

University of Central Lancashire

Consolidated reports and financial statements

For the year ended 31 July 2013

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 (resigned 31 July 2013)
E Adia
F Armstrong (appointed 19 September 2013)
S Broomhead
J Edney (appointed 1 August 2012)
J Gorick
E Graham-Hyde (resigned 30 June 2013)
B Harris
J Hogan (appointed 19 September 2013)
J Horrocks
G Kelleher (appointed 15 July 2013)
B Latham (appointed 1 July 2013)
B McManus
W McQueen (appointed 20 September 2012)
M McVicar
G Stanley
M Tynan (resigned 31 July 2013)

Professional Advisors

Auditors - external: KPMG LLP

Auditors - internal: PricewaterhouseCoopers LLP

Tax advisors: KPMG LLP
Deloitte LLP

Bankers: Barclays Bank plc

Insurance brokers: AON Limited

Solicitors: Burnetts Solicitors

University of Central Lancashire

Chair of the University Board's Report

Introduction

The past year has seen the continuing effects of the significant reform introduced into the higher education sector with the changes in Government policy in respect to student number controls and tuition fees. The move away from direct funding through HEFCE to payments via the student loan system took a further step in 2012/13 when the cap on student fees was raised. The University has adapted to the challenge of increased competition by ensuring that the delivery of its core academic activities of teaching, learning and research deliver value for money in the competitive environment now developing. Attention has also been paid to all cohorts of students to ensure they benefit from a rigorous academic and student experience which prepares them for their future challenges.

The University of Central Lancashire (UCLan) has confidence that it will compete effectively in all areas of activity by adapting to the constantly changing higher education sector by continuing to build on previous initiatives. Recent data illustrates how UCLan continues to improve in areas of student satisfaction, research excellence and global reputation, whilst financial strength is maintained and prestigious partnerships locally, nationally and internationally are developed. The maintenance of this financial strength will enable the University to pursue its strategic goals, whilst underpinning operational activities. However, this strength can only be maintained by regular review and consideration of the overall priorities of the organisation in these financially difficult times. UCLan will continue to consider the current challenges and opportunities and will respond where appropriate in order to strengthen its financial and reputational position.

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 3*)

Highlights include:

- 29,795 students from the UK, EU and overseas enrolled with the University
- 4,791 UK and EU undergraduate students received a bursary or scholarship
- In June 2013, UCLan held the "Lancashire Science Festival Goes Extreme" and provided over 2,500 people with an insight into science and technology at UCLan
- Participation in 2012 Preston Guild
- Establishment of the on-campus Dental Clinic which opened in September 2012

A comment on Linked Charities (*page 7*)

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

The Medium Term Strategy (*page 8*)

- The Corporate Plan for 2012/13 focused on the delivery of the Key Components of the Medium Term Strategy
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- The Group's approach to Risk Management (*page 8*)

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

Engagement with staff, students, employers and educational partners *(page 9)*

- Response rate of 72% in the Staff Survey which led to UCLan remaining an employer of choice
- Leadership development programmes undertaken
- Introduction of 'student engagement weeks'
- Total enrolments across the University's international partnership network in 2012/13 numbered over 3,100 in addition to the 2,000 international students enrolled on the main Preston campus

The University Court *(page 12)*

The Group's approach to Diversity *(page 12)*

- UCLan held its second University Diversity Conference in November 2012

The Group's approach to Safety and Health *(page 13)*

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

The Group's approach to Environment and Sustainable Development *(page 13)*

- UCLan achieved a 1st class award and 9th place overall in the annual People and Planet Green League (out of 145 universities and colleges)
- Green Week involving over 1,500 staff and students

Comments on the Financial Performance in 2012/13 *(page 14)*

Comments on the Financial Outlook 2013/14 and beyond *(page 15)*

Statement on Public Benefit (2012/13 academic and financial year)

The University is an exempt charity under the terms of the Charities Act 2011. The Board of Governors, who are the trustees of the charity, have paid regard to the Charity Commission's public benefit guidance, particularly the supplementary guidance on the advancement of education. The guidance is also included in the induction packs for new Board members.

As a Higher Education Corporation (HEC), the University's objects are inferred from the powers of a HEC, as set out in section 24 of the Higher Education Reform Act 1988, and Part II of the Further and Higher Education Act 1992. The University's charitable objects are: provide higher education, and carry out research and knowledge exchange.

The University's mission and values *(detailed on page 8)* are translated into the University's ten-year strategic plan, as set out in the University's ['Medium Term Strategy 2007-2017'](#). It is this strategy which enables the University to fulfil its charitable objects.

In compliance with the public benefit reporting requirements - as defined in Charities Act 2011 and paragraphs 40-44 (and Annex H) in the Higher Education for England's (HEFCE) ['Financial Memorandum between HEFCE and institutions 2010'](#) - there must be consideration of whether the pursuit of these charitable objects 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.

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

The University delivers public benefit in a number of ways some of which are summarised below:

(a) Beneficiaries and Fulfilment of the Charitable Objects

The University's undergraduate and postgraduate students are the prime beneficiaries of the University's activities and are directly engaged in learning or research.

In 2012, UCLan celebrated its 20th anniversary of the time when Lancashire Polytechnic achieved University status. In these 20 years, the University has helped more than 70,000 students achieve their graduate ambitions, with over 5,000 graduates gaining a first-class honour qualification and over 400 completing doctorates.

In the 2012/13 academic year, the University enrolled 29,795 students (84 per cent undergraduates and 16 per cent postgraduates) from the UK, EU and overseas. In line with its charitable objects, the University taught students and provided access to extensive learning facilities (including its academic library), assessed students' learning, supervised research, and set and marked examinations.

The quality of the University's teaching and the positive student experience is reflected in its continuing success in the National Student Survey (NSS), with key areas such as teaching, academic support and learning resources all showing improvements at UCLan in 2013. Several subject areas achieved high levels of satisfaction with Business Studies, Management Studies, 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 per cent nationally. UCLan is also ranked in the top 25 per cent nationally for the question: "I have received detailed comments on my work" - an aspect of university study which is particularly valued by students.

(b) Student Support

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 undergraduate students of all disciplines. Student internship opportunities provide relevant work-experience, and give businesses access to the knowledge and enthusiasm a student can bring.

Foreign language skills and experience greatly enhance the employability of the University's graduates and lay the foundations for future societal and economic links between the UK and the rest of the world. As UCLan is a global University, it will continue to prioritise its commitment to truly internationalise its curriculum and it encourages its students to pursue a foreign language and experience an overseas study period or work placement.

The University's Flying Start programme includes residential and non-residential events to help students fully prepare for student life at UCLan. Open to all students, this scheme is particularly successful in supporting the transition of non-traditional students to higher education.

(c) Widening Participation

A fundamental value of the University is the promotion of educational opportunity for all.

The University charges tuition fees to students and recognises its responsibility in helping to ensure that financial restraints are not a barrier to entry to its higher education provision. In the 2012/13 academic year, the University processed 4,791 bursaries.

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

The University's 'Junior University' (JU) initiative reflects its commitment to ensuring access to higher education. Qualitative feedback from participants, teachers and parents was uniformly positive during the pilot JU scheme. Overall, in 2012/13, over 125 young people from schools across Preston and East Lancashire completed the JU initiative.

The Lancashire Science Festival (LSF), held for the first time in June 2012, showcased the diversity of opportunities available through higher education and beyond, and provided access to the University for under-represented groups who may otherwise have not been offered that opportunity. In June 2013, the 'Lancashire Science Festival Goes Extreme' built on the success of the 2012 event and provided over 2,500 people with an insight into science and technology at UCLan.

The University 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.

(d) Education Networks

The University works collaboratively with further education college partners to extend educational opportunity within the region.

The University is a proud sponsor of the West Lakes Academy, which focuses its work with 11-16 year old pupils at schools with lower than average post-16 and post-18 participation rates, and is a partner in the Burnley Education Trust: UCLan staff governors sit on school boards within the Trust and on all 16-19 provider boards in Burnley and Pendle.

The University is also a strategic partner in the new 'Visions Learning Trust' - the Government funded organisation responsible for the creation and delivery of a series of University Technical Colleges (UTC) from August 2013. The first UTC opened in Burnley on 29 August 2013, with the second UTC, based in Wigan, due to open in the last week of September 2013. The University also sponsors two Helena Kennedy Scholarships per year, which are awarded to disadvantaged students progressing from FE colleges.

(e) UCLan Expertise

In the 2012/13 academic year, staff from across the University continued to be recipients of a number of nationally recognised rewards.

(f) Public Engagement

Public engagement activities benefit the regional community by engaging young people, parents, teachers and advisers, whilst also directly contributing towards its widening participation agenda, and increasing the reputation of the University. Amongst some of the activities which benefit the community are:

(i) Lancashire Science Festival (LSF)

As noted earlier, The Lancashire Science Festival (LSF) was designed to inspire the next generation through involvement with science and technology, as well as to provide an insight into the subjects at higher education level. The 2013 event, 'Lancashire Science Festival Goes Extreme', held in June, built on the success of the 2012 event and attracted over 2,500 visitors to the Preston campus. The event focused on the physiology and physics behind extreme sports and showcased interactive stands and demonstrations and included contributions from UCLan researchers, guest performers, local businesses and professional bodies.

University of Central Lancashire

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

(ii) *2012 Preston Guild*

As one of the city's leading employers based within the heart of the community, the University was delighted and honoured to play a central role in the 2012 Preston Guild.

(iii) *UCLan On-Campus Dental Clinic (UDC)*

In 2012, UCLan became the only University in the North West (and one of only a handful nationally) to open its own on-campus dental clinic. The UDC is an independently-managed practice which boasts the latest cutting-edge technology and facilities, providing world-class training for UCLan dental students. In addition to offering affordable treatment for staff and students, as part of the University's pastoral role, the UDC's primary focus is the provision of advanced non-standard procedures for dentist referrals and self-referred private patients from across the Lancashire and South Cumbria regions.

(g) *Research Expertise Providing Real-world Benefit*

Academics at the University are making a vital contribution to disseminating research and global knowledge, which is helping to shape the world beyond academia. UCLan can boast that it has 17 subject areas which are rated as having research of 'International Excellence' by the Research Assessment Exercise, and within these, 11 are areas which contain research classified as 'World Leading'.

Over the last 12 months, UCLan researchers have conducted research of vital importance to the world beyond academia, in the areas of midwifery, mental health, linguistics and deaf studies, domestic violence, biomechanics, advanced manufacturing, archaeology and micro-finance.

(h) *Contribution to Society and the Local Economy*

Following their degree programme and University experience, UCLan graduates are fully equipped to engage in society and the business community. The University's highly significant education development programmes for health service professionals (the majority of whom work in the local health economies) is an example of how the University provides a clear and distinct economic benefit to the region. The University provides the local business community with a regular supply of highly-qualified, skilled and employment-ready graduates who have developed knowledge and have been encouraged throughout their studies to create and maintain international connections which are vital to the UK economy.

UCLan's economic activities in the region directly contribute towards the maintenance and growth of the North West economy. Accepted ratios of growth to university expenditure are about 2.5:1 or 3:1. With a gross income of c£200million in 2012/2013, the University made a significant contribution to the regional economy of between £500m and £600m.

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

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 objects 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.

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 and Technology Park which is available to the charity's beneficiaries: students, local businesses, professional societies and public bodies supportive of educational engagement and communications.

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.

The Corporate Structure

The UCLan 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 including joint venture companies. Delonore Limited was incorporated in Cyprus in August 2012 as a wholly owned subsidiary of the Higher Education Corporation. Centralan Estates Limited and Centralan Property Limited were dissolved during the year. This Group structure enables appropriate transparency and accountability for a number of specific activities, and these legal bodies are included in the University's Group Consolidated Financial Statements as subsidiaries or associates. Additionally, the University operates a death in service scheme for its staff and there is a Board of Trustees constituted to oversee the disbursement of any benefits due under the Scheme.

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

University of Central Lancashire

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

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 (MTS) - was approved by the University Board in July 2007. The MTS informed the University's plans for 2012/13.

The **Medium Term Strategy** confirmed the University's **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 its **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.*

Performance Monitoring

Ten formal University Board meetings, including a residential meeting, were held during the year, including one Emergency Board Meeting, held on 26 February 2013 to enable the Board to consider the appointment of Professor Kelleher as Vice-Chancellor.

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 2012/13, facilitating focused discussions on key issues and priorities, and enabling the University Board to be assured about the delivery of the strategy and UCLan's overall performance.

The robust performance in 2012/13 provides a sound base for 2013/14 and the new challenges that are to be faced in subsequent years. During the 2013/14 academic year, UCLan will continue to focus on its core activities, whilst also expanding its delivery against its strategic aims.

Risk Management

The University Board has continued to work within the following risk appetite in making decisions:

"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".

University of Central Lancashire

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

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

(a) Staff

A fantastic response rate of 72% in the Staff Survey January 2013 showed great engagement by colleagues, and the results maintain UCLan as an 'employer of choice' scoring in the top quartile of all companies surveyed by Capita. This builds on the finding in the Survey of 2011 but highlights improvements in several areas such as managing change.

Several peer group leadership development programmes have taken place and concluded with marked improvements in day-to-day practice of leaders, as well as raising aspirations and University awareness. Future Proof won the Peer Award 2013 for best insight in the People and Performance category for developing future female leaders to address the gender imbalance at senior levels within UCLan.

A Women's Network was established in March 2012 to respond to research findings about why women were not progressing in expected numbers beyond a certain grade. The network now has around 100 members, has been active over its first year with 154 women participating in additional development activities through the network, and raising £230 for Preston Domestic Violence Service as part of International Women's Day celebrations.

(b) Students

Engagement with the University's students, its key partners and clients, continues to take a variety of forms and is a critical and central activity running through all UCLan's Schools and courses. The new Student Lifecycle Group, on which the Students' Union is represented, has been very active in reviewing mechanisms for student feedback and in reviewing the Staff Student Liaison Committee system. Proposed changes to the current feedback system are due this autumn to allow it to be more reactive throughout the academic year to student concerns and feedback. SU representatives are involved in all Periodic Course Reviews ensuring that there is student engagement in the design and development of its curriculum.

To ensure that there is student engagement for the duration of the students' learning journey, the University has also initiated a series of 'student engagement weeks'. During this period of engagement there are a series of activities for students to take part in which help them to plan ahead for the rest of the year and ultimately ensure they get the most out of their time at the University. The University supports its students in planning structured work experience and volunteering opportunities whilst they study at UCLan, and seek any additional feedback from students throughout the weeks of engagement.

Members of the Student Unions' Student Affairs Committee (elected officers) continue to serve on the Academic Board and its sub-committees including Student Experience Committee (SEC) and Academic Standards and Quality Committee. The new Student Equality and Diversity Committee has completed its first year, chaired by a former student ambassador. It is comprised of many students and has developed proposals and ideas which ensure that student equality and diversity matters are fully addressed.

University of Central Lancashire

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

The University's Senior Management Team (SMT) meet with the SU Student Affairs Committee and Chief Executive for three 'strategic' meetings a year. A number of SMT members meet with the SU more regularly, on a six weekly basis, so that matters of concern can be raised and addressed, along with a cycle of topics across the year that informs discussions at SEC. On a monthly basis members of the University's Directorate continue to meet with the SU Chief Executive, Finance Director and President in a joint management group to monitor the use of the SU grant, and to provide on-going oversight to the management and development of joint initiatives.

The SU has continued to ensure that its students are actively engaged in the critical evaluation of their courses through the monthly "I heart my lecturer" awards, culminating with the 'Golden Rose' annual awards in the spring. This is a fantastic way to celebrate best teaching practice and to allow this practice to be disseminated more widely across UCLan. Meanwhile, the University's undergraduate students continue to participate in a wide range of undergraduate research projects which have been celebrated at the UK's first 'Posters in Parliament' exhibition. The exhibition, hosted and sponsored by UCLan at the Palace of Westminster, specifically celebrates British undergraduate research.

(c) Regional Educators and Employers

UCLan continues to work with a wide range of education partners regionally and nationally. Its Partnership Strategy is developing to reflect the context of higher fees, the growth of margin numbers in partner colleges and the overall diversification of the education market in the UK, including the growth in private provision. The University continues to have four core partners (Burnley, Myerscough, Preston and Runshaw) with Myerscough College becoming an Associate School of the University during 2012/13 for its HE provision. Additionally, there is a broad range of further education colleges in the North West and beyond offering UCLan provision in Education, Sport and Nuclear as well as private providers delivering UCLan provision in the creative industries in Manchester and London.

In the wider context of economic development support, the University is supporting the Lancashire Local Enterprise Partnership's Growth Plan 2013/14, which highlights the importance of 'maximising the economic value and benefits of an emerging arc of innovation across Lancashire'. This activity is supported through UCLan's Preston and Burnley campuses, as well as the proposed CPD and workforce development activity on the Lancashire Enterprise Zone at Samlesbury and Warton. The University is building on this theme in relation to its applications for Lancashire Enterprise Partnership related funds, including the next round of European Structural and Investment Funds (2014-20).

UCLan Innovation and Enterprise was reorganised in 2012 to provide a more focused service, offering a wide range of support to businesses and other external organisations.

The University has attracted a number of high-level visits related to business, support and entrepreneurship during the year. These included Prime Minister David Cameron in January, who visited the University in Preston to meet local young entrepreneurs and announce a boost to the Government's Start up Loans scheme. In November, Baroness Hanham, Parliamentary Under Secretary of State for Communities and Minister responsible for the European Regional Development Fund, visited Preston to see UCLan projects that have benefited from ERDF funding, meeting clients of its business support programmes. In April, Lord Adonis also visited the media factory and met with a number of UCLan's start-up businesses located in the Media Factory building.

University of Central Lancashire

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

UCLan works closely with local councils including Preston City Council around the City Deal and Preston City Brand initiatives. Collaboration has also been developed with South Ribble Council on a wide number of areas ranging from schools support, tourism and sports.

International Activities

(a) International Partners

The University's Medium Term Strategy gives emphasis to international development, and the building of strong links overseas.

The University continues to work collaboratively with a selection of international academic partner institutions, across a broad range of subject disciplines. In the 2012/13 academic year, around 3,100 students enrolled on UCLan programmes being delivered off-shore. These included over 700 students enrolled on UCLan programmes in Business or Communication in China, and over 550 students enrolled on Safety and Engineering programmes in Oman. In addition to the education of students overseas, the University enrolled over 2,000 international students at its UK campus.

The University continues to retain a number of overseas representative offices which support specific in-country activities and promote the University to potential students wishing to come and study in Preston.

The University's Student Travel Bursary has enabled over three hundred UK-based students to include time overseas within their period of study. These are in addition to the already significant numbers of students who travel overseas on student exchange programmes or other international activities organised by Schools. The University's most recent initiative – the Distinguished Visitors Programme – has so far been successful in supporting over fifty visits to UCLan by leading researchers from across the world. The scheme is running again in 2013/14.

(b) Overseas Developments

Through its subsidiary, Uclan (Overseas) Limited (UOL), the University is investing in a number of joint ventures with the aim of developing significant centres of activity across Europe and Asia so providing, in the long term, financial returns to the University but, as important, opportunities for students to develop their skills in a global environment.

UOL's first joint venture, Uclan Cyprus Limited, became operational in October 2012 when the first students were welcomed to a new purpose built campus. The second stage of capital development, funded by the joint venture partner, is expected to be completed during 2013/14 and the outlook in the longer term is encouraging, despite the significant recent economic challenges for the EEC and Cyprus in particular. The company made a loss of £3,373k during its first full year of trading of which the group's share is £1.69m as shown in the summary of results on page 14. The recent discovery of oil and gas reserves off the coast of Cyprus offers the joint venture significant opportunities in the long term although the University recognises that financial benefits are unlikely to be received in the short to medium term.

UOL also entered into a joint venture in Thailand in August 2011 with a Thai national. Disputes subsequently arose between the parties which resulted in UOL giving notice to the Thai partner leading to the termination of the joint venture agreement. This has led to a write down of the value of the investment in the financial statements, further details of which are supplied in the section of the Chair's report relating to financial performance for 2012/13.

University of Central Lancashire

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

UOL has also formed a wholly owned subsidiary, Uclan Lanka (Private) Limited, with the intention of constructing and operating a branch campus of Uclan in Sri Lanka. Uclan Lanka (Private) Limited has been granted Special Development Project status by the Sri Lankan Government and UOL is currently involved in negotiations with various parties to secure the finance required to construct the campus.

In addition, UOL has a wholly owned subsidiary of Uclan (HK) Limited which in turn, owns Uclan Biomedical Technology (Shenzhen) Limited, a research organisation based at the Virtual University Science Park in Shenzhen, People's Republic of China.

The University Court

The University Court met on 25 March 2013. 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. Real-World Research and Innovation was the theme for this year with presentations on Midwifery, Drug Delivery, Energy and Challenges, Nuclear Safety and Security, Dark Tourism, Sports Rehabilitation, Sign Language and Linguistics and Interactive News Print.

Diversity

UCLan is pleased that progress continues with its efforts to mainstream and embed equality and diversity (E&D) effectively throughout the organisation and some of its key achievements for the year are set out below.

The University met its statutory responsibilities for the Equality Act 2010 and published student and staff equality and diversity information and its equality objectives at www.uclan.ac.uk/equalityact2010

UCLan's strategic equality objectives have been integrated across the University's core priorities of student recruitment, retention, satisfaction and attainment, inclusive and accessible curriculum and promotion of equality and diversity. Equally, it has integrated its staff equality and diversity objectives within this document.

UCLan held its second University Diversity Conference in November 2012 on 'Pathways to Inclusive and Accessible Curriculum' which was extremely successful. A breadth of external and internal speakers and participants were attracted, and the event raised the awareness and profile of a breadth of sector-wide and institutional diversity issues. The University aims to continue to find ways of developing this aspect of its work through staff CPD activities and the development of innovative teaching methods.

UCLan completed its face-to-face E&D training to staff in February 2013 and is pleased to have reached almost 75% of the current staff population. The University is keen to develop a Phase 2 E&D training programme to further strengthen the capacity and capability of E&D knowledge and skills in Schools and Services.

Much activity has taken place to develop and support Schools and Services embed E&D locally. 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.

University of Central Lancashire

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

To strengthen its E&D structure the University established a Student E&D Committee which enables it to focus specifically on student E&D issues, and acts as a sub-committee of the University's Student Experience Committee. The Committee is chaired by a former UCLan student and has wide student representation.

The University finalised its involvement in its 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 UCLan 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.

Safety and Health

The University continues to work pro-actively with all its stakeholders, through representation on safety committees, and by providing health and safety related training to all UCLan employees. It has developed robust policies, procedures and guidance for staff and offers competent advice, all of which are intended to promote and facilitate a safe, healthy and sustainable working environment for all of its staff, students and visitors.

During the year, a wide range of audits and inspections have been undertaken to verify compliance across a broad spectrum of issues and activities in Schools and Services. The average compliance score for all audits was generally very good and demonstrates that the University has 'significant controls' in place to manage safety, health and environment.

The University continues to have a low reportable accident/incident rate with the average 2012/13 year reporting of 2.96 accidents/incidents per 1,000 staff. This is significantly below the sector target of 3.6 accidents/incidents per 1000 staff, set in 2010 by the University and Colleges Employers Association (UCEA). Good progress also continues to be made in raising awareness and managing health and safety in the workplace, with a wide range of in-house training being made available to all staff via traditional taught and on-line course options. Much work continues to be progressed in the assessment and recording of the training needs of all staff against statutory requirements and best practice.

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'.

In October 2010, the University's Environmental Management System (EMS) gained the internationally recognised ISO14001 certification.

UCLan is recognised as a leader in this area, as evidenced by its consistent high scores in the annual People and Planet Green League Table, which this year saw UCLan achieve a 1st class award and joint 9th place in an overall league of 145 universities and colleges. The University has maintained a top 10 position for the last 6 years despite increasing competition. In November 2012 it introduced Green Impact, a national environmental accreditation and awards programme run by the NUS. The Green Team held a successful Green Week in February 2013 directly engaging over 1,500 staff and students and encouraging people to make small changes to reduce their environmental impact.

University of Central Lancashire

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

Financial Performance in 2012/13 Compared to Previous Years

The University's financial performance in 2012/13 reflects the on-going support in the development of operational academic excellence and physical environment which underpins its Medium Term Strategy. The University's Financial Strategy remains unchanged in requiring a modest surplus to be achieved each year from core activities in order to supply funds for investment in future years; this is essential in ensuring the sustainability of the organisation in the current turbulent times. The strategy also allows for reserves to be used to invest in non-recurrent items which support the University's overall strategies and makes allowance for contingencies which provide protection in the event of unforeseen difficulties within the year. This Financial Strategy, which has been maintained over several years, contributes to the financial strength of the University allowing it to manage on-going challenges from a sound financial base.

The summary group financial results are set out below:-

Group Financial Results	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
<u>Operations</u>					
Income	193,773	198,700	206,735	199,018	188,686
Expenditure	184,997	184,102	200,723	196,436	194,550
Operating surplus/ (deficit)	8,776	14,598	6,012	2,582	(5,864)
Exceptional items and Tax	(3,186)	(31)	(20)	1,417	(3,114)
Group share of associated company loss	(1,687)	(251)	-	-	-
Historical cost surplus/(deficit)	5,959	16,437	7,818	6,031	(2,155)
<u>Financial Strength</u>					
Fixed Assets	256,672	264,595	254,666	231,513	223,084
Cash/Investments	86,520	81,096	77,552	80,259	74,366
Net Assets excluding Pension Liability	296,219	293,851	273,738	243,041	232,741
Pension Liability	55,546	63,043	47,055	49,789	53,588

Key features of 2012/13 were:-

- The exceptional item (£3.2m) relates to the write down of the Group's investment in its subsidiary company, Uclan (Overseas) Limited. This arose following the termination of that company's joint venture in Thailand.
- The Group share of associated company loss is in respect of the joint venture in Uclan Cyprus Limited.
- The overall income has fallen due to the continuing reduction in HEFCE grant which has not been wholly offset by the increased tuition fees received.
- Capital expenditure during the year was significantly reduced in comparison to previous years. The only significant items of expenditure related to the continued remodelling to support the requirements of the Architecture courses, and the conversion of the Foster Building to create new lecture theatres and learning zones.
- As in previous years, cash generated from operations was substantial. On-going strong cash balances enabled the University to support the strategic elements of the Medium Term Strategy whilst reducing its external borrowing levels. The strong cash balances and limited external borrowing commitments should provide the University with financial protection in the short term as it continues to adapt to the new funding and fees regime and the on-going economic global challenges.

University of Central Lancashire

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

Financial Outlook 2013/14 and Beyond

The University has a clear financial strategy, a financial plan and KPIs that are reported regularly to the University Board to enable it 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 on-going viability and performance of each business.

The financial plans produced within the Group indicate that the University Group can continue to be confident in its ability to deliver the Medium Term Strategy. These financial plans have been remodelled based on the 2013/14 student intake and indicate that the University's financial position

will not be significantly undermined in the near future. The University continues to be well placed to deal with the challenges ahead although some cost savings will need to be achieved in the short/medium term. In addition, income targets will need to be met and costs controlled whilst satisfying the academic requirements of the students and delivering a superlative student experience, dealing with the changing requirements of the regulatory environment, delivering on the overseas agenda and maintaining investment in the technological and physical infrastructures.

Future Risks and Uncertainties

Whilst my report provides detail about a wide ranging number of activities which demonstrate the vibrant and active nature of the University and its companies, it should be recognised that there are a number of risks and uncertainties which the Group faces.

Within the UK, the economic uncertainty together with the impact of higher student fees and changing political climate, presents challenges for the HE sector to which Uclan is not immune. Whilst recruitment is satisfactory and in line with expectations, work continues on ensuring that we are able to retain and support our students throughout their allotted time here and that they leave the University as graduates with the range of skills necessary to ensure their long term employability. Failure to deliver in any of these areas will, over the medium to long term, be detrimental to the sustainability of the University which will have a significant impact particularly on our staff, local economy and future students. The events of recent years have led the University to recognise that, to stay competitive and to ensure it is able to invest in its future, cost base must be shaped accordingly. Consequently, in 2013/14 a programme of work will continue, focused on reducing the staffing base in both academic and non-academic activities. Whilst this is necessary for the long term financial stability of the University, it is not without its risks especially in the potential to disrupt the current student experience if the changes are resisted through prolonged industrial action.

There are also risks in pursuing the international development strategy, particularly given the volatility of the global economy and the political uncertainty in some areas of the world. The key immediate risk surrounds the transformation of the early set up losses of the joint venture in Cyprus into the strong viable business we expect it to become. We seek to mitigate this in line with our approach to risk management (page 8) but it must be acknowledged that new ventures, whether at home or abroad, may have unforeseen outcomes and must be managed accordingly in line with the Board's risk appetite statement.

University of Central Lancashire

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

Conclusion

The Group and University Board is pleased with the achievements of, and significant progress made by, the Group in the last twelve months in line with the agreed strategy, against the background of an intensely competitive UK environment but major opportunity globally. Malcolm McVicar retired as Vice-Chancellor on 30 June 2013 and on behalf of the Board I would like to record our thanks and appreciation of his leadership and commitment in that role over the last 15 years. Under his leadership supported by his senior colleagues and committed staff the University has become a major institution with a strong foundation and clarity about the future direction. We look forward to his continuing contribution in the new role of Group Chief Executive.

I said last year that 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. In that regard, we believe the revised group structure is appropriate for our future leadership and direction and we welcome our new Vice-Chancellor, Gerry Kelleher, and have every confidence that he will successfully lead the University through its next stage of development.

On behalf of the Group and 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.

A resolution to reappoint KPMG LLP as auditors to the University was approved at the Board of Governors meeting on 24 October 2013.

B R Harris

Chair of the Board of the University of Central Lancashire
October 2013

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 Group and University Board (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.
- on-going review of the effectiveness of the Board.
- effective application of the approved Scheme of Delegation in the light of the revised Medium Term Strategy.
- on-going 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 28 and 26 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 Instrument 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 completed a significant review of its group structure and governance framework during the 2012/13 financial year. It was agreed that, due to the increasing complexity of the University's profile, changes within the Higher Education sector and the growth of the international market, a failure to revise the University's structure and governance framework could inhibit the future development of the University.

Following detailed consideration it was agreed to change the management structure of the Group and to amend and update the University's governance framework, including the University's Articles of Government, Instrument of Government, Scheme of Delegation and Statement of Primary Responsibilities.

The position with regard to the revision of each of these documents and their use throughout the financial year is as follows:

Articles and Instrument of Government

At the time of writing the existing Articles and Instrument of Government have been in place, unchanged, since 2003 and apply to the University for the full financial year to which these accounts refer. Copies of these documents are available on the University's website and from the Clerk to the University Board. Revised Articles and Instrument were agreed by the Board at their meeting in May 2013 and subsequently submitted to the Privy Council for approval. At the time of writing the University was awaiting this approval. Once approval is received and these revised documents become effective they will be made available on the University's website and from the Clerk.

Scheme of Delegation

At their meeting on 20 June 2013, the Board agreed, inter alia, a revised Scheme of Delegation, including an updated Statement of Primary Responsibilities, with the documents to be effective from 1 August 2013.

In addition to these governance documents, the University's Standing Orders were modified during 2012/13 to increase the composition of the University Board's Remuneration Committee from three members to four and to provide that the Audit and Risk Committee comprises not less than three Board members and up to two co-opted external members.

It is anticipated that the Standing Orders will be revised by the Board to reflect the provisions of the revised Articles and Instrument once they are approved by the Privy Council.

University of Central Lancashire

Corporate Governance *(continued)*

The Group and University Board

The Group and University Board is the governing body of the Group and University with overall responsibility for the Institution. The responsibilities of the Board are set out in the Statement of Primary Responsibilities. The Statement of Primary Responsibilities in use throughout 2012/13 is set out on page 28.

The Statement of Primary Responsibilities in use throughout the 2012/13 include the determination of the educational character and mission of the Institution, the oversight of its activities, the effective and efficient use of resources, the solvency of the University and the Corporation and the safeguarding of University assets. The Statement of Primary Responsibilities adopted by the University on 1 August 2013 was amended to take account of the new Group management structure.

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

Constitution and Operation of the Group and University Board

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

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

The revised Instrument of Government will provide that Board members are appointed for an Induction year followed by up to two terms of up to three years (though this can be varied), and that in exceptional circumstances a governor may serve for a period in excess of seven years. The Instrument includes an absolute time limit for governing body members of ten years.

Towards the end of each term of Office the Chair recommends appropriate actions to the Board, including where required and/or requested, personal training and development.

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

University of Central Lancashire

Corporate Governance *(continued)*

During the year, a number of further improvements to the University's recruitment procedure for Board Members were introduced, including the production of a more comprehensive recruitment information pack. 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 currently comprises 13 members, consistent with CUC guidance and in full compliance with the requirements of the Articles of Government: 8 independent members, 2 staff members, 1 student member (The president of the University's Student's Union), the Group Chief Executive and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met ten times during the year. The Board and some Committee meetings included specific presentations and briefings on strategic issues, themed in accordance with an agreed strategic forward business plan. The meetings supported member development and provided contextual background to encourage members to develop their knowledge and understanding of the issues on which they were required to take decisions at meetings.

Committees and Working Groups

Much of the detailed work of the Board was carried out by four Committees: 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 University's Standing Orders and Scheme of Delegation.

The Standing Orders, which govern the conduct of Board and Committee meetings, were updated by the Board at their meeting on 23 May 2013 to increase the composition of the Remuneration Committee from three members to four and to provide that the Audit and Risk Committee comprises not less than three Board members and up to two co-opted external members. As well as determining the composition of Committees, the Standing Orders encompass significant elements of the Articles of Government and provide rules regarding each Committee's role, responsibilities and procedures. It is expected that once the revised Instrument and Articles of Government have been approved by the Privy Council that the Board will adopt an appropriately amended set of Standing Orders: this is logical as, in the event of any conflict between any provision of the Standing Orders and any provision of either the Instrument or Articles of Government, the latter take precedence.

The Committees meet in accordance with an agreed Business Cycle which is designed to ensure that the operational requirements of the University are met. Committee meetings are also called on an 'as and when' basis to meet ad hoc operational requirements. In addition to reports from the Executive and the Clerk, 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).

University of Central Lancashire

Corporate Governance *(continued)*

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. 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 26).

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

Nominations Committee

Gail Stanley served as Chair of the Nominations Committee throughout 2012/13. Janice Horrocks was appointed to replace Mrs Stanley as Chair with effect from 1 August 2013. The Committee's role is to consider candidates identified as prospective Board Members and make appropriate recommendations to the Board. The Committee met once during the year, and, inter alia, made a number of recommendations to the Board in relation to the terms of office of existing board members and the recruitment of new Board members, including a Chair Designate.

University of Central Lancashire

Corporate Governance *(continued)*

Remuneration Committee

This Committee met three times during the year with Bill Adams, Deputy Chair of the Board, undertaking the role of Chair for the whole of the year. On 1 August 2013, following the expiry of Bill Adams' term of office Gail Stanley was appointed as Deputy Chair of the Group and University Board and, as a consequence of this appointment and by virtue of operation of the University's Standing Orders, as Chair of the Remuneration Committee. 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

The Special Committee on 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. Having fulfilled its purpose, the Committee disbanded after its last meeting on 5 November 2012. At their meeting in April 2013, having received detailed recommendations from the Committee, the Board agreed, for the time being, not to proceed with the proposed conversion to a Company Limited by Guarantee.

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 governance arrangements of the University require Academic Board to produce an Annual Report which is submitted formally to the University Board.

The Chair of the Board of Governors

The Chair and Deputy Chair of the Group and University Board during the year were Brian Harris and Bill Adams respectively. On 1 August 2013, following the retirement of Bill Adams, Gail Stanley was appointed as Deputy Chair of the Board. 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.

Mr Harris' maximum term of office as Chair will expire on 31 July 2014. At the request of the Board and in line with the University's Standing Orders, during 2013 the Nominations Committee facilitated a recruitment and selection process in relation to the appointment of a Chair Designate. At the time of writing the process was still underway.

University of Central Lancashire

Corporate Governance *(continued)*

The Scheme of Delegation in place during the financial year included clear statements as to the division of responsibilities between the Chair and the Vice-Chancellor. The Scheme of Delegation adopted on 1 August 2013 now provides for the new Group and University Structure and, inter alia, the new senior role of 'Group Chief Executive'.

Group Chief Executive

The restructuring of the management of the Group and University included the creation of a new senior post: that of Group Chief Executive. Dr Malcolm McVicar took up the position of Group Chief Executive with effect from 1 August 2013.

In accordance with the provisions of the Articles of Government currently under consideration by the Privy Council, the Group Chief Executive will serve as the Accountable Officer for the purposes of the financial memorandum with the Higher Education Funding Council for England and will be responsible for:

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

The revised Articles of Government provide the Board with the authority to determine the period of office, terms and conditions of the Group Chief Executive.

The Group Chief Executive's responsibilities are set out on in more detail in the University's revised Scheme of Delegation which can be obtained on application to the Clerk to the Board.

The revised Articles of Government provide the Group Chief Executive with an automatic place on the Board unless he or she chooses not to undertake that role.

University of Central Lancashire

Corporate Governance *(continued)*

The Vice-Chancellor

With effect from July 2013, following a rigorous recruitment and selection process led by the University's Nominations Committee, the Board appointed Professor Gerry Kelleher as Vice-Chancellor. Under the provisions of the revised Articles, the Vice-Chancellor will, subject to line management by the Group Chief Executive, be responsible for the following duties:

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

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 Deputy Director of Finance served as Nominated Officer.

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

The University currently has an arrangement with Lancashire County Council through which Lancashire's County Secretary and Solicitor, Ian Fisher, serves as Clerk to the University Board. This arrangement is reviewed by the Board on an annual basis.

University of Central Lancashire

Corporate Governance *(continued)*

Register of Interests

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

Commitment to Continuous Improvement

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

- 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 its 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 student 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

Corporate Governance *(continued)*

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 on-going process for identifying, evaluating and managing the University's significant risks; that it has been in place for the year ended 31 July 2013 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. 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 small number of special investigations and reviews were instigated by senior management in addition to the planned activity.

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.

University of Central Lancashire

Corporate Governance *(continued)*

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 2012/13. 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 October 2013 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 2013 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2013.

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

Senior managers and Company Directors were also briefed on the implication of the Bribery Act and a policy statement approved for use within the Group structure. Additional training is now being rolled out to other relevant members of staff.

It is the opinion of the Audit and Risk Committee that reliance can be placed upon the control environment within the University and that controls are operating satisfactorily. This opinion has been arrived at following its review of reports received by the Audit and Risk Committee during the year and from discussions with both the internal and external auditors and senior officers of the University. On the basis of this assurance, the Audit and Risk Committee reviewed this statement of Internal Control and recommended it to the University Board.

University of Central Lancashire

Statement of primary responsibilities of the Board of the University of Central Lancashire Higher Education Corporation for the year ended 31 July 2013

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 2013 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 28 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 2013 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 2013. For the purposes of consolidation, Uclan (Cyprus) Limited is treated as an associate company. In 2012 Uclan (Thailand) Company Limited was treated as a subsidiary company with the appropriate minority interest removed, however due to the university now having a reduced level of control over the Uclan (Thailand) Company Limited it been treated as an investment in the 2013 consolidated balance sheet. 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 2013

	<i>Note</i>	2013 £000	2012 £000
Income			
Funding council grants	1	53,751	73,675
Tuition fees and education contracts	2	108,311	92,868
Research grants and contracts	3	5,661	5,444
Other income	4	24,804	25,597
Investment income	5	1,246	1,116
Total income		193,773	198,700
Expenditure			
Staff Costs	6	108,805	102,454
Depreciation	9	7,463	7,928
Other operating expenses	7	66,201	70,670
Interest payable	8	1,293	1,411
Interest payable – FRS17	8	1,235	1,639
Total expenditure	9	184,997	184,102
Surplus after depreciation of assets at valuation / cost and before tax		8,776	14,598
Impairment of investment	12	(3,193)	-
Taxation	10	7	(31)
Group share of associated company profit/(loss)	12	(1,687)	(251)
Minority interest	32	-	7
Surplus for the year		3,903	14,323

Note of historical cost surpluses and deficits

for the year ended 31 July 2013

	<i>Note</i>	2013 £000	2012 £000
Surplus after depreciation of assets at valuation/cost		3,903	14,323
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	2,056	2,114
Historical cost surplus for the period		5,959	16,437

University of Central Lancashire

Balance sheets

as at 31 July 2013

	<i>Note</i>	Consolidated		HEC	
		2013	2012	2013	2012
		£000	£000	£000	£000
Fixed assets					
Tangible assets	<i>11</i>	255,843	264,387	251,346	254,605
Investments	<i>12</i>	2,765	457	8,074	20,274
Investment in Associates and Joint Ventures	<i>12</i>	(1,936)	(249)	-	-
		256,672	264,595	259,420	274,879
Current assets					
Stocks	<i>13</i>	65	62	51	62
Debtors	<i>14</i>	9,431	7,708	11,102	6,345
Investments and other assets	<i>15</i>	6,791	5,863	6,791	5,863
Cash at bank and in hand		79,729	75,233	75,035	68,115
		96,016	88,866	92,979	80,385
Creditors: amounts falling due within one year	<i>16</i>	(34,719)	(34,866)	(34,745)	(39,338)
		61,297	54,000	58,234	41,047
Net current assets		61,297	54,000	58,234	41,047
Total assets less current liabilities		317,969	318,595	317,654	315,926
Creditors: amounts falling due after one year	<i>17, 18</i>	(16,248)	(18,407)	(16,249)	(18,407)
Provisions for liabilities and charges	<i>19</i>	(5,502)	(6,337)	(5,505)	(6,298)
		296,219	293,851	295,900	291,221
Net assets excluding pension liability		296,219	293,851	295,900	291,221
Pension liability	<i>29</i>	(55,546)	(63,043)	(55,546)	(63,043)
		240,673	230,808	240,354	228,178
Net assets including pension liability		240,673	230,808	240,354	228,178
Represented by:					
Deferred capital grants	<i>20</i>	51,008	52,041	51,508	52,541
Revaluation reserve	<i>21</i>	115,670	116,721	114,577	115,706
General reserve excluding pension liability		129,541	120,425	129,815	122,974
Pension reserve	<i>29</i>	(55,546)	(63,043)	(55,546)	(63,043)
		73,995	57,382	74,269	59,931
General reserve including pension liability	<i>22</i>	73,995	57,382	74,269	59,931
		189,665	174,103	188,846	175,637
Total reserves		189,665	174,103	188,846	175,637
Minority interest	<i>32</i>	-	4,664	-	-
		240,673	230,808	240,354	228,178

The financial statements on pages 33 to 62 were approved by the Board on 24 October 2013 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 2013

	<i>Note</i>	2013 £000	2012 £000
Cash flow from operating activities	26	13,521	19,131
Returns on investments and servicing of finance	27	275	(312)
Taxation		-	-
Capital expenditure and financial investment	27	(6,746)	(17,960)
Cash inflow/(outflow) before use of liquid resources/ financing		<u>7,050</u>	<u>859</u>
Management of liquid resources	27	(420)	-
Financing	27	(2,134)	2,799
Increase/(decrease) in cash in the year		<u>4,496</u>	<u>3,658</u>

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2013

	<i>Note</i>	2013 £000	2012 £000
Increase/(decrease) in cash in the year		4,496	3,658
Cash inflow from changes in debt and lease financing		2,135	2,182
Movement in net funds in the period		<u>6,631</u>	<u>5,840</u>
Net funds at beginning of year	28	54,692	48,852
Net funds at end of year	28	<u>61,323</u>	<u>54,692</u>

University of Central Lancashire

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2013

	2013	2012
	£000	£000
Surplus after depreciation of assets at valuation	3,903	14,323
Unrealised gains/(losses) on investments	1,018	(121)
Actuarial gains/(losses) in respect of pension schemes (note 29)	10,641	(13,253)
Total recognised gains relating to the year	15,562	949
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
	2013	2012
	£000	£000
Opening reserves	174,103	173,154
Total recognised gains relating to the year	15,562	949
Closing reserves	189,665	174,103
	<hr/> <hr/>	<hr/> <hr/>

University of Central Lancashire

Notes

(forming part of the financial statements)

1 Funding council grants

	2013 £000	2012 £000
HEFCE recurrent grant	47,654	69,801
HEFCE specific grants		
Selective initiatives	4,073	2,425
Others	898	109
HEFCE deferred capital grants released		
Building (note 20)	790	790
Equipment (note 20)	336	550
Total HEFCE Grant	<u>53,751</u>	<u>73,675</u>
Total funding council grants received	<u>53,751</u>	<u>73,675</u>

2 Tuition fees and education contracts

	2013 £000	2012 £000
UK higher education students	72,972	58,825
European Union students	2,498	2,324
Non-European students	13,948	13,884
	<u>89,418</u>	<u>75,033</u>
Education Contracts	18,893	17,835
	<u>108,311</u>	<u>92,868</u>

University of Central Lancashire

Notes (continued)

3 Research grants and contracts

	2013 £000	2012 £000
Research Councils	1,361	1,092
UK-based charities	359	170
EU government and other bodies	938	1,051
Other grants and contracts	3,003	3,131
	<u>5,661</u>	<u>5,444</u>

4 Other income

	2013 £000	2012 £000
Residences, catering and conferences	9,776	10,760
Other income generating activity	8,532	8,985
Other income	4,011	4,158
Rental income	300	237
Other services rendered	1,574	701
Residential course fees	228	358
Release of other capital grants	383	398
	<u>24,804</u>	<u>25,597</u>

5 Investment income

	2013 £000	2012 £000
Interest receivable	1,246	1,116

University of Central Lancashire

Notes (continued)

6 Staff costs

Average staff numbers by major category - Full Time Equivalent	2013 Number	2012 Number
Academic departments	1,334	1,293
Academic support departments	215	146
Other support services	84	82
Administration and central services	453	503
Premises	253	215
Other	87	117
	<u>2,426</u>	<u>2,356</u>
Staff costs for the above persons:		
	2013 £000	2012 £000
Staff costs:		
Wages and salaries	89,067	83,658
Social security costs	7,051	6,827
Pension costs	10,690	10,840
FRS17 related pension adjustments	1,997	1,129
	<u>108,805</u>	<u>102,454</u>

Staff costs above include £298,652 relating to restructuring costs (2012: £328,168)

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

	2013 Number	2012 Number
£100,000 - £109,999	2	4
£110,000 - £119,999	4	4
£120,000 - £129,999	2	3
£130,000 - £139,999	1	1
£140,000 - £149,999	1	-
£180,000 - £189,999	1	-
£260,000 - £269,999	1	-
£270,000 - £279,999	-	1

Compensation for loss of office paid to staff included above amounted to £Nil (2012: £96,873).

University of Central Lancashire

Notes (continued)

6 Staff costs (continued)

Emoluments of the Vice-Chancellor	2013	2012
	£000	£000
Salary	233	240
Pension compensation (paid as salary)	28	30
Total emoluments	261	270

These emoluments relate to the Vice-Chancellor who was in post for the majority of the year. A new Vice-Chancellor was appointed in July 2013, when the existing Vice-Chancellor took up the position of Chief Executive Officer. 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 above, 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

	2013	2012
	£000	£000
Franchised courses	14,092	18,396
Other expenses	7,535	8,648
Residences, catering and conferences operating expenses	7,321	7,632
Repairs and general maintenance	7,167	6,849
Consumables and laboratory expenditure	4,965	5,392
Travel, subsistence and conference fees	4,862	4,321
Student bursaries and expenses	4,556	4,625
Premises costs	4,008	3,698
Consultancy	2,311	1,855
Academic learning materials	2,305	2,003
Advertising and publicity	1,885	1,874
Grants to Students' Union	1,008	1,083
Movement in bad debts provision	1,002	786
Staff development and recruitment	791	849
Subscriptions and donations	745	814
Insurance	689	650
Postage	374	342
Furniture	215	162
Equipment lease rentals	85	173
Loss on disposal of fixed assets	-	90
External auditors' remuneration: audit fees (i)	74	78
External auditors' remuneration for non-audit	43	175
Internal auditors' remuneration: audit fees	145	158
Internal auditors' remuneration for non-audit work	23	17
	66,201	70,670

(i) External auditors' remuneration relating to HEC	49	47
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University of Central Lancashire

Notes (continued)

8 Interest payable

	2013 £000	2012 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	2,528	3,050
	<u>2,528</u>	<u>3,050</u>
Bank loans and overdrafts	1,293	1,411
FRS17 related pension adjustments	1,235	1,639
	<u>2,528</u>	<u>3,050</u>

9 Analysis of expenditure by activity

	Staff costs £000	Dep'n £000	Other operating expenses £000	Interest payable £000	2013 Total £000	2012 Total £000
Academic departments	60,696	-	21,910	-	82,606	83,180
Academic support services	13,097	2	6,815	-	19,914	20,680
Administrative and central services	14,625	6,497	7,259	144	28,525	27,996
General education	2,330	-	6,256	-	8,586	8,111
Premises	5,992	244	12,482	-	18,718	17,871
Research grants and contracts	3,322	-	1,689	-	5,011	4,723
Other income generating activities	3,416	24	3,016	-	6,456	6,896
Residences, catering and conferences	2,492	696	5,964	1,149	10,301	10,843
Miscellaneous	838	-	810	-	1,648	1,034
FRS17 related pension adjustments	1,997	-	-	1,235	3,232	2,768
Total per income and expenditure account	<u>108,805</u>	<u>7,463</u>	<u>66,201</u>	<u>2,528</u>	<u>184,997</u>	<u>184,102</u>

The depreciation charge has been funded by:

Deferred capital grants released (note 20)	1,509	1,738
Revaluation reserve released (note 21)	2,056	2,114
General income	3,898	4,076
	<u>7,463</u>	<u>7,928</u>

University of Central Lancashire

Notes (continued)

10 Taxation

The HEC has not generated any taxable profits in either year. The taxation figures in 2013 and 2012 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 2012				
Valuation	136,814	-	-	136,814
Cost	128,815	28,950	-	157,765
Additions at cost	4,711	2,528	-	7,239
Disposals				
Valuation	-	-	-	-
Cost	-	(1,907)	-	(1,907)
Amount eliminated on non- consolidation of subsidiary	(8,308)	-	-	(8,308)
At 31 July 2013	136,814	-	-	136,814
Valuation	136,814	-	-	136,814
Cost	125,218	29,571	-	154,789
Depreciation				
At 1 August 2012	4,955	25,237	-	30,192
Charge for year	4,996	2,467	-	7,463
Eliminated on disposals		(1,895)		(1,895)
At 31 July 2013	9,951	25,809	-	35,760
Net book value				
At 31 July 2013	252,081	3,762	-	255,843
At 31 July 2012	260,674	3,713	-	264,387
Inherited	63,358	-	-	63,358
Financed by capital grant	50,381	627	-	51,008
Other	138,342	3,135	-	141,477
Net book value	252,081	3,762	-	255,843
At 31 July 2013				

Included within freehold land and buildings is £22,361,063 of land which is not depreciated.

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 2012				
Valuation	136,947	-	-	136,947
Cost	118,881	28,944	-	147,825
Additions at cost	1,653	2,528	-	4,181
Disposals				
Valuation	-	-	-	-
Cost	-	(1,895)	-	(1,895)
At 31 July 2013	136,947	-	-	136,947
Valuation	120,534	29,577	-	150,112
Cost				
Depreciation				
At 1 August 2012	4,930	25,237	-	30,167
Charge For Year	4,973	2,467	-	7,440
Eliminated on disposal	-	(1,895)	-	(1,895)
At 31 July 2013	9,903	25,809	-	35,712
Net book value				
At 31 July 2013	247,578	3,768	-	251,346
At 31 July 2012	250,898	3,707	-	254,605
Inherited	63,358	-	-	63,358
Financed by capital grant	50,881	627	-	51,508
Other	133,339	3,141	-	136,480
Net book value	247,578	3,768	-	251,346
At 31 July 2013				

Land and buildings with a net book value of £173,900,429 and a valuation of £180,971,981 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.

University of Central Lancashire

Notes (continued)

12 Investments

Consolidated	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
As at 1 August 2012	-	457	457
Additions	-	420	420
Revaluations	-	91	91
Reclassification of former subsidiary - gross	-	4,990	4,990
Reclassification of former subsidiary - impairment	-	(3,193)	(3,193)
Disposals	-	-	-
As at 31 July 2013	<u>-</u>	<u>2,765</u>	<u>2,765</u>
HEC	£000	£000	£000
As at 1 August 2012	20,240	34	20,274
Additions	-	-	-
Disposals	(9,000)	-	(9,000)
Impairments	(3,200)	-	(3,200)
As at 31 July 2013	<u>8,040</u>	<u>34</u>	<u>8,074</u>

On 31 August 2011 the Uclan (Overseas) Limited entered into an arrangement in Thailand with a Thai citizen to establish a company, Uclan (Thailand) Company Limited. Disputes arose between the parties as a result of which the Company gave notice in December 2012 to the Thai partner which led to the termination of the arrangement. The disputes between the parties were settled on 17 September 2013 and as a result the investment in Uclan (Thailand) Company Limited has been impaired to reflect the recoverable element of the investment. Due to the University now having a reduced level of control over the Uclan (Thailand) Company Limited, this company which was previously treated as a subsidiary with a minority interest, has been treated as an investment in the 2013 consolidated balance sheet.

Associate

Name of Associate	Proportion held by the University	Share of net assets/(liabilities)	
		2013 £000	2012 £000
Uclan Cyprus Limited	51%	(1,936)	(249)

University of Central Lancashire

Notes (continued)

12 Investments (continued)

Investment in subsidiaries

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

On 21 December 2011 Uclan Lanka (Private) Limited was incorporated as a 100% owned subsidiary of the Uclan (Overseas) Limited with the intention of constructing and operating a branch campus of the University of Central Lancashire in Sri Lanka. Uclan (Overseas) Limited is currently involved in negotiations with various parties in order to secure the required finance necessary to construct this new campus.

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
Held by University	
Burnley Education Trust	Educational
Health and Education Co-Operative	Educational
JISC	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
Visions Learning Trust	Education
Westlakes Academy	Education
Held by Centralan Holdings Limited	
Net North West	IT joint venture
North West Universities Purchasing Consortium	Purchasing joint venture
Other Investments (not wholly owned)	
CVCP Properties plc	Holding company
Genetel Pharmaceuticals Limited (Hong Kong)	Technology exploitation
SALT Foundation (Proprietary) Limited	International scientific consortium
Talis Group Limited	Holding company

13 Stocks

	Consolidated		HEC	
	2013 £000	2012 £000	2012 £000	2011 £000
Consumables	65	62	51	62
	<u>65</u>	<u>62</u>	<u>51</u>	<u>62</u>
	<u><u>65</u></u>	<u><u>62</u></u>	<u><u>51</u></u>	<u><u>62</u></u>

University of Central Lancashire

Notes (continued)

14 Debtors: amounts falling due within one year

	Consolidated		HEC	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade debtors	1,624	1,042	1,568	945
Other prepayments and accrued income	4,490	4,865	4,379	4,747
Group debtors	-	-	3,708	616
Other debtors	3,317	1,801	1,447	37
	9,431	7,708	11,102	6,345

15 Current asset investments (Consolidated and HEC)

	2013 £000	2012 £000
Portfolio investments	6,791	5,863
	6,791	5,863

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank loans (note 18)	2,158	2,134	2,158	2,134
Trade creditors	4,451	5,997	4,428	6,192
Social security and other taxation payable	3,737	3,605	3,737	3,578
Accruals and deferred income	15,255	17,132	14,958	16,894
Group creditors	-	-	535	4,640
Other creditors	9,118	5,998	8,929	5,900
	34,719	34,866	34,745	39,338

University of Central Lancashire

Notes (continued)

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

	2013	2012
	£000	£000
Bank loans (note 18)	16,248	18,407
	<u>16,248</u>	<u>18,407</u>

18 Loans (Consolidated and HEC)

Loans are repayable as follows:

	2013	2012
	£000	£000
In one year or less	2,158	2,134
Between one and two years	2,884	2,158
Between two and five years	2,920	3,857
In five years or more	10,444	12,392
	<u>18,406</u>	<u>20,541</u>

Analysis of borrowings at 31 July 2013

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 2013 and 2 February 2032. In addition, the University has two loans with variable interest rates of up to 0.35% above the base rate repayable by instalments falling due between 1 August 2013 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 2012	5,632	666	39	6,337
Utilised in year	(431)	-	-	(431)
Charged / (released) in year	305	(666)	(43)	(404)
At 31 July 2013	<u>5,506</u>	<u>-</u>	<u>(4)</u>	<u>5,502</u>

University of Central Lancashire

Notes (continued)

20 Deferred capital grants (Consolidated)

	Funding Council £000	Other £000	Total £000
At 1 August 2012			
Buildings			
Equipment	39,244	12,247	51,491
	<u>479</u>	<u>71</u>	<u>550</u>
Total	39,723	12,318	52,041
	=====	=====	=====
Grants received			
Buildings	-	-	-
Equipment	<u>380</u>	<u>96</u>	<u>476</u>
Total	380	96	476
	=====	=====	=====
Released to income and expenditure account:			
Released to income – Buildings (notes 1, 4 & 9)	(790)	(320)	(1,110)
Released to income – Equipment (notes 1, 4 & 9)	(336)	(63)	(399)
	=====	=====	=====
Total	(1,126)	(383)	(1,509)
	=====	=====	=====
At 31 July 2013			
Buildings	38,454	11,927	50,381
Equipment	<u>523</u>	<u>104</u>	<u>627</u>
Total	<u>38,977</u>	<u>12,031</u>	<u>51,008</u>
	=====	=====	=====

The carrying value of deferred grants in HEC at 31 July 2013 is £51,508,000.

21 Revaluation reserve

	Consolidated £000	HEC £000
Revaluation		
At 1 August 2012	140,449	139,434
Movement on unrealised gains on investments	1,018	927
Reclassified to general reserve	(13)	-
	=====	=====
At 31 July 2013	141,454	140,361
	=====	=====
Contribution to depreciation		
At 1 August 2012	23,728	23,728
Released in year	2,056	2,056
	=====	=====
At 31 July 2013	25,784	25,784
	=====	=====
Net revaluation amount		
At 31 July 2013	115,670	114,577
	=====	=====
At 31 July 2012	116,721	115,706
	=====	=====

University of Central Lancashire

Notes (continued)

22 Income and expenditure account

	Consolidated £000	HEC £000
Balance at 1 August 2012	57,382	59,931
Surplus after depreciation of assets at valuation	3,903	1,641
Release from revaluation reserve	2,056	2,056
	<u>5,959</u>	<u>3,697</u>
Historical cost surplus after tax		
Reclassified from revaluation reserve	13	-
Actuarial gains in respect of pension schemes	10,641	10,641
	<u>73,995</u>	<u>74,269</u>
Balance at 31 July 2013	73,995	74,269

The external losses retained within subsidiary companies (excluding the effect of inter-group transactions) for the year ended 31 July 2013 total £1,091,000 (2012: £339,000).

23 Capital commitments

	Consolidated		HEC	
	2013 £000	2012 £000	2013 £000	2012 £000
Commitments contracted at 31 July	245	708	245	394
	<u>245</u>	<u>708</u>	<u>245</u>	<u>394</u>

24 Contingent liabilities

	Consolidated		HEC	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank guarantees in respect of the University of Central Lancashire Students' Union	485	548	485	548
	<u>485</u>	<u>548</u>	<u>485</u>	<u>548</u>

In addition to the above, as at 31 July 2013 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 these matters 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	
	2013	2012
	£000	£000
Leases due within 1 year	85	173

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

	2013	2012
	£000	£000
Surplus after tax and share of associates	3,903	14,323
Depreciation	7,463	7,928
Deferred capital grants released to income (note 20)	(1,509)	(1,738)
Interest receivable	(1,246)	(1,116)
Interest payable	1,293	1,411
(Increase) / decrease in stocks	(3)	(19)
(Increase) / decrease in debtors	(1,723)	1,479
Increase / (decrease) in creditors	(147)	(3,762)
Increase / (decrease) in FRS17 pension provision	3,144	2,680
Increase / (decrease) in other provisions	(835)	(2,145)
Impairment of investment	3,193	-
Loss on investments	5	-
(Profit)/loss on disposal of fixed assets	(17)	90
Net cash inflow from operating activities	13,521	19,131

University of Central Lancashire

Notes (continued)

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

	2013	2012
	£000	£000
Returns on investments and servicing of finance:		
Interest received	1,451	1,118
Interest paid	(1,176)	(1,430)
	<hr/>	<hr/>
Net cash inflow/outflow for returns on investments and servicing of finance	275	(312)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of owned tangible fixed assets	(7,239)	(18,235)
Sale of tangible fixed assets	17	25
Deferred capital grants received	476	250
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure and financial investment	(6,746)	(17,960)
	<hr/> <hr/>	<hr/> <hr/>
Management of liquid resources		
Purchase of investments	(420)	-
	<hr/>	<hr/>
Net cash inflow from management of liquid resources	(420)	-
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Loan principal repayment	(2,134)	(2,192)
Asset introduced by Minority Interest	-	4,991
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	(2,134)	2,799
	<hr/> <hr/>	<hr/> <hr/>

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

	At 31 July 2012	Cash flow	At 31 July 2013
	£000	£000	£000
Cash in hand and at bank	75,233	4,496	79,729
	<hr/>	<hr/>	<hr/>
Debt due within 1 year	75,233	4,496	79,729
	<hr/>	<hr/>	<hr/>
Debt due after 1 year	(2,134)	(24)	(2,158)
	<hr/>	<hr/>	<hr/>
	(18,407)	2,159	(16,248)
	<hr/>	<hr/>	<hr/>
	54,692	6,631	61,323
	<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.

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2013 was £6,267k of which employer's contributions totalled £4,328k and employee's contributions totalled £1,939k. 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 2013 by a qualified actuary.

Principal actuarial assumptions

	2013	2012	2011
Inflation	2.4%	2.1%	2.9%
Rate of increases in salaries	4.4%	4.1%	4.9%
Rate of increases for pensions	2.4%	2.1%	2.9%
Discount rate for liabilities	4.5%	4.3%	5.3%

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

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2013:

	<u>Male</u>	<u>Female</u>
Future pensioner aged 65 in 20 years time:	23.9	26.7
Current pensioner aged 65:	22.1	24.8

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		
	2013	2012	2011	2013	2012	2011
				£000	£000	£000
Equities	7.0%	7.0%	7.0%	2,548,071	2,753,920	2,692,660
Bonds	3.8%	2.9%	4.4%	1,365,925	860,600	825,170
Property	5.7%	6.0%	6.0%	412,261	387,270	390,870
Other	7.0%	7.0%	7.5%	233,449	129,090	304,010
Cash/Liquidity	0.5%	0.5%	0.5%	407,294	172,120	130,290
Total market value of assets				4,967,000	4,303,000	4,343,000

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

	2013 £000	2012 £000	2011 £000
University's estimated share of assets	146,530	122,069	116,147
Present value of scheme liabilities			
- Funded	(200,735)	(183,755)	(161,867)
- Unfunded	(1,341)	(1,357)	(1,335)
Deficit in the scheme	(55,546)	(63,043)	(47,055)

Movement in deficit during the year

	2013 £000	2012 £000
Analysis of the amount charged to the income and expenditure account		
Employer service cost	6,193	5,391
Past service cost	44	1
Total operating charge	6,237	5,392
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	6,829	7,102
Interest on pension liabilities	(8,064)	(8,741)
Pension finance income / (costs)	(1,235)	(1,639)
Amount recognised in the statement of total gains and losses		
Actual return less expected return on pension scheme assets	14,619	(4,014)
Change in financial and demographic assumptions underlying the scheme liabilities	(3,978)	(9,294)
Actuarial gain / (loss) recognised in the statement of total gains and losses	10,641	(13,308)
Movement in the scheme during the year		
	2013 £000	2012 £000
Deficit in scheme at 1 August	(63,043)	(47,055)
Movement in year:		
Current service charge	(6,193)	(5,391)
Contributions	4,328	4,798
Past service costs	(44)	(1)
Net interest / return on assets	(1,235)	(1,639)
Actuarial gain/(loss)	10,641	(13,308)
Curtailments	-	(447)
Deficit in scheme as at 31 July	(55,546)	(63,043)

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Asset and Liability Reconciliation	2013	2012
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	(185,112)	(163,202)
Service cost	(6,193)	(5,391)
Interest cost	(8,064)	(8,741)
Employee contributions	(1,939)	(1,907)
Actuarial gain/(loss)	(3,978)	(9,294)
Curtailments	-	(447)
Benefits paid	3,254	3,871
Past service cost	(44)	(1)
Liabilities at end of period	(202,076)	(185,112)
Reconciliation of Assets		
Assets at start of period	122,069	116,147
Expected return on assets	6,829	7,102
Actuarial gain/(loss)	14,619	(4,014)
Employer contributions	4,328	4,798
Employee contributions	1,939	1,907
Benefits paid	(3,254)	(3,871)
Assets at end of period	146,530	122,069

History of experience gains and losses	2013	2012	2011	2010	2009
Difference between the expected and actual return on assets:					
Amount £m	14,619	(4,014)	3,680	7,667	(14,161)
% of scheme assets	10%	3%	3%	7%	17%
Experience gains and losses on scheme liabilities:					
Amount £m	(3,978)	(9,294)	2,913	(2,306)	14,760
% of scheme liabilities	2%	5%	4%	2%	11%
Total amount recognised in statement of total gains and losses:					
Amount £m	10,641	(13,308)	6,593	5,361	599
% of scheme liabilities	5%	7%	4%	5%	1%

University of Central Lancashire

Notes (continued)

30 Access fund

	2013	2012
	£000	£000
As at 1 August	7	24
Funding Council grants	743	770
	<u>750</u>	<u>794</u>
Disbursed to students	(710)	(787)
As at 31 July	<u>40</u>	<u>7</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	2,882	179	249	2,812
University of Central Lancashire Foundation	939	60	112	887
Total	<u>3,821</u>	<u>239</u>	<u>361</u>	<u>3,699</u>

32 Minority interest

The minority interest represents:	2013	2012
	£000	£000
Uclan (Thailand) Company Limited		
Share of loss	-	7
Share of net assets	-	4,664

The University's investment in Uclan (Thailand) Company Limited is now treated as an investment (see note 12).

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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 £11,266 (2012: £10,704).

Anyone wishing to obtain further details on matters raised in the Reports and Financial Statements for the year ended 31 July 2013 is invited to contact:

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