

University of Central Lancashire

Consolidated reports and financial statements

For the year ended 31 July 2014

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
E Adia
F Armstrong (appointed 19 September 2013)
S Broomhead (resigned 31 July 2014)
J Edney
J Gorick (resigned 25 November 2013)
B Harris (resigned 31 July 2014)
R Hext (appointed 1 September 2014)
J Hogan (appointed 19 September 2013)
J Horrocks
G Kelleher
B Latham (resigned 30 June 2014)
L MacNeill (appointed 1 July 2014)
B McManus (resigned 3 June 2014)
W McQueen
M McVicar (resigned 31 August 2014)
G Stanley (resigned 31 July 2014)
D Taylor (appointed 24 October 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
Pannone LLP
SGH Martineau LLP

University of Central Lancashire

Operating and Financial Review

Introduction

The past year has proved challenging as the effects of the significant reforms introduced into the Higher Education Sector over the past few years continue to resonate. The move away from direct funding through Higher Education Funding Council for England (HEFCE) to payments via the Student Loans Company continued and the sector is preparing for the removal of the cap on student numbers in 2015. The University of Central Lancashire (UCLan) continues to maintain its competitiveness by actively ensuring that the delivery of its core academic activities of teaching and research deliver value for money and are suited to the needs of all its stakeholders.

The University has further enhanced its previous improvements in a number of areas including student satisfaction, research excellence and the employability of our graduates. Importantly, after a downturn following the introduction of £9,000 fees, student recruitment patterns appear to be returning to the long term trend. Following a significant review of strategic marketing and recruitment, UCLan is now benefitting from this recovery. Financial strength has been maintained and partnerships locally, nationally and internationally continue to develop. Whilst the financial strength of the University enables it to pursue its strategic goals, regular review and consideration of the overall priorities of the organisation is required to ensure the strong financial position is maintained. UCLan will continue to monitor its challenges and opportunities and will respond appropriately to maintain its competitiveness and performance in all areas.

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

- Statement on Public Benefit
- Linked Charities
- The Corporate Structure
- The Medium Term Strategy
- Performance Monitoring
- Risk Management
- Engagement with Others
- International Activities
- The approach to Diversity, Safety and Health and the Environment and Sustainable Development
- Financial performance in 2013/14 and the outlook for 2014/15 and beyond
- Future risks and uncertainties

Statement on Public Benefit

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 6*) 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.

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Operating and Financial Review *(continued)*

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.

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

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 the 2013/14 academic year, the University enrolled over 26,600 students from the UK, EU and overseas of whom 4,600 were at postgraduate level. 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 further improvements in satisfaction in the 2014 survey.

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 its commitment to encouraging its students to pursue a foreign language and experience an overseas study period or work placement.

Public Engagement and Widening Participation

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. A wide variety of events take place each year, a number, such as the Lancashire Science Festival, are mentioned elsewhere in this report.

A fundamental value of the University is the promotion of educational opportunity for all. One way in which this is brought to life is in the way that the University recognises its responsibility in helping to ensure that financial restraints are not a barrier to entry to its higher education provision. In the 2013/14 academic year, the University processed over 6,700 bursary payments to students, not including loans from the institution's hardship fund.

The University's 'Junior University' initiative reflects its commitment to ensuring access to higher education. Qualitative feedback from participants, teachers and parents continues to be highly positive. Overall, in 2013/14, 150 young people from schools across Preston and East Lancashire completed the Junior University initiative.

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Operating and Financial Review *(continued)*

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.

The 3rd annual Lancashire Science Festival (LSF) was held in June 2014. The festival showcases the diversity of opportunities available through higher education and beyond, and provides access to the University for under-represented groups who may otherwise have not been offered that opportunity. This year, the University built on the success of the previous events and provided over 7,500 people with an insight into science and technology at UCLan, with interactive stands, demonstrations and contributions from UCLan researchers, guest performers, local businesses and professional bodies.

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. UCLan is represented on the Board of the Academy and on all 16-19 provider boards in Burnley and Pendle.

The University is also a significant supporter of University Technical Colleges in the region, co-sponsoring the University Technical Colleges in Burnley and Wigan.

The University also sponsors two Helena Kennedy Scholarships per year, which are awarded to disadvantaged students progressing from FE colleges.

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 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’. The University made a comprehensive submission to the Research Excellence Framework, the successor to the Research Assessment Exercise, the results of which will be published in December 2014.

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

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 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. An accepted ratio of growth to University expenditure is about 2.35:1. With a gross income of £203m in 2013/14, the University made a significant contribution to the regional economy of around £476m.

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Operating and Financial Review *(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, as mentioned above, Westlakes Research Limited and the University of Central Lancashire Foundation, and a number of separate companies including joint venture companies. 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.

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Operating and Financial Review *(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 2013/14.

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.*

The institutional strategy will be reviewed in 2014/15.

Performance Monitoring

Several years ago 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 has continued and developed further in 2013/14, facilitating focused discussions on key issues and priorities, and enabling the Group and University Board to be assured about the delivery of the strategy and UCLan's overall performance.

The robust performance in 2013/14 provides a sound base for 2014/15 and the new challenges that are to be faced in subsequent years. During the 2014/15 academic year and beyond, UCLan will continue to focus on its core activities, whilst also expanding its delivery against its strategic aims.

Risk Management

The Group and 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 sustainably or enhance reputation even if their full objectives are not achieved".

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Operating and Financial Review *(continued)*

The risk registers were regularly reviewed during the year. The Board challenged and received assurance on the management of risks on the registers and, where necessary, revised the registers in the light of changed circumstances.

Engagement with Others

Staff

In July the University was audited for the Investors in People accreditation. On this occasion an application was submitted for the University to be assessed for the Investors in People 'Gold Award'. UCLan was successful in achieving the Investors in People Gold Award which requires practices and standards of engagement to be of an advanced level, something that only 7% of organisations who are assessed actually achieve.

Following last year's staff survey further work has been undertaken to improve engagement through better communications across the Institution, resulting in a new internal communications plan being implemented, which focuses on improving two-way communication.

The University is actively improving its processes and data as part of applying for the Athena Swan accreditation. This is assisting with staff engagement in science, technology, engineering, maths and medicine (STEMM) subjects both through improving processes and through discussions with staff about the issues they face.

Students

Engagement with the University's students is core to the University's work and forms a central and critical theme running through all UCLan's Schools, support services and courses. Students are our partners and clients. As such their involvement in development of the University and all of its functions, together with their feedback and commentary on its operations and work are essential to the continuous improvement of their experience. All central committees and development groups in the University have student representation, including the Student First initiative which is improving the way services are delivered to students. Student Union (SU) representatives are involved in this at all stages, from planning to implementation and review. The Student Lifecycle Group continues to operate as a forum to identify ways to improve the student experience. It has successfully implemented dedicated Student Engagement weeks during which all Schools designed and ran events and activities to focus on student engagement and to provide additional opportunities for the student voice to be heard at local and central levels. Feedback obtained is used in the planning of student and course activities and informs the improvement of services provided. SU representatives are involved in all Periodic Course Reviews ensuring that there is student engagement in the design and development of its curriculum. The SU has also engaged with the University in its preparations for the forthcoming Higher Education Review by the Quality Assurance Agency (QAA).

The University supports its students to obtain work experience and volunteering opportunities whilst they study at UCLan. All students may elect to take placements or internships as part of their studies. The University offered a new scheme this year to support its recent graduates by facilitating a range of internal and external paid internships which offered valuable graduate level work experience to all graduates who were not in graduate level employment after graduation. It also offers support for students seeking to run their own business through a structured enterprise programme which is available to students and recent graduates.

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Operating and Financial Review *(continued)*

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 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. The University has appointed an Ambassador for Students as part of the Student First initiative to work with students and the University in identifying ways of continuously improving student engagement.

Regional Educators and Employers

UCLan works with a wide range of education partners regionally and nationally. Following the introduction of higher fees and changes to the way student numbers are controlled for funding purposes, its Partnership Strategy has developed to adapt to the new context of higher fees and the overall diversification of the education market in the UK, including the growth in private provision. In view of the uncertainty over the future direction of student number controls, the University remains flexible in its approach to student numbers wherever possible to try to support developments in its partnership network. The University continues to have four core partners (Burnley, Myerscough, Preston and Runshaw). Myerscough College remains an Associate School of the University for its HE provision and meets with the University regularly to discuss future developments of mutual interest. 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 and business in Manchester and London.

In the wider context of economic development support, the University is supporting the Lancashire Local Enterprise Partnership's Growth Plan, which highlights the importance of 'maximising the economic value and benefits of an emerging arc of innovation across Lancashire'. The University is represented on the committees of the Lancashire Enterprise Partnership. This activity is supported through UCLan's Preston and Burnley campuses, as well as the proposed Continuing Professional Development and workforce development activity in 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 and the next round of European Structural and Investment Funds (2014-20).

The University continues to engage with employers in the development of its curriculum and work experience opportunities for students. Each School has an Employer Board which normally meets at least three times each year to ensure employers are involved in both delivery and design of the courses and that employers future needs are considered and met.

A network of regional employers is informing the development of the Engineering Innovation Centre and will be heavily involved in the design of the curriculum and resources to ensure it meets industry needs. The University works closely with a range of regional and national employers and the local councils through its sponsorship of the University Technical Colleges (UTCs) at Burnley and Wigan. The UTCs specialise in engineering and provide opportunities for staff and students to work with employers and younger learners on projects related to these areas.

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 to tourism and sports.

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Operating and Financial Review (*continued*)

The University Court

The University 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.

On 4 December 2013 the University held an event, “Best of UCLan”, to which all University Court members were invited together with a wide group of stakeholders from business and the region. “Best of UCLan” included exhibitions and demonstrations by staff and students in a wide range of subject areas including the following:

- Digital Services; Training, Media and Curriculum technologies
- Volunteering and Community Leadership
- Paramedic Practice
- Product Design
- Physiotherapy
- Engineering Innovation
- Neuro-oncology
- UCLan Future Leaders Programme
- Lancashire Business School – Creative Solutions in an Ever Changing World.

International Activities

International Partners

Throughout 2013/14 the University has continued to meet the objectives as set out in the Medium Term Strategy for the development of the internationalisation agenda.

The University’s Preston Campus continues to be a destination of choice for over 1,700 international students, primarily from China, Middle East and Africa. This activity is led by UCLan’s global international recruitment team, who promote the opportunities to undertake a UCLan degree at Preston, Cyprus and at our overseas strategic partners, supported by UCLan international academic leads. The international recruitment team operates from Preston and retains a number of overseas offices which support specific in-country activities and promote the University to potential students wishing to come and study in Preston.

The University continues to place significant emphasis on its collaborative partnership network that continues to develop with over 3,000 students on UCLan franchise provision and through target progression routes.

During 2013/14 the University was delighted to receive approval from the Chinese Ministry of Education for the development of a joint new School for initially 800 students with Hebei University, providing courses within the creative industries, which commenced operation in September 2014. This is a significant development within China for UCLan and when at full capacity will see UCLan as one of the biggest providers of British Higher Education within China.

In Mauritius UCLan has now established dedicated facilities in partnership with the University of Mauritius and UOM Enterprise for the delivery of UCLan courses in the areas of Accountancy, Law and Construction. This development will both benefit local residents and Mauritius, but will also be used to attract international students from Africa and further afield.

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Operating and Financial Review *(continued)*

The University's objective to providing UK-based students the opportunity to spend a period of time overseas has seen over 2,000 students participate, providing students with unique opportunities to enhance their learning experience and career prospects.

The University was delighted to welcome Professor Hazel Smith as the Director of the International Institute of Korean Studies which will be officially launched in October 2014. The Institute will help develop closer relationships between Korea and the UK providing opportunities for student and staff exchange and collaboration.

Overseas Developments

UCLan (Overseas) Limited's first joint venture, UCLan Cyprus, continues to build on the strong foundation established as it comes to the end of its second year of operation, during which it was officially opened by the President of Cyprus in June 2014, attended by senior dignitaries of Cyprus. UCLan Cyprus continues to operate in significantly challenging times as the country starts to recover from the poor economic situation, which is being reflected in significantly higher recruitment for the third year of operation.

UCLan (Overseas) has been leading on the development of plans for the establishment of a branch campus in Sri Lanka which is being supported by the Sri Lankan Government. During 2014/15 the final due diligence and plans for the development will be finalised for approval by the Group and University Board.

Diversity

UCLan held its third University Diversity Conference in November 2013 on 'Overcoming the Barriers to Student Attainment' which was extremely successful. A breadth of external and internal speakers and participants were attracted and the event raised the awareness and profile of important sector-wide and institutional diversity issues in addition to looking at specific interventions to remove barriers to success. The University continues to focus on this area, with ongoing research in addition to working with teaching staff to implement interventions to drive change.

Safety and Health

The University continues to work proactively with all its stakeholders, through representation on safety committees, and by providing health and safety related training to all UCLan employees. It has robust policies, procedures and guidance for staff and offers competent advice which promotes and facilitates 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. 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 2013/14 year reporting of 0.76 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). Progress continues to be made in raising awareness and managing health and safety in the workplace, and in the assessment and recording of the training needs of all staff.

University of Central Lancashire

Operating and Financial Review (continued)

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 Sustainability by 2017'.

In October 2010, the University's Environmental Management System (EMS) gained the internationally recognised ISO14001 certification and re-certification was achieved in October 2013.

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 in 2013 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. Green Impact, a national environmental accreditation and awards programme run by the National Union of Students (NUS), was introduced in November 2012 and is now entering its third year following positive evaluation from both staff and students who made positive environmental changes to their work/study areas. The University held its most successful Green Week ever in February 2014 with support from the Student Union's Green Ladder project directly engaging over 2,500 staff and students and encouraging people to make small changes to reduce their environmental impact.

Financial Performance in 2013/14 Compared to Previous Years

The University's financial performance in 2013/14 reflects the ongoing process of developing the academic excellence and physical environment of the University whilst supporting the student experience. The University's Financial Strategy requires a modest surplus to be achieved each year for reinvestment in future years which underpins the sustainability of the organisation in these economically turbulent times. The strategy also allows for investment to be made 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 in the year. The Financial Strategy has contributed, and continues to contribute, to the financial strength of the University and allows the organisation to manage ongoing challenges from a sound financial base.

The summary group financial results are set out below:

Group Financial Results	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
<u>Operations</u>					
Income	202,675	193,773	198,700	206,735	199,018
Expenditure	188,377	184,997	184,102	200,723	196,436
Operating surplus/ (deficit)	14,298	8,776	14,598	6,012	2,582
Exceptional items and Tax	(2,962)	(3,186)	(31)	(20)	1,417
Group share of associated company loss	(1,379)	(1,687)	(251)	-	-
Historical cost surplus	11,982	5,959	16,437	7,818	6,031
<u>Financial Strength</u>					
Fixed Assets	251,406	256,672	264,595	254,666	231,513
Cash/Investments	98,833	86,520	81,096	77,552	80,259
Net Assets excluding Pension Liability	308,025	296,219	293,851	273,738	243,041
Pension Liability	49,354	55,546	63,043	47,055	49,789

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Operating and Financial Review *(continued)*

Key features of 2013/14 were:

- Funding council grants reduced in the year in line with previous trends but the reduction was offset by increases in tuition fees and other sources of income.
- Interest paid includes the costs associated with the early repayment of several loans held with national banks.
- Following the annual assessment of the pension liability for the Local Government Pension Scheme, the liability attributed to the University has reduced from £55.5m to £49.4m.
- The exceptional item (£2.8m) relates to provisions made against overseas activities undertaken by the Group. These provisions reflect a prudent approach to the investments made to date and work is continuing to resolve the underlying issues which may result in the provisions not being required in the future.
- The University Group continues to suffer losses from its involvement with the campus in Cyprus. The share of the losses in 2013/14 are £1.4m.
- During the year, the structure of academic and service staffing provision was reviewed and restructured. This resulted in payments of £4.7m to staff who left the University during this time which represented a payback period of less than one year.

Financial Outlook 2014/15 and Beyond

The University has a clear and robust financial strategy with KPIs which are reported to the Board on a regular basis to enable it to monitor performance and gain assurance against the strategy. Each subsidiary company and charity operates as a separate legal entity within the Group structure and is monitored by their individual Boards who consider the performance and financial sustainability of each entity.

The University and subsidiary companies have produced financial plans which indicate that the University Group is well placed to support the requirements of the Medium Term Strategy and future strategies. The University undertook cost savings during 2013/14 and continues to review the efficiency of its business processes under the banner of the Student First initiative. This will ensure that resources are allocated where needed to support the student experience and to ensure the long term development and success of the University.

Overseas, we have made good progress at the Cyprus campus in terms of student numbers and in terms of the academic development of the campus, with which we are very pleased, but it will, nevertheless, take time before the campus becomes a contributor to Group profits. The University Group continues to bear its share of early stage losses and has, prudently, made provisions against the current loans it has made to this venture. This is to recognise that the likelihood of repayment of those loans in the short term is limited but does not seek to comment on the longer term viability of the enterprise. In a similar vein, provisions have also been made against other overseas ventures although, again, this is taking a very prudent approach and work is continuing which may make these provisions unnecessary in the future.

The University Group is structured in a way which ensures that the various entities are legally independent of each other and are required ultimately to be able to stand alone financially. It is not within the strategy of the University Group to provide any type of guarantees, financial or otherwise, to Group companies; this is to ensure that the integrity of the individual parts of the Group's operations is maintained.

University of Central Lancashire

Operating and Financial Review *(continued)*

Future Risks and Uncertainties

This report outlines the wide ranging scope of the University and its companies and details the strong financial basis currently supporting the Group. However, there are a number of risks and uncertainties inherent in the environment in which the University and its companies operate.

Within the UK, the economic uncertainties and potential changes to Higher Education Policy following the General Election in 2015 provide an uncertain backdrop to the future development of Higher Education in England. The cap on the numbers of students each institution can enrol will be lifted in 2015 and the debate about student fees will, no doubt, be revived following the election. Whilst the economic climate looks to be slowly improving, the job market for graduates is still challenging which requires us to continue to develop ways to strengthen the employability of all our graduates.

Our international activities are subject to uncertainties in respect of the global economy and of political and religious unrest in several areas across the world. Despite these uncertainties, the overall size of the market for international higher education shows continued positive growth. Any activity undertaken by the University Group is pursued in line with our approach to risk management but inevitably the circumstances in which we operate may change quickly raising previous unknown unique challenges which must be dealt in a manner appropriate to the situation. Although difficulties have been encountered recently on some of the overseas ventures, UCLan has a long and successful history of collaboration with other academic institutions overseas and will continue to build on this strong base wherever possible.

Conclusion

The Board is pleased with the achievements and progress made by the University in the last twelve months but recognises the challenges ahead. The UK HE environment will continue to change with the removal of the student number cap for institutions and ongoing discussions about student financing. Meanwhile international markets are challenging and competitive and will need to be negotiated carefully to achieve the required outcomes.

On behalf of the Group/University Board, I would like to record our thanks to all who have contributed to the success of the University in the past year and to wish our new graduates every success in the future.

A resolution to reappoint KPMG LLP as auditor to the University was approved at the Board of Governors meeting on 27 November 2014.

D Taylor
Chair of the Board
November 2014

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.
- ongoing review of the effectiveness of the Board.
- effective application of the approved Scheme of Delegation in the light of the revised Medium Term Strategy.
- ongoing review, development and implementation of the Governance Manual. This includes the Scheme of Delegation, Standing Orders and the Terms of Reference of the Board and its Committees and governance practice in relation to the recruitment, appointment and conduct of Board members.

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

- the positive outcome from the March 2014 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, 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 2012/13. 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 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 were subsequently submitted to the Privy Council for approval. The Privy Council has suggested a number of amendments to the revised draft and a further report on this issue will be presented to the Board shortly.

The current **Scheme of Delegation, Standing Orders** and **Statement of Primary Responsibilities** have been in place since 1 August 2013.

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.

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 is set out on page 24.

The Statement of Primary Responsibilities in use throughout the year 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 its subsidiaries and the safeguarding of University assets.

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

University of Central Lancashire

Corporate Governance *(continued)*

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.

New members of the Board undertake a programme of induction in their first year and all Members are encouraged to participate in appropriate training. This includes attendance at relevant external training (for example, those provided by the HE Leadership Foundation), briefing seminars and networking events relevant to their role. The University meets the full cost of 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.

The Board currently comprises 11 members, with the Nominations Committee and Board shortly expected to consider the appointment of additional Board members. At present the Board comprises 7 independent members, 1 staff member, 1 student member (The president of the University's Student's Union), the Group Chief Executive Officer and the Vice-Chancellor. A list of members of the Board can be found on page 1.

The Board met eight 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 three Committees: Audit and Risk Committee, Nominations Committee and Remuneration Committee. Detailed written terms of reference for these Committees exist as part of the University's Standing Orders and Scheme of Delegation.

The Committees are scheduled to meet in accordance with an agreed business cycle which is designed to ensure that the operational requirements of the University are met. Committee meetings are also called on an 'as and when' basis to meet ad hoc operational requirements. In addition to reports from the Executive and the Clerk, 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 is 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 Group Chief Executive Officer or the Vice-Chancellor and with the consent of the Chair, senior executive management attend meetings of the Board and its Committees to inform debate and discussion.

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

Audit and Risk Committee

Steven Broomhead served as Chair of the Audit and Risk Committee throughout the year. The Board was satisfied that the Chair has appropriate recent and relevant financial experience for this role. The Committee's role is to support the Board in its responsibilities for the issues of risk, control and governance and associated assurance and to identify any threat or possibility that an action or event will adversely affect the University's ability to achieve its objectives. Jim Edney was appointed as the Chair of the Committee with effect from 1 August 2014.

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.

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

Janice Horrocks served as Chair of the Nominations Committee throughout the year, having been appointed to replace Mrs Stanley 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. With effect from 1 August 2014 Andrea Adams was appointed as Chair of the Committee.

University of Central Lancashire

Corporate Governance *(continued)*

Remuneration Committee

This Committee met three times during the year with Gail Stanley, Deputy Chair of the Board, undertaking the role of Chair for the whole of the year. On 1 August 2014, following the expiry of Gail Stanley's term of office Janice Horrocks 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.

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 Gail Stanley respectively. With effect from 1 August 2014, following the retirement of Mr Harris and Mrs Stanley, David Taylor was appointed as Chair of the Board and Janice Horrocks as Deputy Chair. Mr Taylor had previously served as Chair Designate since 24 October 2013. Both Mr Taylor and Mrs Horrocks are independent members of the Board.

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

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

Clearly the retirement of a number of Board members including the Chair, could present a risk to the University. An internal report by PwC, the University's internal auditors, concluded that the University had effectively managed the risks associated with changes to the Board of Governors and, therefore, that governance arrangements had remained effective during this period of change.

University of Central Lancashire

Corporate Governance *(continued)*

Group Chief Executive

Dr Malcolm McVicar served as Group Chief Executive Officer 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 its group companies, and for implementing the decisions of the Board of Governors;
- 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 Group Chief Executive's responsibilities are set out in more detail in the University's revised Scheme of Delegation which can be obtained on application to the Clerk to the Board.

It is intended that 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. In the interim the Group Chief Executive was appointed to the Board as a co-opted member.

Richard Hext was appointed to replace Dr McVicar as Group Chief Executive with effect from 1 September 2014.

The Vice-Chancellor

Professor Gerry Kelleher has served as Vice-Chancellor since 15 July 2013. Under the provisions of the revised Articles, the Vice-Chancellor will 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.

University of Central Lancashire

Corporate Governance *(continued)*

Nominated Officer

The Boards of subsidiary companies of the University comprise mainly of 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's arrangement with Lancashire County Council, through which Lancashire's County Secretary and Solicitor, Ian Fisher, served as Clerk to the University Board ceased on 31 August 2014.

With effect from 1 September 2014, Mr Fisher was appointed as "Clerk to the Group and University Board and Group Company Secretary". This newly created post has responsibility for legal and governance issues for both the University and its subsidiary companies and reports to the Chief Executive and, through the Chair, to the Board of Governors.

Register of Interests

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

Commitment to Continuous Improvement

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

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

University of Central Lancashire

Corporate Governance *(continued)*

Conclusion

The University Board continues to be of the opinion that it has fully participated in determining the future direction of the institution, its strategy and operational plans, has effectively and efficiently discharged its responsibilities and duties under 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 Group Chief Executive Officer and the Vice-Chancellor to ensure processes and protocols are in place at appropriate levels that enable this to be achieved. The Group/University 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 Group'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 Group/University 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 Group 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 2014 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.

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 2013/14. 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 2014 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 2014 by considering documentation from the internal auditors, the external auditors and the Vice-Chancellor, and taking account of events since 31 July 2014.

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 have been briefed on the implication of the Bribery Act and a policy statement approved for use within the Group structure. Training has also been 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 Group/University Board

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

1. To meet the responsibilities of the University Board as stipulated in the Articles of Government, i.e.
 - a) determination of the educational character and mission of the University and for oversight of its activities;
 - b) effective and efficient use of resources, ensuring the solvency of the University Group and the safeguarding of University assets;
 - c) approving annual estimates of income and expenditure;
 - d) appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and including the Vice Chancellor
 - e) setting a framework for the pay and conditions of service of all other staff.

2. For the Group to:
 - a) determine the overall dimensions, shape and structure and oversight of its activities;
 - b) ensure the effective use of resources, value for money, the solvency and sustainability of the Group and safeguarding the Group's assets;
 - c) approve budgets and financial plans;
 - d) the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of Group Chief Executive Officer and his/her other senior employee direct reports.
 - e) setting a framework for the pay and conditions of service of all other Group staff.

3. To approve the mission and strategic vision of the Group and the University as set out in the Group Strategy, University Medium Term Strategy (MTS) and supporting plans (as amended from time to time).

4. To approve and keep under review the scheme of key performance indicators (KPIs) relating to the Group Strategy and 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).

University of Central Lancashire

Statement of Primary Responsibilities of the Group/University Board *(continued)*

5. To delegate authority to the Group Chief Executive Officer for the development and management of Group assets and the Group's performance in line with agreed strategies and financial plans and to the Vice Chancellor, for the academic, corporate, financial, estate, information and personnel management of the University and to establish and keep under review the key policies and procedures and limits within which such delegated authorities are exercised. For this purpose, key policies are defined as:

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

The above list may be amended from time to time.

6. To ensure establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment and management and procedures for handling internal grievances and for managing conflicts of interest (and including the Board Risk Registers).
7. To obtain from the Group Chief Executive Officer and Vice Chancellor and from internal and external auditors (in accordance with the Scheme of Delegation (Committees)) formal assurance as to the continued relevance and effectiveness of the systems identified at 5 above. This includes systems for ensuring the accuracy of data provided by the Group and University to HEFCE, other national bodies where appropriate and third parties.
8. To obtain independent assurance (i.e. through audit) that effective processes are in place to monitor and evaluate the performance and effectiveness of the Group and the University against the plans and approved KPIs, which should be – where possible – benchmarked against other comparable organisations.
9. To conduct its business in accordance with best business practice in corporate governance, the UK Committee of University Chairs Governance Code of Practice, the requirements of National Governments wherever the Group has activities and within the principles of public life drawn up by the UK Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

University of Central Lancashire

Statement of Primary Responsibilities of the Group/University Board *(continued)*

10. To safeguard the good name and values of the University of Central Lancashire Group.
 11. To appoint the Head of the Group as Group Chief Executive Officer and together with the Group Chief Executive Officer appoint the Vice Chancellor of the University and to put in place suitable arrangements for monitoring the performance of the post holders.
 12. To appoint a Clerk to the Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in lines of accountability.
 13. To be the employing authority either directly or through subsidiary companies for all UK based employees of the University Group and to be responsible for establishing and monitoring a human resources strategy.
 14. To be the principal financial and business authority of the Group and University, 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 Group and University
 15. To ensure that appropriate systems are in place for meeting the legal obligations of the Group and the University and for obtaining (or for receiving assurances as to the receipt of (as determined by the Board)) timely professional legal advice on general and on specific issues arising from time to time. This includes legal matters arising from contracts and other legal commitments made, or proposed to be made.
 16. To make such provision as the Board thinks fit for the general welfare of University students in consultation with the Academic Board.
 17. To act as Trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University. This includes the University of Lancashire Foundation for which the Board is Trustee.
- Note: All members of the Board are members of the Trustee by virtue of their membership of the University Board.*
18. To ensure that the University Group'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 2014 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 pages 24 to 26 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 2014 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.

Stephen 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 2014. For the purposes of consolidation, Uclan (Cyprus) Limited is treated as an associate company. The consolidated financial statements do not include those of the University of Central Lancashire Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

4. Recognition of income

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

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

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

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

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

University of Central Lancashire

Statement of accounting policies (*continued*)

5. Pension schemes

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

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

6. Maintenance of premises

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

7. Tangible fixed assets

a. Land and buildings

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

In accordance with FRS15, a full revaluation of land and buildings was undertaken during 2010/11 and an interim valuation was undertaken as at 31 July 2014, 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. 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 2014

	<i>Note</i>	2014 £000	2013 £000
Income			
Funding council grants	<i>1</i>	42,443	53,751
Tuition fees and education contracts	<i>2</i>	127,185	108,311
Research grants and contracts	<i>3</i>	5,831	5,661
Other income	<i>4</i>	26,341	24,804
Investment income	<i>5</i>	875	1,246
Total income		202,675	193,773
Expenditure			
Staff Costs	<i>6</i>	110,490	108,805
Depreciation	<i>9</i>	7,163	7,463
Other operating expenses	<i>7</i>	67,729	66,201
Interest payable	<i>8</i>	1,975	1,293
Interest payable – FRS17	<i>8</i>	1,020	1,235
Total expenditure	<i>9</i>	188,377	184,997
Surplus after depreciation of assets at valuation / cost and before tax		14,298	8,776
Taxation	<i>10</i>	(168)	7
Group share of associated company profit/(loss)	<i>12</i>	(1,379)	(1,687)
Exceptional item - provisions against overseas entities	<i>12</i>	(2,794)	(3,193)
Surplus for the year		9,957	3,903

Note of historical cost surpluses and deficits

for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Surplus after depreciation of assets at valuation/cost		9,957	3,903
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<i>21</i>	2,025	2,056
Historical cost surplus for the period		11,982	5,959

University of Central Lancashire

Balance sheets

as at 31 July 2014

	<i>Note</i>	Consolidated		HEC	
		2014	2013	2014	2013
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11	250,413	255,843	246,371	251,346
Investments	12	993	2,765	3,024	8,074
Investment in Associates and Joint Ventures	12	-	(1,936)	-	-
		251,406	256,672	249,395	259,420
Current assets					
Stocks	13	52	65	32	51
Debtors	14	6,962	9,431	9,105	11,102
Investments and other assets	15	7,135	6,791	7,135	6,791
Cash at bank and in hand		91,698	79,729	86,650	75,035
		105,847	96,016	102,922	92,979
Creditors: amounts falling due within one year	16	(33,517)	(34,719)	(33,747)	(34,745)
		72,330	61,297	69,175	58,234
Net current assets		72,330	61,297	69,175	58,234
Total assets less current liabilities		323,736	317,969	318,570	317,654
Creditors: amounts falling due after one year	17, 18	(9,225)	(16,248)	(9,225)	(16,249)
Provisions for liabilities and charges	19	(6,486)	(5,502)	(6,486)	(5,505)
		308,025	296,219	302,859	295,900
Net assets excluding pension liability		308,025	296,219	302,859	295,900
Pension liability	29	(49,354)	(55,546)	(49,354)	(55,546)
		258,671	240,673	253,505	240,354
Net assets including pension liability		258,671	240,673	253,505	240,354
Represented by:					
Deferred capital grants	20	49,995	51,008	50,495	51,508
Revaluation reserve	21	113,653	115,670	112,548	114,577
General reserve excluding pension liability		144,377	129,541	139,816	129,815
Pension reserve	29	(49,354)	(55,546)	(49,354)	(55,546)
		95,023	73,995	90,462	74,269
General reserve including pension liability	22	95,023	73,995	90,462	74,269
		208,676	189,665	203,010	188,846
Total reserves		208,676	189,665	203,010	188,846
		258,671	240,673	253,505	240,354

The financial statements on pages 29 to 58 were approved by the Board on 27 November 2014 and signed on its behalf by:

D Taylor
Board Member

R Hext
Chief Executive Officer

G Kelleher
Vice-Chancellor

University of Central Lancashire

Consolidated cash flow statement

for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Cash flow from operating activities	26	22,568	15,208
Returns on investments and servicing of finance	27	(1,274)	275
Taxation		-	-
Capital expenditure and financial investment	27	(2,284)	(6,746)
Cash inflow before use of liquid resources/ financing		19,010	8,737
Management of liquid resources	27	1,329	(2,107)
Financing	27	(8,370)	(2,134)
Increase in cash in the year		11,969	4,496

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Increase in cash in the year		11,969	4,496
Cash inflow from changes in debt and lease financing		8,558	2,135
Movement in net funds in the period		20,527	6,631
Net funds at beginning of year	28	61,323	54,692
Net funds at end of year	28	81,850	61,323

University of Central Lancashire

Statement of consolidated total recognised gains and losses

for the year ended 31 July 2014

	2014	2013
	£000	£000
Surplus after depreciation of assets at valuation	9,957	3,903
Unrealised gains on investments	369	1,018
Actuarial gains in respect of pension schemes (note 29)	8,857	10,641
Unrealised losses on revaluation of tangible fixed asset	(361)	-
Exchange gain on consolidation of overseas subsidiaries	189	-
Total recognised gains relating to the year	19,011	15,562
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
	2014	2013
	£000	£000
Opening reserves	189,665	174,103
Total recognised gains relating to the year	19,011	15,562
Closing reserves	208,676	189,665
	<hr/> <hr/>	<hr/> <hr/>

University of Central Lancashire

Notes

(forming part of the financial statements)

1 Funding council grants

	2014 £000	2013 £000
HEFCE recurrent grant	36,835	47,654
HEFCE specific grants		
Selective initiatives	3,269	4,073
Others	1,296	898
HEFCE deferred capital grants released		
Building (note 20)	790	790
Equipment (note 20)	253	336
Total HEFCE Grant	<u>42,443</u>	<u>53,751</u>
Total funding council grants received	<u>42,443</u>	<u>53,751</u>

2 Tuition fees and education contracts

	2014 £000	2013 £000
UK higher education students	90,182	72,972
European Union students	3,008	2,498
Non-European students	14,680	13,948
	<u>107,870</u>	<u>89,418</u>
Education Contracts	19,315	18,893
	<u>127,185</u>	<u>108,311</u>

University of Central Lancashire

Notes (continued)

3 Research grants and contracts

	2014	2013
	£000	£000
Research Councils	1,000	1,361
UK-based charities	527	359
EU government and other bodies	1,388	938
Other grants and contracts	2,916	3,003
	<u>5,831</u>	<u>5,661</u>

4 Other income

	2014	2013
	£000	£000
Residences, catering and conferences	9,908	9,776
Other income generating activity	9,054	8,532
Other income	4,031	4,011
Rental income	362	300
Other services rendered	2,454	1,574
Residential course fees	166	228
Release of other capital grants	366	383
	<u>26,341</u>	<u>24,804</u>

5 Investment income

	2014	2013
	£000	£000
Interest receivable	875	1,246

University of Central Lancashire

Notes (continued)

6 Staff costs

Average staff numbers by major category - Full Time Equivalent	2014 Number	2013 Number
Academic departments	1,337	1,334
Academic support departments	189	215
Other support services	86	84
Administration and central services	430	453
Premises	232	253
Other	73	87
	<u>2,347</u>	<u>2,426</u>
Staff costs for the above persons:		
	2014 £000	2013 £000
Staff costs:		
Wages and salaries	92,112	89,067
Social security costs	6,740	7,051
Pension costs	9,904	10,690
FRS17 related pension adjustments	1,734	1,997
	<u>110,490</u>	<u>108,805</u>

Staff costs above include £4,668,529 relating to restructuring costs (2013: £298,652).

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

	2014 Number	2013 Number
£100,000 - £109,999	10	2
£110,000 - £119,999	5	4
£120,000 - £129,999	2	2
£130,000 - £139,999	1	1
£140,000 - £149,999	-	1
£150,000 - £159,999	1	1
£180,000 - £189,999	2	1
£260,000 - £269,999	-	1

Compensation for loss of office paid to staff included above amounted to £473,700 (2013: £Nil).

University of Central Lancashire

Notes (continued)

6 Staff costs (continued)

Emoluments of the Head of Institution	2014	2013
	£000	£000
Salary	125	233
Pension compensation (paid as salary)	-	28
Total emoluments	125	261

The emoluments for 2014 relate to the Chief Executive Officer who is Head of the Institution. The emoluments for 2013 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 Head of Institution are shown on the same basis as for higher paid staff.

7 Other operating expenses

	2014	2013
	£000	£000
Franchised courses	10,979	14,092
Other expenses	9,852	7,535
Residences, catering and conferences operating expenses	6,847	7,321
Consumables and laboratory expenditure	6,611	4,965
Repairs and general maintenance	6,590	7,167
Student bursaries and expenses	5,454	4,556
Travel, subsistence and conference fees	5,351	4,862
Premises costs	4,434	4,008
Consultancy	2,434	2,311
Academic learning materials	2,262	2,305
Advertising and publicity	1,813	1,885
Grants to Students' Union	978	1,008
Movement in bad debts provision	963	1,002
Subscriptions and donations	930	745
Staff development and recruitment	755	791
Insurance	564	689
Postage	365	374
Furniture	194	215
Equipment lease rentals	111	85
External auditors' remuneration: audit fees (i)	88	74
External auditors' remuneration for non-audit	42	43
Internal auditors' remuneration: audit fees	70	145
Internal auditors' remuneration for non-audit work	42	23
	67,729	66,201
(i) External auditors' remuneration relating to HEC	51	49

University of Central Lancashire

Notes (continued)

8 Interest payable

	2014 £000	2013 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	2,995	2,528
	<u>2,995</u>	<u>2,528</u>
Bank loans and overdrafts	1,975	1,293
FRS17 related pension adjustments	1,020	1,235
	<u>2,995</u>	<u>2,528</u>

9 Analysis of expenditure by activity

	Staff costs £000	Dep'n £000	Other operating expenses £000	Interest payable £000	2014 Total £000	2013 Total £000
Academic departments	60,875	-	19,543	-	80,418	82,606
Academic support services	9,004	2	7,509	-	16,515	19,914
Administrative and central services	21,076	6,240	9,962	761	38,039	28,525
General education	2,422	-	7,521	-	9,943	8,586
Premises	5,684	259	11,433	-	17,376	18,718
Research grants and contracts	3,293	-	1,785	-	5,078	5,011
Other income generating activities	3,517	22	3,735	-	7,274	6,456
Residences, catering and conferences	2,229	640	5,696	1,214	9,779	10,301
Miscellaneous	656	-	545	-	1,201	1,648
FRS17 related pension adjustments	1,734	-	-	1,020	2,754	3,232
Total per income and expenditure account	<u>110,490</u>	<u>7,163</u>	<u>67,729</u>	<u>2,995</u>	<u>188,377</u>	<u>184,997</u>

The depreciation charge has been funded by:

Deferred capital grants released (note 20)	1,409	1,509
Revaluation reserve released (note 21)	2,025	2,056
General income	3,729	3,898
	<u>7,163</u>	<u>7,463</u>

University of Central Lancashire

Notes (continued)

10 Taxation

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

11 Tangible assets (Consolidated)

	Freehold Land & Buildings £000	Equipment & Vehicles £000	Buildings under construction £000	Total £000
Valuation/cost				
At 1 August 2013				
Valuation	136,814	-	-	136,814
Cost	125,218	29,571	-	154,789
Additions at cost	237	1,742	734	2,713
Disposals				
Valuation	-	-	-	-
Cost	(24)	(203)	-	(227)
Revaluation impairment/provisions	(959)	-	-	(959)
At 31 July 2014	136,276	-	-	136,276
Valuation	136,276	-	-	136,276
Cost	125,010	31,110	734	156,854
Depreciation				
At 1 August 2013	9,951	25,809	-	35,760
Charge for year	5,018	2,145	-	7,163
Eliminated on disposals	-	(206)	-	(206)
At 31 July 2014	14,969	27,748	-	42,717
Net book value				
At 31 July 2014	246,317	3,362	734	250,413
At 31 July 2013	252,081	3,762	-	255,843
Inherited	63,358	-	-	63,358
Financed by capital grant	49,271	724	-	49,995
Other	133,688	2,638	734	137,060
Net book value	246,317	3,362	734	250,413
At 31 July 2014	246,317	3,362	734	250,413

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 2013				
Valuation	136,947	-	-	136,947
Cost	120,534	29,577	-	150,111
Additions at cost	237	1,742	734	2,713
Disposals				
Valuation	-	-	-	-
Cost	-	(203)	-	(203)
Revaluation Impairment	(538)	-	-	(538)
At 31 July 2014	136,409	-	-	136,409
Valuation	120,771	31,116	734	152,621
Cost				
Depreciation				
At 1 August 2013	9,903	25,809	-	35,712
Charge For Year	4,997	2,145	-	7,142
Eliminated on disposal	-	(195)	-	(195)
At 31 July 2014	14,900	27,759	-	42,659
Net book value				
At 31 July 2014	242,280	3,357	734	246,371
At 31 July 2013	247,578	3,768	-	251,346
Inherited	63,358	-	-	63,358
Financed by capital grant	49,771	724	-	50,495
Other	129,151	2,633	734	132,518
Net book value	242,280	3,357	734	246,371
At 31 July 2014				

Land and buildings with a net book value of £170,013,477 and a valuation of £180,670,149 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 last revalued at 31 March 2011 by GVA Grimley Limited, a firm of independent Chartered Surveyors, with an interim valuation being undertaken at 31 July 2014. 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 2013	-	2,765	2,765
Additions	-	24	24
Disposals	-	(1,330)	(1,330)
Provisions	-	(466)	(466)
As at 31 July 2014	<u>-</u>	<u>993</u>	<u>993</u>
HEC	£000	£000	£000
As at 1 August 2013	8,040	34	8,074
Additions	-	-	-
Provisions	(5,050)	-	(5,050)
As at 31 July 2014	<u>2,990</u>	<u>34</u>	<u>3,024</u>

Associate

Name of Associate	Proportion held by the University	Share of net assets/(liabilities)	
		2014 £000	2013 £000
Uclan Cyprus Limited	51%		
Balance as at 1 August 2013		(1,936)	(249)
Losses in year		(1,379)	(1,687)
Exchange gain on translation		233	-
Provision		3,082	-
Balance as at 31 July 2014		<u>-</u>	<u>(1,936)</u>

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
Owned by University			
Centralan Holdings Limited	100%	Great Britain	Holding company
Delonore Limited	100%	Cyprus	Holding company
Westlakes Research Limited	100% *	Great Britain	Research
* Limited by guarantee			
Owned by Centralan Holdings Limited			
Uclan Business Services Limited	100%	Great Britain	Consultancy and training
Uclan (Overseas) Limited	100%	Great Britain	Overseas activities
Owned by Uclan (Overseas) Limited			
Uclan Cyprus Limited	51%	Cyprus	Higher education
Uclan (HK) Limited	100%	Hong Kong	Holding company
Uclan Lanka (Private) Limited	100%	Sri Lanka	Holding company
Uclan (Thailand) Company Limited	49%	Thailand	Investment
Owned by Uclan Business Services Limited			
Uclan Dental Clinic Limited	100%	Great Britain	Dental clinic
Owned by Uclan (HK) Limited			
Uclan Biomedical Technology (Shenzhen) Limited	100%	China	Research

The University has considered it prudent to make full provision at year end in respect of loans and other balances due from its overseas ventures. These provisions may be reversed or revised in the future if it is considered appropriate to do so. The total effect of these provisions is an exceptional charge in the year of £2,794k.

University of Central Lancashire

Notes (continued)

12 Investments (continued)

*Investments in companies limited by guarantee
(not wholly owned and for which the investment is a notional £1)*

Company	Principal Activity
<i>Held by University</i>	
Burnley Education Trust	Educational
Central Applications Board	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
<i>Held by Centralan Holdings Limited</i>	
North West Universities Purchasing Consortium	Purchasing joint venture
<i>Other Investments (not wholly owned)</i>	
CVCP Properties plc	Holding company
Genetel Pharmaceuticals Limited (Hong Kong)	Technology exploitation
SALT Foundation (Proprietary) Limited	International scientific consortium

13 Stocks

	Consolidated		HEC	
	2014	2013	2014	2013
	£000	£000	£000	£000
Consumables	52	65	32	51
	52	65	32	51

University of Central Lancashire

Notes (continued)

14 Debtors: amounts falling due within one year

	Consolidated		HEC	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade debtors	1,353	1,624	1,240	1,568
Other prepayments and accrued income	5,432	4,490	4,625	4,379
Group debtors	-	-	3,212	3,708
Other debtors	177	3,317	28	1,447
	6,962	9,431	9,105	11,102

15 Current asset investments (Consolidated and HEC)

	2014 £000	2013 £000
Portfolio investments	7,135	6,791
	7,135	6,791

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	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank loans (note 18)	623	2,158	623	2,158
Trade creditors	3,403	4,451	3,360	4,428
Social security and other taxation payable	3,872	3,737	3,702	3,737
Accruals and deferred income	15,930	15,255	15,610	14,958
Group creditors	-	-	999	535
Other creditors	9,689	9,118	9,453	8,929
	33,517	34,719	33,747	34,745

University of Central Lancashire

Notes (continued)

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

	2014	2013
	£000	£000
Bank loans (note 18)	9,225	16,248
	<u>9,225</u>	<u>16,248</u>

18 Loans (Consolidated and HEC)

Loans are repayable as follows:

	2014	2013
	£000	£000
In one year or less	623	2,158
Between one and two years	600	2,884
Between two and five years	1,800	2,920
In five years or more	6,825	10,444
	<u>9,848</u>	<u>18,406</u>

Analysis of borrowings at 31 July 2014

The University has two fixed interest loans with interest rates ranging from 5.735% to 6.01% repayable by instalments falling due between 1 August 2014 and 2 February 2032. The loans are secured on various properties. Additional early principle repayments of £6.4m were made in July 2014.

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 2013	5,506	-	(4)	5,502
Utilised in year	(438)	-	-	(438)
Charged / (released) in year	301	666	455	1,422
At 31 July 2014	<u>5,369</u>	<u>666</u>	<u>451</u>	<u>6,486</u>

University of Central Lancashire

Notes (continued)

20 Deferred capital grants (Consolidated)

	Funding Council £000	Other £000	Total £000
At 1 August 2013			
Buildings	38,454	11,927	50,381
Equipment	<u>523</u>	<u>104</u>	<u>627</u>
Total	38,977	12,031	51,008
Grants received			
Buildings	-	-	-
Equipment	<u>372</u>	<u>24</u>	<u>396</u>
Total	372	24	396
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)	<u>(253)</u>	<u>(46)</u>	<u>(299)</u>
Total	(1,043)	(366)	(1,409)
At 31 July 2014			
Buildings	37,664	11,607	49,271
Equipment	<u>642</u>	<u>82</u>	<u>724</u>
Total	38,306	11,689	49,995

The carrying value of deferred grants in HEC at 31 July 2014 is £50,495,000.

21 Revaluation reserve

	Consolidated £000	HEC £000
Revaluation		
At 1 August 2013	141,454	140,361
Movement on unrealised gains on investments	369	344
Unrealised losses on revaluation of fixed assets	<u>(361)</u>	<u>(361)</u>
At 31 July 2014	141,462	140,344
Contribution to depreciation		
At 1 August 2013	25,784	25,784
Released in year	<u>2,025</u>	<u>2,012</u>
At 31 July 2014	27,809	27,796
Net revaluation amount		
At 31 July 2014	113,653	112,548
At 31 July 2013	115,670	114,577

University of Central Lancashire

Notes (continued)

22 Income and expenditure account

	Consolidated £000	HEC £000
Balance at 1 August 2013	73,995	74,269
Surplus after depreciation of assets at valuation	9,957	6,028
Release from revaluation reserve	2,025	2,012
	<hr/>	<hr/>
Historical cost surplus after tax	11,982	8,040
Exchange gain on consolidation of overseas subsidiaries	189	-
Actuarial gains in respect of pension schemes	8,857	8,857
Reversal of Gift Aid received	-	(704)
	<hr/>	<hr/>
Balance at 31 July 2014	95,023	90,462
	<hr/> <hr/>	<hr/> <hr/>

The external losses retained within subsidiary companies for the year ended 31 July 2014 total £3,994,000 (2013: £15,822,000). Excluding the effect of inter-group transactions the comparable losses for the year ended 31 July 2014 total £1,107,000 (2013: £1,091,000).

23 Capital commitments

	Consolidated		HEC	
	2014 £000	2013 £000	2014 £000	2013 £000
Commitments contracted at 31 July	801	245	801	245
	<hr/>	<hr/>	<hr/>	<hr/>

24 Contingent liabilities

	Consolidated		HEC	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank guarantees in respect of the University of Central Lancashire Students' Union	419	485	419	485
	<hr/>	<hr/>	<hr/>	<hr/>

University of Central Lancashire

Notes (continued)

25 Lease obligations

Annual rentals under operating lease commitments are as follows:

	Consolidated & HEC	
	2014	2013
	£000	£000
Leases due within 1 year	112	85

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

	2014	2013
	£000	£000
Surplus after tax and share of associates	9,957	3,903
Depreciation	7,163	7,463
Revaluation impairment	556	-
Deferred capital grants released to income (note 20)	(1,409)	(1,509)
Interest receivable	(875)	(1,246)
Interest payable	1,975	1,293
(Increase) / decrease in stocks	13	(3)
(Increase) / decrease in debtors	2,469	(1,723)
Increase / (decrease) in creditors	333	(147)
Increase / (decrease) in FRS17 adjustment	2,665	3,144
Increase / (decrease) in other provisions	985	(835)
Share of Associate company losses	1,379	1,687
Impairment of investments	(2,615)	3,193
Loss on investments	-	5
(Profit)/loss on disposal of fixed assets	(28)	(17)
Net cash inflow from operating activities	22,568	15,208

University of Central Lancashire

Notes (continued)

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

	2014	2013
	£000	£000
Returns on investments and servicing of finance:		
Interest received	906	1,451
Interest paid	(2,180)	(1,176)
	<hr/>	<hr/>
Net cash inflow/outflow for returns on investments and servicing of finance	(1,274)	275
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of owned tangible fixed assets	(2,713)	(7,239)
Sale of tangible fixed assets	33	17
Deferred capital grants received	396	476
	<hr/>	<hr/>
Net cash inflow/(outflow) for capital expenditure and financial investment	(2,284)	(6,746)
	<hr/> <hr/>	<hr/> <hr/>
Management of liquid resources		
Sale of investments	1,329	-
Purchase of investments	-	(2,107)
	<hr/>	<hr/>
Net cash inflow from management of liquid resources	1,329	(2,107)
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Loan principal repayment	(8,559)	(2,134)
Foreign exchange translation differences	189	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	(8,370)	(2,134)
	<hr/> <hr/>	<hr/> <hr/>

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

	At 31 July 2013	Cash flow	At 31 July 2014
	£000	£000	£000
Cash in hand and at bank	79,729	11,969	91,698
	<hr/>	<hr/>	<hr/>
Debt due within 1 year	(2,158)	1,535	(623)
Debt due after 1 year	(16,248)	7,023	(9,225)
	<hr/>	<hr/>	<hr/>
	61,323	20,527	81,850
	<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	31.3.12	31.3.13	31.3.11
Actuarial method	Projected unit	Projected Unit	Projected Unit
Investment returns per annum	5.06%	4.80%	6.10%
Salary scale increases per annum	4.75%	4.10% ⁽¹⁾	4.40% ⁽¹⁾
Pension increases per annum	2.00%	2.60%	3.40%/2.60% ⁽²⁾
Rate of real earnings growth (relative to CPI inflation)	2.75%	-	1.80%
Market value of assets at last valuation	£176,600m	£5,011m	£32,434m
Proportion of members accrued benefits covered by the actuarial value of the assets at date of last actuarial valuation	92%	78%	92%

Note:

(1) Long term assumptions provided excluding any incremental or promotional increases.

(2) 3.40% p.a. for the 3 years following the valuation and then 2.60% p.a. thereafter.

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 2014, however the results of this valuation will not be available until the end of 2014. 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. Once the results of the formal actuarial valuation as at 31 March 2014 are available, 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 2014 was £7,234k of which employer's contributions totalled £5,280k and employee's contributions totalled £1,954k. With effect from 1 April 2014 the agreed contribution rate was 12.1% for employers and moved to a sliding scale for employees, ranging from 5.5% to 12.5% dependant on salary.

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified actuary.

Principal actuarial assumptions

	2014	2013	2012
Inflation	2.3%	2.4%	2.1%
Rate of increases in salaries	3.8%	4.4%	4.1%
Rate of increases for pensions	2.3%	2.4%	2.1%
Discount rate for liabilities	4.3%	4.5%	4.3%

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 2014:

	<u>Male</u>	<u>Female</u>
Future pensioner aged 65 in 20 years time:	25.0	27.7
Current pensioner aged 65:	22.8	25.3

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		
	2014	2013	2012	2014	2013	2012
				£000	£000	£000
Equities	7.0%	7.0%	7.0%	2,595,831	2,548,071	2,753,920
Bonds	3.7%	3.8%	2.9%	1,399,764	1,365,925	860,600
Property	6.2%	5.7%	6.0%	501,408	412,261	387,270
Other	7.0%	7.0%	7.0%	600,645	233,449	129,090
Cash/Liquidity	0.5%	0.5%	0.5%	125,352	407,294	172,120
Total market value of assets				5,223,000	4,967,000	4,303,000

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

	2014 £000	2013 £000	2012 £000
University's estimated share of assets	152,444	146,530	122,069
Present value of scheme liabilities			
- Funded	(200,441)	(200,735)	(183,755)
- Unfunded	(1,357)	(1,341)	(1,357)
Deficit in the scheme	(49,354)	(55,546)	(63,043)

Movement in deficit during the year

	2014 £000	2013 £000
Analysis of the amount charged to the income and expenditure account		
Employer service cost	6,051	6,193
Past service cost	149	44
Total operating charge	6,200	6,237
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	8,141	6,829
Interest on pension liabilities	(9,161)	(8,064)
Pension finance income / (costs)	(1,020)	(1,235)
Amount recognised in the statement of total gains and losses		
Actual return less expected return on pension scheme assets	(4,489)	14,619
Change in financial and demographic assumptions underlying the scheme liabilities	13,346	(3,978)
Actuarial gain / (loss) recognised in the statement of total gains and losses	8,857	10,641
Movement in the scheme during the year		
	2014 £000	2013 £000
Deficit in scheme at 1 August	(55,546)	(63,043)
Movement in year:		
Current service charge	(6,051)	(6,193)
Contributions	5,280	4,328
Past service costs	(149)	(44)
Net interest / return on assets	(1,020)	(1,235)
Actuarial gain/(loss)	8,857	10,641
Curtailments	(725)	-
Deficit in scheme as at 31 July	(49,354)	(55,546)

University of Central Lancashire

Notes (continued)

29 Pension schemes (continued)

Asset and Liability Reconciliation	2014	2013
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	(202,076)	(185,112)
Service cost	(6,051)	(6,193)
Interest cost	(9,161)	(8,064)
Employee contributions	(1,954)	(1,939)
Actuarial gain/(loss)	13,346	(3,978)
Curtailments	(725)	-
Benefits paid	4,972	3,254
Past service cost	(149)	(44)
Liabilities at end of period	(201,798)	(202,076)
Reconciliation of Assets		
Assets at start of period	146,530	122,069
Expected return on assets	8,141	6,829
Actuarial gain/(loss)	(4,489)	14,619
Employer contributions	5,280	4,328
Employee contributions	1,954	1,939
Benefits paid	(4,972)	(3,254)
Assets at end of period	152,444	146,530

History of experience gains and losses	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £m	(4,489)	14,619	(4,014)	3,680	7,667
% of scheme assets	3%	10%	3%	3%	7%
Experience gains and losses on scheme liabilities:					
Amount £m	13,346	(3,978)	(9,294)	2,913	(2,306)
% of scheme liabilities	7%	2%	5%	4%	2%
Total amount recognised in statement of total gains and losses:					
Amount £m	8,857	10,641	(13,308)	6,593	5,361
% of scheme liabilities	4%	5%	7%	4%	5%

University of Central Lancashire

Notes (continued)

30 Access fund

	2014	2013
	£000	£000
As at 1 August 2013	40	7
Funding Council grants	716	743
	<u>756</u>	<u>750</u>
Disbursed to students	(726)	(710)
As at 31 July 2014	<u>30</u>	<u>40</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	2,812	246	305	2,753
University of Central Lancashire Foundation	887	41	111	817
Total	<u>3,699</u>	<u>287</u>	<u>416</u>	<u>3,570</u>

University of Central Lancashire

Notes *(continued)*

32 **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 £12,879 (2013: £11,266), and the number of Board members that received expenses during the year was 7 (2013: 5).

Anyone wishing to obtain further details on matters raised in the Reports and Financial Statements for the year ended 31 July 2014 is invited to contact:

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