

# **University of Central Lancashire**

## **Consolidated reports and financial statements**

**For the year ended 31 July 2016**

## Report and financial statements

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## Legal and Administrative Details

### Members of the Board

A Adams  
E Adia  
F Armstrong  
M Darby-Walker (appointed 19 May 2016)  
J Edney  
D Garbutt (appointed 19 May 2016)  
J Heaton-Marriott  
R Hext  
J Hogan  
J Horrocks  
S Iqbal (appointed 1 July 2016)  
J Linsel (resigned 30 June 2016)  
L Lloyd (appointed 19 May 2016)  
W McQueen  
D Taylor  
M Thomas

### Professional Advisors

Auditor - external: KPMG LLP  
Auditor - internal: PricewaterhouseCoopers LLP  
Tax advisors: KPMG LLP  
Deloitte LLP  
Bankers: Barclays Bank plc  
Insurance brokers: AON Limited  
Solicitors: Burnetts Solicitors  
Slater & Gordon (UK) LLP  
SGH Martineau LLP

## Operating and Financial Review

### Introduction

Continuing the trend of recent years, the University has had another successful year both financially and operationally. Whilst the external environment remains challenging, especially post Brexit, the University has continued to deliver on the student experience and research and innovation. Progress is being made towards the strategic aims and the achievement of the University Strategy 2015–2020 and the University remains committed to the widening participation agenda and the employability of its graduates. In addition, the University maintained its financial strength by delivering a satisfactory surplus leading to a robust balance sheet and cash position.

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

- Our Mission, Values, Strategic Aims and Measures
- Statement on Public Benefit
- International Activities
- Diversity
- Environment and Sustainable Development
- Linked Charities
- The Corporate Structure
- Financial Review including FRS102
- Risk Management
- Future Risks and Uncertainties

### Our Mission

We create positive change in our students, staff, business partners and wider communities, enabling them to develop their full potential by providing excellent higher education, innovation and research.

### Our Values

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

### Strategic Aims – The University Strategy 2015-2020

The University has identified the following Strategic Aims:

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

## Operating and Financial Review *(continued)*

### **Key Performance Indicators (The UCLan Measures)**

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

### **Statement of Public Benefit (2015/16 academic and financial year)**

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

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

The objects are embodied within the University's Strategy 2015-2020. It is this strategy which enables the University to fulfil its charitable objects and is monitored by UCLan's Measures and Key Performance Indicators.

The University's Mission Statement sets out how it acts for the benefit of the public: *We create positive change in our students, staff, business partners and wider communities, enabling them to develop their full potential by providing excellent higher education, innovation and research.*

In the following section we report on our progress in relation to key elements of the Mission Statement and how these elements are contributing to benefit the public.

### **Commitment to students**

The University's Corporate Strategy 2015-2020 sets a target that by 2020 UCLan aims to be in the top 25 percent of UK universities for measures including student satisfaction, student retention and graduate level employment.

Students are the lifeblood of the University meaning it is committed to continuously enhancing its students' experience across all areas of provision. To enable the University to do so effectively it has reviewed its strategy and approach to ensure students are partners with it, wherever possible and appropriate, in the development, review, quality assurance and enhancement of all of its academic learning, support for learning and student-focused social activities.

The Students' Union is the key stakeholder and important channel through which engagement with students as partners takes place. In 2016 the University and the Students' Union signed an official, legally binding agreement which pledges both parties to recognise and act upon the wishes of the student voice, promote equality and diversity and encourage mutual respect and understanding of each other's distinct roles.

The close partnership with the Students' Union is supplemented by a diverse range of other actions embedded within courses and across the institution to connect and engage with the wider student voice. For example, students are represented on all formal committees and the Board of the University, in all student-related working groups and projects, on scholarships and hardship funds committees and on groups responding to internal and external consultations. Students are consulted about curriculum developments and are invited to sit on course approval and periodic course review panels and to meet with external examiners and external professional accreditation panels. Elected Student School Presidents, trained by the Students' Union, chair each of the formal staff-student liaison panels, whereby course level feedback is considered and actioned. The University employs a number of students to develop and enhance its business and ensure its thinking in all aspects of delivery is informed by the experiences and needs of the student community, for example students work as interns across the business, as social media officers, peer mentors, research assistants, ambassadors and retention buddies.

## **Operating and Financial Review** *(continued)*

The University engages with a number of internal and external surveys relating to students. For example, the National Student Survey, the Postgraduate Research Student Experience Survey and International Student Experience Survey. Students also contribute to the University's conferences, for example this year they worked with the University in the organisation and delivery of its two-day Learning and Teaching Conference and its Diversity Conference. Students contribute to staff development days within Schools and they work with the University to identify themes for cross-cutting curriculum development. For example, this year saw the publication of the outcomes from the 'Sustainability in the Curriculum' work that had been initiated by students two years ago.

The University has continued to develop its approach to enhancing engagement by all students with their learning through a range of course team developments, for example all academic staff have been involved in development facilitated externally and internally to enhance assessment for learning in the curriculum. The University has invested substantial funds into new software and into improving the learning and support environment to maximise engagement of students with their learning, academic and professional support staff.

All these initiatives are producing positive results. In 2015-16 the University received its highest overall satisfaction score ever recorded in the National Student Survey (85.2%). The University's focus on employment and employability skills is also as strong as ever with over 92% of those graduating from full-time first degree courses going on to employment or further study six months after graduation – a figure which has seen year-on-year improvements since 2012.

### **Community and Social Engagement**

The University's Corporate Strategy pledges the University to continue to inspire positive change in organisations and people from all walks of life, to enable them to achieve their potential. From its links with schools and colleges to a full range of community events the University is committed to deep-rooted engagement with the wider communities of Preston, Lancashire and the North West.

The UCLan student intake is highly diverse, with almost half coming from lower socio-economic households and in 2015-16 the University's outstanding record in attracting students from across the social spectrum was recognised through a £240,000 award from the Higher Education Funding Council for England to lead and further develop collaborative outreach networks that encourage more young people across Lancashire into higher education.

This National Networks for Collaborative Outreach agreement formalises and expands on existing work being undertaken by the University and goes some way to ensuring that Lancashire's schools have equal access to information about a wide range of social engagement and outreach opportunities. At UCLan these range from summer schools, open days and other social engagement activities such as those delivered by the award-winning Young Scientist Centre and the hugely popular Lancashire Science Festival which this year attracted over 17,000 people to the central festival days and fringe events.

In addition to opening up the Preston City Campus for major public events, staff and students were encouraged to interact with the wider community in a variety of voluntary and charitable ways.

The efforts of the students are regularly celebrated at special awards ceremonies while later in the year the University announced the 'Time to Shine' initiative, which encourages all staff to take a day's paid special leave to help support positive causes within the local community.

At the annual volunteering awards ceremony more than 100 students were honoured in 12 categories for giving up their own free time to make a difference to communities across the county, including the University's policing students who won two awards.

## Operating and Financial Review *(continued)*

During the academic year, the University's Centre for Volunteering and Community Leadership (CVCL) recruited and inducted 1,804 students into volunteering. Together with more established volunteers they contributed 20,408 hours to the region. Since 2001 the CVCL has supported 15,031 student volunteers and they have helped at home and across the globe including Cyprus, Spain, Belgium, Russia, Turkey, Kazakhstan, Pakistan, Morocco, United Arab Emirates, South Africa, Zambia, Saudi Arabia, USA, Brazil and New Zealand.

### ***Innovation and Enterprise***

Enterprise and entrepreneurship are core to UCLan's corporate strategy and written into its strategic aims. The Vice-Chancellor and Board have set ambitious targets to increase enterprising activity and income by 50% by 2020 and school and service delivery plans reflect this objective. The University aims to nurture a growing and vibrant community of academic innovators, deepening its enterprise activity while maximising the resulting economic and social impact.

Progress is monitored by the Vice-Chancellor and Board. Through appraisals, staff are recognised for knowledge transfer activities in all their forms. To ensure best practice, senior members of UCLan staff have attended initiatives such as the National Centre for Entrepreneurship Programme to develop their knowledge. The University has also sought expertise at all stages from other HE institutions and industry to ensure that its practices are excellent.

The entrepreneurial environment has been enhanced in many areas, including the development of new progression routes for staff, recognising and incentivising entrepreneurial activity. Evidence of an enhanced entrepreneurial culture and mind-set includes:

- Steadily increasing IP disclosure rates for staff.
- Student enterprise being incorporated into the curriculum and a staff support network implemented.
- Continued development of regional and international entrepreneurial opportunities through UCLan's Burnley, Westlakes and Cyprus campuses and Chinese innovation subsidiary in Shenzhen.
- Increased engagement across the University through enterprise in the curriculum, live student projects and placements, and the launch of a new Centre for SME Development, a leadership hub and school based enterprise hubs.

The latest Higher education-business and community interaction survey reported targeted investment of HEIF income resulted in a rapid increase in collaborative research activity generating income growth of £313k (10.6%) to £3.262m, its highest value since 2004/05.

The University has successfully developed new consultancy opportunities, to gain UCLan first place within the University Alliance Group. Entrepreneurial and enterprising staff activity increased engagement with SME and CPD short courses by 16.5% to £10.7m; Regeneration and Development income, based on innovative regional ERDF business support programmes, increased £793k to £2.93m in 2014/15, a rise of 37.1%.

UCLan continues to excel in graduate start-up activities. The University has retained its first place ranking within the North West, second within the University Alliance and third UK-wide for graduate start-ups established. UCLan is also ranked first UK-wide for start-ups still active after three years.

In other developments: UCLan's AluSid spin-out business, launched in 2015, has completed its first year of operations, establishing a factory, attracting two rounds of financing and launched a new range of environmentally friendly construction materials.

Also in 2015 an aerospace research team from the University's Engineering Innovation Centre linked-up with the University of Manchester's National Graphene Institute resulting in the world's first flight of an unmanned aerial vehicle part constructed with graphene. The research partnership which also involves a number of Lancashire-based SMEs, aims to develop a road map that enables graphene to play a key role in the future development of the aviation industry.

## **Operating and Financial Review** *(continued)*

The University's innovative culture also extends to future healthcare provision and it has placed itself in a prime position to benefit the North West's healthcare economy by training a new generation of doctors to work in some of the biggest hospitals in the North of England. 2015 saw the University launch its new five-year undergraduate medical programme, the Bachelor of Medicine and Bachelor of Surgery (MBBS), for 35 self-funded international students with undergraduates undertaking clinical placements throughout the region as part of their course.

The University intends to extend training provision to UK students and has already announced its intention to bid for a share of the 1,500 additional medical training places recently announced by the Government. By working with partners including East Lancashire Hospitals NHS Trust and North Cumbria University Hospitals NHS Trust the University's long-term strategy is to attract and retain local doctors to NHS employment in the region.

### ***Regional Economic Impact***

In 2015 the University published the results of a major independent study which looked at UCLan's economic impact not only in Preston but across the whole of the North West region.

Produced by leading economic consultancy Regeneris Consulting, the report focused on the most up-to-date figures available from 2013/14. During that year the University contributed £200m to the North West economy and, through a range of economic effects, supported 4,300 full-time equivalent jobs across the region. In that time the University directly employed 3,290 staff, making it one of the largest employers in Preston.

The University was also an important contributor to the economy as a purchaser of local goods and services. In 2013/14 it spent £15 million on suppliers based throughout Lancashire and the wider North West area.

UCLan was also found to have the ninth largest undergraduate population of all UK universities; a huge asset to both the financial and academic power of the area. With 36,000 students it was the largest University in Lancashire and the third largest in the North West. The 18,390 full-time students residing in the North West spent a total of £210m throughout the region, with £155m of that being spent in the red rose county.

The University was also highlighted as being Lancashire's largest provider of graduate level qualifications, supplying large numbers of highly skilled graduates into the workforce. Graduates in 2013/14 were expected to contribute an annual average of £24m to the North West and £15m to the Lancashire economy over their working lives. The figures also show the University educated half of all students at higher education institutions in Lancashire, while 1% of all the county's residents were enrolled at Central Lancashire at any given time.

### ***Partnerships with Regional Educators and Employers***

The University has continued to expand and strengthen its strategic, charitable, outreach and commercial relationships with regional educators and employers. It delivers courses in partnership or under franchise arrangements with a very large network of regional Further Education Colleges and employers as well as a small number of specialist private Colleges. This year it has worked with employers to offer a small number of degree apprenticeships and is actively engaging with a range of employers and professional bodies to expand this provision, building on its extensive longstanding experience of offering part-time degree courses and degree-level work based learning. Employers are involved in the development and review of the curriculum across the university and contribute to its delivery and the provision of work experience, mentoring, internship and placement opportunities for students. Substantive work experience is embedded across the curriculum. One of the University's strategic objectives is for all courses to achieve relevant professional accreditation and recognition. A range of CPD is offered within the University and the workplace and employers work with it in public engagement, community relationships, volunteering activities and enterprise and business advice and set-up schemes. There is an active Partnership Forum hosted by the University, which meets regularly to share opportunities, good practice and promote continuous improvement. Regional educators are represented on each of the University's key formal committees.



## **Operating and Financial Review** *(continued)*

The University hosts sector-related employer boards and network events. Staff are members of regional and national committees and bodies including the LEP and City Deal groups influencing skills and employment strategies. UCLan also works closely with education authorities at regional and national levels and many staff are on the governing bodies of regional schools. The University continues to sponsor two of these.

### **Staff Engagement**

A Staff Experience Group was formed early in the year comprising of staff committed to improving the employee experience, in light of the 2015 staff survey results. These 80 staff members have started to identify and work on improvements, support the staff survey and other external benchmarks. The University starts from a strong base of 88% of staff survey responders agreeing that UCLan is a good place to work, but there is acknowledgment that the institution needs to work on communications, change and senior leadership.

The mid-point Investors in People report was very positive about changes occurring since the Gold standard was awarded in 2014. The next IIP assessment is March 2017. Staff in colleges and services where major change was taking place have been engaged this year in many different activities, from delivery plan development which meet the UCLan measures, to enhancing their abilities in their job roles. Specifically, college leadership teams and principal lecturers have been targeted this year. Trade union representatives have also been engaged in both policy development and improving the staff experience in many ways this year. This has been done informally as well as through the formal channels, which has resulted in both managers and TU reps agreeing that employee relations are much improved.

### **International Activities**

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

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

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

### **Diversity**

Consultation has been undertaken across the University to revise our Equality, Diversity and Inclusion (EDI) Strategy and action plans, to support the new UCLan strategy. A final EDI strategy is now ready for the Board to approve, it is posted on our website as legislation requires and objectives will guide the work across UCLan over the next four years.

The staff networks have been reinvigorated to support female, black and minority ethnic staff, disabled staff, lesbian, gay, bisexual and transgender staff.

Significant work has been undertaken to maintain and improve on our benchmarking against the national charter marks; Athena SWAN (we maintained Bronze and applied for one department award), Stonewall Workplace Index (currently position 260 out of 415) and the Race Equality Charter Mark (one submission made). Targets are in place to improve on all these Charter Marks. HR supported the 5<sup>th</sup> Annual Diversity Conference in November 2015 on 'Mental Wellbeing' with over 100 attendees, including staff, students, colleagues from other institutions and members of the public.

Support was provided for 15 female, black and minority ethnic staff and staff who identify as LGBT in external, nationally recognised, personal and leadership development programmes and this trend will continue to help all staff feel equally able to contribute to UCLan success.

## **Operating and Financial Review** *(continued)*

### **Environment and Sustainable Development**

The University's Environment and Sustainability Policy, which sets the framework for sustainability, is approved by both the Vice-Chancellor and the Students' Union President with work centrally coordinated by Facilities Management. The University's significant environmental aspects are managed and mitigated through implementation of an Environmental Management System which has been certified to the International Standard ISO14001:2004 since October 2010. In October 2016, the University's Environmental Management System (EMS) will be externally audited for certification against the requirements of the new International Standard ISO14001:2015. This revised standard places more emphasis on leadership, the context in which the University operates as well as the needs and expectations of interested parties. External certification gives the University the assurance that the Environmental Management System is effective and demonstrates to stakeholders that the University is committed to improving its environmental performance.

### **Linked Charities**

#### ***University of Central Lancashire Foundation***

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

#### ***Westlakes Research Limited (operating as the Samuel Lindow Foundation)***

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

### **The Corporate Structure**

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

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

## Operating and Financial Review *(continued)*

### Financial Performance in 2015/16 Compared to Previous Years

The University's financial performance in 2015/16 continues the trend of recent years in generating a surplus and maintaining a strong balance sheet whilst supporting the student experience and the development of academic excellence. In order to ensure the longer term sustainability of the University, the University Strategy requires a modest surplus to be achieved each year; the achievement of this requirement enables the organisation to react to opportunities and issues from a strong financial base.

The summary group financial results are set out below:

<b>Group Financial Results</b>	<b>* 2016</b>	<b>* 2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Operations</u></b>					
Income	209,627	206,226	202,675	193,773	198,700
Expenditure	198,676	193,720	188,377	184,997	184,102
Operating surplus	10,951	12,506	14,298	8,776	14,598
One-off items and Tax	(36)	(172)	(2,962)	(3,186)	(31)
Group share of associated company loss	(1,002)	(1,542)	(1,379)	(1,687)	(251)
Surplus after tax	9,699	9,587	11,982	5,959	16,437
<b><u>Financial Strength</u></b>					
Fixed Assets	243,767	247,100	251,406	256,672	264,595
Net Cash/Investments	139,787	116,671	98,833	86,520	81,096
Net Assets excluding Pension Liability	286,665	273,167	308,025	296,219	293,851
Pension Liability	(92,944)	(67,649)	(49,354)	(55,546)	(63,043)

*\*Accounts for these accounting periods prepared under FRS102*

Key features of 2015/16 were:

- A surplus of £9.7m was generated in year, and cash balances increased by £22m.
- Funding council grants continued to reduce slightly in the year in line with expectations, but the reduction was more than offset by increases in tuition fees and other sources of income.
- Research project income decreased by 12% from 2014/15, to a total of £6.4m.
- Following the annual assessment of the pension liability for the Local Government Pension Scheme, due to changes in the long term actuarial assumptions the liability attributed to the University has increased from £60.9m to £86.2m, resulting in a total pension liability of £92.9m.
- Exceptional costs relating to payments made under the Mutually Agreed Severance Scheme (MASS) amounted to £4.5m
- Whilst losses are still being incurred by the Cyprus campus, these are less than in previous years. The University's share in 2015/16 is £1,002k.
- Financial year 2015/16 is the first accounting period for which Financial Reporting Standard 102 (FRS102) has applied. The implementation of FRS102 is a significant development in Financial Reporting, and has altered the presentation, format and results of the 2015/16 accounts, compared with those that would have been reported under the previous reporting standard.

## **Operating and Financial Review** *(continued)*

### **Financial Outlook 2016/17 and Beyond**

The University Board receives regular updates on the financial position of the University and so is able to monitor the financial performance and gain assurance against the strategies. It is part of the overall financial strategy that each subsidiary company and charity operates as a separate legal entity each with their own Board who consider the individual performance and financial sustainability of that entity. The structure of the University Group is such that these various entities are legally independent of each other and are required ultimately to be able to stand alone financially. It is not the University's normal practice to provide any type of guarantees, financial or otherwise, for any subsidiary company to ensure the financial integrity of the whole organisation is maintained.

The University, together with each of the subsidiary companies, produce budgets and forecasts for the following three years on an annual basis. These currently indicate that the University Group can continue to support the University Strategy 2015 - 2020 and that the organisation is robust financially. Whilst the future holds significant challenges on many fronts, the University is confident that, based on its current plans, it will be able to support and enhance the student experience and ensure the development and success of the organisation in the longer term.

Overseas, progress has continued at the Cyprus campus with the first students graduating at the end of the 2014/15 academic year. No additional cash loans have been made to the campus during 2015/16 but the financial statements reflect the University's share of the campus's losses in the year. As mentioned in previous reports, all loans made to the campus in prior years have been prudently provided for.

### **Risk Management**

The Board has continued to regularly review its risk register and has had two full agenda items timetabled for in-depth discussions on future risk to the University. The Board has re-profiled the risks in line with agreed procedures to maximise the success of the University strategy.

### **Future Risk and Uncertainties**

The major uncertainty risk for UK universities in the immediate future is the outcome of the EU Referendum and the impact of leaving the European Union. This decision has ramifications for student recruitment (EU) and internationally; research partnership developments and the strategic advancements in Cyprus. The restructuring of Cabinet responsibilities and the transfer of Higher Education from the Department of Business, Innovation and Skills (BIS) to the Department for Education (DfE) adds to the policy complexity. Working closely with HEFCE, DfE, UUK, QAA and other relevant external bodies, the University will keep abreast of information in order to inform judgements.

Major risks will be the progress of the HE White Paper through Parliament, including the Teaching Excellence Framework (TEF); the opening for new market entrants; the arrangements for quality assurance processes and the outcome of the Strategic Area Review of Further Education. Equally the published outcome of the Stern Review of Research Excellence and the impact on the University's submission to the next Research Excellence Framework Exercise will be evaluated to inform University strategies in both teaching and research excellence.

The Strategic Area Reviews (SAR) of Further Education providers in Lancashire commenced in July/August 2016 and there are a variety of options available regarding the SAR outcomes. These include college mergers, strategic alliances, growth into HE or retaining the status quo. The University is in regular contact with all its FE partner organisations and is active in public consultation exercises where required. With one college the University is engaged in more in-depth discussions exploring the potential for closer collaborative arrangements.

## **Operating and Financial Review** *(continued)*

To meet the fast-changing external environment UCLan has recently reconfigured its senior team so that Executive members take responsibility for risk portfolios whilst Pro Vice-Chancellors are responsible for provision portfolios. Academically two Deputy Vice-Chancellors (Academic and Corporate Planning and International Strategy respectively) will oversee the University's response to EU exit, the HE White Paper, the Research Excellence Framework and the Strategic Area Review as well as maintaining oversight of recruitment and student success. The Pro Vice-Chancellors (Research, Academic Development and Corporate Development respectively) will lead developments to ensure quality improvement and enhancement of the University's provision and student satisfaction.

### **Conclusion**

Over the last twelve months, the University has made significant progress in a number of areas all within the context of a difficult external environment. Consequently, the Board wishes to place on record its thanks to everyone who has been involved and contributed to the ongoing success of the University during that period. The Board, however, does recognise that the next few years will continue to provide challenges as well as opportunities for all concerned in the sector.

In addition, the Board would like to wish recent graduates every success in their future endeavours and to encourage new and existing students to maximise the benefits of their time at UCLan.

A resolution to reappoint KPMG LLP as auditor to the University was approved at the Board of Governors meeting on 17 November 2016.

**D Taylor**  
Chair of the Board  
November 2016

## Corporate Governance

This statement has been amended to reflect recent changes to the governance arrangements. The document has also been prepared in line with the revised Higher Education Code of Governance published by Committee of University Chairs (CUC) in December 2014.

### Key Aspects of Corporate Governance

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

- continued compliance with the CUC Code of Governance in all areas including the use of a Statement of Primary Responsibilities.
- continued compliance with the Higher Education Funding Council for England (HEFCE) Memorandum of Assurance and Accountability as revised from time to time.
- a commitment (to which all Board members sign a written undertaking), to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
- setting its governance arrangements with due regard to the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC), relevant guidance issued by the Higher Education Funding Council for England (HEFCE) and good governance practice wherever this can be identified.
- ongoing review of the effectiveness of the Board.
- effective application of the approved Scheme of Delegation in the light of the University's new Strategy 2015-2020.
- ongoing review, development and implementation of the Governance Manual. This includes the Scheme of Delegation, Standing Orders and the Terms of Reference of the Board and its Committees and governance practice in relation to the recruitment, appointment and conduct of Board members.

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

- periodic independent reviews of the University's corporate governance arrangements; and
- reports from the internal auditor which confirm that the University continues to satisfy HEFCE's minimum corporate governance requirements.

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

### Governance and Legal Structure

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

The Articles and associated Instrument of Government set the governance framework for the University and, amongst other things, require the University to establish a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage University activities. Revised Instrument and Articles were approved by the Privy Council and Charity Commission and expected to take legal effect prior to the 2017 calendar year.

## **Corporate Governance** *(continued)*

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

It is anticipated that the Standing Orders and Scheme of Delegation will be reviewed and, if necessary, revised by the Resources Committee in line with best practice and to reflect the provisions of the revised Articles and Instrument of Government.

### **The University Board**

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

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

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

### **Constitution and Operation of the University Board**

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

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

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

The Board currently comprises 15 members. At the time of writing the Board comprises 11 independent members, 2 staff members, 1 student member (the president of the University's Students' Union), and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met seven times during the year. The Board and some Committee meetings included specific presentations and briefings on strategic issues and the Board agreed the University's new Strategy 2015-2020.

## **Corporate Governance** *(continued)*

### **Committees and Working Groups**

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

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

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

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

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

### **Audit and Risk Committee**

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

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

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

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



## **Corporate Governance** *(continued)*

### **Nominations Committee**

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

### **Remuneration Committee**

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

The role of the Committee is to ensure that contractual terms in relation to the employment of the Vice-Chancellor and other designated senior staff, including ensuring that the terms relation to payments, are fair to the individual and the University. The Committee was responsible for agreeing the remuneration of all senior staff reporting to the Vice-Chancellor.

### **International Committee**

David Taylor served as Chair of the International Committee. The Committee has the oversight of the development and implementation of the International Strategy of the University. On 19 May 2016, the Board disestablished the Committee, and agreed that company related issues would be considered by a newly formed Resources Committee and non-company strategic issues be referred to the Board.

### **Urgent Business Committee**

David Taylor served as Chair throughout the year. The Committee deals with matters that are urgent that cannot reasonably await consideration at the next meeting of the Board.

### **Resources Committee**

The Resources Committee Terms of Reference were agreed by the Board on 19 May 2016. The Committee will have a wide remit over financial, property and human resources issues. It will have oversight of key issues in those areas on behalf of the Board and a degree of authority delegated by the Board to make those decisions. The Committee will also have oversight of all the University's subsidiary companies (including the overseas companies). The Committee will also oversee the implementation of the Campus Master Plan. The members of the Committee with effect from 19 May 2016 were David Taylor, Janice Horrocks, Jon Hogan, Andrea Adams and the Vice-Chancellor. With effect from 1 August 2016 Jim Edney was also appointed to the Committee.

### **The Academic Board**

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

### **The Chair of the Board of Governors**

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

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

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

## Corporate Governance *(continued)*

### Group Chief Executive

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

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

Following the resignation of Mr Hext, the Board agreed on 24 September 2015 that the post of Group Chief Executive was to be disestablished with effect from 30 September 2015 and the key elements of the role of Group Chief Executive would be undertaken by the Interim Vice Chancellor. On 1 October 2015 Mr Hext was re-designated as an Independent Board member of the Governing Body.

### The Vice-Chancellor

Professor Mike Thomas served as Interim Vice-Chancellor from March 2015. In December 2015, Professor Mike Thomas was appointed as Vice-Chancellor and took over responsibilities of the former Group Chief Executive. Currently, in addition to being the Accountable Officer, the Vice-Chancellor is responsible for the following duties:

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

### Nominated Officer

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

The University has a direct or indirect legal and/or financial relationship with a number of companies. These companies facilitate sector initiatives, economic regeneration initiatives or provide the means through which to develop overseas projects.

### Clerk to the Board

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

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

## Corporate Governance *(continued)*

### Register of Interests

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

### Commitment to Continuous Improvement

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

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

### Internal Control

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

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

The Board is of the view that there is an on-going process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2016 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.

## **Corporate Governance** *(continued)*

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

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 2015/16. In addition, the follow up procedure for monitoring implementation of agreed internal audit recommendations is subject to review by the internal auditors. The emphasis for the Audit and Risk Committee is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its November 2016 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 2016 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2016.

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.

### **Conclusion**

The Board continues to be of the opinion that it has fully participated in determining the future direction of the University, its strategy and operational plans, has effectively and efficiently discharged its responsibilities and duties under its Statement of Primary Responsibilities and the Scheme of Delegation and that the Board demonstrates a high level of good practice in governance. The Board complies with The Higher Education Code of Governance published in December 2014.

## Statement of Primary Responsibilities of the Board

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

1. To meet the responsibilities of the Board as stipulated in the Articles of Government, i.e.
  - a) determination of the educational character and mission of the University and for oversight of its activities;
  - b) effective and efficient use of resources, ensuring the solvency of the University Group and the safeguarding of University assets;
  - c) approving annual estimates of income and expenditure;
  - d) appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and including the Vice-Chancellor;
  - e) setting a framework for the pay and conditions of service of all other staff.
2. For the University to:
  - a) determine the overall dimensions, shape and structure and oversight of its activities;
  - b) ensure the effective use of resources, value for money, the solvency and sustainability of the University and safeguarding the University's assets;
  - c) approve budgets and financial plans;
  - d) the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of Vice-Chancellor and his/her other senior employee direct reports;
  - e) setting a framework for the pay and conditions of service of all other staff.
3. To approve the mission and strategic vision of the University as set out in the University Strategy 2015-2020 and supporting plans (as amended from time to time).
4. To approve and keep under review the scheme of key performance indicators (KPIs) relating to the University Strategy and to ensure that these remain meaningful and relevant and that they meet the interests of stakeholders. To monitor, and to receive assurance as to performance, through KPI assurance reports (see clause 7 below).
5. To delegate authority to the Vice-Chancellor for the development and management of the University's assets and performance in line with agreed strategies and financial plans and for the academic, corporate, financial, estate, information and personnel management of the University and to establish and keep under review the key policies and procedures and limits within which such delegated authorities are exercised. For this purpose, key policies are defined as:

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

*The above list may be amended from time to time.*

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

6. To ensure establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment and management and procedures for handling internal grievances and for managing conflicts of interest (and including the Board Risk Registers).
7. To obtain from the Vice-Chancellor and from internal and external auditors (in accordance with the Scheme of Delegation (Committees)) formal assurance as to the continued relevance and effectiveness of the systems identified at 5 above. This includes systems for ensuring the accuracy of data provided by the University to HEFCE, other national bodies where appropriate and third parties.
8. To obtain independent assurance (i.e. through audit) that effective processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved KPIs, which should be – where possible – benchmarked against other comparable organisations.
9. To conduct its business in accordance with best business practice in corporate governance, the UK Committee of University Chairs Governance Code of Practice, the requirements of National Governments wherever the University has activities and within the principles of public life drawn up by the UK Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.
10. To safeguard the good name and values of the University of Central Lancashire and its subsidiaries.
11. To appoint the Vice-Chancellor of the University and to put in place suitable arrangements for monitoring the performance of the post holder.
12. To appoint a Clerk to the Board and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in lines of accountability.
13. To be the employing authority either directly or through subsidiary companies for all UK based employees of the University Group and to be responsible for establishing and monitoring a human resources strategy.
14. To be the principal financial and business authority of the University and its subsidiaries, to ensure that proper books of account are kept. To approve the annual budget and financial statements and to have overall responsibility for the assets, property and estate of the University and its subsidiaries.
15. To ensure that appropriate systems are in place for meeting the legal obligations of the University and its subsidiaries and for obtaining (or for receiving assurances as to the receipt of (as determined by the Board)) timely professional legal advice on general and on specific issues arising from time to time. This includes legal matters arising from contracts and other legal commitments made, or proposed to be made.
16. To make such provision as the Board thinks fit for the general welfare of University students in consultation with the Academic Board.
17. To act as Trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University. This includes the University of Lancashire Foundation for which the Board is Trustee.  
  
*Note: All members of the Board are members of the Trustee by virtue of their membership of the University Board.*
18. To ensure that the University's constitution is followed at all times and that appropriate governance arrangements are in place and that appropriate advice and assurance is available to ensure this happens.

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

We have audited the financial statements of University of Central Lancashire for the year ended 31 July 2016. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102. *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

### **Respective responsibilities of the Board of Governors and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

### **Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Articles of Government;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

Timothy Cutler

**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
One St Peter's Square  
Manchester  
M2 3AE

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

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

## 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).

### 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. 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.



## Statement of accounting policies *(continued)*

### 3. Recognition of income *(continued)*

#### 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.

## Statement of accounting policies *(continued)*

### 4. Pension schemes *(continued)*

#### Defined Benefit Plan

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

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

### 5. Employment benefits

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

### 6. Finance leases

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

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

### 7. Operating leases

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

### 8. Foreign currency

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

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

## Statement of accounting policies *(continued)*

### 8. Foreign currency *(continued)*

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

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

### 9. Maintenance of premises

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

### 10. 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 31.7.14, 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.

## Statement of accounting policies *(continued)*

### 8. Tangible fixed assets *(continued)*

#### c. Borrowing costs

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

### 11. Investment properties

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

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

### 12. Investments

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

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

### 13. Stocks and work in progress

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

### 14. Cash and cash equivalents

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

### 15. Provisions and contingent liabilities

Provisions are recognised in the financial statements when:

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

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

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

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

## **Statement of accounting policies** *(continued)*

### **16. Taxation status**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 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. Transition to FRS102**

The University is preparing its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS102 has affected the reported financial position, financial performance and cashflows of the consolidated results of the University is provided in Note 26.

FRS102 grants certain first time adoption exemptions from the full requirements. The following exemptions have been taken in these financial statements:

Fair value or revaluation as deemed cost: the revaluation at 31 July 2014 has been used as deemed cost for land and buildings, including investment properties.

### **19. Accounting for associates**

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

**Consolidated Statement of Comprehensive Income and Expenditure  
Year Ended 31 July 2016**

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	147,744	147,744	144,717	144,717
Funding body grants	2	25,619	25,619	27,675	27,682
Research grants and contracts	3	6,416	6,416	6,940	6,787
Other income	4	28,929	28,285	25,893	26,482
Investment Income	5	919	875	1,001	795
Total income		<b>209,627</b>	<b>208,939</b>	206,226	206,463
<b>Expenditure</b>					
Staff costs	6	115,543	114,675	109,101	108,191
Fundamental restructuring costs		4,507	4,507	1,056	1,056
Other operating expenses	7	68,510	68,847	72,830	73,303
Depreciation	11	7,174	7,163	6,818	6,802
Impairment of land and buildings		-	-	1,158	1,158
Interest and other finance costs	8	2,942	2,906	2,757	2,768
Total expenditure	9	<b>198,676</b>	<b>198,098</b>	193,720	193,278
Surplus/(Deficit) before other gains losses and share of operating surplus/deficit of joint ventures and associates		<b>10,951</b>	<b>10,841</b>	12,506	13,185
Gain/(loss) on disposal of fixed assets		(585)	(585)	(1,791)	(1,791)
Gain/(loss) on investments		371	371	586	(1,115)
Share of operating surplus/(deficit) in associate	12	(1,002)	-	(1,542)	-
Surplus before tax		<b>9,735</b>	<b>10,627</b>	9,759	10,279
Taxation	10	(36)	-	(172)	-
Surplus for the year		<b>9,699</b>	<b>10,627</b>	9,587	10,279
Actuarial (loss) in respect of pension schemes	24	(21,496)	(21,496)	(9,086)	(9,086)
Total comprehensive income for the year		<b>(11,797)</b>	<b>(10,869)</b>	501	1,193
Represented by:					
Attributable to the University		<b>(10,795)</b>	<b>(10,869)</b>	2,043	1,193
Attributable to Associate Company		<b>(1,002)</b>	-	(1,542)	-

All items of income and expenditure relate to continuing activities

**Consolidated and University Statement of Changes in Reserves  
Year Ended 31 July 2016**

<b>Consolidated</b>	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<i>Unrestricted</i>		
	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>100,520</b>	<b>104,998</b>	<b>205,518</b>
Surplus/(deficit) from the income and expenditure statement	9,699	-	9,699
Other comprehensive income	(21,496)	-	(21,496)
Transfers between revaluation and income and expenditure reserve:	1,846	(1,846)	-
Items previously shown in Note of Historical Cost Surpluses	-	-	-
	<hr/>	<hr/>	<hr/>
	(9,951)	(1,846)	(11,797)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 July 2016</b>	<b>90,569</b>	<b>103,152</b>	<b>193,721</b>
<b>University</b>	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<i>Unrestricted</i>		
	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>96,191</b>	<b>104,547</b>	<b>200,738</b>
Surplus/(deficit) from the income and expenditure statement	10,627	-	10,627
Other comprehensive income	(21,496)	-	(21,496)
Transfers between revaluation and income and expenditure reserve:	1,840	(1,840)	-
	<hr/>	<hr/>	<hr/>
	(9,029)	(1,840)	(10,869)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 July 2016</b>	<b>87,162</b>	<b>102,707</b>	<b>189,869</b>

**Consolidated and University Balance Sheet**

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	11	242,580	239,705	245,930	243,051
Investments	12	1,187	1,883	1,170	1,883
Investments in associate		-	-	-	-
		<u>243,767</u>	<u>241,588</u>	<u>247,100</u>	<u>244,934</u>
<b>Current assets</b>					
Stock	13	52	29	55	33
Trade and other receivables	14	11,587	12,903	8,335	9,578
Investments	15	23,015	23,015	22,643	22,643
Cash and cash equivalents	19	116,772	112,790	94,028	90,087
		<u>151,426</u>	<u>148,737</u>	<u>125,061</u>	<u>122,341</u>
Less: Creditors amounts falling due within one year	16	(48,826)	(48,812)	(41,253)	(41,148)
Share of net liabilities in associate	12	(1,002)	-	-	-
<b>Net current assets</b>		<u>101,598</u>	<u>99,925</u>	83,808	81,193
<b>Total assets less current liabilities</b>		<u>345,365</u>	<u>341,513</u>	330,908	326,127
Creditors: amounts falling due after more than one year	17	(58,177)	(58,177)	(56,623)	(56,623)
<b>Provisions</b>					
Pension provisions	24	(92,944)	(92,944)	(67,649)	(67,649)
Other provisions	18	(523)	(523)	(1,116)	(1,117)
<b>Total net assets</b>		<u>193,721</u>	<u>189,869</u>	<u>205,518</u>	<u>200,738</u>
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		90,569	87,162	100,520	96,191
Revaluation reserve		<u>103,152</u>	<u>102,707</u>	<u>104,998</u>	<u>104,547</u>
<b>Total Reserves</b>		<u>193,721</u>	<u>189,869</u>	<u>205,518</u>	<u>200,738</u>

The financial statements on pages 22 to 51 were approved by the Board on 17 November 2016 and were signed on its behalf by:

D Taylor  
Chair of the Board

M Thomas  
Vice-Chancellor



**Consolidated Cash Flow  
Year ended 31 July 2016**

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		9,699	9,587
<b>Adjustment for non-cash items</b>			
Depreciation	11	7,174	6,818
(Loss)/gain on investments		(371)	(646)
Decrease/(increase) in stock	13	4	(3)
Decrease/(increase) in debtors	14	(3,252)	(1,373)
Increase/(decrease) in creditors	16	7,585	2,577
Increase/(decrease) in pension provision	24	3,773	2,480
Increase/(decrease) in other provisions	18	(595)	1,215
<b>Adjustment for investing or financing activities</b>			
Exchange movement on translation		22	65
Share of operating (surplus)/deficit in associate	12	1,002	1,210
Investment income	5	(919)	(1,001)
Interest payable	8	2,942	747
Loss on the sale of fixed assets		582	1,776
Capital grant income (deferred grants released)		(1,721)	(2,599)
<b>Net cash inflow from operating activities</b>		<b>25,925</b>	<b>20,853</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		942	(15)
Capital grants receipts		3,964	2,250
Purchase of investments		-	(3,100)
Investment income		832	931
Payments made to acquire fixed assets		(5,340)	(5,273)
		<b>398</b>	<b>(5,207)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2,979)	(699)
Foreign exchange translation differences		-	6
Repayments of amounts borrowed		(600)	(623)
		<b>(3,579)</b>	<b>(1,316)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>22,744</b>	<b>14,330</b>
Cash and cash equivalents at beginning of the year		94,028	79,698
Cash and cash equivalents at end of the year	19	116,772	94,028

**Notes to the Financial Statements**  
**Year ended 31 July 2016**

		Year Ended 31 July 2016	Year Ended 31 July 2015	
		Consolidated	Consolidated	
		£'000	£'000	
		University	University	
		£'000	£'000	
<b>1</b>	<b>Tuition fees and education contracts</b>			Notes
	UK Students	108,135	108,135	
	EU Students	3,398	3,398	
	International Students	16,480	16,480	
	Education Contracts	19,731	19,731	
		<u>147,744</u>	<u>147,744</u>	
		144,717	144,717	
<b>2</b>	<b>Funding body grants</b>			
	<b>Recurrent grant</b>			
	Higher Education Funding Council	19,295	19,295	
	Skills Funding Agency	25	25	
	<b>Specific grants</b>			
	Selective initiatives	2,924	2,924	
	Higher Education Innovation Fund	1,980	1,980	
	Other	-	-	
	Capital Grant	1,395	1,395	
		<u>25,619</u>	<u>25,619</u>	
		27,675	27,682	
<b>3</b>	<b>Research grants and contracts</b>			
	Research Council	1,298	1,298	
	UK Charities	585	585	
	UK Government and other bodies	1,725	1,725	
	UK Industry and Commerce	471	471	
	EU Government and other bodies	1,360	1,360	
	Other	977	977	
		<u>6,416</u>	<u>6,416</u>	
		6,940	6,787	
<b>4</b>	<b>Other income</b>			
	Residences, catering and conferences	10,536	10,536	
	Other income generating activity	10,256	9,167	
	Other capital grants	325	325	
	Other services rendered	2,986	2,986	
	Rental income	480	480	
	Other income	4,346	4,791	
		<u>28,929</u>	<u>28,285</u>	
		25,893	26,482	

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Investment income</b>				
Other investment income	919	875	1,001	795
	<b>919</b>	<b>875</b>	<b>1,001</b>	<b>795</b>
<b>6 Staff costs</b>				
Salaries	92,719	91,851	88,224	87,388
Social security costs	7,778	7,778	6,912	6,840
Movement on USS provision	167	167	303	303
Movement on LGPS provision	1,653	1,653	924	924
Other pension costs	13,226	13,226	12,738	12,736
Total costs	<b>115,543</b>	<b>114,675</b>	<b>109,101</b>	<b>108,191</b>
Emoluments of the Head of Institution			<b>2016</b>	2015
			<b>£'000</b>	£,000
From 1 August 2015 to 30 September 2015 Mr Richard Hext				
Salary			<b>42</b>	229
From 1 October 2015 to 31 July 2016				
Professor Michael Thomas				
Salary			<b>194</b>	-
Performance related pay			<b>17</b>	-
Pension			<b>5</b>	-
			<b>216</b>	-
Remuneration of higher paid staff, excluding employer's pension contributions.				
			<b>No.</b>	<b>No.</b>
£100,000 to £109,999			<b>1</b>	3
£110,000 to £119,999			<b>2</b>	2
£120,000 to £129,999			<b>3</b>	3
£130,000 to £139,999			<b>1</b>	2
£140,000 to £149,999			<b>1</b>	2
£150,000 to £159,999			<b>1</b>	-
£230,000 to £239,999			<b>1</b>	-
			<b>10</b>	12
Average staff numbers by major category :			<b>No.</b>	<b>No.</b>
Academic			<b>1,439</b>	1,357
Academic Support			<b>220</b>	206
Administration & Central Services			<b>428</b>	429
Premises			<b>201</b>	215
Other			<b>153</b>	147
			<b>2,441</b>	2,354

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**Key management personnel**

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.

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
<b>Key management personnel compensation</b>	<b>1,299</b>	<b>1,656</b>

**Board Members**

The University Board members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of 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. (2015 - none).

The total expenses paid to or on behalf of 11 Board members was £15,870 (2015 - £5,385 to 9 Board members). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity. In addition costs of £26,400 were paid for the provision of administrative support to the Chair of the Board.

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Other operating expenses</b>				
Franchised courses	7,530	7,530	11,719	11,719
Other expenses	7,628	8,284	8,582	8,096
Repairs and general maintenance	10,288	10,247	9,216	9,173
Residences, catering and conferences expenses	7,383	7,381	7,188	7,147
Consumables and laboratory expenditure	7,232	7,129	7,107	6,800
Student bursaries and expenses	5,491	5,492	5,452	5,469
Travel, subsistence and conference fees	5,176	5,087	5,450	5,269
Premises costs	4,149	4,328	4,582	4,703
Consultancy	3,348	3,275	3,504	3,324
Academic learning materials	2,370	2,370	2,286	2,285
Advertising and publicity	2,260	2,247	2,104	2,082
Staff development and recruitment	1,045	1,039	1,344	1,329
Grants to Students' Union	1,063	1,063	1,012	1,012
Subscriptions and donations	1,273	1,273	1,010	1,010
Insurance	682	682	717	711
Movement in bad debts provision	101	(32)	605	2,244
Postage	301	301	310	310
Furniture	685	685	263	262
Equipment lease rentals	125	125	117	116
External auditor's remuneration: audit related fees	115	88	106	98
External auditor's remuneration: tax compliance	21	9	22	10
External auditor's remuneration: other tax services	64	64	15	15
Internal auditor's remuneration: audit services	70	70	60	60
Internal auditor's remuneration: other assurance services	67	67	13	13
Internal auditor's remuneration: corporate finance services	43	43	46	46
	<b>68,510</b>	<b>68,847</b>	72,830	73,303

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

	Year Ended 31 July 2016 Consolidated £'000	University £'000	Year Ended 31 July 2015 Consolidated £'000	University £'000
<b>8 Interest and other finance costs</b>				
Loan interest	607	571	747	750
Exchange differences	-	-	(8)	-
Net charge on pension scheme	2,335	2,335	2,018	2,018
	<b>2,942</b>	<b>2,906</b>	<b>2,757</b>	<b>2,768</b>
<b>9 Analysis of total expenditure by activity</b>				
Academic and related expenditure	81,581	81,780	77,719	79,602
Academic support services	21,467	22,149	18,952	20,247
Administration and central services	41,484	41,454	42,922	41,493
Premises (including service concession cost)	21,359	21,359	20,187	20,186
Residences, catering and conferences	8,089	8,091	8,374	8,374
Research grants and contracts	5,581	5,581	5,700	5,700
Other expenses	19,115	17,684	19,866	17,676
	<b>198,676</b>	<b>198,098</b>	<b>193,720</b>	<b>193,278</b>
<b>10 Taxation</b>				
<b>Recognised in the statement of comprehensive income</b>				
<b>Current tax</b>				
Current tax expense	36	-	172	-

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**11 Fixed Assets**

<b>Consolidated</b>	<b>Freehold Land and Buildings £'000</b>	<b>Fixtures, Fittings and Equipment £'000</b>	<b>Assets in the Course of Construction £'000</b>	<b>Investment Properties £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>					
At 1 August 2015	257,870	32,663	1,227	3,038	294,798
Additions	-	4,025	1,331	-	5,356
Disposals	(1,600)	(1,020)	-	-	(2,620)
<b>At 31 July 2016</b>	<b>256,270</b>	<b>35,668</b>	<b>2,558</b>	<b>3,038</b>	<b>297,534</b>
<b>Depreciation</b>					
At 1 August 2015	19,792	29,084	-	-	48,876
Charge for the year	4,930	2,244	-	-	7,174
Disposals	(80)	(1,016)	-	-	(1,096)
<b>At 31 July 2016</b>	<b>24,642</b>	<b>30,312</b>	<b>-</b>	<b>-</b>	<b>54,954</b>
<b>Net book value</b>					
<b>At 31 July 2016</b>	<b>231,628</b>	<b>5,356</b>	<b>2,558</b>	<b>3,038</b>	<b>242,580</b>
At 31 July 2015	238,086	3,579	1,227	3,038	245,930

At 31 July 2016, freehold land and buildings and investment properties included £23,761,063 in respect of freehold land (2015 - £23,761,063) which is not depreciated.

**University**

**Cost and valuation**

At 1 August 2015	255,804	32,675	1,227	2,071	291,777
Additions	-	4,009	1,331	-	5,340
Disposals	(1,600)	(1,020)	-	-	(2,620)
<b>At 31 July 2016</b>	<b>254,204</b>	<b>35,664</b>	<b>2,558</b>	<b>2,071</b>	<b>294,497</b>
<b>Depreciation</b>					
At 1 August 2015	19,632	29,094	-	-	48,726
Charge for the year	4,919	2,244	-	-	7,163
Disposals	(80)	(1,017)	-	-	(1,097)
<b>At 31 July 2016</b>	<b>24,471</b>	<b>30,321</b>	<b>-</b>	<b>-</b>	<b>54,792</b>
<b>Net book value</b>					
<b>At 31 July 2016</b>	<b>229,733</b>	<b>5,343</b>	<b>2,558</b>	<b>2,071</b>	<b>239,705</b>
At 31 July 2015	236,172	3,581	1,227	2,071	243,051

At 31 July 2016, freehold land and buildings and investment properties included £23,761,063 in respect of freehold land (2015 - £23,761,063) which is not depreciated.

**Notes to the Financial Statements**  
 Year ended 31 July 2016 *(continued)*
**12 Non-Current Investments**

	Subsidiary companies	Other fixed assets investments	Total
Consolidated	£'000	£'000	£'000
<b>At 1 August 2015</b>	-	1,170	1,170
Additions	-	17	17
Disposals	-	-	-
Impairment	-	-	-
<b>At 31 July 2016</b>	-	1,187	1,187
<b>University</b>			
<b>At 1 August 2015</b>	1,849	34	1,883
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
<b>At 31 July 2016</b>	1,849	34	1,883

**Associate**

Name of Associate	Proportion held by the University	Share of net assets/(liabilities)	
		2016 £'000	2015 £'000
Uclan Cyprus Limited	51%		
Balance as at 1 August 2015		-	-
Losses in year		(1,002)	(1,210)
Advances to Associate made in year		-	1,542
Provision		-	(332)
Balances as at 31 July 2016		(1,002)	-

**Investment in subsidiaries**

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

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

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

13	Stock	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	General consumables	52	29	55	33
		<u>52</u>	<u>29</u>	<u>55</u>	<u>33</u>

14	Trade and other receivables	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	Amounts falling due within one year:				
	Other trade receivables	4,412	4,248	1,157	981
	Other receivables	49	40	156	64
	Prepayments and accrued income	7,126	6,512	7,022	6,321
	Amounts due from subsidiary companies	-	2,103	-	2,212
		<u>11,587</u>	<u>12,903</u>	<u>8,335</u>	<u>9,578</u>

15	Current Investments	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	Short term investment in shares	8,015	8,015	7,643	7,643
	Short term deposits	15,000	15,000	15,000	15,000
		<u>23,015</u>	<u>23,015</u>	<u>22,643</u>	<u>22,643</u>

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

16	Creditors : amounts falling due within one year	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	Bank overdraft	-	-	-	-
	Secured loans	600	600	600	600
	Deferred capital grants	1,711	1,711	1,622	1,622
	Annual leave accrual	4,408	4,408	3,677	3,677
	Trade payables	3,387	3,386	3,416	3,363
	Social security and other taxation payable	4,249	4,231	3,746	3,709
	Accruals and deferred income	24,775	24,439	18,881	18,583
	Group creditors	-	342	-	327
	Other creditors	9,696	9,695	9,311	9,267
		<u>48,826</u>	<u>48,812</u>	<u>41,253</u>	<u>41,148</u>



**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**17 Creditors : amounts falling due after more than one year**

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred capital grants	50,152	50,152	47,998	47,998
Secured loans	8,025	8,025	8,625	8,625
	<u>58,177</u>	<u>58,177</u>	<u>56,623</u>	<u>56,623</u>

**Analysis of secured and unsecured loans:**

Due within one year (Note 16)	600	600	600	600
Due between one and two years	600	600	600	600
Due between two and five years	3,960	3,960	1,800	1,800
Due in five years or more	3,465	3,465	6,225	6,225
<b>Due after more than one year</b>	<b>8,025</b>	<b>8,025</b>	<b>8,625</b>	<b>8,625</b>
<b>Total secured and unsecured loans</b>	<b>8,625</b>	<b>8,625</b>	<b>9,225</b>	<b>9,225</b>

Included in loans are the following:

Lender	Amount £'000	Term (Years)	Interest rate %	Borrower
Barclays	4,725	25	5.735	University
Barclays	3,900	25	6.01	University
Total	<u>8,625</u>			

**18 Provisions for liabilities**

**Consolidated and University**

	At 1 August 2015 £'000	Utilised in Year £'000	Additions in 2015/16 £'000	At 31 July 2016 £'000
<b>Obligation to fund deficit on USS Pension</b>	786	(36)	203	<b>953</b>
<b>Pension enhancements on termination</b>	5,945	(463)	322	<b>5,804</b>
<b>Defined Benefit Obligations (Note 24)</b>	60,918	-	25,269	<b>86,187</b>
<b>Total Pensions Provisions</b>	<u>67,649</u>	<u>(499)</u>	<u>25,794</u>	<u><b>92,944</b></u>
<b>Provision for VAT assessment</b>	666	(666)	-	-
<b>Other</b>	451	-	72	<b>523</b>
<b>Total Other Provisions</b>	<u>1,117</u>	<u>(666)</u>	<u>72</u>	<u><b>523</b></u>

**Pension enhancement**

The pension enhancement provision is subject to full actuarial revaluation every three years. In the intervening years the provision is revalued by applying an interest rate currently of 4% to the bought forward provision balance.

**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 2016** *(continued)*

**19 Cash and cash equivalents**

	Notes	At 1st August 2015 £'000	Cash Flows £'000	At 31st July 2016 £'000
Consolidated				
Cash and cash equivalents		94,028	22,744	116,772
		<b>94,028</b>	<b>22,744</b>	<b>116,772</b>

**20 Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2016:

	31 July 2016		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	2,536	2,536	479	479
	<b>2,536</b>	<b>2,536</b>	<b>479</b>	<b>479</b>

**21 Contingent liabilities**

	31 July 2016		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Guarantees to HSBC plc for the University of Central Lancashire Students' Union	253	253	339	339
	<b>253</b>	<b>253</b>	<b>339</b>	<b>339</b>

The University has given written undertakings to support the subsidiary companies UCLan Dental Clinic Limited and Delonore Limited at twelve months from the date of approval of these financial statements.

**22 Lease obligations**

Total rentals payable under operating leases:

	31 July 2016			31 July 2015 £'000
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000	
Payable during the year	3,578	125	3,703	3,927
<b>Future minimum lease payments due:</b>				
Not later than 1 year	3,555	169	3,724	3,711
Later than 1 year and not later than 5 years	676	180	856	1,415
Later than 5 years	37	-	37	63
<b>Total lease payments due</b>	<b>4,268</b>	<b>349</b>	<b>4,617</b>	<b>5,189</b>

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**23 Connected charitable Institutions**

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

	Opening balance	Income	Expenditure	Closing balance
	£'000	£'000	£'000	£'000
Westlakes Research Limited	3,721	343	194	3,870
University of Central Lancashire Foundation	1,287	94	117	1,264
	5,008	437	311	5,134

**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), a defined benefit scheme which is contracted out of the State Second Pension (SP2). 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 the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016, which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. 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 the resulting expense in the income and expenditure account.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. 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 is recognised in profit or loss. The directors are satisfied that the scheme provided by USS 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.

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**24 Pension Schemes** *(continued)*

**PENSION COSTS**

The total cost charged to the Comprehensive Statement of Income is £167k (2015: £303k) as shown in note 6.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme 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. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	<b>2016</b>	<b>2015</b>
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year, and 4% thereafter
Pension increases (CPI)	2.2%	2.2%

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

Male members' mortality 98% of S1NA ["light"] YoB tables – No age rating

Female members' mortality 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2016</b>	<b>2015</b>
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS102 total scheme deficit	£8.5bn	£11.1bn
FRS102 total funding level	85%	82%

**(ii) Local Government Pension Scheme**

**(Retirement Benefits) Disclosure for the accounting period ending 31 July 2016**

**University of Central Lancashire Pension Scheme**

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 2013 by a professionally qualified actuary.

During the accounting period, the total contribution was £7,524k, of which employer's contributions totalled £5,466k and employee's contributions totalled £2,058k. With effect from 1 April 2014 the agreed contribution rate was 12.1% for 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:

	At 31 July 2016 %pa	At 31 July 2015 %pa
Price Inflation (CPI)	1.7	2.2
Rate of increase in salaries	3.2	3.7
Rate of increase of pensions in payment	1.8	2.2
Discount Rate	2.5	3.8

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**24 Pension Schemes** *(continued)*

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 and female members at age 65

	Future pensioner age 65 in 20 years' time	Current pensioner aged 65
At 31 July 2016	25.2 (27.9)	23.0 (25.6)
At 31 July 2015	25.1 (27.8)	22.9 (25.4)

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

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

The assets in the scheme were:

	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>£000</b>	<b>£000</b>
Equities	79,992	58,963
Government bonds	-	9,427
Other bonds	5,181	4,456
Property	19,687	15,597
Cash/Liquidity	7,253	2,228
Other	95,119	80,730
<b>Total</b>	<b>207,232</b>	<b>171,401</b>
	<b>31/07/2016</b>	<b>31/07/2015</b>
	<b>% pa</b>	<b>% pa</b>
Actual return on plan assets	16.3	9.5

	<b>Year Ended 31/07/2016</b>	<b>Year Ended 31/07/2015</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of the amount shown in the balance sheet for LGPS pensions:</b>		
Scheme assets	207,232	171,401
Scheme liabilities	(293,419)	(232,319)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 18)</b>	<b>(86,187)</b>	<b>(60,918)</b>
Current service cost	(6,893)	(5,625)
Past service costs	-	-
Total operating charge:	(6,893)	(5,625)
<b>Analysis of the amount charged to interest payable/credited to other finance income for LGPS</b>		
Interest cost	(8,767)	(8,736)
Expected return on assets	6,555	8,831
Interest on net deficit	(2,212)	(2,004)
<b>Net charge to other finance income</b>	<b>(4,424)</b>	<b>(1,909)</b>
<b>Total profit and loss charge before deduction for tax</b>		
<b>Analysis of other comprehensive income for LGPS pension:</b>		
Gain on assets	27,196	7,527
Experience loss on liabilities	-	-
Loss on liabilities	-	(18,591)
Past service credit arising on change of pension increase	-	-
Assumption in 2015–2016 financial year	(48,692)	-
<b>Total other comprehensive income before deduction for tax</b>	<b>(21,496)</b>	<b>(11,064)</b>

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**24 Pension Schemes** *(continued)*

**History of experience gains and losses – LGPS pensions**

	31-Jul 2016	31-Jul 2015	Year to		31-Jul 2012
			31-Jul 2014	31-Jul 2013	
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£000)	27,196	7,527	(4,489)	14,619	(4,014)
% of assets at end of year	13.1%	4%	3%	10%	3%
<b>Experience (gains)/losses on scheme liabilities:</b>					
Amount (£000)	48,692	(18,591)	13,346	(3,978)	(9,294)
% of liabilities at end of year	16.6%	8%	7%	2%	5%
			<b>At 31-Jul 2016 £000</b>		<b>At 31-Jul 2015 £000</b>
<b>Cumulative actuarial loss recognised as other comprehensive income for LGPS pension</b>					
Cumulative actuarial losses recognised at the start of the year		(60,918)			(49,354)
Cumulative actuarial losses recognised at the end of the year		(86,187)			(60,918)
<b>Analysis of movement in surplus/(deficit) for LGPS pension</b>					
<b>Deficit at beginning of year</b>		<b>(60,918)</b>			<b>(49,354)</b>
Contributions or benefits paid by the University		5,466			5,515
Current service cost (includes admin expenses)		(7,027)			(6,348)
Other finance charge		(2,212)			(2,004)
Gain recognised in other comprehensive income		(21,496)			(8,727)
<b>Deficit at end of year</b>		<b>(86,187)</b>			<b>(60,918)</b>
			<b>Year to 31 July 2016 £000</b>		<b>Year to 31 July 2015 £000</b>
<b>Analysis of movement in the present value of LGPS liabilities</b>					
<b>Present value of LGPS liabilities at the start of the year</b>		<b>232,319</b>			<b>201,798</b>
Current service cost (net of member contributions)		6,904			6,110
Past service cost		-			-
Recorded within other Comprehensive Income		8,767			8,736
Actual member contributions (including notional contributions)		2,058			1,983
Actuarial loss/(gain)		48,692			18,591
Actual benefit payments		(5,321)			(4,899)
<b>Present value of LGPS liabilities at the end of the year</b>		<b>293,419</b>			<b>232,319</b>
			<b>Year to 31 July 2016 £000</b>		<b>Year to 31 July 2015 £000</b>
<b>Analysis of movement in the fair value of scheme assets</b>					
<b>Fair value of assets at the start of the year</b>		<b>171,401</b>			<b>152,444</b>
Expected return on assets (includes admin expenses)		6,432			8,831
Actuarial gain on assets		27,196			7,527
Actual contributions paid by University		5,466			5,515
Actual member contributions (including notional contributions)		2,058			1,983
Actual benefit payments		(5,321)			(4,899)
<b>Fair value of scheme assets at the end of the year</b>		<b>207,232</b>			<b>171,401</b>

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

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**24 Pension Schemes** *(continued)*

	Year to 31 July 2016 £000	Year to 31 July 2015 £000
<b>Actual return on Scheme assets</b>		
Expected return on Scheme assets	6,555	8,831
Asset gain/(loss)	27,196	7,527
	<b>33,751</b>	<b>16,358</b>

Estimated contributions for LGPS in the financial year 2016/17 is £5.4m.

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

The University participates in the TPS, which is an unfunded defined benefit pension scheme where contribution payable are credited to the Exchequer and a notional set of investments maintained. The pension cost is assessed every five years by the Government Actuary.

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

**FRS 17**

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

**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 FRS15, a full revaluation of land and buildings was undertaken during 2010/11 and an interim valuation was undertaken as at 31 July 2014, carried out by GVA Grimley Limited. The revaluation values as at 31 July 2014 have been used as deemed cost for the purpose of the FRS102 transition.

**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.

**26 Transition to FRS102 and the 2015 SORP**

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Financial position</b>				
<b>Total reserves under 2007 SORP</b>	208,676	203,009	208,927	203,633
Adjustments relating to opening position	-	-	(3,965)	(3,465)
USS pension provision	(469)	(469)	(317)	(317)
Grant income	28	528	962	962
Employee leave accrual	(3,524)	(3,524)	(152)	(152)
Investment properties (depreciation)	-	-	78	77
Tax	-	-	(12)	-
<b>Total effect of transition to FRS 102</b>	<b>(3,965)</b>	<b>(3,465)</b>	<b>(3,409)</b>	<b>(2,895)</b>
<b>Total reserves under 2015 SORP</b>	<b>204,711</b>	<b>199,544</b>	<b>205,518</b>	<b>200,738</b>

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**26 Transition to FRS102 and the 2015 SORP** *(continued)*

Financial performance	Year ended 31 July 2015	
	Consolidated £'000	University £'000
<b>Surplus for the year under 2007 SORP</b>	<b>11,081</b>	<b>11,538</b>
USS pension provision	(317)	(317)
Grant income	963	963
Employee leave accrual	(152)	(153)
Investment properties	77	77
Tax	(321)	-
Items included in the STRGL under 2007 SORP:		
Unrealised gains on investment	586	508
Actuarial loss in respect of pension scheme	(11,423)	(11,423)
Exchange gains arising on consolidation of overseas subsidiaries	7	-
<b>Total effect of transition to FRS 102</b>	<b>(10,580)</b>	<b>(10,345)</b>
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>501</b>	<b>1,193</b>

**Cash Flows**

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.



**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**26 Transition to FRS102 and the 2015 SORP** *(continued)*

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

**A) Consolidated**

	1 August 2014			31 July 2015		
	2007 SORP	Effect of transition to 2015 SORP	2015 SORP	2007 SORP	Effect of transition to 2015 SORP	2015 SORP
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>						
Fixed Assets <sup>1</sup>	250,413	(3,009)	247,404	245,853	(2,962)	242,891
Investments – investment properties	-	3,009	3,009	-	3,038	3,038
Investments – equity investments	993	-	993	1,170	-	1,170
	<u>251,406</u>	<u>-</u>	<u>251,406</u>	<u>247,023</u>	<u>77</u>	<u>247,100</u>
<b>Endowment assets</b>	-	-	-	-	-	-
<b>Current assets</b>						
Stock	52	-	52	55	-	55
Trade and other receivables	6,962	-	6,962	8,335	-	8,335
Investments <sup>2</sup>	7,135	12,000	19,135	7,644	15,000	22,644
Cash and cash equivalents	91,698	(12,000)	79,698	109,027	(15,000)	94,027
	<u>105,847</u>	<u>-</u>	<u>105,847</u>	<u>125,061</u>	<u>-</u>	<u>125,061</u>
Less: Creditors: amounts falling due within one year <sup>3</sup>	(33,517)	(5,908)	(39,425)	(35,942)	(5,311)	(41,253)
<b>Net current (liabilities)/assets</b>	<u>72,330</u>	<u>(5,908)</u>	<u>66,422</u>	<u>89,119</u>	<u>(5,311)</u>	<u>83,808</u>
<b>Total assets less current liabilities</b>	<u>323,736</u>	<u>(5,908)</u>	<u>317,828</u>	<u>336,142</u>	<u>(5,234)</u>	<u>330,908</u>
Creditors: amounts falling due after more than one year <sup>4</sup>	(9,225)	(47,584)	(56,809)	(8,625)	(47,998)	(56,623)
<b>Provisions</b>						
Pensions <sup>5</sup>	(49,354)	(5,838)	(55,192)	(60,918)	(6,731)	(67,649)
Other provisions <sup>6</sup>	(6,486)	5,369	(1,117)	(7,062)	5,945	(1,117)
<b>Total net assets</b>	<u>258,671</u>	<u>(53,961)</u>	<u>204,710</u>	<u>259,537</u>	<u>(54,019)</u>	<u>205,518</u>
<b>Deferred capital grants</b>	<b>49,995</b>	<b>(49,995)</b>	<b>-</b>	<b>50,610</b>	<b>(50,610)</b>	<b>-</b>
<b>Restricted Reserves</b>						
<b>Unrestricted Reserves</b>						
Income and expenditure reserve - unrestricted	95,023	1,335	96,358	98,076	2,444	100,520
Revaluation reserve	113,653	(5,301)	108,352	110,851	(5,853)	104,998
<b>Total Reserves</b>	<u>208,676</u>	<u>(3,966)</u>	<u>204,710</u>	<u>208,927</u>	<u>(3,409)</u>	<u>205,518</u>
	<u>258,671</u>	<u>(53,961)</u>	<u>204,710</u>	<u>259,537</u>	<u>(54,019)</u>	<u>205,518</u>

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**26 Transition to FRS102 and the 2015 SORP** *(continued)*

**A) Consolidated** *(continued)*

	<b>2007</b>	STRGL	Effect of	<b>2015</b>
	<b>SORP</b>	Items*	transition	<b>SORP</b>
	<b>£'000</b>	£'000	to 2015	<b>£'000</b>
			SORP	
			£'000	
<b>Income</b>				
Tuition fees and education contracts	144,717	-	-	144,717
Funding body grants <sup>7</sup>	26,699	-	976	27,675
Research grants and contracts	6,940	-	-	6,940
Other income (adjusted to exclude income from joint ventures)	25,906	-	(13)	25,893
Investment income	1,096	(95)	-	1,001
<b>Total income</b>	<b>205,358</b>	<b>(95)</b>	<b>963</b>	<b>206,226</b>
<b>Expenditure</b>				
Staff costs <sup>8</sup>	109,464	238	(601)	109,101
Fundamental restructuring costs <sup>9</sup>	-	-	1,056	1,056
Other operating expenses <sup>10</sup>	74,622	-	(1,792)	72,830
Depreciation	6,893	-	(75)	6,818
Interest and other finance costs	747	1,996	14	2,757
<b>Total expenditure</b>	<b>191,726</b>	<b>2,234</b>	<b>(1,398)</b>	<b>192,562</b>
Gain/(loss) on disposal of fixed assets	-	-	(1,791)	(1,791)
Gain/(loss) on investments	-	586	-	586
Impairment of land and buildings <sup>11</sup>	-	-	(1,158)	(1,158)
Exceptional item : provisions against overseas entities <sup>12</sup>	(1,490)	-	1,490	-
Share of operating surplus/(deficit) in associate	(1,210)	-	(332)	(1,542)
<b>Surplus before tax</b>	<b>10,932</b>	<b>(1,743)</b>	<b>570</b>	<b>9,759</b>
Taxation	149	-	(321)	(172)
<b>Surplus for the year</b>	<b>11,081</b>	<b>(1,743)</b>	<b>249</b>	<b>9,587</b>
Actuarial (loss)/gain in respect of pension schemes	-	(9,086)	-	(9,086)
<b>Total comprehensive income for the year</b>	<b>11,081</b>	<b>(10,829)</b>	<b>249</b>	<b>501</b>

\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI). This column should not include recognition of valuation changes arising from the adoption of the 2015 SORP. These are included within the effect of transition to 2015 SORP column.

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**26 Transition to FRS102 and the 2015 SORP** *(continued)*

**B) University**

	1 August 2014			31 July 2015		
	2007	Effect of	2015	2007	Effect of	2015
	SORP	transition	SORP	SORP	transition	SORP
	£'000	to 2015	£'000	£'000	to 2015	£'000
		SORP			SORP	
<b>Non-current assets</b>						
Fixed Assets	246,371	(2,042)	244,329	242,983	(2,002)	240,981
Investments – investment properties	-	2,042	2,042	-	2,070	2,070
Investments – equity investments	3,024	-	3,024	1,883	-	1,883
	<u>249,395</u>	<u>-</u>	<u>249,395</u>	<u>244,866</u>	<u>68</u>	<u>244,934</u>
<b>Current assets</b>						
Stock	32	-	32	33	-	33
Trade and other receivables	9,104	-	9,104	9,571	7	9,571
Investments	7,135	12,000	19,135	7,644	15,000	22,644
Cash and cash equivalents	86,650	(12,000)	74,650	105,086	(15,000)	90,086
	<u>102,921</u>	<u>-</u>	<u>102,921</u>	<u>122,334</u>	<u>7</u>	<u>122,341</u>
Less: Creditors: amounts falling due within one year	(33,747)	(5,906)	(39,653)	(35,851)	(5,297)	(41,148)
<b>Net current (liabilities)/assets</b>	<u>69,174</u>	<u>(5,906)</u>	<u>63,268</u>	<u>86,483</u>	<u>(5,290)</u>	<u>81,193</u>
<b>Total assets less current liabilities</b>	318,569	(5,906)	312,663	331,349	(5,222)	326,127
Creditors: amounts falling due after more than one year	(9,225)	(47,584)	(56,809)	(8,625)	(47,998)	(56,623)
<b>Provisions</b>						
Pensions	(49,354)	(5,838)	(55,192)	(60,918)	(6,731)	(67,649)
Other provisions	(6,486)	5369	(1,117)	(7,062)	5,945	(1,117)
<b>Total net assets</b>	<u>253,505</u>	<u>(53,960)</u>	<u>199,545</u>	<u>254,744</u>	<u>(54,006)</u>	<u>200,738</u>
<b>Deferred capital grants</b>	<b>50,495</b>	<b>(50,495)</b>	<b>-</b>	<b>51,110</b>	<b>(51,110)</b>	<b>-</b>
<b>Unrestricted Reserves</b>						
Income and expenditure reserve - unrestricted	90,461	1,190	91,651	93,950	2,241	96,191
Revaluation reserve	112,548	(4,654)	107,894	109,683	(5,136)	104,547
<b>Total Reserves</b>	<u>203,009</u>	<u>(3,964)</u>	<u>199,545</u>	<u>203,633</u>	<u>(2,895)</u>	<u>200,738</u>
	<u>253,505</u>	<u>(53,960)</u>	<u>199,545</u>	<u>254,744</u>	<u>(54,006)</u>	<u>200,738</u>

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

**26 Transition to FRS102 and the 2015 SORP** *(continued)*

**B) University** *(continued)*

	<b>2007 SORP £'000</b>	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	<b>2015 SORP £'000</b>
<b>Income</b>				
Tuition fees and education contracts	144,717	-	-	144,717
Funding body grants	26,699	-	983	27,682
Research grants and contracts	6,786	-	-	6,787
Other income (adjusted to exclude income from joint ventures)	26,494	-	(13)	26,482
Investment income	890	(95)	-	795
<b>Total income</b>	<b>205,588</b>	<b>(95)</b>	<b>970</b>	<b>206,463</b>
<b>Expenditure</b>				
Staff costs	108,553	238	(601)	108,191
Fundamental restructuring costs	-	-	1,056	1,056
Other operating expenses	75,094	-	(1,791)	73,303
Depreciation	6,871	-	(69)	6,802
Interest and other finance costs	751	2,004	14	2,769
<b>Total expenditure</b>	<b>191,270</b>	<b>2,242</b>	<b>(1,391)</b>	<b>192,121</b>
Gain/(loss) on disposal of fixed assets	-	-	(1,790)	(1,791)
Gain/(loss) on investments	-	508	-	508
Gain/(loss) on investments – write down investments	-	-	(2,781)	(2,781)
Exceptional item : Provisions against overseas entities	(2,781)	-	2,781	-
<b>Surplus before tax</b>	<b>11,538</b>	<b>(1,829)</b>	<b>570</b>	<b>10,279</b>
Taxation	-	-	-	-
<b>Surplus after tax</b>	<b>11,538</b>	<b>(1,829)</b>	<b>570</b>	<b>10,279</b>
<b>Surplus for the year</b>	<b>11,538</b>	<b>(1,829)</b>	<b>570</b>	<b>10,279</b>
Actuarial (loss)/gain in respect of pension schemes	-	(9,086)	-	(9,086)
<b>Total comprehensive income for the year</b>	<b>11,538</b>	<b>(10,915)</b>	<b>570</b>	<b>1,193</b>

\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the statement of Comprehensive Income (SoCI). This column should not include recognition of valuation changes arising from the adoption of the 2015 SORP. These are included within the effect of transition to 2015 SORP column.

**Notes to the Financial Statements**  
**Year ended 31 July 2016** *(continued)*

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**26 Transition to FRS102 and the 2015 SORP** *(continued)*

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Notes on transitional items in consolidated accounts

**Balance sheets:**

<sup>1</sup> Fixed assets decrease and investment properties increase relates to a number of properties previously included in fixed assets that have been reclassified as investment properties.

<sup>2</sup> Current asset investments increase and cash decrease relates to cash deposits maturing after 3 months of year-end.

<sup>3</sup> Creditors increase in amounts falling due within one year relates to the reclassification of deferred grants £1.6m and the new accrual for unused annual leave £3.7m.

<sup>4</sup> Creditors increase amounts falling due after one year relates to the reclassification of deferred grants.

<sup>5</sup> Pension liability increase relates to the reclassification of enhanced pension liabilities £5.9m and the new provision for USS pension liabilities £0.8m.

<sup>6</sup> Other provisions decrease relates to the reclassification of enhanced pension liabilities £5.9m.

**Statement of comprehensive income and expenditure:**

Income:

<sup>7</sup> Funding body grants increase relates to release of deferred grants.

Expenditure:

<sup>8</sup> Staff costs decrease relates to reclassification of fundamental restructuring costs £1m, net of new provisions for USS £0.3m and unused annual leave £0.1m.

<sup>9</sup> Fundamental restructuring costs relates to reclassification of redundancy costs included within staff costs.

<sup>10</sup> Other operating expenses decrease and gain/loss on fixed assets relates to the reclassification of loss on fixed assets previously included in other operating expenses.

<sup>11</sup> Impairment of land and buildings increase relates to the reclassification of items previously reported as exceptional items.

<sup>12</sup> Exceptional item decrease relates to items reclassified to impairment of land and buildings and share of operating results of associate.