

**University of Central Lancashire**  
**Consolidated reports and financial statements**

**For the year ended 31 July 2010**

# University of Central Lancashire

## Report and financial statements

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# University of Central Lancashire

## Legal and Administrative Details

### Members of the Board

W Adams  
E Adia (appointed 25 August 2010)  
S Broomhead  
J Gorick (appointed 1 August 2009)  
B Harris  
J Horrocks  
S Jones  
W Lowther  
B McManus (appointed 1 August 2009)  
M McVicar  
M Morgan (resigned 31 July 2010)  
M Palmer (appointed 1 July 2010)  
Y Patel  
S Reuben (resigned 31 July 2010)  
I Robertson  
G Stanley  
M Tynan (appointed 1 August 2009)  
S Wadee  
U Walton (resigned 31 July 2010)  
B Woodthorpe-Evans (appointed 1 July 2009, resigned 30 June 2010)

### Professional Advisors

Auditors - external:	KPMG LLP
Auditors - internal:	Grant Thornton UK LLP
Tax advisors:	KPMG LLP Deloitte LLP
Bankers:	Barclays Bank plc
Insurance brokers:	AON Limited
Solicitors:	Burnetts Solicitors

# University of Central Lancashire

## Chair of the University Board's Report

### Introduction

As a consequence of the Browne Review and the Coalition's Comprehensive Spending Review the Higher Education Sector faces an uncertain future. At the time of preparing this report, the details of the impact of these reviews are not yet known. A new Financial Memorandum between institutions and the Higher Education Funding Council for England (HEFCE) became effective from 1 August 2010. It takes account of the implications of the Charities Act 2006, HEFCE's role as regulator and the reporting requirements of those universities which enjoy the benefits of charitable status such as the University of Central Lancashire (UCLan). This has made some aspects of HEFCE's relationship with institutions more explicit and has caused us to review our governance and management arrangements to ensure we fully meet the new requirements. This year my report contains for the first time an explicit statement on the public benefits UCLan has delivered in the last year.

In the context of all this change it is pleasing to be able to report that the University continues to be successful in its educational mission and stable in its financial position.

### Statement on Public benefit delivery during the 2009/10 Academic and Financial Year

UCLan maintains a strong commitment to the principles laid down by its founders in 1828 regarding the provision of access to higher education for those who can benefit. In line with its motto "Ex Solo Ad Solem" UCLan continues to work with individuals to help them achieve their maximum potential.

As an exempt charity, the University is required to report on the public benefit it delivers during the year. A fundamental value of UCLan is the promotion of educational opportunity for all and this is evidenced in its mission-led commitment to widening participation amongst students traditionally under-represented in higher education.

UCLan provides a portfolio of activities designed to raise knowledge and awareness of higher education in around 50 'key account' schools and colleges. In 2009/10 the University ran approximately 200 activities for these schools and colleges, including AimHigher events and student mentoring. There were over 1,000 beneficiaries of these sorts of activities in 2009/10. The University also ran three Summer Schools: two for Year 12 pupils and one for Year 10 pupils. The University secured funding from philanthropic trusts to support the launch of a 'Junior University' at UCLan's Burnley campus to provide a range of activities for younger pupils. Additionally, numerous members of staff serve as school and college governors.

The University has formal partnerships for the delivery of courses with 36 organisations, of which 25 are further education colleges and the remainder employers or training organisations. For example, UCLan is a formal partner of Westlakes Academy; Burnley Education Trust; Wigan Education Trust; and Montgomery Trust (Blackpool). It also provides support for Aldridge Trust (Darwen). Over 6,000 students are studying for one of the University's awards through a partner organisation.

Over a third of UCLan students come from working class homes and amongst them are individuals experiencing extreme financial or social hardship. The Harris Bursary Fund (established as a charitable fund through the University of Central Lancashire Foundation) provides emergency help to prevent these students from dropping out of higher education. The help offered is limited but nevertheless provides the catalyst to help the students refocus and continue studying. Often all that is required is help with essential study-related items such as text books and computer equipment.

# University of Central Lancashire

## **Chair of the University Board's Report** (*continued*)

In those areas where the University has discretion to determine fee levels, there is recognition of the duty to set these with due regard for financial viability and market forces. Conscious of its mission however, the University makes provision through the operation of its Tuition Fees Policy to encourage access to its courses amongst all sections of the population with ability to benefit. For the 2009/10 academic year the University offered and promoted a range of Bursary and Scholarship Schemes for new students including the University Bursary, UCLan Sports Scholarships and the aforementioned Harris Bursaries.

UCLan's academic community delivers an annual programme of free public lectures. Complementary to the University's educational mission, UCLan has a strong commitment to the local community. It has a partnership with Leyland Band and provides them with a venue for performances and workshops. The University hosted numerous stakeholder events on campus including a Fashion and Musical Performance Show in July. It is also an approved training venue for the 2012 Olympics and already a Fijian javelin thrower and his coach have visited to receive support from UCLan sport specialists.

The University's commitment to research led to superb Research Assessment Exercise results: UCLan was assessed in 17 subject areas and all were rated as having research of 'International Excellence'. Eleven of UCLan's subject areas contain research which is 'World Leading'. These results contributed to a 154 per cent increase in research funding from the Higher Education Funding Council for England, totalling nearly £4 million. The academic year saw UCLan secure funding from prestigious national and international sources for 118 separate research proposals.

The University is committed to maintaining and growing a productive, well resourced and internationally competitive research community. Activity by UCLan researchers greatly contributes to the University's economic and social contribution to society, on a local and global level. For example, the National Treatment Agency for Substance Misuse has published a series of reports by UCLan Professor Jane Fountain on issues surrounding drug use and drug services among different ethnic populations in England. Dr Miltos Ladikas of UCLan's Centre for Professional Ethics led an analysis of plans to replace the current intellectual property rights regime for pharmaceutical innovations with a system that will both increase access to medicines and reward innovation. Researchers at the University's Institute of Transport and Tourism conducted large and local scale studies on the impact of bus services on tourism income and the diversity of tourists. Several bus services received enhanced support following the work.

National league tables in 2009/10 charted the University's success in continually improving the UCLan student experience. The *Sunday Times*, *Guardian*, *Independent* and *Times* newspaper league tables put UCLan ahead of all its local rivals. The University scored particularly well in terms of student satisfaction. For instance, out of 122 institutions in the *Sunday Times Good University Guide* UCLan was ranked in the top forty overall for this factor. In the annual *Times Higher Student Experience Survey* the University was ranked as the top modern university and in the top twenty nationally.

The National Student Survey confirmed that UCLan has sustained its high levels of overall satisfaction. Mathematics and statistics and all public relations and media management courses are rated in the UK's top three. UCLan's academic staff are praised by the students with 87 per cent agreeing that lecturers are good at explaining difficult concepts. Such positive feedback is echoed in other student surveys, for example UCLan's employability and enterprise service, 'futures', was ranked first amongst Million+ universities by the International Students Barometer.

# University of Central Lancashire

## **Chair of the University Board's Report** *(continued)*

The University's pioneering collaboration with Lancashire Constabulary to introduce a new Foundation Degree in Policing was recognised by UK Skills at the National Training Awards. The partnership won the 'North West Training Award for Partnership and Collaboration'.

UCLan staff members were also individually recognised for their contributions. Professor Caroline Watkins was awarded the prestigious title of Senior Investigator from the National Institute for Health Research for her work in the area of stroke research. Professor Bernie Carter was awarded a Fellowship of the Royal College of Nursing in recognition of her contribution to children's nursing. Professor Christopher Heginbotham, Deputy Head of the International School for Communities, Rights and Inclusion, Kate Davies, a part-time Senior Manager in the same School and Professor Dave Phoenix, Deputy Vice-Chancellor all received OBEs. Professor Heginbotham received the title for his services to healthcare while Kate was recognised for her services to disadvantaged people and Professor Phoenix was honoured for his services to science and higher education.

UCLan is the top performing University in the North West and among the top five nationally for producing student start-up businesses, with 131 start-ups in 2008/09. The results come from the Higher Education Business and Community Interaction Survey (HEBCIS) 2008/09 which reports on the level of knowledge transfer between universities, businesses and community partners. The results also show that UCLan is a true 'business facing' university being top in the region for providing over 100,000 learner days and second in the region for providing £18.5 million in consultancy and continuing professional development to industry.

The University pushed forth with commitments to new facilities to complement its existing services such as its 24/7 academic library. Already underway is the building of a £17 million sports centre to aid the development of UCLan's sporting elite along with the provision of indoor Olympic quality training areas in the run up to the London 2012 Olympics. A pre-school centre for 90 children will also be created on the site. In a separate development, extensive chemistry, analytical and fire facilities, designed to accommodate more than 160 students across four laboratories, are being created in the £12.5 million JB Firth building.

In North Wales, 2009 saw the official opening of UCLan's multi-million pound facility at Llangollen. It has proved to be hugely popular, not only with students following outdoor educational programmes but also with the 750 students from across the University who have taken part in outdoor personal development activity including specific programmes aimed at enhancing the employability of final year students.

UCLan also opened its £10 million campus in Burnley, part of an educational partnership with Burnley College, offering the UK's first educational pathway that guides students seamlessly through a range of qualifications – including GCSEs, A-levels, BTECs and, ultimately, undergraduate and postgraduate degrees. Another key development was the unveiling of the University's new £5 million Westlakes Campus which provides West Cumbria with a fit-for-purpose University centre for the Energy Coast bringing state-of-the-art teaching facilities to the local area in support of the country's knowledge and research needs.

# University of Central Lancashire

## Chair of the University Board's Report *(continued)*

### The Corporate Structure

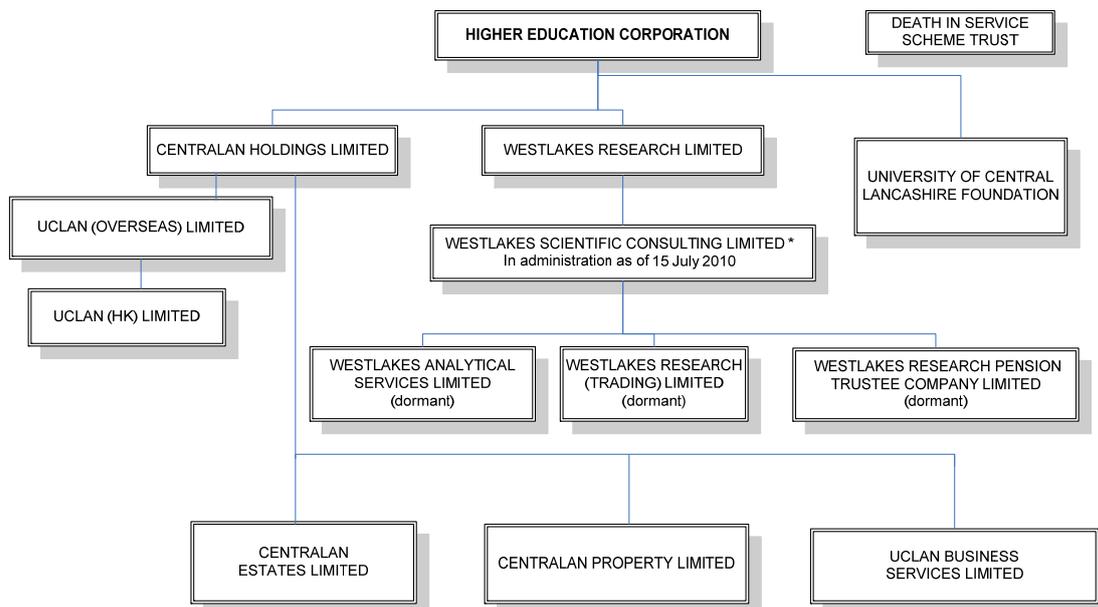
The University Group delivers its mission primarily through the Higher Education Corporation known as the University of Central Lancashire, a charity by statute. In addition, within the group there are two other educational charities, Westlakes Research Limited and the University of Central Lancashire Foundation and a number of separate companies. This Group structure enables appropriate transparency and accountability for a number of specific activities. All these legal bodies are included in the University's Group Financial Statements.

In addition the University operates a death in service scheme for its staff and there is a board of Trustees constituted to oversee the disbursement of any benefits due under the Scheme.

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

The Corporate Structure as at 31 July 2010 is set out below:

UCLan CORPORATE STRUCTURE – 31 July 2010



\* On 15 July 2010 Westlakes Scientific Consulting Limited was placed into administration. The income and expenditure of the company up until that date has been included in the consolidated income and expenditure account. The net liabilities of the company at that date have not been consolidated into these financial statements.

# University of Central Lancashire

## Chair of the University Board's Report *(continued)*

### **The Medium Term Strategy**

During the 2006/07 academic year the Vice-Chancellor led a strategic review of the University the outcome of which, the University's Medium Term Strategy 2007-2017, was approved by the University Board in July 2007. The University's Medium Term Strategy 2007-2017 informed the Corporate Plan for 2009/10.

The **Medium Term Strategy** confirmed our **Mission** as:

*We promote access to excellence enabling you to develop your potential.  
We value and practice equality of opportunity, transparency and tolerance.  
We strive for excellence in all we do: locally, regionally, nationally and internationally.  
We work in partnership with business, the community and other educators.  
We encourage and promote research, innovation and creativity.*

And reinforced our **values** as:

- *The advancement and protection of knowledge, freedom of speech and enquiry.*
- *The promotion of opportunity for all.*
- *The protection of the rights and freedoms of individuals and respect for diversity.*
- *A commitment to health, well-being, sustainability and sustainable development.*

The Medium Term Strategy sets out clearly the **10 key components of our vision**:

1. *We will sustain the principles of a University.*
2. *We will continue to lead the UK higher education sector in promoting equality of educational opportunity.*
3. *We will achieve and sustain excellence in all our teaching and learning programmes.*
4. *We will be a research active University.*
5. *We will build an innovative University.*
6. *We will enhance our reputation as a University for graduate employability.*
7. *We will be an outstanding employer.*
8. *We will provide an outstanding student experience.*
9. *We will be an international University.*
10. *We will be a model international University for sustainability.*

The 2009/10 Corporate Plan focussed on developing and delivering objectives to enable the University to compete effectively in the challenging Higher Education market, which in this 21<sup>st</sup> century has become increasingly competitive and international. Using the 10 Key Components of the Medium Term Strategy Vision as its structure, the plan identified measurable targets against SMART objectives for each Component.

Moving forward the University has developed local delivery plans at School and Service level. The Corporate Plan generated by the Medium Term Strategy provides the framework for these plans.

# University of Central Lancashire

## Chair of the University Board's Report *(continued)*

### **Performance Monitoring**

The University Board met five times in the year including a one day residential event and an informal update event at the beginning of the academic year. The autumn meeting in November concentrated on considering the outcomes of the previous year, the spring meeting took stock of the year in progress and noted emerging issues and the summer and future meetings endorsed future plans and objectives.

2009/10 saw the introduction of a new set of Board Key Performance Indicators (KPIs). The new KPIs provide the Board with updates against key metrics along with a prose report setting out activity that has been undertaken and planned, particularly with respect to any areas that are not on track.

In addition to monitoring via the KPIs at an institutional level, the University ran a series of formal performance review meetings with Schools and Services based on local score cards and delivery plans. The outputs from these meetings fed into the overall monitoring process.

The robust performance in 2009/10 provides a sound base for 2010/11 and subsequent years. The University will continue to focus, through 2010/11, on its core activities whilst also expanding its delivery against the strategic aims.

### **Risk Management**

The University's risk appetite has been agreed by the Board and states:

*"The University recognises that, whilst it must take steps to manage and monitor all risks, it must not allow an aversion to risk to prevent it from taking opportunities which will aid its successful and innovative development in line with the Medium Term Strategy. Its appetite for particular risks will depend not only on the likelihood and impact of the risk (before and after controls) but also on the effects of the risk on its core business if the risk materialises. It will therefore be risk averse in core activities which, if they failed, might jeopardise the solvency of, or seriously undermine the reputation of, the University, but will be risk tolerant in activities where failure would not cause serious financial or reputational damage but where success would lead to significant advantages to the University in achieving its Medium Term Strategy and longer term aims. In all cases, risk tolerance will be enhanced for developmental activities which will assist the University to develop new markets or enhance reputation even if their full objectives are not achieved".*

The Board has a risk register which was regularly reviewed and the Board received assurance on the management of those risks and where necessary revised the risk register.

### **Engagement with Others**

#### **Staff**

Between 1 August 2009 and 31 July 2010 there was an increase in the average number of development days per employee recognising our commitment to ensuring we have an effectively trained workforce.

Our absence reporting shows we remain below the public sector average in terms of days lost per FTE and over the period 1 August 2009 and 31 July 2010 the data shows a significant reduction on last year's figures. This may well be, in part, due to changes in the external environment, such as changing regulation around 'fit notes' but it is likely that it also reflects our increased activity in this area.

# University of Central Lancashire

## **Chair of the University Board's Report** *(continued)*

### **Engagement with Others** *(continued)*

In response to feedback in the staff satisfaction survey (2008/09) we have had a number of working groups looking to address concerns raised. We have for example further enhanced our communication mechanism by development of a cascade system from Senior Management Team meetings. Additionally, the Vice-Chancellor continues to address all staff during the year including question and answer opportunities with his videocasts in-between times.

We have reaffirmed our commitment to comprehensive appraisal for all staff supported by appropriate training programmes and staff development. Our audits in this area have confirmed increasing effectiveness in terms of both completion and alignment with the University's medium term strategy

### **Students**

Engagement with students occurs in a variety of ways on both a formal and informal basis. The Senior Management Team (SMT) meets regularly with the elected Student Union officers and the General Manager, whilst more frequent meetings are held between elected officers and a smaller sub-group of SMT. Meetings consider common issues, joint projects and support for finance as well as providing an opportunity for information exchange which ensures all parties are informed. This ensures a close working relationship between the University and the student body. In addition, relevant university staff also liaise closely with student liaison officers, who provide valuable feedback regarding student opinion. Such opinion is also gathered through School level staff/student meetings and module evaluation. The University monitors student experience closely through external and internal means including the National Student Survey and the UCLan Student Survey.

### **Regional Educators and Employers**

The University continued to maintain a significant network of regional educators, predominantly comprising further education colleges but also including work-based learning providers. It had a network of over 20 colleges that it franchised programmes to in Lancashire and Cumbria and it hosted the Lancashire Lifelong Learning Network. University staff sat on the governing body of many of these colleges as well as providing direct support at a School or programme level.

The University played an active part in a variety of regional and economic organisations with University representatives involved in a number of key bodies. These included the NWUA, local vision boards, and sub-regional groups considering issues relating to employability and skills. Because of its work in Cumbria the University was a patron of the Cumbria Chamber of Commerce allowing engagement with key activities relating to education and industry.

Activity in Cumbria continued to include co-sponsorship of the West Lakes Academy, along with Sellafield Limited and the Nuclear Decommissioning Authority, with university employees engaged on the board and directly at a subject level.

The University maintained strong links with employers and industry throughout the year. Most notably the University continued engagement with the Nuclear Industry but also further developed projects with the aerospace industry, working closely with BAE Systems. Many new activities were developed across a range of sectors, most notably with Sony and McKinsey. Relationships are maintained and managed through an Employer Engagement Advisory Group as well as the Employability and Enterprise Steering Group. The latter is made up of representatives from employers from across the North West region.

# University of Central Lancashire

## **Chair of the University Board's Report** *(continued)*

### **International Partners**

The University is a leading UK sector provider of trans-national education opportunities, mainly on a franchise basis, by delivering learning opportunities to international students in their home countries.

The University has over 80 international partners who are located throughout China, Hong Kong Special Administrative Region, Vietnam, Singapore, Sultanate of Oman, India, Pakistan and Saudi Arabia, where a range of academic subjects are offered from Journalism to Engineering. Currently, there are over 3600 students studying on franchise courses overseas. There are also over 2200 students from 120 different nationalities who are studying at the Preston campus.

The University maintains a number of representative overseas offices in China (Shenzhen and Shanghai), India (New Delhi), Pakistan (Lahore), Vietnam (Hanoi) and Nigeria (Lagos) to support both specific in-country activities and to promote the University to potential students wishing to come and study in the UK.

On the research front, UCLan was the first UK University to be admitted to the Shenzhen Virtual University Park to undertake research in the area of biomedical sciences.

Having launched the first International Fashion Institute in Hong Kong to show-case the award-winning work of UCLan's fashion students, a similar event took place in Noida, India, in November 2009, to celebrate the launch of fashion courses with Indian Partners. The event was attended by over 2500 participants.

In partnership with the 'Times of India' newspaper, UCLan sponsored a prestigious Commonwealth Summit Conference in Delhi in preparation for the Commonwealth Games and to launch Sports education as an academic discipline.

In November 2009, the University's overseas collaborative provision was audited by the Quality Assurance Agency (QAA). The outcome of the visit confirmed that confidence can be placed in the soundness of the institution's present and likely future management of the academic standards and in the quality of the learning opportunities. This is an excellent outcome.

The University continues to move forward with its ambitious plans to open campuses overseas and is well placed for these to become reality over the medium term.

### **The University Court**

The University Court met on 24 March 2010. The Court is an important stakeholder group of the University and receives information on the strategic direction of the University and is a forum for providing feedback on issues of regional and national concern. This year the Deputy Vice-Chancellor (Academic) gave a keynote presentation on the University's impact on the Regional Economy. The presentation also show-cased the University's work with key Stakeholders and Businesses.

# University of Central Lancashire

## **Chair of the University Board's Report** *(continued)*

### **Diversity**

The University's Single Equality Scheme supports the delivery of its Medium Term Strategy and was approved in 2008. In 2009/10, under the direction of the Equality and Diversity Executive Group chaired by the Deputy Vice-Chancellor, the University has made significant progress with the implementation of many aspects of the Scheme. Over 800 staff, including most senior managers, attended the specially designed Equality and Diversity (E&D) training courses for specific groups of staff which aim to reach all staff over a 3-year period. Across all Schools and Services a network of 34 E&D leads has been established and many of these staff have completed a 'University Certificate in Promoting E&D in the Workplace'. The University was one of 15 Higher Education institutions selected nationally to participate in the Higher Education Academy's programme on 'Developing an Inclusive Institution' and this involvement has facilitated the start of the University's work on embedding E&D into the curriculum.

For the first time, the University produced summary student E&D data reports for all Schools which analysed applications, enrolment, attrition rates and degree outcomes by equality strands. In addition, results from the national and UCLan student surveys were analysed by equality strands. The University will produce these reports annually to facilitate internal and external benchmarking activity.

A review of E&D issues has been incorporated into the University's Periodic Course Review process for those Schools undergoing review. In 2009/10, all other Schools elected an E&D project/equality impact assessment to undertake and each Service carried out a programme of equality impact assessments. Reporting on the Scheme's implementation has also been effectively linked into the University's performance management framework and School and Service delivery plans.

### **Safety and Health**

The University has consistently demonstrated effective management of safety, as evidenced by a low reportable incident rate which is already well below the University and Colleges Employers Association (UCEA) sector target for 2010.

Good progress continues to be made in raising awareness and managing health in the workplace, with managers and supervisors undertaking regular training to ensure that risk assessments are completed and that at-risk staff are identified, monitored and receive any necessary treatment.

### **Environment and Sustainable Development**

The Environment and Sustainable Development Working Group, chaired by the Executive Director of Operations, continues to progress the Sustainable Development Strategy, and good progress has been made by all the teams in delivering the individual plans underpinning the strategy.

Notably since my last report, the implementation of an Environmental Management System has moved forward significantly, with all environmental aspects identified and corresponding control procedures published, and accreditation to ISO 14001 is anticipated before the end of the next academic year.

UCLan continues to be recognised as a leader in this area as evidenced by our high score in the annual People and Planet Green League Table which again ranked us fourth in the UK.

# University of Central Lancashire

## Chair of the University Board's Report *(continued)*

### Financial Performance in 2009/10 Compared to Previous Years

The University's financial performance in 2009/10 reflected its continued investment in both the physical infrastructure and operational capacity in order to deliver its Medium Term Strategy. Once more the University called on its financial strength and reserves to invest on a non-recurrent basis to secure changes aimed at transforming the University without which a greater surplus would have been achieved. The University's Financial Strategy seeks to achieve a modest surplus year on year, before the use of reserves, to provide funds for capital investment and contingencies to protect against unforeseen events. In previous years the call on reserves has been greater resulting in operating deficits.

One of the disappointments in the year was the need to place Westlakes Scientific Consulting Limited into administration on 15 July 2010 with the subsequent loss of 64 jobs. Changes in the structure of the nuclear industry and increased competition, together with a substantial company pension liability meant that the company was not a viable business. The Directors sought interested parties for parts of the business but were unsuccessful and so placed the company into administration. This decision improved the net assets of the group as the pension liability is no longer consolidated. The summary group financial results are set out below:-

<b>Group Financial Results</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Operations</u></b>					
<b>Income</b>	199,018	188,686	168,996	162,026	143,763
<b>Expenditure</b>	196,436	194,550	170,658	159,900	137,324
<b>Operating surplus/(deficit)</b>	2,582	(5,864)	(1,662)	2,126	6,439
<b>Exceptional items and Tax</b>	1,417	(3,114)	314	(12,189)	(12)
<b>Historical cost surplus/(deficit)</b>	6,031	(2,155)	800	7,927	8,998
<b><u>Financial Strength</u></b>					
<b>Fixed Assets</b>	231,513	223,084	217,540	210,796	230,873
<b>Cash/Investments</b>	80,259	74,366	78,801	78,020	53,324
<b>Net Assets excluding Pension Liability</b>	243,041	232,741	230,631	224,823	227,775
<b>Pension Liability</b>	49,789	53,588	50,460	21,958	24,535

Key features of 2009/10 were:-

- Substantial infrastructure work was done on the Preston campus developing the new indoor sports facility and academic facilities to support developments in Pharmacy and Forensic Science.
- The second stage of the refurbishment of the Preston Library and Learning Resource Centre was completed in the summer of 2009.
- The UCLan Foundation disposed of the Avenham Building. The proceeds have been retained by the Foundation for use in its charitable objectives to support the University.
- Buildings on two small sites owned by the University were written off during the year prior to planned demolition in 2010 and early 2011.
- Cash generated from operations increased and cash balances remained strong reflecting the planned strategy to complete the Estate Strategy and other strategic investments both in the UK and overseas without recourse to external borrowing. These balances are planned to reduce over the next two years.

# University of Central Lancashire

## Chair of the University Board's Report *(continued)*

### Financial Performance in 2009/10 Compared to Previous Years *(continued)*

- Retained discretionary reserves increased as a result of the planned holding back of operational income to be used to support cost reduction plans in 2010/11. This contributed to the strong cash position.
- Changes in the basis of calculating pension liabilities resulted in a reduction in the liability and had a significant and beneficial impact on the reported position.
- Like for like income growth in the year was 5% (2008/09 12%) (See Notes 1-5). Student fees have grown by 39% over the last two years and have been the major driver of income growth.
- Staff costs increased year on year by 4.4% though the average number of full-time equivalent staff remained stable at 2,540. Staff costs were 57% of expenditure (2008/09 55%), this increase being primarily explained by the reduction in other operating costs (see Note 7).
- The UK franchise network continues to flourish with payment to partners increasing by 68% over the last two years. This increase in part reflects the continuing impact of the new student fee regime. The 2009/10 increase was 41% (2008/09 20%).
- Even though there were significant changes in the University's administrative structure which saw the integration of Faculty based staff into Schools and central Services this has not distorted the financial comparisons of the University's activities as set out in Note 9.
- One of the University's commercial subsidiary companies, Westlakes Scientific Consulting Limited, was placed into administration on the 15 July 2010. Its operations up to that date are included in the consolidated income and expenditure account.

### Financial Outlook 2010/11 and Beyond

As already referred to, there is considerable uncertainty about the future balance of funding received by universities from the UK Government and students. It is normal for the University to have revisited its financial plans in October in the light of its performance in the previous year, considered any significant new initiatives and reported to its funding body HEFCE at a summary level its planned financial profile for the next three years. It is normal to comment on this future profile as part of this report. The current uncertainties make this difficult to do with any reasonable degree of confidence. The Board has debated and deliberated the future landscape for higher education and given the lack of certainty has chosen to take advantage of deferred external reporting deadlines. Notwithstanding that the Board has confirmed its position and approach to the future in the following way:-

- The University is starting from a strong financial base and therefore its approach to the challenges will be balanced, measured and structured.
- It is already taking steps to reduce expenditure by 10%, including but not limited to a voluntary severance programme.
- It is progressing staff changes in the academic schools to facilitate the realignment of the academic skills base with the Medium Term Strategy requirements for the future.
- It will continue to invest in its Medium Term Strategy though this is not likely to require significant investment in the UK estate. These investments, which will help reposition the University, will mean a reduction in the cash balances over the next few years.
- It will, like many other universities, have to increase its income streams from other sources both in the UK and overseas. This will be in increasingly competitive markets and therefore the University will invest further in its commercial skill base.

# University of Central Lancashire

## **Chair of the University Board's Report** *(continued)*

The University Board is delighted with the achievements of and significant progress made by the University in the last twelve months. This excellent progress has been due to the leadership of the Vice-Chancellor supported by his senior colleagues and delivered by committed staff throughout the University Group. The Group has strong foundations and is clear about the way forward. On behalf of the University Board I would like to place on record our thanks to all who have contributed to another successful year.

A resolution to reappoint KPMG LLP as auditors to the University was approved at the Board of Governors meeting on 12 November 2010.

**B R Harris**

*Chair of the Board of the University of Central Lancashire*  
*November 2010*

# University of Central Lancashire

## Corporate Governance

The purpose of this statement is to provide readers of the financial statements of the University with:

- a better understanding of the governance and legal structure of the Institution; and
- to measure the governance standards of the University against the recommended Governance Code of Practice of the Committee of University Chairman (CUC).

### Key Aspects of Corporate Governance at UCLan

The University Board of Governors, 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 Governance Code in all areas (revised Code March 2009) and including adoption of a Statement of Primary Responsibilities.
- continued compliance with the HEFCE Financial memorandum 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).
- in setting its governance arrangements, having due regard to the provisions of the Combined 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 University Board.
- effective application of the approved Scheme of Delegation in the light of the revised Medium Term Strategy.
- 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:

- the positive outcome from the November 2009 HEFCE Assurance audit review of governance arrangements.
- reports from the internal auditor (Grant Thornton) which confirm that the University continues to exceed HEFCE's minimum corporate governance requirements.
- the outcome of the most recent internal fundamental review of effective governance (completed in March 2010). This significant exercise was undertaken during late 2009/early 2010 in accordance with the CUC recommended Code of Practice (which recommends a fundamental review be completed, as a minimum, every five years). It included a "mapping exercise" which compared governance practice to the Code. This identified some areas for improvement in relation to which actions were taken to ensure full compliance with the Code, including for example, the revised Statement of Primary Responsibilities adopted by the Board in March 2010.

# University of Central Lancashire

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

In addition to the above, the following paragraphs together with the (revised) Statement of Primary Responsibilities and the Statement on Internal Control (see pages 25 and 23 respectively), 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 Instruments of Government set the Governance framework for the Institution and, amongst other things, require the University to establish a governing body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage University activities.

### **The University Board**

The Board is the governing body of the University with overall responsibility for the Institution. The responsibilities of the Board are set out in the (revised) Statement of Primary Responsibilities (see page 25). They include determination of the educational character and mission of the Institution and the strategic direction and oversight of University activities and the associated development of resources (i.e. finance, estates and property, IT and staffing).

The Board and four Committees established by the Board work to clear terms of reference. These were comprehensively reviewed during the year and set out their responsibilities, part of the Scheme of Delegation. Some matters are reserved specifically for approval by the Board. These include but are not limited to:

- Strategic Direction: including approval of the Mission Statement, Medium Term Strategy and the Corporate and Financial Plans.
- Monitoring of progress against the Medium Term Strategy and benchmarking of performance against comparator groups.
- Financial reporting: including approval of annual budgets; approval of the annual report and financial statements; approval of major capital projects or transactions; and monitoring of assurance on the solvency of the institution and safeguarding of assets.
- Approval of Health & Safety Policy and assurance on the proper and adequate management of Health & Safety risk.
- Appointments: including the appointment of Independent members of the Board and the appointment or removal of the Vice-Chancellor and Clerk to the Board.
- Approval of new committees of Academic Board and the arrangements for selection/election of members of Academic Board.
- Effective governance arrangements including amendments to the Articles of Government.

# University of Central Lancashire

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

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

The Board has a majority of independent members chosen in accordance with strict criteria contained in legislation. Governance arrangements include provision for appointment of co-opted members and also members drawn from the staff and student population of the institution.

Under the Articles of Government, the terms of office of Board members are determined by the Board. Currently, Members of the Board are appointed for an initial induction or probationary year following which, subject to satisfactory performance, they are eligible for three further two year terms. The maximum total term of office is seven years but, exceptionally, a member may be invited to extend this to a maximum of nine years. The Chair of the Board reviews the performance of individual Board Members towards the end of their probationary year and towards the end of each two year term of Office and recommends appropriate actions to the Board, including where required and/or requested, personal training and development.

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

During the year, the Board reviewed the established formal procedures for recruitment and appointment of members. A number of improvements to the procedure were introduced to ensure closer compliance with CUC guidance and also joint advice from CUC and Equality Challenge Unit which takes account of the requirements of the Equalities and Diversity Act 2010. A prospective member information pack is to be developed (to be available on the University website) which will include a model role and person specification, together with clear expectations on behaviour and conduct. Most members of the Board are appointed to at least one Committee and are expected to attend scheduled meetings and participate fully in proceedings of the Committee and of the Board.

Over recent years efforts have been made to reduce the size of the Board from the previous 24 members (2005) to a variable 16 to 18. This target was achieved in summer 2009 so that, during the 2009/10 academic year the Board comprised 18 members, in general keeping with CUC guidance and in full compliance with the requirements of the Articles of Governance. The Board currently comprises 11 independent members, 1 Education co-optee, 2 other co-opted members, 2 staff members, 1 student member (the President of the UCLan Students' Union) and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met five times during the year including two sessions dedicated to strategic discussion and development. Board and some Committee meetings include specific presentations and briefings on strategic issues. These are themed in accordance with an agreed strategic forward business plan for the Board and its Committees. They support member development and provide contextual background so that members are encouraged to develop their knowledge and understanding of the issues on which they are required to take decisions at Board and Committee meetings.

# University of Central Lancashire

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

### **Committees and Working Groups**

Much of the detailed work of the University Board is delegated to the four committees of the Board (Resources Committee, Audit Committee, Governance Committee and Remuneration Committee). Detailed written terms of reference exist for all Committee as part of the Scheme of Delegation.

The conduct of Board and Committee meetings is governed by Standing Orders. These encompass significant element of the Articles of governance and determine the constitution of Board Committees, the way in which meetings are managed, appropriate procedures, the role of the Chair etc. They enable meetings to be held in an orderly and business like manner.

During the year, Governance Committee undertook a comprehensive review of Standing Orders, the aim being to modernise, streamline and simplify procedures. As a result of this exercise, the existing arrangements whereby there are separate Standing Orders for the Board and for each of the Committees, will be replaced by a single set of Standing Orders applicable to all. The new arrangements took effect on 1 August 2010.

The Committees' meet in accordance with the agreed Calendar of Meetings. This provides for three cycles of meetings during the year (Autumn, Winter/Spring and Spring/Summer). At the conclusion of each cycle, and in addition to reports from the Executive and the Clerk, the Board receives a formal report from each Committee Chair setting out the decisions made by the Committee and highlighting any recommendations for consideration by the Board. The reports of the Chairs supplement the minutes of each Committee meeting (which are also submitted to the Board) and include full supporting information. 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 and published on the University website (copy 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 joint working groups. These provide a forum for Members and 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.

During the Spring/Summer 2010 cycle of meetings, a new system of Forward Business Planning for the Board and the Committees was successfully piloted with a view to streamlining the agenda management process and underpinning the strategic approach which the Board takes to the management and monitoring of University activity. The system is to be adopted for the 2010/11 and future Academic Years and underpins the established system of Assurance Reports against the Scheme of Delegation.

# University of Central Lancashire

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

Another significant development which further enhanced governance arrangements was the development of Key Performance Indicator (KPI) reporting. This was successfully implemented during the year following extensive joint development work between the Executive and members. The KPI reports support the agenda and Assurance Reporting structure and are designed expressly to measure and monitor 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.

### **Resources Committee**

The Committee met three times during the year. Stephen Reuben completed his second term of office as Chair having first been appointed to the position in April 2008. The Committee is responsible for making recommendations to the Board on Corporate and Financial Plans and for approving the resource strategies which underpin the Medium Term Strategy as approved by the Board. The Committee reviews and makes recommendations to the Board on the financial statements. Mr Reuben completed his maximum permitted nine year term of office on 31 July 2010 and accordingly retired from the Board.

### **Audit Committee**

Sam Jones is the Chair of the Audit Committee, a position he has held since 2008. The Board is satisfied that the Chair has appropriate recent and relevant financial experience for this role. This Committee sets the audit plan, receives reports from and reviews the work of the internal auditors and receives reports from the external auditors. The Committee also receives advice and assurance from executive management, Board committees and other external sources on internal controls.

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 institution's internal control systems, together with the management's responses to those recommendations and associated implementation plans. Additionally, Audit Committee receives and considers relevant reports from HEFCE, the National Audit Office and other relevant bodies as they affect the institution's business and monitors adherence to regulatory requirements. The Committee oversees the institution's risk management and value for money processes and receives assurance from the Governance Committee and the Resources Committee in relation to Governance and Health and Safety processes respectively.

The University Board has approved a policy and approach to risk management in the institution which is aligned to Institutional strategic objectives and embedded in day to day management. The Audit Committee uses 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 (page 23).

In accordance with recommended practice, the Committee, which met four times during the year, provides the opportunity at each meeting for members to meet with the internal and external auditors without officers of the institution present.

# University of Central Lancashire

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

### **Governance Committee**

Brian Harris, Chair of the University Board, is also Chair of the Governance Committee. The Committee is responsible for a range of governance related issues including recommendations to the Board on the appointment of new independent members to the University Board. A key development during the year was adoption of a formal Member Succession Plan which will clarify the member recruitment, appointment and induction process and ensure that the process is compliant with relevant codes of practice and the requirements of the Equalities and Diversity Act 2010. The process will include a skills and diversity skills audit of existing (and prospective) members and accords with a key recommendation of the 2010 Fundamental Review of Effectiveness.

The Governance Committee is also responsible for development and implementation of good governance practice. The Committee monitors and reviews the continuing effectiveness of governance arrangements including terms of reference for committees, terms of office, allocation of members to committees and working groups, criteria for membership and collective and individual performance of members of the governing body. The Committee met four times during the year. The Chair of the University Board and the Clerk to the Board meet on a regular basis to discuss corporate governance and other issues including information flows, membership and member induction and training programmes.

### **Remuneration Committee**

Ursula Walton, Deputy Chair of the University Board, continued as Chair of the Remuneration Committee, which met on four occasions, during the year. The members of this Committee during the year were the Chair and Deputy Chair of the University Board, the Chair of Audit and Resources Committees and the Vice-Chancellor. Ms Walton completed the maximum permitted nine year term of office on 31 July 2010 and accordingly retired from the Board.

The Remuneration Committee reports to the Board and is responsible for the appointment of holders of designated senior posts other than the Vice-Chancellor and the Clerk to the Board and determines the pay and conditions of service and severance arrangements for those posts. The Committee is responsible for making recommendations to the Board in relation to the suspension and dismissal of designated senior post holders. In considering conditions of service and related matters, the Committee considers independent sources of comparator information on pay and conditions of service. No individual employee is or may be present at any meeting at which their own remuneration is discussed.

### **The Academic Board**

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

The Vice Chancellor is head of the academic function of the University. (The Vice Chancellor is also head of the executive function and is accountable to the University Board for both functions). The governance arrangements of the University require Academic Board to produce an Annual Report which is submitted formally to the University Board.

# University of Central Lancashire

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

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

The Chair and Deputy Chair of the University Board during the year were Brian Harris and Ursula Walton respectively. Candidates for these roles are drawn from among the independent members of the Board.

Formal procedures are in place for the selection, appointment and re-appointment of these leadership roles, including a specified term of office for the Chair, written role descriptions and anticipated time commitments. Brian Harris was first appointed Chair of the Board on 1 August 2007 having been Chair Designate for the whole of the previous year. 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 formal procedure is also in place for an annual evaluation by Board colleagues of the leadership performance of the Chair. A report on the outcome of this evaluation is considered by the Board prior to a recommendation for re-appointment.

The Scheme of Delegation includes clear statements as to the division of responsibilities between the Chair and the Vice-Chancellor.

### **The Vice Chancellor**

In addition to responsibilities as head of the academic function of the University, the Vice-Chancellor is Chief Executive and Head of the Institution with responsibility to the University Board for the organisation, direction and management of the institution. Under the terms of the formal financial memorandum between the institution and the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the Accounting Officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The responsibilities of the Vice Chancellor extend to making proposals to the Board about the educational character and mission of the University, resource management and development and implementation of the decisions of the Board and its Committees.

### **Nominated Officer**

The Boards of subsidiary companies of the University comprise members of staff of the institution. In accordance with HEFCE recommended practice, a Nominated Officer is responsible for reporting on company affairs to each meeting of Resources Committee. During the year the Nominated Officer was the Director of Financial Services.

The University has invested in a number of companies. These are involved in sector initiatives or are part of its economic regeneration initiatives or provide the means through which to develop overseas projects. The University has a seat on the Boards of the majority of those companies or, where it does not, it has the right to be represented at the annual general meetings of the companies.

### **Clerk to the Board**

The Clerk to the University 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 governing body). The Clerk is supported by an administrative assistant. Neither post has any executive responsibilities within the institution, an arrangement designed to preserve the independence of the Clerk and avoid any potential conflicts of interest.

# University of Central Lancashire

## **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.

### **Effectiveness Reviews**

During the year the governing body and the Academic Board completed fundamental reviews of the effectiveness of their respective governance arrangements and processes. Both reviews identified scope for improvement and accordingly, Action Plans have been developed deliver their recommendations. These reviews were completed in accordance with the CUC recommended five yearly cycle of Fundamental Reviews.

In the light of the outcome of those reviews, and having regard to the favourable outcome of the HEFCE Assurance Review and internal audit reports on governance related issues, the Board agreed, on recommendation of Governance Committee, that the annual (2010) review of the effectiveness of the Board was not required. The annual review will be undertaken in 2011.

In considering the effectiveness of the Board, the Governance Committee reflected on the performance of the institution as a whole in meeting its long term objectives and the outcomes and consequences of decisions made during the year. The Governance Committee reported its findings in its annual Governance Report to the University Board.

### **Commitment to Continuous Improvement**

The University Board recognises the need for continuous improvement and during the year has worked to address those areas that were highlighted as opportunities for improvement in last year's report. As part of its review of effectiveness in the current year the University Board has identified the following areas where further attention will improve the governance practice and processes and has committed to address these in the coming year. These are:

- Continued development of the linkages between evaluation and monitoring of performance of the University Board with the institutional achievement of strategic objectives. This is being achieved through the KPI reports and developments to the Board Risk Register.
- Continued development of institutional performance evaluation through appropriate external benchmarking and the KPI reports.
- Continued efforts to improve communication with and between members of the University Board outside of formal meetings. Development of dedicated Governance webpages and improved IT facilities are key targets for the year.
- Continued development of governance practice and procedures to ensure best practice and full compliance with the CUC Code.

# University of Central Lancashire

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

### **Conclusion**

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

The one exception relates to CUC and HEFCE guidance recommending that staff and student members of governing bodies should not be members of committees that discuss finance or human resource issues or be members of the Audit Committee. During the year no staff or students governors were members of the Audit Committee or Resources Committees but they were eligible, under agreed governance arrangements for the Board, to attend both committees as observers.

During the current year the Board, through Governance Committee, again reviewed and reaffirmed their view on the value of observers. The University has consistently argued that the value of the contribution that staff and students can make to discussion outweighs the concerns over independence. The Board continues to support that view. Accordingly, staff and student members of the Board will continue to be eligible for appointment as observers at both Audit and Resources Committees.

To provide assurance as to the role of observers, the (new) Standing Orders strictly define the role: Observers are not members of committees' and have no voting rights. Standing Orders also enable the Chair, at his discretion, to remove observers for any part or all of the meeting.

# University of Central Lancashire

## **Internal Control**

The University's governing body is responsible for the University's system of internal control and for reviewing its effectiveness. The governing body via its Audit Committee conducts a review at least annually, of the institution's systems of internal controls. Such reviews examine material controls, including financial, operational, compliance and governance together with the systems in place for the identification and management of risks. 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 Committee in the presence of the Vice-Chancellor or his representative, the Executive Director of Finance, and the external and internal auditors. The Audit Committee also considers reports prepared by the internal auditors. The findings and recommendations of the Audit Committee are reported to the governing body.

The governing body is fully committed to the identification, evaluation and management of significant risks facing the institution and has worked with the Vice-Chancellor to ensure processes and protocols are in place at appropriate levels that enable this to be achieved. The Board has agreed a statement of risk appetite and, as part of the institutional 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 governing body places great emphasis on improving the University's position, either through improved mitigation measures to reduce the likelihood of the risk occurring, or in monitoring controls to limit the impact in the event that it materialises. The Board has delegated responsibility for monitoring a number of the risks on its register to its committees, where the risk is relevant to the committee's area of decision-making. In order to feed into their reviews of the register and the risks within it, the Board and its committees receive 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 governing body and its committees review the key risks to which the University is exposed on an on-going basis together with the operating, financial and compliance controls that have been implemented to mitigate those risks. This is supported by the maintenance of a Board Radar Screen to ensure the Board and its Committees review key strategic actions on a rolling basis.

The governing body is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2010 and up to the date of approval of the annual report and financial statements; that it is regularly reviewed by the governing body; and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

All reports to the governing body, the Directorate and the Senior Management Team are required to identify the risks associated with the matter under consideration and to also identify the management controls that will be put in place to monitor and manage that risk. The risk management arrangements are subject to an annual internal audit inspection that is reported to the Audit Committee as part of the assurance necessary for this statement.

The Audit 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 Medium Term Strategy. The portfolio of audits is considered against the risk register to ensure appropriate coverage of reviews. During the year a number of special investigations and reviews were instigated by senior management in addition to the planned activity.

# University of Central Lancashire

## **Internal Control** *(continued)*

Furthermore, where required, Audit Committee requested additional investigations where they identified the need for further assurance of control, for example in the area of information technology. It was also the case that senior management recommended a small number of changes to the agreed plan, in light of the changing environment, which were approved by the Committee, for example an expansion of the work to audit senior managers' expenses.

The Audit 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 Directorate also receives these reports so that collectively they are able to monitor the internal control environment as well as receiving copies of the detailed internal audit reports for their areas of responsibility. The Vice-Chancellor is responsible for providing assurance to the Audit Committee that recommendations and agreed actions included in audit reports have been implemented in a timely manner and progress with implementation is regularly reviewed. Such assurance, based on review of progress against recommendations, has been given during 2010. 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 Committee is on obtaining the relevant degree of assurance and not merely reporting by exception.

On 19 October 2010, the Chair of the Resources Committee met with the Chair of Audit Committee and the Director of Financial Services to review the 2010 financial statements alongside the management letter from the external auditors thus further enhancing the alignment of audit and assurance with key resource considerations underpinning aspects of the institution's risk profile.

At its 25 October 2010 meeting, the Audit Committee carried out the annual assessment of the internal control environment on behalf of the University Board for the year ended 31 July 2010 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2010.

It is the opinion of the Audit Committee that, other than in two areas related to remote access to information systems and aspects of the equipment replacement strategy at school level, reliance can be placed upon the control environment within the University and that controls are operating satisfactorily. In these latter two areas the internal auditors are satisfied that the University is responding appropriately to the points raised and the Audit Committee has had assurance that issues raised are being addressed. Strategic audits identified recommendations which could in the future support the efficiency of controls and again assurance has been given that the issues identified are being addressed. This opinion has been arrived at following its review of reports received by the Audit 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 Committee reviewed this statement of Internal Control and recommended it to the University Board.

# University of Central Lancashire

## Statement of primary responsibilities of the Board of the University of Central Lancashire Higher Education Corporation

This statement incorporates the responsibilities of the Board of Governors as laid down under the Articles of Government. 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 of Governors 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, the solvency of the University and the Corporation and 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. To approve the mission and strategic vision of the Institution as set out in the Medium Term Strategy (MTS) and supporting plans (as amended from time to time);
3. To approve and keep under review the scheme of key performance indicators (KPIs) relating to the MTS 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).
4. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, information and personnel management of the institution and to establish and keep under review the key policies and procedures and limits within which such delegated authority is exercised. For this purpose, key policies are defined as:

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

The above list may be amended from time to time.

# University of Central Lancashire

## Statement of primary responsibilities of the Board *(continued)*

5. 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 Register).
6. To obtain from the Chief Executive 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 Institution to HEFCE and third parties.
7. To obtain independent assurance (i.e. through audit) that effective processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved KPIs, which should be – where possible – benchmarked against other comparable institutions.
8. To conduct its business in accordance with best practice in higher education corporate governance and within the principles of public life drawn up by the Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.
9. To safeguard the good name and values of the University of Central Lancashire.
10. To appoint the head of the institution as chief executive and to put in place suitable arrangements for monitoring the performance of the post holder.
11. To appoint a Clerk to the Governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in lines of accountability.

*Note: For this purpose the Board has agreed that the Clerk to the Board shall be independent and shall have no responsibilities for any aspect of the management of the Institution other than those which relate directly to the duties of Clerk to the Board.*

12. To be the employing authority for all staff in the institution and to be responsible for establishing and monitoring a human resources strategy.
13. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept. To approve the annual budget and financial statements and to have overall responsibility for the assets, property and estate of the institution.
14. To ensure that appropriate systems are in place for meeting the legal obligations of the institution and for obtaining (or for receiving assurances as to receipt of (as determined by the Board)) timely professional legal advice generally 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, in the institution's name.
15. To make such provision as the Board thinks fit for the general welfare of students in consultation with the Academic Board.

# University of Central Lancashire

## **Statement of primary responsibilities of the Board** *(continued)*

16. To act as Trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution. 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 of Governors.*

17. To ensure that the institution's constitution is followed at all times and that appropriate governance arrangements are in place and that appropriate advice and assurance is available to ensure this happens.

# University of Central Lancashire

## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF UNIVERSITY OF CENTRAL LANCASHIRE**

We have audited the Group and University financial statements (the “financial statements”) of the University of Central Lancashire for the year ended 31 July 2010 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, as a body, in accordance with the Charter and Statutes of the University. 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 University’s Board and the Auditors**

The responsibilities of the Board of Governors for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the ‘Statement of Recommended Practice: Accounting for Further and Higher Education’, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 25.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the ‘Statement of Recommended Practice: Accounting for Further and Higher Education’. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition, we report to you if, in our opinion, the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review, other information contained in the Annual Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

# University of Central Lancashire

## Report of the independent auditor (*continued*)

### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the University's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008.

S Dunn  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St James' Square  
Manchester M2 6DS

# University of Central Lancashire

## Statement of accounting policies

### **1. Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) on 'Accounting for Further and Higher Education' and in accordance with applicable accounting standards. They conform to the guidance published by the Higher Education Funding Council for England.

### **2. Basis of accounting**

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

### **3. Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the University of Central Lancashire Higher Education Corporation (HEC) and all its subsidiary undertakings and the University of Central Lancashire Foundation for the financial year to 31 July 2010. The consolidated financial statements do not include those of the University of Central Lancashire Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

### **4. Recognition of income**

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

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

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

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

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

### **5. Pension schemes**

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

The TPS is valued every five years by the Government Actuary and the LGPS is valued every three years by a professionally qualified independent actuary. Pension costs are assessed on the latest actuarial valuations of each scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

# University of Central Lancashire

## Statement of accounting policies (*continued*)

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

The University operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the University. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

### **6. Maintenance of premises**

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

### **7. Intangible assets – Goodwill**

The negative goodwill arose from the acquisition of the Westlakes group of companies on 18 August 2005. On 15 July 2010 Westlakes Scientific Consulting Limited was placed into administration. As a result of this significant change the carrying value of the goodwill has been reviewed and written back to nil.

### **8. Tangible fixed assets**

#### **a. Land and buildings**

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 (except for those held as investments or trading assets); 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.

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

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

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

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

# University of Central Lancashire

## Statement of accounting policies (*continued*)

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

#### **b. Equipment**

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

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

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

### **9. Stocks and work in progress**

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

### **10. Taxation status**

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

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

### **11. Provisions**

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

### **12. Investments**

Current asset investments are valued at the market rate.

### **13. Cash at bank and in hand**

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

# University of Central Lancashire

## Consolidated income and expenditure account

for the year ended 31 July 2010

	<i>Note</i>	<b>2010</b>	2009
		<b>£000</b>	£000
<b>Income</b>			
Funding council grants	<i>1</i>	<b>82,841</b>	76,808
Tuition fees and education contracts	<i>2</i>	<b>82,475</b>	74,553
Research grants and contracts	<i>3</i>	<b>6,097</b>	5,752
Other income	<i>4</i>	<b>26,686</b>	29,087
Investment income	<i>5</i>	<b>919</b>	2,486
<b>Total income</b>		<b>199,018</b>	188,686
<b>Expenditure</b>			
Staff Costs	<i>6</i>	<b>111,245</b>	106,564
Depreciation	<i>9</i>	<b>8,043</b>	7,653
Other operating expenses	<i>7</i>	<b>72,489</b>	75,836
Interest payable	<i>8</i>	<b>1,562</b>	2,069
Interest payable – FRS17	<i>8</i>	<b>3,097</b>	2,428
<b>Total expenditure</b>	<i>9</i>	<b>196,436</b>	194,550
<b>Surplus/(deficit) after depreciation of assets at valuation / cost and before tax</b>		<b>2,582</b>	(5,864)
Taxation	<i>10</i>	<b>(4)</b>	(5)
Exceptional items: Disposal of fixed assets	<i>11</i>	<b>(702)</b>	(3,109)
Termination of operations	<i>13</i>	<b>2,123</b>	-
<b>Surplus/(deficit) for the year</b>		<b>3,999</b>	(8,978)

## Note of historical cost surpluses and deficits

for the year ended 31 July 2010

	<i>Note</i>	<b>2010</b>	2009
		<b>£000</b>	£000
Surplus/(deficit) after depreciation of assets at valuation/cost		<b>3,999</b>	(8,978)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<i>22</i>	<b>1,877</b>	1,777
Realisation of property revaluation gains of previous years	<i>22</i>	<b>155</b>	5,046
Historical cost surplus/(deficit) for the period		<b>6,031</b>	(2,155)

# University of Central Lancashire

## Balance sheets

as at 31 July 2010

	<i>Note</i>	<b>Consolidated</b>		<b>HEC</b>	
		<b>2010</b>	2009	<b>2010</b>	2009
			£000		£000
<b>Fixed assets</b>					
Tangible assets	<i>11</i>	<b>230,962</b>	224,113	<b>229,442</b>	222,572
Intangible assets	<i>12</i>	-	(1,546)	-	-
Investments	<i>13</i>	<b>551</b>	517	<b>1,304</b>	1,304
		<b>231,513</b>	223,084	<b>230,746</b>	223,876
<b>Current assets</b>					
Stocks	<i>14</i>	<b>47</b>	222	<b>47</b>	45
Debtors	<i>15</i>	<b>8,826</b>	11,486	<b>9,324</b>	11,860
Investments and other assets	<i>16</i>	<b>5,302</b>	4,616	<b>5,302</b>	4,616
Cash at bank and in hand		<b>74,957</b>	69,750	<b>71,545</b>	63,039
		<b>89,132</b>	86,074	<b>86,218</b>	79,560
<b>Creditors:</b> amounts falling due within one year	<i>17</i>	<b>(46,497)</b>	(43,379)	<b>(46,139)</b>	(40,351)
		<b>42,635</b>	42,695	<b>40,079</b>	39,209
<b>Net current assets</b>		<b>42,635</b>	42,695	<b>40,079</b>	39,209
<b>Total assets less current liabilities</b>		<b>274,148</b>	265,779	<b>270,825</b>	263,085
<b>Creditors:</b> amounts falling due after one year	<i>18, 19</i>	<b>(22,686)</b>	(24,958)	<b>(22,686)</b>	(24,958)
<b>Provisions for liabilities and charges</b>	<i>20</i>	<b>(8,421)</b>	(8,080)	<b>(8,421)</b>	(8,284)
		<b>243,041</b>	232,741	<b>239,718</b>	229,843
<b>Net assets excluding pension liability</b>		<b>243,041</b>	232,741	<b>239,718</b>	229,843
Pension liability	<i>29</i>	<b>(49,789)</b>	(53,588)	<b>(49,789)</b>	(50,573)
		<b>193,252</b>	179,153	<b>189,929</b>	179,270
<b>Net assets including pension liability</b>		<b>193,252</b>	179,153	<b>189,929</b>	179,270
<b>Represented by:</b>					
<b>Deferred capital grants</b>	<i>21</i>	<b>54,289</b>	51,828	<b>54,789</b>	51,828
<b>Revaluation reserve</b>	<i>22</i>	<b>98,251</b>	99,551	<b>98,230</b>	99,576
General reserve excluding pension liability		<b>90,501</b>	81,362	<b>86,699</b>	78,439
Pension reserve	<i>29</i>	<b>(49,789)</b>	(53,588)	<b>(49,789)</b>	(50,573)
		<b>40,712</b>	27,774	<b>36,910</b>	27,866
<b>General reserve including pension liability</b>	<i>23</i>	<b>40,712</b>	27,774	<b>36,910</b>	27,866
		<b>138,963</b>	127,325	<b>135,140</b>	127,442
<b>Total reserves</b>		<b>138,963</b>	127,325	<b>135,140</b>	127,442
		<b>193,252</b>	179,153	<b>189,929</b>	179,270

The financial statements on pages 30 to 59 were approved by the Board on 12 November 2010 and signed on its behalf by:

**B R Harris**  
Board Member

**M McVicar**  
Board Member & Accounting Officer

# University of Central Lancashire

## Consolidated cash flow statement

for the year ended 31 July 2010

	<i>Note</i>	<b>2010</b> <b>£000</b>	2009 £000
<b>Cash flow from operating activities</b>	26	<b>19,880</b>	7,604
<b>Returns on investments and servicing of finance</b>	27	<b>(2,648)</b>	(1,844)
<b>Taxation</b>		-	(5)
<b>Capital expenditure and financial investment</b>	27	<b>(9,746)</b>	(6,406)
<b>Cash inflow/(outflow) before use of liquid resources/ financing</b>		<u><b>7,486</b></u>	<u>(651)</u>
<b>Management of liquid resources</b>	27	-	17
<b>Financing</b>	27	<b>(2,279)</b>	(2,095)
<b>Increase/(decrease) in cash in the year</b>		<u><b>5,207</b></u>	<u>(2,729)</u>

## Reconciliation of net cash flow to movement in net debt

for the year ended 31 July 2010

	<i>Note</i>	<b>2010</b> <b>£000</b>	2009 £000
Increase/(decrease) in cash in the year		<b>5,207</b>	(2,729)
Cash inflow from changes in debt and lease financing		<b>2,260</b>	2,022
Movement in net debt in the period		<u><b>7,467</b></u>	<u>(707)</u>
Net debt at beginning of year	28	<b>42,666</b>	43,373
Net debt at end of year	28	<u><b>50,133</b></u>	<u>42,666</u>

# University of Central Lancashire

## Statement of consolidated total recognised gains and losses

for the year ended 31 July 2010

	<b>2010</b>	2009
	<b>£000</b>	£000
Surplus/(deficit) after depreciation of assets at valuation	<b>3,999</b>	(8,978)
Unrealised gains/(losses) on investments	<b>732</b>	(480)
Actuarial gains/(losses) in respect of pension schemes (note 29)	<b>(5,329)</b>	755
Actuarial gain due to impact of change from RPI to CPI *	<b>10,690</b>	-
Negative goodwill arising on consolidation written-back (note 12)	<b>1,546</b>	-
Total recognised gains/(losses) relating to the year	<b>11,638</b>	(8,703)

### Reconciliation

	<b>2010</b>	2009
	<b>£000</b>	£000
Opening reserves	<b>127,325</b>	136,028
Total recognised gains/(losses) relating to the year	<b>11,638</b>	(8,703)
Closing reserves	<b>138,963</b>	127,325

\*In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Price Index (CPI) rather than as previously the Retail Price Index (RPI). The university has considered the Lancashire County Council scheme rules and members literature and has concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses (STRGL).

At the date of these financial statements, the Urgent Issues Task Force (UITF) - the body that assists the Accounting Standards Board (ASB) where unsatisfactory or conflicting interpretations have developed about a requirement of an accounting standard or the Companies Act - is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior year adjustment in the financial statements for the following year.

# University of Central Lancashire

## Notes

(forming part of the financial statements)

### 1 Funding council grants

	2010 £000	2009 £000
HEFCE recurrent grant	73,050	68,228
HEFCE specific grants		
Selective initiatives	7,655	4,957
Others	616	1,960
HEFCE deferred capital grants released		
Building (note 21)	776	780
Equipment (note 21)	744	883
Total HEFCE Grant	<u>82,841</u>	<u>76,808</u>
<b>Total funding council grants received</b>	<b><u>82,841</u></b>	<b><u>76,808</u></b>

### 2 Tuition fees and education contracts

	2010 £000	2009 £000
UK higher education students	50,425	44,722
European Union students	1,759	1,358
Non-European students	12,446	13,583
	<u>64,630</u>	<u>59,663</u>
Education Contracts	17,845	14,890
	<u>82,475</u>	<u>74,553</u>

# University of Central Lancashire

Notes (continued)

## 3 Research grants and contracts

	<b>2010</b>	2009
	<b>£000</b>	£000
Research Councils	<b>947</b>	1,093
UK-based charities	<b>418</b>	580
EU government and other bodies	<b>2,242</b>	1,267
Other grants and contracts	<b>2,490</b>	2,812
	<b><u>6,097</u></b>	<u>5,752</u>

## 4 Other income

	<b>2010</b>	2009
	<b>£000</b>	£000
Residences, catering and conferences	<b>9,042</b>	9,847
Other income generating activity	<b>8,869</b>	9,342
Other income	<b>6,638</b>	7,936
Rental income	<b>496</b>	459
Other services rendered	<b>838</b>	786
Residential course fees	<b>420</b>	404
Release of other capital grants	<b>383</b>	313
	<b><u>26,686</u></b>	<u>29,087</u>

## 5 Investment income

	<b>2010</b>	2009
	<b>£000</b>	£000
Interest receivable	<b>919</b>	2,486

# University of Central Lancashire

## Notes (continued)

### 6 Staff costs

<b>Average staff numbers by major category - Full Time Equivalent</b>	<b>2010 Number</b>	2009 Number
Academic departments	<b>1,455</b>	1,511
Academic support departments	<b>131</b>	146
Other support services	<b>80</b>	72
Administration and central services	<b>447</b>	366
Premises	<b>230</b>	231
Other	<b>197</b>	216
	<b><u>2,540</u></b>	<u>2,542</u>

#### Staff costs for the above persons:

	<b>2010 £000</b>	2009 £000
Staff costs:		
Wages and salaries	<b>92,083</b>	87,339
Social security costs	<b>7,120</b>	6,819
Pension costs	<b>10,475</b>	9,909
FRS17 related pension adjustments	<b>1,567</b>	2,497
	<b><u>111,245</u></b>	<u>106,564</u>

#### Remuneration (gross salary, payments for non-contract work and compensation for loss of office), excluding employer's pension contributions:

	<b>2010 Number</b>	2009 Number
£100,000 - £109,999	<b>2</b>	7
£110,000 - £119,999	<b>4</b>	3
£120,000 - £129,999	<b>3</b>	3
£130,000 - £139,999	<b>1</b>	-
£140,000 - £149,999	<b>-</b>	1
£270,000 - £279,999	<b>1</b>	1

No compensation for loss of office was paid during the year (2009: £50,000).

# University of Central Lancashire

## Notes (continued)

### 6 Staff costs (continued)

<b>Emoluments of the Vice-Chancellor</b>	<b>2010</b>	2009
	<b>£000</b>	£000
Salary	240	239
Pension compensation (paid as salary)	34	34
<b>Total emoluments</b>	<b>274</b>	<b>273</b>

Gross salary and payments for non-contract work of the Vice-Chancellor are shown on the same basis as for higher paid staff. The pension compensation paid as salary follows changes made to the Vice-Chancellor's pension arrangements as a result of changes in pension legislation.

### 7 Other operating expenses

	<b>2010</b>	2009
	<b>£000</b>	£000
Franchised courses	18,103	12,840
Other expenses	8,880	8,290
Student bursaries & expenses	7,431	11,931
Residences, catering and conferences operating expenses	6,470	6,555
Consumables and laboratory expenditure	5,947	6,186
Repairs and general maintenance	5,882	12,431
Premises costs	4,387	3,044
Travel, subsistence and conference fees	4,017	3,615
Academic learning materials	1,989	2,029
Advertising and publicity	1,517	1,248
Consultancy	1,469	1,292
Movement in bad debts provision	1,374	1,350
Staff development and recruitment	1,069	1,256
Grants to Students Union	998	930
Subscriptions and donations	939	929
Insurance	625	631
Furniture	540	433
Postage	504	517
Equipment lease rentals	24	13
External auditors' remuneration: audit fees (i)	72	69
External auditors' remuneration for non-audit work	83	93
Internal auditors' remuneration: audit fees	142	134
Internal auditors' remuneration for non-audit work	27	20
	<b>72,489</b>	<b>75,836</b>
(i) External auditors' remuneration relating to HEC	45	48

# University of Central Lancashire

## Notes (continued)

### 8 Interest payable

	<b>2010</b>	2009
	<b>£000</b>	£000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	-	3
Repayable wholly or partly in more than 5 years	<b>4,659</b>	4,494
	<u><b>4,659</b></u>	<u>4,497</u>
	<u><u><b>4,659</b></u></u>	<u><u>4,497</u></u>
Bank loans and overdrafts	<b>1,562</b>	2,069
FRS17 related pension adjustments	<b>3,097</b>	2,428
	<u><b>4,659</b></u>	<u>4,497</u>
	<u><u><b>4,659</b></u></u>	<u><u>4,497</u></u>

### 9 Analysis of expenditure by activity

	Staff costs	Dep'n	Other operating expenses	Interest payable	<b>2010 Total</b>	2009 Total
	£000	£000	£000	£000	<b>£000</b>	£000
Academic departments	61,791	259	25,563	-	<b>87,613</b>	85,983
Academic support services	14,380	-	6,355	-	<b>20,735</b>	16,514
Administrative and central services	13,666	6,833	7,058	413	<b>27,970</b>	26,747
General education	1,393	-	9,357	-	<b>10,750</b>	11,588
Premises	5,918	408	11,006	-	<b>17,332</b>	22,911
Research grants and contracts	2,701	-	2,788	-	<b>5,489</b>	5,092
Other income generating activities	6,647	20	4,267	-	<b>10,934</b>	10,357
Residences, catering and conferences	2,565	523	5,415	1,149	<b>9,652</b>	9,470
Miscellaneous	617	-	680	-	<b>1,297</b>	963
FRS17 related pension adjustments	1,567	-	-	3,097	<b>4,664</b>	4,925
Total per income and expenditure account	<u>111,245</u>	<u>8,043</u>	<u>72,489</u>	<u>4,659</u>	<u><b>196,436</b></u>	<u>194,550</u>
					<u><u><b>1,903</b></u></u>	<u>1,976</u>
The depreciation charge has been funded by:					<b>1,877</b>	1,777
Deferred capital grants released (note 21)					<b>4,263</b>	3,900
Revaluation reserve released (note 22)					<u><b>8,043</b></u>	<u>7,653</u>
General income					<u><u><b>8,043</b></u></u>	<u><u>7,653</u></u>

# University of Central Lancashire

## Notes (continued)

### 10 Taxation

The HEC has not generated any taxable profits in either year. The taxation figures in 2010 and 2009 relate to Uclan (Overseas) Limited and Westlakes Scientific Consulting Limited respectively.

### 11 Tangible assets (Consolidated)

	Freehold Land & Buildings £000	Equipment & Vehicles £000	Buildings under construction £000	Total £000
<b>Valuation/cost</b>				
At 1 August 2009				
Valuation	136,519	-	-	136,519
Cost	87,018	26,367	6,227	119,612
Additions at cost	3,120	3,287	9,487	15,894
Disposals				
Valuation	(155)	-	-	(155)
Cost	(891)	(2,118)	-	(3,009)
Transfer between categories	5,356	-	(5,356)	-
At 31 July 2010	136,364	-	-	136,364
Valuation	136,364	-	-	136,364
Cost	94,603	27,536	10,358	132,497
<b>Depreciation</b>				
At 1 August 2009	11,553	20,465	-	32,018
Charge for year	4,425	3,618	-	8,043
Eliminated on disposals	(45)	(2,117)	-	(2,162)
At 31 July 2010	15,933	21,966	-	37,899
<b>Net book value</b>				
<b>At 31 July 2010</b>	<b>215,034</b>	<b>5,570</b>	<b>10,358</b>	<b>230,962</b>
At 31 July 2009	211,984	5,902	6,227	224,113
Inherited	65,549	-	-	65,549
Financed by capital grant	45,840	1,204	7,245	54,289
Other	103,645	4,366	3,113	111,124
<b>Net book value</b>	<b>215,034</b>	<b>5,570</b>	<b>10,358</b>	<b>230,962</b>
<b>At 31 July 2010</b>	<b>215,034</b>	<b>5,570</b>	<b>10,358</b>	<b>230,962</b>

Included within freehold land and buildings is £22,763,975 of land which is not depreciated.

# University of Central Lancashire

Notes (continued)

## 11 Tangible assets (HEC)

	<b>Freehold Land &amp; Buildings £000</b>	<b>Equipment &amp; Vehicles £000</b>	<b>Work in Progress £000</b>	<b>Total £000</b>
<b>Valuation/cost</b>				
At 1 August 2009				
Valuation	136,519	-	-	136,519
Cost	85,428	23,753	6,227	115,408
Additions at cost	3,120	3,287	9,487	15,894
Disposals				
Valuation	(155)	-	-	(155)
Cost	(891)	(104)	-	(995)
Transfer between categories	5,356	-	(5,356)	-
At 31 July 2010	136,364	-	-	136,364
Valuation	93,013	26,936	10,358	130,307
Cost				
<b>Depreciation</b>				
At 1 August 2009	11,504	17,851	-	29,355
Charge for year	4,404	3,618	-	8,022
Eliminated on disposals	(45)	(103)	-	(148)
At 31 July 2010	15,863	21,366	-	37,229
<b>Net book value</b>				
<b>At 31 July 2010</b>	<b>213,514</b>	<b>5,570</b>	<b>10,358</b>	<b>229,442</b>
At 31 July 2009	210,443	5,902	6,227	222,572
Inherited	65,549	-	-	65,549
Financed by capital grant	46,340	1,204	7,245	54,789
Other	101,625	4,366	3,113	109,104
<b>Net book value</b>	<b>213,514</b>	<b>5,570</b>	<b>10,358</b>	<b>229,442</b>
<b>At 31 July 2010</b>				

# University of Central Lancashire

## Notes (continued)

### 11 Tangible assets (continued)

Land and buildings with a net book value of £150,562,269 and a valuation of £161,089,086 have been funded from Treasury sources. Should these particular buildings be sold, the HEC would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE. Land and buildings were valued at 31 March 2006 by Eckersley & Co., a firm of independent Chartered Surveyors. The valuation of land and buildings valued at depreciated replacement cost includes amounts in respect of irrecoverable VAT.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	<b>£000</b>
Cost, Aggregate Depreciation & Net Book Value based on cost	Nil
	<u><u>          </u></u>

### 12 Intangible assets (Consolidated)

<b>Negative goodwill</b>	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Cost</b>		
At 1 August	<b>(1,761)</b>	(1,761)
Disposals	<b>1,761</b>	-
At 31 July	<u>          </u>	<u>          </u>
	-	(1,761)
<b>Amortisation</b>		
At 1 August	<b>215</b>	150
Released to depreciation during year	-	65
Disposals	<b>(215)</b>	-
At 31 July	<u>          </u>	<u>          </u>
	-	215
<b>Net book value at 31 July</b>	<u><u>          </u></u>	<u><u>          </u></u>
	-	(1,546)

# University of Central Lancashire

## Notes (continued)

### 13 Investments

	Consolidated		HEC	
	2010 £000	2009 £000	2010 £000	2009 £000
Investment in subsidiaries	-	-	1,270	1,270
Fixed asset investments (see below)	551	517	34	34
	<u>551</u>	<u>517</u>	<u>1,304</u>	<u>1,304</u>

Fixed asset investments comprise the University's investment in: a) CVCP Properties Plc. This company was set up to purchase a London premises for the Universities UK (formerly Committee of Vice Chancellors and Principals – CVCP). The University has subscribed along with other member bodies of Universities UK and its investment represents less than 1% of the share capital; b) Uclan (Overseas) Limited investment in Genetel Pharmaceuticals Limited; c) the portfolio investments of the University of Central Lancashire Foundation.

#### *Investment in subsidiaries*

Subsidiary undertakings	Percentage of Issued Shares Held	Country of Operation and Incorporation	Principal Activity
<i>Owned by University</i>			
Centralan Holdings Limited	100%	Great Britain	Holding company
Westlakes Research Limited	100% *	Great Britain	Research
* Limited by guarantee			
<i>Owned by Centralan Holdings Limited</i>			
Centralan Estates Limited	100%	Great Britain	Property development
Centralan Property Limited	100%	Great Britain	Property development
Uclan Business Services Limited	100%	Great Britain	Consultancy and training
Uclan (Overseas) Limited	100%	Great Britain	Overseas activities
<i>Owned by Uclan (Overseas) Limited</i>			
Uclan (HK) Limited	100%	Hong Kong	Dormant

On 15 July 2010 Westlakes Scientific Consulting Limited was placed into administration. The income and expenditure of the company up until that date has been included in the consolidated income and expenditure account. The net liabilities of the company at that date have not been consolidated into these financial statements which has given rise to the exceptional gain shown in the consolidated income and expenditure account.

# University of Central Lancashire

## Notes (continued)

### 13 Investments (continued)

#### *Investments in companies limited by guarantee*

(not wholly owned and for which the investment is a notional £1)

<b>Company</b>	<b>Principal Activity</b>
<b><i>Held by University</i></b>	
Burnley Education Trust	Educational
JISC Content Procurement Company	Purchasing consortium
Preston Vision	Economic regeneration
The Energy Consortium (Education & Public Sector)	Purchasing consortium
UM Association (Special Risks)	Mutual insurance venture
University and Colleges Admissions Service (UCAS)	Clearing house for university admissions
Westlakes Academy	Education
<b><i>Held by Centralan Holdings Limited</i></b>	
Net North West	IT joint venture
North West Universities Purchasing Consortium	Purchasing joint venture
<b><i>Other Investments (not wholly owned)</i></b>	
Genetel Pharmaceuticals Limited (Hong Kong)	Technology exploitation
SALT Foundation (Proprietary) Limited	International scientific consortium
Talis Group Limited	Holding company

The Harrington Building is included within tangible fixed assets (note 11) at a value of £10,070,351. The investments below are not shown in the balance sheet of the University as they relate to the financing of the sale and leaseback arrangements and hence have been removed as the legal form of this transaction has been overridden by the need to show the substance as required by FRS5. The substance was that the University effectively maintained the benefits and rewards of ownership regardless of the sale and subsequent leaseback of the Harrington building.

	<b>HEC</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Investment in Centralan Holdings Limited, relating to the Harrington Building sale and leaseback	<b>9,000</b>	9,000
Investment in Centralan Estates Limited	<b>1,900</b>	1,900
	<b>10,900</b>	10,900

### 14 Stocks

	<b>Consolidated</b>		<b>HEC</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>£000</b>	£000	<b>£000</b>	£000
Work in progress	-	177	-	-
Consumables	<b>47</b>	45	<b>47</b>	45
	<b>47</b>	222	<b>47</b>	45

# University of Central Lancashire

## Notes (continued)

### 15 Debtors: amounts falling due within one year

	Consolidated		HEC	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade debtors	1,463	3,614	1,184	3,181
Accrued capital grants	-	1,484	-	1,484
Other prepayments and accrued income	5,057	4,201	4,990	3,992
VAT recoverable	-	10	-	-
Group debtors	-	-	901	1,031
Other debtors	2,306	2,177	2,249	2,172
	<b>8,826</b>	<b>11,486</b>	<b>9,324</b>	<b>11,860</b>

### 16 Current asset investments (Consolidated and HEC)

	2010 £000	2009 £000
Portfolio investments	5,302	4,616
	<b>5,302</b>	<b>4,616</b>

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

### 17 Creditors: amounts falling due within one year

	Consolidated		HEC	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank loans (note 19)	2,138	2,126	2,138	2,126
Trade creditors	5,286	5,217	5,313	5,353
Social security and other taxation payable	3,712	3,721	3,665	3,604
Accruals and deferred income	20,829	21,252	20,302	18,009
Other creditors	14,532	11,063	14,721	11,259
	<b>46,497</b>	<b>43,379</b>	<b>46,139</b>	<b>40,351</b>

# University of Central Lancashire

Notes (continued)

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Bank loans (note 19)	<b>22,686</b>	24,958
	<b>22,686</b>	24,958

## 19 Loans (Consolidated and HEC)

Loans are repayable as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
In one year or less	<b>2,138</b>	2,126
Between one and two years	<b>2,144</b>	2,135
Between two and five years	<b>4,312</b>	6,593
In five years or more	<b>16,230</b>	16,230
	<b>24,824</b>	27,084

### *Analysis of borrowings at 31 July 2010*

The University has four fixed interest loans with interest rates ranging from 5.735% to 8.63% repayable by instalments falling due between 1 August 2010 and 2 February 2032. In addition, the University has three loans with variable interest rates of up to 1.25% above the base rate repayable by instalments falling due between 1 August 2010 and 4 March 2015. The loans are secured on various properties.

## 20 Provisions for liabilities and charges

	<b>Provision for Future Pension Liabilities £000</b>	<b>Provision for VAT Assessment £000</b>	<b>Other Provisions £000</b>	<b>Total Provisions £000</b>
At 1 August 2009	5,534	666	1,880	<b>8,080</b>
Utilised in year	(379)	-	-	(379)
Charged in year	485	-	235	720
<b>At 31 July 2010</b>	<b>5,640</b>	<b>666</b>	<b>2,115</b>	<b>8,421</b>

# University of Central Lancashire

## Notes (continued)

### 21 Deferred capital grants (Consolidated and HEC)

	<b>Funding Council £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 1 August 2009			
Buildings	37,869	12,017	49,886
Equipment	1,762	180	1,942
<b>Total</b>	<b>39,631</b>	<b>12,197</b>	<b>51,828</b>
Grants received			
Buildings	3,355	935	4,290
Equipment	-	74	74
<b>Total</b>	<b>3,355</b>	<b>1,008</b>	<b>4,364</b>
Released to income and expenditure account			
Released to income – Buildings (notes 1, 4 & 9)	(776)	(315)	(1,091)
Released to income – Equipment (notes 1, 4 & 9)	(744)	(68)	(812)
<b>Total</b>	<b>(1,520)</b>	<b>(383)</b>	<b>(1,903)</b>
<b>At 31 July 2010</b>			
<b>Buildings</b>	<b>40,448</b>	<b>12,637</b>	<b>53,085</b>
<b>Equipment</b>	<b>1,018</b>	<b>186</b>	<b>1,204</b>
<b>Total</b>	<b>41,466</b>	<b>12,823</b>	<b>54,289</b>

### 22 Revaluation reserve

	<b>Consolidated £000</b>	<b>HEC £000</b>
<b>Revaluation</b>		
At 1 August 2009	117,462	117,487
Disposal of revalued assets	(155)	(155)
Movement on unrealised gains on investments	732	686
At 31 July 2010	118,039	118,018
<b>Contribution to depreciation</b>		
At 1 August 2009	17,911	17,911
Released in year	1,877	1,877
At 31 July 2010	19,788	19,788
<b>Net revaluation amount</b>		
At 31 July 2010	<b>98,251</b>	<b>98,230</b>
At 31 July 2009	99,551	99,576

# University of Central Lancashire

## Notes (continued)

### 23 Income and expenditure account

	<b>Consolidated £000</b>	<b>HEC £000</b>
Balance at 1 August 2009	27,774	27,866
Surplus after depreciation of assets at valuation	3,999	1,651
Release from revaluation reserve	1,877	1,877
Realisation of property revaluation gains	155	155
Historical cost surplus after tax	<u>6,031</u>	<u>3,683</u>
Actuarial gains in respect of pension schemes	5,361	5,361
Gain on write back of negative goodwill	1,546	-
<b>Balance at 31 July 2010</b>	<b><u>40,712</u></b>	<b><u>36,910</u></b>

The profits retained within subsidiary companies for the year ended 31 July 2010 total £80,000.

### 24 Capital commitments

	<b>Consolidated</b>		<b>HEC</b>	
	<b>2010 £000</b>	2009 £000	<b>2010 £000</b>	2009 £000
Commitments contracted at 31 July	<b><u>11,574</u></b>	<u>6,227</u>	<b><u>11,574</u></b>	<u>6,227</u>

### 25 Contingent liability

	<b>Consolidated</b>		<b>HEC</b>	
	<b>2010 £000</b>	2009 £000	<b>2010 £000</b>	2009 £000
Bank guarantees in respect of the University of Central Lancashire Students' Union	<b><u>661</u></b>	<u>713</u>	<b><u>661</u></b>	<u>713</u>

In addition to the above, as at 31 July 2010 the University has a potential liability related to long term commitments with certain existing overseas partners. As the quantity of any liability can not be reliably estimated no provision has been made in the financial statements. It is unlikely that this matter will have a material effect on the financial position of the Group.

# University of Central Lancashire

## Notes (continued)

<b>26</b>	<b>Reconciliation of consolidated operating surplus to net cash from operating activities</b>		
		<b>2010</b>	2009
		<b>£000</b>	£000
	Surplus / (deficit) before tax	<b>1,880</b>	(8,973)
	Depreciation	<b>8,043</b>	7,653
	Deferred capital grants released to income (note 21)	<b>(1,903)</b>	(1,976)
	Interest receivable	<b>(919)</b>	(2,486)
	Interest payable	<b>4,659</b>	4,497
	Increase / (decrease) in stocks	<b>(179)</b>	21
	Decrease in debtors	<b>118</b>	371
	Increase in creditors	<b>2,765</b>	541
	Increase / (decrease) in FRS17 pension provision	<b>4,577</b>	4,838
	Increase in other provisions	<b>137</b>	9
	Loss on disposal of fixed assets	<b>702</b>	3,109
	Net cash inflow from operating activities	<b>19,880</b>	7,604

<b>27</b>	<b>Analysis of cash flows for headings netted in the cash flow statement</b>		
		<b>2010</b>	2009
		<b>£000</b>	£000
	Returns on investments and servicing of finance:		
	Interest received	<b>2,130</b>	2,595
	Interest paid	<b>(4,778)</b>	(4,439)
	Net cash outflow for returns on investments and servicing of finance	<b>(2,648)</b>	(1,844)

# University of Central Lancashire

## Notes (continued)

### 27 Analysis of cash flows for headings netted in the cash flow statement (continued)

	<b>2010</b>	2009
	<b>£000</b>	£000
Capital expenditure and financial investment		
Purchase of owned tangible fixed assets	<b>(15,894)</b>	(16,438)
Sale of tangible fixed assets	<b>300</b>	1,366
Deferred capital grants received	<b>5,848</b>	8,666
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure and financial investment	<b>(9,746)</b>	(6,406)
	<hr/>	<hr/>
Management of liquid resources		
Sale of investments	-	17
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	-	17
	<hr/>	<hr/>
Financing		
Loan principal repayment	<b>(2,279)</b>	(2,095)
	<hr/>	<hr/>
Net cash outflow from financing	<b>(2,279)</b>	(2,095)
	<hr/>	<hr/>

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

	At 31 July 2009	Cash flow	At 31 July 2010
	£000	£000	£000
Cash in hand and at bank	69,750	5,207	<b>74,957</b>
	<hr/>	<hr/>	<hr/>
	69,750	5,207	<b>74,957</b>
Debt due within 1 year	(2,126)	(12)	<b>(2,138)</b>
Debt due after 1 year	(24,958)	2,272	<b>(22,686)</b>
	<hr/>	<hr/>	<hr/>
	42,666	7,467	<b>50,133</b>
	<hr/>	<hr/>	<hr/>

# University of Central Lancashire

## Notes (continued)

### 29 Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), for academic staff and the Local Government Pension Scheme (LGPS) for those staff not included as academic. The University has a strictly limited membership of the Universities Superannuation Scheme (USS) to cover a small number of staff who have transferred from other institutions. In addition to the other pension schemes the subsidiary company Westlakes Scientific Consulting had its own pension scheme which is no longer consolidated as the company was placed into administration. Details on each remaining scheme and the assumptions, plus other data that have the most significant effect on the determination of the contribution level are as follows:

	<b>TPS</b>	<b>LGPS</b>	<b>USS</b>
Date of last actuarial valuation	31.3.04	31.3.07	31.3.08
Actuarial method	Prospective Benefits	Projected Unit	Projected Unit
Investment returns per annum	6.5%	6.5%	6.4%
Salary scale increases per annum	-	4.5%	4.3%
Pension increases per annum	-	2.75%	3.3%
Real rate of return in excess of:			
Prices	3.5%	-	-
Earnings	2.0%	-	-
Rate of real earnings growth	1.5%	-	-
Market value of assets at last valuation	£163,240m	£3,689m	£28,843m
Proportion of members accrued benefits covered by the actuarial value of the assets at date of last actuarial valuation	100%	84%	103%

# University of Central Lancashire

## Notes *(continued)*

### 29 Pension schemes *(continued)*

#### **Universities Superannuation Scheme (USS)**

The University participates in the USS, a defined benefit pension scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The assets of the scheme are held in a separate trustee administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account equates to the contributions payable to the scheme for the year.

The last actuarial valuation of the scheme was at 31 March 2008. The institution's contribution rate required for future service benefits alone at the date of the 31 March 2008 valuation was 16% of salaries. The institution's contribution rate was increased from 14% to 16% of pensionable salaries with effect from 1 October 2009.

Surpluses or deficits which arise at future valuations may impact on the institution's future contributions commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme. The next formal actuarial valuation is due as at 31 March 2011 when the above rates will be reviewed.

#### **FRS 17**

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

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

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

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

#### **FRS 17**

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

# University of Central Lancashire

Notes (continued)

## 29 Pension schemes (continued)

### Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2010 was £5,972k of which employer's contributions totalled £4,002k and employee's contributions totalled £1,970k. With effect from 1 April 2008 the agreed contribution rate was 12.6% for employers and moved to a sliding scale for employees, ranging from 5.5% to 7.5% dependant on salary.

### **FRS 17**

The following information is based upon a full actuarial valuation of the fund at 31 March 2007 updated to 31 July 2010 by a qualified actuary.

### **Principal actuarial assumptions**

	<b>2010</b>	2009	2008
Inflation	<b>2.8%</b>	3.7%	3.8%
Rate of increases in salaries	<b>5.1%</b>	5.5%	5.6%
Rate of increases for pensions	<b>2.8%</b>	3.7%	3.8%
Discount rate for liabilities	<b>5.5%</b>	6.3%	5.9%

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

### **Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2010:**

	<u>Male</u>	<u>Female</u>
Future pensioner aged 65 in 20 years time:	22.2	25.0
Current pensioner aged 65:	21.1	24.1

### **Scheme Assets**

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

	<b>Long-term rate of return expected 31 July</b>			<b>Value at 31 July</b>		
	<b>2010</b>	2009	2008	<b>2010</b>	2009	2008
				<b>£000</b>	£000	£000
Equities	<b>7.5%</b>	7.5%	7.5%	<b>2,220,000</b>	1,961,820	2,255,752
Bonds	<b>4.7%</b>	5.2%	5.4%	<b>851,000</b>	653,940	793,352
Property	<b>6.5%</b>	6.5%	6.5%	<b>296,000</b>	186,840	219,360
Other	<b>7.5%</b>	7.5%	7.5%	<b>111,000</b>	186,840	153,552
Cash/Liquidity	<b>0.5%</b>	0.5%	5.0%	<b>222,000</b>	124,560	233,984
<b>Total market value of assets</b>				<b>3,700,000</b>	3,114,000	3,656,000

# University of Central Lancashire

## Notes (continued)

### 29 Pension schemes (continued)

	<b>2010</b>	2009	2008
	<b>£000</b>	£000	£000
University's estimated share of assets	<b>103,072</b>	85,539	89,149
Present value of scheme liabilities			
- Funded	<b>(151,518)</b>	(134,753)	(134,372)
- Unfunded	<b>(1,343)</b>	(1,359)	(1,448)
<b>Deficit in the scheme</b>	<b>(49,789)</b>	(50,573)	(46,671)

### Movement in deficit during the year

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Analysis of the amount charged to the income and expenditure account</b>		
Employer service cost	<b>5,402</b>	6,181
Past service cost	<b>80</b>	14
Total operating charge	<b>5,482</b>	6,195
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	<b>5,655</b>	6,082
Interest on pension liabilities	<b>(8,752)</b>	(8,215)
Pension finance income / (costs)	<b>(3,097)</b>	(2,133)
<b>Amount recognised in the statement of total gains and losses</b>		
Actual return less expected return on pension scheme assets	<b>7,667</b>	(14,161)
Change in financial and demographic assumptions underlying the scheme liabilities	<b>(2,306)</b>	14,760
Actuarial gain recognised in the statement of total gains and losses	<b>5,361</b>	599
<b>Movement in the scheme during the year</b>		
	<b>2010</b>	2009
	<b>£000</b>	£000
Deficit in scheme at 1 August	<b>(50,573)</b>	(46,671)
Movement in year:		
Current service charge	<b>(5,402)</b>	(6,181)
Contributions	<b>4,002</b>	3,827
Past service costs	<b>(80)</b>	(14)
Net interest / return on assets	<b>(3,097)</b>	(2,133)
Actuarial gain/(loss)	<b>5,361</b>	599
<b>Deficit in scheme as at 31 July</b>	<b>(49,789)</b>	(50,573)

# University of Central Lancashire

## Notes (continued)

### 29 Pension schemes (continued)

<b>Asset and Liability Reconciliation</b>	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	(136,112)	(135,820)
Service cost	(5,402)	(6,181)
Interest cost	(8,752)	(8,215)
Employee contributions	(2,060)	(1,970)
Actuarial gain/(loss)	(2,306)	14,760
Benefits paid	1,851	1,328
Past service cost	(80)	(14)
<b>Liabilities at end of period</b>	<b>(152,861)</b>	(136,112)
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	85,539	89,149
Expected return on assets	5,655	6,082
Actuarial loss	7,667	(14,161)
Employer contributions	4,002	3,827
Employee contributions	2,060	1,970
Benefits paid	(1,851)	(1,328)
<b>Assets at end of period</b>	<b>103,072</b>	85,539

<b>History of experience gains and losses</b>	<b>2010</b>	2009	2008	2007	2006
Difference between the expected and actual return on assets:					
Amount £m	<b>7,667</b>	(14,161)	(10,488)	2,083	3,741
% of scheme assets	<b>7%</b>	17%	12%	2%	5%
Experience gains and losses on scheme liabilities:					
Amount £m	<b>(2,306)</b>	14,760	(13,062)	0	1,011
% of scheme assets	<b>2%</b>	11%	15%	0%	1%
Total amount recognised in statement of total gains and losses:					
Amount £m	<b>5,361</b>	599	(23,550)	3,602	622
% of scheme liabilities	<b>5%</b>	1%	17%	3%	6%

# University of Central Lancashire

Notes (continued)

## 29 Pension schemes ( continued)

### Consolidated Pension Liability

	<b>2010</b>	2009
	<b>£000</b>	£000
Local Government Pension Scheme	<b>(49,789)</b>	(50,573)
Westlakes Scientific Consulting Limited Pension Scheme	-	(3,015)
As at 31 July	<u><b>(49,789)</b></u>	<u>(53,588)</u>

## 30 Access fund

	<b>2010</b>	2009
	<b>£000</b>	£000
As at 1 August	<b>94</b>	128
Funding Council grants	<b>753</b>	865
Interest earned	-	2
	<u><b>847</b></u>	<u>995</u>
Disbursed to students	<b>(728)</b>	(901)
As at 31 July	<u><b>119</b></u>	<u>94</u>

Funding Council grants are available solely for students, the University acting only as paying agent. Grants and related disbursements paid to students are therefore excluded from the income and expenditure account of the University.

## 31 Related parties

Due to the nature of the University's operations and the composition of the Board of Governors (members being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a Member of the Board may have an interest. All transactions involving organisations in which a Member may have an interest are conducted at arm's length and in accordance with the financial regulations of the Board and normal procurement procedures. No transactions were identified which are required to be disclosed under Financial Reporting Standard Number 8 – Related Party Disclosures.

During the year expenses paid relating to Board members amounted to £16,476 (2009: £6,067).

# University of Central Lancashire

## Notes *(continued)*

Anyone wishing to obtain further details on matters raised in the Reports and Financial Statements for the year ended 31 July 2010 is invited to contact:

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