uclan
University of Central Lancashire

UNIVERSITY OF CENTRAL LANCASHIRE

FINANCIAL STATEMENTS

For the year ended 31 July 2018







REPORT AND FINANCIAL STATEMENTS

Contents

Contents	Page
Legal and administrative details	2
Operating and financial review	3
Statement of public benefit	4
Corporate governance statement	6
Statement of primary responsibilities of the Board	9
Report of the independent auditor to the Board of the University of Central Lancashire Higher Education Corporation	10
Statement of accounting policies	12
Statement of comprehensive income and expenditure	16
Statement of changes in reserves	17
Balance sheets	19
Consolidated cash flow statement	20
Notes to the financial statements	21

Legal and Administrative Details

Members of the Board

D Taylor
A Adams
E Adia (resigned 31 July 2018)
F Armstrong
M Darby-Walker
J Edney
D Gurbutt (resigned 31 July 2018)
J Heaton-Marriott (resigned 31 July 2018)
R Hext
J Hogan
J Horrocks (resigned 31 July 2018)
S Iqbal (resigned 30 June 2018)
L Lloyd
C McLaren (appointed 1 July 2018)
W McQueen
M Thomas

Professional Advisors

Auditor - external:	KPMG LLP
Auditor - internal:	PricewaterhouseCoopers LLP
Tax advisors:	KPMG LLP Deloitte LLP
Banker:	Barclays Bank plc
Insurance broker:	AON Limited
Solicitor:	Shakespeare Martineau LLP

OPERATING AND FINANCIAL REVIEW

The University has had another successful year and continues to deliver against its strategic and operational targets within an increasingly challenging external environment. Our students remain at the centre of all we do and much of our developmental work this year has been focused on introducing innovation within our curriculum provision and enhancing the student experience. The University remains committed to the widening participation agenda and the employability of its graduates. Financial performance remains strong, with a satisfactory surplus and a strengthened balance sheet.

The University Strategy 2015-2020 sets out the Key Performance Indicators (KPIs) that are used to measure progress in achieving the strategic aims of the University over the next few years. The KPIs have been set for each year of the Strategy and are quantifiable and measurable and are reported to the Board on a regular basis. Over the coming year the University will review and update the Strategy to take the institution forward towards 2030.

As of April 2018, the University became regulated by the Office for Students and was one of the first institutions to be successfully granted unconditional registration.

Financial Results

Tuition fee income increased by 3.6% compared with 2016/17 to £158.2m, primarily reflecting sector wide increases in average fee rates per student. The HEFCE grant (OfS grant from April 2018) has continued to reduce, in keeping with Government funding policy, and was £22.5m in the year (compared with £23.5m in 2016/17). Grant funding to the Group from the Education and Skills Funding Agency was £6.0m in the year, compared with negligible income levels from this source in 2016/17. £5.2m relates to activity within Training 2000, which was acquired as a wholly owned subsidiary in July 2017, and £0.7m is income earned directly by the University from our rapidly expanding portfolio of degree apprenticeships. Income to fund research projects increased by 11.5% to £6.9m, with income from other sources also increasing by 13.7% (including student accommodation charges, catering, and academic trading) to £33.3m.

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

Total comprehensive income for the year was £17.6m, including an actuarial gain for the Local Government Pension Scheme of 16.2m.

Net cash inflow from operating activities was £11m. The University's Masterplan programme continued at pace throughout out the year; that plus the acquisition of Training 2000 are both reflected in the increase of fixed assets by £17.0m to £269.8m. The Group's net reserves increased in the year by 8.5% to £224.7m (2017 £207.0m).

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

Financial Future Outlook

The University's budget for 2018/19 has recognised the increasing complexity of the Higher Education sector, and a challenging undergraduate recruitment market. The 2018 and 2019 recruitment cycles are taking place at the lowest point of a demographic dip in the UK 18-year old population, which affects the whole Higher Education sector. Between 2020 and 2030 the number of 18 year olds is expected to increase by nearly 25%. This is reflected in our recruitment forecasts in future years, however the focus over the next two years will be on increasing market share and income diversification. Key areas of growth and development include postgraduate activity, degree apprenticeships, the continued expansion of the Medical School and the University's internationalisation strategy.

Updated forecasts for 2018/19 and the years to 2022/23 anticipate reduced levels of operating surpluses reflecting the likelihood of flat student numbers against our cost base, which is likely to be further challenged by external cost pressures such as increasing pension costs. Regular review and forecasting of the financial position of the University for cash, income and expenditure will ensure that appropriate risks are highlighted and mitigated in a timely manner.

Major risks for all UK universities in the immediate future are the impact of leaving the European Union, and the continuing political volatility within the UK. The Brexit decision has ramifications for student recruitment and staff stability, research partnership developments, funding opportunities, and the reputation of the UK as a welcoming destination for international students. On the other hand, the University's established presence in Cyprus should go some way to mitigate against these risks. International provision remains strong this year and the University continues to invest substantially in this area. The University monitors the potential impact of Brexit on the University's ability to recruit students from outside the UK. The University also engages closely with the outcomes of sectoral reviews, such as the post-18 Review, due to report in early 2019, in order to be risk aware and to manage the consequences of such reviews having an impact on current funding regimes.

STATEMENT OF PUBLIC BENEFIT

The University of Central Lancashire (University) is an exempt charity under the terms of the Charities Act 2011 and is a Public Benefit Entity. The University delivers its mission primarily through the Higher Education Corporation known as the University of Central Lancashire, a charity by statute. The Board of Governors has had due regard to the latest version of the Charity Commission's public benefit guidance and that provided by the Higher Education Funding Council for England (HEFCE) as the former principal regulator and the Office For Students Regulatory Framework for Higher Education in England.

Our charitable objects are to provide higher education and carry out research and knowledge exchange and these are embodied within the University's Strategy 2015-2020. It is this strategy which enables the University to fulfil its charitable objects.

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

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

We continue to widen access to groups under represented at universities, progressing against our target to be in the top 25 percent of UK universities for success measures, including graduate employment, student satisfaction, retention and attainment. We have embraced opportunities to develop degree level apprenticeships with employers and further education partners and employ a number of students to develop and enhance our business.

Teaching and learning is at the heart of delivering our business and the University holds a Silver Award in the national Teaching Excellence Framework assessment. Innovation, enterprise and broader knowledge exchange is also a key activity. The value of external engagement activity reported in the Higher Education Business and Community Interaction (HEBCI) survey for the year increased to £37m, compared to £32m the previous year.

Our Research Strategy is purposely designed to align with the Government's industrial strategy and the highlighted Grand Challenges. The internal structure has been shaped to bring the research community to a sharper focus within research institutes and centres, designed to match the activity of the business and innovation teams, looking to translate the research excellence and impact for the benefit of the regional stakeholders. The newest developments will see the emergence of innovation centres, working with local stake holders in assisting them to solve regional problems in health, business, engineering, digital, social and community arenas.

The University provides grant support to the University of Central Lancashire Students' Union. The Students' Union is managed and operates independently of the University and is separately accountable to the student body. A formal partnership agreement between the University and the Students' Union has underpinned a strong and effective partnership with students, which has seen students contributing to all formal committees and consultations and actively creating and participating in a raft of joint work streams to enhance and continuously improve the quality of students' education, experience, engagement and outcomes.

Statement of Public Benefit *(continued)*

We have a strong commitment to corporate social responsibility and ensure that we operate as a civic university. We work closely with local government, contributing to local initiatives in areas such as place development, productivity strategy, innovation and industrial strategy, and work on cooperative models. Our new Engineering Innovation Centre will provide opportunities for a wide range of students, for research and for business engagement with an emphasis on addressing known skills shortages in critical sectors. Jointly with Lancashire Constabulary and the Police and Crime Commissioner, we have established the Lancashire Forensic Science Academy to further education and research into making communities safer. We deliver over £20m of ERDF business support programmes, across Lancashire, helping hundreds of organisations to upskill and create jobs. We deliver substantial outreach work with schools, colleges, community groups and partners, including sponsorship of Wigan UTC and West Lakes Academies. This work includes a substantial programme of student-led volunteering, public engagement with research and activity focused on raising aspirations for higher education and evaluating impact of activities to inform future practice. Our award-winning community engagement programmes are developed collaboratively, with the aim of adding social value and mutual benefit.

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

CORPORATE GOVERNANCE STATEMENT

The University of Central Lancashire is a Higher Education Corporation, established under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. The University's Instrument and Articles of Government, as approved by the Privy Council, provide the constitutional framework for the University and define its objects and powers. Amongst other things, the Instrument and Articles provide that the University has a Governing Body (The Board) and an Academic Board, each with clearly defined functions and responsibilities, including the oversight and management of University activities.

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

The University Board (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 and demonstrated a high level of good practice in governance.

The Board seeks to achieve the highest standards of corporate governance via continued compliance with the Committee of University Chairs' Higher Education Code of Governance, the Office for Students Terms and Conditions of Funding for Higher Education Institutions (formally the HEFCE Memorandum of Assurance and Accountability) and by conducting its business in accordance with the seven Nolan Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

The Board sets its governance arrangements with due regard to the provisions of relevant guidance and good practice wherever this can be identified, including the ongoing review of the effectiveness of the Board; and the continuous review, development and implementation of the University's various constitutional documents. This includes the Instrument and Articles of Government and the Terms of Reference of the Board and its Committees.

The University Board has appointed the following Committees: Audit and Risk Committee; Nominations Committee; Remuneration Committee; Resources Committee; and Urgent Business Committee. The Board has agreed detailed terms of reference for each of these Committees, clearly defining the remit and powers of each Committee and setting out rules for how such meetings be held. A full record of attendance at Board and Committee meetings is maintained with copies available upon request to the Clerk to the Board.

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

The Board is responsible for the University's systems of internal control and for reviewing their effectiveness. The Board, via its Audit and Risk Committee, conducts an annual review of the University's systems of internal control. 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 Board is fully committed to the identification, evaluation and management of significant risks facing the University and has worked with 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. The Board receives reports from management on any changes to the risk environment or profile of the risks delegated to them. 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 has approved a set of policies and an approach to risk management aligned to the University's 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 views and advise the Board accordingly. This approach is explained in the section on Internal Control contained within these financial statements.

Corporate Governance Statement *(continued)*

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 2018 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 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 and progress is reviewed. Assurance, based on review of progress against recommendations, has been given during 2017/18. In addition, the follow up procedure for monitoring implementation of agreed internal audit recommendations is subject to review by the internal auditors.
- At its October 2018 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 2018 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2018.

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 subsidiary company directors have been briefed on the implications of the Bribery Act and a policy statement approved for use within the organisation's structure. Training has been provided 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.

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE BOARD

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.

2. To approve and to oversee compliance with key policies and procedures which are reserved for the Board and/or its Committees.

3. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.

4. To delegate authority to the Vice Chancellor for the academic, corporate, financial, estate and human resource management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice Chancellor.

5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

6. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.

7. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

8. To safeguard the good name and values of the institution.

9. To appoint the Vice-Chancellor and to put in place suitable arrangements for monitoring his/her performance.

10. To appoint a Clerk to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

11. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

12. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution’s assets, property and estate.

13. To be the institution’s legal authority and, as such, to ensure that systems are in place for meeting all the institution’s legal obligations, including those arising from contracts and other legal commitments made in the institution’s name.

14. To receive assurance that adequate provision has been made for the general welfare of students.

15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.

16. To ensure that the institution’s constitution is followed at all times and that appropriate advice is available to enable this to happen.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of University of Central Lancashire ("the University") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;* and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Basis for opinion

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

Going concern

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

Other information

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

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

Board of Governors responsibilities

As explained more fully in their statement set out on page 9, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on the Audit of the Financial Statements *(continued)*

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit 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 Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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

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

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

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

The group has adopted amendments permitted under FRS102 paragraphs 29.14A and 29.22A which relate to gift-aid payments made within charitable groups. This has resulted in a £39k reduction of the tax charge reflected in 2016/17 and this change has been reflected in the comparative figures for 2016/17 in these financial statements.

2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

3. Recognition of income

Income from the sale of goods and services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

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

Revenue grants

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

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

Donations and endowments

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

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

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

Capital grants

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

4. Pension schemes

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

The TPS is valued every five years by the Government Actuary and the LGPS is valued every three years by a professionally qualified independent actuary. Pension costs are assessed on the latest actuarial valuations of each scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. Variations from regular cost are spread over the expected remaining working lifetime of members of the schemes after making allowances for future withdrawals.

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

Defined Contribution Plan

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

Defined Benefit Plan

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

When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

5. Employment benefits

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

6. Finance leases

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

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

7. Operating leases

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

8. Foreign currency

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

Statement of accounting policies *(continued)*

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

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

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

9. Maintenance of premises

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

10. Tangible fixed assets

a. Land and buildings

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

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

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

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

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

A review for impairment of a 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.

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

b. Equipment

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

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

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

c. Borrowing costs

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

11. Investment properties

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

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

12. Investments

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

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

13. Stocks and work in progress

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

14. Cash and cash equivalents

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

Statement of accounting policies *(continued)*

15. Provisions and contingent liabilities

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities are not recognised in the balance sheet, but are disclosed in the notes.

16. Taxation status

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

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

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

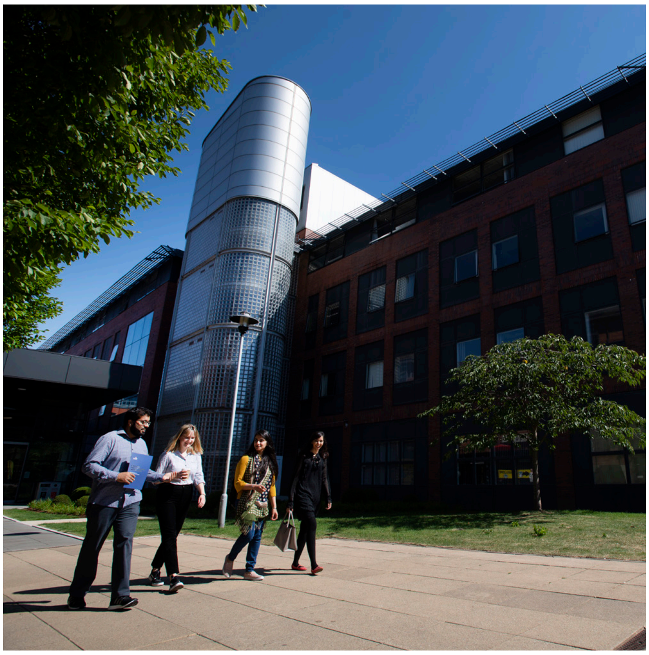
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of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

17. Accounting for associates

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

18. Financial instruments

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Year Ended 31 July 2018

		Year Ended 31 July 2018		Year Ended 31 July 2017	
	Notes	**Consolidated £'000**	**University £'000**	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	**158,221**	**155,415**	152,779	152,779
Funding body grants	2	**28,469**	**23,229**	23,458	23,458
Research grants and contracts	3	**6,921**	**6,848**	6,207	6,207
Other income	4	**32,575**	**33,245**	28,387	28,098
Investment income	5	**702**	**557**	869	720
Total income		**226,888**	**219,294**	211,700	211,262
Expenditure					
Staff costs	6	**144,366**	**136,390**	124,166	123,215
Other operating expenses	7	**72,584**	**72,257**	66,238	67,781
Depreciation	11	**8,341**	**7,936**	8,131	8,118
Interest and other finance costs	8	**2,973**	**2,957**	2,757	2,762
Total expenditure	9	**228,264**	**219,540**	201,292	201,876
Surplus/(Deficit) before other gains losses and share of operating surplus/deficit of joint ventures and associates		**(1,376)**	**(246)**	10,408	9,386
Gain on investment property valuation		**414**	**121**	-	-
Gain on investment		**591**	**538**	932	806
Gain on sale of fixed assets		**1,781**	**-**	-	-
Share of operating surplus/(deficit) in associate		**-**	**-**	1,002	-
Surplus before tax		**1,410**	**413**	12,342	10,192
Taxation	10	**(26)**	**-**	(34)	-
Surplus for the year		**1,384**	**413**	12,308	10,192
Actuarial gain/(loss) in respect of pension schemes	25	**16,235**	**15,505**	(49)	(49)
Gain arising on acquisition of subsidiary	12	**-**	**-**	1,089	-
Total comprehensive income for the year		**17,619**	**15,918**	13,348	10,143

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

Year Ended 31 July 2018

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

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

Consolidated and University Statement of Changes in Reserves
Year Ended 31 July 2017

Consolidated	Income and expenditure account	Revaluation reserve	Total
	Unrestricted		
	£'000	£'000	£'000
Balance at 1 August 2016	**90,569**	**103,152**	**193,721**
Surplus/(deficit) from the income and expenditure statement	12,308	-	12,308
Other comprehensive income	1,040	-	1,040
Transfers between revaluation and income and expenditure reserve:	1,905	(1,905)	-
Balance at 31 July 2017	**105,822**	**101,247**	**207,069**

University	Income and expenditure account	Revaluation reserve	Total
	Unrestricted		
	£'000	£'000	£'000
Balance at 1 August 2016	**87,162**	**102,707**	**189,869**
Surplus/(deficit) from the income and expenditure statement	10,192	-	10,192
Other comprehensive income	(49)	-	(49)
Transfers between revaluation and income and expenditure reserve:	1,899	(1,899)	-
Balance at 31 July 2017	**99,204**	**100,808**	**200,012**

CONSOLIDATED AND UNIVERSITY BALANCE SHEET

		2018		2017	
	Notes	**Consolidated £'000**	**University £'000**	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	**268,286**	**261,689**	251,522	243,986
Investments	12	**1,471**	**1,883**	1,281	1,883
		269,757	**263,572**	252,803	245,869
Current assets					
Stock	13	**137**	**27**	136	28
Trade and other receivables	14	**22,743**	**22,979**	13,786	13,751
Investments	15	**32,871**	**32,357**	75,470	74,820
Cash and cash equivalents	20	**107,806**	**101,483**	71,205	67,175
		163,557	**156,846**	160,597	155,774
Less: Creditors amounts falling due within one year	16	**50,375**	**48,276**	46,317	44,482
Net current assets		**113,182**	**108,570**	114,280	111,292
Total assets less current liabilities		**382,939**	**372,142**	367,083	357,161
Creditors: amounts falling due after more than one year	17	**64,760**	**64,622**	58,675	58,464
Provisions					
Pension provisions	19	**93,491**	**91,590**	101,339	98,685
Total net assets		**224,688**	**215,930**	207,069	200,012
Unrestricted Reserves					
Income and expenditure reserve: unrestricted		**125,482**	**117,156**	105,822	99,204
Revaluation reserve		**99,206**	**98,774**	101,247	100,808
Total Reserves		**224,688**	**215,930**	207,069	200,012

The financial statements on pages 12 to 39 were approved by the Board on 15 November 2018 and were signed on its behalf by:

D Taylor
Chair of the Board

L Bromley
Accountable Officer

CONSOLIDATED CASH FLOW
Year ended 31 July 2018

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		**1,384**	12,308
Adjustment for non-cash items			
Depreciation	11	**8,341**	8,131
Loss/(gain) on investments		**(591)**	(932)
Decrease/(increase) in stock	13	**1**	1
Decrease/(increase) in debtors	14	**(8,797)**	(1,012)
Increase/(decrease) in creditors	16	**4,004**	(4,216)
Increase/(decrease) in pension provision	25	**8,388**	5,692
Increase/(decrease) in other provisions	19	**39**	(522)
Adjustment for investing or financing activities			
Exchange movement on translation		**(4)**	8
Share of operating (surplus)/deficit in associate	12	**-**	(1,002)
Investment income	5	**(702)**	(869)
Interest payable	8	**2,973**	2,757
Profit on the sale of fixed assets		**(1,781)**	-
Capital grant income (deferred grants released)		**(2,028)**	(2,033)
Revaluation of investment properties		**(414)**	-
Impairment of current investments		**150**	-
Net cash inflow from operating activities		**10,963**	18,311
Cash flows from investing activities			
Proceeds from sales of fixed assets		**2,649**	-
Capital grants receipts		**8,786**	2,920
Acquisition of balances		**-**	(1,055)
Investment income		**542**	959
Payments made to acquire fixed assets		**(25,559)**	(12,399)
Purchase of Investments		**(266)**	-
Receipts from/(payments into) short term deposits		**43,000**	(51,000)
		29,152	(60,575)
Cash flows from financing activities			
Interest paid		**(2,968)**	(2,753)
Repayments of amounts borrowed		**(662)**	(600)
Cash withdrawn from investment		**116**	50
		(3,514)	(3,303)
Increase/(decrease) in cash and cash equivalents in the year	20	**36,601**	(45,567)
Cash and cash equivalents at beginning of the year		**71,205**	116,772
Cash and cash equivalents at end of the year		**107,806**	71,205

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2018

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
1 Tuition fees	**£'000**	**£'000**	£'000	£'000
UK students	**116,281**	**113,474**	108,074	108,074
EU students	**4,899**	**4,899**	4,147	4,147
International students	**20,791**	**20,791**	19,175	19,175
Education contracts	**16,250**	**16,251**	21,383	21,383
	158,221	**155,415**	152,779	152,779
2 Funding body grants				
Recurrent grant				
Office for Students	**17,501**	**17,501**	18,008	18,008
Education & Skills Funding Agency	**5,973**	**733**	67	67
Specific grants				
Selective initiatives	**1,952**	**1,952**	1,891	1,891
Higher Education Innovation Fund	**1,324**	**1,324**	1,785	1,785
Capital grant	**1,719**	**1,719**	1,707	1,707
	28,469	**23,229**	23,458	23,458
3 Research				
Research Council	**1,238**	**1,238**	1,343	1,343
UK charities	**615**	**615**	483	483
UK Government and other bodies	**2,124**	**2,124**	1,801	1,801
UK industry and commerce	**309**	**309**	386	386
EU Government and other bodies	**1,984**	**1,984**	1,603	1,603
Other	**651**	**578**	591	591
	6,921	**6,848**	6,207	6,207
4 Other income				
Residences, catering, conferences	**9,133**	**9,020**	9,927	9,927
Other income generating activity	**13,851**	**10,438**	10,402	9,342
Other capital grants	**309**	**309**	325	325
Other services rendered	**3,810**	**3,810**	3,352	3,352
Rental income	**508**	**277**	493	493
Other income	**4,964**	**9,391**	3,888	4,659
	32,575	**33,245**	28,387	28,098

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
5 Investment income				
Other investment income	**702**	**557**	869	720
	702	**557**	869	720
6 Staff costs				
Salaries	**111,022**	**103,905**	96,302	95,377
Social security costs	**10,948**	**10,388**	9,543	9,518
Pension costs	**21,969**	**21,679**	18,165	18,164
Apprenticeship levy	**427**	**418**	156	156
Total costs	**144,366**	**136,390**	124,166	123,215

Staff costs above includes severance costs of £486,294 relating to 33 persons. (2017: £529,955 relating to 20 persons).

Emoluments of the Head of Institution	**2018 £'000**	2017 £'000
Vice Chancellor		
Salary	**254**	250
Relocation costs	**-**	8
Performance related pay	**5**	-
	259	258

The University of Central Lancashire is one of the UK's largest universities, with a turnover of more than £225m per annum, around 30,000 students learning and engaging with the University across a number of UK and overseas campuses. In Preston the University is a major civic institution, employing more than 3,000 people, offering learning opportunities and partnerships for a significant proportion of the population and local businesses. In setting the Vice Chancellor's salary, however, the University is also mindful that Preston is in the county of Lancashire which has a number of economic challenges to face, including a rural economy, unemployment and a growing elderly population. The county lacks some of the high value financial and professional service sectors that would bring wealth and higher salaries into the region. Average earnings therefore tend to be below the national average.

The salary of the Vice Chancellor is benchmarked against local providers and the national average (in 2017, this was £277,834). The role of the Vice Chancellor is to head a large and complex organisation which delivers accessible education for many students for whom University may not be an obvious choice. A significant proportion of students come from the local area, and graduate with skills which feed into local workforce development and contribute to the regional economy as many choose to remain local. The wide ranging curriculum requires a Vice Chancellor to be dextrous in engaging with the NHS, with industry, with other educators, with local and national government and with regulatory bodies. A salary of £254,000 recognises those attributes, without being above national or local benchmarks. The contribution that the University makes to its students and staff, to the local regional economy, and to the tax payer more generally is a key objective for the Vice Chancellor and a contributing factor to their pay level.

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

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

6 Staff costs *(continued)*

As to the decision making process, the Terms of Reference of the Remuneration Committee provide that the Committee shall comprise of at least 3 independent Members of the Board. Additionally, during the consideration of Senior Executive remuneration issues, the Board member nominated by the Students' Union is also a member of the Committee. The Vice Chancellor is not a member of the Committee and attends meetings by invitation only in order to report on the performance of other staff. The Committee has also commissioned independent remuneration specialists to provide advice and assistance on senior pay and related issues.

Pay ratio of the Vice-Chancellor compared to the median pay of staff:

	2018 Pay multiple	2017 Pay multiple
Basic salary of the Vice-Chancellor compared to the median of staff	**7.4**	7.4
Total remuneration of the Vice-Chancellor compared to the median of staff	**6.4**	6.4

The pay ratios above do not include the costs of casual workers or those working through an agency or a personal service company because the full-time equivalent full year basis for those workers can not be reliably determined.

Basic salary of higher paid staff, excluding employer's pension contributions:

	2018 Number	2017 Number
£100,000 to £104,999	**6**	2
£105,000 to £109,999	**3**	-
£110,000 to £114,999	**1**	1
£115,000 to £119,999	**-**	2
£125,000 to £129,999	**-**	2
£130,000 to £134,999	**-**	1
£135,000 to £139,999	**2**	-
£140,000 to £144,999	**1**	-
£145,000 to £149,999	**1**	-
£150,000 to £154,999	**1**	-
	15	8

Compensation for loss of office payable to higher paid staff:
Compensation recorded within staff costs relating to one senior post holder amounted to £57k.
(2017: £333k including £236k for employers pension contributions, for two senior post holders).

	2018	2017
Average staff numbers by major category :	**FTE**	FTE
Academic	**1,555**	1,462
Academic Support	**282**	242
Administration & Central Services	**501**	433
Premises	**190**	185
Other	**174**	167
	2,702	2,489

6 **Staff costs** *(continued)*	2018	2017
	£'000	£'000
Key management personnel costs	**1,419**	1,682

The number of staff whose costs are included in key management personnel costs above was 7 in 2018 and 11 in 2017.
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes costs paid to key management personnel. Key management personnel are classed as those staff who form part of the University's Senior Executive Team.

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
7 Other operating expenses				
Other expenses	**16,980**	**19,166**	13,011	14,938
Consumables and laboratory expenditure	**7,840**	**7,603**	8,210	8,089
Residences, catering and conference expenses	**7,172**	**7,088**	7,191	7,191
Repairs and general maintenance	**6,881**	**6,777**	6,725	6,689
Travel, subsistence and conference fees	**6,246**	**5,795**	5,275	5,147
Franchised courses	**4,996**	**4,996**	4,793	4,793
Student bursaries and expenses *	**2,385**	**1,959**	4,577	4,573
Premises costs	**5,269**	**4,623**	4,152	4,355
Professional services	**3,855**	**3,680**	3,629	3,510
Advertising and publicity	**3,486**	**3,404**	2,821	2,763
Academic learning materials	**2,580**	**2,455**	2,356	2,356
Subscriptions and donations	**1,809**	**1,775**	1,278	1,278
Movement in bad debts provision	**1,823**	**1,674**	1,191	1,070
Grants to Students' Union	**1,262**	**1,262**	1,029	1,029
	72,584	**72,257**	66,238	67,781
Other operating expenses include:				
External auditor's remuneration: audit related fees	**90**	**71**	88	70
External auditor's remuneration: tax services	**21**	**9**	21	9
External auditor's remuneration: advisory services	**11**	**11**	8	8
Internal auditor's remuneration: audit and other services	**192**	**186**	113	113

* Student Bursaries: the University has made changes to its undergraduate bursary scheme to better support students to manage their finances and to incentivise their progression and attainment. Under the old scheme bursaries were paid in full at the date of students' enrolment onto year one. Now bursaries are paid to students by instalments across all years of their degree course. Therefore while the value of the bursary paid to each student during their period of study has increased year on year, in the transition year from the old to the new bursary schemes the total sum expended by the university on bursaries is reduced, compared with the previous year, as there is a balance payable to students in each of their continuing years of study.

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
8 Interest and other finance costs				
Loan interest	**488**	**468**	489	494
	2,485	**2,489**	2,268	2,268
	2,973	**2,957**	2,757	2,762
9 Analysis of total expenditure by activity				
Academic and related expenditure	**99,097**	**93,696**	85,973	86,314
Academic support services	**22,036**	**22,813**	20,198	20,999
Administration and central services	**50,138**	**47,790**	43,547	43,561
Premises (including service concession cost)	**17,341**	**14,748**	16,099	16,099
Residences, catering and conferences	**7,872**	**7,847**	8,021	8,021
Research grants and contracts	**6,162**	**6,683**	5,915	5,915
Other expenses	**25,618**	**25,963**	21,539	20,967
	228,264	**219,540**	201,292	201,876
10 Taxation				
Recognised in the statement of comprehensive income				
Current tax expense	**26**	**-**	34	-

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

11 Fixed Assets

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Investment Properties £'000	Total £'000
Consolidated					
Cost or valuation					
At 1 August 2017	268,393	41,984	9,967	1,116	321,460
Additions	6,386	1,824	17,349	-	25,559
Revaluation	-	-	-	414	414
Disposals	(866)	(484)	-	-	(1,350)
Transfers	(302)	13	-	-	(289)
At 31 July 2018	**273,611**	**43,337**	**27,316**	**1,530**	**345,794**
Depreciation					
At 1 August 2017	34,664	35,274	-	-	69,938
Charge for the year	5,571	2,770	-	-	8,341
Disposals	-	(482)	-	-	(482)
Transfers	(289)	-	-	-	(289)
At 31 July 2018	**39,946**	**37,562**	**-**	**-**	**77,508**
Net book value					
At 31 July 2018	**233,665**	**5,775**	**27,316**	**1,530**	**268,286**
At 31 July 2017	233,729	6,710	9,967	1,116	251,522

At 31 July 2018, freehold land and buildings and investment properties included £24,402k in respect of freehold land (2017 - £24,362k) which is not depreciated.

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Investment Properties £'000	Total £'000
University					
Cost or valuation					
At 1 August 2017	258,839	37,884	9,967	149	306,839
Additions	6,365	1,804	17,349	-	25,518
Revaluation	-	-	-	121	121
Disposals	-	(64)	-	-	(64)
Transfers between categories	-	-	-	-	-
At 31 July 2018	**265,204**	**39,624**	**27,316**	**270**	**332,414**
Depreciation					
At 1 August 2017	30,207	32,646	-	-	62,853
Charge for the year	5,413	2,523	-	-	7,936
Disposals	-	(64)	-	-	(64)
At 31 July 2018	**35,620**	**35,105**	**-**	**-**	**70,725**
Net book value					
At 31 July 2018	**229,584**	**4,519**	**27,316**	**270**	**261,689**
At 31 July 2017	228,632	5,238	9,967	149	243,986

At 31 July 2018, freehold land and buildings and investment properties included £23,916k in respect of freehold land (2017 - £23,876k) which is not depreciated.

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

12 Non-Current Investments	Subsidiary companies £'000	Other fixed assets investments £'000	Total £'000
Consolidated			
At 1 August 2017	-	1,281	**1,281**
Additions	-	306	**306**
Disposals	-	(116)	**(116)**
At 31 July 2018	**-**	**1,471**	**1,471**
University			
At 1 August 2017	1,849	34	**1,883**
Additions	-	-	**-**
Disposals	-	-	**-**
At 31 July 2017	**1,849**	**34**	**1,883**

Associate	Proportion held by the University	Share of net assets / (liabilities)	
Name of Associate		**2018 £'000**	2017 £'000
UCLan Cyprus Limited	**51%**		
Balance as at 1 August		**-**	(1,002)
Losses in year		**(1,897)**	(2,070)
Advances to associate made in year		**613**	690
Provision		**(613)**	(690)
Write back losses in excess of investment *		**1,897**	3,072
Balances as at 31 July		**-**	-

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

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

12 Non-Current Investments

Investment in subsidiaries

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

Subsidiary undertakings	Percentage of Issued Shares Held	Country of Operation and Incorporation	Principal Activity
Owned by University			
Centralan Holdings Limited	**100%**	Great Britain	Holding company
Delonore Limited	**100%**	Cyprus	Holding company
Training 2000 Limited	**100%***	Great Britain	Education and training
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

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
13 Stock				
General consumables	**137**	**27**	136	28
	137	**27**	136	28
14 Trade and other receivables				
Amounts falling due within one year:				
Other trade receivables	9,494	8,213	5,261	4,304
Other receivables	107	86	38	14
Vat recoverable	-	-	9	-
Prepayments and accrued income	13,142	11,887	8,478	7,391
Amounts due from subsidiary companies	-	2,793	-	2,042
	22,743	**22,979**	**13,786**	**13,751**
15 Current Investments				
Short term investment in shares	9,371	9,357	8,820	8,820
Short term deposits	23,000	23,000	66,000	66,000
Land & buildings	500	-	650	-
	32,871	**32,357**	**75,470**	**74,820**

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

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
16 Creditors: amounts falling due within one year				
Secured loans	**662**	**600**	662	600
Deferred capital grants	**1,918**	**1,918**	1,815	1,815
Annual leave accrual	**4,997**	**4,884**	4,433	4,430
Trade payables	**4,277**	**4,014**	7,110	6,190
Social security and other taxation payable	**5,083**	**4,788**	4,672	4,442
Accruals and deferred income	**25,654**	**24,590**	19,737	18,855
Obligation under finance leases	**-**	**-**	15	-
Group creditors	**-**	**187**	-	380
Other creditors	**7,784**	**7,295**	7,873	7,770
	50,375	**48,276**	46,317	44,482
17 Creditors: amounts falling due after more than one year				
Deferred capital grants	**57,797**	**57,797**	51,039	51,039
Secured loans	**6,963**	**6,825**	7,625	7,425
Other	**-**	**-**	11	-
	64,760	**64,622**	58,675	58,464
Analysis of secured and unsecured loans:				
Due within one year (Note 16)	**662**	**600**	662	600
Due between one and two years	**662**	**600**	662	600
Due between two and five years	**4,036**	**3,960**	4,098	3,960
Due in five years or more	**2,265**	**2,265**	2,865	2,865
Due after more than one year	**6,963**	**6,825**	7,625	7,425
Total secured and unsecured loans	**7,623**	**7,425**	8,287	8,025

Included in loans are the following:

Lender	**Amount £'000**	**Term (Years)**	**Interest rate %**	**Borrower**
Barclays	4,125	25	5.735	University
Barclays	3,300	25	6.01	University
Nat West	198	7.3	1.5% above base rate	Training 2000 Limited
Total	7,623			

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
18 Financial instruments				
Financial instruments measured at cost less impairment:				
Cash and cash equivalents	**107,806**	**101,483**	71,205	67,175
Investments (non-current)	**1,471**	**1,883**	1,281	1,883
Investments (current)	**32,871**	**32,357**	75,470	74,820
Trade and other receivables	**9,601**	**11,092**	5,299	6,360
	151,749	**146,815**	153,255	150,238
Financial liabilities measured at amortised cost:				
Loans	**7,623**	**7,425**	8,287	8,025
Trade and other payables	**4,277**	**4,014**	7,125	6,190
	11,900	**11,439**	15,412	14,215

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

19 Provisions for liabilities

Consolidated and University	**At 1 August 2017**	**Utilised in Year**	**Additions in Year**	**At 31 July 2018**
	£'000	**£'000**	**£'000**	**£'000**
Obligation to fund deficit on USS pension	**931**	**-**	**35**	**966**
Pension enhancements on termination	**5,666**	**(364)**	**795**	**6,097**
Defined benefit obligations (Note 24)	**92,088**	**-**	**7,561**	**84,527**
Total provisions - University	**98,685**	**(364)**	**8,391**	**91,590**
Subsidiary pension provision	**2,654**	**-**	**(753)**	**1,901**
Total provisions - Consolidated	**101,339**	**(364)**	**7,638**	**93,491**

Pension enhancement

The pension enhancement provision is subject to full actuarial revaluation every three years and such a valuation has been undertaken as at 31 July 2018.

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to assessing the value of this provision.

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

20 Cash and cash equivalents

Consolidated	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
Cash and cash equivalents	71,205	36,601	107,806
	71,205	**36,601**	**107,806**

	2018		2017	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
21 Capital and other commitments				
Provision has not been made for the following capital commitments at 31 July 2018:				
Commitments contracted for	**17,048**	**17,048**	31,599	31,599
	17,048	**17,048**	31,599	31,599
22 Contingent Liabilities				
Guarantees to HSBC plc for the University of Central Lancashire Students' Union	**59**	**59**	137	137
	59	**59**	137	137

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

23 Lease Obligations

Total rentals payable under operating leases:	2018			2017
	Land and Buildings £'000	**Plant and Machinery £'000**	**Total £'000**	Total £'000
Payable during the year	**3,296**	**135**	**3,431**	3,715
Future minimum lease payments due:				
Not later than 1 year	**2,654**	**169**	**2,823**	3,639
Later than 1 year and not later than 5 years	**289**	**1**	**290**	828
Later than 5 years	**-**	**-**	**-**	4,025
	2,943	**170**	**3,113**	8,492

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

24 Pension Schemes

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

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

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

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

(i) The Universities Superannuation Scheme

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

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

Pension Costs

The total cost charged to the profit and loss account is £605k (2017: £526k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the University cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02	2.41%

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

24 Pension Schemes *(continued)*

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	**Pre-retirement:** 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS102 total scheme deficit	£8.4bn	£17.5bn
FRS102 total funding level	88%	77%

(ii) Local Government Pension Scheme

(Retirement Benefits) Disclosure for the accounting period ending 31 July 2018

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The last formal triennial actuarial valuation of the scheme was performed as at 31 March 2016 by a professionally qualified actuary. During the accounting period, the total contribution was £8,553k, of which employer's contributions totalled £6,243k and employee's contributions totalled £2,310k. With effect from 1 April 2017 the agreed contribution rate was 14.3% for the University and moved to a sliding scale for employees, ranging from 5.5% to 12.5% dependant on salary.

Assumptions

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

	2018 % pa	2017 % pa
Price Inflation (CPI)	2.30	2.20
Rate of increase in salaries	3.80	3.70
Rate of increase of pensions in payment	2.40	2.20
Discount Rate	2.65	2.45

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

	2018 % pa	2017 % pa
Future pensioner age 65 in 20 years' time	25.0 (28.0)	24.9 (27.9)
Current pensioner aged 65	22.7 (25.4)	22.6 (25.2)

Scheme assets and expected rate of return for LGPS

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

24 Pension Schemes *(continued)*

The assets in the scheme were:	**2018 £'000**	**2017 £'000**
Equities	108,027	98,648
Government bonds	8,367	4,270
Other bonds	1,476	5,168
Property	22,639	23,370
Cash/Liquidity	2,215	10,337
Other	103,352	82,919
Total	246,076	224,712
Actual return on plan assets	7.5%	7.0%

Analysis of the amount shown in the balance sheet for LGPS pensions:

	2018 £'000	**2017 £'000**
Scheme assets	246,076	224,712
Scheme liabilities	(330,603)	(316,800)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 19)	(84,527)	(92,088)
Current service cost	(11,480)	(9,099)
Curtailments and administration expenses	(528)	(291)
Total operating charge:	(12,008)	(9,390)

Analysis of the amount charged to interest payable/credited to other finance income for LGPS

Interest cost	(7,723)	(7,282)
Expected return on assets	5,544	5,198
Interest on net deficit	(2,179)	(2,084)
Net charge to other finance income	(4,358)	(4,168)

24 Pension Schemes *(continued)*

Total profit and loss charge before deduction for tax

Analysis of other comprehensive income for LGPS pension:

	2018 £'000	2017 £'000
Gain on assets	12,831	11,101
Experience gain on liabilities	-	6,134
Gain/(loss) on assumptions	2,674	(17,284)
Total other comprehensive income before deduction for tax	15,505	(49)

History of experience gains and losses – LGPS pensions

	2018	2017	2016	2015	2014
Amount £'000	12,831	11,101	27,196	7,527	(4,489)
% of assets at end of year	5.2%	4.9%	13.1%	4%	3%
Experience (gains)/losses on scheme liabilities					
Amount £'000	(2,674)	17,284	48,692	(18,591)	13,346
% of liabilities at end of year	0.8%	5.5%	16.6%	8%	7%

Cumulative actuarial loss recognised as other comprehensive income for LGPS pension	2018 £'000	2017 £'000
Cumulative actuarial losses recognised at the start of the year	(92,088)	(86,187)
Cumulative actuarial losses recognised at the end of the year	(84,527)	(92,088)
Analysis of movement in surplus/(deficit) for LGPS pension		
Deficit at beginning of year	**(92,088)**	**(86,187)**
Contributions or benefits paid by the University	6,243	5,622
Current service cost (includes admin expenses)	(12,008)	(9,390)
Other finance charge	(2,179)	(2,084)
Gain recognised in other comprehensive income	15,505	(49)
Deficit at end of year	**(84,527)**	**(92,088)**

24 Pension Schemes *(continued)*

Analysis of movement in the present value of LGPS liabilities

	2018 £'000	2017 £'000
Present value of LGPS liabilities at the start of the year	**316,800**	**293,419**
Current service cost (net of member contributions)	11,836	9,231
Interest on pension liabilities	7,723	7,282
Actual member contributions (including notional contributions)	2,310	2,145
Actuarial loss/(gain)	(2,674)	11,150
Actual benefit payments	(5,392)	(6,427)
Present value of LGPS liabilities at the end of the year	**330,603**	**316,800**

Analysis of movement in the fair value of scheme assets

	2018 £'000	2017 £'000
Fair value of assets at the start of the year	**224,712**	**207,232**
Interest on plan assets (includes admin expenses)	5,372	5,039
Actuarial gain on assets	12,831	11,101
Actual contributions paid by University	6,243	5,622
Actual member contributions (including notional contributions)	2,310	2,145
Actual benefit payments	(5,392)	(6,427)
Fair value of scheme assets at the end of the year	**246,076**	**224,712**

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

Actual Return on Scheme Assets

	2018 £'000	2017 £'000
Expected return on Scheme assets	5,544	5,198
Asset gain/(loss)	12,831	11,101
	18,375	**16,299**

The estimated contributions for LGPS in the financial year 2018/19 is £6m.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Notes to the Financial Statements
Year ended 31 July 2018 *(continued)*

24 Pension Schemes *(continued)*

(iii) Teachers' Pension Scheme (TPS)

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- Employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- An employer cost cap of 10.9% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

25 Accounting estimates and judgements

Tangible fixed assets land and buildings

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

In accordance with the Financial Reporting Standard relevant at the time, 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. The revaluation values as at 31 July 2014 have been used as deemed cost for the purpose of the transition to FRS102.

Bad debt policy

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

Pensions

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

26 Related parties

The University Board members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest, including those identified below, are conducted at arms-length and in accordance with the University's Financial Regulations and usual procurement procedures. No transactions were identified which were required to be disclosed.

No Board member has received any remuneration/waived payments from the group during the year in their capacity as a Board member. (2017 - none).

The total expenses paid to or on behalf of 10 Board members was £9,928 (2017 £21,095 to 11 Board members). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity. In addition costs of £26,400 (2017 £26,400) were paid for the provision of administrative support to the Chair of the Board.

University of Central Lancashire

uclan.ac.uk

Tel: +44 (0)1772 201 201

07029 1/19