

University of Central Lancashire

Consolidated reports and financial statements

For the year ended 31 July 2012

University of Central Lancashire

Report and financial statements

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University of Central Lancashire

Legal and Administrative Details

Members of the Board

A Adams (appointed 1 August 2012)
W Adams
E Adia
S Broomhead
B Chapman (resigned 19 January 2012)
R Eddo-Lodge (resigned 30 June 2012)
J Edney (appointed 1 August 2012)
J Gorick
E Graham-Hyde (appointed 1 July 2012)
B Harris
J Horrocks
S Jones (resigned 31 July 2012)
W Lowther (resigned 31 July 2012)
B McManus
W McQueen (appointed 20 September 2012)
M McVicar
G Stanley
M Tynan

Professional Advisors

Auditors - external:	KPMG LLP
Auditors - internal:	Grant Thornton UK LLP PricewaterhouseCoopers LLP (effective from 1 August 2012)
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

The past year has seen the start of significant reform within the Higher Education Sector as a result of changes in Government policy with respect to student number controls and tuition fees. The Government's White Paper "Students at the Heart of the System" published in June 2011 signalled the move away from direct funding through HEFCE to payments via the student loan system. The cap on student fees was raised from September 2012, subject to a number of conditions, including increased accountability and transparency of measures to enable meaningful comparison between institutions. Much of the past year has been dedicated to developing a new approach to organising, managing and delivering our core academic activities of teaching, learning and research which will deliver even better value for money in an increasingly competitive academic and price sensitive environment. Meanwhile current students have continued to benefit from a rigorous academic and student experience which prepares them for their future challenges in the changing economic and global environment.

Building on previous actions to continuously improve effectiveness, the University of Central Lancashire (UCLan) is adapting to the ongoing challenges and is confident that it is well placed to compete effectively in the emerging "new world" of higher education in England. Recent experience demonstrates consistent improvement in areas of student satisfaction, research excellence and global reputation whilst maintaining financial strength and developing prestigious partnerships locally, nationally and internationally. This financial strength, built up over several years, will enable the University to continue with its strategic goals whilst managing the impact of the major changes ahead. The challenges and opportunities are clear and UCLan will respond on all fronts, not least across the areas of research, knowledge transfer and the exploitation of commercial opportunities to enhance financial and reputational strength.

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:

- 33,184 students from the UK, EU and overseas enrolled with the University
- 7,476 UK and EU undergraduate students received a bursary or scholarship
- UCLan awarded four QS stars (out of a possible five) by the compilers of the prestigious QS World University Rankings
- In June 2012, UCLan held the Lancashire Science Festival for the first time showcasing the range of opportunities available in HE and beyond, representing one of the many activities underpinning UCLan's commitment to Widening Participation
- In 2011, UCLan achieved the HR Excellence in Research award from the European Commission
- Beverley Leeds from UCLan's Lancashire Business School was awarded a National Teaching Fellowship and Professor Dave Phoenix was awarded the distinction of Academician by the Academy of Social Sciences
- 158 student start-up businesses were supported, compared to a sector average of 28 per university
- The Higher Education Business and Community Interaction Survey recorded UCLan in the top three for graduate start-ups nationally and number one in the North West
- UCLan is number one nationally for the sustainability of graduate start-up businesses with approximately 70 percent still trading successfully after three years

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

A comment on Linked Charities *(page 8)*

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

Confirmation of the Corporate Structure *(page 9)*

- An outline of the corporate structure

The Medium Term Strategy *(page 10)*

- The Corporate Plan for 2011/12 focused on the delivery of the Key Components of the Medium Term Strategy

Performance Monitoring within the Group *(page 11)*

- 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 12)*

- Following the results of the staff survey in 2011, staff have been engaged in improving internal communications, managing change and addressing career development
- Introduction of a new three level Professorial structure following discussion with the Professoriat
- Updates of the University's engagement with partner colleges and private providers
- Joint research projects established with a number of leading Chinese Universities in areas relating to nanotechnology
- In June 2012, UCLan celebrated 20 years of partnership with Guangdong University of Foreign Studies
- Total enrolments across the University's international partnership network in 2011/12 numbered over 3,100 in addition to the 1,800 international students enrolled on the main Preston campus

The University Court *(page 15)*

The Group's approach to Diversity *(page 15)*

- UCLan held its first University Diversity Conference in November 2011
- Involvement in UCLan's second successful Higher Education Academy Inclusion project "Meaningfully Engaging Disabled Students in Higher Education" was finalised

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)*

- UCLan achieved a 1st class award and 6th place overall in the annual People and Planet Green League (out of 145 Universities and Colleges)
- Shortlisting for the 2012 Green Gown Award in "sustainable procurement"

Comments on the Financial Performance in 2011/12 *(page 18)*

Comments on the Financial Outlook 2012/13 and beyond *(page 19)*

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

Statement on Public Benefit delivery during the 2011/12 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. The guidance is also included in the induction packs for new Board members.

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 24 of the Higher Education Reform Act 1988. The University's charitable objects are to provide higher education and to carry out research and knowledge exchange.

The University's mission and values (detailed on page 10) are translated into the University's ten-year strategic plan as set out in the Medium Term Strategy 2007-2017. It is this strategy which enables the University to fulfil its charitable objects. Specific information is provided below about how the University delivers public benefit.

In compliance with the public benefit reporting requirements, we must consider if our pursuit of these charitable objectives causes detriment or harm, or if they generate private benefit. The University does not consider that any disproportionate detriment or harm arises from carrying out the University's aims. The University requires all our staff, researchers and students engaged in research or peer review of the research process to be aware of and comply with our 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.

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 have therefore 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 and Fulfilment of the Charitable Objects

The University's undergraduate and postgraduate students are our prime beneficiaries and are directly engaged in learning or research. The University is committed to ensuring that all our students benefit from an excellent teaching and learning experience. In 2011/12, the University enrolled 33,184 students (85% undergraduates and 15% postgraduates) from the UK, EU and overseas. In line with our charitable objects, the University taught students and provided access to learning facilities (including our academic library), assessed students' learning, supervised research and set and marked examinations.

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. Whilst the University was not itself subject to a review in 2011/12 by the Quality Assurance Agency (QAA), it did support six of its FE College partners in their successful QAA Integrated Quality and Enhancement Reviews (IQER) (Trafford, Stockport, Preston, Furness, St Helen's and Accrington & Rossendale Colleges).

University of Central Lancashire

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

The quality of teaching and the UCLan student experience is also reflected in our continuing success in national and international league tables and in the 2012 National Student Survey (NSS). Over eight out of ten our students are happy with the quality of their overall educational experience according to the results of the latest NSS. Several subject areas achieved high levels of satisfaction, with seven areas (Business Studies, Management Studies, Others in subjects allied to medicine, Pharmacology, Toxicology and Pharmacy, Physical Geography and Environmental Science, Sports Science, and Tourism, Transport and Travel) ranked in the top 25% nationally. The 2012 Times Higher Education student experience survey placed UCLan in 38th position overall out of 105 institutions; the University was ranked in the top ten nationally for 'good personal relationship with teaching staff'.

In 2010 UCLan was included in the prestigious QS World University Rankings. In 2012, the University was awarded four QS stars out of a possible five by the compilers of the QS World University Rankings for 'demonstrating excellence in both teaching and research' and for providing 'an excellent environment for students and faculty'. Within the sub-areas which make up the overall grading, UCLan was awarded the maximum of five stars for teaching, infrastructure, internationalisation and engagement. In addition, for the first time, the University had one subject area, Law, included in the World Top 200.

UCLan staff continue to be individually recognised for their excellence. This year, the Higher Education Academy awarded Beverly Leeds, Principal Lecturer from UCLan's Lancashire Business School a National Teaching Fellowship. Professor Dave Phoenix was awarded the distinction of Academician by the Academy of Social Sciences for his outstanding contributions to science and education policy development.

Our postgraduate provision is increasingly important as employers demand higher level skills and graduates seek to enhance their employability. In addition to contributing to the UK research base, we encourage our postgraduate students to question established knowledge, thus stimulating innovation and supporting the UK's open culture of debate.

As UCLan charges tuition fees to students for our services, we recognise our responsibility in helping to ensure that financial restraints are not a barrier to entry to our higher education provision. To date, we have processed 7,476 bursaries for 2011/12.

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.

A host institution for previously publicly-funded widening participation initiatives, UCLan has committed to continue funding and co-ordinating outreach activity in schools, colleges and communities. For example, we work closely with schools and colleges in Pennine Lancashire and Preston to run our successful Junior University, targeted at Year 9 and 10 pupils. The free weekly sessions offer pupils the chance to see if university is right for them through a series of educational, team building activities, culminating in a Junior University Graduation Ceremony. The University is committed to expanding the Junior University to cover 300 pupils by 2013/14.

Our Flying Start project includes residential and non-residential events to help students fully prepare for student life at UCLan. This project is helpful in supporting the transition of non-traditional students to higher education and prepares them for academic and social life at the University. This programme has significantly improved the retention rate of participating students.

University of Central Lancashire

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

The University works collaboratively with further education college partners to extend educational opportunity within the region. UCLan is a sponsor of the West Lakes Academy which focuses its work with 11-16 pupils at those schools with lower than average post-16 and post-18 participation rates. Evidence from 2010/11 data indicates that our partnership arrangements make a significant contribution to mature student entry.

UCLan is a partner in the Burnley Education Trust: there are UCLan staff governors on all school boards within the Trust, and on all 16-19 provider boards in Burnley and Pendle. In 2009 and in collaboration with our long-standing FE partner Burnley College, UCLan opened a new university campus at Burnley to provide higher education to this area of traditionally low HE participation.

UCLan is also a strategic partner in the new Visions Learning Trust which will be opening a University Technical College (UTC) in Burnley in 2013; and is the HE partner for the developing UTC in Wigan. We also sponsor two Helena Kennedy Scholarships a year awarded to disadvantaged students progressing from FE colleges.

In addition to the on-campus activities, UCLan trains a team of student ambassadors as mentors and classroom associates who visit regional schools and colleges to help raise the aspirations of those students who would not have otherwise considered higher education.

Public engagement activities contribute directly to the widening participation agenda by engaging young people, parents, teachers and advisers. The Lancashire Science Festival, held for the first time in June 2012, showcased the diversity of opportunities available at HE and beyond, in an accessible and engaging manner, and offered an initial point of contact with UCLan that many underrepresented groups may not otherwise have. Funding was made available for schools in low socio economic areas to cover transport costs to the Festival.

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.

Those who benefit from research undertaken at the University or with our partners are also key beneficiaries. 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. In 2011, UCLan achieved the HR Excellence in Research award from the European Commission. We have a wide range of KPIs monitoring our research activity.

Research at UCLan is recognised for its real-world influence. For instance, Dr Charlie Frowd's EvoFIT software system, used by police forces around the world to catch criminals, won the University Excellence Competition category at the UK Trade and Investment event TechWorld and was also shortlisted within the Research Project of the Year category at the 2011 Times Higher Education Awards. Research carried out by Dr Anna Stec of the School of Forensic and Investigative Sciences may prove to be life-saving as Dr Stec demonstrated how flame retardants added to furnishings can increase the danger of toxic invisible gases which are the main causes of fire-related fatalities. Dr Mahmood Shah, a Senior Lecturer in Business Systems at UCLan and expert in the field of identity theft and fraud carried out research into the extent of identity theft worldwide and the size of the losses incurred. Dr Shah's work is being used to help online retailers and other companies who handle sensitive data to work with consumers to tackle the problem which costs the UK economy an estimated £1.7 billion per year.

University of Central Lancashire

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

As part of our planning for the Research Excellence Framework 2014, the University is appointing a Research Impact Manager to help further raise public awareness of the wider impact of our research.

This was also a record year for participation in our highly popular Undergraduate Research Internship Scheme with fifty research projects being undertaken by student interns. Further information on the University's teaching and research successes throughout 2011/12 is included in our 2011 Annual Review.

Taking a wider view, the University delivers benefit to society at large by producing employment-ready graduates who are equipped to fully engage in society; by building a global network that encourages students to create and maintain international connections so vital to the UK economy; and by our sharing knowledge with the business community. 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. UCLan has been awarded £2.25 million per year (for three years) from the Higher Education Innovation Fund to develop innovative business support services for industry. In turn these successful relationships inform the University's courses and staff, helping its graduates to enter the labour market as business leaders of the future. UCLan benefits from a number of close industry partnerships. For example, this year UCLan collaborated with Sony Computer Entertainment Europe (SCEE) to enable our students to have experience of using the latest 3D technology in their games development work.

We appointed Philip Dyer, Chairman of NXO and regional president of Lancashire's Chartered Institute of Marketing, as the University's first Entrepreneur in Residence offering advice to students and start-ups. Indeed, support to entrepreneur start-up businesses is at a record high at UCLan with 158 student start-up businesses founded in 2011/2012 - substantially higher than the national average of 28 per university. This support has been critically acclaimed by the Higher Education Business and Community Interaction Survey (HEBCIS) which recorded UCLan within the top three for graduate start-ups nationally and number one in the North West. Additionally UCLan is number one nationally for the sustainability of graduate start-up business with around 70 per cent still trading successfully after three years.

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.

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.

University of Central Lancashire

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

Lastly, the local community benefits from opportunities to attend exhibitions and public lectures at the University and from receiving treatment from our nursing, dentistry and physiotherapy students. Additionally, both local and international communities benefit from the considerable contribution made by our staff and students via voluntary activities.

Enhancing our Delivery of Public Benefit

Our plans for enhancing the public benefit delivered by our teaching, research and knowledge exchange provision centres around the introduction of a new package of benefits for students – the UCLan Advantage - and the launch of two new overseas campuses.

The UCLan Advantage is available to all UK/ EU full-time undergraduate degree students based at the Preston Campus, starting the first year of their course in September 2012. Advantage offers all students in that intake with an allocation of internal portable credits (with students from low income households receiving up to £3,000 in their first year) to offset some of the costs of being a student including UCLan accommodation, on-campus food outlets and travel.

A core component of the Advantage package is to guarantee a structured work experience opportunity to all students who request it. Similarly, by taking advantage of the University's huge international partnership network and facilities overseas, we will also guarantee a global experience, or the opportunity to study abroad, to every interested student.

Other benefits include a personal adviser, free access to sports facilities, free access to foreign language teaching, research-informed teaching, and careers advice for life.

Our students will also be able to benefit from opportunities to study at our overseas campus in Cyprus (opened September 2012) and Thailand (opening expected 2014) where they can experience UCLan-controlled and -delivered higher education in an international setting.

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 2012.

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

Westlakes Research Limited (operating as the Samuel Lindow Foundation)

UCLan is the 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.

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. The charity's work leads to public benefit through:

- an increased public awareness and understanding of the global impact of human economic and environmental activities;
- a wider understanding of human activities in this context;
- the facilitation of individual achievement through maximising individuals' potential in this wider context; and
- developing individuals' knowledge and skills for global citizenship.

Specific activity includes promoting interest in and understanding of environmental research by working with a wide range of partners to teach undergraduates, hold conferences, seminars, lecture series, and science festivals; and conducting research, and publishing the results of that research; by funding postgraduate and high-end research; and maintaining an epidemiological database. 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 2012.

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. The joint venture company, Uclan (Thailand) Company Limited, was registered in Thailand on 8 September 2011 and Uclan Lanka (Private) Limited was registered in Sri Lanka on 21 December 2011. The Uclan Dental Clinic Limited was incorporated on 8 December 2011. This Group structure enables appropriate transparency and accountability for a number of specific activities and all these legal bodies are included in the University's Group Financial Statements as subsidiaries or associates. Delonore Limited was incorporated in Cyprus on 3 August 2012 as a wholly owned subsidiary of the Higher Education Corporation.

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.

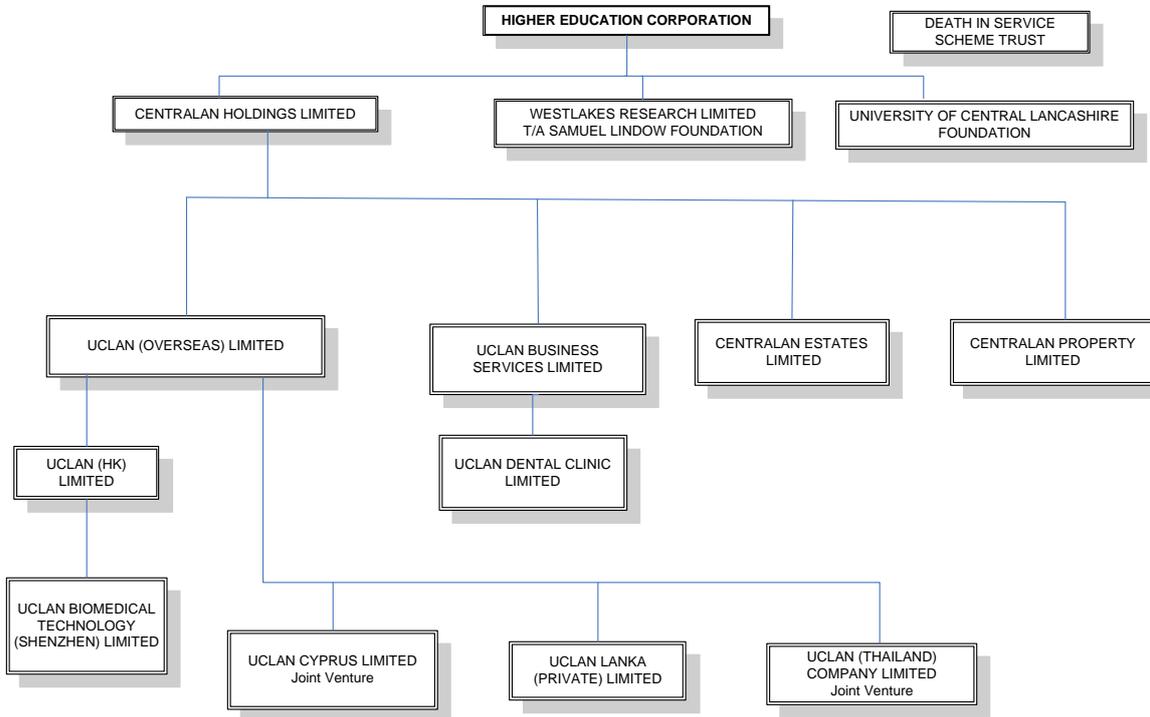
The University provides grant support to the University of Central Lancashire Students' Union and acts as guarantor to loans the Student's Union has taken out to refurbish buildings owned by the University. The Student's Union is managed and operates independent of the University and is separately accountable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

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

The Corporate Structure as at 31 July 2012 is set out below:

UCLan CORPORATE STRUCTURE – July 2012



The Medium Term Strategy

In 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 University's Corporate Plan for 2011/12.

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.*

University of Central Lancashire

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

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 2011/12 Corporate 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 Corporate 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.

Performance Monitoring

The University Board met nine times in the year including two sessions dedicated to strategic discussions and development. The autumn meeting in November 2011 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 2011/12, 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.

Furthermore as the University has increased the level of activity in international and knowledge transfer spheres it has expanded the use of its group structure work for example a new dental company being established. A similar reporting framework has been developed for the group structure to increase reporting by the Directors of Centralan Holdings Limited giving the University Board oversight of the totality of activity.

The robust performance in 2011/12 provides a sound base for 2012/13 and the new challenges that we will face in subsequent years. The University will continue to focus through 2012/13 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.

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

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 during the year 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.

Engagement with Others

Staff

Actions resulting from the staff survey in January 2011 have engaged staff in: improving internal communications, managing change and addressing career development. Staff have contributed ideas and feedback to aid improved systems. The staff survey results highlighted workload as an issue, and in September 2012 we implemented a common workload model to aid consistency and transparency.

In May 2012 we were commended in the Sustainability (employee engagement) category in the Universities Human Resources (UHR) awards for the corporate team meetings approach we developed to internal communications as a result of staff survey results.

In March 2012 the Human Resources department trialled the introduction of corporate volunteering and spent the day working with ‘Moving On Lancashire’, a local Community Interest Company which provides practical support and help to adults on long term benefits and who may be suffering from mild to moderate mental health issues, stress or depression. Following on from the success of the day other UCLan Services and Schools will be able to participate in volunteering projects.

Following discussions with the Professoriat a new three level Professorial structure has been introduced to provide different levels of pay to reflect criteria such as international esteem and impact, grant capture and contribution to School and University strategic and corporate objectives. The structure is intended to provide sufficient flexibility to ensure parity between all disciplines, allows for clearer monitoring of performance against the criteria whilst also rewarding excellent performance.

Students

The University continually engages with its students in a variety of ways and across the student lifecycle – the Students’ Union (SU) was involved in creating the new Student Charter and will be involved in the annual review of the charter. The Charter effectively replaces the ‘card’ and contains a series of reciprocal commitments from the University and the SU and indeed the commitment of individual students to their studies and university life.

University of Central Lancashire

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

SU officers sit on Academic Board and its sub-committees including Student Experience Committee and Academic Standards and Quality Committee. A new Student Equality and Diversity Committee has also been established, chaired by a former student ambassador and with a majority of students – this advises Student Experience Committee and the Directorate lead for Equality & Diversity to ensure that the University's Equality Scheme is working to increase diversity and access to our programmes.

Members of the Senior Management Team (SMT) meet with the SU Student Affairs Committee and Chief Executive on a six weekly basis and in addition there are 'strategic' meetings with the whole of the SMT. Following the incorporation of the SU (as a charity and company limited by guarantee) the University now meets with the SU Chief Executive and President on a monthly basis in a joint management group to monitor the use of the SU grant and to provide oversight to the management of the 53 Degrees venue.

The SU has taken over the running of the University's course representative system ensuring greater student representation from across all courses and modes of study and the SU is involved in the current review of our Staff Student Liaison Committee which aims to increase in-year responses to student feedback and enhance the student learning experience further on all courses.

The SU at UCLan received a Silver award in the first ever NUS led Students' Union Evaluation Initiative in 2012 and with a National Student Survey score of 75% is the highest ranking SU in the north-west of England and in the top 25 nationally on the first year of this new National Student Survey question. It is also notable that the SU continues to award a range of lecturer of the year awards – this year to be awarded on a monthly basis (as the "We Heart U" awards) with the 'Golden Rose' annual awards in April.

Engagement with students and the SU led to the introduction of the new student centred Personal Advisors (from the review of the Personal Tutors and other related roles) as a key element of the UCLan Advantage. The University also works closely with students in a range of community and volunteering activities including through our Centre for Volunteering and Community Leadership and through specific initiatives such as the Diamond Jubilee celebrations and the Preston Guild 2012.

Regional Educators and Employers

The University is widely engaged with employers and educational organisations in the region and beyond. UCLan is centrally involved in collaborative discussions with major regional employers (such as LCC and BAE systems) focusing on the creation of an 'innovation corridor' in Lancashire and the development on an 'Enterprise Zone' which may also encompass developments at the University in Engineering and Advanced Manufacturing. The University was involved in the creation of the Preston City Centre Investment Prospectus and the launch event to over 100 businesses in Manchester in April by the Preston Vision Board (on which the Vice-Chancellor sits).

A new partnership agreement with the BBC was agreed in the last year opening up additional possibilities for UCLan students to be involved in developments at Media City. Advisory Boards for employers have also been established in Schools which did not have them including in Psychology where a range of employers attended who can potentially offer placement opportunities to students.

In Health the University was successful in the NHS NW quinquennial contract review with many commendations for good practice noted.

University of Central Lancashire

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

A special event led by the High Sheriff of Lancashire took place at UCLan in the autumn of 2011 in which 60 business leaders discussed how to build on links with the University to help in the economic growth of the region and the growth of start-up businesses across the region which UCLan graduates are often involved in creating.

A successful Small Firms Summit took place in Burnley in May 2012 and further progressed links with SMEs, also featuring UCLan alumni who have gone on to run successful local businesses. The University continues to be represented regionally on the Regional Leader's Board and Business Growth Co-Ordination Group.

In Preston the University is working closely with Preston City Council in the development of the city's strategy for arts and culture and is significantly involved in projects at the Harris Museum and Art Gallery and in the wider arts community in the city. UCLan staff also contributed to Lancashire's County Council's Arts Development Task Group report – "Towards a Stronger Sense of Place".

The University has also contributed significantly to the successful Preston Guild 2012, had representation on the Guild Advisory Board and is involved in the Guild Link charity responsible for post-Guild legacy projects. The University works closely with the city's Business Improvement District (BID) and in the establishment of the Youth Zone in Preston, as well with Preston City Council and community organisations in a range of economic and social regeneration projects.

The range of partnerships between the University with colleges and schools continues to deepen and grow – the University continues to work closely with a range of FE college partners, assisting a number as they move to directly funded contracts with HEFCE (under the new funding regime).

UCLan was honoured to host and organise in partnership with Burnley College the visit of Her Majesty the Queen and His Royal Highness The Duke of Edinburgh in May at our Burnley campus when Her Majesty The Queen officially opened Junior University for Lancashire which works with a wide range of schools in the county. His Royal Highness The Prince of Wales also visited Burnley in the autumn of 2011 to visit the site of the new University Technical College (UTC) in which UCLan is a partner.

International Partners and International Development

As a component of its Medium Term Strategy the University is entering a new exciting phase of its development with the opening of its first overseas campus in Cyprus. UCLan Cyprus enrolled its first students in September 2012, and is the first British University to be established in Cyprus. It is also progressing the development of a new campus in Thailand and at least one other location.

Notwithstanding the development of these new campuses, the University remains committed to sustaining its international partnerships network in which total enrolments in 2011/12 numbered over 3,100, exceeding the 1,800 international students enrolled on UCLan programmes at the main Preston campus.

The University retains a number of overseas representative overseas offices: in China (at Beijing, 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

University of Central Lancashire

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

and study in Preston. Over the past 12 months, the UK-based International Marketing and Admissions Team has been strengthened to enable the University to expand the geographical locations from which it recruits international students as the University moves forward in implanting its Internationalisation strategy.

In May 2012 the University held an International Symposium titled 'The Global Student Experience', bringing together all its key international partners and leading figures from industry, education and government. This was followed by the celebration of the 20th Anniversary of UCLan's University status, which brought together all UCLan's UK and International Stakeholders for a gala dinner.

The international research agenda remains of vital importance. Since the establishment of Uclan Biomedical Technology (Shenzhen) Limited, joint research projects have been established with a number of leading Chinese Universities such as Sichuan University, Fudan University and University of Science and Technology in areas related to nanotechnology. These developments have resulted in a research seminar at the Shenzhen Virtual University Park in November 2011, and will be followed up with a major research conference in November 2012.

In June 2012, the University celebrated 20 years of partnership with the Guangdong University of Foreign Studies (GDUFS), one of the University's oldest partnerships. The celebrations included an alumni event attended by over 300 guests, including the UK Consul General for Guangzhou.

Partnerships continue to play a key part in the University's internationalisation strategy whilst at the same time it is focusing on the development of a small number of education hubs in selected international locations.

The University Court

The University Court met on 14 March 2012. 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 Pro Vice-Chancellor (Student Experience) gave a keynote presentation about the UCLan Advantage. The Court also received presentations which show-cased the University's work in the areas of Pharmacy and Dentistry.

Diversity

Under active senior management leadership from the University's Pro Vice-Chancellor (Student Experience), the University continued with its efforts to mainstream and embed equality and diversity (E&D) effectively throughout the organisation, through implementation of the aims and objectives outlined in its Single Equality Scheme. Significant progress has been made and some key achievements for the year are set out below.

We kept abreast of legislative developments particularly in the implementation of the Equality Act 2010 and met our statutory responsibilities of publishing student and staff equality information and our equality objectives.

We held our first University Diversity Conference in November 2011 which was extremely successful. We attracted a range of external and internal speakers and participants and the event raised the awareness and profile of a breadth of sector-wide and institutional diversity issues and our own work. We will aim to build on this event in future years.

We developed and submitted to HEFCE our Code of Practice on the Selection of Staff to support the University's submission to the 2014 Research Excellence Framework.

University of Central Lancashire

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

We strengthened our E&D Committee structure by establishing a Student E&D Committee as a sub-committee of the University's Student Experience Committee to enable us to focus specifically on student E&D issues. The Committee is chaired by a former UCLan student and has wide student representation.

We established a Women's Network (for staff) which adds to the three existing staff networks we have. This is an important development and will aim to support all women in the organisation and enable the University to meet their needs, address areas of under-representation and any barriers to participation.

Approximately a further 500 staff engaged in E&D training throughout the year including specially designed courses for managers, academic and support staff and equality impact assessment training. We now have significant capacity and capability of E&D knowledge and skills with two-thirds of the University's staff population participating in such training over the last three years.

We extended our equality monitoring to cover religion or belief and sexual orientation monitoring for students and staff and also introduced reporting student socio-economic status data based on postcode information.

We finalised our involvement in our second successful Higher Education Academy Inclusion project entitled 'Meaningfully Engaging Disabled Students in Higher Education', as one of 10 universities selected nationally to take part. The learning from this programme will enable us to develop strategies for greater student engagement in learning and teaching for disabled students and other under-represented groups of students in the longer term.

Much activity has taken place to develop and support Schools and Services and embed E&D. Annual information on student applications, enrolments, attrition, attainment and satisfaction levels by diversity strands is produced. Schools and Services also received their staff diversity profiles. The production and analyses of these information sets are now mainstreamed into the University's work and assurance on efforts to mainstream and embed E&D locally continues to be developed through the University's performance management framework.

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.

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

We continue to demonstrate a low reportable accident/incident rate with the average 2011/12 year reporting of 3.36 accidents/incidents per 1,000 staff, below the sector target set by the University and Colleges Employers Association (UCEA) in 2010 at 3.6 accidents/incidents per 1000 staff. 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.

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

The University's Corporate Plan Implementing the Medium Term Strategy 2011-2017 incorporates the Sustainable Development Strategy with the aim of becoming a 'model international University for Sustainable Development'. The related strategic objectives (below) are being implemented through the University's School and Service Delivery Plans. Annual milestones have been set to track progress and these are monitored 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 gained the internationally recognised ISO14001 certification. Within the EMS, the Environmental Management Plan drives continual improvement to manage and mitigate the 6 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 6th place in an overall league of 145 universities and colleges. In addition, we have been shortlisted for a 2012 Green Gown Award in the 'sustainable procurement' category recognising our progress towards procurement which considers People Profit and Planet (PPP) in purchasing decisions.

University of Central Lancashire

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

Financial Performance in 2011/12 Compared to Previous Years

The University's financial performance in 2011/12 reflects the ongoing support in the development of operational academic excellence and physical environment which underpins our Medium Term Strategy. The year's results also demonstrate the effects of the restructuring of the organisation which was undertaken in 2010/11 to prepare for the changes in the sector. The success of this activity is demonstrated by the increased operating surplus year on year despite reducing income levels. The University's Financial Strategy looks for a modest surplus to be achieved each year from core activities but allows for reserves to be used to invest in non-recurrent items which support the University's overall strategies. In addition, allowances are made for contingencies which provide protection in the event of unforeseen difficulties within the year whilst protecting the surplus generated from core operations in order to supply funds for investment in future years. This Financial Strategy has been maintained over several years and contributes to the financial strength of the University allowing the organisation to deal with the current challenges from a sound financial base.

The summary group financial results are set out below:-

Group Financial Results	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
<u>Operations</u>					
Income	198,700	206,735	199,018	188,686	168,996
Expenditure	184,102	200,723	196,436	194,550	170,658
Operating surplus/ (deficit)	14,598	6,012	2,582	(5,864)	(1,662)
Exceptional items and Tax	(31)	(20)	1,417	(3,114)	314
Historical cost surplus/(deficit)	16,437	7,818	6,031	(2,155)	800
<u>Financial Strength</u>					
Fixed Assets	264,595	254,666	231,513	223,084	217,540
Cash/Investments	81,096	77,552	80,259	74,366	78,801
Net Assets excluding Pension Liability	293,851	273,738	243,041	232,741	230,631
Pension Liability	63,043	47,055	49,789	53,588	50,460

Key features of 2011/12 were:-

- The restructuring programme undertaken within 2010/11 across Schools and Services had a significant effect on the level of expenditure incurred across the organisation and enabled more effective ways of managing costs to be developed which will benefit future years.
- Capital expenditure during the year included the remodelling of the Harris Building to support the requirements of the Architecture courses and new facilities in the Hanover Building for the use of the School of Arts, Performance and Design. In addition, work was undertaken on the new Dental Clinic which opened in September 2012.
- As in previous years, cash generated from operations was substantial. Ongoing strong cash balances enabled the University to pursue our International Strategy and other strategic elements of the Medium Term Strategy whilst reducing our 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.

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

- The University continued to be active in our pursuit of international activity and has undertaken expenditure during the year, mainly through the subsidiaries and joint venture companies, on the development of the overseas campuses. These developments are funded with income generated from non-publicly funded charitable activity. In addition, partnerships with organisations in Europe and Asia continue to be developed for the benefit of both international and UK/European students.

Financial Outlook 2012/13 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 subsidiary company and charity operates as a separate legal entity within the University Group structure and is monitored by their individual Boards who consider the ongoing viability and performance of each business.

The financial plans produced within the Group indicate that the University Group can be confident in its ability to continue to deliver the Medium Term Strategy. Remodelling of these financial plans based on the 2012/13 student intake under the new fee regime indicate that the University's financial position will not be significantly undermined in the near future and that the University continues to be well placed to deal with the challenges ahead. These will include continuing to meet income targets and controlling costs, satisfying the academic requirements of the students whilst delivering a superlative student experience, dealing with the changing requirements of the regulatory environment, delivering on the overseas agenda and continuous investment in the technological and physical infrastructures.

Conclusion

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 8 November 2012.

B R Harris

Chair of the Board of the University of Central Lancashire
November 2012

University of Central Lancashire

Corporate Governance

This statement provides

- an understanding of the governance and legal structure of the Institution; and
- a measure of 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 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 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 29 and 27 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 29). 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. Some matters cannot be delegated to Committees as they 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.

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. Following completion of their induction year, Members are considered for a further period of office in accordance with University Board procedures to evaluate their participation and contribution to the Board and the wider UCLan community. Towards the end of each two year term of Office the Chair recommends appropriate

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Corporate Governance *(continued)*

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 was developed which includes 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.

The Board also reviewed and agreed proposals from the Chair for a significant change to governance arrangements in 2011/12. These changes, which included streamlining the committee structure, were intended to increase overall efficiency as the University moved into a 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.

The size of the Board has also been reduced, from 17 to 12 members, in general keeping with CUC guidance and in full compliance with the requirements of the Articles of Governance: 7 independent members, 1 Educational co-optee, 2 staff members, 1 student member (The president of UCLan Student's Union) and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met nine times during the year. The Board and some Committee meetings included specific presentations and briefings on strategic issues. These are themed in accordance with an agreed strategic forward business plan. 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 meetings.

Committees and Working Groups

Much of the detailed work of the University Board was carried out by four committees of the Board: Audit and Risk Committee, Nominations Committee, Remuneration Committee and Special Committee on University Restructuring. Detailed written terms of reference for the first three of these Committees exist as part of the Scheme of Delegation. The Special Committee to Support University Restructuring was established by the Board on 24 May 2012, its terms of reference being to assist the Vice-Chancellor in the preparation of detailed proposals for consideration by the University Board on the establishment and operation of a Company Limited by Guarantee and on the steps necessary to further develop the UCLan Group.

The Standing Orders, which govern the conduct of Board and Committee meetings, were updated on 22 September 2011. These encompass significant element of the Articles of governance and

University of Central Lancashire

Corporate Governance *(continued)*

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 an agreed Calendar of Meetings and as and when required to meet the operational requirements of the University. In addition to reports from the Executive and the Clerk, the Board receives updates from each Committee Chair setting out the decisions made by the Committee and highlighting any recommendations for consideration by the Board. The Chairs' Reports 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, occasionally, senior management to work together to ensure that the Board and Committee(s) are fully advised of issues on which they are being asked to make a decision. At the request of the Vice-Chancellor and with the consent of the Chair, senior executive management attend meetings of the Board and its Committees to inform debate and discussion.

A Key Performance Indicator (KPI) reporting framework supports the agenda and Assurance Reporting structure and measures and monitors University performance against agreed strategies and targets. The reports include performance in relation to approved budgets, cash flow, treasury management and other key resources issues. This was reviewed at the end of the year and subject to minor changes was found to be fit for purpose.

Audit and Risk Committee

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

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

The University Board has approved a set of policies and an approach to risk management in the institution, aligned to Institutional strategic objectives and embedded in day to day management.

University of Central Lancashire

Corporate Governance *(continued)*

The Audit and Risk Committee employs a risk-based approach to the evaluation of the effectiveness of the system of internal control and receives reports that enable it to form a view and advise the Board. This approach is explained in the Statement on Internal Control contained within these financial statements (page 27).

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.

Nominations Committee

Gail Stanley is the Chair of the Nominations Committee. The Committee's role is to consider candidates identified as prospective Board Members and make appropriate recommendations to the Board. The Committee met twice during the year, and, *inter alia*, made a number of recommendations to the Board in relation to: the recruitment of new governing body members; a new Chair for the Audit and Risk Committee; and the development of an assessment framework for induction periods.

Remuneration Committee

This Committee met twice during the year with Bill Adams, Deputy Chair of the Board, undertaking the role of Chair. The role of the Committee is to ensure that contractual terms in relation to the employment of the Vice-Chancellor and other designated senior staff, including terms in relation to payments, are fair to the individual and the University. The Committee also determines the remuneration to be paid to the Vice-Chancellor and other senior staff at the University.

Special Committee on University Restructuring

In March 2012 the University Board considered a report on the potential restructuring of the University Group and appointed a Working Group to consider proposals in detail. The Working Group comprised the Chair of the Board, 3 Independent Board Members, the Student's Union President, and the Vice-Chancellor.

At their meeting on 24 May 2012 the Board 'converted' the Working Party into a time limited Committee, with the remit to assist the Vice-Chancellor in the preparation of detailed proposals for consideration by the University Board on the establishment and operation of a Company Limited by Guarantee and on the steps necessary to further develop the UCLan Group. The Committee met once over the course of the academic year and, until any such restructuring is concluded, will continue to meet and report back to the Board as appropriate.

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, research and assessment work of the institution. Membership of Academic Board is drawn entirely from the staff and the students of the institution.

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

University of Central Lancashire

Corporate Governance *(continued)*

The Chair of the Board of Governors

The Chair and Deputy Chair of the University Board during the year were Brian Harris and 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. During the year the Director of Financial Services and, subsequently, the Deputy Director of Financial Services served as Nominated Officer.

The University has invested in a number of companies. These are involved in sector initiatives, part of its economic regeneration initiatives or provide the means through which to develop overseas projects. The University is entitled to appoint a director onto the Boards of the majority of those companies and where this is not the case, the University has the right to be represented at general meetings.

Clerk to the Board

The Clerk to the 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 and Committees). The post does not have any executive responsibilities within the institution, an arrangement designed to preserve the independence of the Clerk and avoid any potential conflicts of interest.

University of Central Lancashire

Corporate Governance *(continued)*

On 22 September 2011 the Board agreed to enter into an arrangement with Lancashire County Council which resulted in Lancashire's County Secretary and Solicitor, Ian Fisher, being appointed as Clerk to the University Board for a period of one year. This arrangement was reviewed after nine months and as a result the Board has extended the arrangement on similar terms.

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.
- Continue development of governance practice and procedures to ensure best practice and full compliance with the CUC Code and HEFCE guidance.

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 and Risk Committee. During the year no staff or students governors were members of the Audit and Risk Committee or Remuneration Committees but they were eligible, under governance arrangements agreed by the Board, to attend both committees as 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. Accordingly, staff and student members of the Board will continue to be eligible for appointment as observers.

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 and whilst, with the permission of or at the invitation of the Chair, they may participate in debate on issues, this is subject to having to declare interests. Where a direct or pecuniary interest is declared the observer is required to leave 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 and Risk 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 and Risk Committee in the presence of the Vice-Chancellor or his representative, the Director of Finance, and the external and internal auditors. The Audit and Risk Committee also considers reports prepared by the internal auditors. The findings and recommendations of the Audit and Risk Committee are reported to the 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. In order to feed into their reviews of the register and the risks within it, the Board receives at least an annual report from management on any changes to the risk environment or profile of the risks delegated to them. The report also includes any potential new risks, as well as advising on risks that are believed to be no longer relevant to the organisation. In addition to this formal review, the governing body reviews 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.

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 2012 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 and Risk Committee as part of the assurance necessary for this statement.

The Audit and Risk Committee approved an internal audit plan for the year. In addition to a range of operational audits the Committee commissions a number of strategic audits to review internal controls around key aspects of the Medium Term Strategy. The portfolio of audits is considered against the risk register to ensure appropriate coverage of reviews. During the year a number of special investigations and reviews were instigated by senior management in addition to the planned activity.

University of Central Lancashire

Internal Control *(continued)*

The Audit and Risk Committee receives and reviews reports from the internal auditors which identify the recommendations made to management and which also provide comment on the general internal control environment. The 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 and Risk Committee that recommendations and agreed actions included in audit reports have been implemented in a timely manner and progress with implementation is regularly reviewed. Such assurance, based on review of progress against recommendations, has been given during 2011/12. In addition, the follow up procedure for monitoring implementation of agreed internal audit recommendations is subject to review by the internal auditors. The emphasis for the Audit and Risk Committee is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 18 October 2012 meeting, the Audit and Risk Committee carried out the annual assessment of the internal control environment on behalf of the University Board for the year ended 31 July 2012 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2012.

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

Senior managers and Company Directors were also briefed on the implication of the Bribery Act and a policy statement approved for use within the Group structure.

It is the opinion of the Audit and Risk Committee that reliance can be placed upon the control environment within the University and that controls are operating satisfactorily. 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 and Risk 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 and Risk Committee during the year and from discussions with both the internal and external auditors and senior officers of the University. On the basis of this assurance, the Audit and Risk Committee reviewed this statement of Internal Control and recommended it to the 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 and Risk Committee
● Equality and Diversity	Board
● Financial Regulations	Board
● Health and Safety	Board
● Human Resources Strategy	Board
● Information Technology Strategy	Board
● Risk Management Strategy	Board
● Estate Management Strategy	Board
● Value for Money Policy	Audit and Risk Committee
● Sustainability Policy	Board
● International Policy	Board
● Membership Policy	Board
● Scheme of Delegations	Board

The above list may be amended from time to time.

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 2012 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 29 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 2012 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

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

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

University of Central Lancashire

Statement of accounting policies

1. Basis of preparation

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

2. Basis of accounting

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

3. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University of Central Lancashire Higher Education Corporation (HEC) and all its subsidiary undertakings and the University of Central Lancashire Foundation for the financial year to 31 July 2012. For the purposes of consolidation, Uclan (Thailand) Company Limited is treated as a subsidiary company with the appropriate minority interest removed, and Uclan (Cyprus) Limited is treated as an associate company. The consolidated financial statements do not include those of the University of Central Lancashire Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

4. Recognition of income

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

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

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

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

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

University of Central Lancashire

Statement of accounting policies (*continued*)

5. Pension schemes

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

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

6. Maintenance of premises

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

7. Tangible fixed assets

a. Land and buildings

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

In accordance with FRS15, a full revaluation of land and buildings was undertaken during 2010/11, carried out by GVA Grimley Limited.

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

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

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

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

University of Central Lancashire

Statement of accounting policies (*continued*)

7. Tangible fixed assets (*continued*)

b. Equipment

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account in the year of acquisition. This threshold was increased in 2011/12 from £5,000 previously. Capitalised equipment is depreciated over its useful economic life as follows:

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

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

8. Stocks and work in progress

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

9. Taxation status

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

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

10. Provisions

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

11. Investments

Current asset investments are valued at the market rate.

12. Cash at bank and in hand

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

University of Central Lancashire

Consolidated income and expenditure account

for the year ended 31 July 2012

	<i>Note</i>	2012 £000	2011 £000
Income			
Funding council grants	<i>1</i>	73,675	85,690
Tuition fees and education contracts	<i>2</i>	92,868	89,264
Research grants and contracts	<i>3</i>	5,444	5,538
Other income	<i>4</i>	25,597	25,448
Investment income	<i>5</i>	1,116	795
Total income		198,700	206,735
Expenditure			
Staff Costs	<i>6</i>	102,454	113,096
Depreciation	<i>9</i>	7,928	7,806
Revaluation impairment	<i>11</i>	-	4,804
Other operating expenses	<i>7</i>	70,670	71,434
Interest payable	<i>8</i>	1,411	1,677
Interest payable – FRS17	<i>8</i>	1,639	1,906
Total expenditure	<i>9</i>	184,102	200,723
Surplus after depreciation of assets at valuation / cost and before tax		14,598	6,012
Taxation	<i>10</i>	(31)	(20)
Group share of associated company profit/(loss)	<i>12</i>	(251)	-
Minority interest	<i>32</i>	7	-
Surplus for the year		14,323	5,992

Note of historical cost surpluses and deficits

for the year ended 31 July 2012

	<i>Note</i>	2012 £000	2011 £000
Surplus after depreciation of assets at valuation/cost		14,323	5,992
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<i>21</i>	2,114	1,826
Historical cost surplus for the period		16,437	7,818

University of Central Lancashire

Balance sheets

as at 31 July 2012

	<i>Note</i>	Consolidated		HEC	
		2012	2011	2012	2011
		£000	£000	£000	£000
Fixed assets					
Tangible assets	<i>11</i>	264,387	254,199	254,605	252,743
Investments	<i>12</i>	457	467	20,274	10,804
Investment in Associates	<i>12</i>	(249)	-	-	-
		264,595	254,666	274,879	263,547
Current assets					
Stocks	<i>13</i>	62	43	62	43
Debtors	<i>14</i>	7,708	9,187	6,345	9,870
Investments and other assets	<i>15</i>	5,863	5,977	5,863	5,977
Cash at bank and in hand		75,233	71,575	68,115	58,763
		88,866	86,782	80,385	74,653
Creditors: amounts falling due within one year	<i>16</i>	(34,866)	(38,633)	(39,338)	(38,542)
		54,000	48,149	41,047	36,111
Net current assets		54,000	48,149	41,047	36,111
Total assets less current liabilities		318,595	302,815	315,926	299,658
Creditors: amounts falling due after one year	<i>17, 18</i>	(18,407)	(20,540)	(18,407)	(20,540)
Provisions for liabilities and charges	<i>19</i>	(6,337)	(8,537)	(6,298)	(8,537)
		293,851	273,738	291,221	270,581
Net assets excluding pension liability		293,851	273,738	291,221	270,581
Pension liability	<i>29</i>	(63,043)	(47,055)	(63,043)	(47,055)
		230,808	226,683	228,178	223,526
Net assets including pension liability		230,808	226,683	228,178	223,526
Represented by:					
Deferred capital grants	<i>20</i>	52,041	53,529	52,541	54,029
Revaluation reserve	<i>21</i>	116,721	118,959	115,706	117,934
General reserve excluding pension liability		120,425	101,250	122,974	98,618
Pension reserve	<i>29</i>	(63,043)	(47,055)	(63,043)	(47,055)
		57,382	54,195	59,931	51,563
General reserve including pension liability	<i>22</i>	57,382	54,195	59,931	51,563
		174,103	173,154	175,637	169,497
Total reserves		174,103	173,154	175,637	169,497
Minority interest	<i>32</i>	4,664	-	-	-
		230,808	226,683	228,178	223,526

The financial statements on pages 34 to 64 were approved by the Board on 8 November 2012 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 2012

	<i>Note</i>	2012 £000	2011 £000
Cash flow from operating activities	26	19,131	13,386
Returns on investments and servicing of finance	27	(312)	(936)
Taxation		-	-
Capital expenditure and financial investment	27	(17,960)	(13,716)
Cash inflow/(outflow) before use of liquid resources/ financing		<u>859</u>	<u>(1,266)</u>
Management of liquid resources	27	-	-
Financing	27	2,799	(2,116)
Increase/(decrease) in cash in the year		<u>3,658</u>	<u>(3,382)</u>

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2012

	<i>Note</i>	2012 £000	2011 £000
Increase/(decrease) in cash in the year		3,658	(3,382)
Cash inflow from changes in debt and lease financing		2,182	2,101
Movement in net funds in the period		<u>5,840</u>	<u>(1,281)</u>
Net funds at beginning of year	28	48,852	50,133
Net funds at end of year	28	<u>54,692</u>	<u>48,852</u>

University of Central Lancashire

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2012

	2012	2011
	£000	£000
Surplus after depreciation of assets at valuation	14,323	5,992
Unrealised gains / (losses) on investments	(121)	714
Actuarial gains/(losses) in respect of pension schemes (note 29)	(13,253)	6,593
Unrealised surplus on revaluation of tangible fixed assets	-	20,892
Total recognised gains relating to the year	949	34,191
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
	2012	2011
	£000	£000
Opening reserves	173,154	138,963
Total recognised gains relating to the year	949	34,191
Closing reserves	174,103	173,154
	<hr/> <hr/>	<hr/> <hr/>

University of Central Lancashire

Notes

(forming part of the financial statements)

1 Funding council grants

	2012 £000	2011 £000
HEFCE recurrent grant	69,801	75,368
HEFCE specific grants		
Selective initiatives	2,425	8,444
Others	109	421
HEFCE deferred capital grants released		
Building (note 20)	790	790
Equipment (note 20)	550	667
Total HEFCE Grant	<u>73,675</u>	<u>85,690</u>
Total funding council grants received	<u><u>73,675</u></u>	<u><u>85,690</u></u>

2 Tuition fees and education contracts

	2012 £000	2011 £000
UK higher education students	58,825	54,240
European Union students	2,324	2,074
Non-European students	13,884	14,259
	<u>75,033</u>	<u>70,573</u>
Education Contracts	17,835	18,691
	<u><u>92,868</u></u>	<u><u>89,264</u></u>

University of Central Lancashire

Notes (continued)

3 Research grants and contracts

	2012 £000	2011 £000
Research Councils	1,092	1,280
UK-based charities	170	318
EU government and other bodies	1,051	1,045
Other grants and contracts	3,131	2,895
	<u>5,444</u>	<u>5,538</u>

4 Other income

	2012 £000	2011 £000
Residences, catering and conferences	10,760	9,644
Other income generating activity	8,985	10,550
Other income	4,158	3,344
Rental income	237	185
Other services rendered	701	725
Residential course fees	358	383
Release of other capital grants	398	617
	<u>25,597</u>	<u>25,448</u>

5 Investment income

	2012 £000	2011 £000
Interest receivable	1,116	795

University of Central Lancashire

Notes (continued)

6 Staff costs

Average staff numbers by major category - Full Time Equivalent	2012	2011
	Number	Number
Academic departments	1,293	1,403
Academic support departments	146	113
Other support services	82	77
Administration and central services	503	528
Premises	215	226
Other	117	119
	<u>2,356</u>	<u>2,466</u>
	=====	=====
Staff costs for the above persons:		
	2012	2011
	£000	£000
Staff costs:		
Wages and salaries	83,658	93,188
Social security costs	6,827	6,872
Pension costs	10,840	10,997
FRS17 related pension adjustments	1,129	2,039
	<u>102,454</u>	<u>113,096</u>
	=====	=====

Staff costs above include £328,168 relating to restructuring costs (2011: £6,249,861)

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

	2012	2011
	Number	Number
£100,000 - £109,999	4	8
£110,000 - £119,999	4	3
£120,000 - £129,999	3	9
£130,000 - £139,999	1	2
£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 two staff included above amounted to £96,873 and was funded from general income (2011: £1,143,271).

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Notes (continued)

6 Staff costs (continued)

Emoluments of the Vice-Chancellor	2012	2011
	£000	£000
Salary	240	241
Pension compensation (paid as salary)	30	30
Total emoluments	270	271

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

	2012	2011
	£000	£000
Franchised courses	18,396	16,887
Other expenses	8,648	9,075
Residences, catering and conferences operating expenses	7,632	6,827
Repairs and general maintenance	6,849	6,868
Consumables and laboratory expenditure	5,392	6,408
Student bursaries and expenses	4,625	6,359
Travel, subsistence and conference fees	4,321	3,846
Premises costs	3,698	4,413
Academic learning materials	2,003	2,304
Advertising and publicity	1,874	1,499
Consultancy	1,855	1,463
Grants to Students' Union	1,083	1,010
Staff development and recruitment	849	937
Subscriptions and donations	814	1,149
Movement in bad debts provision	786	687
Insurance	650	608
Postage	342	377
Equipment lease rentals	173	32
Furniture	162	180
Loss on disposal of fixed assets	90	-
External auditors' remuneration: audit fees (i)	78	76
External auditors' remuneration for non-audit	175	247
Internal auditors' remuneration: audit fees	158	157
Internal auditors' remuneration for non-audit work	17	25
	70,670	71,434

(i) External auditors' remuneration relating to HEC	47	47
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Notes (continued)

8 Interest payable

	2012 £000	2011 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	3,050	3,583
	3,050	3,583
Bank loans and overdrafts	1,411	1,677
FRS17 related pension adjustments	1,639	1,906
	3,050	3,583

9 Analysis of expenditure by activity

	Staff costs £000	Dep'n £000	Other operating expenses £000	Interest payable £000	2012 Total £000	2011 Total £000
Academic departments	57,399	212	25,569	-	83,180	83,558
Academic support services	12,702	-	7,978	-	20,680	25,151
Administrative and central services	13,799	6,730	7,205	262	27,996	31,128
General education	2,061	-	6,050	-	8,111	9,341
Premises	5,665	240	11,966	-	17,871	17,897
Research grants and contracts	2,833	-	1,890	-	4,723	5,070
Other income generating activities	3,852	25	3,019	-	6,896	8,650
Residences, catering and conferences	2,548	721	6,425	1,149	10,843	10,253
Miscellaneous	466	-	568	-	1,034	926
Revaluation impairment	-	-	-	-	-	4,804
FRS17 related pension adjustments	1,129	-	-	1,639	2,768	3,945
Total per income and expenditure account	102,454	7,928	70,670	3,050	184,102	200,723

The depreciation charge has been funded by:

Deferred capital grants released (note 20)	1,738	2,074
Revaluation reserve released (note 21)	2,114	1,826
General income	4,076	8,710
	7,928	12,610

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Notes (continued)

10 Taxation

The HEC has not generated any taxable profits in either year. The taxation figures in 2012 and 2011 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 2011				
Valuation	137,159	-	-	137,159
Cost	89,712	27,953	23,654	141,319
Additions at cost	15,449	2,784	-	18,233
Disposals				
Valuation	-	-	-	-
Cost	-	(1,787)	-	(1,787)
Adjustment for prior year	(345)	-	-	(345)
Transfer between categories	23,654	-	(23,654)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2012				
Valuation	136,814	-	-	136,814
Cost	128,815	28,950	-	157,765
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2011	356	23,923	-	24,279
Charge for year	4,944	2,984	-	7,928
Eliminated on disposals	-	(1,670)	-	(1,670)
Adjustment for prior year	(345)	-	-	(345)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2012	4,955	25,237	-	30,192
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 2012	260,674	3,713	-	264,387
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2011	226,515	4,030	23,654	254,199
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	63,358	-	-	63,358
Financed by capital grant	51,491	550	-	52,041
Other	145,825	3,163	-	148,988
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value	260,674	3,713	-	264,387
At 31 July 2012	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included within freehold land and buildings is £31,309,007 of land which is not depreciated.

University of Central Lancashire

Notes (continued)

11 **Tangible assets** (continued)

Land and buildings with a net book value of £175,808,632 and a valuation of £179,318,724 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.

The threshold at which equipment is capitalised was increased to £10,000 (per individual item) with effect from 1 August 2011, from a previous threshold of £5,000. The effect of this increase was to write off to the income and expenditure account approximately £147,000 of expenditure that would previously have been capitalised.

Land and buildings includes land relating to Uclan (Thailand) Company Limited. This company is the vehicle established by Uclan (Overseas) Limited to develop a University Campus close to Bangkok. This is a joint venture company between Uclan (Overseas) Limited and a resident Thai partner with Uclan (Overseas) Limited holding 49% of the share capital. For accounting purposes Uclan (Thailand) Company Limited is classed as a subsidiary because of the level of control exercised by Uclan (Overseas) Limited. The first phase capitalisation involved cash from Uclan (Overseas) Limited and land from the Thai resident partner. Some of the land transferred to the joint venture was fully paid and other elements were secured by a 30% deposit. In total, 35 land lots have been either fully paid for or secured by deposit. It was always recognised that further funding would be required to pay the remaining 70% and complete the land purchases; such funding is not yet in place. The deadline for paying the remaining balance on 22 plots (83% of the deposit value paid) expired on either 31 August 2012 or 30 September 2012. It is understood that negotiations to extend these deadlines have progressed, however, there are a number of parties involved in these negotiations and extensions to the deadlines have not yet been granted to Uclan (Thailand) Company Limited. The partner's circumstances have now changed and restructuring negotiations are currently underway. Although Uclan (Overseas) Limited's representatives on the Board of Uclan (Thailand) Company Limited remain positive that this issue will be satisfactorily resolved, there is a potential exposure that these deposits could be lost if there is not a successful outcome to these negotiations. The joint venture company has an asset for deposits on these plots of land of approximately Thai Baht 191.6 million – approximately £3.9 million. Uclan (Overseas) Limited's share of these deposits is 49% and it therefore has a potential exposure against its investment of £1.9 million.

Although Uclan (Thailand) Company Limited has secured full title to the land reflected in its balance sheet as fully owned, the title deeds for two of the land parcels include adjoining land lots owned by the partner. At this time the company is unable to dispose of this part of its land without the consent of the partner. The value of this land is approximately Thai Baht 65 million – approximately £1.3 million. Uclan (Overseas) Limited's share is 49%.

University of Central Lancashire

Notes (continued)

11 Tangible assets (HEC)

	Freehold Land & Buildings	Equipment & Vehicles	Buildings under construction	Total
	£000	£000	£000	£000
Valuation/cost				
At 1 August 2011				
Valuation	137,292	-	-	137,292
Cost	88,121	27,953	23,654	139,728
Additions at cost	7,106	2,778	-	9,884
Disposals				
Valuation	-	-	-	-
Cost	-	(1,787)	-	(1,787)
Adjustment from prior year	(345)	-	-	(345)
Transfer between categories	23,654	-	(23,654)	-
At 31 July 2012	136,947	-	-	136,947
Valuation	136,947	-	-	136,947
Cost	118,881	28,944	-	147,825
Depreciation				
At 1 August 2011	354	23,923	-	24,277
Charge for year	4,921	2,984	-	7,905
Eliminated on disposal	-	(1,670)	-	(1,670)
Adjustment from prior year	(345)	-	-	(345)
At 31 July 2012	4,930	25,237	-	30,167
Net book value				
At 31 July 2012	250,898	3,707	-	254,605
At 31 July 2011	225,059	4,030	23,654	252,743
Inherited	63,358	-	-	63,358
Financed by capital grant	51,991	550	-	52,541
Other	135,549	3,157	-	138,706
Net book value	250,898	3,707	-	254,605
At 31 July 2012				

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Notes (continued)

12 Investments

Consolidated	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
As at 1 August 2011	-	467	467
Additions	-	-	-
Disposals	-	(10)	(10)
As at 31 July 2012	<u>-</u>	<u>457</u>	<u>457</u>
HEC	£000	£000	£000
As at 1 August 2011	10,770	34	10,804
Additions	9,470	-	9,470
Disposals	-	-	-
As at 31 July 2012	<u>20,240</u>	<u>34</u>	<u>20,274</u>

Investment in Associate

The institution holds a 50% share of Uclan (Cyprus) Limited, a Cyprus registered company. The arrangement is treated as an associated undertaking and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the institution and 50% of its net income is reported in the institution's consolidated income and expenditure account.

Income and Expenditure account	2012 £000	2011 £000
Income	-	-
Deficit before tax	<u>(251)</u>	<u>-</u>
Balance Sheet		
Fixed assets	12	-
Current assets	553	-
Creditors; amounts due within 1 year	(88)	-
Creditors; amounts due after more than 1 year	(726)	-
Share of net liabilities	<u>(249)</u>	<u>-</u>

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Notes (continued)

12 Investments (continued)

Investment in subsidiaries

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

University of Central Lancashire

Notes (continued)

12 Investments (continued)

Investments in companies limited by guarantee

(not wholly owned and for which the investment is a 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

13 Stocks

	Consolidated		HEC	
	2012	2011	2012	2011
	£000	£000	£000	£000
Consumables	62	43	62	43
	62	43	62	43

University of Central Lancashire

Notes (continued)

14 Debtors: amounts falling due within one year

	Consolidated		HEC	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	1,042	978	945	739
Other prepayments and accrued income	4,865	6,024	4,747	5,626
Group debtors	-	-	616	1,037
Other debtors	1,801	2,185	37	2,468
	<u>7,708</u>	<u>9,187</u>	<u>6,345</u>	<u>9,870</u>

15 Current asset investments (Consolidated and HEC)

	2012 £000	2011 £000
Portfolio investments	5,863	5,977
	<u>5,863</u>	<u>5,977</u>

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

16 Creditors: amounts falling due within one year

	Consolidated		HEC	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans (note 18)	2,134	2,183	2,134	2,183
Trade creditors	5,997	4,376	6,192	4,561
Social security and other taxation payable	3,605	3,711	3,578	3,603
Accruals and deferred income	17,132	19,078	16,894	18,736
Group creditors	-	-	4,640	188
Other creditors	5,998	9,285	5,900	9,271
	<u>34,866</u>	<u>38,633</u>	<u>39,338</u>	<u>38,542</u>

University of Central Lancashire

Notes (continued)

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

	2012	2011
	£000	£000
Bank loans (note 18)	18,407	20,540
	<u>18,407</u>	<u>20,540</u>

18 Loans (Consolidated and HEC)

Loans are repayable as follows:

	2012	2011
	£000	£000
In one year or less	2,134	2,183
Between one and two years	2,158	2,132
Between two and five years	3,857	4,988
In five years or more	12,392	13,420
	<u>20,541</u>	<u>22,723</u>

Analysis of borrowings at 31 July 2012

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 2012 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 2012 and 4 March 2015. The loans are secured on various properties.

19 Provisions for liabilities and charges

	Provision for Future Pension Liabilities £000	Provision for VAT Assessment £000	Other Provisions £000	Total Provisions £000
At 1 August 2011	5,753	666	2,118	8,537
Utilised in year	(121)	-	(2,118)	(2,239)
Charged in year	-	-	39	39
At 31 July 2012	<u>5,632</u>	<u>666</u>	<u>39</u>	<u>6,337</u>

University of Central Lancashire

Notes (continued)

20 Deferred capital grants (Consolidated)

	Funding Council £000	Other £000	Total £000
At 1 August 2011			
Buildings	40,357	12,245	52,602
Equipment	779	148	927
Total	41,136	12,393	53,529
Grants received			
Buildings	-	-	-
Equipment	250	-	250
Total	250	-	250
Released to income and expenditure account:			
Released to income – Buildings (notes 1, 4 & 9)	(790)	(321)	(1,111)
Released to income – Equipment (notes 1, 4 & 9)	(550)	(77)	(627)
Reclassification from prior year - Buildings	(323)	323	-
Total	(1,663)	(75)	(1,738)
At 31 July 2012			
Buildings	39,244	12,247	51,491
Equipment	479	71	550
Total	39,723	12,318	52,041

The carrying value of deferred grants in HEC at 31 July 2012 is £52,541,000

21 Revaluation reserve

	Consolidated £000	HEC £000
Revaluation		
At 1 August 2011	140,573	139,548
Movement on unrealised gains on investments	(121)	(113)
Reclassified to general reserve	(3)	(1)
At 31 July 2012	140,449	139,434
Contribution to depreciation		
At 1 August 2011	21,614	21,614
Released in year	2,114	2,114
At 31 July 2012	23,728	23,728
Net revaluation amount		
At 31 July 2012	116,721	115,706
At 31 July 2011	118,959	117,934

University of Central Lancashire

Notes (continued)

22 Income and expenditure account

	Consolidated £000	HEC £000
Balance at 1 August 2011	54,195	51,563
Surplus after depreciation of assets at valuation	14,323	14,906
Release from revaluation reserve	2,114	2,114
Reclassified from revaluation reserve	3	4,601
Historical cost surplus after tax	<u>16,440</u>	<u>21,621</u>
Actuarial losses in respect of pension schemes	(13,253)	(13,253)
Balance at 31 July 2012	<u>57,382</u>	<u>59,931</u>

The external losses retained within subsidiary companies (excluding the effect of inter-group transactions) for the year ended 31 July 2012 total £339,000.

23 Capital commitments

	Consolidated		HEC	
	2012 £000	2011 £000	2012 £000	2011 £000
Commitments contracted at 31 July	708	2,009	394	2,009

24 Contingent liabilities

	Consolidated		HEC	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank guarantees in respect of the University of Central Lancashire Students' Union	548	606	548	606

In addition to the above, as at 31 July 2012 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)

25 Lease obligations

Annual rentals under operating lease commitments are as follows:

	Consolidated & HEC	
	2012	2011
	£000	£000
Leases due within 1 year	173	173

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

	2012	2011
	£000	£000
Surplus after tax and share of associates	14,323	6,012
Depreciation	7,928	7,806
Revaluation impairment	-	4,804
Deferred capital grants released to income (note 20)	(1,738)	(2,074)
Interest receivable	(1,116)	(795)
Interest payable	1,411	1,677
(Increase) / decrease in stocks	(19)	4
(Increase) / decrease in debtors	1,479	(361)
Increase / (decrease) in creditors	(3,762)	(7,864)
Increase / (decrease) in FRS17 pension provision	2,680	3,859
Increase / (decrease) in other provisions	(2,145)	116
Loss on investments	-	208
(Profit)/loss on disposal of fixed assets	90	(6)
Net cash inflow from operating activities	19,131	13,386

University of Central Lancashire

Notes (continued)

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

	2012	2011
	£000	£000
Returns on investments and servicing of finance:		
Interest received	1,118	760
Interest paid	(1,430)	(1,696)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(312)	(936)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of owned tangible fixed assets	(18,235)	(15,042)
Sale of tangible fixed assets	25	12
Deferred capital grants received	250	1,314
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure and financial investment	(17,960)	(13,716)
	<hr/> <hr/>	<hr/> <hr/>
Management of liquid resources		
Sale of investments	-	-
	<hr/>	<hr/>
Net cash inflow from management of liquid resources	-	-
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Loan principal repayment	(2,192)	(2,116)
Asset introduced by Minority Interest	4,991	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	2,799	(2,116)
	<hr/> <hr/>	<hr/> <hr/>

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

	At 31 July 2011	Cash flow	At 31 July 2012
	£000	£000	£000
Cash in hand and at bank	71,575	3,658	75,233
	<hr/>	<hr/>	<hr/>
Debt due within 1 year	(2,183)	49	(2,134)
Debt due after 1 year	(20,540)	2,133	(18,407)
	<hr/>	<hr/>	<hr/>
	48,852	5,840	54,692
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

University of Central Lancashire

Notes (continued)

29 Pension schemes

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

	TPS	LGPS	USS
Date of last actuarial valuation	31.3.04	31.3.10	31.3.11
Actuarial method	Prospective Benefits	Projected Unit	Projected Unit
Investment returns per annum	6.5%	6.5%	6.1%
Salary scale increases per annum	-	4.5%	4.4%
Pension increases per annum	-	2.75%	3.4%
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	£32,434m
Proportion of members accrued benefits covered by the actuarial value of the assets at date of last actuarial valuation	100%	84%	92%

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 2011. The institution's contribution rate required for future service benefits alone at the date of the 31 March 2011 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 2014 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.

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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 2012 was £6,705k of which employer's contributions totalled £4,798k and employee's contributions totalled £1,907k. 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 2012 by a qualified actuary.

Principal actuarial assumptions

	2012	2011	2010
Inflation	2.1%	2.9%	2.8%
Rate of increases in salaries	4.1%	4.9%	5.1%
Rate of increases for pensions	2.1%	2.9%	2.8%
Discount rate for liabilities	4.3%	5.3%	5.5%

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

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2012:

	<u>Male</u>	<u>Female</u>
Future pensioner aged 65 in 20 years time:	23.8	26.6
Current pensioner aged 65:	22.0	24.7

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		
	2012	2011	2010	2012	2011	2010
				£000	£000	£000
Equities	7.0%	7.0%	7.5%	2,753,920	2,692,660	2,220,000
Bonds	2.9%	4.4%	4.7%	860,600	825,170	851,000
Property	6.0%	6.0%	6.5%	387,270	390,870	296,000
Other	7.0%	7.5%	7.5%	129,090	304,010	111,000
Cash/Liquidity	0.5%	0.5%	0.5%	172,120	130,290	222,000
Total market value of assets				4,303,000	4,343,000	3,700,000

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

	2012 £000	2011 £000	2010 £000
University's estimated share of assets	122,069	116,147	103,072
Present value of scheme liabilities			
- Funded	(183,755)	(161,867)	(151,518)
- Unfunded	(1,357)	(1,335)	(1,343)
Deficit in the scheme	(63,043)	(47,055)	(49,789)

Movement in deficit during the year

	2012 £000	2011 £000
Analysis of the amount charged to the income and expenditure account		
Employer service cost	5,391	5,762
Past service cost	1	38
Total operating charge	5,392	5,800
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	7,102	6,608
Interest on pension liabilities	(8,741)	(8,514)
Pension finance income / (costs)	(1,639)	(1,906)
Amount recognised in the statement of total gains and losses		
Actual return less expected return on pension scheme assets	(4,014)	3,680
Change in financial and demographic assumptions underlying the scheme liabilities	(9,294)	2,913
Actuarial gain / (loss) recognised in the statement of total gains and losses	(13,308)	6,593
Movement in the scheme during the year		
	2012 £000	2011 £000
Deficit in scheme at 1 August	(47,055)	(49,789)
Movement in year:		
Current service charge	(5,391)	(5,762)
Contributions	4,798	4,674
Past service costs	(1)	(38)
Net interest / return on assets	(1,639)	(1,906)
Actuarial gain/(loss)	(13,308)	6,593
Curtailments	(447)	(827)
Deficit in scheme as at 31 July	(63,043)	(47,055)

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Asset and Liability Reconciliation	2012	2011
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	(163,202)	(152,861)
Service cost	(5,391)	(5,762)
Interest cost	(8,741)	(8,514)
Employee contributions	(1,907)	(2,012)
Actuarial gain/(loss)	(9,294)	2,913
Curtailments	(447)	(827)
Benefits paid	3,871	3,899
Past service cost	(1)	(38)
Liabilities at end of period	(185,112)	(163,202)
Reconciliation of Assets		
Assets at start of period	116,147	103,072
Expected return on assets	7,102	6,608
Actuarial gain/(loss)	(4,014)	3,680
Employer contributions	4,798	4,674
Employee contributions	1,907	2,012
Benefits paid	(3,871)	(3,899)
Assets at end of period	122,069	116,147

History of experience gains and losses	2012	2011	2010	2009	2008
Difference between the expected and actual return on assets:					
Amount £m	(4,014)	3,680	7,667	(14,161)	(10,488)
% of scheme assets	3%	3%	7%	17%	12%
Experience gains and losses on scheme liabilities:					
Amount £m	(9,294)	2,913	(2,306)	14,760	(13,062)
% of scheme liabilities	5%	4%	2%	11%	15%
Total amount recognised in statement of total gains and losses:					
Amount £m	(13,308)	6,593	5,361	599	(23,550)
% of scheme liabilities	7%	4%	5%	1%	1%

University of Central Lancashire

Notes (continued)

30 Access fund

	2012	2011
	£000	£000
As at 1 August	24	119
Funding Council grants	770	745
	<u>794</u>	<u>864</u>
Disbursed to students	(787)	(840)
As at 31 July	<u>7</u>	<u>24</u>

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

31 Connected charitable institutions

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

	Opening balance	Income	Expenditure	Closing balance
	£000	£000	£000	£000
Westlakes Research Limited	2,968	143	229	2,882
University of Central Lancashire Foundation	905	131	97	939
Total	<u>3,873</u>	<u>274</u>	<u>326</u>	<u>3,821</u>

32 Minority interest

The minority interest represents:	2012	2011
	£000	£000
Uclan (Thailand) Company Limited		
Share of loss	7	-
Share of net assets	4,664	-

University of Central Lancashire

Notes *(continued)*

33 **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 £10,704 (2011: £18,984).

Anyone wishing to obtain further details on matters raised in the Reports and Financial Statements for the year ended 31 July 2012 is invited to contact:

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