

University of Central Lancashire

Consolidated reports and financial statements

For the year ended 31 July 2015

University of Central Lancashire

Report and financial statements

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Legal and Administrative Details

Members of the Board

A Adams
E Adia
F Armstrong
J Edney
J Heaton-Marriott (appointed 29 January 2015)
R Hext (appointed 1 September 2014)
J Hogan
J Horrocks
G Kelleher (resigned 26 March 2015)
J Linsel (appointed 1 July 2015)
L MacNeall (resigned 30 June 2015)
W McQueen
M McVicar (resigned 31 August 2014)
D Taylor
M Thomas (appointed 26 March 2015)

Professional Advisors

Auditors - external: KPMG LLP

Auditors - internal: PricewaterhouseCoopers LLP

Tax advisors: KPMG LLP
Deloitte LLP

Bankers: Barclays Bank plc

Insurance brokers: AON Limited

Solicitors: Burnetts Solicitors
Pannone LLP
SGH Martineau LLP

University of Central Lancashire

Operating and Financial Review

Introduction

The University has had another successful year although, in line with recent trends, the broader environment has remained challenging. Student recruitment levels have been maintained, together with research excellence. Student employability remains a key area of development and the University continues to be fully committed to the Widening Participation agenda. In addition, the University's financial strength has been maintained providing a sound platform from which to implement its 2015-2020 Strategy.

This report includes a summary of a number of areas including:

- Our Mission, Values, Strategic Aims and Measures
- Statement on Public Benefit
- Engagement with Others
- International Activities
- Diversity
- Environment and Sustainable Development
- Linked Charities
- The Corporate Structure
- Financial Review
- Risk Management
- Future Risks and Uncertainties

Our Mission

We 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.

Our Values

- The pursuit of excellence in all that we do.
- Equality of opportunity for all, supporting the rights and freedoms of our diverse community.
- The advancement and protection of knowledge, freedom of speech and enquiry.
- Supporting the health, safety and wellbeing of all.

Strategic Aims – The University Strategy 2015-2020

The University has identified the following Strategic Aims:

- The University will 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.
- The University will 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.
- The University operates in a global market place. Our activities, from our internationally focused research to our curriculum and study opportunities, will be international in their outlook.
- The University will continue to inspire positive change in organisations and people from all walks of life, enabling them to achieve their full potential.
- We will further strengthen our financial stability, growing income from a diverse range of sources, so enabling continual reinvestment in our people and infrastructure.

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Operating and Financial Review (*continued*)

Key Performance Indicators (The Uclan Measures)

The University Strategy 2015-2020 sets out the Key Performance Indicators (KPIs) that will be used to measure progress in achieving the strategic aims of the University over the next five years. The KPIs have been set for each year of the Strategy and are quantifiable and measurable; these will be reported to the Board on a regular basis.

Statement on Public Benefit (2014/15 academic and financial year)

The University is an exempt charity under the terms of the Charities Act 2011. The Board of Governors (the Board), who are the trustees of the charity, have paid regard to the Charity Commission's public benefit guidance and that provided by the Higher Education Funding Council for England (HEFCE) as the principal regulator. As a Higher Education Corporation (HEC), the University's objects are inferred from the powers of a HEC, 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: provide higher education, and carry out research and knowledge exchange.

The University's mission and values are translated into the University's strategic plan. It is this strategy which enables the University to fulfil its charitable objects and is monitored by Uclan's Measures.

In compliance with the public benefit reporting requirements - as defined in Charities Act 2011 and Annex E of HEFCE's 'Memorandum of assurance and accountability between HEFCE and institutions - June 2014' - there must be consideration of whether the pursuit of these charitable objects causes detriment or harm, or if they generate private benefit. The University does not consider that any disproportionate detriment or harm arises from carrying out the University's aims.

The University delivers public benefit in a number of ways some of which are summarised below.

Engagement with Others

(a) Staff

The University Staff Survey results for 2015 show a healthy balance of opinions from staff about working at Uclan. A response rate of 66% means the University has a robust set of results on which to make decisions and inform the development and implementation of its strategy to improve employee engagement.

The organisational strengths contribute to a high level of employee engagement measured in the question '*the University is a good place to work*' with 88% of staff who agree it is.

The University has improved on its 2013 Employer of Choice Score (3.31) to achieve a 2015 score of 3.34. Organisations with a score of 2.50 are considered a good employer whilst those with a score of 3.00 or above are considered to be an Employer of Choice.

The results indicate a need to focus on improving communication and co-operation across different parts of the University as well as how change is managed. This would further improve employee engagement, job satisfaction and ultimately the morale, motivation, health and wellbeing of employees enabling them to continue to provide a good quality of service.

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Operating and Financial Review *(continued)*

(b) Students

Student engagement is a key priority in improving student experience and the University is committed to working in partnership with the Students' Union (SU) in aligning the focus of our activities and priorities. Elected officers of the SU are members of the University Board of Governors, the Academic Board, and its committees. They are represented on development and task and finish groups.

The Higher Education Review (HER) took place in March 2015 and was conducted by a team of several Quality Assurance Agency (QAA) reviewers. Two documents were submitted to the QAA in preparation for our review. These were University's self-evaluation document (SED) and the Student Written Submission (authored by the Students' Union). In addition the SU Education Officer was a member of the working group that was established to manage the Higher Education Review and fed into the production and commented on the University's self-evaluation document (SED). The HER report was published in May 2015 and stated that *'There is evidence that the University is using a range of quality review processes to identify opportunities for enhancement. Initiatives such as 'Student First', the ongoing 'Student Voice' review and a rolling programme of academic audits indicate that the University is proactive in responding to these opportunities'*.

Engagement with the SU has been instrumental in shaping the future direction of our student voice and the University has approved revisions to the personal tutoring system, the organisation and management of staff/student liaison meetings, the introduction of anonymous marking and the re-introduction of the module feedback questionnaire. Collectively, these provide students with the opportunities to engage with the University and to enhance their student experience by providing timely and detailed feedback about their experiences. The College Student Experience Committees and the University Student Experience Committee monitor and evaluate these feedback mechanisms and review the action plans that respond to student feedback.

Students actively engage with the University to inform curriculum development. They are invited to participate in course approval events and course committee meetings within academic Schools, in addition to providing feedback on their courses through a range of formal and informal contacts. They are involved in leading or contributing to development of plans for the embedding of knowledge and skills in the curriculum across the University. This academic year students have contributed to the Higher Education Academy supported project developing an implementation plan for employability and enterprise in the curriculum. Through the SU students have worked with us and led the development of a range of case studies identifying ways in which knowledge and understanding of corporate social responsibility and sustainability are delivered within our courses, for which they won a national award.

(c) Regional Educators and Employers

The University is committed to engaging with regional educators and employers both at a strategic level and through the operational networks of academic and administrative teams across all areas of business. There is a very strong network of formal and informal arrangements with Further Education Colleges where we franchise or validate qualifications at levels 3-7. This network is one of the largest in England. Within the Higher Education Review, the effectiveness of the partnership network with regional educators was highlighted by the QAA assessors as an area of our good practice. Through our public engagement and outreach work we link in with a very wide range of schools and academies, putting on a range of events which bring young people onto the campus for academic and social activities. Teams visit schools and communities to raise awareness of higher education and to support the development of the curriculum building on from the compulsory stage of education. We host the National Collaborative Outreach Network centres for Lancashire and Cumbria and lead the partnership in Lancashire of other regional universities and further education colleges. This network has mapped out all education providers and is seeking to put in place a comprehensive range of activities to ensure

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Operating and Financial Review *(continued)*

all school children are involved in some way that raises their aspirations and awareness of higher education. Our public engagement team host schools in a variety of ways, including, for example, the very popular Science Festival attended by thousands of school children. Staff across the organisation are encouraged to sit on Boards of Governors of our partners to ensure we contribute to the development of education within the region.

Engagement with employers takes place across the organisation at all levels. Academic staff involve employers in the development of curriculum, validation events, teaching and assessment of students, development of higher apprenticeships and through careers and alumni events. All students have some form of work experience built into the curriculum and through our partnership with employers we also make an internship scheme available to all graduates who are not in graduate level employment or further study within 6 months of graduation. The Careers Service and the Innovation and Enterprise teams host a range of events with and for employers, including large scale careers events, and academic teams host professional and industry conferences, which bring thousands of employers from the North West and further afield onto campus through the year. At a strategic level, senior staff link with and actively participate in Boards, Committees and Working Groups with the Lancashire Local Enterprise Partnership, local authorities, professional bodies and various employer networks. Each major discipline hosts employer boards, which feed into university employer boards to help inform our strategy and approach.

International Activities

Over the year the University's international strategy changed away from the development of comprehensive overseas campuses. The new strategy does not involve investment in property, but instead involves development of high quality blended higher education delivered through partnerships.

The campus in Cyprus has shown steady growth in revenue for the past two years, and the growth is being maintained for the next year. Its academic performance is excellent, both in terms of staff qualifications and student retention, and it is actively addressing the bi-communal needs of its location in the UN buffer zone.

Other international partnerships are performing well, supporting 2,700 students studying overseas and articulating the majority of the 2,200 international students who study at Preston.

Diversity

The University held its 4th Diversity Conference in November 2014 on 'Gender in Higher Education'. Speakers included Roma Agrawal, designer of the Shard, who shared her passion for design, science and equality and James Lush from the Equality Challenge Unit, discussing the Athena Swan Charter mark (following on from the University's Bronze award for Athena Swan in September). The conference also considered how gender affects personal identity, how thriving in a traditionally gendered environment takes a variety of skills, resilience and ambition and how students' perspectives on gender have evolved.

The Leadership Foundation in Higher Education (LFHE) women's development programme (Aurora) enters its third year. The University has participated every year, sending four people the first year, and seven last year, from all parts of the University. The selection process is underway for the next intake in February 2016.

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Operating and Financial Review *(continued)*

Environment and Sustainable Development

The University's Environment and Sustainability Policy, which sets the framework for sustainability, is approved by both the Interim Vice-Chancellor and the SU President with work centrally coordinated by Facilities Management. The University's significant environmental aspects are managed and mitigated through the implementation of an Environmental Management System. In October 2013, the University's Environmental Management System (EMS) was re-certified to the international standard ISO14001:2014. Work continues to ensure that the University is set for re-certification in October 2016 to the revised standard ISO14001:2015. Certification gives the University the assurance that the Environmental Management System is effective and demonstrates to stakeholders that the University is committed to improving its environmental performance.

Engaging staff and students on sustainability is an important part of the work of the University's Facilities Management Green Team and working in partnership with the Students' Union Green Ladder project has ensured the success of events such as the annual Green Week held in February.

Linked Charities

University of Central Lancashire Foundation

The University of Central Lancashire Foundation (the Foundation) is an exempt charity. The objects of the charity include furthering the work of the University and applying the Foundation's funds for the benefit of the students and former students of the University who, in the opinion of the Trustee, are in need of financial assistance or who merit recognition for their contributions with the provision of specific prizes. During the financial year the Trustee has continued to seek donations, gifts and pledges and to consider disbursements in line with the Trust Deed.

Westlakes Research Limited (operating as the Samuel Lindow Foundation)

The University is the sole member of Westlakes Research Limited, an exempt charity, which is operating under the name of The Samuel Lindow Foundation. The Trustees have paid regard to the Charity Commission's public benefit guidance. The charity is focused on making educational advancement available and attractive to a larger part of the community. The charity owns a state-of-the-art educational centre on the Westlakes Science and Technology Park in West Cumbria which is available to the charity's beneficiaries: students, local businesses, professional societies and public bodies supportive of educational engagement and communications.

The Corporate Structure

The University delivers its mission primarily through the Higher Education Corporation known as the University of Central Lancashire, a charity by statute. In addition, within the University structure there are two other educational charities, as mentioned above, Westlakes Research Limited and the University of Central Lancashire Foundation, and a number of separate companies. This structure enables appropriate transparency and accountability for a number of specific activities, and these legal bodies are included in the University's Consolidated Financial Statements as subsidiaries or associates. Additionally, the University operates a Death in Service Scheme for its staff and there is a Board of Trustees constituted to oversee the disbursement of any benefits due under the Scheme.

The University provides grant support to the University of Central Lancashire Students' Union and acts as guarantor to loans the Students' Union has taken out to refurbish buildings owned by the University. The Students' Union is managed and operates independently of the University and is separately accountable to the student body.

The University Board agreed to return to a traditional University structure in June 2015; this has now been actioned.

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Operating and Financial Review *(continued)*

Financial Performance in 2014/15 Compared to Previous Years

The University's financial performance in 2014/15 reflects the ongoing process of developing the academic excellence and physical environment of the University whilst supporting the student experience. The University Strategy requires a modest surplus to be achieved each year for reinvestment in future years which underpins the sustainability of the organisation in these challenging times. This contributes to the financial strength of the University and allows the organisation to manage ongoing issues and opportunities from a sound financial base.

The summary group financial results are set out below:

Group Financial Results	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
<u>Operations</u>					
Income	205,358	202,675	193,773	198,700	206,735
Expenditure	191,726	188,377	184,997	184,102	200,723
Operating surplus	13,632	14,298	8,776	14,598	6,012
Exceptional items and Tax	(1,341)	(2,962)	(3,186)	(31)	(20)
Group share of associated company loss	(1,210)	(1,379)	(1,687)	(251)	-
Historical cost surplus	14,468	11,982	5,959	16,437	7,818
<u>Financial Strength</u>					
Fixed Assets	247,023	251,406	256,672	264,595	254,666
Net Cash/Investments	116,671	98,833	86,520	81,096	77,552
Net Assets excluding Pension Liability	320,455	308,025	296,219	293,851	273,738
Pension Liability	(60,918)	(49,354)	(55,546)	(63,043)	(47,055)

Key features of 2014/15 were:

- Funding council grants continued to reduce in the year in line with expectations, but the reduction was more than offset by increases in tuition fees and other sources of income.
- Research project income increased by 19% from 2013/14, to a total of £6.9m.
- Following the annual assessment of the pension liability for the Local Government Pension Scheme, due to changes in the long term actuarial assumptions the liability attributed to the University has increased from £49.4m to £60.9m.
- The exceptional item relates to provisions made against overseas activities undertaken by the University's companies. Specifically, most of this relates to provision for a write down in the value of land in Cyprus, held by the University's subsidiary company, Delonore Limited.
- Losses are still being incurred by the Cyprus campus; the University's share of the losses in 2014/15 are £1.2m.
- The demolition of the Fylde building, as part of the University campus Masterplan, resulted in a write off of £1.7m in the year.
- Interest payable has reduced as a result of the early repayment of loans last year.

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Operating and Financial Review *(continued)*

Financial Outlook 2015/16 and Beyond

The University has a clear and robust financial strategy with KPIs which are reported to the Board on a regular basis to enable it to monitor performance and gain assurance against the strategy. Each subsidiary company and charity operates as a separate legal entity within the structure and is monitored by its Board who consider the individual performance and financial sustainability of each entity.

The University and subsidiary companies have produced financial plans which indicate that the University Group is well placed to support the requirements of the University Strategy 2015-2020 and future strategies. Following the cost savings undertaken during 2013/14, the University continues to review the efficiency of its business processes to ensure that resources are allocated where needed to support the student experience and to ensure the long term development and success of the University.

Overseas, we have made good progress at the Cyprus campus in terms of student numbers and the academic development of the campus, but it will take time before the campus is self-supporting. Loans made to Cyprus have been prudently provided for and, in a similar vein, provision has been made against the value of land acquired and held in Cyprus, although, again, this is taking a prudent approach.

The University and its subsidiaries are structured in a way which ensures that the various entities are legally independent of each other and are required ultimately to be able to stand alone financially. It is not customary practice for the University to provide any type of guarantees, financial or otherwise, to subsidiary companies; this is to ensure that the integrity of the individual parts of the Group's operations is maintained.

Risk Management

The Board has continued to review its risk registers, on a regular basis, including risks associated with the long term viability of the University and delivery of its strategy. In doing this the Board continues to work within its agreed risk profile with a view to maximising the success of its 2015-2020 Strategy.

Future Risks and Uncertainties

The UK Government is committed to maintaining the £9,000 fee regime in the current Parliament but will be introducing the Teaching Excellence Framework (TEF) shortly. This measure will be linked to fee changes in a way that enables the top performing Universities to increase fees in line with inflation. Like the Research Excellence Framework (REF) it is likely to be a periodic review with outcomes lasting for several years. It is important that the University keeps abreast of the measures which will be used to generate a judgement. These may include membership of professional bodies such as the Higher Education Academy, performance against key measures in the National Student Survey and the outcome of QAA audits. We have recently established a Centre for Excellence in Learning and Teaching and the newly appointed Head will work with our Pro Vice-Chancellor's (PVCs) to ensure that appropriate staff development is in place to enhance our performance against the key measures once announced.

The Government is also drafting a new Green paper which will open up Higher Education to the free market. New providers will be allowed to offer degrees without the need for a University partner. This will be aligned with a review of Further Education to improve the ability of Colleges to recruit to Higher Education and widen participation in society as a whole. This will have an impact on our relationship with Further Education partners and an associated effect on income. Uclan will work with preferred partners to deliver franchise activity which will strengthen those links and optimise the income benefits. Part of this will be a focus on selectivity in relation to our standard entry by raising the entry tariff to align with those of our direct competitor set. This will make our relationship with Further Education less competitive and more complementary.

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Operating and Financial Review (*continued*)

In the past three years we have observed an increase in the number of students entering Uclan via the Foundation Year. We will explore options in this area to enhance and develop the Further Education relations. In addition, we are committed to increasing our students in Engineering by 500 per year and have commenced a University wide portfolio review led by the PVC (Academic Development) which will provide a modernised range of courses with clear career pathways and rationalised entry requirements to improve recruitment of high quality applicants. Simultaneously, the PVC (Student Experience) will work with University managers to address elements of our provision which impact negatively on student retention. In particular, there will be a focus on support students undertaking assessment and reassessment with an emphasis on success as a preferred outcome. This will improve both Student satisfaction and University income.

The *University Strategy 2015-2020* calls for an increase in international student numbers of 50% over the next five years. There are, however, risks associated with the international activities including:

- International recruitment markets are mature and increasingly competitive, and prospective students commonly use league table rankings to help select their institution.
- Our government wishes to reduce international student numbers in the UK as part of its immigration agenda, and is strengthening regulations to that end.

Conclusion

The Board recognises the significant achievements and progress made by the University in the last twelve months but also acknowledges the challenges ahead. The UK HE environment will continue to change over the life of this Parliament whilst international markets are challenging and competitive and will need to be negotiated carefully to achieve the required results.

On behalf of the Board, I would like to place on record our thanks to all who have contributed to the success of the University in the past year and to wish our new graduates every success in the future.

A resolution to reappoint KPMG LLP as auditor to the University was approved at the Board of Governors meeting on 19 November 2015.

D Taylor
Chair of the Board
November 2015

University of Central Lancashire

Corporate Governance

This statement below has been amended to reflect recent changes to the governance arrangements and likely future changes following the decision of the University's Board of Governors (the Board) on 25 June 2015 to move away from the current group structure. The document has also been prepared in line with the revised Higher Education Code of Governance published by Committee of University Chairs (CUC) in December 2014.

Key Aspects of Corporate Governance

The Board, and through it the University, is committed to meeting its duty of fulfilling and maintaining the highest standards of Corporate Governance. The Board seeks to achieve this through:

- continued compliance with the CUC Code of Governance in all areas including adoption of a Statement of Primary Responsibilities.
- continued compliance with the Higher Education Funding Council (HEFCE) Memorandum of Assurance and Accountability as revised from time to time.
- a commitment (to which all Board members sign a written undertaking), to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
- setting its governance arrangements with due regard to the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC), relevant guidance issued by the Higher Education Funding Council for England (HEFCE) and good governance practice wherever this can be identified.
- ongoing review of the effectiveness of the Board.
- effective application of the approved Scheme of Delegation in the light of the new Strategic Plan.
- ongoing review, development and implementation of the Governance Manual. This includes the Scheme of Delegation, Standing Orders and the Terms of Reference of the Board and its Committees and governance practice in relation to the recruitment, appointment and conduct of Board members.

The commitment of the University to good governance is evidenced through, for example:

- reports from the internal auditor which confirm that the University continues to satisfy HEFCE's minimum corporate governance requirements.
- a HEFCE Assurance Review was undertaken in the early part of 2014 and concluded that "we are able to place reliance on the University's accountability information". This information was presented to the Board and to the Audit and Risk Committee.

In addition to the above, the following paragraphs together with the Statement of Primary Responsibilities and the Statement on Internal Control, explain how the University has applied the principles of good governance and best practice as set out in the CUC code and relevant sector guidance.

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Corporate Governance *(continued)*

Governance and Legal Structure

The University of Central Lancashire is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government approved by the Privy Council in June 2003.

The Articles and associated Instrument of Government set the governance framework for the University and, amongst other things, require the University to establish a governing body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage University activities.

The University completed a significant review of its Group structure and governance framework during 2013/14. It was agreed that, due to the increasing complexity of the University's profile, changes within the Higher Education sector and the growth of the international market, a failure to revise the University's structure and governance framework could inhibit the future development of the University.

Accordingly, it was agreed to move to a revised Group structure and to amend and update the University's governance framework, including the University's Articles of Government, Instrument of Government, Scheme of Delegation and Statement of Primary Responsibilities. However, before all the proposed changes had been fully implemented, a further review during 2015, led to a decision in June 2015 to move away from the proposed Group structure.

The position with regard to the revision of each of these documents and their use throughout the year is as follows:

Articles and Instrument of Government – at the time of writing the existing Articles and Instrument of Government have been in place, unchanged, since 2003 and apply to the University for the full financial year to which these accounts refer. Copies of these documents are available on the University's website and from the Clerk to the Board. Revised Articles and Instrument were agreed by the Board at their meeting in May 2013 and subsequently submitted to the Privy Council for approval. The Privy Council suggested a number of amendments to the revised draft. However, following a review of the operation of the University Group in June 2015 the Board agreed to move away from the Group arrangements. Accordingly, a further Report (incorporating revised Articles and Instrument of Government) reflecting the change and the comments of the Privy Council will be presented to the Board during the next few months.

The current **Scheme of Delegation, Standing Orders and Statement of Primary Responsibilities** have been in place since August 2013.

It is anticipated that the Standing Orders and Scheme of Delegation will be revised by the Board in line with best practice and to reflect the provisions of any revisions to the revised Articles and Instrument of Government as approved by the Privy Council.

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Corporate Governance *(continued)*

The University Board

The University Board (the Board) is the governing body of the University. The responsibilities of the Board are set out in the Statement of Primary Responsibilities. The Statement of Primary Responsibilities is set out on page 19.

The Statement of Primary Responsibilities in use throughout the year include the determination of the educational character and mission of the University, the oversight of its activities, the effective and efficient use of resources, the solvency of the University and its subsidiaries and the safeguarding of University assets.

During the period to which these financial statements apply the Board and five Committees established by the Board worked to clear terms of reference.

Constitution and Operation of the University Board

The Board has a majority of independent members chosen in accordance with strict criteria contained in legislation and reflected in its constitutional documents. Governance arrangements include provision for appointment of members drawn from the staff and student population of the University.

The Instrument of Government in place throughout the year provided the Board with the authority to determine the period of office of members. In accordance with procedures agreed by the Board, all new members were initially appointed for an initial induction year. Following completion of their induction year, members were considered for a further period of office following the Board's evaluation of their participation and contribution to the Board and the wider University community. Typically, these additional terms of office were for two years, with members serving for a maximum of 7 years, though in exceptional circumstances this could be, and sometimes was, extended.

New members of the Board undertake a programme of induction in their first year and all members are encouraged to participate in appropriate training. This includes attendance at relevant external training (for example, those provided by the HE Leadership Foundation), briefing seminars and networking events relevant to their role. The University meets the full cost of this. Members are entitled to claim reasonable expenses in the exercise of their duties. No member of the Board receives any remuneration for their service on the Board.

The Board currently comprises 12 members. However, the Nominations Committee on behalf of the Board is currently in the process of identifying additional independent members and will report back to the Board with recommendation in the coming months. At the time of writing the Board comprises 9 independent members, 1 staff member, 1 student member (the president of the University's Students' Union), and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met eight times during the year. The Board and some Committee meetings included specific presentations and briefings on strategic issues and the Board agreed a new Strategic Plan.

Committees and Working Groups

Some of the detailed work of the Board was carried out by four Committees: Audit and Risk Committee, Nominations Committee, Remuneration Committee and International Committee. Detailed written terms of reference for Audit and Risk, Nominations and Remuneration Committees have been agreed.

The International Committee and an Urgent Business Committee were formed during the year.

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Corporate Governance *(continued)*

The Committees are (where possible) scheduled to meet in accordance with an agreed business cycle which is designed to ensure that the operational requirements of the University are met. Committee meetings are also called on an 'as and when' basis to meet ad hoc operational requirements. In addition to reports from the Executive and the Clerk, when appropriate, the Board receives updates from each Committee Chair setting out the decisions made by the Committee and highlighting any recommendations for consideration by the Board. Minutes of meetings of the Board and Committees are made available to staff, students and other stakeholders subject to restrictions on disclosure in accordance with the Freedom of Information Act.

Each year, the Board and Committees are required to consider and confirm that they have fully discharged their responsibilities as set out in their terms of reference. A full record of attendance at Committee and Board meetings is maintained (copies are available on request from the Clerk to the Board).

Development and implementation of matters under consideration or approved by the Board or Committee(s) sometimes involve the establishment of advisory working groups. These provide a forum for members and, occasionally, senior management to work together to ensure that the Board and Committee(s) are fully advised of issues on which they are being asked to make a decision. At the request of the Vice-Chancellor and with the consent of the Chair, senior executive management attend meetings of the Board and its Committees to inform debate and discussion.

A Key Performance Indicator (KPI) reporting framework supports the agenda and assurance reporting structure and measures and monitors University performance against agreed strategies and targets. The reports include performance in relation to approved budgets, cash flow, treasury management and other key resources issues.

Audit and Risk Committee

Jim Edney served as Chair of the Audit and Risk Committee throughout the year. The Board was satisfied that the Chair has appropriate recent and relevant financial experience for this role. The Committee's role is to support the Board in its responsibilities for the issues of risk, control and governance and associated assurance and to identify any threat or possibility that an action or event will adversely affect the University's ability to achieve its objectives.

The annual internal audit programme is structured to provide developmental, strategic and operational audits in addition to other audits that may be approved from time to time. Internal audit reports include recommendations for improvements to the University's internal control systems, together with the management's responses to those recommendations and associated implementation plans. Additionally, the Audit and Risk Committee receives and considers relevant reports from HEFCE, the National Audit Office and other relevant bodies as they affect the University's business and monitors adherence to regulatory requirements.

The Board has approved a set of policies and an approach to risk management in the University, aligned strategic objectives and embedded in day to day management. The Audit and Risk Committee employs a risk-based approach to the evaluation of the effectiveness of the system of internal control and receives reports that enable it to form a view and advise the Board. This approach is explained in the Statement on Internal Control contained within these financial statements.

The Committee, which met twice during the year, provides the opportunity at each meeting for members to meet with the internal and external auditors without officers of the University present.

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Corporate Governance *(continued)*

Nominations Committee

Andrea Adams served as Chair of the Nominations Committee throughout the year. The Committee's role is to consider candidates identified as prospective board members and make appropriate recommendations to the Board. The Committee met four times during the year.

Remuneration Committee

This Committee met four times during the year with Janice Horrocks, Deputy Chair of the Board, undertaking the role of Chair for the year

The role of the Committee is to ensure that contractual terms in relation to the employment of the Group Chief Executive, Vice-Chancellor and other designated senior staff, including ensuring that the terms relation to payments, are fair to the individual and the University. During the year, the Board amended the Terms of Reference the Committee to make it clear that the Committee was responsible for agreeing the remuneration of all senior staff reporting to either the Group Chief Executive or Vice-Chancellor.

International Committee

The International Committee Terms of Reference were agreed by the Board at its meeting on 27 November 2014. The Committee has the oversight of the development and implementation of the International Strategy of the University. The members of the Committee are David Taylor (Chair), Jon Hogan, Bill McQueen. On 19 September 2015, the Board also appointed Richard Hext to the Committee.

Urgent Business Committee

The Urgent Business Committee Terms of Reference were agreed by the Board on 29 January 2015. The Committee deals with matters that are urgent that cannot reasonably await consideration at the next meeting of the Board. The Committee replaces the previous Chair's procedure. The members of the Committee are David Taylor, Janice Horrocks, Jon Hogan and Fiona Armstrong.

The Academic Board

Under the Scheme of Delegation, the Academic Board is a freestanding body responsible for oversight of the academic affairs of the University. It is particularly concerned with general issues relating to the learning and teaching, research and assessment work of the University. Membership of Academic Board is drawn entirely from the staff and the students of the University.

The Vice-Chancellor is head of the academic function of the University and Chair's the Academic Board. The governance arrangements of the University require Academic Board to produce an Annual Report which is submitted formally to the University Board.

The Chair of the Board of Governors

The Chair and Deputy Chair of the Board of Governors (the Board) during the year were David Taylor and Janice Horrocks respectively.

Formal procedures are in place for the selection, appointment and re-appointment of the Chair, and there is a written role description. The Constitution of the Board requires that the Chair's appointment is subject to formal re-election by Board members at the first full meeting of the Board each year. A procedure is also in place for an annual evaluation by Board colleagues of the leadership performance of the Chair.

The Scheme of Delegation in place during the financial year included clear statements as to the division of responsibilities between the Chair and the Vice-Chancellor.

University of Central Lancashire

Corporate Governance *(continued)*

Group Chief Executive

Mr Richard Hext served as Group Chief Executive with effect from 1 September 2014 until 30 September 2015. He was the accountable officer for the purposes of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England and was responsible for:

- working with the Board, boards of the subsidiaries of the Corporation and others to develop and deliver the vision, values, strategic direction and performance of the University and its group companies, and for implementing the decisions of the Board;
- inspiring the success of the Group through organisational excellence ensuring strong leadership and a high performance culture to achieve the goals and objectives of the Group;
- promoting and expanding the Group's reputation, profile and interests with national and international governments, employers, students and education bodies; and
- ensuring the sustainability of the Group so it can achieve its strategic goals.

Following the decision of the Board in June 2015 to move away from the group structure, the post of Group Chief Executive is likely to be disestablished and the key elements of the role will be undertaken by the Vice Chancellor. However, in order to ensure that Mr Hext's significant knowledge and experience is not lost to the University, at the meeting on 24 September 2015, the Board appointed Mr Hext as an independent Board member.

The Vice-Chancellor

Professor Gerry Kelleher served as Vice-Chancellor until March 2015 when he retired. Upon the retirement of Professor Kelleher, Professor Mike Thomas was appointed as Interim Vice-Chancellor. Currently, the Vice-Chancellor is responsible for the following duties:

- the organisation, direction and management of the University and leadership of its staff;
- the appointment, assignment, grading, appraisal, suspension, dismissal and determination – within the framework set by the Board – of the pay and conditions of service of University staff other than the Vice-Chancellor;
- the determination, after consultation with the Academic Board, of the University's academic activities, and for the determination of its other activities;
- the maintenance of student discipline and, within the rules and procedures provided for within these Articles, for the suspension or expulsion of students on disciplinary grounds and for implementing decisions to expel students of the University for academic reasons.

University of Central Lancashire

Corporate Governance *(continued)*

Nominated Officer

The Boards of subsidiary companies of the University comprise members of staff of the University. In accordance with HEFCE recommended practice, a Nominated Officer is responsible for reporting on company affairs. During the year the Deputy Director of Finance served as Nominated Officer.

The University has a direct or indirect legal and/or financial relationship with a number of companies. These companies facilitate sector initiatives, economic regeneration initiatives or provide the means through which to develop overseas projects. The University is entitled to appoint a director onto the Boards of the majority of those companies and, where this is not the case, the University has the right to be represented at general meetings.

Clerk to the Board

The Clerk to the Board is responsible for management of the Governance function (i.e. support to and management of procedures and business related to the Board and its Committees, production of minutes of all meetings of the Board, its Committees and Working Groups and provision of independent advice on matters of governance to all members of the Board and Committees).

The role of Clerk to the Board also undertakes some executive duties. In order to ensure independence and minimise possible conflicts of interest, the post holder reports directly to the Chair of the Board in addition to the Vice-Chancellor. The post holder is also the Legal Officer of the University and acts as Secretary to subsidiary companies.

Register of Interests

Board members, as well as senior members of staff, are required to disclose and keep up to date details of their interests and other material time commitments in a register kept by the Clerk to the Board. The register is reviewed annually and is available for public inspection by arrangement with the Clerk.

Commitment to Continuous Improvement

The Board recognises the need for continuous improvement and during the year has worked to ensure:

- Continued development of the linkages between evaluation and monitoring of performance of the Board with the achievement of strategic objectives. This is being achieved through the KPI reports and developments to the Board Risk Register.
- Continued development of University performance evaluation through appropriate external benchmarking and the KPI reports.
- Continued efforts to improve communication with and between members of the Board outside of formal meetings.
- Continued development of governance practice and procedures to ensure best practice and full compliance with the CUC Code and HEFCE guidance.

University of Central Lancashire

Corporate Governance *(continued)*

Internal Control

The University's Board (the Board) is responsible for the University's system of internal control and for reviewing its effectiveness. The Board, via its Audit and Risk Committee, conducts an annual review of the University's systems of internal control. Such reviews examine material controls, including financial, operational, compliance and governance together with the systems in place for the identification and management of risks, value for money and oversight of data management. In addition a formal report is prepared by the University's external auditors highlighting matters identified in the course of its statutory audit work and this report is reviewed by the Audit and Risk Committee in the presence of the Vice-Chancellor or his representative, the Director of Finance, and the external and internal auditors. The Audit and Risk Committee also considers reports prepared by the internal auditors. The findings and recommendations of the Audit and Risk Committee are reported to the Board.

The Board is fully committed to the identification, evaluation and management of significant risks facing the University and has worked with the Group Chief Executive Officer and the Vice-Chancellor to ensure processes and protocols are in place at appropriate levels that enable this to be achieved. The Board has agreed a statement of risk appetite as part of the University's risk process. Such a system is designed to mitigate and manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Nevertheless, the Board places great emphasis on improving the University's position, either through improved mitigation measures to reduce the likelihood of the risk occurring, or in monitoring controls to limit the impact in the event that it materialises. In order to feed into their reviews of the register and the risks within it, the Board receives at least an annual report from management on any changes to the risk environment or profile of the risks delegated to them. The report also includes any potential new risks, as well as advising on risks that are believed to be no longer relevant to the organisation. In addition to this formal review, the Board reviews the key risks to which the University and its subsidiaries are exposed on an on-going basis together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

The Board is of the view that there is an on-going process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements; that it is regularly reviewed by the Board; and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The risk management arrangements are subject to regular internal audit inspection that is reported to the Audit and Risk Committee as part of the assurance necessary for this statement.

The Audit and Risk Committee approved an internal audit plan for the year. In addition to a range of operational audits the Committee commissions a number of strategic audits to review internal controls around key aspects of the University Strategy 2015-2020. The portfolio of audits is considered against the risk register to ensure appropriate coverage of reviews.

The Audit and Risk Committee receives and reviews reports from the internal auditors which identify the recommendations made to management and which also provide comment on the general internal control environment.

University of Central Lancashire

Corporate Governance *(continued)*

The Vice-Chancellor is responsible for providing assurance to the Audit and Risk Committee that recommendations and agreed actions included in audit reports have been implemented in a timely manner and progress with implementation is regularly reviewed. Such assurance, based on review of progress against recommendations, has been given during 2014/15. In addition, the follow up procedure for monitoring implementation of agreed internal audit recommendations is subject to review by the internal auditors. The emphasis for the Audit and Risk Committee is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its October 2015 meeting, 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 2015 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2015.

The University has a clearly documented fraud response plan with the statement on the University's approach to fraud being endorsed by Audit and Risk Committee. Reports on the convening of the Fraud Response Group are made to the Audit and Risk Committee and where these investigations have raised questions over the strength of management controls this has been considered in the generation of the internal audit plan – irrespective of the investigations outcome.

Senior managers and Company Directors have been briefed on the implication of the Bribery Act and a policy statement approved for use within the organisation's structure. Training has also been rolled out to other relevant members of staff.

It is the opinion of the Audit and Risk Committee that reliance can be placed upon the control environment within the University and that controls are operating satisfactorily. 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 statement of Internal Control and recommended it to the Board.

Conclusion

The Board continues to be of the opinion that it has fully participated in determining the future direction of the University, its strategy and operational plans, has effectively and efficiently discharged its responsibilities and duties under its Statement of Primary Responsibilities and the Scheme of Delegation and that the Board demonstrates a high level of good practice in governance. The Board complies with The Higher Education Code of Governance published in December 2014 and is confident that it has complied with the guidance contained in the CUC Guide for Members of Higher Education Governing Bodies in the UK published in November 2004 (revised March 2009).

University of Central Lancashire

Statement of Primary Responsibilities of the Board

This statement incorporates the responsibilities of the Board of Governors of the University (the Board) as laid down under the Articles of Government and amended to take account of the revised management structure of the Group. The Articles have the force of law and consequently nothing in this Primary Statement may be deemed to compromise the responsibilities under the Articles. Where there is doubt, the Articles will take precedence.

1. To meet the responsibilities of the Board as stipulated in the Articles of Government, i.e.
 - a) determination of the educational character and mission of the University and for oversight of its activities;
 - b) effective and efficient use of resources, ensuring the solvency of the University Group and the safeguarding of University assets;
 - c) approving annual estimates of income and expenditure;
 - d) appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and including the Vice-Chancellor;
 - e) setting a framework for the pay and conditions of service of all other staff.

2. For the University to:
 - a) determine the overall dimensions, shape and structure and oversight of its activities;
 - b) ensure the effective use of resources, value for money, the solvency and sustainability of the University and safeguarding the University's assets;
 - c) approve budgets and financial plans;
 - d) the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of Vice-Chancellor and his/her other senior employee direct reports;
 - e) setting a framework for the pay and conditions of service of all other staff.

3. To approve the mission and strategic vision of the University as set out in the University Strategy 2015-2020 and supporting plans (as amended from time to time).

4. To approve and keep under review the scheme of key performance indicators (KPIs) relating to the University Strategy and to ensure that these remain meaningful and relevant and that they meet the interests of stakeholders. To monitor, and to receive assurance as to performance, through KPI assurance reports (see clause 7 below).

University of Central Lancashire

Statement of Primary Responsibilities of the Board *(continued)*

5. To delegate authority to the Vice-Chancellor for the development and management of the University's assets and performance in line with agreed strategies and financial plans and for the academic, corporate, financial, estate, information and personnel management of the University and to establish and keep under review the key policies and procedures and limits within which such delegated authorities are exercised. For this purpose, key policies are defined as:

Strategic Issue or Theme	Board or delegated Committee
• University Strategy	Board
• Anti-fraud and Anti-corruption Strategy	Audit & Risk Committee
• Equality and Diversity	Board
• Financial Regulations	Board
• Health and Safety	Board
• Human Resources Strategy	Board
• Information Technology Strategy	Board
• Risk Management Strategy	Board
• Estate Management Strategy	Board
• Value for Money Policy	Audit & Risk Committee
• Sustainability Policy	Board
• International Policy	Board
• Membership Policy	Board
• Scheme of Delegations	Board

The above list may be amended from time to time.

6. To ensure establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment and management and procedures for handling internal grievances and for managing conflicts of interest (and including the Board Risk Registers).
7. To obtain from the Vice-Chancellor and from internal and external auditors (in accordance with the Scheme of Delegation (Committees)) formal assurance as to the continued relevance and effectiveness of the systems identified at 5 above. This includes systems for ensuring the accuracy of data provided by the University to HEFCE, other national bodies where appropriate and third parties.
8. To obtain independent assurance (i.e. through audit) that effective processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved KPIs, which should be – where possible – benchmarked against other comparable organisations.
9. To conduct its business in accordance with best business practice in corporate governance, the UK Committee of University Chairs Governance Code of Practice, the requirements of National Governments wherever the University has activities and within the principles of public life drawn up by the UK Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

University of Central Lancashire

Statement of Primary Responsibilities of the Group/University Board *(continued)*

10. To safeguard the good name and values of the University of Central Lancashire and its subsidiaries.
 11. To appoint the Vice-Chancellor of the University and to put in place suitable arrangements for monitoring the performance of the post holder.
 12. To appoint a Clerk to the Board and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in lines of accountability.
 13. To be the employing authority either directly or through subsidiary companies for all UK based employees of the University Group and to be responsible for establishing and monitoring a human resources strategy.
 14. To be the principal financial and business authority of the University and its subsidiaries, to ensure that proper books of account are kept. To approve the annual budget and financial statements and to have overall responsibility for the assets, property and estate of the University and its subsidiaries.
 15. To ensure that appropriate systems are in place for meeting the legal obligations of the University and its subsidiaries and for obtaining (or for receiving assurances as to the receipt of (as determined by the Board)) timely professional legal advice on general and on specific issues arising from time to time. This includes legal matters arising from contracts and other legal commitments made, or proposed to be made.
 16. To make such provision as the Board thinks fit for the general welfare of University students in consultation with the Academic Board.
 17. To act as Trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University. This includes the University of Lancashire Foundation for which the Board is Trustee.
- Note: All members of the Board are members of the Trustee by virtue of their membership of the University Board.*
18. To ensure that the University's constitution is followed at all times and that appropriate governance arrangements are in place and that appropriate advice and assurance is available to ensure this happens.

University of Central Lancashire

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF CENTRAL LANCASHIRE

We have audited the group and University financial statements (the “financial statements”) of University of Central Lancashire for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the state the name of the Statement of Responsibilities of Board of Governors Statement set out on page 19 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s and University’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group’s income and expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE’s *Accounts direction to higher education institutions for 2014-15 financial statements*.

University of Central Lancashire

Report of the independent auditor *(continued)*

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.

Stephen Dunn
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Manchester

The maintenance and integrity of the University of Central Lancashire website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

University of Central Lancashire

Statement of accounting policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) on 'Accounting for Further and Higher Education' and in accordance with applicable accounting standards. They conform to the guidance published by the Higher Education Funding Council for England. The Income and Expenditure account has been prepared in respect of continuing operations and on a going concern basis.

2. Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

3. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University of Central Lancashire Higher Education Corporation (HEC) and all its subsidiary undertakings and the University of Central Lancashire Foundation for the financial year to 31 July 2015. For the purposes of consolidation, Uclan (Cyprus) Limited is treated as an associate company. The consolidated financial statements do not include those of the University of Central Lancashire Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

4. Recognition of income

The recurrent grants from the Higher Education Funding Council for England represent the funding allocation which is attributable to the current financial year and is credited directly to the income and expenditure account.

Grants which are applied to acquire tangible fixed assets are credited to deferred grants and released to the income and expenditure account over the estimated useful lives of the relevant assets.

Tuition fees represent student fees received and those to be received for the current accounting period.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Income from short term deposits is accrued up to the balance sheet date.

University of Central Lancashire

Statement of accounting policies (*continued*)

5. 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 Earnings-Related Pension Scheme.

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.

6. Maintenance of premises

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

7. Tangible fixed assets

a. 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.

In accordance with FRS15, a full revaluation of land and buildings was undertaken during 2010/11 and an interim valuation was undertaken as at 31 July 2014, carried out by GVA Grimley Limited.

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

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the 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.

University of Central Lancashire

Statement of accounting policies (*continued*)

7. Tangible fixed assets (*continued*)

b. Equipment

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account 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 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 income and expenditure account over the useful economic life of the related equipment.

8. Stocks and work in progress

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

9. Taxation status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

10. Provisions

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

11. Investments

Current asset investments are valued at the market rate.

12. Cash at bank and in hand

Cash at bank and in hand includes sums on short-term deposit with recognised banks.

University of Central Lancashire

Consolidated income and expenditure account

for the year ended 31 July 2015

	<i>Note</i>	2015 £000	2014 £000
Income			
Funding council grants	1	26,699	42,443
Tuition fees and education contracts	2	144,717	127,185
Research grants and contracts	3	6,940	5,831
Other income	4	25,906	26,341
Investment income	5	1,096	875
Total income		205,358	202,675
Expenditure			
Staff Costs	6	109,464	110,490
Depreciation	9	6,893	7,163
Other operating expenses	7	74,622	67,729
Interest payable	8	747	1,975
Interest payable – FRS17	8	-	1,020
Total expenditure	9	191,726	188,377
Surplus after depreciation of assets at valuation / cost and before tax		13,632	14,298
Taxation	10	149	(168)
Group share of associated company profit/(loss)	12	(1,210)	(1,379)
Exceptional item - provisions against overseas entities	12	(1,490)	(2,794)
Surplus for the year		11,081	9,957

Note of historical cost surpluses and deficits

for the year ended 31 July 2015

	<i>Note</i>	2015 £000	2014 £000
Surplus after depreciation of assets at valuation/cost		11,081	9,957
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	1,927	2,025
Realisation of property revaluation gains of previous years	22	1,460	-
Historical cost surplus for the period		14,468	11,982

University of Central Lancashire

Balance sheets

as at 31 July 2015

	<i>Note</i>	Consolidated		HEC	
		2015	2014	2015	2014
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11	245,853	250,413	242,982	246,371
Investments	12	1,170	993	1,883	3,024
Investment in Associates and Joint Ventures	12	-	-	-	-
		247,023	251,406	244,865	249,395
Current assets					
Stocks	13	55	52	33	32
Debtors	14	8,335	6,962	9,571	9,105
Investments and other assets	15	7,644	7,135	7,644	7,135
Cash at bank and in hand		109,027	91,698	105,086	86,650
		125,061	105,847	122,334	102,922
Creditors: amounts falling due within one year	16	(35,942)	(33,517)	(35,850)	(33,747)
		89,119	72,330	86,484	69,175
Net current assets		89,119	72,330	86,484	69,175
Total assets less current liabilities		336,142	323,736	331,349	318,570
Creditors: amounts falling due after one year	17, 18	(8,625)	(9,225)	(8,625)	(9,225)
Provisions for liabilities and charges	19	(7,062)	(6,486)	(7,062)	(6,486)
		320,455	308,025	315,662	302,859
Net assets excluding pension liability		320,455	308,025	315,662	302,859
Pension liability	29	(60,918)	(49,354)	(60,918)	(49,354)
		259,537	258,671	254,744	253,505
Net assets including pension liability		259,537	258,671	254,744	253,505
Represented by:					
Deferred capital grants	20	50,610	49,995	51,110	50,495
Revaluation reserve	21	110,851	113,653	109,684	112,548
General reserve excluding pension liability		158,994	144,377	154,868	139,816
Pension reserve	29	(60,918)	(49,354)	(60,918)	(49,354)
		98,076	95,023	93,950	90,462
General reserve including pension liability	22	98,076	95,023	93,950	90,462
		208,927	208,676	203,634	203,010
Total reserves		208,927	208,676	203,634	203,010
		259,537	258,671	254,744	253,505

The financial statements on pages 24 to 54 were approved by the Board on 19 November 2015 and signed on its behalf by:

D Taylor
Board Member

M Thomas
Interim Vice-Chancellor

University of Central Lancashire

Consolidated cash flow statement

for the year ended 31 July 2015

	<i>Note</i>	2015 £000	2014 £000
Cash flow from operating activities	26	20,851	22,568
Returns on investments and servicing of finance	27	232	(1,274)
Taxation		-	-
Capital expenditure and financial investment	27	(3,038)	(2,284)
Cash inflow before use of liquid resources/ financing		18,045	19,010
Management of liquid resources	27	(100)	1,329
Financing	27	(616)	(8,370)
Increase in cash in the year		17,329	11,969

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2015

	<i>Note</i>	2015 £000	2014 £000
Increase in cash in the year		17,329	11,969
Cash inflow from changes in debt and lease financing		623	8,558
Movement in net funds in the period		17,952	20,527
Net funds at beginning of year	28	81,850	61,323
Net funds at end of year	28	99,802	81,850

University of Central Lancashire

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2015

	2015	2014
	£000	£000
Surplus after depreciation of assets at valuation	11,081	9,957
Unrealised gains on investments	585	369
Actuarial gain/(loss) in respect of pension schemes (note 29)	(11,423)	8,857
Unrealised losses on revaluation of tangible fixed asset	-	(361)
Exchange gain on consolidation of overseas subsidiaries	8	189
Total recognised gains relating to the year	<u>251</u>	<u>19,011</u>
	<u><u>251</u></u>	<u><u>19,011</u></u>
Reconciliation		
	2015	2014
	£000	£000
Opening reserves	208,676	189,665
Total recognised gains relating to the year	251	19,011
Closing reserves	<u>208,927</u>	<u>208,676</u>
	<u><u>208,927</u></u>	<u><u>208,676</u></u>

University of Central Lancashire

Notes

(forming part of the financial statements)

1 Funding council grants

	2015 £000	2014 £000
HEFCE recurrent grant	21,056	36,835
HEFCE specific grants		
Selective initiatives	3,710	3,269
Others	704	1,296
HEFCE deferred capital grants released		
Building (note 20)	790	790
Equipment (note 20)	439	253
Total HEFCE Grant	<u>26,699</u>	<u>42,443</u>
Total funding council grants received	<u>26,699</u>	<u>42,443</u>

2 Tuition fees and education contracts

	2015 £000	2014 £000
UK higher education students	107,760	90,182
European Union students	2,922	3,008
Non-European students	15,970	14,680
	<u>126,652</u>	<u>107,870</u>
Education Contracts	18,065	19,315
	<u>144,717</u>	<u>127,185</u>

University of Central Lancashire

Notes (continued)

3 Research grants and contracts

	2015 £000	2014 £000
Research Councils	1,149	1,000
UK-based charities	471	527
EU government and other bodies	1,793	1,388
Other grants and contracts	3,527	2,916
	<u>6,940</u>	<u>5,831</u>

4 Other income

	2015 £000	2014 £000
Residences, catering and conferences	10,427	9,908
Other income generating activity	8,796	9,054
Other income	3,323	4,031
Rental income	445	362
Other services rendered	2,340	2,454
Residential course fees	168	166
Release of other capital grants	407	366
	<u>25,906</u>	<u>26,341</u>

5 Investment income

	2015 £000	2014 £000
Interest receivable	1,001	875
FRS17 Finance income	95	-
	<u>1,096</u>	<u>875</u>

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Notes (continued)

6 Staff costs

Average staff numbers by major category - Full Time Equivalent	2015 Number	2014 Number
Academic departments	1,357	1,337
Academic support departments	206	189
Other support services	81	86
Administration and central services	429	430
Premises	215	232
Other	66	73
	<u>2,354</u>	<u>2,347</u>
	<u><u>2,354</u></u>	<u><u>2,347</u></u>
 Staff costs for the above persons:		
	2015	2014
	£000	£000
Staff costs:		
Wages and salaries	89,128	92,112
Social security costs	6,912	6,740
Pension costs	12,738	9,904
FRS17 related pension adjustments	686	1,734
	<u>109,464</u>	<u>110,490</u>
	<u><u>109,464</u></u>	<u><u>110,490</u></u>

Staff costs above include £1,056,085 relating to restructuring costs (2014: £4,668,529).

Remuneration of other higher paid staff over £100,000:

Gross salary and payments for non-contract work excluding compensation for loss of office and employer's pension contributions:

	2015 Number	2014 Number
£100,000 - £109,999	3	2
£110,000 - £119,999	2	3
£120,000 - £129,999	3	1
£130,000 - £139,999	2	1
£150,000 - £159,999	-	1
£180,000 - £189,999	2	1

University of Central Lancashire

Notes (continued)

6 Staff costs (continued)

Emoluments of the Head of Institution	2015	2014
	£000	£000
<i>From 1 August to 31 August 2014:</i>		
Dr M McVicar		
Salary	40	110
Performance related pay	23	15
	<u>63</u>	<u>125</u>
<i>From 1 September 2014 to 31 July 2015:</i>		
Mr R Hext		
Salary	229	-
	<u>229</u>	<u>-</u>

The emoluments relate to the Chief Executive Officer. Dr McVicar was Chief Executive Officer from 1 August 2014 until 31 August 2014. In addition to the remuneration as Chief Executive Officer, Dr McVicar also received £19,075 for services rendered during the year. Mr R Hext became Chief Executive Officer from 1 September 2014 and served in this role for the remainder of the year. Gross salary and payments for non-contract work of the Head of Institution are shown on the same basis as for higher paid staff.

7 Other operating expenses

	2015	2014
	£000	£000
Franchised courses	11,719	10,979
Other expenses	10,374	9,852
Repairs and general maintenance	9,216	6,590
Residences, catering and conferences operating expenses	7,188	6,847
Consumables and laboratory expenditure	7,107	6,611
Student bursaries and expenses	5,452	5,454
Travel, subsistence and conference fees	5,450	5,351
Premises costs	4,582	4,434
Consultancy	3,504	2,434
Academic learning materials	2,286	2,262
Advertising and publicity	2,104	1,813
Staff development and recruitment	1,344	755
Grants to Students' Union	1,012	978
Subscriptions and donations	1,010	930
Insurance	717	564
Movement in bad debts provision	605	963
Postage	310	365
Furniture	263	194
Equipment lease rentals	117	111
External auditor's remuneration: audit fees (i)	81	88
External auditor's remuneration for non-audit	62	42
Internal auditor's remuneration: audit fees	60	70
Internal auditor's remuneration for non-audit work	59	42
	<u>74,622</u>	<u>67,729</u>
(i) External auditor's remuneration relating to HEC	47	51

University of Central Lancashire

Notes (continued)

8 Interest payable

	2015 £000	2014 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	747	2,995
	<u>747</u>	<u>2,995</u>
Bank loans and overdrafts	747	1,975
FRS17 related pension adjustments	-	1,020
	<u>747</u>	<u>2,995</u>

9 Analysis of expenditure by activity

	Staff costs £000	Dep'n £000	Other operating expenses £000	Interest payable £000	2015 Total £000	2014 Total £000
Academic departments	57,482	-	20,237	-	77,719	80,418
Academic support services	10,703	2	8,247	-	18,952	16,515
Administrative and central services	22,733	5,989	12,618	747	42,087	38,039
General education	2,723	-	9,360	-	12,083	9,943
Premises	5,721	281	14,185	-	20,187	17,376
Research grants and contracts	4,085	-	1,615	-	5,700	5,078
Other income generating activities	2,752	22	2,211	-	4,985	7,274
Residences, catering and conferences	2,089	599	5,686	-	8,374	9,779
Miscellaneous	490	-	463	-	953	1,201
FRS17 related pension adjustments	686	-	-	-	686	2,754
Total per income and expenditure account	<u>109,464</u>	<u>6,893</u>	<u>74,622</u>	<u>747</u>	<u>191,726</u>	<u>188,377</u>

The depreciation charge has been funded by:

Deferred capital grants released (note 20)	1,636	1,409
Revaluation reserve released (note 21)	1,927	2,025
General income	3,330	3,729
	<u>6,893</u>	<u>7,163</u>

University of Central Lancashire

Notes (continued)

10 Taxation

The HEC has not generated any taxable profits in either year. The taxation figures relate to Uclan (Overseas) Limited and Uclan Business Services Limited.

11 Tangible assets (Consolidated)

	Freehold Land & Buildings £000	Equipment & Vehicles £000	Buildings under construction £000	Total £000
Valuation/cost				
At 1 August 2014				
Valuation	136,276	-	-	136,276
Cost	125,010	31,110	734	156,854
Additions at cost	2,667	2,123	493	5,283
Disposals				
Valuation	-	-	-	-
Cost	(1,956)	(570)	-	(2,526)
Revaluation impairment	(1,158)	-	-	(1,158)
At 31 July 2015	136,276	-	-	136,276
Valuation	124,563	32,663	1,227	158,453
Cost				
Depreciation				
At 1 August 2014	14,969	27,748	-	42,717
Charge for year	4,988	1,906	-	6,894
Eliminated on disposals	(165)	(570)	-	(735)
At 31 July 2015	19,792	29,084	-	48,876
Net book value				
At 31 July 2015	241,047	3,579	1,227	245,853
At 31 July 2014	246,317	3,362	734	250,413
Inherited	65,285	-	-	65,285
Financed by capital grant	49,370	1,240	-	50,610
Other	126,392	2,339	1,227	129,958
Net book value	241,047	3,579	1,227	245,853
At 31 July 2015				

Included within freehold land and buildings is £23,761,063 of land which is not depreciated.

University of Central Lancashire

Notes (continued)

11 Tangible assets (HEC)

	Freehold Land & Buildings	Equipment & Vehicles	Buildings under construction	Total
	£000	£000	£000	£000
Valuation/cost				
At 1 August 2014				
Valuation	136,409	-	-	136,409
Cost	120,771	31,116	734	152,621
Additions at cost	2,651	2,129	493	5,273
Disposals				
Valuation	(1,956)	(570)	-	(2,526)
Cost	-	-	-	-
At 31 July 2015	134,453	-	-	134,453
Valuation	123,422	32,675	1,227	157,324
Cost				
Depreciation				
At 1 August 2014	14,900	27,759	-	42,659
Charge For Year	4,966	1,905	-	6,871
Eliminated on disposal	(165)	(570)	-	(735)
At 31 July 2015	19,701	29,094	-	48,795
Net book value				
At 31 July 2015	238,174	3,581	1,227	242,982
At 31 July 2014	242,280	3,357	734	246,371
Inherited	65,285	-	-	65,285
Financed by capital grant	49,870	1,240	-	51,110
Other	123,019	2,341	1,227	126,587
Net book value	238,174	3,581	1,227	242,982
At 31 July 2015				

Land and buildings with a net book value of £167,438,114 and a valuation of £182,964,398 have been funded or partly funded from Treasury sources. Should these particular buildings be sold, the HEC would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE. Land and buildings were last revalued at 31 March 2011 by GVA Grimley Limited, a firm of independent Chartered Surveyors, with an interim valuation being undertaken at 31 July 2014. The valuation of land and buildings valued at depreciated replacement cost includes amounts in respect of irrecoverable VAT.

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Notes (continued)

12 Investments

Consolidated	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
As at 1 August 2014	-	993	993
Additions	-	177	177
Disposals	-	-	-
Provisions	-	-	-
As at 31 July 2015	<u>-</u>	<u>1,170</u>	<u>1,170</u>
HEC	£000	£000	£000
As at 1 August 2014	2,990	34	3,024
Additions	-	-	-
Provisions	(1,141)	-	(1,141)
As at 31 July 2015	<u>1,849</u>	<u>34</u>	<u>1,883</u>

Associate

Name of Associate	Proportion held by the University	Share of net assets/(liabilities)	
		2015 £000	2014 £000
Uclan Cyprus Limited	51%		
Balance as at 1 August 2014		-	(1,936)
Losses in year		(1,210)	(1,379)
Exchange gain on translation		-	233
Advances to Associate made in year		1,542	4,534
Provision		(332)	(1,452)
Balance as at 31 July 2015		<u>-</u>	<u>-</u>

In addition to the £332k above, the exceptional item includes £1,158k relating to the write down in value of land in Cyprus held by the subsidiary company Delonore Limited. This impairment arose following a formal valuation in April 2015.

University of Central Lancashire

Notes (continued)

12 Investments (continued)

Investment in subsidiaries

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
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

The University has considered it prudent to make full provision in respect of loans and other balances due from its overseas ventures. These provisions may be reversed or revised in the future if it is considered appropriate to do so. The effect of these provisions is an exceptional charge in the year of £1,490k (2014: £2,794k).

University of Central Lancashire

Notes (continued)

12 Investments (continued)

Investments in companies limited by guarantee

(not wholly owned and for which the investment is a maximum notional £10)

Company	Principal Activity
<i>Held by University</i>	
Central Applications Board	Educational
Health and Education Co-Operative	Educational
JISC	Purchasing consortium
The Energy Consortium (Education & Public Sector)	Purchasing consortium
UM Association (Special Risks)	Mutual insurance venture
University and Colleges Admissions Service (UCAS)	Clearing house for university admissions
UTC Lancashire	Education
Westlakes Academy	Education
Wigan UTC	Education
<i>Held by Centralan Holdings Limited</i>	
North West Universities Purchasing Consortium	Purchasing joint venture
<i>Other Investments (not wholly owned)</i>	
Alusid Limited	Technology exploitation
CVCP Properties plc	Holding company
Genetel Pharmaceuticals Limited (Hong Kong)	Technology exploitation
SALT Foundation (Proprietary) Limited	International scientific consortium

13 Stocks

	Consolidated		HEC	
	2015	2014	2015	2014
	£000	£000	£000	£000
Consumables	55	52	33	32
	55	52	33	32

University of Central Lancashire

Notes (continued)

14 Debtors: amounts falling due within one year

	Consolidated		HEC	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade debtors	1,157	1,353	974	1,240
Other prepayments and accrued income	7,022	5,432	6,321	4,625
Group debtors	-	-	2,212	3,212
Other debtors	156	177	64	28
	8,335	6,962	9,571	9,105

15 Current asset investments (Consolidated and HEC)

	2015 £000	2014 £000
Portfolio investments	7,644	7,135
	7,644	7,135

The portfolio investments are disclosed at market value with the movements in unrealised market value being charged directly to the revaluation reserve.

16 Creditors: amounts falling due within one year

	Consolidated		HEC	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank loans (note 18)	600	623	600	623
Trade creditors	3,416	3,403	3,363	3,360
Social security and other taxation payable	3,734	3,872	3,709	3,702
Accruals and deferred income	18,881	15,930	18,584	15,610
Group creditors	-	-	327	999
Other creditors	9,311	9,689	9,267	9,453
	35,942	33,517	35,850	33,747

University of Central Lancashire

Notes (continued)

17 Creditors: amounts falling due after more than one year (Consolidated and HEC)

	2015	2014
	£000	£000
Bank loans (note 18)	8,625	9,225
	<u>8,625</u>	<u>9,225</u>

18 Loans (Consolidated and HEC)

Loans are repayable as follows:

	2015	2014
	£000	£000
In one year or less	600	623
Between one and two years	600	600
Between two and five years	1,800	1,800
In five years or more	6,225	6,825
	<u>9,225</u>	<u>9,848</u>

Analysis of borrowings at 31 July 2015

The University has two fixed interest loans with interest rates ranging from 5.735% to 6.01% repayable by instalments falling due between 1 August 2015 and 2 February 2032. The loans are secured on various properties.

19 Provisions for liabilities and charges

	Provision for Future Pension Liabilities £000	Provision for VAT Assessment £000	Other Provisions £000	Total Provisions £000
At 1 August 2014	5,369	666	451	6,486
Utilised in year	(336)	-	-	(336)
Charged in year	912	-	-	912
At 31 July 2015	<u>5,945</u>	<u>666</u>	<u>451</u>	<u>7,062</u>

University of Central Lancashire

Notes (continued)

20 Deferred capital grants (Consolidated)

	Funding Council £000	Other £000	Total £000
At 1 August 2014			
Buildings	37,664	11,607	49,271
Equipment	<u>642</u>	<u>82</u>	<u>724</u>
Total	38,306	11,689	49,995
Grants received			
Buildings	1,250	-	1,250
Equipment	<u>928</u>	<u>73</u>	<u>1,001</u>
Total	2,178	73	2,251
Released to income and expenditure account:			
Released to income – Buildings (notes 1, 4 & 9)	(790)	(361)	(1,151)
Released to income – Equipment (notes 1, 4 & 9)	<u>(439)</u>	<u>(46)</u>	<u>(485)</u>
Total	(1,229)	(407)	(1,636)
At 31 July 2015			
Buildings	38,124	11,246	49,370
Equipment	<u>1,131</u>	<u>109</u>	<u>1,240</u>
Total	39,255	11,355	50,610

The carrying value of deferred grants in HEC at 31 July 2015 is £51,110,000

21 Revaluation reserve

	Consolidated £000	HEC £000
Revaluation		
At 1 August 2014	141,462	140,344
Movement on unrealised gains on investments	585	509
Realisation of property revaluation gains from previous years	<u>(1,460)</u>	<u>(1,460)</u>
At 31 July 2015	140,587	139,393
Contribution to depreciation		
At 1 August 2014	27,809	27,796
Released in year	<u>1,927</u>	<u>1,913</u>
At 31 July 2015	29,736	29,709
Net revaluation amount		
At 31 July 2015	110,851	109,684
At 31 July 2014	113,653	112,548

University of Central Lancashire

Notes (continued)

22 Income and expenditure account

	Consolidated £000	HEC £000
Balance at 1 August 2014	95,023	90,462
Surplus after depreciation of assets at valuation	11,081	11,538
Release from revaluation reserve	1,927	1,913
	<hr/>	<hr/>
Historical cost surplus after tax	13,008	13,451
Exchange gain on consolidation of overseas subsidiaries	8	-
Actuarial losses in respect of pension schemes	(11,423)	(11,423)
Realisation of property revaluation gains from previous years	1,460	1,460
	<hr/>	<hr/>
Balance at 31 July 2015	98,076	93,950
	<hr/> <hr/>	<hr/> <hr/>

The external losses retained within subsidiary companies for the year ended 31 July 2015 total £4,069,000 (2014: £3,994,000). Excluding the effect of inter-group transactions the comparable losses for the year ended 31 July 2015 total £2,741,000 (2014: £1,107,000).

23 Capital commitments

	Consolidated		HEC	
	2015 £000	2014 £000	2015 £000	2014 £000
Commitments contracted at 31 July	479	801	479	801
	<hr/>	<hr/>	<hr/>	<hr/>

24 Contingent liabilities

	Consolidated		HEC	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank guarantees in respect of the University of Central Lancashire Students' Union	339	419	339	419
	<hr/>	<hr/>	<hr/>	<hr/>

University of Central Lancashire

Notes (continued)

25 Lease obligations

Annual rentals under operating lease commitments are as follows:

	Consolidated & HEC	
	2015 £000	2014 £000
Leases due within 1 year	117	112

26 Reconciliation of consolidated operating surplus to net cash from operating activities

	2015 £000	2014 £000
Surplus after tax and share of associates	11,081	9,957
Depreciation	6,893	7,163
Revaluation impairment	1,158	556
Deferred capital grants released to income (note 20)	(1,636)	(1,409)
Interest receivable	(1,001)	(875)
Interest payable	747	1,975
(Increase) / decrease in stocks	(3)	13
(Increase) / decrease in debtors	(1,373)	2,469
Increase / (decrease) in creditors	2,425	333
Increase / (decrease) in FRS17 adjustment	143	2,665
Increase / (decrease) in other provisions	576	985
Share of associate company losses	1,210	1,379
Impairment of investments	(1,210)	(2,615)
(Profit)/loss on disposal of fixed assets	1,776	(28)
Exchange movement on translation	65	-
Net cash inflow from operating activities	20,851	22,568

University of Central Lancashire

Notes (continued)

27 Analysis of cash flows for headings netted in the cash flow statement

	2015	2014
	£000	£000
Returns on investments and servicing of finance:		
Interest received	931	906
Interest paid	(699)	(2,180)
	<hr/>	<hr/>
Net cash inflow/(outflow) for returns on investments and servicing of finance	232	(1,274)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of owned tangible fixed assets	(5,273)	(2,713)
Sale of tangible fixed assets	(15)	33
Deferred capital grants received	2,250	396
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure and financial investment	(3,038)	(2,284)
	<hr/> <hr/>	<hr/> <hr/>
Management of liquid resources		
Sale of investments	-	1,329
Purchase of investments	(100)	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from management of liquid resources	(100)	1,329
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Loan principal repayment	(623)	(8,559)
Foreign exchange translation differences	7	189
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	(616)	(8,370)
	<hr/> <hr/>	<hr/> <hr/>

28 Analysis of changes in cash and net funds as shown in the balance sheet

	At 31 July 2014	Cash flow	At 31 July 2015
	£000	£000	£000
Cash in hand and at bank	91,698	17,329	109,027
	<hr/>	<hr/>	<hr/>
Debt due within 1 year	91,698	17,329	109,027
	(623)	23	(600)
Debt due after 1 year	(9,225)	600	(8,625)
	<hr/>	<hr/>	<hr/>
	81,850	17,952	99,802
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

University of Central Lancashire

Notes (continued)

29 Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), for academic staff and the Local Government Pension Scheme (LGPS) for those staff not included as academic. The University has a strictly limited membership of the Universities Superannuation Scheme (USS) to cover a small number of staff who have transferred from other institutions. Details on each scheme and the assumptions, plus other data that have the most significant effect on the determination of the contribution level are as follows:

	TPS	LGPS	USS
Date of last actuarial valuation	31.3.12	31.3.13	31.3.11
Actuarial method	Projected unit	Projected Unit	Projected Unit
Investment returns per annum	5.06%	4.80%	6.10%
Salary scale increases per annum	4.75%	4.10% ⁽¹⁾	4.40% ⁽¹⁾
Pension increases per annum	2.00%	2.60%	3.40%/2.60% ⁽²⁾
Rate of real earnings growth (relative to CPI inflation)	2.75%	-	1.80%
Market value of assets at last valuation	£176,600m	£5,011m	£32,434m
Proportion of members accrued benefits covered by the actuarial value of the assets at date of last actuarial valuation	92%	78%	92%

Note:

(1) Long term assumptions provided excluding any incremental or promotional increases.

(2) 3.40% p.a. for the 3 years following the valuation and then 2.60% p.a. thereafter.

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Notes (continued)

29 Pension schemes (continued)

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £377k (2014: £428k). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

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

FRS 17 liability numbers have been produced for the using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

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

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

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

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Notes (continued)

29 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

	2015	2014
Existing benefits		
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

FRS 17

The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

Teachers' Pension Scheme (TPS)

The University participates in the TPS, which 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 contributions payable by the University during the accounting period were equal to 14.1% of pensionable salaries. The pensions charge recorded by the University during the accounting period was equal to the contributions payable.

FRS 17

The TPS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2015 was £7,498k of which employer's contributions totalled £5,515k and employee's contributions totalled £1,983k. With effect from 1 April 2014 the agreed contribution rate was 12.1% for employers and moved to a sliding scale for employees, ranging from 5.5% to 12.5% dependant on salary.

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified actuary.

Principal actuarial assumptions

	2015	2014	2013
Inflation	2.2%	2.3%	2.4%
Rate of increases in salaries	3.7%	3.8%	4.4%
Rate of increases for pensions	2.2%	2.3%	2.4%
Discount rate for liabilities	3.8%	4.3%	4.5%

The assumptions used by the actuary are best estimates, chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2015:

	<u>Male</u>	<u>Female</u>
Future pensioner aged 65 in 20 years time:	25.1	27.8
Current pensioner aged 65:	22.9	25.4

Scheme Assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long-term rate of return expected 31 July			Value at 31 July		
	2015	2014	2013	2015 £000	2014 £000	2013 £000
Equities	6.5%	7.0%	7.0%	2,005,864	2,595,831	2,548,071
Bonds	3.1%	3.7%	3.8%	472,311	1,399,764	1,365,925
Property	6.1%	6.2%	5.7%	530,621	501,408	412,261
Other	6.5%	7.0%	7.0%	2,746,401	600,645	233,449
Cash/Liquidity	0.5%	0.5%	0.5%	75,803	125,352	407,294
Total market value of assets				5,831,000	5,223,000	4,967,000

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Notes (continued)

29 Pension schemes (continued)

Local Government Pension Scheme (LGPS) (continued)

	2015	2014	2013
	£000	£000	£000
University's estimated share of assets	171,401	152,444	146,530
Present value of scheme liabilities			
- Funded	(230,936)	(200,441)	(200,735)
- Unfunded	(1,383)	(1,357)	(1,341)
Deficit in the scheme	(60,918)	(49,354)	(55,546)
	2015		2014
	£000		£000
Movement in deficit during the year			
Analysis of the amount charged to the income and expenditure account			
Employer service cost	5,625		6,051
Past service cost	-		149
Total operating charge	5,625		6,200
Analysis of pension finance income/(costs)			
Expected return on pension scheme assets	8,831		8,141
Interest on pension liabilities	(8,736)		(9,161)
Pension finance income / (costs)	95		(1,020)
Amount recognised in the statement of total gains and losses			
Actual return less expected return on pension scheme assets	7,527		(4,489)
Change in financial and demographic assumptions underlying the scheme liabilities	(18,591)		13,346
Actuarial gain / (loss) recognised in the statement of total gains and losses	(11,064)		8,857
Movement in the scheme during the year			
	2015		2014
	£000		£000
Deficit in scheme at 1 August	(49,354)		(55,546)
Movement in year:			
Current service charge	(5,625)		(6,051)
Contributions	5,515		5,280
Past service costs	-		(149)
Net interest / return on assets	95		(1,020)
Actuarial gain/(loss)	(11,064)		8,857
Curtailments	(485)		(725)
Deficit in scheme as at 31 July	(60,918)		(49,354)

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Local Government Pension Scheme (LGPS) (continued)

Asset and Liability Reconciliation	2015	2014
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	(201,798)	(202,076)
Service cost	(5,625)	(6,051)
Interest cost	(8,736)	(9,161)
Employee contributions	(1,983)	(1,954)
Actuarial gain/(loss)	(18,591)	13,346
Curtailments	(485)	(725)
Benefits paid	4,899	4,972
Past service cost	-	(149)
Liabilities at end of period	(232,319)	(201,798)
Reconciliation of Assets		
Assets at start of period	152,444	146,530
Expected return on assets	8,831	8,141
Actuarial gain/(loss)	7,527	(4,489)
Employer contributions	5,515	5,280
Employee contributions	1,983	1,954
Benefits paid	(4,899)	(4,972)
Assets at end of period	171,401	152,444

History of experience gains and losses	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £m	7,527	(4,489)	14,619	(4,014)	3,680
% of scheme assets	4%	3%	10%	3%	3%
Experience gains and losses on scheme liabilities:					
Amount £m	(18,591)	13,346	(3,978)	(9,294)	2,913
% of scheme liabilities	8%	7%	2%	5%	4%
Total amount recognised in statement of total gains and losses:					
Amount £m	(11,064)	8,857	10,641	(13,308)	6,593
% of scheme liabilities	5%	4%	5%	7%	4%

University of Central Lancashire

Notes (continued)

30 Access fund

	2015 £000	2014 £000
As at 1 August 2014	30	40
Funding Council grants	-	716
	<u>30</u>	<u>756</u>
Disbursed to students	(30)	(726)
As at 31 July 2015	<u>-</u>	<u>30</u>

Funding Council grants are available solely for students, the University acting only as paying agent. Grants and related disbursements paid to students are therefore excluded from the income and expenditure account of the University. These Funding Council grants are no longer available, therefore no further funding of this type will be received.

31 Connected charitable institutions

Two charitable institutions are administered by or on behalf of the University and have been established for its general or special purpose. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. Both of these connected institutions are included as subsidiary undertakings in these consolidated financial statements. The movements in the year on the total funds of these connected institutions, as reported in their own accounts, were as follows:

	Opening balance £000	Income £000	Expenditure £000	Closing balance £000
Westlakes Research Limited	2,753	283	245	2,791
University of Central Lancashire Foundation	817	237	83	971
Total	<u>3,570</u>	<u>520</u>	<u>328</u>	<u>3,762</u>

University of Central Lancashire

Notes *(continued)*

32 **Related parties**

Due to the nature of the University's operations and the composition of the Board of Governors (members 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 may have an interest are conducted at arm's length and in accordance with the financial regulations of the Board and normal procurement procedures. No transactions were identified which are required to be disclosed under Financial Reporting Standard Number 8 – Related Party Disclosures.

During the year expenses paid relating to Board members amounted to £5,385 (2014: £12,879), and the number of Board members that received expenses during the year was 9 (2014: 7).

Anyone wishing to obtain further details on matters raised in the Reports and Financial Statements for the year ended 31 July 2015 is invited to contact:

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