

UNIVERSITY OF CENTRAL LANCASHIRE

FINANCIAL STATEMENTS

For the year ended 31 July 2019



REPORT AND FINANCIAL STATEMENTS

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LEGAL AND ADMINISTRATIVE DETAILS

Members of the Board

D Taylor
A Adams
F Armstrong
G Baldwin (appointed 1 October 2019)
N Danino (appointed 1 August 2018)
M Darby-Walker
J Edney
R Gurjee (appointed 1 August 2018)
R Hext
J Hogan (resigned 16 May 2019)
S Ion (appointed 1 August 2018)
S Kaur (appointed 1 July 2019)
L Lloyd
R Lowry (appointed 1 August 2018)
A McCarthy (appointed 1 August 2018)
C McLaren (resigned 30 June 2019)
L Norris (appointed 1 August 2018)
W McQueen
M Thomas (resigned 30 November 2018)

Professional Advisors

Auditor - external: KPMG LLP
Auditor - internal: PricewaterhouseCoopers LLP
(until 31 July 2019)
RSM Risk Assurance Services LLP
(from 1 August 2019)
Tax advisors: KPMG LLP
Deloitte LLP
Banker: Barclays Bank plc
Insurance broker: AON Limited
Solicitor: Shakespeare Martineau LLP



OPERATING AND FINANCIAL REVIEW

Introduction

We are delighted to introduce the University of Central Lancashire's (UCLan's) Operating and Financial Review for 2018/19, another year which has witnessed significant change and development within the institution. It has largely been a successful year but we acknowledge that it has been challenging and we need to implement improved cost control to move the University back into a surplus position.

The financial deficit was £10.9m before the actuarial gain on pension schemes and restructuring costs. As an institution which is first and foremost a University we require surpluses in order to invest and to maintain and enhance the experience and opportunities offered to our students and to safeguard high quality delivery for the future. Thankfully as a consequence of previous prudent financial management UCLan has significant reserves which has enabled it to continue to invest in a range of developments.

Most notably UCLan completed the iconic Engineering Innovation Centre. The £35m development is part of the Campus Masterplan investment and will provide an excellent teaching building and learning environment as well as supporting the delivery of the Industrial Strategy and the local Economic Development Plan. As part of the Masterplan, work also commenced on the new Student Centre and square which will provide an unrivalled facility to host student services and to act as a gateway to the University.

A number of other significant developments have also been completed to improve facilities, make more efficient use of the campus and support the development of academic programmes. Most importantly, improvements continued to be made in the academic performance of the University and we were particularly pleased to receive three prestigious awards at the Times Higher Education (THE) Awards ceremony.

The University continued to be a leading university for the development of graduate business start-ups and its employer engagement and business interaction continued to underpin its approach to its academic delivery as well as to its regional and national engagement.

The year was one of change in terms of management and for much of the year we were led by Joint Institutional Leads following the departure of the Vice-Chancellor. The appointment of a new Vice-Chancellor took place during the year and they are now in post and working with a newly-formed executive.

The University's efforts were reflected in improvements in all the major league tables, it was the highest climber in the Complete University Guide and rose 30 places in the Sunday Times league table to 72nd. This was a consequence of improvement in a number of metrics but most notably the National Student Survey. The improvement in the measure for student satisfaction was particularly pleasing as we continue to put students at the heart of everything we do.

Recruitment during the year was strong, Open Day attendance was up on the equivalent for the previous year and we continued to successfully implement the strategy for Burnley. We submitted, and had approved, our latest Access and Participation plan and we continue to strive to meet or exceed not only the targets for widening access to entry into university but also for supporting students from disadvantaged backgrounds to succeed on their course, have a good student experience and secure progression into good careers or continued education. International partnerships continued to thrive and once again we hosted students from well over 100 different countries. The University's work with business and international partners along with a city centre presence and large numbers of students makes a considerable contribution to the local and regional economy.

The internal challenges we faced were accompanied by external changes and uncertainty. The demographic dip continued, Brexit remained an unknown quantity and the Augar review of fees and funding was published. Competition for students continued to increase across the sector further underpinning the need to invest in developments as described above and to continue to put our students at the heart of all we do. To that end we continue to further review how best to support our students, increasing the level of central support provided where most appropriate and needed.

In summary the year led to growth and development, including income growth. However, costs grew at a faster rate and this is the area in need of greatest attention. The University is striving to maintain growth but at the same time to implement more effective cost controls. However, despite the short-term financial challenge, by other measures the year was successful and although uncertainty remains we are confident that the University will continue to prosper and grow from strength to strength. Work is already addressing the cost control issue, enrolments and income continues to grow and the estate is transforming. We continue to await the details of the Brexit outcome and further developments within an already competitive market. We are however well placed, as a consequence of our investment, to meet the emerging requirements with a focus on practice and application, informed by our research and delivering real impact. We will focus on activity within our control and do it to the best of our ability. We will continue to work with stakeholders, employers and most importantly our students to ensure that we are increasingly recognised nationally and internationally whilst continuing to fulfil our role as an anchor institution for the City and the North West Region.

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

Graham Baldwin
Vice-Chancellor

Operating and Financial Review (continued)

Financial Review

The University has had a productive year and continues to deliver against its strategic and operational targets within an increasingly challenging external environment. The institution remains financially strong despite an in year deficit diluting the balance sheet, and management is strongly focused on returning the institution to operational surplus through reviewing the cost base and maximising income opportunities. Our students remain at the centre of all we do and much of our developmental work this year has been focused on introducing innovation within our curriculum provision and enhancing the student experience. This has significantly contributed to the University being one of the highest risers nationally in this year's league tables. The University remains committed to the widening participation agenda and the employability of its graduates.

The University Strategy 2015-2020 sets out the Key Performance Indicators (KPIs) that are used to measure progress in achieving the strategic aims of the University. Quantifiable and measurable KPIs have been set for each year of the Strategy and these are reported to the Board on a regular basis. Over the coming year the University will review and update the Strategy to take the institution forward into the next decade.

Financial Results

Tuition fee income was £159.4m (a 0.8% increase compared with 2017/18). The OfS grant was £25.6m in the year (compared with £22.5m in 2017/18). Grant funding to the Group from the Education and Skills Funding Agency was £6.8m in the year, compared with £6.0m from this source in 2017/18; £4.9m of this relates to activity within Training 2000 and £1.9m is income earned directly by the University from our rapidly expanding portfolio of degree apprenticeships. Income to fund research projects increased by 7.7% to £7.5m, with income from other sources (including student accommodation charges, catering, and academic trading) also increasing by 5.7% to £34.4m.

Expenditure increased by £21.6m (9.4%) compared with 2017/18 to £249.8m. The growth in expenditure is primarily caused by additional staff costs which increased by £17.7m (12.2%) from 2017/18. Within this, pension costs increased by £5.6m (25.4%) due to increased service costs across all pension schemes, and the severance costs of £3.9m reflect a continuing review of our cost base. Average staff FTE numbers increased in the year by 186 (6.5%) to 3,033. This reflects the University's diversification and growth in the Burnley and Westlakes campuses, as well as the investment in staffing for growing academic areas and student facing services.

Other expenditure increased in year by £3.9m (4.9%) to £87.8m. This growth is due to investment in academic delivery through the acquisition of new teaching and learning environments and through further development of the Masterplan.

Total comprehensive income and expenditure for the year was a deficit of £10.3m, including an actuarial gain on pension schemes of £4.5m.

Net cash outflow from operating activities was £6.9m. The University's Masterplan programme continued at pace throughout the year. The Group's net reserves decreased in the year by 4.6% to £214.4m (July 2018: £224.7m).

The University currently holds substantial cash and investment balances (£108.2m as at July 2019); 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.

Financial Future Outlook

The University's budget for 2019/20 has recognised the increasing complexity of the Higher Education sector, and a challenging undergraduate recruitment market. The 2019 recruitment cycle is taking place at the lowest point of a demographic dip in the UK 18-year-old population, which affects the whole Higher Education sector. Despite this, enrolments in 2019/20 at the University are up on 2018/19. Between 2020 and 2030 the number of 18-year-olds is expected to increase by nearly 25%. The competitive market environment means we are being prudent with our recruitment forecasts in future years and the focus over the next two 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.

The University's five year planning model forecasts a deficit in 2019/20 returning to low levels of operating surpluses in 2020/21 reflecting the likelihood of flat student numbers against a reduced cost base, which is likely to be further challenged by external cost pressures such as increasing pay and 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 continued to demonstrate its continued passion for engaging with, and supporting, local people and communities; whether that's through its annual, three-day Lancashire Science Festival, its 'In The City' community space in which it provides free activities from law clinics to IT training, or putting smiles on the faces of staff and patients at the Royal Preston Hospital as part of its annual Acts of Kindness Day.

Perhaps UCLan's most publicly acknowledged achievement during the year was its stunning triple success at the Times Higher Education (THE) Awards – widely regarded as the Oscars of the higher education sector.

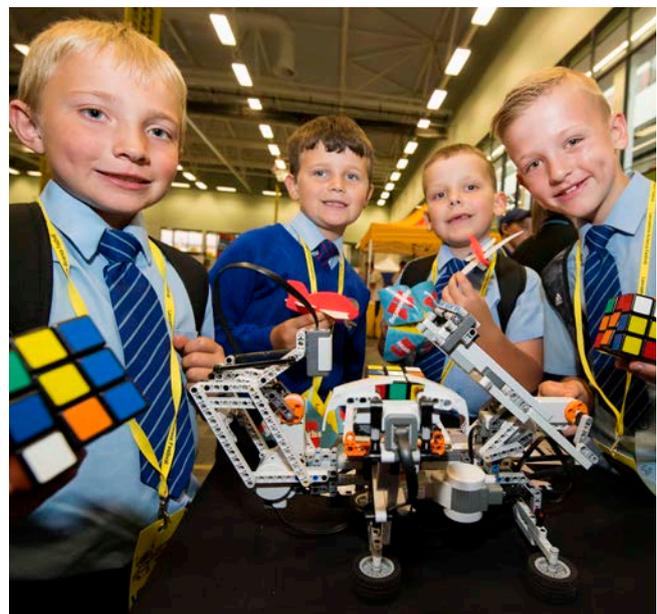
Against very stiff competition, the University won the best International Collaboration of the Year award for its work

with the American University of the Caribbean School of Medicine (AUC); enabling a cohort of 643 students and staff to travel from one continent to another in a little over a week. The University also won the THE's Excellence and Innovation in the Arts category in recognition of the UCLan Publishing House that provides unparalleled opportunities and experience for UCLan students on the world stage. Completing the triple success, the University scooped Most Innovative Contribution to Business-University Collaboration for UCLan's partnership with local company Recycling Lives – a fantastic example of commercial opportunity, coupled with positive environmental impact to deliver a 'closed loop recycling solution' whereby 100 percent of vehicle waste is processed into useful materials with no detrimental impact on the environment.

On the world stage, the University's research teams continue to push back the boundaries of knowledge, maximising its 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.

For instance, a joint research trial by the University and Alder Hey Children's Hospital is using 3D printed placebo tablets to test 'ease of use' and acceptance in children between four and 12 years of age. 3D printed tablets for consumption by children have the potential to enable healthcare professionals to specifically tailor medication for young people, improving patient outcomes and reducing wastage.

Meanwhile in Cumbria the University is pioneering a new approach to recruit and retain healthcare staff in an area affected by a healthcare skills shortage.



Children from across the region enjoyed the sights and sounds of the Lancashire Science Festival.

Statement of Public Benefit (continued)

Believed to be a first in the UK, the University is aiming to recruit ex-military personnel through its National Centre for Remote and Rural Medicine to retrain in medical roles in West Cumbria.

The University is looking at qualifications gained in the forces to meet the entry criteria for admission to its programmes on a case-by-case basis. It is hoped this approach will encourage the staff who train in remote and rural areas to seek work in the region when qualified.

This innovative approach to addressing health needs forms a key pillar in the University's 'One Health' strategy which aims to transform the landscape of health and social care across the North West. UCLan is the largest provider of health and social care education in Lancashire and Cumbria, and is one of only five universities in the country delivering medicine, dentistry and pharmacy, complemented by a wide range of other health related subjects such as nursing, midwifery and paramedic practice. Currently, 35 percent of all UCLan programmes are linked to health and wellbeing, with more than 2,900 students registered on health and social care courses. Each year, these students contribute more than 1.6 million hours in clinical and social care placements.

The University's £200m Campus Masterplan development has also seen great progress during the year. The two £8.15m social space developments were officially opened and have already received fantastic feedback from students.

Work has also been completed on the much-anticipated £35m Engineering Innovation Centre (EIC). The facility will establish the University as a leader in engineering innovation, providing hundreds of locally trained graduates every year in areas including engineering, energy technologies and aerospace. Crucially, the EIC will help the region's businesses to link up with the University to deliver the benefits of what has become known as the 'fourth industrial revolution' in areas such as virtual reality, artificial intelligence and 3D printing.

Work has also commenced on UCLan's £60m student centre and new civic square. Once the whole project is completed in 2021 the area will become a transformative gateway to the University's Preston Campus for the benefit of students, staff, businesses and the local community.

The University's close association with Lancashire Constabulary has resulted in the opening of the Lancashire Forensic Science Academy. Believed to be the first-of-its-kind in the world, the initiative will allow forensic experts and students to work alongside each other in new, purpose-built police facilities to research, investigate and deliver forensic science services across the region and beyond.

The University is also set to play a leading role in the future training of the region's police having won contracts with both Lancashire and Cumbria's constabularies. From 2020 all new officers are required to have achieved a degree-level qualification or attained one through an apprenticeship route with the Constabulary.

These prestigious contract awards underline the University's ability to capitalise on its ever-expanding portfolio of degree apprenticeships, boosted by its close strategic alliance with Training 2000, one of the largest group training associations in the UK. Seen by the Government as crucial in boosting productivity and economic growth locally, regionally and nationally, UCLan now has the largest portfolio of degree apprenticeship programmes in the UK. UCLan's first degree apprenticeship students graduated in 2019 with aerospace software engineering qualifications. Some of the successful students were among first in the country to reach a Level 6, the equivalent of a bachelor's degree.

In Burnley, the University has acquired Victoria Mill while pledging to expand its presence and student numbers in the town to 4,000 by the year 2025 to meet the existing and emerging skills' needs of Burnley and East Lancashire. From September 2019, UCLan will offer a growing portfolio of courses in Burnley including nursing, medical sciences, social work, MBA, cyber security, engineering, digital technology solutions as well as teaching phase two of the University's prestigious medical degree.

As a broad-based institution, UCLan will continue 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, UCLan 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.

In addition, within the University Group there are three charities. The University of Central Lancashire Foundation is an exempt charity, its objects include furthering the work of the University and applying the Foundation's funds for the benefit of students and former students. Westlakes Research Limited (operating as the Samuel Lindow Foundation) is an exempt charity which focuses on making educational advancement available and attractive to a larger part of the community. Training 2000 Limited joined the Group in July 2017 and delivers training to meet national skills strategies for employers and learners covering apprenticeship programmes across a number of skills sectors and study programmes designed to increase employability skills.

CORPORATE GOVERNANCE STATEMENT

The University of Central Lancashire is a Higher Education Corporation, established under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Under the terms of the Charities Act 2011, the Office for Students (OfS) is the principal regulator of those Higher Education Institutions that are exempt charities, of which UCLan is one. 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 Governing Body (The Board) and an Academic Board, each with clearly defined functions and responsibilities, including the oversight and management of University activities.

The Board has a majority of independent members and therefore complies with legislation and its constitution. Board Members are also drawn from the staff and student populations of the University. The Chair of the Board is one of the independent members.

The Board agrees and oversees the future direction of the University, its strategy and operational plans and it has effectively and efficiently discharged its responsibilities.

The Board seeks to achieve best practice in all aspects of corporate governance via compliance with the Committee of University Chairs' Higher Education Code of Governance, the Office for Students terms and conditions of Funding for Higher Education Institutions and by conducting its business in accordance with the Seven Principles of Public Life

(selflessness, integrity, objectivity, accountability, openness, honesty and leadership). In that regard, Board Members and Senior Officers declare any interests annually. In addition, they are also asked to declare any interests at each Board and Committee meeting. The University maintains a Register of Interests of Members of The Board and Senior Officers.

The Board agrees its governance arrangements with due regard to the provisions of relevant guidance and good practice. This includes a periodic review of its effectiveness and of the University's various constitutional documents. These include the Instrument and Articles of Government and the Terms of Reference and its Committees.

The Board approved an updated Equality, Diversity and Inclusion Policy in March 2019 and receives annual updates on compliance with and progress and implementation of the current Equality, Diversity and Inclusion Strategy 2016-20.

The University Board has appointed the following Committees: Resources Committee; Audit and Risk Committee; Nominations Committee; Remuneration Committee; and Urgent Business Committee. The Board has agreed detailed Terms of Reference for each of these Committees, clearly defining the remit and powers of each and setting out rules for how the meetings are held.

A full record of attendance at Board and Committee meetings is maintained with copies available upon request to the Clerk to the Board.

The principal role of each Committee is summarised on next page:



Corporate Governance Statement (continued)

Audit and Risk Committee

The Committee is responsible for reviewing the effectiveness of the University's system of governance, internal control and risk management. The role of the Audit and Risk Committee includes advising the Board on the appointment, remuneration, performance, resignation or dismissal of the internal and external auditors; any significant problems arising from the reports of the internal auditor, the external auditor, the Office for Students (OfS) and The National Audit Office, or any other matters which the Committee feel ought to be drawn to the attention of the Board. The Committee also approves the annual financial statements, (including the statement of corporate governance) and recommends approval by the Board.

Remuneration Committee

The Remuneration Committee agrees and amends the terms and conditions of employment and reviews the performance and remuneration of the Vice-Chancellor, the University Secretary and any Senior Executive reporting directly to the Vice-Chancellor. The Committee also from time to time considers, agrees and/or advises the Board on appointment and severance matters relating to such staff. In undertaking its duties, the Committee has regard to guidance issued by the Committee of University Chairs and, where necessary, takes independent advice from remuneration consultants and/or external legal advisors. The Committee also presents an annual report to the Board summarising its activities during the year.

Resources Committee

The Resources Committee considers key financial matters, together with matters relating to the University's resources (including infrastructure and human resources).

The Committee is responsible for advising the Board in respect of: financial strategy; the financial health (including solvency) of the institution; the safeguarding of its assets; and for strategic oversight of budget and resource management including the proposed annual revenue and capital budgets and longer-term projects. The Committee also advises the Board in respect of strategies relating to the estate, capital expenditure and infrastructure; and major projects and initiatives and related matters. It advises the Board on its Human Resources Strategy and provides strategic oversight of staffing matters for all staff other than those falling within the remit of the Remuneration Committee; considering any other matters relating to finance and resources as the Board may refer to the Committee from time to time.

The Committee also oversees the University Foundation Trust and acts on behalf of the Board in respect of the University's involvement in Limited Companies.

Urgent Business Committee

The Committee has power to take any decision on behalf of the University 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.

Nominations Committee

The Nominations Committee's key functions are to identify and nominate candidates for consideration by the Board as full or co-opted members of the Board or its Committees; to make such recommendations to the Board as considered appropriate regarding the re-appointment of Board/Committee members at the conclusion of their specified terms of office; propose any revisions to the membership of the Board or its Committees; keep under review Board diversity, in line with the University's Equality, Diversity and Inclusion Policy and make such recommendations to the Board as considered appropriate; and determine on behalf of the University the conferment of Honorary Fellowships of the University.

Governance, Risk Management and Control

The Board is responsible for the University's systems of internal control, and the Audit and Risk Committee therefore, conducts an annual review of the effectiveness of those systems. The Committee receives and considers an annual report from the internal auditors setting out their opinion on the University's governance, risk management and internal control.

From time to time, Working Groups are appointed by the Board or its Committees in order to enable individuals to meet to consider matters in detail. These Groups enable individuals with specific skills and experience, including Board, Committee and (occasionally) senior members of staff, to work together to consider matters in significant detail and in the context of specialist knowledge and to report upon their findings.

There is an ongoing process for identifying, evaluating and managing the University's significant risks. Key risks are reviewed by the Executive management, the Audit and Risk Committee and the University Board. Additionally, the risk management arrangements are subject to internal audit that is reported to the Audit and Risk Committee as part of the assurance necessary for this statement.

For much of the 2018/19 year, the University was without a permanent Vice-Chancellor and an Executive Director of Finance. Accordingly, pending the permanent appointments to these posts, the University Board, advised by the Remuneration Committee, put in place and oversaw temporary arrangements. In the case of the role of Vice-Chancellor, the two Deputy Vice-Chancellors were appointed as Acting Joint Heads of the Institution, with the Deputy Vice-Chancellor (Academic) being appointed Acting Chair of the Academic Board and the Deputy Vice-Chancellor (Corporate Planning and International Strategy) appointed as the University's Interim Accountable Officer. The Office for Students, as Statutory Regulator, was informed of these changes. A new Vice-Chancellor commenced employment on 1 October 2019.

Corporate Governance Statement (continued)

With regard to the Executive Director of Finance, the post has been filled on an interim basis, pending the appointment of a permanent Vice-Chancellor and the formal process to recruit a new permanent Finance Director commenced during September 2019.

Clearly the absence of permanent appointees to these two senior posts created a degree of uncertainty and increased risk to the University. Therefore, the Chair of the Board, supported by the Deputy Chair and the Chair of the Remuneration Committee, played an increased role in overseeing and supporting the Senior Executive Team during this period.

At its meeting in October 2019, the Audit and Risk Committee carried out the annual assessment of the internal control environment on behalf of the Board for the year ended 31 July 2019 by considering documentation from the internal auditors and external auditors and members of the Senior Management Team and taking account of events since 31 July 2019.

During the year, the work of the internal auditors highlighted two areas where the lack of the application of controls resulted in a classification of high risk. Management have agreed suitable actions to improve controls and reduce the risks in these areas.

Academic Issues

The principal oversight of academic issues within the University is undertaken by the University's Academic Board.

The University Board receives an Annual Report from the Vice-Chancellor to further strengthen the oversight of academic quality and standards. In November 2018 the Board appointed two of its Independent Members as representatives on the 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;
- 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 and the validation and review of courses;
- the procedures for the award of qualifications and honorary academic titles; and
- the procedures for the expulsion of students for academic reasons.

Such responsibilities shall be subject to the requirements of validating and accrediting bodies where appropriate.

The Academic Board considers the development of the academic activities of the University and the resources needed to support them and for advising the Vice-Chancellor and the Board of Governors thereon. The Academic Board also advises on such other matters relating to the University as the Board of Governors or the Vice-Chancellor may refer to the Board.

In the light of all the circumstances, it is the opinion of the Audit and Risk Committee that reliance can be placed upon the control environment within the University. This opinion has been arrived at following its review of reports received by the Audit and Risk Committee during the year and from discussions with both the internal and external auditors and senior officers of the University. On the basis of this assurance, the Audit and Risk Committee reviewed this corporate governance statement and recommended it to the Board.





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 is 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 2019 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 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 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.

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 13, 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.

Report on the audit of the financial statements (continued)

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.

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 and Research England have been applied in accordance with these conditions and the terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with of the Charters and Statutes of the institution and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the 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



STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

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

2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019. 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.

3. 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 creditors due within one year and due after more than one year as appropriate.

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the 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.

Statement of accounting policies (continued)

4. 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 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.

5. 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.

6. 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.

7. 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.

8. 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 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.

Statement of accounting policies (continued)

8. Foreign currency (continued)

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.

9. Maintenance of premises

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

10. 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 5 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 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.

11. 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.

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.

12. 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.

Statement of accounting policies (continued)

13. 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.

14. Stocks and work in progress

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

15. 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.

16. 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.

17. 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.

18. Accounting for associates

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

19. 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 2019

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	159,417	156,223	158,221	155,415
Funding body grants	2	32,377	27,531	28,469	23,229
Research grants and contracts	3	7,454	7,700	6,921	6,848
Other income	4	34,426	33,712	32,575	33,245
Investment income	5	1,164	1,001	702	557
Total income		234,838	226,167	226,888	219,294
Expenditure					
Staff costs	6	162,044	154,253	144,366	136,390
Other operating expenses	7	76,378	75,431	72,584	72,257
Depreciation	12	8,559	8,177	8,341	7,936
Interest and other finance costs	8	2,841	2,779	2,973	2,957
Total expenditure	9	249,822	240,640	228,264	219,540
Surplus/(Deficit) before other gains losses and share of operating surplus/(deficit) of joint ventures and associates		(14,984)	(14,473)	(1,376)	(246)
Gain on investment property valuation		40	-	414	121
Gain on investments		183	163	591	538
Profit/(loss) on sale of tangible fixed assets		(87)	(87)	1,781	-
Surplus/(deficit) before tax		(14,848)	(14,397)	1,410	413
Taxation	10	(4)	-	(26)	-
Surplus/(deficit) for the year		(14,852)	(14,397)	1,384	413
Actuarial gain in respect of pension schemes	25	4,518	5,008	16,235	15,505
Total comprehensive income and expenditure for the year		(10,334)	(9,389)	17,619	15,918

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

Year Ended 31 July 2019

Consolidated	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000	£'000	£'000
Balance at 1 August 2018	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)	-
Balance at 31 July 2019	116,822	97,532	214,354

University	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000	£'000	£'000
Balance at 1 August 2018	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)	-
Balance at 31 July 2019	109,441	97,100	206,541

Consolidated and University Statement of Changes in Reserves Year Ended 31 July 2019 (continued)

Consolidated	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000	£'000	£'000
Balance at 1 August 2017	105,822	101,247	207,069
Surplus/(deficit) from the income and expenditure statement	1,384	-	1,384
Other comprehensive income	16,235	-	16,235
Transfers between revaluation and income and expenditure reserve:	2,041	(2,041)	-
Balance at 31 July 2018	125,482	99,206	224,688

University	Income and expenditure account	Revaluation reserve	Total
	<i>Unrestricted</i>		
	£'000	£'000	£'000
Balance at 1 August 2017	99,204	100,808	200,012
Surplus/(deficit) from the income and expenditure statement	413	-	413
Other comprehensive income	15,505	-	15,505
Transfers between revaluation and income and expenditure reserve:	2,034	(2,034)	-
Balance at 31 July 2018	117,156	98,774	215,930

CONSOLIDATED AND UNIVERSITY BALANCE SHEET

	Notes	2019		2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	11	574	574	0	0
Tangible assets	12	289,194	282,912	268,286	261,689
Investments	13	1,431	1,883	1,471	1,883
		291,199	285,369	269,757	263,572
Current assets					
Stock	14	110	29	137	27
Trade and other receivables	15	34,717	32,727	22,743	22,979
Investments	16	61,510	61,020	32,871	32,357
Cash and cash equivalents	21	46,727	43,180	107,806	101,483
		143,064	136,956	163,557	156,846
Less: Creditors amounts falling due within one year	17	48,748	47,087	50,375	48,276
Net current assets		94,316	89,869	113,182	108,570
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	18	66,889	66,813	64,760	64,622
Provisions					
Pension provisions	20	101,492	99,104	93,491	91,590
Other	20	2,780	2,780	-	-
Total net assets		214,354	206,541	224,688	215,930
Unrestricted Reserves					
Income and expenditure reserve		116,822	109,441	125,482	117,156
Revaluation reserve		97,532	97,100	99,206	98,774
Total Reserves		214,354	206,541	224,688	215,930

The financial statements on pages 16 to 42 were approved by the Board on 21 November 2019 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 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(14,852)	1,384
Adjustment for non-cash items			
Depreciation	12	8,559	8,341
(Gain) on investments		(183)	(591)
Decrease in stock	14	27	1
(Increase) in debtors	15	(11,896)	(8,797)
(Decrease) in creditors	17	(1,938)	4,004
Increase in pension provision	25	12,519	8,388
Increase in other provisions	20	2,780	39
Adjustment for investing or financing activities			
Exchange movement on translation		(2)	(4)
Investment income	5	(1,164)	(702)
Interest payable	8	2,841	2,973
Loss/(profit) on the sale of tangible fixed assets		87	(1,781)
Capital grant income (deferred grants released)		(3,695)	(2,028)
Revaluation of investment properties		(40)	(414)
Impairment of current investments		10	150
Net cash (outflow)/inflow from operating activities		(6,947)	10,963
Cash flows from investing activities			
Proceeds from sales of tangible fixed assets		1	2,649
Capital grants receipts		6,813	8,786
Investment income		1,086	542
Payments made to acquire intangible fixed assets	11	(574)	-
Payments made to acquire tangible fixed assets	12	(29,514)	(25,559)
Purchase of investments		(65)	(266)
(Payments into)/receipts from short term deposits		(28,500)	43,000
		(50,753)	29,152
Cash flows from financing activities			
Interest paid		(2,856)	(2,968)
Repayments of amounts borrowed		(662)	(662)
Cash withdrawn from investment		139	116
		(3,379)	(3,514)
(Decrease)/increase in cash and cash equivalents in the year	21	(61,079)	36,601
Cash and cash equivalents at beginning of the year		107,806	71,205
Cash and cash equivalents at end of the year		46,727	107,806

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2019

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees				
UK students	118,547	115,353	116,281	113,474
EU students	5,161	5,161	4,899	4,899
International students	25,662	25,662	20,791	20,791
Education contracts	10,047	10,047	16,250	16,251
	159,417	156,223	158,221	155,415
2 Funding body grants				
Recurrent grant				
Office for Students	17,445	17,445	17,501	17,501
Education & Skills Funding Agency	6,781	1,935	5,973	733
Specific grants				
Selective initiatives	3,821	3,821	1,952	1,952
Higher Education Innovation Fund	1,422	1,422	1,324	1,324
Capital grant	2,908	2,908	1,719	1,719
	32,377	27,531	28,469	23,229
3 Research				
Research Council	1,178	1,178	1,238	1,238
UK charities	753	999	615	615
UK Government and other bodies	2,742	2,742	2,124	2,124
UK industry and commerce	539	539	309	309
EU Government and other bodies	1,996	1,996	1,984	1,984
Other	246	246	651	578
	7,454	7,700	6,921	6,848
4 Other income				
Residences, catering, conferences	8,999	8,898	9,133	9,020
Other income generating activity	13,713	13,562	13,851	10,438
Other capital grants	787	787	309	309
Other services rendered	3,484	3,484	3,810	3,810
Rental income	531	531	508	277
Other income	6,912	6,450	4,964	9,391
	34,426	33,712	32,575	33,245

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
5 Investment income				
Other investment income	1,164	1,001	702	557
	1,164	1,001	702	557
6 Staff costs				
Salaries	121,980	115,063	111,022	103,905
Social security costs	11,906	11,360	10,948	10,388
Pension costs	27,558	27,239	21,969	21,679
Apprenticeship levy	600	591	427	418
Total costs	162,044	154,253	144,366	136,390

Staff costs above includes severance costs of £3.9m relating to 132 persons (2018: £486k relating to 33 persons).

Emoluments of the Head of Institution	2019 £'000	2018 £'000
The emoluments below relate to the Vice-Chancellor for the period to 30 November 2018 and to the Deputy Vice-Chancellors who were appointed as Joint Institutional Leads from 1 December 2018.		
From 1 August 2018 to 30 November 2018		
Professor M Thomas		
Salary	85	254
Performance related pay	-	5
Compensation for loss of office	134	-
	219	259
From 1 December 2018 to 31 July 2019		
Dr L Livesey		
Salary uplift as Joint Institutional Lead	25	-
In addition to the emoluments above, whilst Joint Institutional Lead, Dr Livesey received salary as Deputy Vice-Chancellor (Academic) of £100,277 and employers pension contributions of £16,256.		
From 1 December 2018 to 31 July 2019		
Mrs L Bromley		
Salary uplift as Joint Institutional Lead	25	-
In addition to the emoluments above, whilst Joint Institutional Lead, Mrs Bromley received salary as Deputy Vice-Chancellor (Corporate) of £100,277, employers pension contributions of £16,256 and payment for loss of office of £136,472. This position will not be replaced.		

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

6 Staff costs (continued)

The University of Central Lancashire is one of the UK's largest universities, with a turnover of £235m 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 to be dextrous in engaging 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.

Pay ratio of the Head of Institution compared to the median pay of staff:

	2019 Pay multiple	2018 Pay multiple
Basic salary of the Professor M Thomas compared to the median of staff	7.0	7.4
Total remuneration of Professor M Thomas compared to the median of staff	6.2	6.4

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:

	2019 Number	2018 Number
£100,000 to £104,999	5	6
£105,000 to £109,999	6	3
£110,000 to £114,999	-	1
£115,000 to £119,999	1	-
£135,000 to £139,999	-	2
£140,000 to £144,999	3	1
£145,000 to £149,999	-	1
£150,000 to £154,999	2	1
	17	15

Compensation for loss of office payable to higher paid staff:

Compensation recorded within staff costs relating to two senior post holders amounted to £264k. (2018: £57k relating to one senior post holder).

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

6 Staff costs (continued)	2019	2018
Average staff numbers by major category :	FTE	FTE
Academic	1,766	1,638
Academic Support	337	292
Administration & Central Services	551	538
Premises	181	196
Other	198	183
	3,033	2,847

Key management personnel costs	2019	2018
	£'000	£'000
	1,519	1,419

The number of staff whose costs are included in key management personnel costs above was 9 in 2019 and 7 in 2018. 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 Senior Executive Team.

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Other operating expenses				
Travel, subsistence and conference fees	6,795	6,423	6,246	5,795
Repairs and general maintenance	6,513	6,396	6,881	6,777
Residences, catering and conference expenses	6,499	6,418	7,172	7,088
Premises costs	6,343	5,622	5,269	4,623
Consumables and laboratory expenditure	6,237	5,970	7,840	7,603
Franchised courses	5,552	5,552	4,996	4,996
Professional services	5,460	5,126	3,855	3,680
Student bursaries and expenses	5,426	4,864	2,385	1,959
Advertising and publicity	3,168	3,104	3,486	3,404
Academic learning materials	2,687	2,564	2,580	2,455
Subscriptions and donations	2,489	2,489	1,809	1,775
Movement in bad debts provision	2,187	2,037	1,823	1,674
Grants to Students' Union	1,085	1,085	1,262	1,262
Other expenses	15,937	17,781	16,980	19,166
	76,378	75,431	72,584	72,257
Other operating expenses include:				
External auditor's remuneration: audit related fees	92	73	90	71
External auditor's remuneration: tax services	22	10	21	9
External auditor's remuneration: advisory services	19	19	11	11
Internal auditor's remuneration: audit and other services	184	184	192	186

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs				
Loan interest	426	414	488	468
Net charge on pension scheme	2,415	2,365	2,485	2,489
	2,841	2,779	2,973	2,957
9 Analysis of total expenditure by activity				
Academic and related expenditure	110,412	105,179	99,097	93,696
Academic support services	24,388	24,844	22,036	22,813
Administration and central services	61,010	58,137	50,138	47,790
Premises (including service concession cost)	18,170	17,387	17,341	14,748
Residences, catering and conferences	7,212	7,081	7,872	7,847
Research grants and contracts	7,007	7,007	6,162	6,683
Other expenses	21,623	21,005	25,618	25,963
	249,822	240,640	228,264	219,540
10 Taxation				
Recognised in the statement of comprehensive income				
Current tax expense	4	-	26	-

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
11 Intangible assets				
Opening balance at 1 August 2018	-	-	-	-
Additions in the year	574	574	-	-
Amortisation charge for the year	-	-	-	-
Closing balance 31 July 2019	574	574	-	-

The addition during the year relates to both the ongoing purchase and internal development of software intangible assets. The amortisation period is 5 years from the date of initial use of the completed asset.

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

12 Tangible Assets					
Consolidated	Freehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	273,611	43,337	27,316	1,530	345,794
Additions	1,348	4,931	23,235	40	29,554
Disposals	(151)	(68)	-	-	(219)
Transfers between categories	35,658	-	(35,658)	-	-
At 31 July 2019	310,466	48,200	14,893	1,570	375,129
Depreciation					
At 1 August 2018	39,946	37,562	-	-	77,508
Charge for the year	5,526	3,033	-	-	8,559
Disposals	(64)	(68)	-	-	(132)
At 31 July 2019	45,408	40,527	-	-	85,935
Net book value					
At 31 July 2019	265,058	7,673	14,893	1,570	289,194
At 31 July 2018	233,665	5,775	27,316	1,530	268,286

At 31 July 2019, freehold land and buildings and investment properties included £24,622k in respect of freehold land (2018 - £24,622k) which is not depreciated.

University					
Cost or valuation					
At 1 August 2018	265,204	39,624	27,316	270	332,414
Additions	1,328	4,924	23,235	-	29,487
Disposals	(151)	(68)	-	-	(219)
Transfers between categories	35,658	-	(35,658)	-	-
At 31 July 2019	302,039	44,480	14,893	270	361,682
Depreciation					
At 1 August 2018	35,620	35,105	-	-	70,725
Charge for the year	5,371	2,806	-	-	8,177
Disposals	(64)	(68)	-	-	(132)
Transfers between categories	(5)	5	-	-	-
At 31 July 2019	40,922	37,848	-	-	78,770
Net book value					
At 31 July 2019	261,117	6,632	14,893	270	282,912
At 31 July 2018	229,584	4,519	27,316	270	261,689

At 31 July 2019, freehold land and buildings and investment properties included £23,916k in respect of freehold land (2018 - £23,916k) which is not depreciated.

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

13 Non-Current Investments	Subsidiary companies £'000	Other fixed assets investments £'000	Total £'000
Consolidated			
At 1 August 2018	-	1,471	1,471
Additions	-	-	-
Disposals	-	(40)	(40)
At 31 July 2019	-	1,431	1,431
University			
At 1 August 2018	1,849	34	1,883
Additions	-	-	-
Disposals	-	-	-
At 31 July 2019	1,849	34	1,883
Associate			
	Proportion held by the University	Share of net assets / (liabilities)	
Name of Associate		2019 £'000	2018 £'000
UCLan Cyprus Limited	51%		
Balance as at 1 August		-	-
Losses in year		(1,697)	(1,897)
Advances to associate made in year		643	613
Provision		(643)	(613)
Write back losses in excess of investment *		1,697	1,897
Balances as at 31 July		-	-
* In accordance with Section 14.8 (h) of FRS102 losses in excess of investment have not been recognised.			

Notes to the Financial Statements

Year ended 31 July 2019 (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
Owned by University			
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	Dormant
Westlakes Research Limited	100%*	Great Britain	Research
*Limited by guarantee			
Owned by Centralan Holdings Limited			
UCLan Business Services Limited	100%	Great Britain	Consultancy and training
UCLan (Overseas) Limited	100%	Great Britain	Overseas activities
Owned by UCLan (Overseas) Limited			
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
Owned by UCLan Business Services Limited			
UCLan Dental Clinic Limited	100%	Great Britain	Dental clinic
Owned by UCLan (HK) Limited			
UCLan Technology (Shenzhen) Limited	100%	China	Research

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
14 Stock				
General consumables	110	29	137	27
	110	29	137	27
15 Trade and other receivables				
Amounts falling due within one year:				
Other trade receivables	11,787	10,624	9,494	8,213
Other receivables	158	103	107	86
Prepayments and accrued income	22,772	21,753	13,142	11,887
Amounts due from subsidiary companies	-	247	-	2,793
	34,717	32,727	22,743	22,979
16 Current Investments				
Short term investment in shares	9,520	9,520	9,371	9,357
Short term deposits	51,500	51,500	23,000	23,000
Land and buildings	490	-	500	-
	61,510	61,020	32,871	32,357

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct 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

Year ended 31 July 2019 (continued)

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
17 Creditors: amounts falling due within one year				
Secured loans	662	600	662	600
Deferred capital grants	2,245	2,245	1,918	1,918
Annual leave accrual	5,152	5,082	4,997	4,884
Trade payables	2,761	2,306	4,277	4,014
Social security and other taxation payable	5,272	5,072	5,083	4,788
Accruals and deferred income	24,154	23,265	25,654	24,590
Group creditors	-	647	-	187
Other creditors	8,502	7,870	7,784	7,295
	48,748	47,087	50,375	48,276
18 Creditors: amounts falling due after more than one year				
Deferred capital grants	60,588	60,588	57,797	57,797
Secured loans	6,301	6,225	6,963	6,825
	66,889	66,813	64,760	64,622
Analysis of secured and unsecured loans:				
Due within one year (Note 17)	662	600	662	600
Due between one and two years	662	600	662	600
Due between two and five years	1,815	1,800	1,862	1,800
Due in five years or more	3,825	3,825	4,439	4,425
Due after more than one year	6,302	6,225	6,963	6,825
Total secured and unsecured loans	6,964	6,825	7,625	7,425
Included in loans are the following:				
Lender	Amount £'000	Term (Years)	Interest rate %	Borrower
Barclays	3,825	25	5.735	University
Barclays	3,000	25	6.01	University
Nat West	139	7.3	1% above base rate	Training 2000 Limited
Total	6,964			

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

	2019		2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
19 Financial instruments				
Financial instruments measured at cost less impairment:				
Cash and cash equivalents	46,727	43,180	107,806	101,483
Investments (non-current)	1,431	1,883	1,471	1,883
Investments (current)	61,510	61,020	32,871	32,357
Trade and other receivables	11,945	11,092	9,601	11,092
	121,613	117,175	151,749	146,815
Financial liabilities measured at amortised cost:				
Loans	6,964	6,825	7,623	7,425
Trade and other payables	2,761	2,306	4,277	4,014
	9,725	9,131	11,900	11,439

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.

20 Provisions for liabilities				
Consolidated and University	At 1 August 2018	Utilised in Year	Additions in Year	At 31 July 2019
	£'000	£'000	£'000	£'000
Obligation to fund deficit on USS pension	966	-	1,418	2,384
Pension enhancements on termination	6,097	(458)	237	5,876
Defined benefit obligations (Note 25)	84,527	-	6,317	90,844
Other	-	-	2,780	2,780
Total provisions - University	91,590	(458)	10,752	101,884
Subsidiary pension provision	1,901	-	487	2,388
Total provisions - Consolidated	93,491	(458)	11,239	104,272

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. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,413,919, a decrease of £970,427 from the current year end provision.

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

21 Cash and cash equivalents			
Consolidated	At 1 August 2018 £'000	Cash Flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	107,806	(61,079)	46,727
	107,806	(61,079)	46,727

22 Capital and other commitments	2019		2018	
Provision has not been made for the following capital commitments at 31 July 2019:	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	51,571	51,571	17,048	17,048
	51,571	51,571	17,048	17,048
23 Contingent Liabilities				
Guarantees to HSBC plc for the University of Central Lancashire Students' Union	-	-	59	59
	-	-	59	59

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

24 Lease Obligations	Land and Buildings £'000	Plant and Machinery £'000	2019 Total £'000	2018 Total £'000
Total rentals payable under operating leases:				
Consolidated				
Payable during the year	3,133	258	3,391	3,734
Future minimum lease payments due:				
Not later than 1 year	2,680	271	2,951	3,019
Later than 1 year and not later than 5 years	446	666	1,112	692
Later than 5 years	4,422	-	4,422	3,920
Total lease payments due	7,548	937	8,485	7,631
University				
Payable during the year	3,008	186	3,194	3,431
Future minimum lease payments due:				
Not later than 1 year	2,586	207	2,793	2,823
Later than 1 year and not later than 5 years	106	621	727	290
Later than 5 years	101	-	101	-
Total lease payments due	2,793	828	3,621	3,113

Notes to the Financial Statements

Year ended 31 July 2019 (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 scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. 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 wholly defined contribution scheme. As a result, the amount charged to the profit and loss account 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) and therefore an expense is recognised.

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 profit or loss in accordance with section 28 of FRS 102. The Trustees are satisfied that 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.

Pension Costs

The total cost charged to the profit and loss account is £1,968k (2018: £623k). The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. As at the year-end a valuation as at 31 March 2018 was underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole. The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

25 Pension Schemes (continued)

The key financial assumptions used in the 2017 valuation are described below.

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 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<p>Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p>Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% 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:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

The funding position of the scheme has since been updated on an FRS 102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS102 total scheme deficit	£11.8bn	£8.4bn
FRS102 total funding level	85%	88%

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision (note 20) reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

The 2018 actuarial valuation was finalised after the year-end which indicated a shortfall of £3.6 billion and a funding ratio of 95%. Since the year-end, following the completion of the actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £1,413,919, a decrease of £970,427 from the current provision and a lower charge to the Statement of Comprehensive Income of £447,869.

(ii) Local Government Pension Scheme

(Retirement Benefits) Disclosure for the accounting period ending 31 July 2019

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 2016 by a professionally qualified actuary. During the accounting period, the total contribution was £9,150k, of which employer's contributions totalled £6,576k and employee's contributions totalled £2,574k. 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:

	2019	2018
	% pa	% pa
Price Inflation (CPI)	2.20	2.30
Rate of increase in salaries	3.70	3.80
Rate of increase of pensions in payment	2.30	2.40
Discount Rate	2.2	2.65

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:

	2019	2018
Future pensioner age 65 in 20 years' time	25.1 (28.2)	25.0 (28.0)
Current pensioner aged 65	22.8 (25.5)	22.7 (25.4)

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

Year ended 31 July 2019 (continued)

25 Pension Schemes (continued)		
The assets in the scheme were:	2019	2018
	£'000	£'000
Equities	136,126	108,027
Government bonds	-	8,367
Other bonds	4,557	1,476
Property	25,061	22,639
Cash/Liquidity	5,126	2,215
Other	113,914	103,352
Total	284,784	246,076
Actual return on plan assets	12.9%	7.5%
Analysis of the amount shown in the balance sheet for LGPS pensions:		
Scheme assets	284,784	246,076
Scheme liabilities	(375,628)	(330,603)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 20)	(90,844)	(84,527)
Current service cost	(12,522)	(11,480)
Past service cost	(2,990)	-
Curtailments and administration expenses	(236)	(528)
Total operating charge:	(15,748)	(12,008)
Analysis of the amount charged to interest payable/credited to other finance income for LGPS		
Interest cost	(8,704)	(7,723)
Expected return on assets	6,551	5,544
Net charge to other finance income	(2,153)	(2,179)
Total profit and loss charge before deduction for tax		
Analysis of other comprehensive income for LGPS pension:		
Gain on assets	30,100	12,831
Gain/(loss) on assumptions	(25,092)	2,674
Total other comprehensive income before deduction for tax	5,008	15,505

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

25 Pension Schemes (continued)					
History of experience gains and losses – LGPS pensions	2019	2018	2017	2016	2015
Difference between expected and actual return on assets					
Amount £'000	30,100	12,831	11,101	27,196	7,527
% of assets at end of year	10.6%	5.2%	4.9%	13.1%	4%
Experience (gains)/losses on scheme liabilities					
Amount £'000	25,092	(2,674)	17,284	48,692	(18,591)
% of liabilities at end of year	6.7%	0.8%	5.5%	16.6%	8%

Cumulative actuarial loss recognised as other comprehensive income for LGPS pension	2019	2018
	£'000	£'000
Cumulative actuarial losses recognised at the start of the year	(84,527)	(92,088)
Cumulative actuarial losses recognised at the end of the year	(90,844)	(84,527)
Analysis of movement in surplus/(deficit) for LGPS pension		
Deficit at beginning of year	(84,527)	(92,088)
Contributions or benefits paid by the University	6,576	6,243
Current service cost (includes admin expenses)	(15,748)	(12,008)
Other finance charge	(2,153)	(2,179)
Gain recognised in other comprehensive income	5,008	15,505
Deficit at end of year	(90,844)	(84,527)
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	330,603	316,800
Current service cost (net of member contributions)	15,557	11,836
Interest on pension liabilities	8,704	7,723
Actual member contributions (including notional contributions)	2,574	2,310
Actuarial loss/(gain)	25,092	(2,674)
Actual benefit payments	(6,902)	(5,392)
Present value of LGPS liabilities at the end of the year	375,628	330,603

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

25 Pension Schemes (continued)	2019	2018
Analysis of movement in the fair value of scheme assets	£'000	£'000
Fair value of assets at the start of the year	246,076	224,712
Interest on plan assets (includes admin expenses)	6,360	5,372
Actuarial gain on assets	30,100	12,831
Actual contributions paid by University	6,576	6,243
Actual member contributions (including notional contributions)	2,574	2,310
Actual benefit payments	(6,902)	(5,392)
Fair value of scheme assets at the end of the year	284,784	246,076
LGPS assets do not include any of the University's own financial instruments or any property occupied by the University.		
Actual Return on Scheme Assets		
Expected return on Scheme assets	6,552	5,544
Asset gain/(loss)	30,100	12,831
	36,652	18,375
The estimated contributions for LGPS in the financial year 2019/20 is £7m.		

(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 will increase 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;
- Total scheme liabilities for service to the effective date of £218.1 billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22.0 billion;
- An employer contribution correction cost for the implementation period of 7.3% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

Notes to the Financial Statements

Year ended 31 July 2019 (continued)

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.

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. (2018 - none).

The total expenses paid to or on behalf of 11 Board members was £11,052 (2018 £9,928 to 10 Board members). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity. In addition costs of £33,000 (2018 £26,400) were paid for the provision of administrative support to the Chair of the Board.

28 Events after the reporting period

As set out in note 25 in respect of the USS pension scheme, a new schedule of contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £970,427 in the provision for the obligation to fund the deficit on the USS pension which would instead be £1,413,919. This adjustment will be reflected in the financial statements for the year ended 30 July 2020.



The proposed reception area of the new Student Centre.





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