

University of Central Lancashire
Consolidated reports and financial statements

For the year ended 31 July 2011

University of Central Lancashire

Report and financial statements

<i>Contents</i>	<i>Page</i>
Legal and administrative details	1
Chair of the University Board's report	2 - 20
Corporate governance	21 - 31
Statement of responsibilities of the Board	32 - 34
Report of the independent auditor to the Board of the University of Central Lancashire Higher Education Corporation	35 – 36
Statement of accounting policies	37 - 39
Consolidated income and expenditure account	40
Balance sheets	41
Consolidated cash flow statement	42
Statement of consolidated total recognised gains and losses	43
Notes to the financial statements	44 - 65

University of Central Lancashire

Legal and Administrative Details

Members of the Board

W Adams
E Adia
S Broomhead
B Chapman (appointed 20 January 2011)
R Eddo-Lodge (appointed 1 July 2011)
J Gorick
B Harris
J Horrocks
S Jones
W Lowther
B McManus
M McVicar
M Palmer (resigned 30 June 2011)
Y Patel (resigned 31 July 2011)
I Robertson (resigned 30 November 2010)
G Stanley
M Tynan
S Wadee (resigned 22 September 2011)

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

At the time of writing the Government's White Paper on Higher Education is out to consultation. The White Paper sets the framework for radical change in the sector generally and institutions particularly. A new approach to organising, managing and delivering our core academic activities of teaching, learning and research in a competitive academic and price sensitive environment will be challenging. Exploiting commercial opportunities for financial and reputational gain will continue to be important and cannot be overlooked as other changes are made to our education business.

However, the University of Central Lancashire (UCLan) looks forward to this future with confidence. It has a good track record of consistently improving in national league tables, delivering student satisfaction and achieving research excellence whilst growing in student numbers and maintaining financial strength. This financial strength has enabled the University to continue to invest both nationally and internationally as well as retain reserves to enable it to withstand the turbulence of the next few years.

My report below sets out the notable achievements of the University during the period covered by these Financial Statements. In summary it comments on the following areas of the University Group's activities:

A Statement on Public benefit delivery (page 4)

Highlights include:

- 32,204 students from the UK, EU and overseas enrolled with the University
- 9,551 UK and EU undergraduate students received a bursary or scholarship
- UCLan was highlighted as the leading modern university in the North West in all national newspaper league tables, for the fifth year running
- QS World University Rankings included UCLan for the first time
- More subjects achieved top-twenty status for overall levels of satisfaction in the 2010 National Student Survey
- Over 280 widening participation events were held
- UCLan's Dr Nicola Lowe won the International collaboration of the year category at the 2010 Times Higher Education Annual Awards
- 160 student start-up businesses were supported, compared to a sector average of 28
- The Higher Education Business and Community Interaction Survey named UCLan as one of the foremost entrepreneurial universities nationally and number one in the North West

A comment on Linked Charities (page 9)

- The University of Central Lancashire and Westlakes Research Ltd pursued their respective public benefit agendas

Confirmation of the Corporate Structure (page 10)

- An outline of the corporate structure, including the new joint venture in Cyprus

The Medium Term Strategy (page 11)

- The strategies underpinning the Medium Term Strategy were reviewed

University of Central Lancashire

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

Performance Monitoring within the Group (page 12)

- The new Board Key Performance Indicators introduced in 2009/10 were further developed

The Group's approach to Risk Management (page 12)

Engagement with staff, students, employers and educational partners (page 13)

- The University retained Investors in People for the fifth time
- UCLan entered the top quartile of Capita's Employer of Choice ratings
- The Student Union was heavily involved in the Student Expectations Project and also reviewed the effectiveness of the Personal Tutor system
- News of the University's engagement with partner colleges and private providers
- The University was awarded the Lancashire Business Award 2011 for 'Services to Lancashire'; joint hosted the Lancashire Young'uns awards celebrating young entrepreneurial talent; and was shortlisted as Entrepreneurial University of the Year in the Times Higher Education Awards
- Total enrolments across the University's international partnership network in 2010/11 numbered over 3,200

The University Court (page 15)

The Group's approach to Diversity (page 15)

- A further 800 staff engaged in equality and diversity training

The Group's approach to Safety and Health (page 16)

- The University maintained a below sector average rate of reportable accidents/incidents

The Group's approach to Environment and Sustainable Development (page 17)

- The University's Environmental Management System (EMS) gained the internationally recognised ISO14001 certification

Comments on the Financial Performance in 2010/11 (page 18)

Comments on the Financial Outlook 2011/12 and beyond (page 19)

University of Central Lancashire

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

Statement on Public Benefit delivery during the 2010/11 Academic and Financial Year

The University is an exempt charity under the terms of the Charities Act 1993.

The Board of Governors, who are the trustees of the charity, have paid regard to the Charity Commission's public benefit guidance and particularly the supplementary guidance on the advancement of education.

Charitable Objects

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

The University's mission and values (detailed on page 11) are translated into the University's ten-year strategic plan as set out in the Medium Term Strategy 2007-2017, which can be accessed at www.uclan.ac.uk/strategy. Reporting of progress towards realising this strategy begins on page 11 of this document. Specific information is provided below about how the University delivers public benefit.

In compliance with public benefit reporting requirements, we must consider if our pursuit of these charitable objectives cause detriment or harm or if they generate private benefit. The University does not consider that there is any disproportionate detriment or harm that arises from carrying out the University's aims. The University requires all our staff, researchers and students engaged in research or peer review of research processes to be aware of and agree to comply with its code of conduct of research. We are committed to conduct research in accordance with the seven principles identified by the Nolan Committee on Standards in Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

The University's student complaints procedure is intended to provide an accessible, fair and straightforward system which ensures an effective, prompt and appropriate response. We recognise that our operations have an impact on the environment and therefore have implemented an ISO14001 certified Environmental Management System (EMS) to minimise and mitigate impact. In line with the sector as a whole, where University staff share Intellectual Property rights, these private benefits are incidental to the public benefit of the research outcomes and are reasonable and necessary in attracting, incentivising and retaining high quality staff.

Beneficiaries

The University's undergraduate and postgraduate students are our prime beneficiaries and are directly engaged in learning or research. Where applicable, and after assessment of need, our students also benefit from financial support. Over the long term, those who benefit from research undertaken at the University are also beneficiaries.

The general public benefit from opportunities to attend exhibitions and public lectures and from receiving treatment from our nursing and dentistry students when on clinical placements or from our physiotherapy students on campus. Additionally, local and international communities benefit from the contribution made by our staff and students via voluntary activities.

Taking a wider view, the University delivers benefits to society at large by producing employment-ready graduates who are equipped to fully engage in society; by building a global

University of Central Lancashire

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

network that encourages students to create and maintain international connections; by providing employment opportunities and by our strong environmental sustainability agenda.

Fulfilment of the Charitable Objects

Teaching and Assessment

The University is committed to ensuring that all students benefit from an excellent teaching and learning experience. In 2010/11, the University enrolled 32,204 students (87% undergraduates and 13% postgraduates) from the UK, EU and overseas. In line with our charitable objects, the University has taught students and provided access to learning facilities including our academic library, assessed students' learning, supervised research, set and marked examinations and worked with external examiners. We maintained our cycle of course reviews and continued to achieve independent accreditation of courses by professional bodies where appropriate.

A range of Key Performance Indicators (KPIs) monitoring teaching quality is included in our Corporate Plan and helps to ensure continuous improvement. These include measures related to student satisfaction. Further details of our KPIs are included on page 12.

The quality of teaching and the UCLan student experience is reflected in our continuing success in national and international league tables and in the 2010 National Student Survey (NSS). In all the national newspaper university league tables, UCLan was highlighted as the leading modern university in the North West, a position we have held for the last five years.

In 2010 UCLan was included in the prestigious QS World University Rankings. The University was one of only 23 institutions to appear in the 2010 rankings for the first time, and was the only UK University to be newly admitted. Just 53 UK universities were included in the whole table with just four in the North West.

These ratings were echoed in the 2010 National Student Survey where we increased the number of subject areas appearing in the national top twenty for overall levels of satisfaction. Forensic and Archaeological Science, Journalism, Physical Geography and Environmental Science were ranked in the UK top six while Cinematics and Photography, Design Studies, Fine Art, Psychology, Sociology, and Tourism, Transport and Travel were all rated in the national top twenty.

A national student experience survey by The Times Higher Education placed UCLan in 41st position overall and as top modern university in the North West. The University ranks in the top ten overall for a good Students' Union (7th) and a good library and library opening hours (7th).

In conjunction with the Students' Union, a wide range of extra-curricular activities are available, including the opportunity to engage in community volunteering programmes via our Centre for Volunteering & Community Leadership. Students are encouraged to make full use of UCLan's impressive sports facilities, including our outdoor education and pursuits centre in North Wales and our indoor and outdoor facilities in Preston. The £12 million Preston Sports Arena is open to the public seven days a week 50 weeks a year.

Every student is assigned a personal tutor and has access to a wealth of support services including the University health centre, pre-school centre, multi-faith centre, counselling service, disability services, the student financial support team and independent academic advice. For students yet to

University of Central Lancashire

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

join us, we run residential and non-residential familiarisation events (Flying Start) during the summer months.

This year saw the first cohort of students graduate from the Masters of Pharmacy (MPharm) course, which has been granted the full General Pharmaceutical Council accreditation for the maximum permitted five years.

UCLan's School of Dentistry was the first to pioneer a new mode of dental education, in which the students gain their experience in local community Dental Education Centres rather than city centre hospitals. The first cohort of dental students has now completed their studies during which they have collectively seen over 5,000 patients. Twenty-one of the 30 graduates have secured their mandatory training places in the North West and hope to remain in the region to enhance local NHS dental services.

As we move into a new fees and funding regime from 2012, we are enhancing our teaching and support services to students under a new package: the UCLan Advantage.

Financial Support

As all universities do, UCLan charges tuition fees to students for our services. Our Tuition Fees Policy, including a range of bursary and scholarship schemes, help ensure that no eligible student is unable to benefit from our educational provision due to poverty. All prospective students are made aware of these support packages and of the ongoing help and advice available from the University's team of support staff. During 2010/11, 9,551 Home and EU undergraduate students were paid a bursary or scholarship. A limited number of eligible part-time students benefited from fee waivers. To support graduates returning to postgraduate study with us, we offered a significant reduction in fees for self-funding students. Students achieving a first class honours degree with UCLan were eligible for the Gilbertson Excellence Scholarship for postgraduate study and research.

Widening Participation

A fundamental value of UCLan is the promotion of educational opportunity for all. Our Admissions Policy reflects this and a range of KPIs ensure we are hitting targets for accessibility to students from, for example, low socio-economic groups, state schools and low participation neighbourhoods. These are aligned with our agreement with the Office for Fair Access.

UCLan provides a portfolio of activities designed to raise knowledge and awareness of higher education in around 50 'key account' schools and colleges. In 2010/11, the University ran approximately 260 off campus events and around 28 on campus events (including an Aimhigher Residential Summer School) with well over a thousand beneficiaries. Additionally, numerous members of our staff serve as local school and college governors.

The University has formal partnerships for the delivery of courses with over 30 organisations, including further education colleges, employers and training organisations. For example, UCLan is a formal partner of: Westlakes Academy; Burnley Education Trust; Wigan Education Trust; and Montgomery Trust (Blackpool). We also provide support for the Aldridge Trust (Darwen). Over 6,000 students are studying for one of the University's awards through a partner organisation.

The University remains fully involved in the work of the Lancashire Lifelong Learning Network (LLLN), including being the host institution. Our LLLN work has involved developing progression routes for vocational, part time and employed learners into and through UCLan,

University of Central Lancashire

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

widening participation activity at our Burnley campus and participating in a conference promoting LLN's online progression tool Visaroute.

More detailed reporting on the University's widening participation activities is available in the Widening Participation Strategic Assessment report, and plans for future activity and spending are available in the University's Access Agreement with the Office for Fair Access.

Research

Academics at the University are making a vital contribution to disseminating research and global knowledge and helping to shape the world future beyond academic life. UCLan has 17 subject areas rated as having research of 'International Excellence' by the Research Assessment Exercise. Eleven of our subject areas contain research which is 'World Leading'. All our researchers are encouraged to be as open as possible in discussing the results of their work and in seeking publication. We have a wide range of KPIs monitoring our research activity.

Research highlights include a partnership with Mersey Care NHS Trust to develop and lead the new Ashworth Research Centre for applied forensic research. Our International Institute for Sign Languages and Deaf Studies was awarded a €1.16 million grant to fund a 5-year project on 'multi-lingual behaviours in sign language users' which will have a huge impact on international deaf researchers and communities, especially those from developing countries.

The University was shortlisted in two research categories of the prestigious Times Higher Education Awards. Dr Charlie Frowd from our School of Psychology was shortlisted in the Research Project of the Year category for his alternative facial composite system EvoFIT. Dr Nicola Lowe and her research colleagues, were nominated for, and ultimately won, the International Collaboration of the Year category. Dr Lowe has been working with the Khyber Teaching Hospital in Pakistan to improve the nutrition and health status of communities in Pakistan and the UK. The project also gained an insight into the cultural issues relating to health inequalities amongst our South Asian immigrant populations in the UK, particularly those in Blackburn.

In collaboration with clinicians from Royal Preston Hospital, a UCLan research team is using 3D scanning technology to provide new insights into neurological disorders and improve radiotherapy treatment. Another research team, this time from our School of Forensic and Investigative Sciences, has played a key role in identifying what may be the world's only well-preserved Roman gladiator cemetery.

The nuclear industry remains a key industrial sector for UCLan with a strategy built upon a commitment to employability, employer engagement and knowledge transfer. In 2010 the University, through the John Tyndall Institute for Nuclear Research, strengthened its position through a new partnership and a range of exciting postgraduate courses which will allow students from a variety of engineering backgrounds the flexibility to study full-time or part-time whilst remaining in full-time employment.

UCLan is revolutionising wind power through its research into small wind turbine technology funded by a £1.1million grant. Targeted at the region's SME community, the University-led project is focused on increasing the uptake of small wind technologies by small organisations, and improving the efficiency, quality, reliability and safety of the systems. Another project contributing to reducing carbon emissions is the work by our Jost Institute for Tribotechnology with AVL, the Austrian-based company, to help improve car engine design and reduce emissions.

University of Central Lancashire

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

As a university, we are taking a national lead in adding a new dimension to the student experience: undergraduate research. UCLan's Centre for Research-informed Teaching was established in 2007 with a £1.1million grant from HEFCE. The Centre manages a wide range of projects which explore, support and promote the teaching-research connection at UCLan. Students are drawn from subjects across the arts, sciences, health and business to work on a huge variety of projects for a period of up to ten weeks.

Further information on the University's teaching and research successes throughout 2010/11 is included in our 2010 Annual Review which is available from the University's website:
http://www.uclan.ac.uk/news/annual_review.php

Working with Businesses and Communities

The University excels at sharing knowledge with the business community and helping businesses to innovate and develop an all-important competitive edge. UCLan annually contributes over £300 million to the regional economy. Again we closely track our performance in knowledge transfer with a range of KPIs.

Forging strong relationships between education and business is vital to enhancing the UK's competitiveness and the University was recently acclaimed for its business support services after receiving £2.25 million per year for the next four years from the Higher Education Innovation Fund. In turn these successful relationships inform the University's courses and staff, helping our graduates to enter the labour market as business leaders of the future.

Support to entrepreneur start-up businesses is at a record high at UCLan with 160 student start-up businesses founded in 2010/2011, an increase of 20 per cent over the previous year and a great deal higher than the national university average of 28. This support has been critically acclaimed by the Higher Education Business and Community Interaction Survey (HEBCIS) which named UCLan as one of the foremost entrepreneurial universities nationally and number one in the North West.

Providing students and graduates with relevant work experience is core to UCLan's employability and enterprise agenda. Short-term placements, as well as more traditional 12-month sandwich placements are offered to all students of all disciplines. Particular emphasis is being put on internships to businesses providing students/graduates with relevant work-experience and also giving businesses access to the up-to-date knowledge and enthusiasm which a student/graduate brings. Supporting the internship or placement is a comprehensive support programme ensuring that the student/graduate is work-ready. In the International Student Barometer survey for 2010 our employability and enterprise service 'futures' was ranked top in the UK for overall levels of satisfaction.

As a university with global reach, we are prioritising our commitment to truly internationalise our curriculum and encourage our students to pursue a foreign language and experience an overseas study period or work placement. We facilitate this with our popular international travel bursaries. Foreign language skills and experience greatly enhance the employability of our graduates and lay the foundations for future societal and economic links between the UK and the rest of the world.

We also value the communities local to our campuses. UCLan's academic community delivers an annual programme of free public lectures. We have a partnership with Leyland Band and provide them with a venue for performances and workshops. Each year, the University hosts numerous stakeholder events on campus. We are also an approved training venue for the 2012 Olympics.

University of Central Lancashire

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

Sustainability

UCLan's commitment to sustainable development was underlined in the 2010 People and Planet Green League where the University maintained its position of fourth place (out of 137). We have a nationally-recognised strong sustainability agenda backed up by KPIs and ISO14001 certification.

Linked Charities

University of Central Lancashire Foundation

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

The beneficiaries of the Foundation's activity are the students and former students of UCLan who receive financial support from the Foundation. On a much wider scale, beneficiaries include those who attend Foundation-supported activities and events such as the Junior University at UCLan's Burnley campus and those who benefit from specific projects supported by the fund such as the International Midwifery Scholarships for Africa. More details on the public benefit generated by the Foundation are available in the Foundation Trustee's Annual Report and financial statements for the year ended 31 July 2011.

Westlakes Research Limited (operating as the Samuel Lindow Foundation)

UCLan is sole member of Westlakes Research Limited (WRL), an exempt charity operating from the Westlakes Science & Technology Park in West Cumbria. The Trustees of WRL who carry out their business as the Samuel Lindow Foundation have paid regard to the Charity Commission's public benefit guidance, including the supplementary guidance on the advancement of education.

West Cumbria is an area of high economic deprivation. The charity is focused on making educational advancement available and attractive to a larger part of the community. The charity owns a state-of-the-art educational centre on the Science & Technology Park which is available to the charity's beneficiaries: students, local businesses, professional societies and public bodies supportive of educational engagement and communications.

During the year, WRL organised a major science festival; helped to promote pupil attainment and social inclusion by supporting a programme aimed at enhancing spoken language skills and provided financial support for PhD research posts. The charity continues to support an evening lecture programme provided by a number of professional societies and local employers. More details on the public benefit generated by WRL are available in WRL's Annual Report and financial statements for the year ended 31 July 2011.

University of Central Lancashire

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

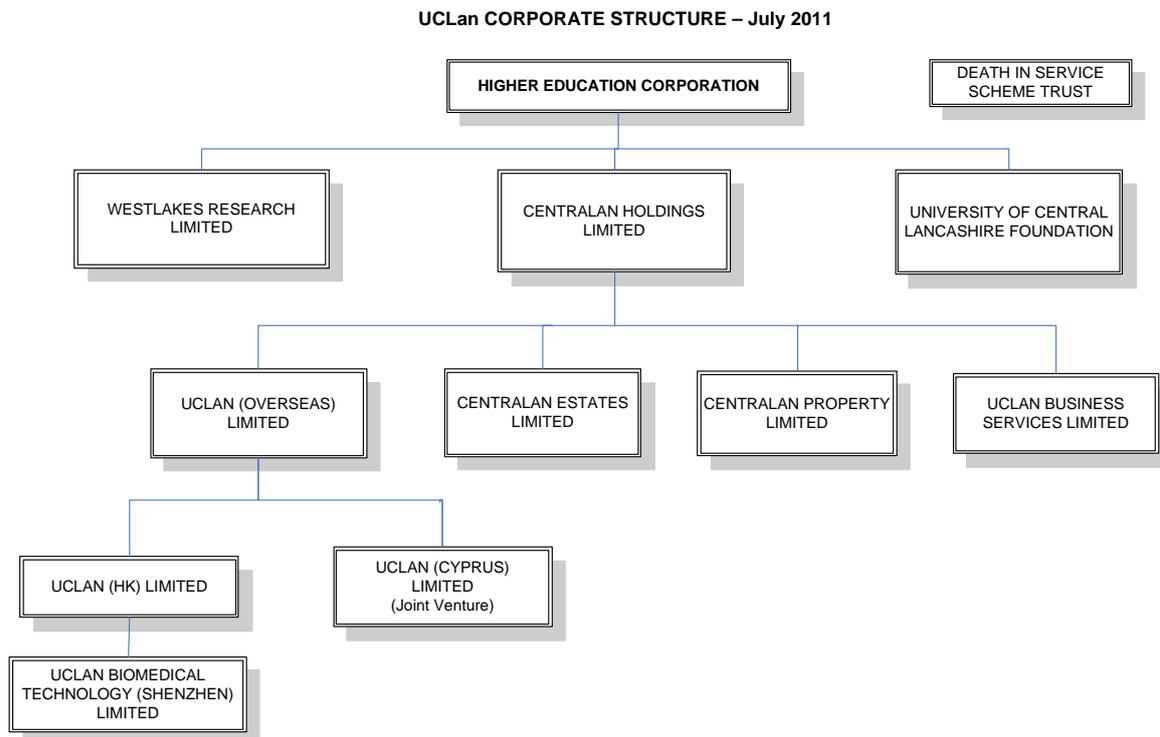
The Corporate Structure

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. On 24 May 2011 a joint venture agreement was signed through which UCLan (Overseas) Limited obtained a 49% shareholding in UCLan (Cyprus) Limited. 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 2011 is set out below:



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 Medium Term Strategy Implementation Plan for 2010/11.

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 2010/11 Medium Term Strategy Implementation Plan focused on the delivery of objectives to enable the University to compete effectively in the challenging higher education market, which 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.

The Implementation Plan provided the framework for the development of local delivery plans at School and Service level. Delivery against these plans was monitored and reported on three times in the year.

The strategies underpinning the Medium Term Strategy underwent a thorough review in 2010/11 to ensure that they remain valid in light of changes to the external environment and progress made since the Strategy was approved. The outcome of this review has fed into the planning undertaken for 2011/12 and beyond.

University of Central Lancashire

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

Performance Monitoring

The University Board met six times in the year including two sessions dedicated to strategic discussions and development. 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 meeting endorsed future plans and objectives.

In 2009/10 a new set of Board Key Performance Indicators (KPIs) were introduced to 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. The use of these KPIs continued and developed in 2010/11, facilitating focused discussions on key issues and priorities and enabling the University Board to be assured about the delivery of the strategy and overall performance.

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 2010/11 provides a sound base for 2011/12 and the new challenges that we will face in subsequent years. The University will continue to focus through 2011/12 on our core activities whilst also expanding our delivery against the strategic aims and preparing for the changes already known about and those proposed in the 2011 Higher Education White paper.

Risk Management

“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 challenged and received assurance on the management of those risks and, where necessary, revised the risk register in the light of changed circumstances.

University of Central Lancashire

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

Engagement with Others

Staff

In May 2011 we successfully retained Investors in People for the fifth time, exceeding the standard in many areas. The assessors particularly noted positive trade union relations and supportive HR business partnering arrangements with line managers. Consistency of management practice had greatly improved in the three years since the previous assessment, as had internal communications.

These findings echoed the staff survey conducted in January 2011, which found UCLan to be in the top quartile of Capita's Employer of Choice ratings, meeting our target originally set for 2017. An excellent participation rate of 63% gives robust data regarding the many improvements on the previous survey two years earlier. Ninety-one percent of staff taking part said UCLan is a good place to work and 86% said their motivation was generally high. Our Employer of Choice score shows high levels of employee engagement and demonstrates the impact of actions taken since the 2009 survey. Internal communications and the management of change had improved with corporate processes now being embedded. Team meeting processes were reviewed during June and changes made based on staff feedback.

The cost base improvement exercises in the Schools and Services were successfully achieved, with staff at all levels engaging proactively with the process and showing a willingness to be flexible in terms of role and location. A total of 160 staff took voluntary redundancy and 23 found redeployment opportunities within UCLan, enabling us to meet the target cost reductions. The whole process was Equality Impact Assessed and proved how embedded our diversity practices are, as no group was shown to be disadvantaged at application or acceptance stages.

We achieved the Health Works 'Bronze' Award in June 2011, recognising our good practice and commitment to staff wellbeing. Support services were renewed this year for Occupational Health and Staff Counselling to ensure excellent support continues in these areas.

Students

There is engagement with our students on many levels and in a variety of forms. The Senior Management Team (SMT) continues to meet with the Student Union Student Affairs Committee and Chief Executive on a six weekly basis and there are three yearly strategic meetings. The Student Union (SU) has been heavily involved in the Student Expectation Project in 2011 and this allowed for a practical engagement with a variety of student concerns and feedback on their UCLan experience. Key outcomes from the engagement with students in this project include the proposal for a revision of the management of the course representative system in the Schools and this system is now under review in 2011/12 with a view to this responsibility shifting to the SU ahead of 2012/13 (in common with practice across the sector).

In addition, the SU Education officer is a member of the Student Experience Committee and feeds positively into the work of the Committee and SMT. In 2010/11, the SU conducted research into the effectiveness of the Personal Tutor system in our Schools and into the organisation and management of courses (in response to one of the themes of the National Student Survey). The SU is also involved in a number of key project groups tasked with the implementation of the core strands of the UCLan Advantage for 2012/13 – this includes the group that has assessed the University's performance against the 'essentials' of the package as represented by the 'Card' and the establishment of a new Student Charter ahead of 2012/13. The SU have also been actively

University of Central Lancashire

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

involved in the work on the 'Public Information Portal' ahead of the implementation of Key Information Sets (KIS) and the Higher Education Achievement Report (HEAR) in 2011/12.

Regional Educators and Employers

The University's significant engagement with regional educators and employers has continued this year. In the education field this has continued to include the University's long and wide partnership network of Colleges and engagement with a range of schools including several academies. The partnership network is changing to respond to the challenges and opportunities of the HE White Paper and, hence, the emphasis is shifting from indirectly-funded to directly-funded student numbers over time. The University continues to engage with private educational providers with a national reputation such as Futureworks and the School of Sound Recording in Manchester, and also with Training 2000 in the potential development of a University Technical College in the region.

The development of partnerships with industry has also continued apace with recent new partnerships with Sony and Samsung in the area of digital media and computing and continued relationships with significant employers in the region such as BAE systems, Aircelle and Rolls Royce. The University is actively involved in the development of the Enterprise Zone in Burnley and is a member of the Lancashire Economic Partnership (where the Vice-Chancellor sits on the board). The external advisory group and employability and enterprise steering group both ensure active and regular engagement with local and regional businesses as does the University's involvement in the Preston Vision board, Guild 2012 Advisory Board and local chambers of commerce. These links are being further developed to ensure that, from 2012/13 onward, all students at UCLan can benefit from a structured work experience as part of the UCLan Advantage. All academic Schools are tasked in 2011/12 with creating business advisory boards if they are not already in place.

The University was pleased to be awarded the Lancashire Business Award 2011 for 'Services to Lancashire' and was also proud to host the Lancashire Young'uns awards with Lancashire Business View, celebrating the best in young entrepreneurial talent in the region. We were also delighted to be short listed for the second year running as the THE Entrepreneurial University of the Year.

International Partners

The University remains a leading UK HE sector provider of trans-national education (TNE) opportunities, delivering learning opportunities to international students in their home countries. We now have over 80 international partners worldwide, and over the past 12 months significant work has been undertaken to both grow partner relationships in current markets, as well as to develop partnerships in markets that the University has not previously operated in, for example in Singapore and Malaysia.

Total enrolments across the international partnership network in 2010/11 numbered over 3,200, exceeding the 2,000 international students enrolled on UCLan programmes at the main Preston campus, and in line with the University's Internationalisation Strategy.

We retain a number of representative overseas offices: in China (at Shenzhen and Shanghai); India (New Delhi); and Vietnam (Hanoi). These offices both support specific in-country activities, and promote the University to potential students wishing to come and study in Preston.

University of Central Lancashire

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

The international research agenda remains of vital importance. The University has now formally established a wholly foreign owned enterprise under the name of UCLan Biomedical Technology (Shenzhen) Limited, enabling it to take forward nanotechnology research at the Shenzhen Virtual University Park.

We continue to move forward with our ambitious plans to open campuses overseas, with, as noted previously, the recent signing of the first Shareholders Agreement to open a campus in Cyprus.

In October 2010, the University celebrated 10 years of partnership with the Shanghai Institute of Foreign Trade (SIFT). The event was followed by celebrations of the 50th anniversary of SIFT, at which the Vice-Chancellor addressed an audience of over 3,000 people on behalf of all of SIFT's international partners.

The University continues to work closely with the British Council, who supports our activities throughout the world. In October 2010, the Vice-Chancellor was asked to give a keynote speech on the development of the creative industries at the British Council's Going Global Conference in Hong Kong.

The University continues to place partnership at the heart of our internationalisation strategy, and will further enhance our presence in a number of new markets over the coming year.

The University Court

The University Court met on 23 March 2011. 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 about working with our customers. The presentation also show-cased the University's work with key regard to Volunteering and Community Leadership.

Diversity

The University is effectively mainstreaming and embedding equality and diversity (E&D) across many aspects of our activities, through implementation of the key aims and objectives outlined in the Single Equality Scheme. Following the retirement of the Deputy Vice-Chancellor in March 2011, Directorate-level responsibility for this area has migrated to the Pro Vice-Chancellor. Under continued active senior management leadership, the University has made excellent progress.

Approximately a further 800 staff have engaged in E&D training including: certificated programmes; equality impact assessment training and specially designed courses for managers, academic and support staff leading to half the University's staff population having participated in such training over the last two years.

We have kept abreast of legislative developments for the implementation of the Equality Act 2010. The Act has introduced religion or belief and sexual orientation monitoring for students and staff. The production of socio-economic status data based on postcode information of students is also being examined.

University of Central Lancashire

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

Much activity has taken place to develop and support Schools and Services undertake effective evidence-based equality monitoring. The second set of institutional and School level student E&D reports were produced, providing some time series information on applications, enrolments, attrition and attainment. Bespoke data requests to support specific School analyses and periodic course reviews were met. Schools also received the second set of NSS and UCLan Student Survey (USS) results analysed by equality strands. For the first time Schools and Services also received their staff diversity profiles. The production and analysis of these sets of information are now mainstreamed into the University's activities and assurance on Schools and Services' efforts to mainstream and embed E&D locally continues to be developed through the performance management framework.

University-level guidance has also been produced for staff on the collection and reporting categories of student and staff diversity data as well as on benchmarking E&D data.

The University was successful in a second Higher Education Academy Inclusion project entitled 'Meaningfully Engaging Disabled Students in Higher Education', as one of 10 universities selected nationally to take part. This will lead to the development of greater student engagement in learning and teaching for disabled students and other under-represented groups of students in the longer term.

We have also partnered with DisabledGo, a national organisation, to provide user-friendly web-based detailed accessibility guides to staff, students and visitors for each of the University's publicly accessible buildings. UCLan has also planned its first Diversity Conference for November 2011.

Staff engagement with E&D activities has continued to develop, supporting both policy and practice developments across the University and advice and guidance on a range of staff and student diversity issues has continued to be provided.

Safety and Health

The University continues to work pro-actively with all our stakeholders, through representation on safety committees, by providing competent advice and guidance, producing policies, procedures and guidance for managers and by providing a wide range of health and safety related training - all intended to promote and facilitate a safe, healthy and sustainable working environment for all of our staff, students and visitors.

During the year, a wide range of audits and inspections have been undertaken to verify levels of compliance covering a broad spectrum of issues and activities across our Schools and Services. The average compliance score for all audits completed in accordance with service level agreements and using the standardised audit package was in the main very good and demonstrates that the University has 'significant controls' in place to manage safety, health and environment.

We continue to demonstrate a low reportable accident/incident rate with the average reporting falling below the sector target set by the University and Colleges Employers Association (UCEA 2010). Good progress continues to be made in raising awareness and managing health and safety in the workplace, with a wide range of training being delivered in-house to all staff. Much work has also been undertaken during the year to assist with the assessment and recording of the training requirements of all staff against statutory requirements and best practice.

University of Central Lancashire

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

Over the coming year, the focus will be supporting the implementation of the Medium Term Strategy, using robust corporate management processes with particular regard to risk management and business continuity. Our resulting safe and healthy working environment contributes to meeting the University's overall recruitment and retention targets and builds the University's profile regionally, nationally and internationally.

Environment and Sustainable Development

Following the revision of the University's Medium Term Strategy our aim to become a 'model international university for sustainable development' remained unchanged. The related strategic objectives (below) are being implemented thorough the University's School and Service Delivery Plans. Progress towards completion of these objectives will be monitored during 2011/12 by the University's Strategic Development Service and the Safety Health & Environment (SHE) Committee.

1. The University aspires to exceed the 2020 sector carbon reduction target, reducing absolute carbon emissions by 48% against a 2005/06 baseline.
2. The University commits to ensuring the significant environmental aspects of its operations are continually reduced and mitigated via the maintenance of its ISO14001:2004 certification.
3. The University will ensure that its students are educated for global citizenship by integrating sustainable development into all course curricula by 2017.

In October 2010, the University's Environmental Management System (EMS) gained the internationally recognised ISO14001 certification. Within the EMS, the Environmental Management Plan drives continual improvement in the identified significant environmental aspects of University operations with improvement programmes for each aspect.

We continue to be recognised as a leader in this area as evidenced by our continued high scores in the annual People and Planet Green League Table which this year saw UCLan achieve a 1st class award and 8th place in an overall league of 138 universities and colleges. In addition, we have been shortlisted for a 2011 Green Gown Award in the 'promoting positive behaviours' category for our pioneering student environmental behaviours research and related shower timer pledge campaign.

University of Central Lancashire

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

Financial Performance in 2010/11 Compared to Previous Years

The University's financial performance in 2010/11 reflected our on-going commitment to developing both the physical infrastructure and the University's operational capacity in order to deliver our Medium Term Strategy. In addition, we have taken steps to restructure the organisation in order to prepare for the new environment into which we are heading. As in previous years, the University has used our financial strength and reserves to invest on a non-recurrent basis to secure changes to all aspects of the University's activities; without this expenditure a larger surplus would have been achieved. The University's Financial Strategy requires a modest surplus to be achieved, before the use of reserves; this looks to supply funds in the form of contingencies to provide protection in the event of unforeseen difficulties and allows for funds to support capital investment. This has been the strategy for many years and, where there has been a significant call on reserves, has resulted in operating deficits in previous years.

The summary group financial results are set out below:-

Group Financial Results	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
<u>Operations</u>					
Income	206,735	199,018	188,686	168,996	162,026
Expenditure	200,723	196,436	194,550	170,658	159,900
Operating surplus/ (deficit)	6,012	2,582	(5,864)	(1,662)	2,126
Exceptional items and Tax	(20)	1,417	(3,114)	314	(12,189)
Historical cost surplus/(deficit)	7,818	6,031	(2,155)	800	7,927
<u>Financial Strength</u>					
Fixed Assets	254,666	231,513	223,084	217,540	210,796
Cash/Investments	77,552	80,259	74,366	78,801	78,020
Net Assets excluding Pension Liability	273,738	243,041	232,741	230,631	224,823
Pension Liability	47,055	49,789	53,588	50,460	21,958

Key features of 2010/11 were:-

- Work on two significant developments on the Preston campus was completed during the year. The new indoor sports facility incorporating the multi faith centre and an enlarged pre-school centre was opened in September 2011. In addition, new academic facilities to support the increasing requirements of the Pharmacy and Forensic Science schools were also completed.
- As in previous years, cash generated from operations was substantial. Strong cash balances enabled the University to pursue our Estate Strategy and other strategic elements of the Medium Term Strategy without increasing external borrowing levels. The strong cash balances and limited external borrowing commitments should provide the University with financial protection in the short term as we adapt to the new funding and fees regime.
- The University has been active in our pursuit of international activity and has formed partnerships with organisations in Europe and Asia with a view to developing overseas provision for both international and UK/European students. Several overseas and joint venture companies have been set up with income generated by the Higher Education Corporation's non-publicly funded charitable activity and it is expected that these will be developed significantly in the short to medium term.

University of Central Lancashire

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

Financial Outlook 2011/12 and Beyond

The University Higher Education Corporation has a clear financial strategy, a financial plan and KPIs that enable the University Board to monitor performance and gain assurance against that strategy. Each company and charity within the Group produces its own business plan so that their respective Board can be satisfied on the long term sustainability of the individual businesses. Inevitably within a group structure there is a degree of intra group trading but steps are taken to make sure that this activity does not deflect management from the external environment in which the University Group operates.

The financial plans within the Group confirm that there is every confidence that the University Group will continue to be successful in delivering the Medium Term Strategy. In 2011/12 and beyond delivering this strategy includes ambitious plans to increase UCLan's physical presence overseas. In addition, to the joint venture created in Cyprus mentioned earlier in this report, a joint venture agreement was signed on the 31 August 2011 for developments in Thailand. The normal business challenges of achieving income targets and controlling costs will, in the next few years, be compounded by the impact of regulated competitive pricing in the UK Higher Education sector, the increased demands for information for prospective students, the setting and delivery of new standards of engaging with students, the delivery of overseas developments and the continued investment in the UK physical and technological infrastructure. The 2011/12 financial year is a key year for putting building blocks in place and consequently the University Board approved a budget with a modest operating surplus of £1.5m from an estimated Group turnover of £207m.

Financial performance in the years beyond 2011/12 will be guided by the Financial Strategy which seeks to deliver a modest surplus year-on-year to provide a source of funds for future investment.

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 in line with the agreed strategy. 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 and wish our new graduates every success in the future.

It is impossible to overlook the cultural changes that the University community will have to make over the next few years, which will impact individuals in different ways. The University Board is fully committed to ensure continued strength of leadership through the challenging years ahead and to supporting its staff and students during this period of significant change and opportunity.

A resolution to reappoint KPMG LLP as auditors to the University was approved at the Board of Governors meeting on 10 November 2011.

B R Harris

Chair of the Board of the University of Central Lancashire

November, 2011

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 Chairs (CUC).

Key Aspects of Corporate Governance at UCLan

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

- continued compliance with the CUC Governance Code in all areas (revised Code March 2009) 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).
- setting its governance arrangements with 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 in accordance with the CUC recommended Code of Practice (which recommends a fundamental review be completed, as a minimum, every five years).

In addition to the above, the following paragraphs together with the Statement of Primary Responsibilities and the Statement on Internal Control (see pages 32 and 30 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.

University of Central Lancashire

Corporate Governance *(continued)*

Governance and Legal Structure

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

The Articles and associated 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 Statement of Primary Responsibilities (see page 32). 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).

During the period to which these financial statements apply the Board and four Committees established by the Board worked to clear terms of reference. These were comprehensively reviewed during the year and set out their responsibilities under 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 to 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 to a variable 16 to 18. During the year the Board comprised of 17 members, in general keeping with CUC guidance and in full compliance with the requirements of the Articles of Governance. The Board currently comprises of 10 independent members, 1 Educational co-optee, 2 other co-opted members, 2 staff members, 1 student member (The president of UCLan Students' Union) and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met six 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 a single set of overarching Standing Orders which were updated on 1 August 2010. 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.

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.

Following extensive joint development work between the Executive and Board members, a new Key Performance Indicator (KPI) reporting framework was implemented. 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. This was reviewed at the end of the year and subject to minor changes was found to be fit for purpose.

University of Central Lancashire

Corporate Governance *(continued)*

Resources Committee

The Committee met three times during the year with Bill Lowther undertaking his first year as Chair. 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.

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 30).

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. 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 three 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.

During the year the Committee reviewed the format of the risk register and a proposed governance structure for the creation of independent companies within the group structure.

Remuneration Committee

Bill Adams, Deputy Chair of the University Board, completed his first year as Chair of the Remuneration Committee, which met on three 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.

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.

During 2010/11 the format of the reporting structure for Academic Board was changed to align it with the University Board KPI framework and the Medium Term Strategy. This has enabled the annual reporting to University Board to be further streamlined.

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 Bill Adams 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.

University of Central Lancashire

Corporate Governance *(continued)*

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.

Register of Interests

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

Commitment to Continuous Improvement

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

- Continue 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.
- Continue development of institutional performance evaluation through appropriate external benchmarking and the KPI reports.
- Continue 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.
- Continue development of governance practice and procedures to ensure best practice and full compliance with the CUC Code and HEFCE guidance

The Board also reviewed and agreed proposals from the Chair for a significant change to governance arrangements in 2011/12. These changes are intended to streamline the committee structure and increase overall efficiency as the University moves into a much more volatile market driven environment. To this end the Board now meets more frequently and has reduced the number of subcommittees and subcommittee meetings. Key changes to the structure have meant Audit Committee has been replaced by Audit and Risk Committee whilst Governance Committee and Resource Committee have been disbanded.

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 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 an annual review of the institution's systems of internal control. Such reviews examine material controls, including financial, operational, compliance and governance together with the systems in place for the identification and management of risks, value for money and oversight of data management. In addition a formal report is prepared by the University's external auditors highlighting matters identified in the course of its statutory audit work and this report is reviewed by the Audit Committee in the presence of the Vice-Chancellor or his representative, the Group 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 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 2011 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.

University of Central Lancashire

Internal Control *(continued)*

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.

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 2010/11. 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.

At its 19 October 2011 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 2011 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2011.

The University has a clearly documented fraud response plan with the statement on the university's approach to fraud being endorsed by Audit Committee. During 2010-2011 this has been supported by a statement of the university's approach to dealing with issues of bribery and corruption which has again been endorsed by Audit Committee. Reports on the convening of the Fraud response Group are made to the Audit Committee and where these investigations have raised questions over the strength of management controls this has been considered in generation of the internal audit plan – irrespective of the investigations outcome.

It is the opinion of the Audit Committee that reliance can be placed upon the control environment within the University and that controls are operating satisfactorily. Strategic audits identified recommendations which could in the future support further increases in the efficiency of controls and again assurance has been given that the issues identified are being addressed. Where high level recommendations have been made the Audit Committee has also made use of the internal auditors as part of the review of follow up arrangements to assure itself that appropriate actions are being taken. 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:

Strategic Issue or Theme	Board or delegated Committee
● 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 AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF CENTRAL LANCASHIRE

We have audited the group and University financial statements (the “financial statements”) of the University of Central Lancashire for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board of Governors and auditor

As explained more fully in the Statement of Primary Responsibilities of the Board set out on page 32 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

University of Central Lancashire

Report of the independent auditor *(continued)*

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Articles of government and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

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

University of Central Lancashire

Statement of accounting policies

1. Basis of preparation

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

2. Basis of accounting

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

3. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University of Central Lancashire Higher Education Corporation (HEC) and all its subsidiary undertakings and the University of Central Lancashire Foundation for the financial year to 31 July 2011. 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 was reviewed and written back to nil in 2009/10.

8. Tangible fixed assets

a. Land and buildings

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

In accordance with FRS15, a full revaluation of land and buildings has been undertaken during the year, carried out by GVA Grimley Limited.

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

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

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

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

University of Central Lancashire

Statement of accounting policies (*continued*)

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 2011

	<i>Note</i>	2011 £000	2010 £000
Income			
Funding council grants	<i>1</i>	85,690	82,841
Tuition fees and education contracts	<i>2</i>	89,264	82,475
Research grants and contracts	<i>3</i>	5,538	6,097
Other income	<i>4</i>	25,448	26,686
Investment income	<i>5</i>	795	919
Total income		206,735	199,018
Expenditure			
Staff Costs	<i>6</i>	113,096	111,245
Depreciation	<i>9</i>	7,806	8,043
Revaluation impairment	<i>11</i>	4,804	-
Other operating expenses	<i>7</i>	71,434	72,489
Interest payable	<i>8</i>	1,677	1,562
Interest payable – FRS17	<i>8</i>	1,906	3,097
Total expenditure	<i>9</i>	200,723	196,436
Surplus after depreciation of assets at valuation / cost and before tax		6,012	2,582
Taxation	<i>10</i>	(20)	(4)
Exceptional items: Disposal of fixed assets	<i>11</i>	-	(702)
Termination of operations	<i>13</i>	-	2,123
Surplus for the year		5,992	3,999

Note of historical cost surpluses and deficits

for the year ended 31 July 2011

	<i>Note</i>	2011 £000	2010 £000
Surplus after depreciation of assets at valuation/cost		5,992	3,999
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<i>22</i>	1,826	1,877
Realisation of property revaluation gains of previous years	<i>22</i>	-	155
Historical cost surplus for the period		7,818	6,031

University of Central Lancashire

Balance sheets

as at 31 July 2011

	<i>Note</i>	Consolidated		HEC	
		2011	2010	2011	2010
		£000	£000	£000	£000
Fixed assets					
Tangible assets	<i>11</i>	254,199	230,962	252,743	229,442
Intangible assets	<i>12</i>	-	-	-	-
Investments	<i>13</i>	467	551	10,804	1,304
		<u>254,666</u>	<u>231,513</u>	<u>263,547</u>	<u>230,746</u>
Current assets					
Stocks	<i>14</i>	43	47	43	47
Debtors	<i>15</i>	9,187	8,826	9,870	9,324
Investments and other assets	<i>16</i>	5,977	5,302	5,977	5,302
Cash at bank and in hand		71,575	74,957	58,763	71,545
		<u>86,782</u>	<u>89,132</u>	<u>74,653</u>	<u>86,218</u>
Creditors: amounts falling due within one year	<i>17</i>	(38,633)	(46,497)	(38,542)	(46,139)
		<u>48,149</u>	<u>42,635</u>	<u>36,111</u>	<u>40,079</u>
Net current assets		48,149	42,635	36,111	40,079
Total assets less current liabilities		302,815	274,148	299,658	270,825
Creditors: amounts falling due after one year	<i>18, 19</i>	(20,540)	(22,686)	(20,540)	(22,686)
Provisions for liabilities and charges	<i>20</i>	(8,537)	(8,421)	(8,537)	(8,421)
		<u>273,738</u>	<u>243,041</u>	<u>270,581</u>	<u>239,718</u>
Net assets excluding pension liability		273,738	243,041	270,581	239,718
Pension liability	<i>29</i>	(47,055)	(49,789)	(47,055)	(49,789)
		<u>226,683</u>	<u>193,252</u>	<u>223,526</u>	<u>189,929</u>
Net assets including pension liability		226,683	193,252	223,526	189,929
Represented by:					
Deferred capital grants	<i>21</i>	53,529	54,289	54,029	54,789
Revaluation reserve	<i>22</i>	118,959	98,251	117,934	98,230
General reserve excluding pension liability		101,250	90,501	98,618	86,699
Pension reserve	<i>29</i>	(47,055)	(49,789)	(47,055)	(49,789)
		<u>54,195</u>	<u>40,712</u>	<u>51,563</u>	<u>36,910</u>
General reserve including pension liability	<i>23</i>	54,195	40,712	51,563	36,910
		<u>173,154</u>	<u>138,963</u>	<u>169,497</u>	<u>135,140</u>
Total reserves		173,154	138,963	169,497	135,140
		<u><u>226,683</u></u>	<u><u>193,252</u></u>	<u><u>223,526</u></u>	<u><u>189,929</u></u>

The financial statements on pages 40 to 65 were approved by the Board on 10 November 2011 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 2011

	<i>Note</i>	2011 £000	2010 £000
Cash flow from operating activities	26	13,386	19,880
Returns on investments and servicing of finance	27	(936)	(2,648)
Taxation		-	-
Capital expenditure and financial investment	27	(13,716)	(9,746)
Cash inflow/(outflow) before use of liquid resources/ financing		<u>(1,266)</u>	<u>7,486</u>
Management of liquid resources	27	-	-
Financing	27	(2,116)	(2,279)
Increase/(decrease) in cash in the year		<u>(3,382)</u>	<u>5,207</u>

Reconciliation of net cash flow to movement in net debt

for the year ended 31 July 2011

	<i>Note</i>	2011 £000	2010 £000
Increase/(decrease) in cash in the year		(3,382)	5,207
Cash inflow from changes in debt and lease financing		2,101	2,260
Movement in net debt in the period		<u>(1,281)</u>	<u>7,467</u>
Net debt at beginning of year	28	50,133	42,666
Net debt at end of year	28	<u>48,852</u>	<u>50,133</u>

University of Central Lancashire

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2011

	2011	2010
	£000	£000
Surplus after depreciation of assets at valuation	5,992	3,999
Unrealised gains on investments	714	732
Actuarial gains/(losses) in respect of pension schemes (note 29)	6,593	(5,329)
Actuarial gain due to impact of change from RPI to CPI *	-	10,690
Negative goodwill arising on consolidation written-back (note 12)	-	1,546
Unrealised surplus on revaluation of tangible fixed assets	20,892	-
Total recognised gains relating to the year	34,191	11,638
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
	2011	2010
	£000	£000
Opening reserves	138,963	127,325
Total recognised gains relating to the year	34,191	11,638
Closing reserves	173,154	138,963
	<hr/> <hr/>	<hr/> <hr/>

*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). In the year ended 31 July 2010, the University considered the Lancashire County Council Pension Fund Scheme rules and associated members' literature and 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) in the 2009/10 financial statements. Following the issue of Urgent Issues Task Force (UITF) Abstract 48 in December 2010, the University has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

University of Central Lancashire

Notes

(forming part of the financial statements)

1 Funding council grants

	2011 £000	2010 £000
HEFCE recurrent grant	75,368	73,050
HEFCE specific grants		
Selective initiatives	8,444	7,655
Others	421	616
HEFCE deferred capital grants released		
Building (note 21)	790	776
Equipment (note 21)	667	744
Total HEFCE Grant	<u>85,690</u>	<u>82,841</u>
Total funding council grants received	<u>85,690</u>	<u>82,841</u>

2 Tuition fees and education contracts

	2011 £000	2010 £000
UK higher education students	54,240	50,425
European Union students	2,074	1,759
Non-European students	14,259	12,446
	<u>70,573</u>	<u>64,630</u>
Education Contracts	18,691	17,845
	<u>89,264</u>	<u>82,475</u>

University of Central Lancashire

Notes (continued)

3 Research grants and contracts

	2011	2010
	£000	£000
Research Councils	1,280	947
UK-based charities	318	418
EU government and other bodies	1,045	2,242
Other grants and contracts	2,895	2,490
	<u>5,538</u>	<u>6,097</u>

4 Other income

	2011	2010
	£000	£000
Residences, catering and conferences	9,644	9,042
Other income generating activity	10,550	8,869
Other income	3,344	6,638
Rental income	185	496
Other services rendered	725	838
Residential course fees	383	420
Release of other capital grants	617	383
	<u>25,448</u>	<u>26,686</u>

5 Investment income

	2011	2010
	£000	£000
Interest receivable	795	919

University of Central Lancashire

Notes (continued)

6 Staff costs

Average staff numbers by major category - Full Time Equivalent	2011 Number	2010 Number
Academic departments	1,403	1,455
Academic support departments	113	131
Other support services	77	80
Administration and central services	528	447
Premises	226	230
Other	119	197
	<u>2,466</u>	<u>2,540</u>
Staff costs for the above persons:		
	2011 £000	2010 £000
Staff costs:		
Wages and salaries	93,188	92,083
Social security costs	6,872	7,120
Pension costs	10,997	10,475
FRS17 related pension adjustments	2,039	1,567
	<u>113,096</u>	<u>111,245</u>

Staff costs above include £6,249,861 relating to restructuring costs (2010: £102,013)

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

	2011 Number	2010 Number
£100,000 - £109,999	8	2
£110,000 - £119,999	3	4
£120,000 - £129,999	9	3
£130,000 - £139,999	2	1
£150,000 - £159,999	1	-
£160,000 - £169,999	2	-
£170,000 - £179,999	1	-
£270,000 - £279,999	1	1

Compensation for loss of office paid to sixteen staff included above amounted to £1,143,271 and was funded from general income (2010: £Nil).

University of Central Lancashire

Notes (continued)

6 Staff costs (continued)

Emoluments of the Vice-Chancellor	2011	2010
	£000	£000
Salary	241	240
Pension compensation (paid as salary)	30	34
Total emoluments	271	274

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

	2011	2010
	£000	£000
Franchised courses	16,887	18,103
Other expenses	9,075	8,880
Repairs and general maintenance	6,868	5,882
Residences, catering and conferences operating expenses	6,827	6,470
Consumables and laboratory expenditure	6,408	5,947
Student bursaries and expenses	6,359	7,431
Premises costs	4,413	4,387
Travel, subsistence and conference fees	3,846	4,017
Academic learning materials	2,304	1,989
Advertising and publicity	1,499	1,517
Consultancy	1,463	1,469
Subscriptions and donations	1,149	939
Grants to Students' Union	1,010	998
Staff development and recruitment	937	1,069
Movement in bad debts provision	687	1,374
Insurance	608	625
Postage	377	504
Furniture	180	540
Equipment lease rentals	32	24
External auditors' remuneration: audit fees (i)	76	72
External auditors' remuneration for non-audit work	247	83
Internal auditors' remuneration: audit fees	157	142
Internal auditors' remuneration for non-audit work	25	27
	71,434	72,489

(i) External auditors' remuneration relating to HEC	47	45
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University of Central Lancashire

Notes (continued)

8 Interest payable

	2011	2010
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	3,583	4,659
	3,583	4,659
Bank loans and overdrafts	1,677	1,562
FRS17 related pension adjustments	1,906	3,097
	3,583	4,659

9 Analysis of expenditure by activity

	Staff costs	Dep'n	Other operating expenses	Interest payable	2011 Total	2010 Total
	£000	£000	£000	£000	£000	£000
Academic departments	59,346	259	23,953	-	83,558	87,613
Academic support services	16,144	-	9,007	-	25,151	20,735
Administrative and central services	17,043	6,524	7,033	528	31,128	27,970
General education	1,961	-	7,380	-	9,341	10,750
Premises	5,664	389	11,844	-	17,897	17,332
Research grants and contracts	3,001	-	2,069	-	5,070	5,489
Other income generating activities	4,947	21	3,682	-	8,650	10,934
Residences, catering and conferences	2,570	613	5,921	1,149	10,253	9,652
Miscellaneous	381	-	545	-	926	1,297
Revaluation impairment	-	4,804	-	-	4,804	-
FRS17 related pension adjustments	2,039	-	-	1,906	3,945	4,664
Total per income and expenditure account	113,096	12,610	71,434	3,583	200,723	196,436

The depreciation charge has been funded by:

Deferred capital grants released (note 21)	2,074	1,903
Revaluation reserve released (note 22)	1,826	1,877
General income	8,710	4,263
	12,610	8,043

University of Central Lancashire

Notes (continued)

10 Taxation

The HEC has not generated any taxable profits in either year. The taxation figures in 2011 and 2010 relate to Uclan (Overseas) Limited.

11 Tangible assets (Consolidated)

	Freehold Land & Buildings £000	Equipment & Vehicles £000	Buildings under construction £000	Total £000
Valuation/cost				
At 1 August 2010				
Valuation	136,364	-	-	136,364
Cost	94,603	27,536	10,358	132,497
Additions at cost	345	1,833	12,864	15,042
Disposals				
Valuation	-	-	-	-
Cost	-	(1,416)	-	(1,416)
Revaluation surplus	795	-	-	795
Revaluation impairment	(4,804)	-	-	(4,804)
Transfer between categories	(432)	-	432	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2011				
Valuation	137,159	-	-	137,159
Cost	89,712	27,953	23,654	141,319
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2010	15,933	21,966	-	37,899
Charge for year	4,439	3,367	-	7,806
Eliminated on disposals	-	(1,410)	-	(1,410)
Eliminated on revaluation	(20,016)	-	-	(20,016)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2011	356	23,923	-	24,279
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 2011	226,515	4,030	23,654	254,199
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2010	215,034	5,570	10,358	230,962
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	60,599	-	-	60,599
Financed by capital grant	46,127	927	6,475	53,529
Other	119,789	3,103	17,179	140,071
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	226,515	4,030	23,654	254,199
At 31 July 2011	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included within freehold land and buildings is £23,017,926 of land which is not depreciated.

University of Central Lancashire

Notes (continued)

11 Tangible assets (HEC)

	Freehold Land & Buildings £000	Equipment & Vehicles £000	Work in Progress £000	Total £000
Valuation/cost				
At 1 August 2010				
Valuation	136,364	-	-	136,364
Cost	93,013	26,936	10,358	130,307
Additions at cost	344	1,833	12,864	15,041
Disposals				
Valuation	-	-	-	-
Cost	-	(816)	-	(816)
Revaluation surplus	928	-	-	928
Revaluation impairment	(4,804)	-	-	(4,804)
Transfer between categories	(432)	-	432	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2011				
Valuation	137,292	-	-	137,292
Cost	88,121	27,953	23,654	139,728
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2010	15,863	21,366	-	37,229
Charge for year	4,418	3,367	-	7,785
Eliminated on disposals	-	(810)	-	(810)
Eliminated on revaluation	(19,927)	-	-	(19,927)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2011	354	23,923	-	24,277
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 2011	225,059	4,030	23,654	252,743
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2010	213,514	5,570	10,358	229,442
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	60,599	-	-	60,599
Financed by capital grant	46,627	927	6,475	54,029
Other	117,833	3,103	17,179	138,115
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	225,059	4,030	23,654	252,743
At 31 July 2011	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

University of Central Lancashire

Notes (continued)

11 Tangible assets (continued)

Land and buildings with a net book value of £172,654,199 and a valuation of £172,654,199 have been funded or partly funded from Treasury sources. Should these particular buildings be sold, the HEC would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE. Land and buildings were valued at 31 March 2011 by GVA Grimley Limited, 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:

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

12 Intangible assets (Consolidated)

Negative goodwill	2011	2010
	£000	£000
Cost		
At 1 August	-	(1,761)
Disposals	-	1,761
At 31 July	<u> </u>	<u> </u>
	-	-
Amortisation		
At 1 August	-	215
Disposals	-	(215)
At 31 July	<u> </u>	<u> </u>
	-	-
Net book value at 31 July	<u><u> </u></u>	<u><u> </u></u>

University of Central Lancashire

Notes (continued)

13 Investments

	Consolidated		HEC	
	2011 £000	2010 £000	2011 £000	2010 £000
Investment in subsidiaries	-	-	10,770	1,270
Fixed asset investments (see below)	467	551	34	34
	<u>467</u>	<u>551</u>	<u>10,804</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) 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 Cyprus Limited	49%	Cyprus	Higher education
Uclan (HK) Limited	100%	Hong Kong	Holding company
<i>Owned by Uclan (HK) Limited</i>			
Uclan Biomedical Technology (Shenzhen) Limited	100%	China	Research

On 15 July 2010 Westlakes Scientific Consulting Limited was placed into administration. The net liabilities of the company at that date were not consolidated into the 2009/10 financial statements, which gave rise to the exceptional gain shown in the consolidated income and expenditure account in 2010.

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)

Company	Principal Activity
<i>Held by University</i>	
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
<i>Held by Centralan Holdings Limited</i>	
Net North West	IT joint venture
North West Universities Purchasing Consortium	Purchasing joint venture
<i>Other Investments (not wholly owned)</i>	
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 £11,990,642. 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.

	HEC	
	2011	2010
	£000	£000
Investment in Centralan Holdings Limited, relating to the Harrington Building sale and leaseback	9,000	9,000
Investment in Centralan Estates Limited	1,900	1,900
	10,900	10,900

14 Stocks

	Consolidated		HEC	
	2011	2010	2011	2010
	£000	£000	£000	£000
Consumables	43	47	43	47
	43	47	43	47

University of Central Lancashire

Notes (continued)

15 Debtors: amounts falling due within one year

	Consolidated		HEC	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade debtors	978	1,463	739	1,184
Other prepayments and accrued income	6,024	5,057	5,626	4,990
Group debtors	-	-	1,037	901
Other debtors	2,185	2,306	2,468	2,249
	9,187	8,826	9,870	9,324

16 Current asset investments (Consolidated and HEC)

	2011 £000	2010 £000
Portfolio investments	5,977	5,302
	5,977	5,302

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	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans (note 19)	2,183	2,138	2,183	2,138
Trade creditors	4,376	5,286	4,561	5,313
Social security and other taxation payable	3,711	3,712	3,603	3,665
Accruals and deferred income	19,078	20,829	18,736	20,302
Other creditors	9,285	14,532	9,459	14,721
	38,633	46,497	38,542	46,139

University of Central Lancashire

Notes (continued)

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

	2011	2010
	£000	£000
Bank loans (note 19)	20,540	22,686
	<u>20,540</u>	<u>22,686</u>
	=====	=====

19 Loans (Consolidated and HEC)

Loans are repayable as follows:

	2011	2010
	£000	£000
In one year or less	2,183	2,138
Between one and two years	2,132	2,144
Between two and five years	4,988	4,312
In five years or more	13,420	16,230
	<u>22,723</u>	<u>24,824</u>
	=====	=====

Analysis of borrowings at 31 July 2011

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 2011 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 2011 and 4 March 2015. The loans are secured on various properties.

20 Provisions for liabilities and charges

	Provision for Future Pension Liabilities £000	Provision for VAT Assessment £000	Other Provisions £000	Total Provisions £000
At 1 August 2010	5,640	666	2,115	8,421
Utilised in year	(411)	-	-	(411)
Charged in year	524	-	3	527
At 31 July 2011	<u>5,753</u>	<u>666</u>	<u>2,118</u>	<u>8,537</u>
	=====	=====	=====	=====

University of Central Lancashire

Notes (continued)

21 Deferred capital grants (Consolidated)

	Funding Council £000	Other £000	Total £000
At 1 August 2010			
Buildings	40,448	12,637	53,085
Equipment	1,018	186	1,204
Total	41,466	12,823	54,289
Grants received			
Buildings	699	148	847
Equipment	428	39	467
Total	1,127	187	1,314
Released to income and expenditure account			
Released to income – Buildings (notes 1, 4 & 9)	(790)	(540)	(1,330)
Released to income – Equipment (notes 1, 4 & 9)	(667)	(77)	(744)
Total	(1,457)	(617)	(2,074)
At 31 July 2011			
Buildings	40,357	12,245	52,602
Equipment	779	148	927
Total	41,136	12,393	53,529

The carrying value of deferred grants in HEC at 31 July 2011 is £54,029,000.

22 Revaluation reserve

	Consolidated £000	HEC £000
Revaluation		
At 1 August 2010	118,039	118,018
Movement on unrealised gains on investments	714	675
Reclassified from General Reserve	928	-
Surplus on revaluation of fixed assets	20,892	20,855
At 31 July 2011	140,573	139,548
Contribution to depreciation		
At 1 August 2010	19,788	19,788
Released in year	1,826	1,826
At 31 July 2011	21,614	21,614
Net revaluation amount		
At 31 July 2011	118,959	117,934
At 31 July 2010	98,251	98,230

University of Central Lancashire

Notes (continued)

23 Income and expenditure account

	Consolidated £000	HEC £000
Balance at 1 August 2010	40,712	36,910
Surplus after depreciation of assets at valuation	5,992	6,234
Release from revaluation reserve	1,826	1,826
Reclassified to Revaluation Reserve	(928)	-
Historical cost surplus after tax	<u>47,602</u>	<u>44,970</u>
Actuarial gains in respect of pension schemes	6,593	6,593
Balance at 31 July 2011	<u>54,195</u>	<u>51,563</u>

The losses retained within subsidiary companies for the year ended 31 July 2011 total £224,000.

24 Capital commitments

	Consolidated		HEC	
	2011 £000	2010 £000	2011 £000	2010 £000
Commitments contracted at 31 July	<u>2,009</u>	<u>11,574</u>	<u>2,009</u>	<u>11,574</u>

25 Contingent liability

	Consolidated		HEC	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank guarantees in respect of the University of Central Lancashire Students' Union	<u>606</u>	<u>661</u>	<u>606</u>	<u>661</u>

In addition to the above, as at 31 July 2011 the University has a potential liability related to long term commitments with certain existing overseas partners. As the quantity of any liability cannot 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)

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

	2011	2010
	£000	£000
Surplus before tax	6,012	1,880
Depreciation	7,806	8,043
Revaluation impairment	4,804	-
Deferred capital grants released to income (note 21)	(2,074)	(1,903)
Interest receivable	(795)	(919)
Interest payable	1,677	4,659
(Increase) / decrease in stocks	4	(179)
(Increase) / decrease in debtors	(361)	118
Increase / (decrease) in creditors	(7,864)	2,765
Increase / (decrease) in FRS17 pension provision	3,859	4,577
Increase in other provisions	116	137
Loss on investments	208	-
(Profit)/loss on disposal of fixed assets	(6)	702
Net cash inflow from operating activities	13,386	19,880

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

	2011	2010
	£000	£000
Returns on investments and servicing of finance:		
Interest received	760	2,130
Interest paid	(1,696)	(4,778)
Net cash outflow for returns on investments and servicing of finance	(936)	(2,648)

University of Central Lancashire

Notes (continued)

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

	2011	2010
	£000	£000
Capital expenditure and financial investment		
Purchase of owned tangible fixed assets	(15,042)	(15,894)
Sale of tangible fixed assets	12	300
Deferred capital grants received	1,314	5,848
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure and financial investment	(13,716)	(9,746)
	<hr/>	<hr/>
Management of liquid resources		
Sale of investments	-	-
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	-	-
	<hr/>	<hr/>
Financing		
Loan principal repayment	(2,116)	(2,279)
	<hr/>	<hr/>
Net cash outflow from financing	(2,116)	(2,279)
	<hr/>	<hr/>

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

	At 31 July 2010	Cash flow	At 31 July 2011
	£000	£000	£000
Cash in hand and at bank	74,957	(3,382)	71,575
	<hr/>	<hr/>	<hr/>
	74,957	(3,382)	71,575
Debt due within 1 year	(2,138)	(45)	(2,183)
Debt due after 1 year	(22,686)	2,146	(20,540)
	<hr/>	<hr/>	<hr/>
	50,133	(1,281)	48,852
	<hr/>	<hr/>	<hr/>

University of Central Lancashire

Notes (continued)

29 Pension schemes

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

	TPS	LGPS	USS
Date of last actuarial valuation	31.3.04	31.3.10	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	£3,962m	£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 2011 was £6,600k of which employer's contributions totalled £4,588k and employee's contributions totalled £2,012k. 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 2010 updated to 31 July 2011 by a qualified actuary.

Principal actuarial assumptions

	2011	2010	2009
Inflation	2.9%	2.8%	3.7%
Rate of increases in salaries	4.9%	5.1%	5.5%
Rate of increases for pensions	2.9%	2.8%	3.7%
Discount rate for liabilities	5.3%	5.5%	6.3%

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 2011:

	<u>Male</u>	<u>Female</u>
Future pensioner aged 65 in 20 years time:	23.0	25.8
Current pensioner aged 65:	21.6	24.2

Scheme Assets

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

	Long-term rate of return expected 31 July			Value at 31 July		
	2011	2010	2009	2011	2010	2009
				£000	£000	£000
Equities	7.0%	7.5%	7.5%	2,692,660	2,220,000	1,961,820
Bonds	4.4%	4.7%	5.2%	825,170	851,000	653,940
Property	6.0%	6.5%	6.5%	390,870	296,000	186,840
Other	7.5%	7.5%	7.5%	304,010	111,000	186,840
Cash/Liquidity	0.5%	0.5%	0.5%	130,290	222,000	124,560
Total market value of assets				4,343,000	3,700,000	3,114,000

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

	2011	2010	2009
	£000	£000	£000
University's estimated share of assets	116,147	103,072	85,539
Present value of scheme liabilities			
- Funded	(161,867)	(151,518)	(134,753)
- Unfunded	(1,335)	(1,343)	(1,359)
Deficit in the scheme	(47,055)	(49,789)	(50,573)

Movement in deficit during the year

	2011	2010
	£000	£000
Analysis of the amount charged to the income and expenditure account		
Employer service cost	5,762	5,402
Past service cost	38	80
Total operating charge	5,800	5,482
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	6,608	5,655
Interest on pension liabilities	(8,514)	(8,752)
Pension finance income / (costs)	(1,906)	(3,097)
Amount recognised in the statement of total gains and losses		
Actual return less expected return on pension scheme assets	3,680	7,667
Change in financial and demographic assumptions underlying the scheme liabilities	2,913	(2,306)
Actuarial gain recognised in the statement of total gains and losses	6,593	5,361
Movement in the scheme during the year		
	2011	2010
	£000	£000
Deficit in scheme at 1 August	(49,789)	(50,573)
Movement in year:		
Current service charge	(5,762)	(5,402)
Contributions	4,674	4,002
Past service costs	(38)	(80)
Net interest / return on assets	(1,906)	(3,097)
Actuarial gain/(loss)	6,593	5,361
Curtailments	(827)	-
Deficit in scheme as at 31 July	(47,055)	(49,789)

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Asset and Liability Reconciliation	2011	2010
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	(152,861)	(136,112)
Service cost	(5,762)	(5,402)
Interest cost	(8,514)	(8,752)
Employee contributions	(2,012)	(2,060)
Actuarial gain/(loss)	2,913	(2,306)
Curtailments	(827)	-
Benefits paid	3,899	1,851
Past service cost	(38)	(80)
Liabilities at end of period	(163,202)	(152,861)
Reconciliation of Assets		
Assets at start of period	103,072	85,539
Expected return on assets	6,608	5,655
Actuarial gain/(loss)	3,680	7,667
Employer contributions	4,674	4,002
Employee contributions	2,012	2,060
Benefits paid	(3,899)	(1,851)
Assets at end of period	116,147	103,072

History of experience gains and losses	2011	2010	2009	2008	2007
Difference between the expected and actual return on assets:					
Amount £m	3,680	7,667	(14,161)	(10,488)	2,083
% of scheme assets	3%	7%	17%	12%	2%
Experience gains and losses on scheme liabilities:					
Amount £m	2,913	(2,306)	14,760	(13,062)	0
% of scheme liabilities	4%	2%	11%	15%	0%
Total amount recognised in statement of total gains and losses:					
Amount £m	6,593	5,361	599	(23,550)	3,602
% of scheme liabilities	4%	5%	1%	1%	3%

University of Central Lancashire

Notes (continued)

30 Access fund

	2011	2010
	£000	£000
As at 1 August	119	94
Funding Council grants	745	753
	864	847
Disbursed to students	(840)	(728)
As at 31 July	24	119

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 £18,984 (2010: £16,476).

Anyone wishing to obtain further details on matters raised in the Reports and Financial Statements for the year ended 31 July 2011 is invited to contact:

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