	5,008
<b>Deficit at end of year</b>	<b>(166,447)</b>	<b>(90,844)</b>
<b>Analysis of movement in the present value of LGPS liabilities</b>		
<b>Present value of LGPS liabilities at the start of the year</b>	<b>375,628</b>	<b>330,603</b>
Current service cost (net of member contributions)	17,179	15,557
Interest on pension liabilities	8,209	8,704
Actual member contributions (including notional contributions)	2,651	2,574
Actuarial loss/(gain)	54,146	25,092
Actual benefit payments	(7,657)	(6,902)
<b>Present value of LGPS liabilities at the end of the year</b>	<b>450,156</b>	<b>375,628</b>
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>284,784</b>	<b>246,076</b>
Interest on plan assets (includes admin expenses)	6,061	6,360
Actuarial gain on assets	(10,033)	30,100
Actual contributions paid by University	7,903	6,576
Actual member contributions (including notional contributions)	2,651	2,574
Actual benefit payments	(7,657)	(6,902)
<b>Fair value of scheme assets at the end of the year</b>	<b>283,709</b>	<b>284,784</b>

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

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 25. Pension Schemes (continued)

Actual Return on Scheme Assets	2020 £'000	2019 £'000
Expected return on Scheme assets	6,297	6,551
Asset gain/(loss)	(10,033)	30,100
	<u>(3,736)</u>	<u>36,651</u>

The estimated contributions for LGPS in the financial year 2020/21 is £6.6m.

#### (iii) Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and 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 Public Service Pensions Act (2013) 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 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 5 March 2019. The key results of the valuation are:

- With effect from September 2019, employer contribution rates increased from 16.4% to 23.6% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration.

#### 26. Accounting estimates and judgements

##### Tangible fixed assets land and buildings

Some of the University's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings acquired up to the date of the last valuation are included in the balance sheet at depreciated replacement cost or where in the opinion of the University's valuers there is a readily available market for a property the market valuation has been used. Land and buildings acquired after the date of the last valuation are included at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the institution of 50 years. Leasehold buildings are amortised over 50 years, or if shorter, the life of the lease.

##### Bad debt policy

The trade receivables balance recorded in the balance sheet comprises a large number of relatively small balances. An allowance is made for the estimated irrecoverable amounts from debtors, referred to as a bad debt provision, and this is determined by reference to past experience of the recoverability of differing types of debt.

##### Pensions

Pension provisions for defined benefit obligations and pension enhancements on termination are calculated using assumptions deemed to be the most appropriate for the scheme and are based on advice from the scheme actuary. The provision relating to the USS deficit recovery plan is calculated using assumptions considered appropriate after consideration of salary inflation and changes in membership of the scheme over the recovery period, and a discount rate based on advice from a qualified actuary.

## Notes to the Financial Statements (continued)

### Year ended 31 July 2020 (continued)

#### 27. Related parties

The University Board members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition 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 the Board may have an interest, including those identified below, are conducted at arms-length and in accordance with the University's Financial Regulations and usual procurement procedures. No transactions were identified which were required to be disclosed.

No Board member has received any remuneration/ waived payments from the Group during the year in their capacity as a Board member (2019 - none).

The total expenses paid to or on behalf of 10 Board members was £2,377 (2019 £11,052 to 11 Board members). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity. In addition, costs of £31,900 (2019 £33,000) were paid for the provision of administrative support to the Chair of the Board.





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