



# **REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31<sup>st</sup> July 2018**



**REPORT AND FINANCIAL STATEMENTS 2018****CONTENTS**

	<b>Pages</b>
• University of Worcester Directorate and professional advisers	2
• Members of the Board of Governors	3
• Strategic Report	4 - 36
• Independent Auditors' report	37 - 38
• Consolidated and University Statements of Comprehensive Income and Expenditure	39
• Consolidated and University Balance Sheets	40
• Consolidated and University Statements of Changes in Reserves	41
• Consolidated Cash flow Statement	42
• Notes to the financial statements	43 - 75

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31<sup>st</sup> JULY 2018****UNIVERSITY OF WORCESTER DIRECTORATE AND PROFESSIONAL ADVISERS****Vice Chancellor and Chief Executive**

Professor David Green MA (Cantab.)

**Deputy Vice Chancellor and Deputy Chief Executive**

Professor Sarah Greer

**Registered Address**

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**REPORT AND FINANCIAL STATEMENTS 2018****MEMBERS OF THE BOARD OF GOVERNORS**

The members of the Board who were in office during the year and up to the date of signing the financial statements were:

Professor Gloria Agyemang	Co-opted
Mr Carl Arntzen	Independent
Mr John Bateman OBE	Chair & Independent
Dr Diana Beech	Co-opted
Mr John Bothamley	Co-opted
Ms Alice Brunt	Independent
Ms Lucy Conn	Student Governor (from 1.8.18)
Mrs Charmian Di Nunzio	Independent
Mr Robert Dudley	Academic Staff Governor
Ms Odette Fielding	Co-opted Staff Governor (term ended 31.7.18)
Mrs Diana Gant	Independent
Professor David Green	Vice Chancellor & Chief Executive
Ms Jade Haley	Student Governor (term ended 31.7.18)
Mrs Anna Hooper	Vice Chair & Independent
Mr David Iddon	Independent
Mr Nadeem Khan	Independent
Mr Euan Morrison	Student Governor
Dr Derek McDougall	Academic Staff Governor
Mr Zadvinder Padda	Independent
The Rev'd Dr Alwyn Pettersen	Independent
Dr Sarah Pittaway	Co-opted Staff Governor (from 1.8.18)
Mr Marc Scriven	Co-opted Staff Governor (from 1.8.18)
Mr Ian Smith	Independent
Mrs Sarah Speck	Vice Chair & Independent
Mr Douglas Dale	Independent (member of Audit Committee not the Board)

## STRATEGIC REPORT

### FOR THE YEAR ENDED: 31<sup>st</sup> JULY 2018

This statement covers the period 1<sup>st</sup> August 2017 up to 20<sup>th</sup> November 2018.

#### SECTION 1: The University's Strategy

The University's current Strategic Plan covers the period from 2013 to 2018. The Plan, like its predecessor, was the product of a widespread consultation process involving staff, students, governors and external stakeholders, including the University's many partners – educational, business and community-based. This very inclusive process of consultation and engagement in itself reflects the strong and enduring values to which the University is committed.

The Strategic Plan includes a powerful statement of these:-

- Intellectual openness, honesty and love of learning;
- Human equality and dignity;
- Democracy and mutual respect;
- Educational and social inclusion;
- Environmental sustainability and social responsibility;
- Ethical and professional behaviour; and
- Active engagement and partnership.

These values continue to guide the University's priorities, vision and mission. They are expressed through the promotion of a culture of friendliness, creativity, imagination, dynamism, and effectiveness.

They translate into a mission for the University of Worcester that is ambitious and inspirational. The University's mission is:

- To be an outstanding University at which to be a student;
- To motivate and empower our students, graduates and staff to make a first rate contribution to society;
- To inspire our students to reach their full potential, through excellent, innovative teaching, scholarship and research;
- To foster and disseminate independent and distinctive scholarship and research, to achieve major, beneficial, social impact;
- To be an outstanding University at which to be a member of staff;
- To make a transformational contribution to the positive development of the cultural, social and economic life of the City of Worcester and wider region; and
- To stand out as a visionary and inclusive University that challenges and overcomes barriers to participation in higher education.

## SECTION 1: The University's Strategy (*continued*)

### Key Strategic Aims

Our 2013 to 2018 strategy has a number of cross-cutting aspirations:

#### **To enable more students to benefit from the high quality educational experience that we provide.**

As well as the educational experience providing a tangible personal benefit to individual students, we believe that by increasing the numbers of students from a wide and diverse range of backgrounds, and by offering socially relevant courses, the University is able to make a greater contribution to society as a whole.

The University has an impressive track record in this respect, as the number of students increased threefold in the first decade of its existence (from when it received University title in 2005). 2017/18 was a record year in terms of the total number of students studying at the University. We attribute this success to:

- offering a dynamic range of high quality courses that meet the needs of prospective and current students;
- lobbying and creating more places on our highly successful Nursing, Midwifery and other health-related courses;
- expanding the number of students studying on our Postgraduate in Education courses, following the removal of strict Government-applied number controls;
- continuing to work successfully in partnership with colleges, schools and other organisations supporting prospective students regionally, nationally and internationally; and
- maintaining and developing our excellent academic and other student facilities.

#### **To extend the reach of the University by supporting the success of Worcester as a city, the regional economy and continuing to enhance the employability of our graduates.**

Our primary contribution to the City and wider region is the education of able, enthusiastic, employment ready graduates. All of our courses offer some form of work-related experience through a placement or work project based module. We work closely with employer representatives to develop the partnerships that support the development and take up of these opportunities. In this academic year, it was reported that nearly 97% of the University's graduates were in full time work or study within six months of graduating (see section 2 for further information). We are in the top 10 in England for 'Sustained employment with or without further study' in the Government-published LEO (longitudinal education outcomes) data 1,2,3 years after graduation.

In addition to our core educational and research work, we have explicitly developed our estate to share resources with the local community and offer an extensive programme of activities to support the social, economic and cultural wellbeing of the City and wider region (see section 2).

#### **To enhance the University's research base**

In the Research Excellence Framework ('REF') exercise in 2014, the University was one of the most improved Universities for research power. The University has invested significantly in its research base over the years since the REF, in areas of great importance to society. These are underpinned by strong, high quality academic collaborations. For example, our Mood Disorders Research Group, which has a particular focus on Bipolar Disorder collaborates with the Universities of Cardiff and Oxford; Dementia Care (with UCL and Nottingham); Aerobiology (with the Universities of Birmingham, Exeter, Oxford, Bangor, Wroclaw and Aarhus); 20th Century History (with Birmingham University); Biomedical Research (with Cardiff, the Karolinska Institute, Sweden and the Federal University of San Paulo); Domestic Violence and Abuse (with King's College, London and San Diego University); Ecology and Environmental Management (with the Universities of Reading and Sussex). The University has also extended its network of research collaborations with voluntary and other bodies, for example, with the Alzheimer's Society (in partnership with the University of Nottingham) and Waitrose and food producers in areas of science. The University has invested in a number of key appointments of senior research leaders and is improving its track record in securing external funding.

## SECTION 1: The University's Strategy (*continued*)

### To promote inclusion and diversity

The University has an inclusive approach to the recruitment of both students and staff. We are ranked in the top 10 of universities across the UK to best reflect society in terms of socio-economic class, according to analysis by the Higher Education Policy Institute, an independent higher education think tank. We are also the best performing University in England and the most genuinely equal when it comes to gender pay, according to the nationally published data (2018). Worcester has the smallest average pay gap and is best for the equal proportion of women employed at all levels, including the highest, of any UK University.

We aim to enhance the quality of life and employability of every member of society by offering relevant and current courses and undertaking meaningful applied research. The University's commitment to high quality, inclusive and personalised learning is underpinned by a fundamental conviction that the undergraduate programmes must be effective in preparing students for graduate employment, further study and lifelong learning, and that student success is associated with high levels of student engagement. We value students as members of the University and as active participants in the processes and structures that govern their educational experience. Our staff engage in outreach work with young people to raise aspirations for higher education and to ensure that they make the right decisions about where and what to study. The University has been awarded a national award for the outstanding and innovative work in this respect. We run interactive open and visit days with 'taster activities', workshops, one to one meetings for students with academic staff, and the opportunity to speak to current students to learn about their experiences. We also engage with students pre-arrival by means of social media and hold specific information days and transition workshops for mature students and for disabled students, to build confidence and give students opportunities to network and develop friendships even before they join the University. Fostering a sense of belonging is key to our comprehensive student induction, which we deliver together with our Students' Union and which we regard as extending throughout the first year of study.

Our commitment to inclusion and student engagement is also exemplified through our strategic and inclusive approach to the development of learning resources, including physical, library and digital resources to support the development of every learner. Satisfaction with learning resources measured by the National Student Survey (of all final year undergraduate students) and the University's internal Student Survey has risen rapidly over the last three years compared with the sector, where figures have been largely static.

The University's academic strategy is supported by its financial strategy, which comprises the following key aims:

- To sustain and increase income through the maintenance of and growth in student numbers. In the medium term, to construct additional student residences in order to meet existing and growing student demand for on-campus accommodation.
- To continue to monitor and manage carefully staff costs, in a difficult external environment, with rising costs which are beyond our immediate control, such as additional employment taxation and higher pensions costs.
- To continue to make efficiency savings where possible, by careful scrutiny and innovative, joined up practices, whilst ensuring an ongoing programme of improvement in relation to support for students, education and research.

## **SECTION 1: The University's Strategy (continued)**

### **Measuring progress and success**

Some dimensions of our progress and success are measurable. It is important to note that not everything that counts can be counted and that some of what makes the University a special place to learn and beneficial to society cannot be measured directly but is deeply valuable. The Board of Governors uses a number of measures, most of which are drawn from nationally available datasets, to enable comparative benchmarking of the University's performance against its peers. The University's Academic Board, through the work of its sub-committees, receives and discusses detailed reports relating to academic quality, standards and the student experience, and tasks appropriate individuals and groups with any necessary actions, which arise from this scrutiny.

The Board of Governors receives an annual report on performance indicators in relation to the following measures:

#### **Learning and Teaching, Students**

- a detailed annual report on Academic Quality and Standards
- Student retention and progression
- Student attainment
- Graduate destinations: work and further study
- Student Satisfaction rates (from the National Student Survey)

#### **Research**

- Grant applications and income
- Number of staff submitted for the Research Excellence Framework (the next review date being 2020).

#### **Financial Sustainability**

- Surplus as a % of income.
- Unrestricted reserves as % income.
- External gross borrowing as % of income.
- Net cash flow as % of income.
- Net liquidity days.
- Staff costs as a % of income.
- Ratio of current assets to current liabilities

The Board of Governors also receives regular reports on the University's in-year financial performance, student numbers and admissions, and by exception on any significant changes (positive or negative) in relation to the aforementioned indicators. The Board's Human Resources (HR) Committee receives reports on a range of staff-related indicators. The Audit Committee reviews the University's Transparent Approach to Costing (TRAC) returns in relation to the costs associated with delivering teaching and research, as well as receiving the internal audit reports on a range of relevant matters.

The University's Vice Chancellor and Chief Executive gives a report on developments at the University to every meeting of the Board of Governors and, with the assistance of the University's Executive Leadership Team, answers Governors' questions. Governors are always free to ask questions on any matter of the University's business and performance.

## SECTION 1: The University's Strategy (*continued*)

### Looking Ahead: Challenges and Opportunities

The University has a noted heritage as a teacher training college. It is also an experienced educator of outstanding nurses and midwives, and more recently, paramedics, physiotherapists and other health professionals. The University engages appropriately and passionately in the national debate on the shortage of professionals in these fields, and the possible remedies, which might alleviate the current staffing shortages in these areas. The University has been a powerful advocate for more places to educate highly trained, compassionate nurses – education in which Worcester excels. Following swinging cuts to Nursing and Midwifery training places in the West Midlands, the University led a high-profile, national campaign to restore and increase nurse education places.

The University has started work to develop a Graduate Entry Medical School. This is a logical extension of the University's exemplary record in educating health professionals, and is a further indicator of its commitment to public and societal benefit. These themes are discussed regularly by the University's Board of Governors and the University's Executive team, to ensure that the University's Strategy remains current and appropriate and is being properly implemented.

Further successes in 2017/18 include being named as:

- A top 10 UK university for equality, sustained graduate employment and environmental sustainability.
- The best performing university in the UK on gender pay, with equal proportions of women and men professors.
- The leading university in the world for inclusive physical education.
- A noted University in the campaign for issues related to mental health, particularly amongst young people. Worcester was one of the very first universities in the UK to appoint specialist student mental health counsellors and is playing a leading role in partnership with the National Union of Students and others on making universities and cities 'suicide safer' through early intervention. This project led to the University being shortlisted for 'Outstanding Student Support' in the prestigious 2018 Times Higher Education Awards.

In 2018, following the adoption of the Higher Education and Research Act, for the first time in modern British history, English University institutions were not strongly supported by government. The combination of legislative, regulatory and funding reform, alongside a political discourse that questioned the value of universities, created a most difficult environment. The sector, for all its strengths, struggled to tell a coherent story about itself and suffered a crisis of leadership and identity.

The University is proud of the work during this past year to resist attack on the University's fundamental values and core purposes. In October 2017, the University's Vice Chancellor received a letter from Conservative MP and Government Whip, Chris Heaton-Harris, requesting the names of staff involved in the teaching of European affairs with particular reference to Brexit. The Vice Chancellor resisted this serious attempt to interfere in university teaching and compromise academic freedom and refused to divulge any names or information. An effective media campaign on this issue was initiated by Professor Green and was reported around the world, with coverage in every national TV news and radio channel in the UK, and over 720 newspapers worldwide. The 'advertising value' for the UK coverage alone was in excess of £1.5m. This action led the Universities Minister to publicly disown Mr. Heaton-Harris' initiative and the University's approach to subsequent freedom of information requests was upheld by a decision of the Information Commissioner.

A number of significant challenges approach higher education in the coming years. None is unique to Worcester, but each could carry profound consequences for the future of the institution. The University of Worcester is resilient and ambitious and will seize upon all opportunity for purposeful innovation.

**SECTION 1: The University's Strategy (continued)**

The University has been taking decisive action to address potential challenges and embrace opportunities, particularly in relation to:

- **Potentially smaller numbers of prospective students wishing to study at the University**, due to the decline in the 18 year old demographic and an increasingly competitive higher education environment. Innovations, including a considered and intelligent expansion of our 'fourth year of study', including integrated Master's degrees and other professional qualifications, will help to grow our postgraduate population. Further work to increase progression and retention rates through all courses will increase the 'all year' student number, even though there may be on-going pressure on first-year admissions.
- **Potentially smaller numbers of prospective students wishing to study Nursing** and related courses largely due to changes in student funding and a shortage of clinical placements. The University has effectively reviewed and strengthened its partnership working with schools, colleges and educational placement providers. It has also worked hard to promote nursing as a valuable and rewarding profession through its public relations work, including a national press campaign, which put pressure on the Government to properly fund placements. 2017/18 saw a record intake of Nursing and Midwifery Students at Worcester, with a new cohort of 240 students joining the University in September 2017. The work to extend placements and to create new routes into healthcare qualifications will remain a priority in the next period, as will the plan to create a new Medical School.
- **Potentially smaller numbers of prospective students wishing to study teaching** partly due to a poor public perception of the teaching profession and low levels of pay. This context and restrictions on the numbers of places allocated to the University by the National College of Teaching and Learning (NCTL) had an adverse impact on the number of students admitted in 2016/17. During this academic year the University has run a dedicated campaign with colleges and other universities to raise the profile of teaching as a profession and to lobby for a more sustainable method of allocating teacher training places to universities. Many of the allocation difficulties of 2016/17 were resolved and the University significantly increased the number of teacher training students in 2017/18. There are now opportunities to extend the first-class teacher-training provision to International markets, including India.
- **Potential decline in the numbers of students from both Europe and further afield** as a result of Brexit and the Government's visa policy. The University's number of EU and international students is small compared to some other universities, but we value greatly their contribution to the University community. We aim to give all our students a global perspective through our courses and University life. We have been working in partnership with educational organisations internationally to create programmes that provide students with the opportunity to study at Worcester for all or part of their course, and equally to offer students from Worcester the opportunity to study internationally as part of their academic experience. The University, working with the Holmes Institute, a long-established Australian education provider, successfully launched an embedded international college in 2017. The embedded college will create more progression opportunities for international students and will also increase the University's access to a world-wide network of higher education agents.
- **Financial and other challenges facing further education partners** which may mean we need to scale down the number of preparatory, HND and degree courses delivered in the local communities outside Worcester. We have reviewed our partnership working extensively, and we have adopted a successful strategy of fewer educational partners whilst ensuring that those relationships are deep, well-managed, and beneficial to a wide range of students. This work has been consolidated under the leadership of a dedicated member of the University's Executive team. We have employed a team of former students of the University - Graduate Ambassadors - who have worked closely with our partners, both to promote the value of our courses, but also more widely in helping to prepare our partners' students to apply for higher education courses. The University is a collaborative partner in the Aim Higher West Midlands National Collaborative Outreach Programme (NCOP), supporting communities in the West Midlands, South Shropshire, Herefordshire and Worcestershire.

## SECTION 1: The University's Strategy (*continued*)

This places the University of Worcester at the centre of a rural partnership, which includes our local Further Education partners, schools and third sector organisations, in developing an ambitious, innovative and sustainable programme of work to raise aspirations amongst young people in areas where participation in higher education is relatively low.

- **An increase in the number of alternatives to higher education**, which may mean that we attract fewer students. The University is firmly committed to the transformative power of higher education, but recognises that some alternatives may be beneficial to potential students. As an established provider of vocational and professional courses, the University is well placed to support the national initiative to provide higher apprenticeships. It has recently been accepted on the Register of Apprenticeship Providers, has appointed a new senior colleague with responsibility for Apprenticeships and is working with local employers and health trusts to develop its provision in this area.
- **A challenging local environment**, which means that our excellent employability achievements are even more important to our students. A high proportion of our graduates remain in the region, with 70% working in the West Midlands and 22% working in Worcestershire. Unlike the rest of England, Worcestershire has seen a 4.3% decrease in the percentage of management roles and a decrease in professional roles by 1.1%. The region is predominantly rural, as is its neighbour, Herefordshire, and this provides specific challenges for our graduates who seek employment in the area. Worcestershire has lower average salaries than the rest of the wider West Midlands region and significantly lower than the national average, according to research carried out by the Worcestershire Local Enterprise Partnership. Businesses in the region are mostly SMEs, which has led to the development of a comprehensive educational and extra-curricular offering in entrepreneurship to support students who aspire to self-employment. In addition, around 70% of Worcester graduates enter the health and education sectors; this includes nurses, teachers, midwives and paramedics, and those working in areas such as early years, youth and community work, family support, social care and social welfare. The past 3 years have also seen a decrease in the region of more than 3,000 roles in health and social work activities, with a drop from 14.4% to 12.6% of the working population. Changes to the provision and delivery of public services have reduced opportunities in these areas and as a result graduates, particularly female and mature student graduates, have experienced problems in obtaining higher level work.

Our high quality educational provision and extensive work experience opportunities (see Section 2) has ensured that our Graduates have remained in high demand and are very successful in moving into careers and further study. Our Graduate employment rate improved by an impressive 5% in 2017/18. We will continue to develop more placement and professional opportunities (see 'The Golden Triangle of Professional Education', Section 2) to ensure that our graduates have every advantage as they launch their careers.

Within this dynamic and challenging context, the University will be launching its new Strategic Plan (2018-23) in the Autumn of 2018. The final document will, therefore, necessarily be high level. It will be supported by a more detailed operational plan, which will be updated at the beginning of each academic year. The Board of Governors and the University Executive have been engaged in strategic planning discussions throughout 2017/18. A number of themes have emerged and the new Strategy will include continuities with the existing one, including:

- Our values as a University Community.
- Our commitment to be an outstanding University at which to be a student and member of staff.
- Our commitment to working with local, regional, national and international partners to benefit the public and society as a whole.

A formal and extensive process of staff, student, Governor and stakeholder engagement and consultation took place throughout 2017/18 to support the preparation of the final Strategic Plan.

## SECTION 2: Public Benefit Statement

### Charitable Status and Charitable Objectives of the University

As a Higher Education Corporation, the University is listed as an exempt charity under the Charities Act 2011. As such, the University benefits from the status of a charity but it is not registered with the Charity Commission.

The University's trustees, in formulating this statement, have paid due regard to the Charity Commission's public benefit guidance and their responsibility to provide information about how they have delivered their charitable objectives for the public benefit.

The University's charitable objectives are defined in s.124(i) of the Education Reform Act 1988:

- Provide higher education
- Provide further education
- Carry out research and publish the results of research.

### Beneficiaries

The trustees identify the principal beneficiaries of the University's charitable activities as:

- applicants (and potential applicants) to higher education and the University in particular through its outreach and widening participation work;
- its students and alumni;
- research partners and collaborators;
- professional practitioners and service users, especially in the Health and Education sectors, who benefit from the outputs of the University's educational, research and knowledge exchange activities
- the wider public, who benefit from the contribution of the University's graduates and the dissemination of its research findings.

All of these beneficiaries are identified clearly in the opening lines of the University's current Strategic Plan (2013-2018): *"We aim to make a truly transformational contribution to the lives of our students, staff and the people of our region, and to make a very positive impact in society more broadly."*

### Our Beneficial Public Impact

As a University, we are an expression of democracy, human progress, knowledge and principle. Since its beginning, the University of Worcester has lived its motto: "inspired for life", expressed through a culture of friendliness, creativity, effectiveness and inclusion. We believe the fundamental, transformative effect of higher education has an individual and collective benefit. The University works across the whole life-course, acting as a force for good and seeking to impact positively at every stage.

We work hard to develop our students to become good citizens, both within the university community and in the wider world. We support our students and staff to succeed in their chosen career, and also motivate and encourage them to use the skills that they develop for the common good, to build a better world for future generations.

Our graduates and researchers are answering the call to solve some of society's most pressing needs and challenges - social mobility; equality and diversity; an ageing population; health and social care; environmental sustainability; and high quality, inclusive education.

We believe everyone should be free to flourish and rise, with a fair distribution of opportunities. We have reimagined the modern university, developing our facilities to be public by design and opening our doors to the community. We have demonstrated the contribution a university can make in strengthening the glue that holds society together, providing cultural resources, raising the aspirations of children and young people and impacting on wider issues related to health, citizenship and community cohesion.

## SECTION 2: Public Benefit Statement *(continued)*

Our recent successes underline this commitment:

- We are in the top 10 universities in the UK for equality, graduate employment and sustainability.
- We are the best performing university in the UK on gender pay, with equal proportions of women and men professors.
- We have an international reputation in inclusive physical education.
- In 2016, Worcestershire's local economy was England's best for growth in higher-level workforce skills, second for productivity growth and third for growth in prosperity.



*Senior staff from the University's leadership team with former Minister for Women and Equalities, Nicky Morgan MP. Worcester has the smallest average gender pay gap of any university in England*

We deliver and measure our positive impact through the application of a simple formula that multiplies quality by quantity, factored by social relevance. Following this approach has seen the University of Worcester become a global leader in inclusion and a dynamic engine of opportunity for students, staff and the wider community.

### Teaching and learning

#### Widening Access to Higher Education

We are an open, meritocratic institution that proactively seeks out people capable of benefiting from higher education, minimises barriers to their participation and contributes to the expansion of higher education opportunities, locally, nationally and internationally.

We have a long-held commitment to welcome, support, and engage students with a broad range of backgrounds. We are ranked in the top 10 of universities across the UK to best reflect society in terms of socio-economic class, according to analysis by the Higher Education Policy Institute, an independent higher education think tank. The study revealed that the University of Worcester is eighth out of 132 UK universities for ensuring that people from all backgrounds have the chance to study at university.



*We are ranked in the top 10 of universities across the UK to best reflect society in terms of socio-economic class*

By supporting access, assisting student success, progression and employability, the University seeks to address the specific challenges that students from widening participation backgrounds often face in making the transition to university study and subsequent employment. The University's Access and Participation Plan, submitted to the Office for Students, provides detailed information on our commitment to all students, regardless of background or financial considerations.

## SECTION 2: Public Benefit Statement *(continued)*

The University raises awareness of the benefits of higher education through outreach activities that engage primary and secondary pupils and their teachers and families, and assisting further education students wishing to progress to university. Statistically, graduates earn more, have greater social and political engagement, higher interpersonal trust and better health over their lifetime.

We employ a team of recent Worcester graduates, who offer realistic and unique insight into university life based on their first-hand experience. The team worked with over 25,000 learners in 2016/17, covering 176 schools and colleges both regionally and nationally.

In 2017/18 we provided quality higher education to nearly 11,000 undergraduate and postgraduate students on full-time and part-time courses, including those studying with partners. Our students were drawn from 93 countries and study a wide variety of disciplines, including: nursing and health, teacher training and education, biological science, business, arts, humanities, psychology, law, sports science, management and more. We ran over 200 full-time undergraduate courses and almost 70 postgraduate courses.

### A high-quality educational experience

We create and sustain the conditions that enable all Worcester students to benefit from an educational experience that is intellectually, socially and personally transformative.

High quality teaching has always been at the very heart of the University of Worcester, with our students as co-creators of their educational experience and success. Our National Student Survey results for personal development are consistently outstanding and demonstrate learning gain in the development of communication skills and the ability to tackle unfamiliar problems.



*Over 86% of Worcester students say that they are satisfied with their course, with 10 courses receiving 100% satisfaction*

The quality of education has been validated by a number of independent reviews. The University gained a 'Silver' rating in the first national Teaching Excellence Framework (TEF) in 2017. The assessors, who inspected the educational results for every university in England, found that Worcester 'delivers high quality teaching, learning and outcomes for its students' and 'consistently exceeds rigorous national quality requirements for UK higher education'.

The TEF panel commended our approaches to course design, which it said 'involves consultation with local employers and students and which provides high levels of stretch and significant challenge, contributing to demonstrable progress in the acquisition of knowledge, skills and understanding'. It also noted in its 'Statement of Findings' that the University excels at teaching that encourages high levels of student engagement and commitment to learning and study, including 'excellent levels' of contact time and schemes that involve students in the process of enhancing their own learning experience.

56% of our undergraduates are studying on courses with professional, statutory and regulatory body accreditations, an increase of over 10% from 2016/17.

In 2017/18 the University was ranked joint 35th out of 151 universities in the National Student Survey, putting us in the top 25%, according to Times Higher Education. 86.2% of Worcester final year students said they were satisfied overall and 10 courses received 100% satisfaction.

## SECTION 2: Public Benefit Statement *(continued)*

### A Participative Learning Experience

A Worcester education equips graduates for meaningful lives and careers, widens outlooks, and helps form character. The University has a student-focused approach to delivering an outstanding, holistic student experience, with extensive opportunities for engagement and participation.

Examples include:

- There were 39 student societies with over 1,000 members, ranging from archaeology and theatre groups to Harry Potter and Zumba
- Nearly 600 students acted as academic representatives - 1 in 16 of our students
- Over 800 students registered for the Worcester Award, an employability exercise offered through our Careers Advisory Service. 36 members of staff and 30 local employers were involved in the Gold Award interviews
- Over 200 students undertook 18,675 total hours of volunteering

### Preparing graduates for meaningful lives and careers

Emerging forms of employment will require people to combine subject knowledge with the ability to work productively with people from other professions and cultural backgrounds. The capacity to 'learn how to learn' alongside qualities such as empathy, emotional intelligence, independence, self-confidence and initiative are ever more important.

A key feature of a University of Worcester education is our ability to create and sustain the **golden triangle of professional education**, which interweaves fundamental knowledge and practical learning. The three points of the triangle are the student, the academic and the professional mentor, each bringing their own experience, expertise and commitment to the learning process.



*97% of our graduates are working or studying 6 months after graduation*

This dynamic enables students to become confident, active and engaged citizens in the classroom and beyond and has been a key factor in achieving outstanding graduate employment.

- We have had consistently low unemployment rates: our students' unemployment rates have been well below the national average for the last five years.
- 97% of our graduates are working and/or studying six months after graduation.
- We are in the top ten in England for 'Sustained employment with or without further study' in the Longitudinal Educational Outcomes data one, two and three years after graduation.

### Meeting employment and societal needs

Our well-qualified graduates help to meet the employment demands of the region and nation, particularly in shortage areas such as nursing and teaching.

We expanded our course portfolio to meet the needs and expectations of our students, as well as developing a high quality and flexible workforce for employers. We have launched many successful new areas, including Law, Biomedicine and the country's first MSc for Physician Associates.

**SECTION 2: Public Benefit Statement (continued)**

Schools and education have been at the heart of our work since our inception. As one of the country’s 10 biggest providers for teacher training, we are at the forefront of educating caring, fair and respectful professionals who hold high expectations for themselves and their students. The number of secondary school pupils is projected to increase by 19% between 2017 and 2026, but national trainee teacher numbers have been below targets every year since 2012.

In 2018, official statistics revealed that one in 11 posts across NHS hospital, ambulance and mental health trusts were vacant. With our long history of outstanding Nursing and Health Education and as leaders of the national campaign to increase nursing places, we are helping to meet this workforce crisis.

*2017/18 University of Worcester graduates in professions with staffing shortages:*

Teachers	479
Nurses	185
Midwives	43
Paramedics	145
Social Workers	14
Physician Associates	33



*Our well-qualified graduates help to meet urgent employment demands. We are one of the 10 biggest teacher training providers in the country*

**Research impact**

More than ever, we are a national and international University, contributing and shaping the conversation on far-ranging issues of policy and debate, from academic freedom to inclusive physical education. Our network of research and educational partnership extends across the world, with projects ranging from wetland farming in Ethiopia to leading the UK’s largest study on Bipolar Disorder: work which has the potential for a global impact, as well as impact on millions of individual lives. This generation and application of knowledge in turn enables us to make a significant, enduring impact on society.

During 2017/18, the University received £1.3m funding from the HE funding councils and £1.027m from external funding sources to support its research and knowledge exchange programmes. There was an 18% increase in staff applications to external funding bodies. The University continued to increase the number of students on its research degree programmes with 185 registered on a PhD, Professional Doctorate or a Masters by research by the end of 2017/18, a more than 10% increase in numbers on 2016/17.



*The University produces the national pollen forecast, which is published by the MetOffice*

## SECTION 2: Public Benefit Statement *(continued)*

We have attracted high quality researchers to complement and expand existing areas of excellence. Examples of current research expertise includes:

- Living well throughout the **human life course**, from prenatal to palliative care
- Developing, testing and implementing solutions that improve the **health of the planet**, including plant disease, atmospheric pollution and climate change
- Worcester is one of the two principal university hosts of the **Bi-Polar Disorder Research Network**, which includes the largest network of individuals with bi-polar disorder and related mood disorders in the world.
- The University is home to a national centre which raises levels of research, understanding and awareness in violence and abuse, with a particular focus on the **prevention of future violence and the ongoing support of survivors**
- **Understanding and improving society** through our work and research in the social sciences, law and other related areas
- The **Association of Dementia Studies** develops practical ways of working with people living with dementia, which enables them to live well

### Community engagement

The proactive involvement of our students and staff and the accessibility of our facilities have an impact on the world outside the university. We strive to be an exemplar of a community-engaged university. We are proud to be a part of the beautiful city of Worcester. We recognise that the health and well-being of the University is inextricably tied to the physical, social, and economic well-being of the region in which we live.

Our ideas, skills and resources contribute a great deal to the communities of which we are a part. We are committed to helping businesses, public and voluntary organisations to succeed. By harnessing our people, research excellence and infrastructure, we help find innovative solutions to real-world challenges.

At the same time, our relationships with partners provide a richer experience for our students, strengthen scholarship and research across the university and advance our mission to provide an education for students who will advance the societies in which they live.

### Inclusive facilities

We have deliberately chosen to develop our estate differently, creating places that are conducive to cooperation and success. The opportunity to study at The Hive Library, Europe's first integrated University and Public Library, is a day to day encouragement to active citizenship. Sustained investment throughout the campus, exemplified by the University of Worcester Arena - the country's first facility specifically designed for wheelchair athletes - promotes inclusion for those with physical impairment and encourages wellbeing.



*Our annual Children's Storytelling Festival is one of the largest in the country*

**SECTION 2: Public Benefit Statement (continued)**

These two flagship facilities were joined in 2018 by the University of Worcester Art House, which is a centre for children’s creative camps as well as a magnificent space for the University’s many Art and Illustration students.

These buildings characterise our community approach, with hundreds of thousands of people every year visiting and participating in activities in each building.

**The Hive**

<b>Children’s Participation at the Hive Library</b>	<b>2017-18</b>
New Children’s memberships this year	1,210
Children’s materials loaned this year	171,416
Children’s attendance at Hive events (University and County Council)	22,582

The Hive is both a powerful statement of belief in learning and inclusion and a highly successful exemplar of innovative learning in practice - teenage readership has increased by 356% since its opening, when compared with the former Worcester Public Library.

New events continue to be developed at The Hive and this year included a Digital Festival Family Night, Mental Health First Aid for primary school students and teachers, and a major exhibition with associated activities on the Ice Age in Worcestershire. These were in addition to the many regular activities and events supporting families, learning, health and wellbeing and business.

<b>The Hive Library</b>	<b>2017-18</b>
Total visits	694,731
New members	20,697
Materials borrowed	795,785
Public events	48,772
Adult attendance at events	26,325



*Holocaust survivor Mindu Hornick delivered a powerful, public lecture and answered questions from students*

*The Hive Library has won or been shortlisted for over 50 major awards*



**SECTION 2: Public Benefit Statement (continued)**

**The University of Worcester Arena**

University of Worcester Arena	2017-18
Total number of visitors to the Arena	622,586
Number of children to visit the Arena	197,285
Number of major disability-specific events	5
Worcester Wolves basketball attendance	27,895
Worcester Wolves 'Watch and Play' programme with schools	1,777 tickets to 64 schools
Severn Stars netball attendance	6,779
Netball U21 games	703 tickets to 29 schools
Netball development camps	293

We welcomed well over 50,000 local community participants to our sport facilities in 2017/18, from age 5 years to those in their late 80s. A wide variety of community clubs and societies accessed facilities and services, ranging from aikido residential camps and the Worcestershire School Sport Games, to Herefordshire and Worcestershire Sport Partnership Business Challenge events. Groups benefit from our expertise as well as our facilities. Across the academic year students continued to play a pivotal role in planning and supporting community events, be it sport therapy students providing the massage service at the City 10K run, or dance students launching the first intergeneration dance festival. We were nominated for a 2017 Times Higher Education Award in Community Engagement for our sports outreach.



*The University of Worcester Arena is the first indoor facility in the UK purpose-designed to include the wheelchair athlete*

Examples of Community Sport Engagement at the University of Worcester 2017/18	Number of participants
Football, including the under 10's league	32,160
Hockey	2,040
Triathlon	640
Indoor sports	16,320
UW Seniors (60+yrs)	9,000
2017 Worcester Senior Games (2 days)	130

**Engagement and learning**

New-thinking and discussion are vital components of a thriving, active community. We have a vibrant programme of public events, lectures and exhibitions that aim to inform, stimulate, entertain, and excite debate. The programme has events for all ages, and travels to locations outside of Worcester, including Hereford and Hay-on-Wye.

Arts and cultural opportunities have many positive effects, including: increasing volunteering, better attainment in literacy, enhancing employability, and influencing community cohesion by making communities feel safer and stronger. A recent Arts Council study found that people who had attended a cultural place or event in the previous 12 months were almost 60 per cent more likely to report good health compared to those who had not.



*The University chaired four discussion panels at the Hay Festival, one of the world's leading literary events*

**SECTION 2: Public Benefit Statement (continued)**

Infirmary Museum Activity	Participants 2017-18
Exhibition visits	7,182
School student engagements	2,567
Teachers attending with supporting schools	366
School Workshops delivered	75
Tours for schools	48
Family Activities	780
Community Group tours and talks	340
Lectures and presentations for HE students	692

The Infirmary Museum is an interactive exhibition at the University of Worcester's City Campus combining history, science, art and technology to explore the medical stories of one of England's oldest infirmaries and the place where the British Medical Association was founded.

Public Lectures	Number of events
Hay Festival Lectures and Workshops	5
Law Lecture Series	11
Hereford University Centre lectures	10
Other public lectures	15

Arts Events	Participants 2017-18
Children's Storytelling Festival	4,200
Micro-Science Festival	550
The Big Sing for Schools	2,579
Exhibitions at The Hive and on campus	48,500
Theatre Performances	120
World Fish Migration Day Community Event	1,300
BBC National Orchestra of Wales concert	473
Film Screenings	150
Worcester Degree Shows	500
University Carol Service	200



*Over 2,500 school children took part in a group singing session at the University of Worcester Arena*

**Economic impact and supporting industry**

The University's annual income has risen by more than four times since 2004 and is now approaching £100m, with the University's activities generating well over a quarter of a billion pounds annually for the regional economy, and generating more than 8,000 jobs in the area.

Our team of academics, researchers and business experts create bespoke solutions for businesses and support industry in the region and beyond. Organisations have access to our expertise, can use our facilities and partner with us on a wide range of projects.

The University of Worcester is one of only a handful of educational institutions to enjoy flagship accreditation as a Centre of Excellence for entrepreneurship, accredited by the Institute of Enterprise and Entrepreneurs.

**SECTION 2: Public Benefit Statement (continued)**

The University is a major employer in Worcestershire, directly employing over 1,000 permanent staff, and over 700 students in over 50 different roles. We offer competitive rates of pay and good employment benefits. We are the best performing university and the most genuinely equal when it comes to gender pay, according to the nationally published data (2018). Worcester has the smallest average pay gap and is best for the equal proportion of women employed at all levels, including the highest, of any UK University. Our combination of flexible working arrangements, competitive annual leave and a high-quality nursery on campus help our staff to maintain a positive work-life balance.

*The University's 'Golden Triangle of Professional Education' combines the work of the student with the academic educator and trained practitioner*

Supporting businesses	2017-18
Business Incubator	3 graduates and 8 undergraduate businesses operating from the Incubator. Space and infrastructure has been prepared to accept external fee-paying applicants.
Entrepreneurs in Residence	5 Entrepreneurs supporting businesses and students. Bank pool of 5 entrepreneurs in waiting to provide additional cover if needed.
Summer boot-camp for business start-ups	75 sign ups. 32 participants on the programme. 50% of cohort U of W students and graduates.
Worcesterpreneur events	330 students and community members took part in events. Partnering arrangements now in place with the HIVE and Haines Watts for 2018-19 programme.
Executive Education	Bespoke programmes for 2 organisations and Open Executive MBA.
Worcester Media Lab	27 students delivered 17 projects.
Business and Enterprise events and networks	Worcester staff organise or belong to 8 different business networks and stakeholder groups.
Leadership and Management Development programmes	43 students on a range of programmes.
Business Seminars at The Hive Library	7
Student Placements and internships	37 companies had Worcester student placements
Business Idea Clinics	24 participants over the year - many attending multiple sessions receiving coaching mentoring support. 5 participants have been external members of the community accessing this service. Additional pilot scheme at main campus September 2018 to test if there is wider demand.
Worcesterenterprise.org	University of Worcester website providing signposting, resources and guidance to both pre – start up and established businesses.

## SECTION 2: Public Benefit Statement *(continued)*

### Environmental Sustainability

Worcester is a leader in sustainability and climate change research, teaching and engagement. Our campus is a living laboratory for developing, testing and implementing solutions that enhance the health of people and planet.

Community engagement campaigns, such as projects to improve energy efficiency in student housing, car share schemes and sustainability conferences for young people, focus on using our campus to incubate new ideas and replicable models for change.



*The University has consistently ranked in the top ten in the independent People and Planet Green League since it was first published in 2007. We have numerous awards for championing green initiatives*

The University has been in the top five in the Guardian published People and Planet 'Green' league since its launch in 2010. We successfully completed our ISO 14001:2015 audit, making us the second university in the UK to transition to the new standard. Auditors are using our documentation as an example of best practice and our annual Sustainability Report was a finalist in a prestigious, PwC judged, Green Gown awards.

### SECTION 3: Financial Management and Sustainability

In meeting the on-going challenges of the new funding regime and other Higher Education changes, in delivering our financial strategy we will:

- Continue to observe the principles of prudent financial management;
- Ensure that the expansion and development plans remain achievable and affordable;
- Take measures to maintain and further increase the University's popularity and student intake;
- Ensure efficient collection of cash and debtors together with prompt payments to creditors and suppliers, as per the relevant agreed terms; and
- Maximise opportunities to diversify sources of income and increase income generation from these activities.

#### Results for the year

The 2017/18 consolidated financial statements confirm a stable financial position for the University with a surplus of £8.7m (2017: £6.6m). This surplus has been achieved through a steady increase in student numbers, efficient management of resources and strategic long term planning regarding investment in the physical estate. The consolidated results shown in the accompanying financial statements consist of the main University and its trading subsidiaries, U W Developments Limited, U W Enterprises Limited and UW Worcester Wolves Limited.

U W Developments Limited is the entity through which the University manages its significant capital development projects. Following the Development Agreement with the University, which was signed during 2016/17, the Company has now commenced planning and design work on the Himbleton Road Townhouse Development project, and following a full procurement process have now appointed a construction sub-contractor. The construction phase is due to commence September 2018, with completion by September 2019.

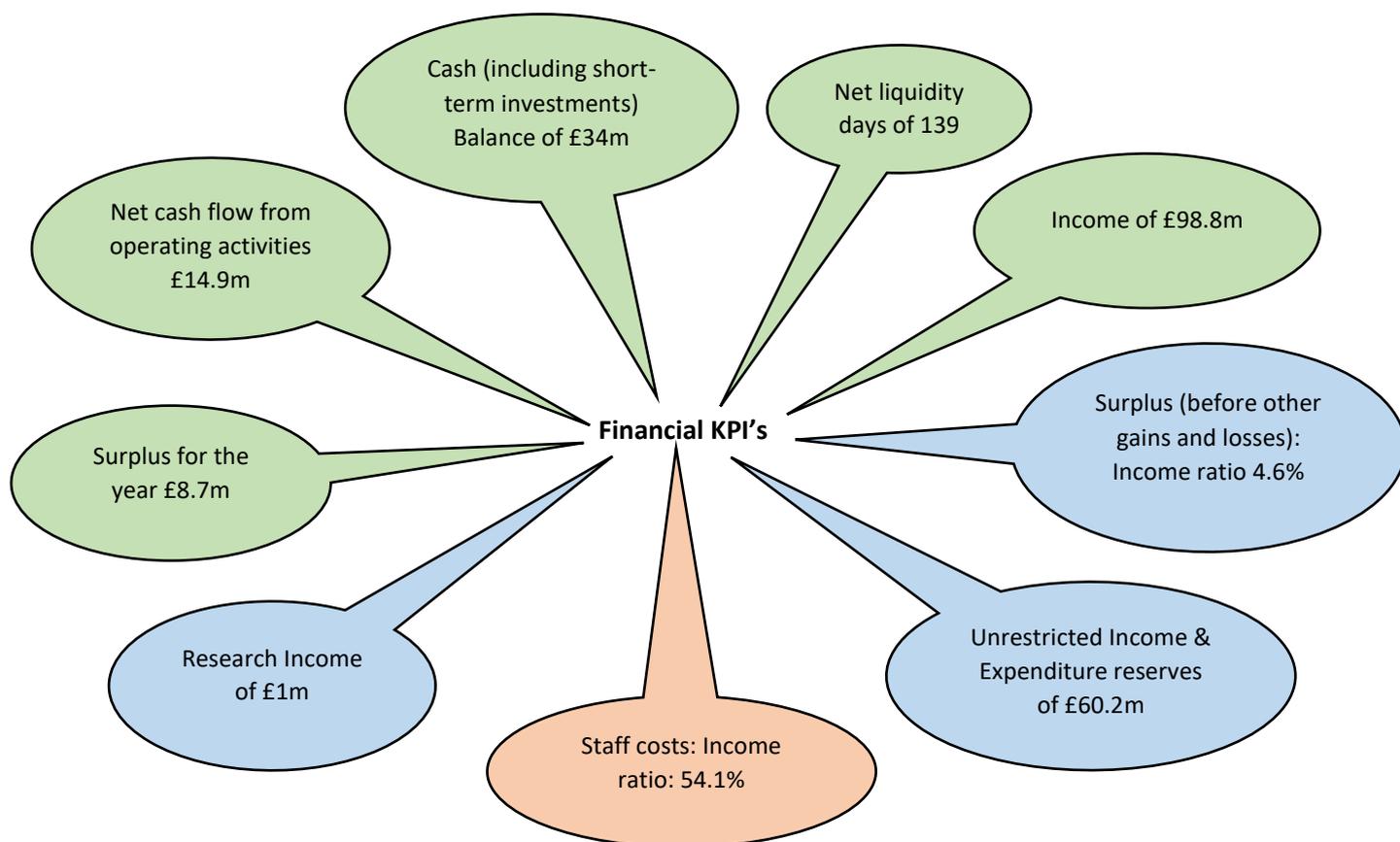
U W Enterprises Limited is the entity through which the University's commercial activities are channelled. Following a steady decline over the past few years in full commercial trading, the University made the decision at the beginning of 2015/16 that the on-going minimal amount of trading relating to the National Pollen and Aerobiology Research Unit would in the short term be filtered through the University, rather than the subsidiary company due to its links to educational services. This decision will be reviewed in the future if commercial trading activity increases, however for the year ending 31<sup>st</sup> July 2018 no trading activity was undertaken. Due to a movement in debtor and creditor balances, the Company does not meet the criteria for dormant status and therefore basic accounts have been produced.

UW Worcester Wolves Limited is a 100% subsidiary company of U W Enterprises Limited. The company was incorporated on 13<sup>th</sup> June 2014, with its first period of trading ending on 31<sup>st</sup> July 2015. The principal activity of the company is the running and operating of a professional basketball team, in which the main team plays in the top league in the UK, the British Basketball League (BBL), and who are based at the University of Worcester Arena. In addition, the company supports the activities of other basketball teams and activities in the University and the Worcester region.

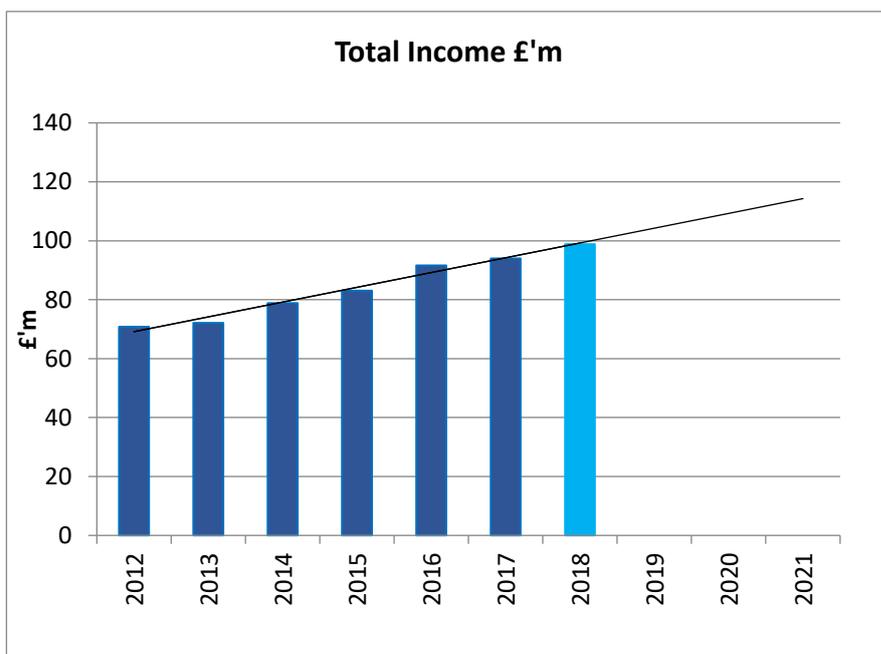
The year ending 31<sup>st</sup> July 2018 has seen the company continue to produce a small profit due to the continued support of the University of Worcester and local external sponsors. The Club continued to have a high profile with school and community groups and played a major part in several University of Worcester recruitment and outreach activities. Throughout the season, the University of Worcester Arena match night experience attracted many new fans and the team featured regularly on TV. There has been a significant improvement in terms of social media engagement, following the introduction of several creative features and activities and a new website has been launched. The Club continue to develop an excellent relationship with main sponsors GTech and this will continue in the forthcoming season.

**SECTION 3: Financial Management and Sustainability (continued)**

A visual summary of the financial Key Performance Indicators (KPI's) used by the University are shown below. The results of which relate to the actual performance during the year:

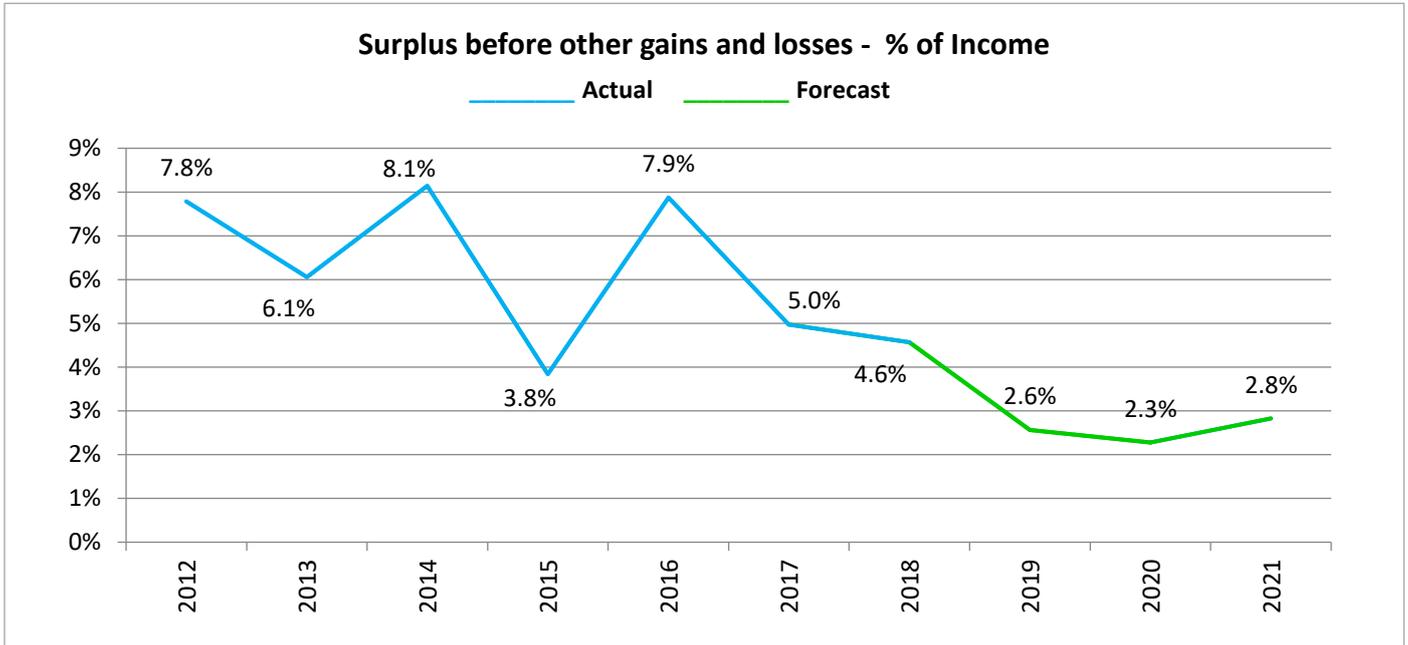


Income has continued to increase year on year and 2017/18 has seen the University achieve income of £98.8m. Looking back to 2011/12, when the sectors income changed due to the shift between grant funding and tuition fees, the University has continued to see a steady growth in income. This has been achieved through a sustained strategy by the University to invest in its people and infrastructure, which in turn leads to a rewarding student experience and increased popularity amongst students at the University. Based on the forecasts submitted to the Office for Students, the University is predicted to achieve continued growth over the coming years, even after allowances for the external context (see section 1).

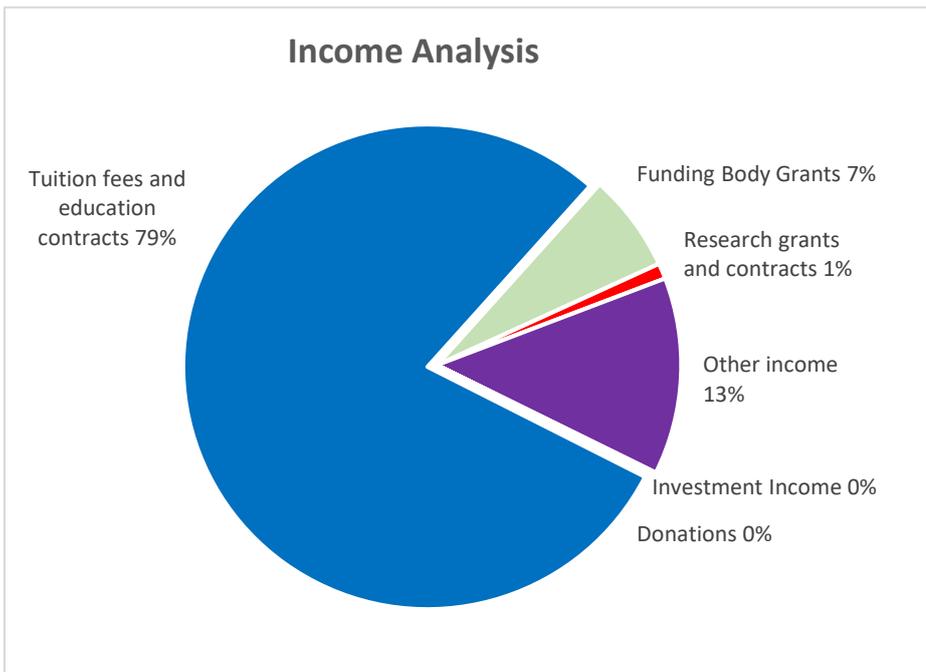


**SECTION 3: Financial Management and Sustainability (continued)**

Associated with the sustainable income growth, the level of surplus (before other gains and losses) generated has also remained healthy, with some years resulting in a higher surplus due to elements of non-recurrent income.



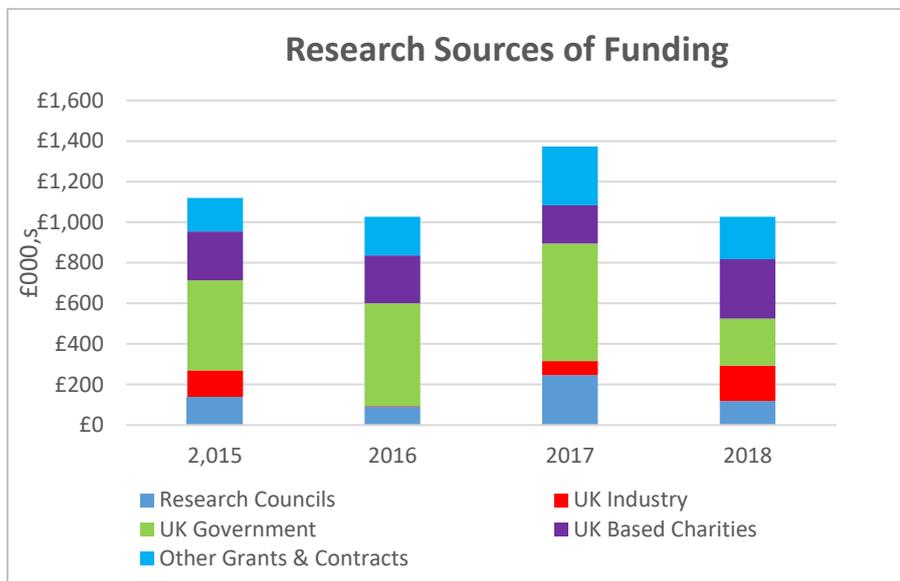
The University’s current long-term financial plans are forecasting a reduction in the surplus to income ratio over the coming three years. This is due to several factors, including a prudent estimate regarding the intake in student numbers along with a continued increase in pay related costs. Management consider this is a conservative and realistic growth rate over the coming years. Given the recent announcements by the Government, and their potential impact on future year forecasts, the Board and the University Management will consider these in the usual course of its annual budgeting process.



Analysis of the 2017/18 financial results shows a healthy annual growth in income of £4.8m (5.2%) compared to the previous year, with the majority of income continuing to be received directly from tuition fees, as shown in the chart left. The shift between grant income (received from government) to student fees has now been fully realised and therefore the continued increase in tuition fee income is mainly a result of student number growth. Student fees now represent some 79% of total income and it is expected that this will remain constant in the future.

**SECTION 3: Financial Management and Sustainability (continued)**

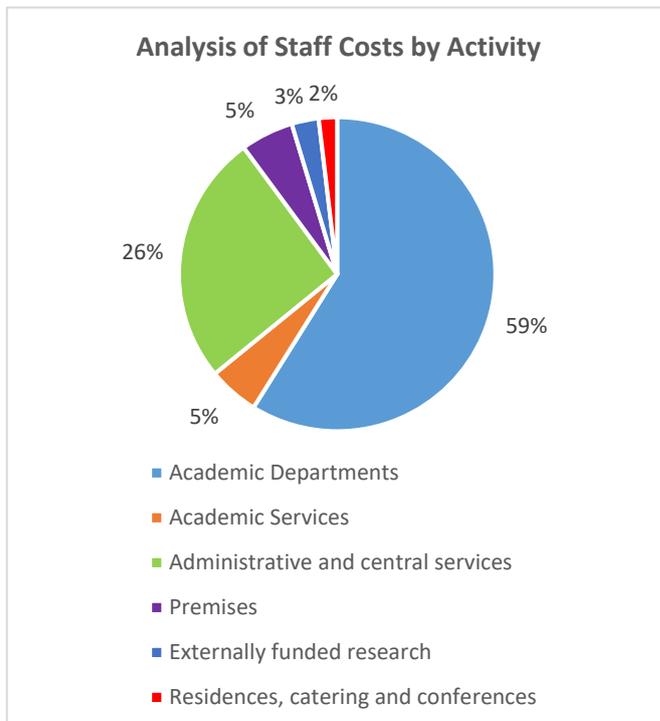
The University of Worcester has not historically been a research-intensive University, as indicated by the income analysis chart below. However, research continues to play a key part in the educational offering to students and over the past few years focus has been on strengthening the University’s research department so that additional resources are made available to support academic research. Over the coming years, the University hopes to obtain additional external research contracts, either as a sole provider or in collaboration with other partners.



Research income reduced in 2017/18, back to a similar level to that of previous years. Part of this fluctuation is due to the fairly recent FRS102 accounting changes whereby contract performance conditions determine when income is disclosed. An element of the University’s deferred income, at the year end, relates to research contracts for which cash has been received, however full contract conditions have not yet been achieved due to the stated timescales of the projects, therefore the income cannot be disclosed in 2017/18. This income will be released in future years as each project progresses.

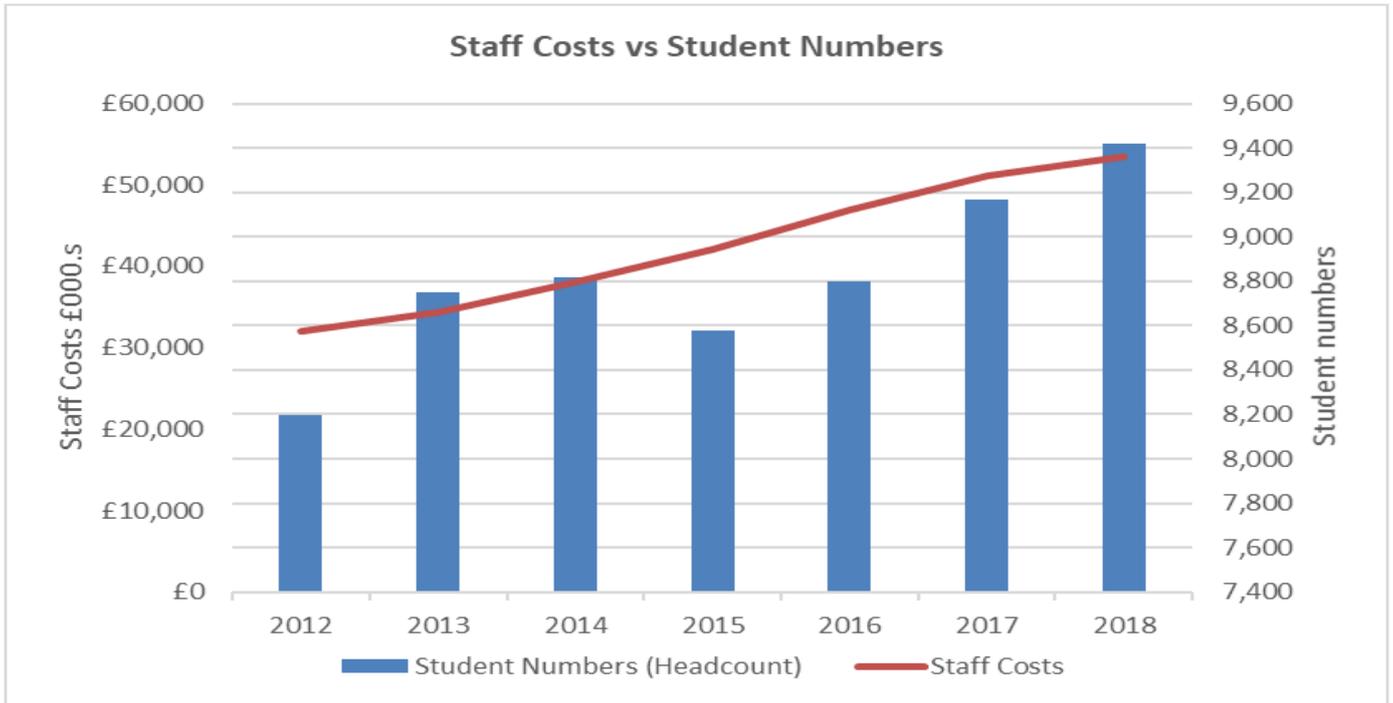
The University already has signed contracts in place, which will continue to generate income for the coming year. The University continues to focus on new opportunities to further increase the level of research related income in the future. The chart shows the analysis of research related income over the past three years.

Total expenditure for the year increased by £5.0m (5.6%) to £94.3m (2017: £89.3m). Staff costs remain the University’s largest area of expenditure and have risen by £2.3m (4.5%) to £53.5m (2017: £51.2m) due to an increase in staff numbers which reflect the increase in activity in almost all departments and Institutes, together with the continued increase in pension contributions, national insurance taxation changes and the full year impact of the Apprentice Levy. The ratio of staff cost: income at 54.1% (2017: 54.4%) has remained consistent with that of the previous year. The University’s long-term financial plans show this ratio as remaining at below 55% for the next 5 years, which is considered by management to be an appropriate level to ensure that academic services and facilities continue to be provided at the highest standard in order to maintain student satisfaction. The University continues to focus on maintaining this sustainable level of staff costs, which, due to defined benefit pension liabilities, has become a challenge over the past few years. The chart opposite shows the analysis of staff costs between key areas:

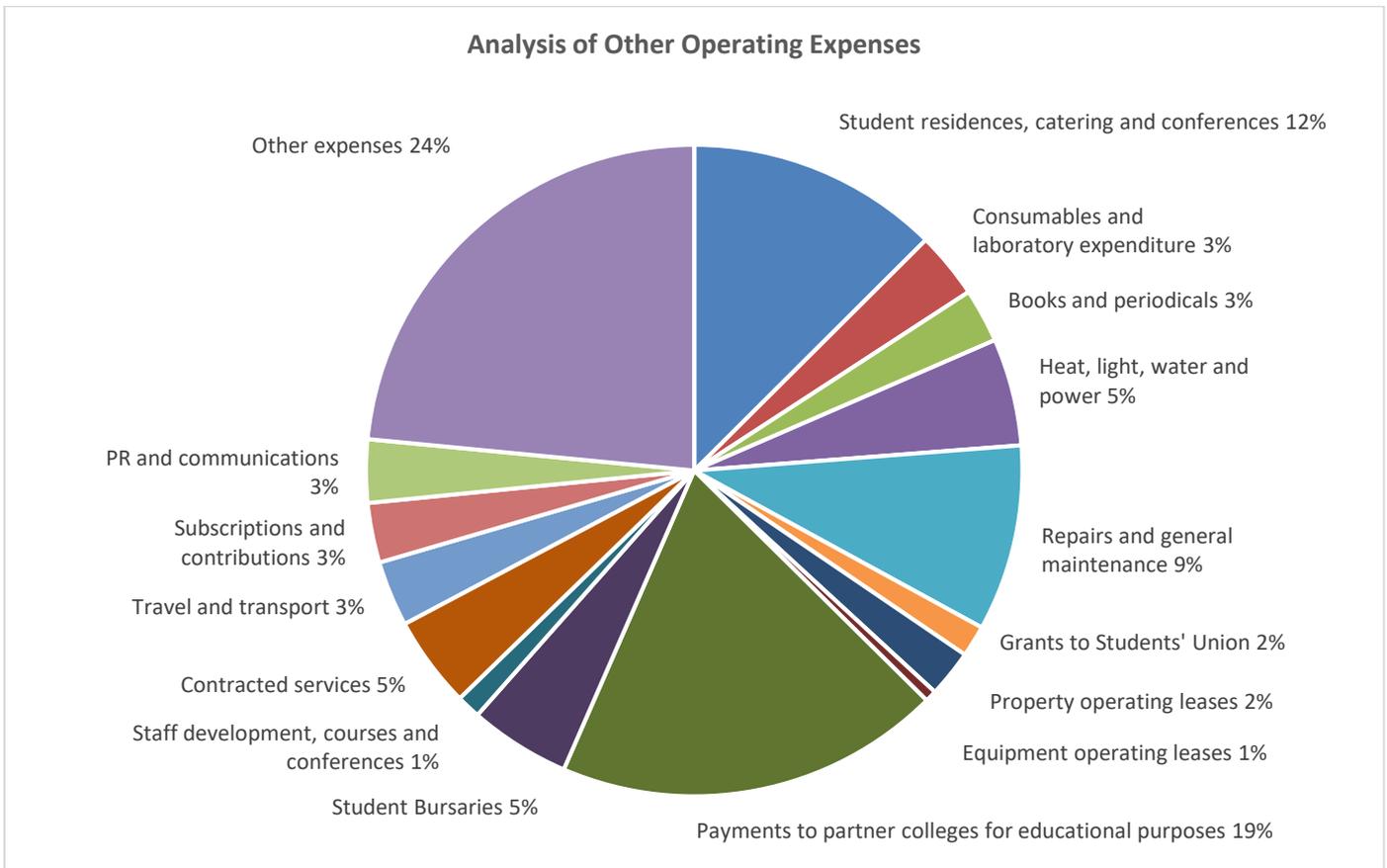


**SECTION 3: Financial Management and Sustainability (continued)**

The graph below shows the historical correlation between student numbers (headcount excluding students based at partner colleges) and staff costs.

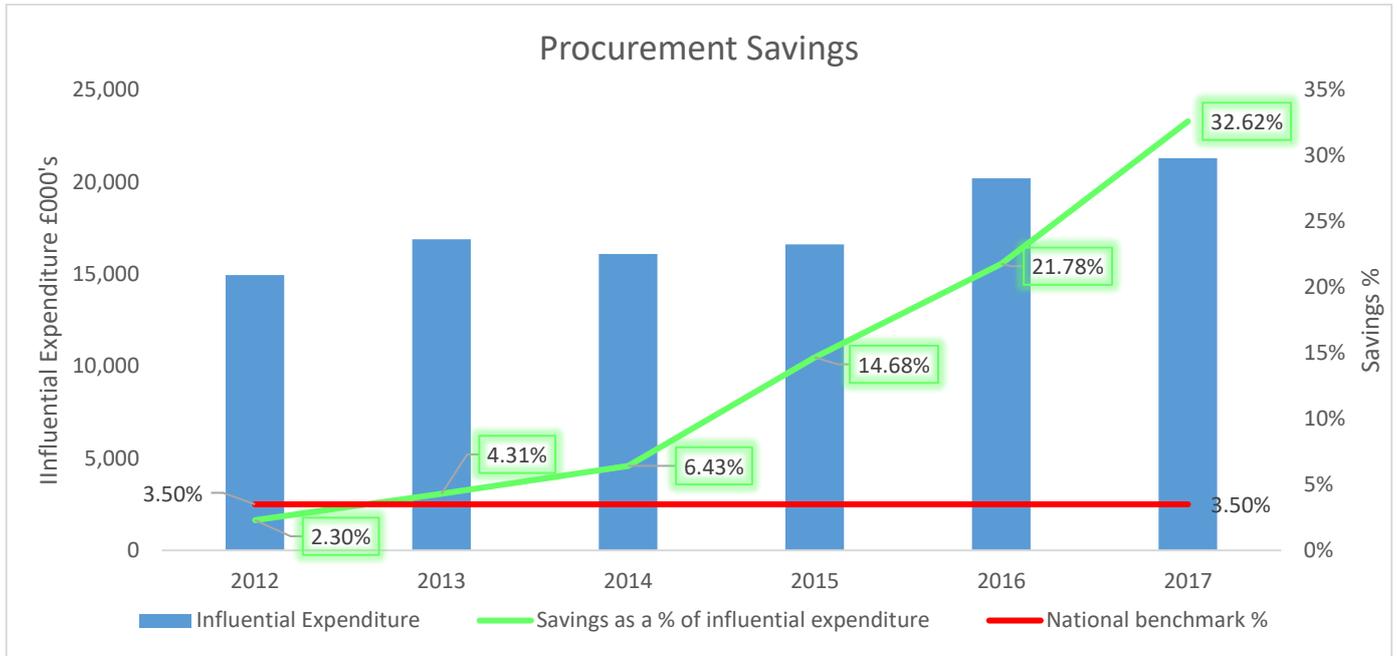


Other operating expenses increased from £29.4m in 2016/17 to £32.1m in 2017/18. The breakdown of the total other operating expenses is shown below:

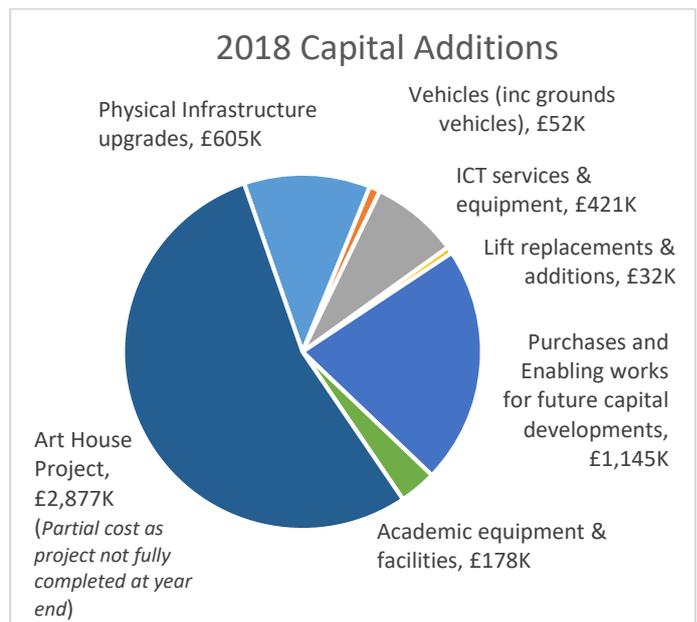
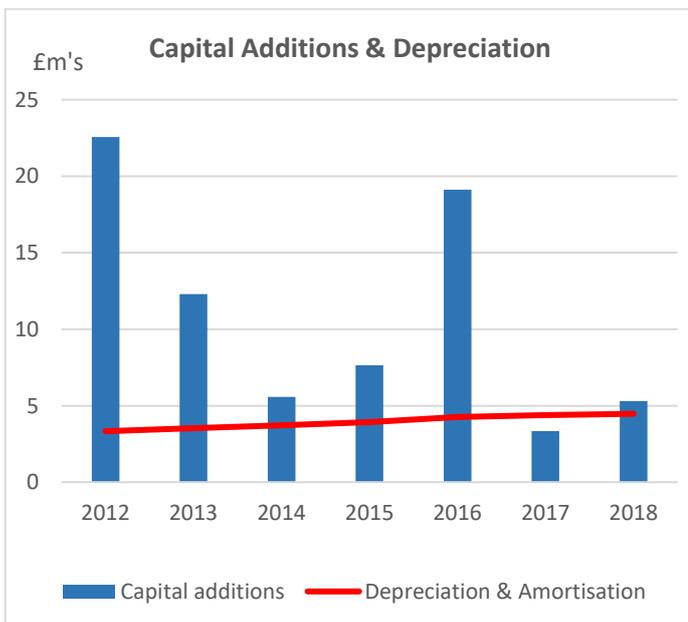


**SECTION 3: Financial Management and Sustainability (continued)**

Expenditure is constantly managed and monitored in order that the University continues to ensure that value for money is achieved. Certain areas of other operating expenditure are difficult to control; however, the graph below shows the value of influential expenditure over the past six years, along with the value of savings that have been achieved in comparison with the national benchmark. As indicated by the chart, the savings achieved each year have continually improved as a result of an experienced and dedicated procurement team. The 2018 data is not yet available; however, during the year the University has continued to achieve value for money in line with previous years.



The depreciation and amortisation charge continued to rise at a rate similar to that of previous years, as per forecasts, due to the on-going capital investment programme. The level of capital investment during the year was greater than that of the previous year, due to the Art House refurbishment project, along with the University planning for major student residences and other estates developments in the coming years. This will ultimately lead to the development of several new buildings, which in turn will directly result in a continued increase in depreciation in the coming years.



**SECTION 3: Financial Management and Sustainability (continued)**

The University Group balance sheet showed a strong position with net assets at £71.0m (2017: £51.6m). The main aspects of this were total fixed assets of £155.4m mostly relating to the physical estate of the University and associated equipment, along with the investment land held at University Park. There is an on-going strategy to continue with the investment in infrastructure and a number of significant projects should be completed over the coming few years.

Net Current assets were £24.7m (2017: £19.0m) with the majority of this relating to the cash balance and short term investments held at the year-end. This was a result of the Barclays tranche C loan draw down on 27<sup>th</sup> July 2016, which remained unutilised during the year due to longer-term capital investment plans.

- Trade and other receivables £3.7m (2017: £3.3m)

The level of trade debtors at the end of this financial year was £2.2m, which is similar to that of the previous year. The majority of this outstanding debt relates to non-student debt. The University's credit control processes remain strong, which has resulted in a continued low level of student debt at the year-end. Prepayments and accrued income was greater at £1.4m compared to £0.9m the previous year.

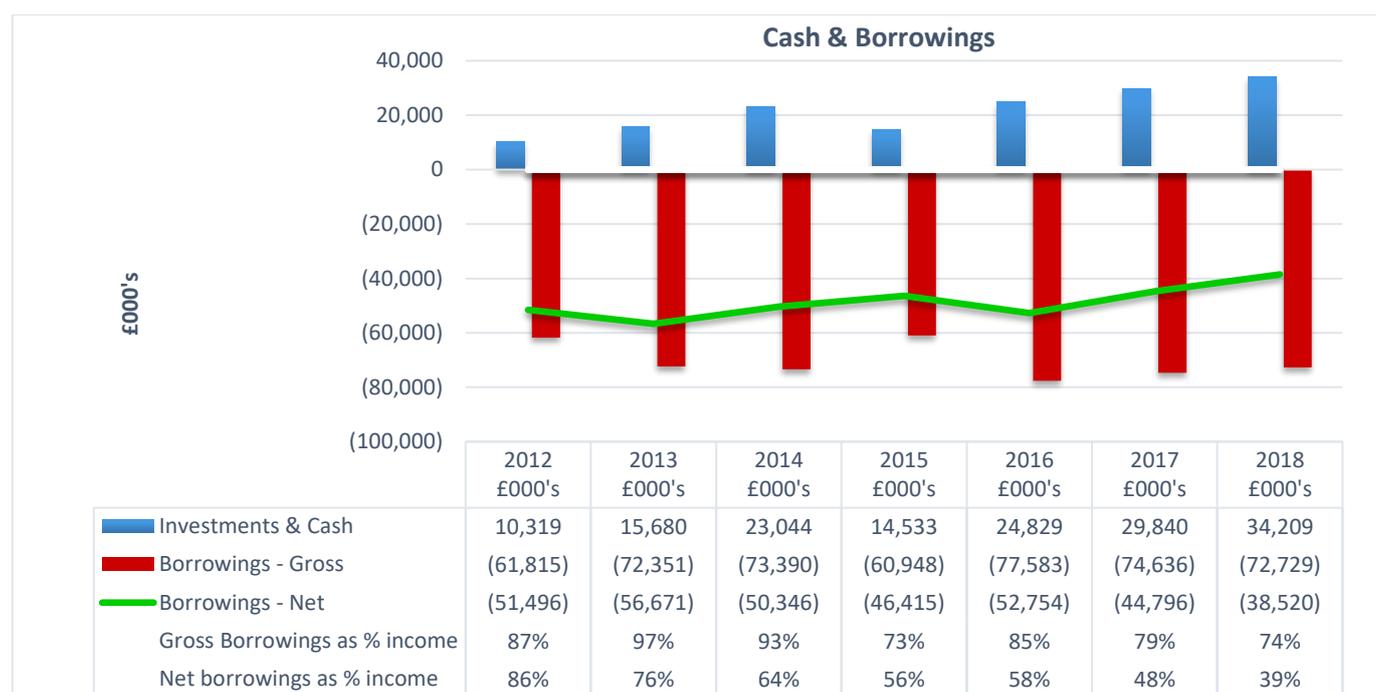
- Creditors (amounts falling due within one year) £(13.2)m (2017: £(14.1)m)

The creditor balance has reduced compared to that of the previous year. Included within the overall creditor balance is £1.4m of loan repayments due within the year 2018/19 in accordance with the terms of the overall borrowing facility. Tax, social security, and pension payments, totalling £1.8m, relating to July, were paid before the end of the financial year, rather than being paid in August, as has been the case in the previous year. Deferred income in relation to research contracts, capital grants and student tuition and accommodation fees reduced slightly from £2.4m to £2.2m. This income will be released in the coming year upon entitlement to the income. Trade creditors increased by £1.0m, along with an increase in general accruals, of which £0.9m relates to on-going capital and summer works development projects.

Longer-term liabilities are related to loan borrowings, the Hive finance lease and government deferred capital grants, which will be released to income from 2019/20 onwards.

The total bank loan drawn down as at 31<sup>st</sup> July 2018 remained at the full £80.0m although some has been repaid, (with the remaining long-term creditors relating to other funding connected to the Hive). This was consistent with the overall investment strategy of the University, with the borrowings used to successfully fund the expansion in the physical estate of the University and facilitate the substantial increase in both student numbers and resulting income as outlined above. The intention is that the unused cash balance from the final loan drawdown will be invested in the coming years in the continuation of development projects.

Most of the borrowings are due for repayment over a considerable number of years and the Board of Governors is satisfied at the University's ability to meet these repayments together with the associated interest charges as they fall due. The good financial performance in the year ended 31<sup>st</sup> July 2018 meant that all bank and related covenant tests were again comfortably achieved.

**SECTION 3: Financial Management and Sustainability (continued)****Provisions for liabilities**

The University has accounted for several provisions in relation to pensions, VAT and legal costs. The overall pension liability provision as at 31<sup>st</sup> July 2018 was £(21.6)m (2017: £(29.5)m) which includes the University's liabilities relating to the Worcestershire County Council Local Government Pension Scheme (WLGPS), the liability to fund the pension deficit regarding the University's Superannuation Scheme (USS), and the on-going provision regarding past early retirement benefits. The performance of WLGPS assets during the year was positive and this combined with an overall gain on the schemes liabilities, due to a slight rise in the discount rate and a small reduction in the inflation rate, resulted in a substantial reduction to the overall fund liability from £(28.7)m to £(20.9)m. The year-end adjustment to the current service cost was as expected, resulting in a charge to the Income and Expenditure Account as per previous years following the introduction of FRS102. The continued increase in pension costs for the University remains a concern and is a key factor in the long term financial planning of the University.

**Consolidated Cash flow**

The cash inflow for the year from operating activities was £14.9m (2017: £15.0m). This cash inflow was partly used to invest in capital expenditure and to service the loan facility (interest and loan repayments), with £4m being used to increase the short-term investment balance and the remaining held in the bank account. This cash will be used in future years to support working capital fluctuations, maintain long-term debt repayments and allow for additional investment in future capital expenditure projects.

## SECTION 4: Infrastructure Development Programme

The primary focus of the University's Infrastructure Development Programme in 2017/2018 was the refurbishment of the former County Furnishings building, a Grade II listed building adjacent to the City Campus, to provide new flexible and innovative resources for the creative arts and associated community groups. The redevelopment of the site commenced in December 2017 with the work completed in September 2018. The refurbishment has respected the heritage of the 1930s former car show room building in its industrial and urban features to create a modern and exciting Art House with studio and teaching facilities accessible by all.

During 2017/18 plans for a new residential 'townhouse' on the St Johns' Campus were developed and planning permission granted. The new 'townhouse' will comprise of a six and ten bedroom flat and four studio flats. This new provision takes forward the original designs developed as part of the University Court masterplanning exercise to develop residential accommodation which is inclusive for all. This has translated into a residential 'townhouse' in which an individual with physical disabilities, whether in a wheelchair or not, can easily access all rooms on both floors. Two of the studio flats will allow an individual with disabilities to live independently, whilst the other two studio flats could be used for carers or easily converted to provide additional fully inclusive rooms. Planning permission for the development was granted in July 2018 and the contract for the construction of the building was let in August 2018 with the expectation that the new residential provision will be available for use from September 2019.

Planning permission was also granted in July 2018 for the outline plans of the University's University Court development. The outline plans had been submitted to Malvern Hills District Council in September 2016 but the consideration of the application was delayed for reasons outside of the University's control. The application was considered and approved in July 2018. The University will now proceed to develop detailed plans for the first stage of the development to include a number of townhouses and associated car parking with the intention of submitting a detailed planning application in the second half of 2018/19. The townhouse proposals will build on the plans developed for the new townhouse on the St John's Campus.

During 2017/2018 the University has continued to invest in its existing estate. Developments have focused on the refurbishment of teaching rooms and improvements to the social learning and café provision at City Campus. The renewal and extension of the café/social learning provision was undertaken in particularly close consultation with students living and studying on the site. Further refurbishment works were undertaken to a range of teaching and residential buildings on the St John's Campus. Infrastructure works including the renewal of the water main and significant improvements to paths and car parking were undertaken.

Moving forward into 2018/2019, in addition to the detailed plans for the first phase of University Court, the University will be developing detailed plans for the next phase of the development of its Severn Campus. A masterplan for the Severn Campus land owned at the time by the University was completed in early 2016/17. Following consideration of this masterplan, it was clear that the best development of the site required the University to add to its landholding with the purchase of two specific parcels of land. Both these parcels were purchased at reasonable prices during 2017-18 with completion of the last purchase on 31<sup>st</sup> July 2018.

Work is now underway to develop tender specifications for two major new buildings on the Severn Campus. One building will provide facilities for Medicine and Health which will be modern, flexible and innovative. It will cater for the University's proposed Medical School and for the University's expanding, high quality work in subjects allied to medicine.

The other building, which will link to the existing University Arena, will provide inclusive indoor facilities for cricket and in particular all four strands of disability cricket. This will be the world's first indoor inclusive cricket centre. The project has been closely discussed with the England and Wales Cricket Board, England Disability and community partners. Very strong support is anticipated for this proposal and many new opportunities for the University's students in such areas as Sports Science/Coaching and Physiotherapy/Occupational Therapy/Sports Therapy will be created.

Work will also continue, in 2018/19, on developing the proposals at the University's Lakeside Campus, to accommodate a range of outdoor sports provision, which will include all weather sports pitches (astro turf) and a closed circuit running/wheeling track.

## **SECTION 5: Staff**

The University has a key objective 'to be an outstanding University at which to be a member of staff'. This is implicit in the HR Strategy and in the work of the HR department over the last year.

### **Developing the HR Service**

The HR department has been through significant change over the last year. A new team structure was implemented in 2018. The new structure provides clearly defined areas of responsibility, enables the development of knowledge and expertise within the HR team to support the University's strategic aim; and includes the creation of HR Business Partners who work closely with management teams and provide specialist HR advice for their designated business areas.

### **Recruitment**

The recruitment and selection of staff is a key activity for the HR department. Over the last year the Recruitment team have managed 2,125 applications for 306 vacancies. We continue to decrease usage of advertising agencies and hard copy advertising with a focus on using cost effective methods of advertising and utilising more social media platforms. These new methods perform well at attracting quality applicants and provide a cost effective means of advertising. We have also trialled a number of new advertising strategies to enhance the promotion and attractiveness of staff vacancies to good effect.

### **Staff Development**

During this period, the Training and Development team have delivered a wide range of training courses to our staff. The successful roll out of mandatory online training on Information Security, designed to support staff in their understanding of the University's Information Security Policy resulted in a completion rate of 93%, with 94% of staff attending the workshop provided by the IT department.

### **Equality, Diversity and Inclusion**

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, all public authorities in England with 250 or more employees are required to report their gender pay gap data annually.

We are pleased to report that Worcester was revealed as the best of all universities in the UK, with the smallest average pay gap of any university, and with women represented equally across the Institution across all grades of staff. This data is indicative of the University's inclusive approach in all areas of work and the value it places on female employees at all levels. A link to the University's webpage on the Gender Pay Gap data is below:

<https://www.worc.ac.uk/discover/gender-pay-gap-report-2017.html>

We are committed to inclusion and the promotion of gender equality. Our gender pay gap data demonstrates that we have good foundations in place and that women are well represented at all levels within our organisation.

We continue to keep our HR policies and processes under regular review to ensure we are making steps towards removing any existing gender pay gap and ensuring that a balanced representation of different genders within the workforce and across all roles.

Following submission of our Athena SWAN application at the end of November 2017, the University were delighted to receive confirmation in April 2018 of the Athena Awan Bronze award. The application process included a detailed action plan, with a number of specific areas for future development. The Bronze award stands us in good stead and confirms the good progress made to date in relation to Gender Equality at the University.

We continue to monitor the employment 'lifecycle' of our staff; from initial recruitment - ensuring that we have fair and consistent selection processes in place; providing career development opportunities for all job roles; offering clear and consistent promotion and salary processes; and applying fair and flexible working practices.

**SECTION 5: Staff (continued)****Trade Union Facility Time**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect on 1<sup>st</sup> April 2018, and introduced a new requirement for all Higher Education Institutions in England and Scotland to publish certain information on trade union officials and facility time.

The information below is for the period **1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018**.

Relevant union officials

The total number of employees who were relevant union officials during the period.

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
14	13

Percentage of time spent on facility time

The number of employees who were relevant union officials employed during the period who spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time	Number of employees
0%	0
1-50%	14
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£16,108
The total pay bill	£50,202,070
The percentage of the total pay bill spent on facility time	0.03%

Paid trade union activities

Time spent on paid **trade union activities** as a percentage of **total paid facility time** hours 11.95%

## SECTION 6: Corporate Governance

The University of Worcester 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 objectives, powers and framework of governance are set out in the Instrument and Articles of Government, which are available on the University's website: <https://www.worc.ac.uk/discover/governance.html>.

### The Board of Governors

The Board of Governors is the governing body of the University. The Board of Governors has a majority of independent members and the Chair is elected for a term of four years from the independent members. The Chair is supported by two Vice Chairs, appointed by the Board of Governors on the recommendation of the Nominations Committee. Membership of the Board also includes co-opted members and representatives of the teaching and support staff and two student members. The Vice Chancellor and Chief Executive is an ex-officio member. No members of the Board receive any payment for the work they do as Governors. However, the University does on occasions fund relevant training courses and reimbursement of travel expenses.

In accordance with the University's Articles of Government, the Board is responsible for determining the educational character and the strategy of the University and has oversight of its activities. It is also responsible for ensuring the University's financial sustainability and compliance with legal and regulatory requirements, including the effective operation of internal controls, risk management and corporate governance.

In preparation of the financial statements, the Board of Governors has ensured that:-

- Suitable accounting policies are in place and are applied;
- Appropriate accounting standards have been followed; and
- Financial statements are prepared on the going concern basis.

The Board has taken reasonable steps to:-

- Ensure that funds received from HEFCE, and its successor OfS, and other public funding bodies are used only for the purposes for which they are given;
- Ensure that there are appropriate financial controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and to prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University's resources.

The Board of Governors meets four times per annum, in addition to other special meetings to address specific issues. The Clerk to the Board maintains a Register of Interests of members of the Board, which may be consulted by arrangement with the Clerk.

As stated in the University's Strategic Plan 2013-18, the University is committed to operating the highest standards of corporate governance and continuously improving its governance arrangements. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (the Nolan Principles), namely: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

The Board formally adopted the Higher Education Code of Governance published by the Committee of University Chairs (CUC) in December 2014. At the same time, the Board received and approved a report, which confirmed the University's compliance with the seven primary elements of governance identified in the Code. The annual review of compliance with each part of the Code was undertaken and received by the Board in 2017/18 at the meeting of the Board in November 2017.

The work of the Board is supported by a system of sub-committees, as described below:

## **SECTION 6: Corporate Governance (continued)**

### **Academic Board**

The University's governance arrangements include an Academic Board, which, subject to the overall responsibility of the Board of Governors, has oversight of the academic affairs of the Institution and draws its membership from the staff and students of the University. The Academic Board is particularly concerned with general issues relating to the learning, teaching and research work of the University. An independent member of the Board of Governors attends meetings of the Academic Board in an observer capacity. The Board of Governors has mechanisms in place to assure itself that the University has in place arrangements to safeguard the quality and standards of its academic provision. It receives reports of each meeting of the Academic Board and an annual report from the Academic Board on quality and standards. During 2017/18 the Board engaged in detailed strategic discussions concerning the University's registration with the Office for Students, at its meetings in October 2017, April 2018 and July 2018. The Board also considered and approved, at its April 2018 meeting, proposals for the restructuring of the Academic Institutes. Details of the terms of reference for Academic Board and its sub-committees can be found in Bye-Law 4 at <https://www.worc.ac.uk/documents/Byelaws Board Approved Jul 17.pdf>

### **Nominations Committee**

The Nominations Committee is responsible for ensuring that the membership of the Board is maintained and that the spectrum of members include appropriate knowledge and expertise. There is a matrix of members' skills and expertise to assist decision making, which is reviewed on an annual basis. Annual reporting on the profile of the Board in respect of equality and diversity was introduced formally in 2016/17. In accordance with the Lambert Report (2003) and best practice in the Higher Education Code of Governance (2014), the University continues to advertise nationally against defined person specifications and role descriptors. All vacancies for independent board members are advertised on national recruitment boards and on the University's website. The recruitment campaign for new Board members included the targeting of under-represented groups through specialist website and membership groups. The Board additionally demonstrated its commitment to promoting diversity for new non-executive directors and governors in Higher Education and other sectors, through its participation in the Board Apprentice programme. The Board welcomed its first board apprentice in 2017/18 and the person selected participated fully and was most appreciative of the opportunity.

### **Finance and Development Committee**

The Finance and Development Committee met five times during the year. It reviews in detail the University's budget, Financial Forecasts and Accounts, prior to formal approval by the Board of Governors, including consideration of accounting principles, judgements and disclosures. On behalf of the Board, it monitors the development and implementation of strategic projects approved by the Board including the Capital Development Programme. The Committee monitors in-year financial performance in relation to the budget and relevant financial performance indicators.

### **Audit Committee**

The Audit Committee meets four times a year, with the University's External and Internal Auditors in attendance. The University appointed BDO in 2017/18 for its external audit services and Ernst Young who have served since 2015/16 for its internal audit services.

The Committee membership comprises four independent members appointed by the Board of Governors, none of whom are members of the Finance and Development Committee, and up to a further two co-opted independent members. At least one member should have recent and relevant experience in finance, accounting or auditing. Members of the Executive attend meetings of the Audit Committee, but they are not members of the Committee. The Committee members meet with the Auditors on their own for at least one independent discussion per annum. During 2017/18, one 'in camera' session of this type was held.

## **SECTION 6: Corporate Governance (continued)**

The Committee approves the Internal Audit Strategy and the Annual Internal Audit Plan and receives detailed reports with recommendations for improvements to the institution's internal control systems. It also receives the Corporate Risk Register and the annual financial statements and management letter from the external auditors, prior to their formal approval by the Board of Governors. It reports to each meeting of the Board and also presents an annual report that is part of the annual assurance process required by HEFCE, and subsequently OfS, which is submitted along with the Annual Opinion statement from the Internal Auditors. The Annual Report of the Audit Committee includes an assurance on the quality of the University's data management and the accuracy of data returned to external agencies.

### **HR Committee**

The HR Committee oversees the development and implementation of the human resources strategy, and receives reports from the Director of HR and from the Equality and Diversity and Health and Safety Committees. The Committee also keeps under review national arrangements for pay bargaining and makes recommendations to the Board on the appropriateness of the University's continued participation in the national bargaining arrangements. The Committee reviews the profile of the University staff by key contractual groups, staffing and recruitment trends and the number engaged in CPD and staff development activities.

### **Remunerations Committee**

In 2016/17 the University had two Remuneration Committees: one responsible for determining the annual remuneration of the Vice Chancellor and a second committee responsible for determining the remuneration of other members of the senior leadership who were Board Appointees and/or were remunerated on the University's Pro Vice Chancellor Scale. The Vice Chancellor was a member of the second committee. The Vice Chancellor was neither a member nor in attendance at the first.

In 2017/18 a single Remunerations Committee was established of which the Vice Chancellor was not a member. The remit of the Committee was the remuneration of the Board appointed staff (i.e. the Vice Chancellor and Chief Executive, the Deputy Vice Chancellor and the Clerk). The membership of the Committee comprises of: The Chair of the Governing Body (in the Chair), the Chair of the HR Committee, The Chair of the Audit Committee and one other independent Board member. It was agreed that the Committee would meet on separate occasions at least twice a year. At one meeting the Committee met to discuss the remuneration of the Deputy Vice Chancellor and the Clerk, and asked the Vice Chancellor to be present as an advisor. At the second meeting of the Committee, which discussed the remuneration of the Vice Chancellor, the Vice Chancellor was not present. The Committee agreed to uplift the Vice Chancellor's salary by 1.7% which was the nationally agreed uplift which had been applied to all the University's staff. The Vice Chancellor waived this increase. The Vice Chancellor's remuneration is reported later in this document in the format and with the justification as is now required by the OfS in its Accounts Directive.

During the year the Board established a task group to consider the recommendation of the Committee of University Chairs on the remuneration of senior staff.

In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee, University Community Forum and Honorary Awards Committee. The Board of Governors also has a nominated observer representative on the Boards of all the University's wholly owned subsidiary companies.

### **Internal control and risk management**

The Board has responsibility for maintaining a sound system of internal control that supports the achievement of institutional strategies and policies, whilst safeguarding public and other funds and the assets of the University. The system of internal control is designed to manage rather than eliminate risk and can only provide reasonable rather than absolute assurance of effectiveness. In 2017/18, operationally, the University Risk Manager was the Clerk to the Board, who worked closely with the University Executive and individual risk owners to ensure that the University's Risk Management Policy was implemented.

**SECTION 6: Corporate Governance (continued)**

In March 2018 the Clerk left the University and the position has since been filled on an interim basis.

An institutional Risk Register is maintained, which is presented on a six monthly basis to the Audit Committee and Board of Governors for approval. Each corporate risk is mapped to the University's Strategic Plan. The annual review and planning process includes a review by the Executive of major risks and how these are being managed in different departments of the University. Separate and detailed risk registers are maintained for key capital developments and risk assessments are also undertaken alongside any proposals for major new partnerships.

The Board's oversight of the effectiveness of the system of internal controls is informed directly by the work of the Internal Auditors and the University Executive that has responsibility for the development and maintenance of the internal control framework, and by feedback provided by the External Auditors in their management letter and in other reports to the Audit Committee. The Internal Audit Strategy, approved annually by Audit Committee, sets out priorities over a four year period and includes the agreed priority audit areas for the coming year. These priorities are based on a review of sector and University developments, audit work in the previous year and the University's Risk Assurance Map, which is received on a six monthly basis with the Institutional Risk Register. The Annual Internal Audit Plan is reviewed at each meeting of the Audit Committee, because it is recognised that it is dynamic and needs to be continuously revisited to reflect the changing environment and risk profile facing the University. Key responsibilities by the Executive relating to the operation of the internal control environment are included within the Schedule of Delegation, which is approved on at least an annual basis by the Board. The Board receives a report by the Vice Chancellor and Chief Executive at each meeting of the Board concerning the operation of the University and emerging risks and opportunities affecting the University.

**Governance Developments in 2017/18**

Following approval by the Privy Council of changes to the University's Instruments and Articles of Government in October 2016 the Board of Governors agreed a framework of 10 Bye-Laws. The majority of the Bye-Laws were approved by the Board during 2016/17. Whilst drafts of the remaining Bye-Laws were prepared in 2017/18, these were held pending the publication of the Office for Students' (OfS) Regulatory Framework and the Committee of University Chairs (CUC) Code for Senior Remuneration. This work will continue in 2018/19.

The Board has engaged in active consideration and discussion in relation to the new Regulatory Framework for Higher Education and the University's registration with the OfS. The Board approved, at its May 2018 meeting, the appointment of a review group to review and approve the University registration submission to the OfS. The Board noted at its July 2018 meeting that, subsequent to the review group's approval, the University's registration with the OfS was submitted on the 23<sup>rd</sup> May 2018. The OfS has agreed the University's submission with no specific conditions attached.

During 2017/18 the Board considered and discussed the detailed direction of the new University Strategic Plan. This was approved by the Board at its July 2018 meeting for publication in Autumn 2018.

Mr John Bateman OBE  
Chair of the Board of Governors

Professor David Green  
Vice Chancellor and Chief Executive

## Independent auditor's report to the board of governors of University of Worcester

### Opinion

We have audited the financial statements of University of Worcester ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2018 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheets, the Consolidated and University Statements of Changes in Reserves, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The governors are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

**Independent auditor's report to the board of governors of University of Worcester (continued)****Opinion on other matters required by the Office for Students ("OfS") and Research England Audit Code of Practice**

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them.
- The requirements of the OfS's accounts direction have been met.

**Responsibilities of governors**

As explained more fully in the governors responsibilities statement set out on page 33, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governors are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding from the Office for Students and Research England.

**Use of our report**

This report is made solely to the University board of governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's board of governors those matters we are required to state to them 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 University and the governors as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Birmingham  
Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Consolidated and University Statements of Comprehensive Income and Expenditure**  
**For the year ended 31st July 2018**

	Note	Group		University	
		2018 £000	2017 £000	2018 £000	2017 £000
<b>INCOME</b>					
Funding Body Grants	2	6,468	5,754	6,468	5,754
Tuition fees and education contracts	3	78,173	73,455	78,173	73,455
Research grants and contracts	4	1,027	1,373	1,027	1,373
Other income	5	12,987	13,307	12,958	13,319
Investment Income	6	138	80	202	158
Donations and endowments	7	37	19	37	19
<b>TOTAL INCOME</b>		<b>98,830</b>	<b>93,988</b>	<b>98,865</b>	<b>94,078</b>
<b>EXPENDITURE</b>					
Staff Costs	8	53,479	51,160	53,299	51,003
Other operating expenses	9 & 11	32,101	29,421	32,309	29,631
Depreciation and amortisation	9,12 & 13	4,468	4,376	4,581	4,495
Interest and other finance costs	10	4,269	4,357	4,269	4,357
<b>TOTAL EXPENDITURE</b>	11	<b>94,317</b>	<b>89,314</b>	<b>94,458</b>	<b>89,486</b>
<b>Surplus before other gains losses</b>		<b>4,513</b>	<b>4,674</b>	<b>4,407</b>	<b>4,592</b>
Loss on disposal of fixed assets	13	(17)	(32)	(17)	(32)
Gain on investments	14	4,205	1,926	4,205	1,926
Surplus before taxation		8,701	6,568	8,595	6,486
Taxation	27	-	-	-	-
<b>Surplus for the year</b>		<b>8,701</b>	<b>6,568</b>	<b>8,595</b>	<b>6,486</b>
Actuarial Gain in respect of pension schemes	26	10,645	2,574	10,645	2,574
<b>Total comprehensive income for the year</b>		<b>19,346</b>	<b>9,142</b>	<b>19,240</b>	<b>9,060</b>
Represented by:					
Restricted comprehensive income for the year	22	(8)	2	(8)	2
Unrestricted comprehensive income for the year		19,354	9,140	19,248	9,058
		19,346	9,142	19,240	9,060
<b>Surplus for the year attributable to:</b>					
University		8,701	6,568	8,595	6,486
<b>Total Comprehensive income for the year attributable to:</b>					
University		19,346	9,142	19,240	9,060

The Income and Expenditure of the Group and the University relates wholly to continuing operations.

**Consolidated and University Balance Sheets as at 31st July 2018**

	Note	Group		University	
		2018 £000	2017 Restated £000	2018 £000	2017 Restated £000
<b>Non-current assets</b>					
Intangible assets	12	37	106	37	106
Tangible fixed assets	13	146,904	146,014	152,696	151,940
Investments	14	8,414	4,209	8,425	4,220
Investments in joint venture	15	-	5	-	-
<b>Total Non-current assets</b>		<b>155,355</b>	<b>150,334</b>	<b>161,158</b>	<b>156,266</b>
<b>Current assets</b>					
Stock	16	21	15	16	9
Trade and other receivables	17	3,656	3,288	5,278	5,614
Short term investments	18	14,000	10,000	14,000	10,000
Cash and cash equivalents		20,209	19,840	19,651	18,618
<b>Total Current assets</b>		<b>37,886</b>	<b>33,143</b>	<b>38,945</b>	<b>34,241</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(13,161)	(14,141)	(13,067)	(14,114)
<b>Net Current assets</b>		<b>24,725</b>	<b>19,002</b>	<b>25,878</b>	<b>20,127</b>
<b>Total assets less current liabilities</b>					
		<b>180,080</b>	<b>169,336</b>	<b>187,036</b>	<b>176,393</b>
Creditors: amounts falling due after more than one year	20	(87,236)	(87,907)	(87,236)	(87,907)
<b>Provisions</b>					
Pension	21	(21,569)	(29,472)	(21,569)	(29,472)
Other	21	(305)	(328)	(305)	(328)
<b>Total Net assets</b>		<b>70,970</b>	<b>51,629</b>	<b>77,926</b>	<b>58,686</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment		-	-	-	-
Income and expenditure reserve - restricted	22	128	136	128	136
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		60,216	40,626	67,172	47,683
Revaluation reserve		10,626	10,867	10,626	10,867
		<b>70,842</b>	<b>51,493</b>	<b>77,798</b>	<b>58,550</b>
<b>Total Reserves</b>		<b>70,970</b>	<b>51,629</b>	<b>77,926</b>	<b>58,686</b>

The 2017 comparative figures above has been restated to re-classify a short-term investment, which had in the previous year been shown as cash and cash equivalents.

The financial statements on pages 39 to 75 were approved by the Board of Governors on 20<sup>th</sup> November 2018 and signed of their behalf:

Mr John Bateman OBE  
Chair of the Board of Governors

Professor David Green  
Vice Chancellor and Chief Executive

**Consolidated and University Statements of Changes in Reserves**  
**For the year ended 31st July 2018**

Group	Income and expenditure reserve		Revaluation reserve £000	Total excluding Non-Controlling Interest £000	Non- controlling interest £000	Total Reserves £000
	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2017</b>	<b>136</b>	<b>40,626</b>	<b>10,867</b>	<b>51,629</b>	<b>-</b>	<b>51,629</b>
(Deficit)/ income from the income and expenditure statement	(8)	8,709	-	8,701	-	8,701
Other comprehensive income	-	10,645	-	10,645	-	10,645
<b>Total comprehensive (expense)/ income for the year</b>	<b>(8)</b>	<b>19,354</b>	<b>-</b>	<b>19,346</b>	<b>-</b>	<b>19,346</b>
Transfers between revaluation and income and expenditure reserve	-	241	(241)	-	-	-
Transfer of LLP reserves	-	(5)	-	(5)	-	(5)
<b>Balance at 31 July 2018</b>	<b>128</b>	<b>60,216</b>	<b>10,626</b>	<b>70,970</b>	<b>-</b>	<b>70,970</b>

University	Income and expenditure reserve		Revaluation reserve £000	Total excluding Non-Controlling Interest £000	Non- controlling interest £000	Total Reserves £000
	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2017</b>	<b>136</b>	<b>47,683</b>	<b>10,867</b>	<b>58,686</b>	<b>-</b>	<b>58,686</b>
(Deficit)/ income from the income and expenditure statement	(8)	8,603	-	8,595	-	8,595
Other comprehensive income	-	10,645	-	10,645	-	10,645
<b>Total comprehensive (expense)/income for the year</b>	<b>(8)</b>	<b>19,248</b>	<b>-</b>	<b>19,240</b>	<b>-</b>	<b>19,240</b>
Transfers between revaluation and income and expenditure reserve	-	241	(241)	-	-	-
<b>Balance at 31 July 2018</b>	<b>128</b>	<b>67,172</b>	<b>10,626</b>	<b>77,926</b>	<b>-</b>	<b>77,926</b>

**Consolidated Cash flow Statement for the year ended 31st July 2018**

	<b>2018</b>	<b>2017</b>
	£000	Restated £000
<b>Cash flow from operating activities</b>		
Surplus for the year	8,701	6,568
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	4,468	4,376
Increase in stock	(6)	(3)
Increase in debtors	(368)	(1,048)
Increase in creditors	259	1,371
Annual pension cost adjustments	2,742	2,153
Decrease in other provisions	(23)	(35)
Revaluation of non-current asset investments	(4,205)	(1,926)
<b>Adjustment for investing or financing activities</b>		
Investment income	(138)	(80)
Interest payable	3,485	3,566
Donations income	(37)	(19)
Loss on the disposal of fixed assets	17	32
<b>Net cash flow from operating activities</b>	<b>14,895</b>	<b>14,955</b>
<b>Cash flows from investing activities</b>		
Investment income	138	80
Payments made to acquire tangible and intangible fixed assets	(5,309)	(3,531)
New deposits	(4,000)	(10,000)
<b>Net cash flow used in investing activities</b>	<b>(9,171)</b>	<b>(13,451)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(3,277)	(3,351)
Interest element of finance lease and service concession payments	(208)	(214)
Donation cash received	37	19
Repayments of amounts borrowed	(1,812)	(2,859)
Capital element of finance lease and service concession payments	(95)	(88)
<b>Net cash flow used in financing activities</b>	<b>(5,355)</b>	<b>(6,493)</b>
<b>Increase / (Decrease) in cash and cash equivalents in the year</b>	<b>369</b>	<b>(4,989)</b>
Cash and cash equivalents at beginning of the year	19,840	24,829
Cash and cash equivalents at end of the year	20,209	19,840
<b>In year movement</b>	<b>369</b>	<b>(4,989)</b>

The 2017 comparative figure above has been restated to re-classify a short-term investment, which had in the previous year been shown as cash and cash equivalents.

**Notes to the financial statements**  
**Year ended 31<sup>st</sup> July 2018**

## **1. Statement of Principal Accounting Policies**

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets.

### **Basis of consolidation**

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31<sup>st</sup> July 2018. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

### **Income recognition**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment or due to a tuition fee scholarship award, income receivable is shown net of the discount. Bursaries and scholarships that are issued in the form of a direct payment to the student, are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Grant funding**

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

## 1. Statement of Principal Accounting Policies (*continued*)

### Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income and applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### Accounting for retirement benefits

The three principal pension schemes for the University's employees are the Universities Superannuation Scheme (USS), the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The schemes are defined benefit schemes which are externally funded and up until April 2016 were contracted out of the State Second Pension (S2P).

The USS and TPS are multi-employer schemes for which the assets are held in separate trustee-administered funds. Because of the nature of the schemes, the schemes assets are not hypothecated to individual institutions and scheme wide contribution rates are set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore as required by FRS 102 "Retirement Benefits", accounts for the schemes as if they are defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the schemes in respect of the accounting period. A liability is also recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts section 28 of FRS 102 'post-employment benefits'.

The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit credit method, for the LGPS and the USS and on the basis of quadrennial valuations using a prospective benefit method for the TPS.

## 1. Statement of Principal Accounting Policies (*continued*)

The University maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement. The pensions paid are charged against the provision and interest accrued is added to the provision.

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

## 1. Statement of Principal Accounting Policies (*continued*)

### Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### Fixed assets

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use in addition to any irrecoverable VAT.

The University's buildings are largely specialised buildings and therefore it is not appropriate to value them on the basis of open market value. A valuation of the educational land and buildings was carried out by GVA Grimley International Property Advisers and Chartered Surveyors as at 31<sup>st</sup> July 1995 on the basis of depreciated replacement cost. The three houses owned by the University were valued on an open market value for existing use basis. Other buildings constructed since 1995 are included in the Balance Sheet at cost. The option under the transitional provisions of FRS 15, and more recently the 2015 HE SORP, to retain the book values of land and buildings based on the 1995 revaluation has been adopted and the valuation has not been updated subsequently.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Where land is acquired with the aid of specific grants it is capitalised but not depreciated therefore the related grant is credited to the Statement of Comprehensive Income at the time of purchase.

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the University over 60 years. Where parts of a fixed asset have different useful economic lives, they are accounted for as separate items of fixed assets. New major refurbishments are depreciated as follows:

Mechanical and Electrical Infrastructure installations or upgrades	15 - 25 years
IT Infrastructure installations or upgrades	15 years
Roof replacements	60 years
Window replacements	15 years
Reconfiguration and general refurbishments	10 years

Assets in the course of construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to the Balance Sheet date. They are not depreciated until they are brought fully into use.

## 1. Statement of Principal Accounting Policies (*continued*)

### Equipment

Equipment, including computers and software, costing less than £5,000 per individual item is recognised as expenditure. All other equipment which has a useful life of greater than one year is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer Equipment	3 years
Fixtures and Fittings	8 years
General Equipment	8 years
Specialist Equipment	5 – 10 years
Motor Vehicles	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

### Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. General borrowing costs are recognised as expenditure in the period in which they are incurred.

### Intangible assets

Intangible assets are amortised over a straight line basis over 3 years representing the remaining estimated economic life of the assets. Intangible assets are subject to periodic impairment reviews as appropriate.

### Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering educational services. Halls of residences are classified as tangible fixed assets rather than investment assets as they are integral to the operations of the University.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31<sup>st</sup> July each year.

### Investments

Non- current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

### Stocks

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

## 1. Statement of Principal Accounting Policies (*continued*)

### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the Notes.

### Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is therefore a charity within the meaning of Paragraph 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Most of the services provided to students are, however, exempt from VAT. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial or corporate organisations.

## 1. Statement of Principal Accounting Policies (*continued*)

### Financial Instruments

The University has considered its principal financial instruments (being cash, investments, trade debtors, trade creditors and loans) in line with FRS102 and concluded that they meet the classification of basic financial instruments, including derivative financial instruments. Given the basic nature of the University's financial instruments, they are accounted for at amortised cost and the carrying value of each category in the balance sheet is considered to equate to fair value.

### Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### Critical accounting judgements and estimation uncertainty

Investment Land (note 14) – As part of the FRS102 transition the University reclassified the land held at University Park as Investment Land. This was following an update to the University's long-term capital development programme. As the land was not currently being used by the University on a continuing operational basis, management reviewed the options in relation to the possible sale of the land in the future. In the meantime, the University is not generating any cash flow from the land and therefore until the point of sale the land is deemed as being held for capital appreciation and therefore was reclassified as investment land in 2016. For the year ending 31st July 2018, the University instructed a formal revaluation of the site in order to ensure the land is held at fair value. Due to external factors, such as recent residential planning permission approval, on both part of the site, and on other similar local sites, the land has now been valued based on 'residential' use rather than 'employment' use, and therefore the carrying value has been increased accordingly.

Provisions - Provision has been made for early retirement obligations, the University's element of the Universities' Superannuation Scheme (USS) past deficit and legal fees in relation to on-going employee claims. Further details regarding each provision are shown in note 21. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme - The University has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management are provided with actuarial estimates in relation to these factors, by the administrators of the fund. A judgement is then taken to assess if the information and factors used centrally are appropriate in determining the net pension obligation in the balance sheet. Further information is provided in note 26.

The University has recognised provisions for bad debts. This is based on an assessment of ageing and due date of receivables and other risk indicators. The judgement of management is then applied to provide for debts which are no longer considered recoverable.

**2. Funding body grants**

	Group and University			Total 2018 £000	Total 2017 £000
	HEFCE £000	NCTL £000	ESFA £000		
<b>Recurrent</b>	4,434	-	-	4,434	4,670
<b>Specific Grants:</b>					
Fellowship Monies	2	-	-	2	-
Higher Education Innovation Fund	379	-	-	379	230
Widening Participation	583	-	-	583	86
NCTL Projects	-	202	-	202	112
Apprenticeship Levy	-	-	10	10	-
<b>Deferred Capital Grants released:</b>					
Buildings	400	-	-	400	416
Equipment	458	-	-	458	240
	<b>6,256</b>	<b>202</b>	<b>10</b>	<b>6,468</b>	<b>5,754</b>

NCTL = National College of Teaching and Learning

ESFA = Education Skills Funding Agency

**3. Tuition fees and education contracts**

	<b>Group</b>		<b>University</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	£000	£000	£000	£000
Full Time students (Home and EU) fees	66,163	61,222	66,163	61,222
Full Time students (Overseas) fees	1,514	1,224	1,514	1,224
Part Time fees	3,306	3,043	3,306	3,043
Apprenticeship Undergraduate Degrees	29	-	29	-
Short course fees	496	680	496	680
Other fees	1,488	1,089	1,488	1,089
Contract Income Health Education England	5,177	6,197	5,177	6,197
	<b>78,173</b>	<b>73,455</b>	<b>78,173</b>	<b>73,455</b>

**4. Research grants and contracts**

	<b>Group</b>		<b>University</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	£000	£000	£000	£000
Research Councils	119	247	119	247
UK Industry	174	69	174	69
UK Government	232	578	232	578
UK Based Charities	292	190	292	190
Other Grants & Contracts	210	289	210	289
	<b>1,027</b>	<b>1,373</b>	<b>1,027</b>	<b>1,373</b>

**5. Other Income**

	<b>Group</b>		<b>University</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	£000	£000	£000	£000
Residences, catering and conferences	9,567	9,355	9,567	9,355
Other services rendered	186	290	186	290
Release of other deferred capital grants	130	209	130	209
Other income	3,104	3,453	2,849	3,245
Inter Company Sales	-	-	226	220
	<b>12,987</b>	<b>13,307</b>	<b>12,958</b>	<b>13,319</b>

**6. Investment income**

	<b>Group</b>		<b>University</b>	
	<b>2018</b> £000	<b>2017</b> £000	<b>2018</b> £000	<b>2017</b> £000
Other investment income	138	80	135	79
Interest from Subsidiaries and Joint Ventures	-	-	67	79
	<b>138</b>	<b>80</b>	<b>202</b>	<b>158</b>

**7. Donations and endowments**

	<b>Group</b>		<b>University</b>	
	<b>2018</b> £000	<b>2017</b> £000	<b>2018</b> £000	<b>2017</b> £000
Donations with restrictions	35	17	35	17
Unrestricted donations	2	2	2	2
	<b>37</b>	<b>19</b>	<b>37</b>	<b>19</b>

**8. Staff costs**

	<b>Group</b>		<b>University</b>	
	<b>2018</b> £000	<b>2017</b> £000	<b>2018</b> £000	<b>2017</b> £000
Wages and Salaries	40,878	39,778	40,720	39,639
Social Security Costs	4,216	3,961	4,194	3,943
Other Pension Costs	8,212	7,361	8,212	7,361
Termination Costs	173	60	173	60
	<b>53,479</b>	<b>51,160</b>	<b>53,299</b>	<b>51,003</b>

The termination costs above relate to 7 individual payments made during the year (2017: 7)

## 8. Staff costs (continued)

The review and determination of remuneration for the Vice Chancellor and Chief Executive is delegated by the Board of Governors, to the Remunerations Committee, on an annual basis.

The decision-making of the Remunerations Committee is guided by the following principles:-

- to take into account the overall performance of the University during the year
- to take into account the performance of the post-holder during the year, to include the consideration of feedback and observations provided by the Chair of the Board of Governors
- to review the information provided in the UCEA annual survey of senior staff salaries
- to consider the general level of salary uplift awarded to other groups of staff whose remuneration is determined elsewhere
- to take into account the financial resources available

When considering the remuneration for the Vice Chancellor and Chief Executive, the Committee considered feedback and observations from the Chair of the Board of Governors, with reference to the agreed annual objectives and a summary of the appraisal discussion.

Based on a thorough review of the information provided in the review papers and information provided to the Committee based on sector pay rates (provided by the University and Colleges Employers' Association and Committee for University Chairs) for relevant role groups, the Committee came to an agreement regarding the decision detailed below.

It is in this context that the Committee agreed to recommend to the Board of Governors, to award the Vice Chancellor a 1.7% increase to salary. This was the same percentage uplift in salaries that had already been applied, as a minimum, to all staff at the University. The increase was backdated to 1<sup>st</sup> August 2017. The Vice Chancellor decided to waive the increase this year.

Emoluments of the Vice Chancellor and Chief Executive:	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Salary	325	325	325	325

The remuneration package for the Vice Chancellor consists of basic salary only, and does not include any additional benefits.

The Vice Chancellor and Chief Executive's basic salary is 13.0 times the median pay of all staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid to staff, including agency staff and student employees.

The Vice Chancellor and Chief Executive's total remuneration is 11.4 times the median total remuneration of all staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid to staff, including agency staff and student employees.

**8. Staff costs (continued)**

Key Management Personnel	Group		University	
	<u>2018</u> £000	<u>2017</u> Restated £000	<u>2018</u> £000	<u>2017</u> Restated £000
Salary and employee benefits including pension contributions and employers national insurance costs	1,374	1,327	1,374	1,327

FRS102 defines key management personnel as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The University consider that the Vice Chancellors Advisory Group (VCAG) meets this definition and therefore the total compensation, including pension contributions, paid to individuals who are members of this group, is disclosed above.

The membership of VCAG includes the Vice Chancellor and Chief Executive, Deputy Vice Chancellor, Pro Vice-Chancellor Students, Director of Finance and Resources, Director of Human Resources, Director of Communications and Participation, University Legal Counsel, Head of Information Assurance, Clerk of the Board of Governors and Head of Vice Chancellors Office.

The 2017 comparative figure above has been restated to include employer’s national insurance costs.

Governors are entitled to reimbursement of travel expenses. During the year £622.85 was claimed by two individuals (2017: £640.15 by one individual).

Emoluments of higher paid staff:

	<u>2018</u> number	<u>2017</u> number	<u>2018</u> number	<u>2017</u> number
£105,001 - £110,000	-	1	-	1
£110,001 - £115,000	-	2	-	2
£120,000 - £125,000	2	-	2	-
£150,001 - £155,000	-	1	-	1
£175,001 - £180,000	1	-	1	-
£325,001 - £330,000	1	1	1	1

The average monthly number of persons (including senior post holders) employed by the Group and University during the year, expressed as full time equivalents (fte), was:

**Average Monthly number of staff:**

	Group		University	
	<u>2018</u> fte	<u>2017</u> fte	<u>2018</u> fte	<u>2017</u> fte
Academic Departments	561	552	561	552
Academic Services	84	80	84	80
Administrative and central services	284	275	278	269
Premises	103	103	103	103
Research	32	38	32	38
Residences, catering and conferences	48	39	48	39
	<u>1,112</u>	<u>1,087</u>	<u>1,106</u>	<u>1,081</u>

**9. Other operating expenses**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Residences, catering and conferences	4,004	3,901	3,997	3,879
Consumables and laboratory expenditure	1,056	1,045	1,056	1,045
Books and periodicals	859	823	859	823
Heat, light, water and power	1,709	1,614	1,709	1,614
Repairs and general maintenance	2,967	2,285	2,968	2,285
Grants to UW Students' Union	500	426	500	426
Auditors remuneration:				
External	73	71	67	66
Internal	98	24	98	24
Other audit services	50	-	50	-
Property operating leases	749	658	749	658
Equipment operating leases	184	158	184	158
Payments to Partner Colleges	6,111	5,953	6,111	5,953
Student Bursaries	1,599	1,922	1,599	1,922
Other expenses	12,142	10,541	12,362	10,778
	<u>32,101</u>	<u>29,421</u>	<u>32,309</u>	<u>29,631</u>
Depreciation and Amortisation	<u>4,468</u>	<u>4,376</u>	<u>4,581</u>	<u>4,495</u>

Other expenses include travel expenses, staff development, contracted services, subscriptions and contributions along with PR and communications.

**10. Interest and other finance costs**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Loans not wholly repayable within 5 years	3,266	3,351	3,266	3,351
Lease Finance Costs	208	214	208	214
Pension Interest	785	792	785	792
Loan arrangement fee	10	-	10	-
	<u>4,269</u>	<u>4,357</u>	<u>4,269</u>	<u>4,357</u>

**11. Analysis of Expenditure by Activity**

	Group					<b><u>2018</u></b> <b><u>Total</u></b> £000	<b><u>2017</u></b> <b><u>Total</u></b> £000
	Staff costs	Other expenses	Depreciation and amortisation	Interest and other finance costs			
	£000	£000	£000	£000			
Academic Departments	31,481	3,764	226	-	35,471	32,052	
Academic Services	2,784	3,228	423	208	6,643	6,042	
Administrative and central services	13,836	14,691	169	4,061	32,757	32,125	
Premises	2,898	5,875	1,041	-	9,814	9,392	
Research	1,479	316	10	-	1,805	2,057	
Residences, catering and conferences	1,001	4,227	2,599	-	7,827	7,646	
	<b>53,479</b>	<b>32,101</b>	<b>4,468</b>	<b>4,269</b>	<b>94,317</b>	<b>89,314</b>	

	University					<b><u>2018</u></b> <b><u>Total</u></b> £000	<b><u>2017</u></b> <b><u>Total</u></b> £000
	Staff costs	Other expenses	Depreciation and amortisation	Interest and other finance costs			
	£000	£000	£000	£000			
Academic Departments	31,481	3,764	226	-	35,471	32,052	
Academic Services	2,784	3,228	423	208	6,643	6,042	
Administrative and central services	13,656	14,978	163	4,061	32,858	32,984	
Premises	2,898	5,796	1,139	-	9,833	8,586	
Research	1,479	316	10	-	1,805	2,057	
Residences, catering and conferences	1,001	4,227	2,620	-	7,848	7,765	
	<b>53,299</b>	<b>32,309</b>	<b>4,581</b>	<b>4,269</b>	<b>94,458</b>	<b>89,486</b>	

**12. Intangible assets**

	<b>Group and University</b>	
	<b>2018</b>	<b>2017</b>
	£000	£000
<b>Cost</b>		
At beginning of year	982	930
Additions at cost	-	6
Assets in course of development	(46)	46
At end of year	936	982
<b>Accumulated amortisation</b>		
At beginning of year	876	836
Charge for year	23	40
At end of year	899	876
<b>Net book value</b>		
At end of year	37	106
Previous year	106	94

**13. Tangible Fixed Assets**

	Group					
	Freehold Land and Buildings	Service concession arrangement Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total 2018 £000
	£000	£000	£000	£000	£000	
Cost or valuation at beginning of year	155,284	11,331	466	9,196	2,042	178,319
Additions at cost	1,459	-	120	434	3,342	5,355
Transfers (reclassification)	503	-	-	249	(752)	-
Disposals at cost	-	-	-	(444)	-	(444)
<b>At end of year</b>	<b>157,246</b>	<b>11,331</b>	<b>586</b>	<b>9,435</b>	<b>4,632</b>	<b>183,230</b>
Accumulated depreciation						
At beginning of year	25,194	1,174	242	5,695	-	32,305
Charge for year	3,021	186	90	1,148	-	4,445
Depreciation on disposals	-	-	-	(424)	-	(424)
<b>At end of year</b>	<b>28,215</b>	<b>1,360</b>	<b>332</b>	<b>6,419</b>	<b>-</b>	<b>36,326</b>
Net Book Value						
<b>At end of year</b>	<b>129,031</b>	<b>9,971</b>	<b>254</b>	<b>3,016</b>	<b>4,632</b>	<b>146,904</b>
Previous Year	130,090	10,157	224	3,501	2,042	146,014

**13. Tangible Fixed Assets (continued)**

	University					<b>Total 2018 £000</b>
	<b>Freehold Land and Buildings</b>	<b>Service concession arrangement Land and Buildings</b>	<b>Plant and Machinery</b>	<b>Fixtures, Fittings and Equipment</b>	<b>Assets in the Course of Construction</b>	
	£000	£000	£000	£000	£000	
Cost or valuation at beginning of year	161,564	11,331	466	9,196	2,042	184,599
Additions at cost	1,459	-	101	434	3,340	5,334
Transfers (reclassification)	503	-	-	249	(752)	-
Disposals at cost	-	-	-	(444)	-	(444)
<b>At end of year</b>	<b>163,526</b>	<b>11,331</b>	<b>567</b>	<b>9,435</b>	<b>4,630</b>	<b>189,489</b>
Accumulated depreciation						
At beginning of year	25,548	1,174	242	5,695	-	32,659
Charge for year	3,140	186	84	1,148	-	4,558
Depreciation on disposals	-	-	-	(424)	-	(424)
<b>At end of year</b>	<b>28,688</b>	<b>1,360</b>	<b>326</b>	<b>6,419</b>	<b>-</b>	<b>36,793</b>
<b>Net Book Value</b>						
<b>At end of year</b>	<b>134,838</b>	<b>9,971</b>	<b>241</b>	<b>3,016</b>	<b>4,630</b>	<b>152,696</b>
Previous Year	136,016	10,157	224	3,501	2,042	151,940

**14. Investments**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Investment Land	8,405	4,200	8,405	4,200
Investments in subsidiary companies	-	-	20	20
Investment in BBL Franchise for UW Worcester Wolves Limited	9	9	-	-
	<u>8,414</u>	<u>4,209</u>	<u>8,425</u>	<u>4,220</u>

Investment Land movements	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Balance as at 31 July 2017	4,200	2,274	4,200	2,274
Movement in fair value	4,205	1,926	4,205	1,926
Balance as at 31 July 2018	<u>8,405</u>	<u>4,200</u>	<u>8,405</u>	<u>4,200</u>

The Investment land value stated above relates to the land held at University Park. The University no longer has any intentions of developing this land for operational purposes, due to focusing on other capital development projects, and therefore it is now classified as an Investment asset. In June 2016 the University signed a sale option agreement with Bloor Homes Limited and Bloor Holdings Limited, covering a period of 10 years, relating to the majority of this land. During the year, the University assisted Bloor Homes with a planning application for residential use, which was successful.

Due to the land being classified as investment property, any movements in its fair value is recognised in income or expenditure. For the year ending 31<sup>st</sup> July 2018, the University instructed a formal revaluation of the site in order to ensure the land is held at fair value. Due to external factors, such as recent residential planning permission approval, on both part of the site, and on other similar local sites, the land has now been valued based on 'residential' use rather than 'employment' use. The change in classification has resulted in the value per developable acre increasing from £200K to £400K. As a result of this the overall valuation of the site is deemed to have a current market value of £8,405m resulting in an increase of £4,205m, and therefore the carrying value has been increased accordingly.

**Subsidiaries**

Name	University holding	Business activity
U W Enterprises Limited	100%	Research and experimental development of natural sciences and engineering and commercial activities relating thereto. No activity during the year.
U W Developments Limited	100%	Development of building projects
UW Worcester Wolves Limited	100% (*)	Worcester Wolves basketball club
National Pollen and Aerobiology Research Unit Limited	100%	Dormant

(\*) Held indirectly

**15. Investment in Joint Venture**

	Group	
	<u>2018</u> £000	<u>2017</u> £000
<b>Income and Expenditure account</b>		
Deficit before tax	-	-
<b>Balance Sheet</b>		
Currents assets	-	5
Liabilities: due within one year	-	-
Share of net assets	-	5

Following the decision to cease trading of the LLP back in 2016, the final contractor retention was paid in July 2017 and the associated VAT recovery was received in September 2017. During the year, the LLP was de-registered with HMRC and was formally dissolved through Companies House on 1<sup>st</sup> May 2018. The remaining cash balance of £5K held by the LLP was transferred across to the University, as the overall sole member.

**16. Stocks**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Stock (wine for ceremonies & events and merchandise)	21	15	16	9

**17. Trade and other receivables**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
<b>Amounts falling due within one year:</b>				
Research grants receivables	61	124	61	124
Other trade receivables	2,205	2,304	2,167	2,281
Amounts owed by subsidiary undertakings	-	-	303	92
Prepayments and accrued income	1,390	860	1,390	860
	3,656	3,288	3,921	3,357
<b>Due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	1,357	2,257
	3,656	3,288	5,278	5,614

**18. Short Term Investments**

	Group		University	
	<u>2018</u> £000	<u>2017</u> Restated £000	<u>2018</u> £000	<u>2017</u> Restated £000
	14,000	10,000	14,000	10,000

The 2017 comparative figure above has been restated to re-classify a short-term investment, which had in the previous year been shown as cash and cash equivalents.

**19. Creditors: Amounts falling due within one year**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Payments received on account	351	422	351	422
Trade Creditors	3,053	2,039	3,041	2,036
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	5
Finance Lease	100	95	100	95
Tax and Social Security	89	1,785	80	1,784
Accruals and deferred income	6,246	5,367	6,173	5,339
Other Creditors	1,893	1,683	1,893	1,683
Bank Loan	1,429	2,679	1,429	2,679
Other Loan repayments (HEFCE)	-	71	-	71
	<u>13,161</u>	<u>14,141</u>	<u>13,067</u>	<u>14,114</u>

**Deferred income**

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions are met.

	Group		University	
	<u>2018</u> £000	<u>2017</u> Restated £000	<u>2018</u> £000	<u>2017</u> Restated £000
Research grants received on account	210	243	210	243
Other revenue grant income	90	185	90	185
Capital grant income	917	939	917	939
Student tuition and accommodation fees received in advance	933	1,082	933	1,082
	<u>2,150</u>	<u>2,449</u>	<u>2,150</u>	<u>2,449</u>

The 2017 comparative figures included in the above analysis table, have been restated to include 'Student tuition and accommodation fees received in advance'.

**20. Creditors: Amounts falling due after more than one year**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Obligations under finance lease	2,763	2,863	2,763	2,863
Secured loans	68,437	68,928	68,437	68,928
Deferred Income in relation to Government Capital Grants	16,036	16,116	16,036	16,116
	<u>87,236</u>	<u>87,907</u>	<u>87,236</u>	<u>87,907</u>

**Analysis of secured and unsecured loans:**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Due within one year or on demand	1,429	2,750	1,429	2,750
Due between one and two years	1,429	2,678	1,429	2,678
Due between two and five years	27,723	25,535	27,723	25,535
Due in five years or more	39,285	40,715	39,285	40,715
Due after more than one year	68,437	68,928	68,437	68,928
Total secured and unsecured loans	<u>69,866</u>	<u>71,678</u>	<u>69,866</u>	<u>71,678</u>

**Analysis of finance lease repayments**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Due within one year	301	303	301	303
Due between one and two years	298	301	298	301
Due between two and five years	885	889	885	889
Due in five years or more	3,611	3,905	3,611	3,905
Total gross payments	5,095	5,398	5,095	5,398
Less finance charges included above	(2,232)	(2,440)	(2,232)	(2,440)
	<u>2,863</u>	<u>2,958</u>	<u>2,863</u>	<u>2,958</u>

**Finance lease liability**

	Group		University	
	<u>2018</u> £000	<u>2017</u> £000	<u>2018</u> £000	<u>2017</u> £000
Opening balance	2,958	3,046	2,958	3,046
Payments	(95)	(88)	(95)	(88)
Closing balance	<u>2,863</u>	<u>2,958</u>	<u>2,863</u>	<u>2,958</u>

**20. Creditors: Amounts falling due after more than one year (continued)**

The University has a loan facility with Barclays Bank PLC of £80 million for capital development works, of which all has now been drawn down. The outstanding balance as at 31<sup>st</sup> July 2018 is £70 million. Of the loan drawn down £46 million is at a fixed interest rate of 4.952%, with the remaining £24 million subject to interest at LIBOR. The repayment schedule of the £46 million includes a bullet payment of £12.5 million payable on 31<sup>st</sup> July 2042. The capital repayment schedule of the more recent £24 million drawn down, has been renegotiated during the year, resulting in one single repayment due in February 2022, although Barclays have indicated a willingness to extend this repayment date further, subject to discussions nearer the time. The loans are secured by specific charges on the St Johns Campus and City Campus. Total carrying amounts of these assets as at 31<sup>st</sup> July 2018 are £92,980k (2017: £95,109k)

The University has a 25 year finance lease in respect of the joint library with Worcestershire County Council. The finance lease liability relates to the University share of the library facility, The Hive which opened in July 2012. The Hive has been developed through a partnership between the University of Worcester (UoW) and Worcestershire County Council (WCC) and has been financed through a Private Finance Initiative (PFI). The project partnership is for the provision of a fully integrated public and University library. The PFI agreement is between the contractor, Galliford Try Investments Ltd and WCC for the construction and provision of the library. During the life of the contract the unitary payment value is £4.65m, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. A stakeholder agreement exists between WCC and UoW for the 25 year term of the development project. The partners are committed to the project in the share WCC 70% and UoW 30%, or as altered by mutual agreement to reflect actual usage of The Hive by the various parties. The cost is reflected in these proportions after PFI credits have been applied. The value on the balance sheet of £2.863 million relates to a 30% share of the total PFI contract. The finance lease cost represents the UoW obligation to the project for the building element of the agreement plus any allocated depreciation for the period.

**21. Provisions for liabilities**

	Group and University						
	Obligation to fund deficit on USS Pension £000	Pension enhancements on termination £000	Defined Benefit Obligations (Note 26) £000	Total Pensions Provisions £000	Legal £000	VAT £000	Total Other £000
At 1 August 2017	413	365	28,694	29,472	253	75	328
Utilised in year	(43)	(42)	-	(85)	(1)	-	(1)
Additions in 2017/18	-	9	(7,796)	(7,787)	32	34	66
Unused amounts reversed in 2017/18	-	(31)	-	(31)	(88)	-	(88)
At 31 July 2018	370	301	20,898	21,569	196	109	305

**USS deficit**

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

**Pension enhancement**

The University has provided for future pension costs associated with the granting of additional years of service to certain members of staff taking early retirement. The pension costs are charged directly against the provision. Interest on the balance of the provision is added annually to the provision through a charge to the Income and Expenditure Account. This provision covers pension costs not met by the Teachers' Pension Scheme, Universities Superannuation Scheme and the Local Government Pension Scheme. This provision is expected to be utilised during the staff members' retirement.

**Defined benefit obligations - See note 26****Legal**

The legal provision is a provision covering on-going potential obligations.

**VAT**

The VAT provision relates to the Capital Goods Scheme in respect of the Motion Performance Centre, which is expected to be utilised during the coming year and also facilities at the Charles Darwin building which is expected to be utilised over the next three years.

## 22. Restricted Reserves

Reserves with restrictions are as follows:

	Capital grants	Donations	Other	<u>2018</u> Total	<u>2017</u> Total
	£000	£000	£000	£000	£000
Balances at 1 August 2017	-	30	106	136	28
New grants	-	-	15	15	-
New donations	-	36	-	36	17
Reclassification of revolving loan	-	-	-	-	106
Capital grants utilised	-	-	-	-	-
Expenditure	-	(11)	(48)	(59)	(15)
<b>At 31 July 2018</b>	<b>-</b>	<b>55</b>	<b>73</b>	<b>128</b>	<b>136</b>

All of the University's non-government capital grants have either been released to income, due to the performance conditions already being met, or are held as deferred income. No restricted grants have been included within income for which the purpose of the restriction has not been achieved.

## 23. Capital and other commitments

Provision has not been made for the following capital commitments at year end:

	<u>2018</u> £000	<u>2017</u> £000
Commitments contracted for:		
Building Refurbishment Works	94	-
Infrastructure Works	298	209
City Campus S106	16	32
Equipment	-	5
IT Equipment	-	71
General Refurbishment Works	754	386
Finance Management System	-	47
	<b>1,162</b>	<b>750</b>

The City Campus, Section 106 commitment above, relates to the 2008 agreement whereby an annual fee of £16.2K per annum is payable for a further 1 year.

## 24. Contingent liabilities

The University has given written undertakings to support the subsidiary companies at twelve months from the date of approval of these financial statements.

## 25. Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £000	Vehicles £000	Equipment £000	Student Accommodation £000	31 July 2018 £000	31 July 2017 £000
<b>Payable during the year</b>	139	9	144	376	<b>668</b>	603
<b>Future minimum lease payments due:</b>						
Not later than 1 year	132	6	114	45	<b>297</b>	630
Later than 1 year and not later than 5 years	520	-	48	-	<b>568</b>	811
Later than 5 years	1,900	-	-	-	<b>1,900</b>	1,900
<b>Total lease payments due</b>	<b>2,552</b>	<b>6</b>	<b>162</b>	<b>45</b>	<b>2,765</b>	<b>3,341</b>

## 26. Pension schemes

The three principal pension schemes for the University's staff are provided by the Local Government Pension Scheme (LGPS) administered by the Worcestershire County Council Pension Fund (WCCPF), the Teachers' Pension Scheme (TPS), and the Universities Superannuation Scheme (USS). The assets of the Schemes are held in separately administered funds.

### Worcestershire County Council Pension Fund (WCCPF)

WCCPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the WCCPF actuary reviews the progress of the WCCPF scheme. A full actuarial valuation was carried out at 31<sup>st</sup> March 2016 on a FRS basis by a qualified independent actuary.

The pension scheme assets are held in a separate Trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

For WCCPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable increased from 12.7% to 13.4% in April 2017.

Under the definitions set out in FRS 102, the WCCPF is a multi-employer defined benefit pension scheme. In the case of the WCCPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31<sup>st</sup> July 2018, using the updated assumptions shown below:

	2018	2017
Rate of CPI inflation	2.10%	2.20%
Rate of increase in salaries	3.60%	3.70%
Rate of increase in pensions	2.20%	2.20%
Discount Rate	2.90%	2.60%

### Mortality Assumptions

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	As at 31st July 2018	As at 31st July 2017
Males		
Current Pensioner	22.7	22.6
Future pensioner aged 65 in 20 years' time	24.9	24.8
Females		
Current Pensioner	25.7	25.6
Future pensioner aged 65 in 20 years' time	28.0	27.9

**26. Pension schemes (continued)**

The assets in Worcestershire County Council Pension Fund (WCCPF) scheme were:

The breakdown of Assets in the scheme are as follows:

	% at 31st July 2018	Value at 31st July 2018 £000	% at 31st July 2017	Value at 31st July 2017 £000
	%		%	
Equities	76.90	47,115	86.10	45,561
Government Bonds	8.20	5,024	0.00	-
Other Bonds	4.70	2,880	5.20	2,752
Property	4.60	2,818	3.80	2,011
Cash/Liquidity	1.30	796	1.30	688
Other	4.30	2,634	3.60	1,905
		<b>61,267</b>		<b>52,917</b>

**Reconciliation of fair value of assets**

	<b>2018</b> £000	<b>2017</b> £000
Fair Value of assets at beginning of period	52,917	43,162
Interest on plan assets	1,408	1,159
Administration expenses	(58)	(55)
Re-measurements of assets	4,503	5,839
Employer Contributions	2,638	2,419
Member Contributions	1,006	965
Benefits/transfers	(1,147)	(572)
Fair Value of assets at end of year	<b>61,267</b>	<b>52,917</b>

**Reconciliation of present value of scheme liabilities**

	<b>2018</b> £000	<b>2017</b> £000
Benefit Obligation at beginning of year	81,611	72,110
Current Service Cost	4,713	3,964
Interest on Pension Liabilities	2,119	1,879
Member Contributions	1,006	965
Re-measurements of liabilities	(6,142)	3,265
Curtailments	5	-
Benefits/transfers paid	(1,147)	(572)
Benefit obligation at end of year	<b>82,165</b>	<b>81,611</b>

	<b>2018</b> £000	<b>2017</b> £000
Total market value of assets	61,267	52,917
Present value of scheme liabilities	(82,165)	(81,611)
Deficit – Net pension liability	<b>(20,898)</b>	<b>(28,694)</b>

The value of pension payments made in year to the Worcestershire County Council Pension Fund was £3,642,829 (2017: £3,389,020).

**Provision for pensions**

	<b>2018</b>	<b>2017</b>
	£000	£000
As at 1st August	28,694	28,948
Decrease in pension liability	(7,796)	(254)
<b>As at 31st July</b>	<b>20,898</b>	<b>28,694</b>

**Amount recognised in the Statement of Comprehensive Income (SOI)**

	<b>2018</b>	<b>2017</b>
	£000	£000
Current service Cost	4,713	3,964
Net interest cost	711	720
Administration expenses	63	55
<b>Total pension cost recognised Income &amp; Expenditure</b>	<b>5,487</b>	<b>4,739</b>
Re-measurements (liabilities & assets)	(10,645)	(2,574)
<b>Total pension costs recognised in SOI</b>	<b>(5,158)</b>	<b>2,165</b>

**The movement in deficit during the year is made up as follows:**

	<b>2018</b>	<b>2017</b>
	£000	£000
Deficit on scheme at 1st August	(28,694)	(28,948)
Current service cost	(4,713)	(3,964)
Contributions	2,638	2,419
Net interest cost	(711)	(720)
Re-measurements (liabilities & assets)	10,645	2,574
Curtailments	(5)	-
Administration expenses	(58)	(55)
Effect of curtailments		
<b>Deficit at 31st July</b>	<b>(20,898)</b>	<b>(28,694)</b>

## 26. Pension schemes (*continued*)

### Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

A formal actuarial review of the TPS is undertaken by the Government Actuary not less than every four years. Contributions are paid by the University at the rate specified. Following the latest actuarial valuation that was carried out as at 31<sup>st</sup> March 2012, the valuation results specify the rate of employer contribution payable for the four year period from 1<sup>st</sup> April 2015 and the employer cost cap, both of which are to be set in regulations. The employer contribution rate payable from April 2015 has been set at 16.48% of pensionable pay, with an average employee contribution rate of 9.6%, giving a total contribution rate of 26.08%. Following agreement between the Department for Education and HM Treasury, the employer contribution rate was implemented on 1<sup>st</sup> September 2015. The employer contribution rate is based on the implementation period specified in the Directions and has not been adjusted for later implementation. In isolation, this will result in a small deficit at the next valuation.

The employer contribution rate is expected to be reassessed at the actuarial valuation carried out as at 31<sup>st</sup> March 2016, the results of which are not yet confirmed (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1<sup>st</sup> April 2019. The financial position relative to the employer cost cap will also be reconsidered at each four yearly valuation.

Under the definitions set out in Section 28 of FRS 102, the TPS is a multi-employer defined benefit pension scheme, the assets of which are held separately from those of the University in independently administered funds. As the University is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions are charged to the Income and expenditure account in the year to which they relate. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of anticipated contribution rates.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest Actuarial Valuation	31 <sup>st</sup> March 2012
Gross rate of return	5.06%
Real rate of return	3.00%
Long term salary growth	4.75% pa, 2.75% pa in excess of assumed CPI
Aggregated scheme assets	£176.6bn
Aggregate scheme liabilities	(£191.5bn)
During the year all employers paid the same contribution rate;	16.48%
During the year all employees' contribution varied dependent on members full time equivalent salary	between 7.4% and 11.7%

The value of pension payments made in year to the Teachers' Pension Scheme was £5,355k (2017: £5,287k).

## 26. Pension schemes (*continued*)

### Universities' Superannuation Scheme (USS)

#### Principal accounting policies

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

#### Critical accounting judgements

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

#### Pension Costs

The total cost charged to the Income and Expenditure account is £209K (2017: £220K), which is made up of the following entries:

#### UNIVERSITIES SUPERANNUATION SCHEME

	<b>2018</b> £000	<b>2017</b> £000
Employer contributions paid	253	257
Interest Payable - Unwinding of discount	8	8
Element of employer contributions allocated against the deficit	(30)	(31)
Difference between actual contribution and past expectations	(22)	(14)
<b>Total amount charged to the Income and Expenditure Account</b>	<b>209</b>	<b>220</b>
Brought Forward Pension Provision	(413)	(450)
Movement	(210)	(220)
Cash payments made to USS	253	257
<b>Carried Forward Pension Provision (Note 21)</b>	<b>(370)</b>	<b>(413)</b>

## 26. Pension schemes (*continued*)

The assumptions used in the calculation of the liability may represent a source of uncertainty. Factors such as future salary inflation and discount rates have been used to calculate the liability; however, due to the overall value of the liability any variance would be unlikely to be material. FRS 102 requires that the discount rate should be based on the yield on “high quality corporate bonds” of a currency and duration “consistent with the currency and estimated period of the future payments”. Management have taken advice from professional advisors regarding an appropriate discount rate and therefore feel that the assumptions used represent the minimal level of uncertainty. Management have also conducted a basic sensitivity analysis regarding the discount rate used and varying the rate by 1% either way results in approximately £25K increase or decrease to the liability.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	<u>2018</u>	<u>2017</u>
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme’s experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are shown on the next page:

**26. Pension schemes (continued)**

	<b><u>2018</u></b>	<b><u>2017</u></b>
Mortality base table	Pre-retirement: 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	<b><u>2018</u></b>	<b><u>2017</u></b>
Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

**27. Taxation**

The Group was not liable for any corporation tax arising out of its activities during the period of these financial statements. Accordingly no provision has been made for any deferred tax balances.

**28. NCTL Training salaries and bursaries**

Funding received from the Teaching Agency for Schools in respect of the PGCE Training Salaries and Subject Knowledge Enhancement bursaries are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	<b><u>2018</u></b>	<b><u>2017</u></b>
	£000	£000
Funding	2,523	2,386
Disbursements to Students	(2,409)	(2,128)
Balance unspent as at 31st July	114	258

## 29. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (with members 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 of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest. However, there have been no material transactions with members of the board during the accounting year.

The value of payments made by the University, during the year, to organisations that have been disclosed by either members of the Board of Governors or members of the University's Senior Managers are shown below:

	<b>2018</b>
	£0's
Bishop Perowne CE College	2,519
Community First	4,020
Ernst & Young LLP	40,153
Graduate Prospects	660
Halesowen College	383,798
Kings School Worcester	1,360
Royal College of Nursing	213
The Aspire Academy	250
Universities UK	24,610
Worcester Arts Workshop	350
Worcester Cathedral	10,692
Worcester City Council	269,065
Worcester Sixth Form College	315
Worcester Student's Union	539,826
Worcestershire County Council	780,612

The University has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 102 section 33, 'Related Party Disclosures', on the grounds that its subsidiary undertakings are wholly owned by the group.

### University of Worcester Students' Union:

In accordance with FRS 102 section 33, the activities of Worcester Students' Union have not been consolidated on the grounds that the University does not operate dominant influence over its activities. During the year, the University contributed grants of £500,000 to the Students' Union, along with reimbursement for travel costs relating to student sporting teams and specific insurance costs relating to equipment. In addition, the Students' Union occupies the building on a rent free basis under a licence agreement, subject to the Union maintaining the building in a good state of repair. The President and Vice President (Education) occupy a position on the Board of Governors.