

**UNIVERSITY OF WALES: TRINITY SAINT DAVID**

**Consolidated Financial Statements**

**31 July 2019**

<b>CONTENTS</b>	<b>Page</b>
<b>Members</b>	<b>1</b>
<b>Administration details and professional advisors</b>	<b>2-3</b>
<b>Operating &amp; financial review</b>	<b>4-21</b>
<b>Statement of council responsibilities in respect of the consolidated financial statements and corporate governance statement</b>	<b>22-26</b>
<b>Independent auditor's report to the council of University of Wales: Trinity Saint David</b>	<b>27-29</b>
<b>Consolidated and University statements of comprehensive income</b>	<b>30-31</b>
<b>Consolidated and University statements of changes in reserves</b>	<b>32</b>
<b>Consolidated and University balance sheets</b>	<b>33-34</b>
<b>Consolidated statement of cash flows</b>	<b>35</b>
<b>Statement of accounting policies</b>	<b>36-43</b>
<b>Notes to the accounts</b>	<b>44-83</b>

**MEMBERS AND EXTERNAL ADVISORS**

The Venerable Randolph Thomas (Chair) \*

Prof Medwin Hughes (Vice-Chancellor) \*

Mrs Maria Stedman \*

Mr Eifion Griffiths \*

Mr Andrew Curl \*

Mrs Pam Berry \*

Mr Alun Thomas – Resigned 31/07/2019

Mr Mark James – Resigned 09/06/2019

Mr. Dai Rogers – Resigned 01/09/2019

Mr Andrew Gibson

Mrs Emma Hughes

Mr Robert Simkins – Resigned 30/06/2019

Charlie Jones - Resigned 04/02/2019

Mr Tony Ball

Mrs Margaret Evans

Mr Arwel Ellis Owen

Dr Liz Siberry

Ms Tania Davies

Siân Eirian

Mrs Eirlys Pritchard Jones

Mr Rowland Jones

Mr Geraint Roberts

Victoria Provis

Dr Gareth Hughes

Estelle Hart – Resigned 31/07/2019

Ms Becky Ricketts – appointed 04/02/2019

Ms Martha Warren - appointed 01/07/2019

\* The above members are also trustees of University of Wales Trinity Saint David for charitable law purposes.

## MEMBERS AND EXTERNAL ADVISORS

### Administrative Details

Charity Number	1149535
Company Number	RC000537
Principal Office	Carmarthen Campus, College Road, Carmarthen, SA313EP

### Professional Advisors

External Auditors	KPMG LLP	3 Assembly Square, Britannia Quay, Cardiff CF104AX
Internal Auditors	Mazars LLP	90 Victoria Square, Bristol, BS1 6DP
Bankers	Barclays Bank Plc	
	HSBC Bank Plc	
	Natwest Bank Plc	

### Scope of the Financial Statements

The consolidated financial statements of University of Wales: Trinity Saint David consolidate the following entities:

- University of Wales: Trinity Saint David
- Trinity University College Limited
- Trinity College
- Eclectica Drindod Limited
- UWTSD Learning Centres Limited
- UWTSD Investments Limited
- Y Ganolfan Dysgu Cymraeg Genedlaethol
- Coleg Sir Gar
- Coleg Ceredigion
- Mentrau Creadigol Cymru
- UW Centre for Advance Batch Manufacture Limited (Associate)
- OSTC Trinity St David LLP (Joint Venture)
- UWTSD Innovation Centres Limited
- Swansea Business School Limited
- Isustain (UWTSD) Limited

### Legal Status

University of Wales: Trinity Saint David (UWTSD) is incorporated by Royal Charter. The most recent version of its constitution is the Supplemental Charter which was sealed by the Privy Council on 28 September 2012, following the constitutional merger with Swansea Metropolitan University.

Trinity University College Limited (TUC) is deemed to be controlled by UWTSD, as UWTSD is its sole member.

Trinity College incorporates the original endowment of 1848 and, as an education charity, embodies the assets of both land and buildings together with any charitable monies which have accrued to the charity. There is no direct ownership link between UWTSD and Trinity College. However, it is deemed to be controlled by UWTSD by virtue of the fact that TUC is the sole trustee.

Eclectica Drindod is a private company limited by guarantee with no share capital, established to undertake a role that more effectively delivers Third Mission activity for UWTSD. Eclectica Drindod is deemed to be controlled by UWTSD as TUC (whose sole member is UWTSD) is its sole member and has the power to appoint directors.

UWTSD Learning Centres Limited is a wholly owned subsidiary of UWTSD.

## **MEMBERS AND EXTERNAL ADVISORS**

UWTSD Investments Limited is a wholly owned subsidiary of UWTSD.

Y Ganolfan Dysgu Cymraeg Genedlaethol is a private company limited by guarantee with no share capital. It undertakes the setting of the national strategic direction for the Welsh for Adults sector, providing leadership to Welsh for Adults providers. UWTSD is the sole member of the company.

Coleg Sir Gar is a private company limited by guarantee with no share capital, which undertakes the provision of further education and higher education. UWTSD is the sole member of the company.

Coleg Ceredigion is a private company limited by guarantee with no share capital, which undertakes the provision of further education. Coleg Sir Gar is the sole member of the company and it is deemed to be controlled by UWTSD as the sole member of Coleg Sir Gar.

Mentrau Creadigol Cymru Limited is a wholly owned subsidiary of UWTSD. It was established to operate a digital media centre at Canolfan S4C Yr Egin, adjacent to the University's campus in Carmarthen. Construction of the centre was completed during the year to 31<sup>st</sup> July 2019.

UW Centre for Advanced Batch Manufacture Limited, is a private company, the University has a 49% stake in the company.

OSTC Trinity St David LLP, is a limited liability partnership, the University has a 50% stake in the entity with the other 50% owned by OSTC limited.

UWTSD Innovation Centres Limited is a wholly owned subsidiary of UWTSD and did not trade during the year.

### **Preparation of the consolidated financial statements**

The consolidated financial statements for the year to 31 July 2019 have been prepared in accordance with applicable law and UK Accounting Standards, including the Statement of Recommended Practice – Accounting for Further and Higher Education 2015, the Accounts Direction for 2017/18 issued by the Welsh Government, and Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

The consolidated financial statements for the year to 31 July 2019 have been prepared on a going concern basis as detailed on page 36

## OPERATING AND FINANCIAL REVIEW

### Objectives and Activities

Within the context of Wales, the University has a distinct role to play within higher education. Its mission, educational character and academic portfolio attest to its strategic importance in furthering bilingualism and supporting the enhancement of the Welsh language and culture.

#### Mission

##### ***Transforming Education; Transforming Lives.***

The learner is central to the University and wider Group. The education it delivers, underpinned by high quality research, will be distinctive; it will develop the minds and skills of its students, and will also be inclusive, professional and employment-focused.

#### Vision

##### ***To transform, shape and develop futures***

The University's aim is to establish a new educational 'system' of universities and colleges committed to educating students of all ages and backgrounds, and to stimulate economic development in the region and across South West Wales.

The University is progressing this vision by developing integrated strategic planning across the group and promoting the development of coherent educational pathways across a range of institutions.

### Public benefit statement

The University is a registered charity and its charity number is 1149535.

In setting and reviewing the University's objectives and activities, University Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The objects of the University are in full alignment with its Charter:

"to advance learning and knowledge by teaching and research, and, by the example and influence of its bilingual corporate life and Anglican Christian tradition as well as by its academic work, to enable students to obtain the advantages of University education, and to engage in activities to promote and contribute to spiritual, cultural, social, environmental and economic development within Wales and beyond".

The University's core values are derived from our learner-focused mission and vision, and are articulated and advanced through the promotion of seven key planning themes:

- Collaboration
- Inclusivity
- Employability and creativity
- Sustainable development
- Wales and its distinctiveness
- The concept of global citizenship
- Research and its impact on policy

The three values, **Collaboration; Inclusivity; Employability & Creativity** are the social and economic focus of higher education, in particular, preparing graduates for their future professional employment, not only in the region locally, but also nationally and internationally.

## OPERATING AND FINANCIAL REVIEW

The University's teaching and learning strategy and development of new learning centres demonstrates its approach to fulfilling the learners' potential in contributing to the social and economic requirements and the wider skills agenda in Wales and beyond.

The University's strategy towards teaching, learning and development of new learning centres addresses the Welsh Government's agenda outlined in "For our Future"; and the Funding Council's priorities as provided in the HEFCW remit letter.

The University has developed strong links with the community to assist with fulfilling the development of new learning centres. As indicated, key to the University's values is promoting social inclusion, increasing participation and making a positive impact on the economy, society and culture of Wales.

**Sustainable Development** – through a system-based approach to delivering meaningful and relevant educational pathways we will promote learning and social responsibility that supports "development that meets the needs of the present without compromising the ability of future generations to meet their own need." (Brundtland Commission 1987). The University's commitment to sustainability consists of an approach that embeds the Faculty sustainability plans throughout the academic and support structures. The University's Institute for Sustainable Practice, Innovation and Resource Efficiency (INSPIRE) has continued to support embedding sustainability within the curriculum at all levels as well as engaging with the widest number of organisations to develop sustainable practice across all sectors in Wales and further afield.

**Wales and its Distinctiveness** – The University achieves this through celebrating the distinctive linguistic and cultural assets and heritage of Wales. The University engages with the Coleg Cymraeg Cenedlaethol, and the Dual Sector HE/FE group created is becoming one of the foremost bilingual providers in Wales.

**Global Citizenship** – The University offers flexible; blended and distance-learning routes in a range of disciplines to students, and is establishing a distinctive UWTSD international presence through a range of international partnerships.

**Research and its impact on policy** – The University's commitment to the Innovation and Engagement agenda spans three strategic priorities: Students; Research, Knowledge and Innovation; and Engagement. The University's plan is aligned with the key Welsh Government agenda outlined in For our Future, Economic Renewal programme and the Funding Council priorities.

### Key Deliverables

In September 2017 the University launched a new strategic plan for the next 5 years (2017 to 2022). There are four strategic priorities for the planning period:

1. Putting learners first.
2. Maintaining excellence in teaching, scholarship and applied research.
3. Creation of opportunities through partnerships.
4. Maintaining a University for Wales.

Each of these four strategic priorities has specific plans, measures of success and key performance indicators attached to it.

## **OPERATING AND FINANCIAL REVIEW**

In addition, the strategic plan identifies seven key enablers to be achieved to support delivery of the strategic priorities. These are:

1. Maintaining financial security.
2. Supporting, encouraging and developing our people.
3. Improving our estates and infrastructure.
4. Maintaining good governance.
5. Providing effective leadership and management.
6. Maintaining and improving equality.
7. Seeking continuous improvement.

Again, each of these seven enablers has specific plans, measures of success and key performance indicators attached to it.

### **Ethical investment and banking policies**

University Council (as trustees of the University's endowment funds) is expected to act in the best interests of the beneficiaries of the funds for which they are responsible. The beneficiaries include the University itself, staff and students. Council's policy is to aim for the best possible financial return from investments, consistent with an appropriate risk profile and they may exclude investments from their investment portfolios, if the aims of the bodies concerned are incompatible with its objectives.

### **Equal opportunities**

As a higher education institution, the University recognises that it has a central role to play in bringing about a fair and just society. The University is committed to a policy of equality of opportunity and will promote equality in all aspects of its activities as an employer, a provider of Higher Education and in its interaction with the wider community, in order to provide a working and learning environment which is free from discrimination. It is the policy of the University to ensure that no member of the University community should receive more or less favourable treatment on any grounds which are not relevant to good educational and employment practice.

The University will endeavour to implement full equality of opportunity, and take appropriate measures to ensure that no student, member of staff or visitor is subject to unfair discrimination. Direct and indirect discrimination resulting in unequal opportunities is not acceptable, including discrimination by perception or by association with a protected characteristic.

### **Environmental sustainability policy**

Sustainability is at the heart of how the University does business. The University believes that environmental sustainability is the foundation of wider economic and social sustainability and is an integral part of good institutional practice. It has a duty to satisfy itself that all of its operations and activities are conducted with proper regard to the environment.

INSPIRE (Institute for Sustainable Practice, Innovation and Resource Efficiency) has continued to support the embedding of sustainability within the University's curriculum at all levels as well as engaging with the widest number of organisations to develop sustainable practice across all sectors in Wales and further afield.

The University is one of sixty-two institutions across the UK that have signed-up to the Green Impact scheme achieving an estimated reach of close to 80,000 members of staff across all the institutions who are all eager to create a more sustainable and environmentally friendly workplace.



## OPERATING AND FINANCIAL REVIEW

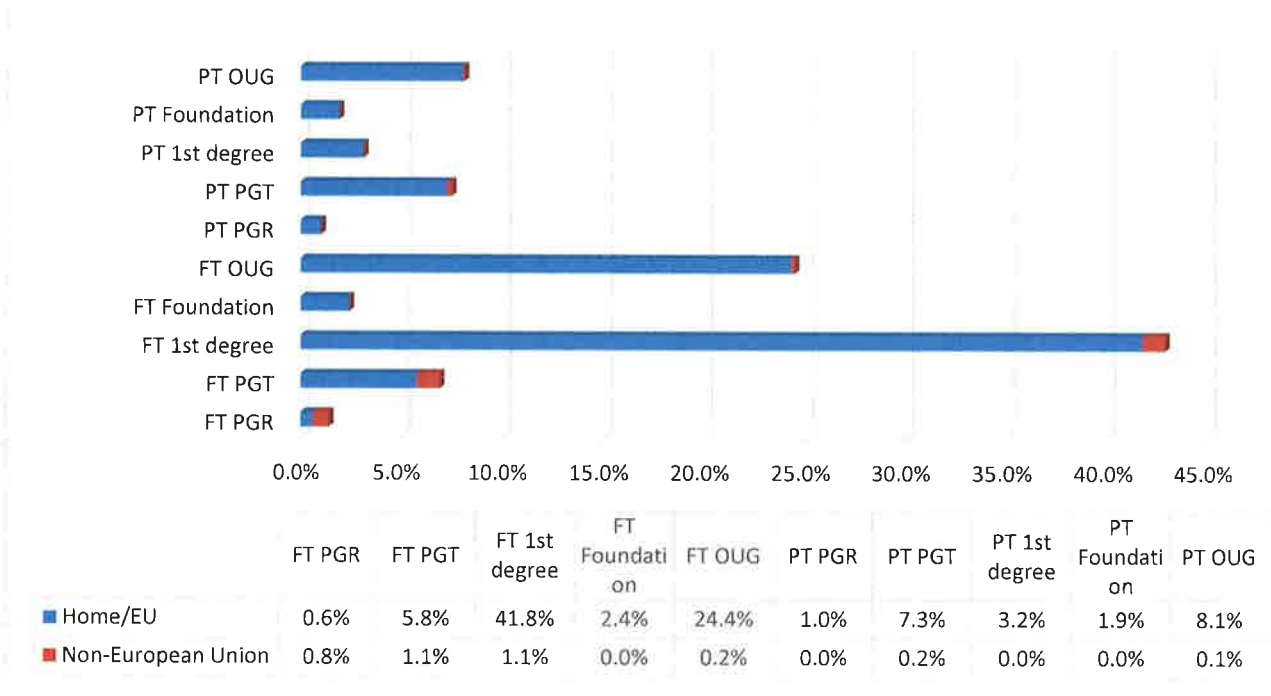
Green Impact is an environmental accreditation and awards scheme run by the National Union of Students, bringing staff and students together within their wider communities to enable and showcase positive changes in environmental practice, reducing the negative environmental impacts of their workspace.

### Tuition fees

In October 2019, the University published its Fee and Access Plan for 2020/21 with a full-time undergraduate tuition fee of £9,000.

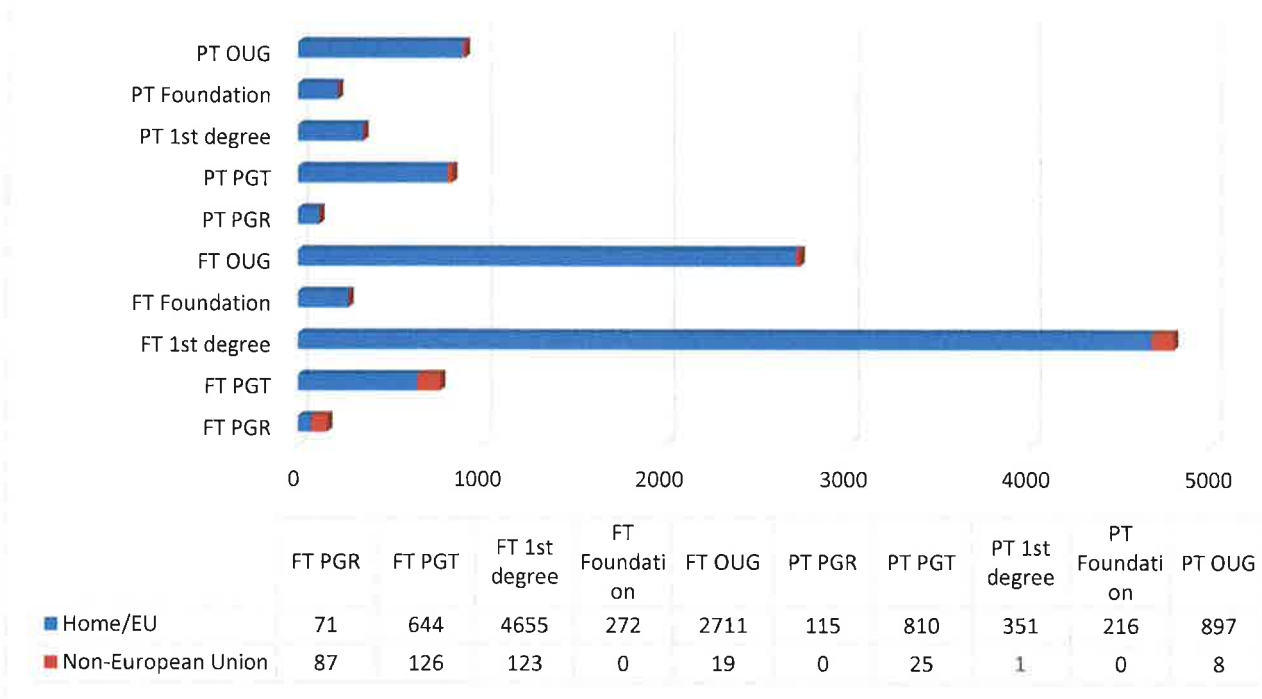
### 2018/19 Student Numbers as percentage of total population

The tables below show the make up of the University's student population.



## OPERATING AND FINANCIAL REVIEW

### 2018/19 Student Numbers



Key: FT – Full time; PT – Part time; UG – Undergraduate; PGT – Postgraduate Taught; PGR – Postgraduate Research.; INT- International students.

The University is committed to having a student body that is balanced and diverse in terms of background and experience, with all the educational and cultural benefits that this brings. It encourages applications from all those with the motivation and academic ability to thrive at its locations within the South West Wales region, at its London campus, Birmingham Learning Centre and other outreach centres, whatever their background.

#### Principal risks and uncertainties

The principal risks and uncertainties faced by the University are as follows:

- Managing in year cash-flows, particularly in light of the impact of the timing of tuition fee payments upon cash balances held within the Group at any one point in time, notwithstanding that cash balances remain substantial at the year-end (£13.2million).
- In line with the above managing the cash-flows and net asset balance to meet the banking covenants set as part of the secured borrowing with HSBC bank
- Home/EU student recruitment and retention given uncertain economic environment and demographic trends.
- Managing performance across all of the Group's complex and diverse entities and locations and harmonising activity where appropriate to deliver strategic gains
- Development of the Group Estates Strategy to support on-going integration and future development of the University.

## OPERATING AND FINANCIAL REVIEW

### Key performance indicators

The University measures itself against Key Performance Indicators (KPIs) annually and reports on this to Council in March of each year. The latest KPI report was for the 2017/18 year and the assessed performance against the KPIs was as follows:

KPIs	2016/17	2017/18
KPI 1. Institutional Sustainability	Medium Risk	Medium Risk
KPI 2 Academic Profile and Market Position	Medium Risk	Medium Risk
KPI 3 Embedding Sustainability	Good	Good
KPI 4 Establishing an International Profile	Satisfactory	Satisfactory
KPI 5 Pure and Applied Research	Medium Risk	Satisfactory
KPI 6 Culture and Heritage	Satisfactory	Medium Risk
KPI 7 Student Experience	Satisfactory	Satisfactory
KPI 8 Teaching and Learning	Satisfactory	Satisfactory
KPI 9 Estates and Infrastructure	Medium Risk	Medium Risk
KPI 10 Staff	Satisfactory	Satisfactory
KPI 11 Governance	Good	Good

The assessment criteria was:

Assessment	Description
Good	Good performance, low risk and no issues identified.
Satisfactory	Broadly on track with some issues being actively addressed.
Medium risk	Some concerns that need to be addressed.
Problematic	Poor performance, high risk and significant issues identified.

Overall, there were changes in two areas in 2017/18 – KPI 5 Pure and Applied Research has changed from a ‘medium risk’ assessment to a ‘satisfactory’ assessment, and KP1 6 Culture and Heritage has changed from a ‘satisfactory’ to a ‘medium risk’ assessment to reflect the reduction in the number of students undertaking studies through the medium of Welsh.

The University is currently undertaking its assessment for 2018/19 and this will be reported to Council next year.

### Future prospects

The current environment within the sector is challenging but the University has invested significantly in its estate and improving the quality of its student experience, as reflected in its performance in the National Student Survey. In addition it is developing new provision and delivery modes, aimed at the development of new learning centres, and these are achieving growth to compensate for some of the reduction experienced in other fee income. This is transforming the University portfolio and will, in the

## OPERATING AND FINANCIAL REVIEW

medium to long term, ensure its sustainability and success. In the short term generation of cash surpluses is a key objective and the University has taken focused action to reduce costs to ensure they are in line with income levels to achieve this.

### Declaration of information to auditor

In so far as each of the members who held office at the date of approval of this report is concerned:

- a) there is no relevant audit information of which the University's auditor is unaware; and
- b) each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditor is aware of that information.

### Significant events during the year

#### SA1 SWANSEA WATERFRONT

Phase 1 of the University's SA1 Swansea Waterfront development, known as Innovation Quarter (IQ); opened its doors to students and staff in September to provide state-of-the-art facilities for the disciplines of Architecture, Built Environment, Computing and Engineering and the Swansea-based activities of Yr Athrofa, the University's Institute of Education. IQ is also home to the Construction Wales Innovation Centre (CWIC), a unique initiative funded by the Construction Industry Training Board (CITB) for the development of a training centre with its hub in SA1 and spokes at FE colleges around Wales. In addition, Y Fforwm – the new library and digital resources centre – offers a well-equipped and modern environment to support the learning needs of the University community. The University looks forward to the commencement of Phase 2 of SA1 Swansea Waterfront, which will include a Box Village as part of the Swansea Bay City Deal's Swansea City and Waterfront Digital District, as well as private investment from our joint venture partner. The development will create a gateway into the city and therefore completing the prime waterfront neighbourhood where people live, study, work, and enjoy leisure activities.

#### FIRST MINISTER OPENS CANOLFAN S4C YR EGIN

Canolfan S4C Yr Egin was officially opened by the Rt. Hon. Carwyn Jones, AM, First Minister of Wales in October 2018. The theme for the event was Energy and Light and included a parade from the town centre to Yr Egin with students, staff, schools and supporters carrying lanterns made as part of workshops held with Small World Theatre. Canolfan Berfformio Cymru and students of the BA Dance provided entertainment throughout the evening.

Yr Egin is now itself at the heart of the University's Carmarthen campus providing opportunities for the creative industries, students and staff as well as the local community to create, learn and enjoy its state-of-the-art facilities. The Centre, which includes an auditorium; editing suites; a large performance area, and a café, offers a varied programme of events, workshops, talks and screenings for members of the public as well as those working in the creative and digital industries throughout the year.

#### GREEN GOWN AWARD FOR CARMARTHEN BUSINESS SCHOOL

The University's Carmarthen Business School won a Green Gown Award in the 'Tomorrow's Employees' category for their 'Rethinking Business for a Changing World' initiative. Their undergraduate and postgraduate programmes are all underpinned by sustainable, ethical and responsible thinking linking to the Wellbeing of Future Generations Act (Wales) 2015. The judges were impressed by the decisive and dramatic way the Business School has repositioned itself through sustainability by rethinking its undergraduate and postgraduate programmes.

#### UNIVERSITY EXPERTS TAKE PART IN THE ETHICS OF SUSTAINABLE PROSPERITY FOR ALL

The University took part in the third Learned Society of Wales International Symposium: The Ethics of Sustainable Prosperity for All, held in September.

## OPERATING AND FINANCIAL REVIEW

Organised by the Learned Society of Wales and the British Academy with the support of the University, the University of Johannesburg, the Johannesburg Institute of Advanced Study, the University of Sydney and Cardiff University, the Symposium was part of the Learned Society of Wales's international programme.

The University's Pro Vice-Chancellor for External Engagement and Sustainability, Dr Jane Davidson and Professor Mererid Hopwood from the University's Athrofa: Institute of Education, presented at the international conference hosted by Dr Rowan Williams, Master, Magdalene College, Cambridge. Dr Davidson took part in panel discussions entitled 'Ethics and the Political Economy of Education for a Sustainable Future' and 'The Well-Being of Future Generations (Wales) Act 2015' and Professor Hopwood was guest speaker the Symposium's Gala Dinner. The University's Professor John Wyn Owen also chaired a panel discussion entitled 'Ethics and Governance for One Health: Globally Responsible in an Interconnected World' and Tony Juniper, Campaigns Director at the World Wildlife Fund and Professor of Practice at the University contributed to a session on 'The Global Commons'.

The symposium provided an opportunity to investigate the ethical issues and dilemmas that need to be addressed as the basis of a sustainable and prosperous future for all, in Wales, the UK and globally with a focus on intergenerational justice.

### FIRST COHORT OF STUDENTS TO STUDY FOUNDATION DEGREE AT ST THOMAS PRIMARY SCHOOL, SWANSEA

Sixty-eight new and existing Foundation Degree and BA students started their course at St Thomas Primary School at the beginning of the academic year. Created for Teaching Assistants, this innovative Foundation Degree in Inclusive Education is a three-year part-time flexible programme delivered as twilight sessions and on Saturdays, to fit around the students' work and family commitments. The Foundation Degree and the BA in Inclusive Education courses are employment-related qualifications at higher education level and provide opportunities for people to develop both personally and professionally.

### SWANSEA BUSINESS SCHOOL CELEBRATES GOLD AND SILVER AWARDS

The University's Swansea Business School received the Silver Award for Best Change Management Initiative and Dr Maggie Inman received the Gold Award for Outstanding Contribution to People Development at the CIPD Wales Awards 2018. CIPD Wales is the professional body for HR and people development and the awards acknowledge outstanding individuals and teams as the best in HR, learning and people management practice in businesses across Wales.

### CEREBRA INNOVATION CENTRE WINS ST DAVID AWARD

The Cerebra Innovation Centre (CIC) - a partnership between the University and Cerebra won the Innovation, Science and Technology Award at the annual St David Awards ceremony organised by Welsh Government. The Cerebra Innovation Centre's team designs and builds innovative, bespoke products to help disabled children to discover the world around them. The products, when possible, are then licensed to third party companies to generate a royalty fee for the partnership. They have included:

- Triathlon equipment for two young girls. Cerebra made a stable canoe and a running/cycling wheel chair.
- A horse-riding helmet for a boy with a unique head shape. Cerebra developed a scanning and moulding process to enable manufacture of a bespoke helmet to enable the boy to horse ride with his school friends.
- Mobile supportive seating, an automated ramp to enable participation in sport and increase independence, products to enable ice skating and surfing, and help with sleep and sensory feedback.

## OPERATING AND FINANCIAL REVIEW

### UWTSO, SOUTH WALES POLICE AND GWENT POLICE WELCOME NEW INTAKE OF POLICE OFFICER APPRENTICES

The University, South Wales Police and Gwent Police welcomed the very first cohort of new recruits under the new Policing Education Qualifications Framework (PEQF), a new professional framework for the training of police officers. New officer recruits will now join either the Police Constable Degree Apprenticeship (PCDA) or the Degree Holder Entry Scheme (DHEP), as part of national changes to police officer recruitment from the College of Policing. Training for the police recruits will be delivered by both Gwent and South Wales Police staff, with the support of the University for their respective qualifications.

### CELEBRATIONS ALL ROUND FOR GEORGE

George Searle, recently graduated with a first class honours degree in Computer Networks and Cyber Security and was also the recipient of the best research project in the Faculty of Architecture, Computing and Engineering prize giving evening.

A former Gold winner of the 2018 WorldSkills UK Competition for Network Infrastructure Technician category, George has secured a graduate internship role with BT.

George, and fellow Computer Networks and Cyber Security student Paul Lawrence were the only Welsh University students given the opportunity to compete in the finals against learners from all over the UK in front of over 70,000 visitors at WorldSkills UK LIVE held at the NEC in Birmingham in November 2018.

### UWTSO INTERNS HELP RAISE OVER £473,000 IN COMMUNITY SOLAR SHARES

Two student marketing interns taken on by Egni Co-op have raised over £473,000 in community shares for the company which is aiming to install 5MW of solar power on 250 sites in Wales. Matthew Kilgariff and Jordan Collier joined Egni Coop as part of a joint initiative between the University and National Union of Students called Placements for Good to encourage sustainability in education throughout Wales and the UK.

Egni Co-op is aiming to install up to 5MW of solar power on 250 sites across Wales. This will save the sites £8m over the next 30 years and prevent 35,000 tonnes of carbon emissions. Egni is also planning to set up a £2.9m education fund for Welsh schools and universities. The fund will help with an education officer who will visit schools and support teachers, student internships and the development of resources to enable schools to integrate data from the solar panels and information on renewable energy into a range of lessons. It will also help with ongoing hosting of free school and university trips to Egni solar sites and Awel Co-op's community wind farm.

### UNIVERSITY STUDENTS WORK ON LIVE PROJECT WITH THE MARRIOTT CORPORATION

Students on the BA (Hons) International Hotel Management degree programme were given the opportunity to work with the international hotel group, Marriott Corporation. Part of a wider relationship with one of the world's leading hotel brands, the students spent about eight months undertaking a detailed training programme run by the Marriott in conjunction with the University. They were divided into small teams to research a particular hotel before undertaking a visit to conduct a quality audit. Students then provided the hotel with a consultancy report based on what they had learned. The BA (Hons) International Hotel Management course is delivered over two years and consists of work-based vocational training in a Marriott Hotel alongside academic study at the University.

### NEW 'STONE AGE' ARTEFACTS FOUND IN LLANLLYR

Staff and students found artefacts dating back to the 'New Stone Age' (Neolithic) during an archaeological dig at Llanllyr in Talsarn, Ceredigion. The dig was part of an undergraduate fieldwork module enabling students to gain field work experience in archaeology. The excavations centred on low mounds surrounded by marshland that they believe formed dry ground in the Prehistoric past. These 'islands' of

## OPERATING AND FINANCIAL REVIEW

dry ground appear to have been the focus of activity in the Neolithic period (between 4 and 6 thousand years ago) when people left behind traces of activity in the form of flint artefacts. Among the artefacts found from one trench is a ground stone axe that was very likely hafted with a wooden handle.

### FAITH AND FINITUDE

Does God exist? Are we heading for environmental crisis and extinction? These and more of life's big questions were considered at a conference held on the Lampeter campus in August. Participants were encouraged to share ideas from a range of disciplines including religious studies, philosophy, history and sinology. The conference addressed issues to do with knowledge, belief and faith that all hinge together and link to big questions like arguments for the existence of God, environmental crisis and extinction. There was also discussion about how far our knowledge extends in a world in which we are bombarded by false information and fake news on the internet.

### UWTSD'S WELSH LANGUAGE SERVICES CENTRE LAUNCHES INNOVATIVE SIMULTANEOUS INTERPRETATION TRAINING RESOURCE

The University was pleased to welcome the Minister for the Welsh language, Eluned Morgan AM to launch a national platform for simultaneous interpretation, Cyfieithu ar y Pryd Cymru, to be developed by Rhagorlaith, the University's Welsh Language Services Centre. In line with the Welsh Government's vision of creating a million Welsh speakers by 2050, the platform aims to promote and facilitate the use of the Welsh language, ensuring a cohort of capable and qualified interpreters.

### MINISTER'S VISIT INVESTIGATES PROJECT'S ENVIRONMENTAL SOLUTIONS

A collaborative project between Coleg Sir Gâr and Power & Water has drawn interest from Lesley Griffiths, Minister for Environment, Energy and Rural Affairs. The minister recently visited project staff at Coleg Sir Gâr's Gelli Aur campus, where they are working to reduce the environmental impact of farm waste. With new agricultural regulations soon to be implemented in Wales, the minister was keen to learn about developments within Prosiectsllyri Project, a ground-breaking initiative to address slurry management. This project, funded by Welsh Government and the European Agricultural Fund for Rural Development, has developed a specialist dewatering and purification system in response to the increasing volumes of slurry and deteriorating water quality in rivers.

### TOM TAKES UK GOLD

Coleg Ceredigion has also brought home a gold medal from WorldSkills UK Live. Tom Powell, who studied level four CIOB construction management at Coleg Ceredigion's Cardigan campus at the time competed in the Joinery category where he was tasked to create a complex shaped door within an outer frame, consisting of angle bridge joints and gun stock joints. Tom is no stranger to this event, having claimed silver at the same stage of the competition last year.

### WORLD MENTAL HEALTH DAY

During the autumn term, students on their second year of a BTEC level three Extended Diploma in Health and Social Care collaborated with the Hywel Dda University Health Board and North Ceredigion Crisis Resolution and Home Treatment Team (CRHTT) on a project that culminated in an event to promote World Mental Health Day.

As part of an assessed unit on Promoting Health Education, learners developed their own educational resources for the project. These resources were on display at Coleg Ceredigion on World Mental Health Day to demonstrate the wealth of wellbeing provision available to students studying at the college.

Learners also took their resources to a special event held at Gorwelion Day Hospital to emphasise the support that is available to people with mental ill health in the North Ceredigion area.

## OPERATING AND FINANCIAL REVIEW

### Financial Review

The consolidated results recorded a deficit for the year of £19.4 million (2018: £11.0 million), and a deficit of £19.5 million charged to general reserves (2018: £11.5 million). This result encompasses all activities, other than the Students' Union which is an independent body

This financial performance for the year to 31 July 2019 as summarised below is after a significant non-cash movement on the USS pension scheme of £9.6m (2018 £0.3m) reflecting a change in future contribution rates and also a non-cash movement on other pension schemes of £2.3m (2018 £1.2m). In addition, there is a further charge for the year of £20.6m (2018 gain of £12.7m) on the actuarial loss on revaluation of the group pension scheme liabilities in arriving at total comprehensive income for the year. Therefore, in total, the statement of total comprehensive income for the year includes non-cash movements and charges on pension schemes of £32.5m (2018 net gain of £11.5m). Of these amounts, £6.1m is expected to be reversed in the next year to 31 July 2020 as a result of pension scheme revaluations notified after 31 July 2019.

These large pension charges, particularly those related to the USS pension scheme, are being incurred by most universities in the UK in 2018/19. Universities are required to account for a large increase in the USS national pension scheme deficit in 2018/19 arising under the 2017 USS scheme valuation. This shows itself as an increase in the value of liabilities on individual university balance sheets. It also shows up as a large one-off accounting charge to the Income & Expenditure Account, causing many universities to post exceptionally large deficits for the year.

These large university deficits are not a reflection of the cash or day-to-day spending position of universities, nor do they mean that spending has been significantly higher than income. They are a reflection of accounting for the increase in USS pension liabilities. These liabilities are future commitments to pay down the deficit, not current expenditure.

The value of pension liabilities is re-assessed every three years or so when the USS pension scheme undergoes a 'triennial actuarial valuation' to assess its own financial position.

In 2014 the USS deficit was then assessed as £5.3 billion (at 31 March 2014). In 2017 this was revised upwards to £7.5 billion (at 31 March 2017) and this large increase in the national scheme deficit is the driver behind the increase in individual university liabilities and reported university deficits for the year in 2018/19.

The volatile impact of national pension scheme valuations, such as with the USS, and its effect on university accounts is demonstrated by the updated 2018 Valuation. This valuation was legally finalised too late to be included on 2018/19 balance sheets so it has been noted as a separate 'post balance sheet' item by universities which doesn't impact on reported university surpluses or on their balance sheets in 2018/19.

This latest valuation, as at March 2018 but not finalised until September 2019, resulted in an improved financial position for the national USS pension scheme when compared to the earlier valuation with the national scheme deficit reducing to £3.6 billion (as at March 2018). As a result, it is expected that this new valuation will lead to a partial reversal of the increase in the significant deficit figures reported this year, in next year's 2019/20 financial statements



**OPERATING AND FINANCIAL REVIEW****Statement of comprehensive income summary**

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Income	136,163	130,031
Expenditure	(154,494)	(143,414)
Profit/(Loss) on Sale of Assets	354	3,953
Increase/(Decrease) in fair value of investment properties	(1,238)	(1,308)
Gain/(Loss) on investments	(82)	315
Share of operating deficit in joint venture	-	(108)
Share of operating loss in associate	(114)	(450)
Taxation	(8)	(13)
<b>Deficit for the year</b>	<b>(19,419)</b>	<b>(10,994)</b>
Actuarial gain/(loss) in respect of pension schemes	(20,621)	12,737
Gain on revaluation of heritage assets	-	250
<b>Total comprehensive income for the year</b>	<b>(40,040)</b>	<b>1,993</b>

Some of the income and expenditure in the consolidated results for the year reflects non-core or non-recurring activities and capital grant and expenditure items. The impact of these are summarised below:

**Total comprehensive income to underlying performance**

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Total Comprehensive Income for the year	(40,040)	1,993
Add back actuarial movement on pension schemes	20,621	(12,737)
<u>Deduct non-core income</u>		
Capital grants received	(2,920)	(7,149)
Gain / (loss) on disposal of fixed assets	(354)	(619)
Gain/(loss) on disposal of investment properties	0	(3,334)
Gain on revaluation of heritage assets	0	(250)
<u>Add back non-core expenditure</u>		
Net non-cash pension costs & adjustments	11,962	2,078
Revaluation of derivative liability	1,341	(772)
Restructuring costs	2,192	832
Property impairment charges	710	6,986
Decrease in fair value of investment properties	1,238	1,308
Gain / (loss) on investments	82	(315)
Share of operating deficit in joint venture and associate	114	558
<b>Underlying (deficit)/surplus</b>	<b>(5,054)</b>	<b>(11,421)</b>

## OPERATING AND FINANCIAL REVIEW

The underlying results for the year are below management's forecasts at the commencement of the year (underlying forecast deficit of £2.8m) but corrective action has been taken to address this. As a result the University undertook a reorganisation and restructuring programme of its core delivery model starting in February 2019. This reorganisation and restructuring was completed in August 2019 and has resulted in estimated gross savings of just under £6m per annum. These savings are partly offset by additions to support growth in other development areas and their benefit will not be fully realised until next year due to the timing of completing the restructuring. Nevertheless, these savings and the growth in other initiatives and programmes are expected to generate sustainable cash surpluses in future years.

A reorganisation and restructuring was also undertaken in two of the subsidiary companies (Coleg Sir Gar and Coleg Ceredigion) in the summer resulting in expected future savings of £1.7m per annum.

During the year the Group experienced an increase in total income of £6.1m million but also saw an increase in expenditure of £11.1 million. The increase in income arose mainly from an increase in tuition fees arising from the learning centres in Birmingham and London. The increase in expenditure arose mainly from increases in non-cash pension charges.

The delivery of education courses in the learning centres does not follow a traditional academic year profile, with multiple intakes throughout the year. As the number of students, and associated tuition fees, from these 'in year' intakes continues to grow the level of deferred tuition fee income held on the University's balance sheet also increases. At 31 July 2019 the deferred fee income was £10.1m (2018 £5.8m). As a result of this the full impact of the growth of the learning centres in 2018/19 is not fully reflected in the results of the University for this year.

Staff costs, excluding restructuring costs, increased by £13.1 million compared to 2017/18 to a cost of £87.1 million (2018: £74.0 million), £9.6m of this increase relates to a revaluation of the USS pension scheme with the remaining underlying cost increasing by £3.5m, reflecting the increased cost of delivering teaching in the learning centres.

Other operating expenses reduced by £1.0 million from 2017/18 at £53.2m (2018: £54.2m). As a result of the challenges facing the University in its traditional income streams a cost control exercise was undertaken in early 2019 which has helped to manage non-pay costs to be below the 2017/18 level. This control of non-pay costs has continued into 2019/20 as the University looks to return to delivering a surplus by 2020/21.

### Income

The consolidated total income for the year amounted to £136.2 million (2018: £130 million). Within this sum, income received from the Higher Education Funding Council for Wales amounted to £4.7 million (2018: £2.9 million) which represented 3% of total income for the year (2018: 2%). Grants from the Welsh Government, received by Coleg Sir Gar, Coleg Ceredigion and Y Ganolfan Dysgu Cymraeg Genedlaethol (YGDCG) are included in funding body grants and amounted to £40.5 million (2018 £40.5 million), representing 29% of total income (2018: 31%).

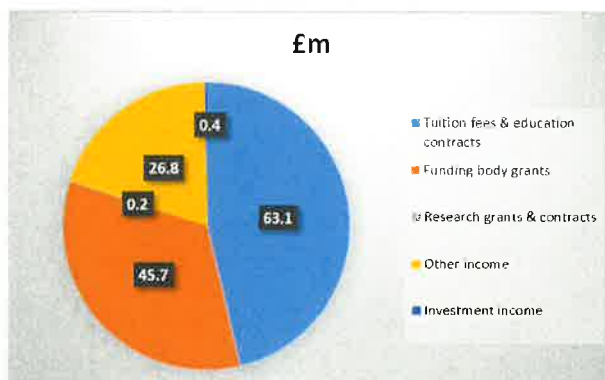
Tuition Fees and Education Contracts income amounted to £63.1 million (2018: £57.1 million) which represented 46% of total income for the year (2018: 44%). Other income for the year totalled £26.8 million (2018: £28.1 million), representing 20% of total income for the year (2018: 22%). Other income arises from a wide range of sources including: student residences, catering and grant funding for projects and programmes. The increase in other income of £7m arises mainly from grant funding for specific

## OPERATING AND FINANCIAL REVIEW

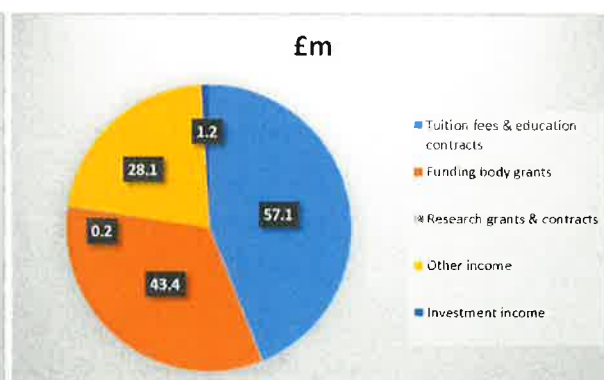
projects and is offset either by additional operating costs or capital expenditure. The 2019 figure includes £2.9m of capital grants recognised on the performance basis (2018: £7.1 million).

Investment income for the year was £0.4 million (2018: £1.2 million). The reduction in investment income is due to the negative revaluation of a derivative contract of £1.3 million which is reflected in interest costs (2018: £0.8m income).

### 2019 Income by Category



### 2018 Income by Category



## Expenditure

The consolidated total expenditure for the year was £154.5 million (2018: £143.4 million). Within this sum, staffing costs of £87.1 million (2018: £74.0 million) represented 63% of total income for the year (2018: 57%) and 56% of total expenditure (2018: 52%).

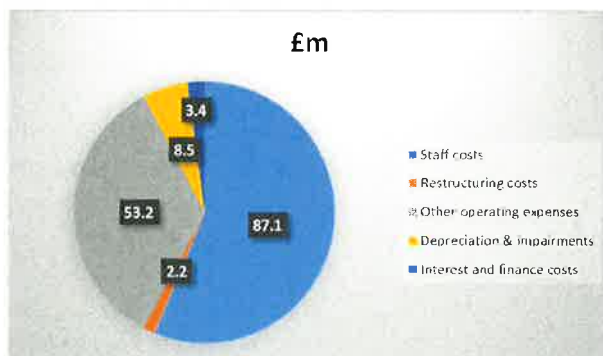
Other operating costs for the year were £53.2 million (2018: £54.2 million). As referenced above the University has undertaken a cost control exercise that spanned all departments to eliminate wastage in its expenditure. This has allowed the University to offset increased costs in agent's commissions and operating costs of the new learning centres. The university has not recorded a significant cost for increases in bad or doubtful debts in the year and management of its debtors remains a key focus for 2019/20 and beyond.

Depreciation and impairment costs were £8.5 million (2018: £12.5 million) of which impairment charges were £0.7 million (2018: £7.0 million) and depreciation charges were £7.8 million (2018: £5.4 million).

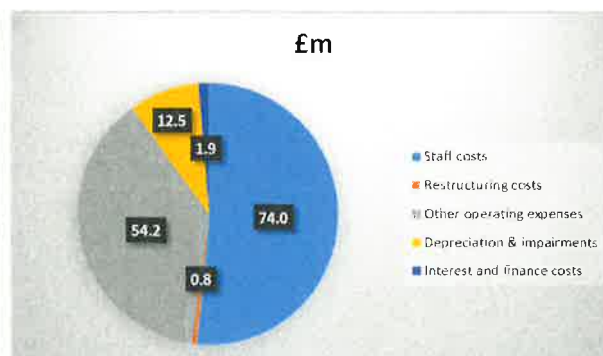
Interest and finance costs were £3.4 million (2018: £1.9 million) of which the largest components were the revaluation of a derivative liability of £1.3m (2018: £0.8 million income), pension scheme interest charges of £0.8 million (2018: £1.0 million) and loan interest of £1.2m (2018: £0.8 million).

## OPERATING AND FINANCIAL REVIEW

### 2019 Expenditure by Category



### 2018 Expenditure by Category



### Balance Sheet

The consolidated Balance Sheet discloses a net assets position of £75.1 million as at 31 July 2019 (2018: £115.1 million). The decrease in net assets primarily arises from the actuarial losses on the group pension schemes (£20.6million) together with the non-cash pension provisions included in staff costs (£12.0m). As noted previously these changes arise substantially from a sector wide revaluation of the USS national pension scheme and will be partly reversed next year.

Capital expenditure at £12.6 million is significantly lower than 2018 (£42.8m) and has been partly offset by land disposals in the year with a net book value of £3.5m. These disposals are mainly comprised of £3.4m on a sale of land within the SA1 development.

Cash and cash equivalent balances were £13.2 million at 31 July 2019 (2018: £18.1 million) with the reduction reflecting the deficit on operations and the capital investments referred to above. The Group's forecasts for 2019/20 is for a net cash inflow, with further increases in the cash position in subsequent years.

Total creditors (current and not current) were £79.8 million at the year-end (2018: £72.5 million). The increase is largely a result of the increase in deferred fee income arising from the enrolment and teaching profile in the Birmingham and London learning centres (£10.1 million (2018: £5.7 million)). Other significant movements are in the recognition of deferred rental income in relation to tenants of the Yr Egin building (£2.9m) and an increase in bank borrowing of £1.6m.

Of the total creditors at the year end, £41.0 million have been classified as amounts falling due within one year (2018: £71.8 million). This significant decrease primarily reflects the treatment of all bank loans in 2019 as repayable after one year whereas in 2018 these were classified as being repayable within one year owing to a breach of one of the University's banking covenants which was un-remedied at the year end. The breach was waived by HSBC during 2018/19 and the loan was restructured as detailed in note 20. Total borrowing in 2019 is £38.0 million compared to £36.4 million in 2018.

The consolidated pension liabilities have increased by £31.1 million year on year (2018: £10.6 million reduction), arising from actuarial losses over the period.

## OPERATING AND FINANCIAL REVIEW

### Cash Flow

The consolidated net cash inflow from operating activities was £2.2 million for the year (2018: £2.4 million outflow) and the overall cash outflow was £4.9 million (2018: £6.8 million outflow).

Cashflows from operating activities are impacted by the recognition of the increased non-cash pension costs of £12.0m.

Cashflows from investing activities include proceeds from the sale of fixed assets of £3.9 million (2018: £0.4 million) and capital grant receipts of £3.2 million (2018: £7.1 million) less payments made to acquire fixed assets of £13.7 million (2018: £41.5 million).

Cashflows from financing activities include new secured loans drawn of £1.6 million to fund the acquisition of fixed assets (2018: £27.3 million), new finance leases to fund the purchase of equipment of £0.6 million (2018: £1.1 million) less interest payments of £2.0 million (2018: £1.1 million) and repayments of finance leases and loans of £1.2 million (2018: £12.1 million).

### Bank covenant compliance

Following the restructuring of the University's loan agreement with HSBC in the year, 3 covenant tests on consolidated net asset position, consolidated cash position and consolidated cash inflow from operating activities were assessed and met at 31 July 2019.

The Group banking covenants to HSBC bank will next be tested at 31 October 2020, and at each subsequent quarter, and there are three financial covenants to be met. These are:

- The ratio of cash-flow available to meet debt servicing costs for the prior 12 months to be not less than 1.1 times debt servicing costs;
- The level of consolidated net assets to be not less than £75 million at 31 October 2020;
- The ratio of net debt to total income to be not more than 50%.

As part of the going concern assessment The University and subsidiaries have prepared detailed financial forecasts for the 12 months ended 31 December 2020, a period that covers the year end date of 31 July 2020 and the covenant test date of 31 October 2020. These have been prepared on both "base case" and "downside case with mitigation" scenarios. The downside case reflects the principal financial performance risks to which the University and its subsidiaries are exposed and is believed to be a fair to cautious assessment of these. The primary financial performance risks are:

- Retention of students in the current year;
- Recruitment and retention of students next year;
- Increases in pension costs and the impact of pension scheme revaluations
- The timing of major items of capital expenditure in-year
- The timing of student fee collections, particularly receipts from the student loan company
- The timing of other working capital movements

There are various mitigating actions to increase income/cash inflows or reduce costs/cash outflows which the University and subsidiaries are already taking or could take which will help to increase covenant headroom, a number of these actions are ongoing and/or planned for 2020. From an income perspective the University has proactively sought to bring forward an increase in capacity in the learning centres through the early opening of an additional site that will welcome its first intake of students in early 2020 rather than the planned 2021. From a cost perspective the University has maintained a strict recruitment

## OPERATING AND FINANCIAL REVIEW

policy to manage headcount and is operating a strict budget management throughout the year. The University has also implemented plans to achieve more timely collection of student fees during the next twelve months to support the forecast cash flows to 31 October 2020.

The net asset covenant is also susceptible to changes in pension scheme liabilities as a result of scheme revaluations which have been volatile in the last few years. Although the financial forecasts show that the University and its subsidiaries will meet the net asset covenant at 31 October 2020 this could be impacted by a future revaluation of pension scheme liabilities which would be sector wide and which would be largely outside the control of the University and its subsidiaries.

### Treasury Management

In accordance with the University's Treasury Management Policy, the investment objective is to achieve the best possible returns while minimising risk. At 31 July 2019 consolidated short-term investments, deposits and cash totalled £18.4 million (2018: £23.5 million). Of this amount, £7.7 million (2018: £7.6 million) were endowment funds. Interest and dividend income from all investments and deposits (endowment and non-endowment) was £0.4 million (2018: £0.3 million) while losses on investments were £0.1 million (2017: £0.3 million gain).

### Liquidity

The Group's liquidity levels were affected in 2018 by the reclassification of the bank loan as a consequence of the covenant breach. At 31 July 2019 the current ratio was 1.1 (2018: 0.62).

The University has prepared detailed cashflow forecasts for the 24 months ended 31 July 2021 and is of the opinion that it will have sufficient cash resources and liquidity during this period to properly manage its affairs and planned operations.

Creditors due within one year amount to £40.3million (2018: £71.8 million), the reduction primarily arising from the reclassification of the bank loan as being due after one year (2018: £36.4 million). Other significant movements are a reduction in trade creditors of £4 million to a balance of £2.5 million (2018: £6.5 million) and an increase in deferred income and accruals of £6.5 million to a balance of £30.6 million (2018: £22.3 million). There has been no amendment to the creditor payment policy in the year which continues to follow best practice. The University's payment policy requires the University to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later.

The financial forecasts prepared by the University and subsidiaries for the 12 months ended 31 December 2020 (referred to under Bank Covenant Compliance) show that the entities have sufficient cash resources and liquidity during this period to properly manage their affairs and planned operations and to meet their obligations as they fall due. This is demonstrated on both the base case and the downside with mitigation case, which takes account of the financial performance risks and part mitigations referred to previously.

### Pensions

The net liability in the local in-house final salary pension scheme has decreased during the year, from £3.0 million to £2.9 million. The Local Government Pension Schemes (the Dyfed Pension Fund, which is administered by Carmarthenshire County Council, and the Swansea Pension Fund, which is administered by the City and County of Swansea) are both final salary pension schemes. The consolidated apportioned share of the deficit on the Dyfed Pension fund increased during the year from £11.8 million to £22.3 million due to an actuarial loss net of provision movements of £10.5 million. The Swansea Pension Fund liability increased during the year from £8.6 million to £14.8 million due to an actuarial loss less provision movements of £5.8 million. Accounting standards require the University to recognise its obligations to contribute to the deficit of the University Superannuation Scheme (USS) and this liability is included in the

## OPERATING AND FINANCIAL REVIEW

pension provision and additional costs are processed through staff costs in the consolidated statement of income and expenditure. During the year the liability on the USS increased to £15.1 million (2018: £5.4million). The Local Government Pension Schemes for Coleg Sir Gar and Coleg Ceredigion saw an increase in their liabilities of £11.5 million to £20.1 million (2018: £8.6 million)

### Financial Health

The University is operating in a challenging economic environment which it is pro-actively managing. Key areas for management focus include:

- maintaining and being pro-active in the recruitment and retention of students;
- managing a change in the nature of core business with reduced reliance on traditional three year undergraduate programmes and increased development of new and innovative delivery programmes;
- maintaining a sufficient level of cash reserves to support operations while using surplus cash for investment in the transformed University's estate strategy;
- managing cash flows, including the timely collection of receipts from the student loans company, to ensure compliance with bank covenants;
- being pro-active in responding to the reductions in core funding from HEFCW and Welsh Government;
- responding to the changing political context of Higher Education in Wales;
- further diversification of income streams;
- robustly managing increases in pension costs.

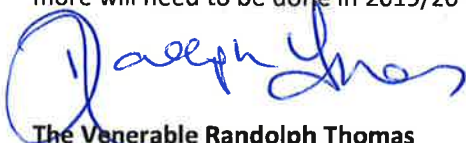
During the year ended 31 July 2019 the University experienced reductions in some income streams but took proactive action to develop new innovative areas of activity. Due to timing issues, the financial benefit of these actions was not fully realised in 2019 and further action was taken in January 2019 to manage the group cost base and to align it with current income levels to deliver operational cash surpluses. These actions are described in more detail within this review and in the notes to the accounts.

### Risk Management / Risk Register

The Statement of Corporate Governance sets out the arrangements that are in place including the ongoing process of identifying, evaluating and managing risks and Council is pleased to report that risk management procedures are in place and a risk register is updated on a regular basis and monitored by senior management. A report is presented to each Audit and Risk Management committee.

### Conclusion

The financial challenges of 2018/19 are expected to continue into 2019/20 given the dynamic changes in demographic trends and future levels of public sector funding. These will require robust action to develop new products and markets, strengthen the core offerings and manage costs in order to maintain a sustainable long term position. Significant progress has already been made in taking these actions but more will need to be done in 2019/20 to ensure a healthy operating position to meet future challenges.



The Venerable Randolph Thomas

*Chair of University Council*

## **STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Introduction**

The University aspires to high standards of corporate governance. Although the University, as a corporation founded by Royal Charter with charitable status, does not fall within the corporate governance reporting requirements of the London Stock Exchange, the University wishes to demonstrate that its governance is undertaken in an open and accountable manner and that it aspires to best practice within the higher education sector. This summary describes the manner in which the University has applied the principles set out in the Committee of University Chairs The Higher Education Code of Governance, published in December 2014 and revised in June 2018.

The University's Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's ongoing risks; that this has been in place for the year ended 31 July 2019 and up to the date of the approval of the annual report and accounts; that it is regularly reviewed by the Council; and that it accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

This statement describes how the relevant principles of corporate governance are applied to the University.

### **Appointment of trustees**

For independent trustees the University follows a practice of advertising the positions externally and then to select the successful candidate through a process of interview. For all appointments the policies and procedures for the identification, selection and appointment of trustees are set out in the University Ordinances

### **Trustee induction and training**

Induction and training for trustees is overseen by the Nominations and Governance Committee. All trustees receive a comprehensive handbook and have access to dedicated intranet pages. Induction sessions are held for all new members and ongoing briefings are provided through scheduled meetings and events. Funding is provided for participation in external training activities, primarily those organised by Advance HE.

### **CUC Higher Education Senior Staff Remuneration Code**

The University have reviewed its compliance with the 3 principles of the CUC code in June 2019 and are in compliance with all 3 of the principles.

### **Summary of the University's structure of Corporate Governance**

The University's Council comprises lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The role of Chairman of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Council is served by a Clerk who is responsible to the Chairman.

The responsibilities of the Council are summarised on page 25 and 26. The Council, which meets at least four times a year, exercises its responsibilities through the executive management and several committees. The principal committees which reported to Council during the year 2018/19 are:



## STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

- **Strategy & Resources Committee (Resources and Performance committee with effect from August 2019)**  
 The Strategy & Resources Committee reports to the Council as to the financial affairs of the University and monitors performance in particular with regard to the allocation of funds, budgets, long term forecasts and the Annual Financial Report. It also oversees financial performance, estate and information management issues for the wider UWTSD group. It oversees arrangements for the preparation of the University's Strategic plan and the integration of supporting strategies. It also oversees strategic issues for the wider UWTSD group, in line with specific ordinances and the remit letters for group members.
- **Nominations & Governance Committee**  
 The Nominations Committee considers nominations for vacancies in the Council membership, Committee membership and lay officers (Patron and President). The Committee monitors nominations, having due regard to the balance of skills; knowledge and experience and in accordance with the Equality and Diversity Act as detailed in the CUC guide 2009. It also monitors governance matters for the wider UWTSD group in line with specific ordinances and the remit letters for group members.
- **Senior Remuneration Committee**  
 The Senior Remuneration Committee determines on an annual basis the salaries, terms and conditions and, where appropriate, the severance conditions of the Vice-Chancellor, Deputy Vice-Chancellors, the Pro Vice-Chancellors, the Clerk to the Council and such other senior members of staff above point 51, as the Council deems appropriate. As part of this process the Senior Remuneration Committee consider a range of external contextual and comparative measures in determining pay awards as set out in the annual Pay Policy Statement
- **Audit & Risk Management Committee**  
 The Audit & Risk Management Committee meets at least four times a year; twice with the external auditors, once to discuss the audit plan and once to discuss the audit findings and to review the University's financial statements and accounting policies; and at every meeting with the internal auditors to consider the review of internal control systems and to address recommendations for the improvement of such systems. Its role is to maintain overarching control of the UWTSD group audit.
- **Human Resources Committee**  
 The Human Resources Committee meets at least three times a year. The Committee oversees all matters relating to human resources at the University and throughout the Group. It makes recommendations to Council on human resources strategies, policies and practice; including recruitment, equality and diversity, contractual matters and training and development.
- **Group Scrutiny Committee**  
 The Group Scrutiny Committee was established in 2015/16 and now meets at least twice a year. The Committee reviews adherence to financial planning, estates, and other matters within the UWTSD Group as outlined in the specific FE / HE ordinances and annual Remit Letters issued to Group members. It also monitors development of group strategies and considers opportunities for closer collaboration within the Group.

In addition, the Senate, which is the academic authority of the University and draws its membership mainly from the academic staff and students of the institution, also reports to Council. Its role is to direct and regulate the teaching and research work of the University.

All of these committees are formally constituted with terms of reference and a membership which, includes lay members of Council. The Committees are chaired by a lay member of Council, and in the case

## **STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

of the Audit & Risk Management Committee, all the members are independent of the University's management, although senior executives attend meetings as necessary.

The University maintains a Register of Interests of members of the Council and of members of the senior executive which may be consulted by arrangement with the Clerk to the Council.

### **Delegation of Day to Day Management of the University**

Under the Charter, the Vice-Chancellor is the Chief Executive, Principal Academic and Administrative Officer, and Chief Accounting Officer of the University and Chair of the Senate. Under Ordinances, the trustees have delegated the following to the Vice-Chancellor: long and short-term planning and allocation of resources to all parts of the University Group and producing plans in accordance with HEFCW requirements; the allocation of budgets; the development of all strategic and operational plans; the stewardship of all financial resources, capital and revenue, within limits prescribed by Ordinance; and the organisation and management of all staff resources.

The Vice-Chancellor, as chief executive officer, is the head of the University who has a responsibility to the Council for the organisation, direction and management of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and the Higher Education Funding Council for Wales, the Vice-Chancellor is the designated officer of the University.

As chief executive, the Vice-Chancellor exercises considerable influence upon the development of University strategy, the identification and planning of new developments and the shaping of the University ethos. Members of the Executive Team - the Deputy Vice-Chancellors, Heads of Support Units and the Deans of Faculty all contribute in various ways to this aspect of the work but the ultimate responsibility for what is done rests with the Vice-Chancellor. In this respect the Vice-Chancellor reports to the Council.

The University has developed a Key Performance Indicator (KPI) framework which is aimed at enabling the effective monitoring and evaluation of institutional performance. A range of KPIs have been established at institution and department level which can be referenced against the University's Strategic Plan and Risk Register, and which also facilitate benchmarking of performance against leading institutions. Academic and support units also develop relevant unit plans for each academic year which correlate with the institutional Strategic Plan.

The delivery of the strategic plan will be overseen by the University Council's Strategy and Resources Committee, with progress against the overall KPI framework to be a standing item at all Committee meetings. Each KPI has also been assigned to Council committees to allow regular scrutiny of performance during the academic year. Identified actions at both institution and department level will be undertaken in consultation with student representatives, wherever appropriate and reported to University Council. Council membership includes two student representatives nominated by the student body along with a further two student representatives in attendance at meetings.

The Council concur with the fact that the financial statements have been prepared on the going concern basis, reflecting the planned action to address the deficits in the last two financial years through the programme of cost reduction and projected future cash generation detailed in note 3 on page 37 (Accounting Policies – Going Concern).

### **Internal Control**

As the governing body of the University of Wales: Trinity Saint David, Council has responsibility for maintaining a sound system of internal control that supports the achievement of the strategic plans, aims and objectives of the institution, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Charter and Statutes, and

## STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

the revised Memorandum of Assurance and Accountability issued in 2015 by the Higher Education Funding Council for Wales (HEFCW).

The system of internal control is designed to manage rather than eliminate the risk of failure in the achievement of strategic plans, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the strategic plans, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements.

Council has responsibility for reviewing the effectiveness of the system of internal control. It meets at regular intervals (four times a year) to consider the plans and strategic direction of the institution, and receives periodic reports from the Chair of the Audit & Risk Management Committee concerning internal control, and minutes of the Committee.

The Audit & Risk Management Committee has specific authority delegated by the Council to monitor and review internal control matters on its behalf and to report to Council its recommendations on these matters. Independent Internal Auditors undertake regular reviews of the systems of internal control; the scope of their work is determined, in advance, by the Audit and Risk Management Committee which receives their reports and recommendations. The areas for review are determined by their significance to the University's operations and the risks associated with their failure. Risk management is a standing item on the Audit & Risk Management Committee agenda.

The external auditors audit the financial statements prepared by the University and report to the Audit & Risk Management Committee on the results of their audit. The external auditors also report formally to the Council on whether or not the financial statements reflect a true and fair record.

The University has established a robust risk prioritisation methodology based on risk ranking, together with the on-going maintenance of both a Group and corporate-wide University risk register. All faculties and support units maintain and review their risk registers on a regular basis. Updates are reported to the Corporate Policy Committee, who will where necessary, escalate significant risks to the institution to the corporate-wide University register. Council is pleased to report that risk management procedures are in place and a risk register is updated on a regular basis and monitored by senior management. A report is presented to each Audit and Risk Management committee. An internal audit on the Group's approach to Risk Management was conducted during 2018/19 and provided substantial assurance to the adequacy on design of control environment, and adequacy of control effectiveness.

The Council's review of the effectiveness of the system of internal control is also informed by the work of senior officers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their year-end management letter and other reports.

The University Council are responsible for preparing the consolidated financial statements in accordance with the requirements of the Higher Education Funding Council for Wales's Memorandum of Assurance and Accountability issued by HEFCW and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with

## STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCW's Accounts Direction to higher education institutions. The Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCW and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCW may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID (continued)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of University of Wales Trinity Saint David ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of HEFCW's Accounts Direction to Higher Education Institutions for 2018/19 issued on 11 July 2019; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID (continued)****Other information**

The Council is responsible for the other information, which comprises the Operating and Financial Review and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

**Council's responsibilities**

As explained more fully in their statement set out on page 25, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities**

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID (continued)**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the operating & financial review is inconsistent in any material respect with the financial statements; or
- the University has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Council, in accordance with the Charters and Statutes of the institution and in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Council 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 Council for our audit work, for this report, or for the opinions we have formed.



**Rees Batley**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
**Chartered Accountants**  
**3 Assembly Square**  
**Britannia Quay**  
**Cardiff**  
**CF10 4AX**

23 January 2020

## Consolidated and University Statements of Comprehensive Income

Year Ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	63,068	56,411	57,095	51,603
Funding body grants	2	45,696	5,511	43,394	2,884
Research grants and contracts	3	235	235	227	227
Other income	4	26,773	20,259	28,157	22,514
Investment income	5	391	367	1,158	1,128
<b>Total income</b>		<b>136,163</b>	<b>82,783</b>	<b>130,031</b>	<b>78,356</b>
<b>Expenditure</b>					
Staff costs	6	87,111	59,354	74,002	48,082
Fundamental restructuring costs	6	2,192	1,236	832	736
Other operating expenses	8	53,241	27,186	54,225	31,324
Depreciation and impairments	10	8,546	5,912	12,454	10,053
Interest and other finance costs	7	3,404	3,135	1,901	1,504
<b>Total expenditure</b>		<b>154,494</b>	<b>96,823</b>	<b>143,414</b>	<b>91,699</b>
<b>Surplus/(deficit) before other gains losses and share of operating surplus/(deficit) of joint ventures and associates.</b>		<b>(18,331)</b>	<b>(14,040)</b>	<b>(13,383)</b>	<b>(13,343)</b>
Gain on disposal of fixed assets		354	346	3,953	3,964
Decrease in fair value of Investment properties	12	(1,238)	(1,313)	(1,308)	(1,378)
Gain/(Loss) on investments		(82)	(85)	315	297
Share of operating deficit in joint venture	14	0	0	(108)	0
Share of operating deficit in associate	13	(114)	(1,064)	(450)	0
<b>Deficit before tax</b>		<b>(19,411)</b>	<b>(16,156)</b>	<b>(10,981)</b>	<b>(10,460)</b>
Taxation	9	(8)	0	(13)	0
<b>Deficit for the year</b>		<b>(19,419)</b>	<b>(16,156)</b>	<b>(10,994)</b>	<b>(10,460)</b>



## UNIVERSITY OF WALES: TRINITY SAINT DAVID

Consolidated and University Statements of Comprehensive Income (continued)	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Actuarial gain/(loss) in respect of pension schemes	26	(20,621)	(11,137)	12,737	5,391
Gain on revaluation of Heritage Assets		0	0	250	250
<b>Total comprehensive income for the year</b>		<b>(40,040)</b>	<b>(27,293)</b>	<b>1,993</b>	<b>(4,819)</b>
Represented by:					
Endowment comprehensive income for the year	21	108	85	522	520
Unrestricted comprehensive income for the year		(40,148)	(27,378)	1,471	(5,339)
Attributable to the University		(40,040)	(27,293)	1,993	(4,819)
<b>Total Comprehensive income for the year attributable to</b>					
University		(40,040)	(27,293)	1,993	(4,819)

All items of income and expenditure relate to continuing activities

## Consolidated and University Statements of Changes in Reserves

## Consolidated

	Endowment	Unrestricted	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	<b>7,069</b>	<b>81,451</b>	<b>24,618</b>	<b>113,138</b>
Surplus/(deficit) from the income and expenditure statement	522	(11,516)	0	(10,994)
Other comprehensive income	0	12,737	250	12,987
Transfers between revaluation and income and expenditure reserve	0	366	(366)	0
<b>Total comprehensive income for the year</b>	<b>522</b>	<b>1,587</b>	<b>(116)</b>	<b>1,993</b>
<b>Balance at 1 August 2018</b>	<b>7,591</b>	<b>83,038</b>	<b>24,502</b>	<b>115,131</b>
Surplus/(deficit) from the income and expenditure statement	108	(19,527)	0	(19,419)
Other comprehensive income	0	(20,621)	0	(20,621)
<b>Total comprehensive income for the year</b>	<b>108</b>	<b>(40,148)</b>	<b>0</b>	<b>(40,040)</b>
<b>Balance at 31 July 2019</b>	<b>7,699</b>	<b>42,890</b>	<b>24,502</b>	<b>75,091</b>

## University

	Endowment	Unrestricted	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	<b>6,774</b>	<b>53,666</b>	<b>14,378</b>	<b>74,818</b>
Surplus/(deficit) from the income and expenditure statement	520	(10,980)	0	(10,460)
Other comprehensive income	0	5,391	250	5,641
Transfers between revaluation and income and expenditure reserve	0	174	(174)	0
<b>Total comprehensive income for the year</b>	<b>520</b>	<b>(5,415)</b>	<b>76</b>	<b>(4,819)</b>
<b>Balance at 1 August 2018</b>	<b>7,294</b>	<b>48,251</b>	<b>14,454</b>	<b>69,999</b>
Surplus/(deficit) from the income and expenditure statement	85	(16,241)	0	(16,156)
Other comprehensive income	0	(11,137)	0	(11,137)
<b>Total comprehensive income for the year</b>	<b>85</b>	<b>(27,378)</b>	<b>0</b>	<b>(27,293)</b>
<b>Balance at 31 July 2019</b>	<b>7,379</b>	<b>20,873</b>	<b>14,454</b>	<b>42,706</b>

## Consolidated and University Balance Sheets

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Tangible Fixed assets	10	162,230	114,172	164,524	115,748
Heritage assets	11	6,241	6,205	6,241	6,205
Investment properties	12	6,688	5,163	3,628	2,178
Investment in joint venture	14	718	0	568	0
Investment in associate	13	0	0	0	950
Other fixed asset investments	13	251	0	282	0
		<b>176,128</b>	<b>125,540</b>	175,243	125,081
<b>Current assets</b>					
Stock	15	508	317	493	300
Trade and other receivables	16	24,605	29,749	20,595	28,028
Investments	17	5,155	5,136	5,295	5,276
Cash and cash equivalents		13,248	6,043	18,181	8,179
		<b>43,516</b>	<b>41,245</b>	44,564	41,783
Less: Creditors: amounts falling due within one year	18	(40,988)	(42,244)	(71,845)	(74,209)
<b>Net current (liabilities) / assets</b>		<b>2,528</b>	<b>(999)</b>	(27,281)	(32,426)
<b>Total assets less current liabilities</b>		<b>178,656</b>	<b>124,541</b>	147,962	92,655
Creditors: amounts falling due after more than one year	19	(38,818)	(38,546)	(690)	(494)
<b>Provisions</b>					
Pension provisions	26	(61,838)	(41,705)	(29,091)	(20,442)
Other provisions	20	(2,909)	(1,584)	(3,050)	(1,720)
<b>Net Assets</b>		<b>75,091</b>	<b>42,706</b>	115,131	69,999

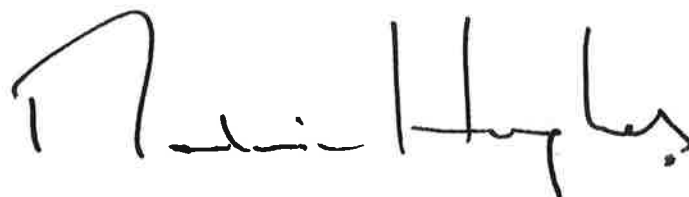
## Consolidated and University Balance Sheets (continued)

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	21	7,699	7,379	7,591	7,294
Income and expenditure reserve - restricted reserve		0	0	0	0
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		42,890	20,873	83,038	48,251
Revaluation reserve		24,502	14,454	24,502	14,454
<b>Total Reserves</b>		<b>75,091</b>	<b>42,706</b>	<b>115,131</b>	<b>69,999</b>

The financial statements were approved by the Governing Body on 15 January 2020 and were signed on its behalf on that date by:



The Venerable Randolph Thomas (Chair)



Prof Medwin Hughes (Vice-Chancellor)

**Consolidated Statement of Cash Flows**

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(19,419)	(10,994)
<b>Adjustment for non-cash items</b>			
Depreciation and impairments	10	8,546	12,454
(Gain)/Loss in market value of investments		82	(315)
(Gain)/Loss in investment properties	12	1,238	1,308
Loss in revaluation of livestock	10	55	50
Decrease/(increase) in stock		(15)	(35)
Decrease/(increase) in debtors	16	(4,010)	(6,852)
Increase/(decrease) in creditors	18	4,120	10,125
Increase/(decrease) in other provisions	20	(141)	(173)
Pension costs less contributions payable	26	11,962	2,078
Share of operating (surplus)/deficit in associate & JV	13	114	558
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(391)	(386)
Interest payable	7	3,323	914
Capital grant income		(2,920)	(7,149)
Profit on the sale of fixed assets		(355)	(619)
Profit on sale of investment properties		0	(3,334)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,189</b>	<b>(2,370)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		3,913	364
Accrued income for future sale of fixed asset		575	0
Proceeds from sale investment properties		0	14,802
Capital grant receipts		3,219	7,149
Investment income		391	386
New non-current asset investments		(582)	(964)
Payments made to acquire fixed assets		(13,742)	(41,469)
		<b>(6,226)</b>	<b>(19,732)</b>
<b>Cash flows from financing activities</b>			
Interest element of finance lease rental payment		(81)	(103)
Interest Paid		(1,887)	(811)
New secured loans		1,598	27,251
New Finance Leases		645	1,069
Loan Repayments		(454)	(11,680)
Capital element of finance lease rental payments		(717)	(467)
		<b>(896)</b>	<b>15,259</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(4,933)</b>	<b>(6,843)</b>
Cash and cash equivalents at beginning of the year		18,181	25,024
Cash and cash equivalents at end of the year		13,248	18,181

## Statement of Accounting Policies

for the year ended 31 July 2019

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### 1. 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 (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention, except in relation to investment properties, current asset investments and derivative financial instruments carried at fair value.

### 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019, which include Coleg Sir Gar and Coleg Ceredigion. Intra entity transactions are eliminated fully 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 control or dominant influence over policy decisions.

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

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS102 paragraphs 1.8 to 1.12. The following exemptions available under FRS102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included
- Key Management Personnel compensation has not been included a second time
- The disclosure required by FRS102.11 Basic Financial Instruments and FRS102.12 Other Financial Instrument issues in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

### 3. Going Concern

The activities of the University and its subsidiaries, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial review. The financial position of the University and its subsidiaries, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The financial statements are prepared on a going concern basis which the senior management and Council believe to be appropriate for the following reasons.

Although the University has incurred a deficit in the current year, most of this deficit has arisen from asset and liability revaluations and non-recurring expenditures which do not fully reflect the underlying core activities and associated performance. The largest of these items are significant pension charges which are affecting most Universities in the UK in 2019. These and the other non-core items are identified on page 14 and 15. Whilst the University has still incurred a deficit when these non-core items are excluded, the deficit is reduced from the prior year.

Despite the deficit recognised in the year, the University has generated a net cash inflow from operating activities of £2.2m and is forecasting to record further cash inflows in future years. The overall cash position of the University is positive at 31 July 2019 at 13.2m and its forecast for 2019/20 shows sufficient cash resources to meet its obligations.

Beyond this the University and its subsidiaries have a clear strategic financial plan to address the remaining deficit on core activities and to deliver cash surpluses from operations and are implementing this. The strategic financial plan has 3 key components. These are:

## Statement of Accounting Policies

for the year ended 31 July 2019 (continued)

1. Recognising the impact of demographic factors and changing demands on the market and restructuring the delivery cost base as a result. This has already been achieved substantially with a reorganisation and restructuring across the South Wales campuses implemented in the current financial year.
2. Acknowledging the needs and demand for more flexible learning models and of those adults not currently in Higher and Further education noted in the Augar review and developing delivery models to address these. The University has established non-traditional Learning Centres in South Wales, London and Birmingham with new delivery models and is growing student numbers considerably in these centres.
3. Recognising the growing demand of international educational institutions for a presence in the UK higher education market and developing strategic alliances and partnerships to grow student numbers and income in this area.

The University and its subsidiaries have prepared four year financial forecasts which show surpluses over that period, based on the above plans. These forecasts return a surplus in 2019/20 with the receipt of a one off capital grant, a small deficit in 2020/21 and then a return to continued surplus from 2021/22. In all years the forecasts show a positive cash inflow. They have also considered alternative “downside” scenarios if these plans are not realised and the alternative mitigating actions that would be required as a result.

A major sensitivity considered as part of the downside forecast surrounds traditional tuition fee income and cash collection from this income. In the base forecast the University has been prudent on its assumptions to a decline in student numbers and a further reduction is considered in the downside forecast. Mitigating this fee reduction is a proactive approach to non-traditional income streams such as part time and mature students along with an increase in students at the learning centres in London and Birmingham, with the opening of a second location in Birmingham being brought forward from its planned date. Further mitigating actions are available to the university in controlling non-pay costs to match the income levels.

In the shorter term, as part of the going concern assessment the University and subsidiaries have prepared detailed financial forecasts for the 12 months ended 31 December 2020. These have been prepared on both “base case” and “downside case with mitigation” scenarios. The downside case reflects the principal financial performance risks to which the University and its subsidiaries are exposed and is believed to be a fair to cautious assessment of these. In both scenarios the University and its subsidiaries have adequate financial resources to sustain operations over the 12 month period and to meet obligations as they fall due.

The Group banking covenants to HSBC bank will next be tested at 31 October 2020 and then at all subsequent quarters. The forecasts referred to above demonstrate that the University and its subsidiaries will be compliant with all covenants on both base case and downside with mitigation case scenarios. To support this the University will need to take some mitigating actions to improve the timing of cashflows, particularly the timely collection of student fees in September and October 2020, plans are ongoing and will be fully implemented in 2020 to achieve this.

#### 4. Income recognition

Income from the sale of goods or services is credited to the Consolidated and University Statements 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 and University Statements of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from accommodation provision is credited to the Consolidated and University Statements of Comprehensive Income over the contracted length of the accommodation. Accommodation contracts are issued on a yearly basis. Bonds held on accommodation are held on the Consolidated and University Balance Sheets and repaid to students at the end of each academic year provided the terms of the accommodation contract have been upheld. Any bond

## Statement of Accounting Policies

for the year ended 31 July 2019 (continued)

retained by the University is credited to the Consolidated and University Statements of Comprehensive Income at the end of the accommodation period.

Investment income is credited to the Consolidated and University Statements 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 grants including; funding council block grant; research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and the performance related conditions have been met.

### 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 and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

There are four main types of donations and endowments 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

Capital grants are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

## 5. Accounting for retirement benefits

There are five principal pension schemes for the University's staff, one of these schemes the Universities Superannuation Scheme (USS), is open to new members. The other four, Teachers Pension; two local authority schemes (Swansea and Dyfed) and the University of Wales Lampeter Pension and Assurance Scheme are closed to new members from the University. The schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.



## Statement of Accounting Policies

for the year ended 31 July 2019 (continued)

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The USS and Teacher's Pension schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities applicable to University members due to the mutual nature of the schemes and therefore the schemes are accounted for as a defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

### 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 income statement 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 Group should recognise 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.

## 6. 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.

## 7. 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.

## 8. 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.

**Statement of Accounting Policies**

for the year ended 31 July 2019 (continued)

**9. Foreign currency**

The functional currency is £ Sterling. Transactions in foreign currencies are translated to £ sterling 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 Surplus or Deficit. 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.

**10. Fixed assets**

Fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Academic buildings	50 years
Residences	30 years
Laboratories and lecture theatres	30 years
Refurbishments	20 years

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

No depreciation is charged on assets in the course of construction.

Equipment

Equipment, including computers and software, costing less than de-minimus of £5,000 per individual item or group of items is written off in the year of acquisition. All other equipment is capitalised.

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

Computer Equipment	4 years
Equipment acquired for specific research projects	3-5 years
Other Equipment	10 years
Motor Vehicles	4 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.

**Statement of Accounting Policies**

for the year ended 31 July 2019 (continued)

**11. Heritage assets**

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Works of Art are included at costs incurred from 1 April 1981 or subsequent revaluation. The latest revaluation of heritage assets was at 31 July 2014, where certain sections of heritage assets were deemed to have increased in value.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

**12. Investment Properties**

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

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

The review of the fair value of the investment properties is undertaken by Cooke and Arkwright Chartered Surveyors.

**13. Investments**

Non-current 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 Consolidated and University Statements of Comprehensive Income.

**14. Stock**

Stock is held at the lower of cost and net realisable value. Cost represents the invoice price of the stock.

**15. Financial instruments****Trade and other debtors/creditors**

Trade and other debtors and creditors are recognised initially at transaction price net of attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs less any impairment losses in the case of trade debtors.

**Interest bearing borrowings**

Interest-bearing borrowings other than public benefit entity concessionary loans are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Concessionary loans are recognised initially at the amount received or paid and subsequently measured at cost plus any accrued interest payable or receivable.

**Cash and cash equivalents**

Cash includes cash in hand and deposits repayable on demand. 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

**Statement of Accounting Policies**

for the year ended 31 July 2019 (continued)

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in income or expenditure.

**16. 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 probable 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.

**17. Accounting for Joint Ventures and Associates**

The University accounts for its share of joint ventures and associates using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets within the Consolidated and University Statements of Comprehensive Income.

**18. Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 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. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

Several of the University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

**Statement of Accounting Policies**  
for the year ended 31 July 2019 (continued)

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**19. Reserves**

Reserves are classified as restricted and unrestricted reserves. 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.

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	54,931	50,378	50,502	46,354
Full-time international students	3,483	3,452	3,168	3,129
Part-time students	2,744	2,581	2,285	2,120
Education contracts	1,910	0	1,140	0
	<b>63,068</b>	<b>56,411</b>	<b>57,095</b>	<b>51,603</b>
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	4,169	4,169	2,884	2,884
Welsh Government	34,671	0	33,801	0
<b>Specific grants</b>				
Higher Education Funding Council	579	579	0	0
Welsh Government	6,277	763	6,709	0
	<b>45,696</b>	<b>5,511</b>	<b>43,394</b>	<b>2,884</b>
<b>3 Research grants and contracts</b>				
Research charities	14	14	58	61
Other	221	221	169	166
	<b>235</b>	<b>235</b>	<b>227</b>	<b>227</b>

## NOTES TO THE ACCOUNTS

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>4 Other income</b>				
Residences, catering and conferences	4,889	3,940	5,485	4,586
Other revenue grants	10,603	6,806	3,255	1,265
Other capital grants	0	0	0	0
Other income generating activities	6,707	4,940	11,809	9,281
Other income	4,574	4,573	7,608	7,382
	<b>26,773</b>	<b>20,259</b>	<b>28,157</b>	<b>22,514</b>
<b>5 Investment income</b>				
Investment income on endowments	364	341	304	301
Other investment income	27	26	82	55
Increase in fair value of derivative	0	0	772	772
	<b>391</b>	<b>367</b>	<b>1,158</b>	<b>1,128</b>
<b>6 Staff costs</b>				
Salaries	58,035	37,561	57,124	37,292
Social security costs	5,816	3,913	5,510	3,717
Movement on USS provision	9,496	9,496	(102)	(102)
Other pension costs	13,764	8,384	11,470	7,175
Total	<b>87,111</b>	<b>59,354</b>	<b>74,002</b>	<b>48,082</b>
			<b>2019</b>	2018
Emoluments of the Vice-Chancellor:			<b>£' 000</b>	£' 000
Salary			<b>232</b>	226
Monetary value of benefits: Health Insurance			<b>3</b>	3
Monetary value of benefits: Accommodation			<b>11</b>	11
			<b>246</b>	240
Pension contributions to USS			<b>46</b>	44
			<b>292</b>	284

**NOTES TO THE ACCOUNTS****Staff Costs (Continued)**

The ratio of the salary of the Vice Chancellor compared to the median average of the University is 7.9:1

The ratio of the total remuneration of the Vice Chancellor compared to the median average of the University is 7.5:1

The Remuneration Committee noted the Vice Chancellor's current salary was the lowest in the HEFCW comparator group.

The Vice Chancellor is also Vice Chancellor of the University of Wales. 20% of the Vice Chancellor's emoluments are recharged to the University of Wales. The emoluments and ratios disclosed above represent 100% of the Vice Chancellor's emoluments.

The Vice Chancellor has a significant breadth of responsibility spanning Higher Education and Further Education. This includes the University of Wales Trinity St David, The University of Wales, Coleg Sir Gar and Coleg Ceredigion. Within UWTSD, there has been an expansion of responsibility in Birmingham and London. This group of institutions are undergoing a period of change under the guidance of the Vice Chancellor and the statement below is in this context. The Vice Chancellor led a programme of significant restructuring at UWTSD in order to achieve savings of six million pounds to future-proof and safeguard the future of the University. In recognition of the financial context of the University and the restructuring programme, no change to the Vice Chancellor's salary was made for 2019/2020. 100% of the Vice Chancellor's emoluments are disclosed in these accounts and do not take into account any recharge to the University of Wales

The University Council is responsible for establishing a Standing Committee of the Council, known as the Senior Remuneration Committee to determine fair and appropriate remuneration for the Vice Chancellor, the Deputy Vice Chancellors and the Pro Vice Chancellors.

The Senior Remuneration Committee is responsible for reviewing and determining on an annual basis the salaries, terms and conditions and, where appropriate the severance conditions of the above senior post-holders. The terms of reference for the Senior Remuneration Committee are published on the University website ensuring these are available to staff, students and all stakeholders in an open and transparent manner: <https://www.uwtsd.ac.uk/media/uwtsd-website/content-ssets/documents/governance/UWTSD-Ordinances-Master-January-2019-1.pdf>. The Vice Chancellor is not a member of this committee.

The Senior Remuneration Committee takes account of the context in which the institution operates. It considers the value delivered by an individual acting within a role based on relevant components for the UWTSD context.

The Senior Remuneration Committee makes every effort to ensure that all recommendations are fair and consider the institutional interest, key stakeholders and partners including the student community and wider society. The safeguarding of public funds also forms part of its deliberations.

The Committee considers appropriate comparative information of other Universities to inform its decisions including the annual rate of increase of the average remuneration of all other staff.

The Chair of the Senior Remuneration Committee is responsible for presenting the recommendations of the Senior Remuneration Committee to the University's Council.



**NOTES TO THE ACCOUNTS****Staff Costs (Continued)**

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to the relevant HEFCW accounts direction) all shown before any salary sacrifice:

	<b>2019</b>	2018
	<b>No.</b>	No.
£100,000 to £104,999	<b>1</b>	0
£105,000 to £109,999	<b>0</b>	1
£110,000 to £114,999	<b>0</b>	0
£115,000 to £119,999	<b>1</b>	0
£120,000 to £124,999	<b>0</b>	0
£125,000 to £129,999	<b>0</b>	0
£130,000 to £134,999	<b>0</b>	0
£135,000 to £139,999	<b>0</b>	0
£140,000 to £144,999	<b>1</b>	0
£145,000 to £149,999	<b>2</b>	2
	<b>5</b>	3

There was no compensation payable to higher paid staff in the year (2018: £nil)

	<b>No.</b>	No.
Average staff numbers by :		
Academic Departments	<b>760</b>	907
Non Academic Departments	<b>994</b>	812
	<b>1,754</b>	1,719

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes pension contributions and compensation paid to key management personnel. Remuneration consists of salary and benefits including any employer's pension contributions.

	<b>Year ended 31 July 2019</b>	Year ended 31 July 2018
	<b>£ '000</b>	£ '000
Key management personnel remuneration	<b>1,243</b>	1,214
	<b>No.</b>	No.
Key management personnel	<b>5</b>	5

The above staff costs for key management personnel do not include the cost of key management that are employed by the University of Wales, but working across both institutions. These costs totalling £55k (2018: £76K) are included in other operating expenses as they are recharged by invoice from the University of Wales.

**NOTES TO THE ACCOUNTS****Staff Costs (Continued)****Restructuring Costs**

The University accounts for restructuring costs in the period that the cost is incurred, where a restructuring plan has been communicated but not fully concluded at the Balance Sheet date and amounts due to be paid are recognised on the Balance Sheet and within the Statement of Comprehensive Income in the year that the plan was communicated.

At 31 July 2019 the amount held on the Balance Sheet in respect of restructuring plans was nil (2018: nil), all amounts recognised in the Statement of Comprehensive Income for the year to 31 July 2019 and 31 July 2018 represent amounts paid to employees through payroll in respect of termination payments.

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Paid to employees on termination of employment	2,192	1,236	832	736

**Council Members**

The University's Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. Other than the expenses paid in the year referenced below there were no transactions in the year with any members.

No Council member has received any remuneration/waived payments from the group during the year (2018 - £nil). The total expenses paid to or on behalf of 23 council members was £14K (2018: £12K to 23 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity.

## NOTES TO THE ACCOUNTS

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Interest and other finance costs</b>					
Finance leases	19	81	43	103	63
Loan Interest		1,203	1,203	809	809
Net charge on pension scheme	26	766	535	987	630
Decrease in fair value of derivative		1,341	1,341	0	0
Other		13	13	2	2
		<b>3,404</b>	<b>3,135</b>	<b>1,901</b>	<b>1,504</b>
<b>8 Analysis of other operating expenses by activity</b>					
Academic and related expenditure		21,296	8,760	25,735	11,332
Administration and central services		17,636	10,964	17,141	12,413
Premises		7,429	5,255	8,060	5,918
Residences, catering and conferences		1,552	804	1,440	738
Other expenses		5,328	1,403	1,849	923
		<b>53,241</b>	<b>27,186</b>	<b>54,225</b>	<b>31,324</b>
Other operating expenses include:					
External auditor's remuneration in respect of audit services:					
These financial statements		109	109	54	54
Other group financial statements		37	0	51	0
External auditor's remuneration in respect of non-audit services					
Audit related assurance services		30	25	16	11
Tax compliance services		8	0	7	0
Tax advisory services		7	7	50	50
Operating lease rentals		1,449	1,195	1,552	1,362

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Taxation</b>				
<b>Recognised in the statement of comprehensive income</b>				
<b>Current tax</b>				
Current tax expense	21	0	21	0
Prior year adjustment	(13)	0	(8)	0
<b>Current tax expense</b>	<b>8</b>	<b>0</b>	<b>13</b>	<b>0</b>
<b>Deferred tax</b>				
Origination and reversal of timing differences	0	0	0	0
Reduction in tax rate	0	0	0	0
Recognition of previously unrecognised tax losses	0	0	0	0
<b>Deferred tax expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total tax expense</b>	<b>8</b>	<b>0</b>	<b>13</b>	<b>0</b>

**Factors affecting the total tax charge for the current period**

The tax assessed for the period relates to Eclectica Drindod Limited and Y Ganolfan Dysgu Cymraeg Genedlaethol and is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
(Deficit)/Surplus before tax	(19,411)	(16,156)	(10,981)	(10,460)
Amounts not subject to tax	19,522	16,156	11,090	10,460
Taxable Profits	111	0	109	0
Tax at 19% (2018: 19%)	21	0	21	0
Effects of:				
Prior year adjustment	(13)	0	(8)	0
<b>Total tax charged in the year</b>	<b>8</b>	<b>0</b>	<b>13</b>	<b>0</b>

The UK Corporation tax rate reduced from 20% to 19% on 1st April 2017. A further reduction to 17% (effective 1st April 2020) was substantially enacted on 6th September 2016. This will reduce any current tax charges in future periods accordingly.

## NOTES TO THE ACCOUNTS

## 10 Tangible fixed assets

Consolidated	Freehold land and buildings £'000	Assets Under Construction £'000	Leasehold land and buildings £'000	Equipment, fixtures and fittings £'000	Motor vehicles £'000	Livestock £'000	Totals £'000
<b>Cost or Valuation</b>							
At 1 August 2018	145,728	66,973	18,532	42,915	289	379	274,816
Additions in the year	8,495	568	0	3,527	13	0	12,603
Revaluation	0	0	0	0	0	(55)	(55)
Transfers	54,729	(54,729)	0	0	0	0	0
To Inv. Properties	0	(11,739)	0	0	0	0	(11,739)
Disposals	(3,557)	0	0	(597)	0	0	(4,154)
<b>At 31 July 2019</b>	<b>205,395</b>	<b>1,073</b>	<b>18,532</b>	<b>45,845</b>	<b>302</b>	<b>324</b>	<b>271,471</b>
<b>Accumulated depreciation</b>							
At 1 August 2018	60,152	8,967	3,295	37,627	251	0	110,292
Charge for the year	4,238	0	365	3,221	12	0	7,836
Impairment	710	0	0	0	0	0	710
To Inv. Properties	0	(8,967)	0	0	0	0	(8,967)
Disposals	(41)	0	0	(589)	0	0	(630)
<b>At 31 July 2019</b>	<b>65,059</b>	<b>0</b>	<b>3,660</b>	<b>40,259</b>	<b>263</b>	<b>0</b>	<b>109,241</b>
<b>Net book value</b>							
<b>At 31 July 2019</b>	<b>140,336</b>	<b>1,073</b>	<b>14,872</b>	<b>5,586</b>	<b>39</b>	<b>324</b>	<b>162,230</b>
At 31 July 2018	85,576	58,006	15,237	5,288	38	379	164,524

Land and buildings owned by Coleg Sir Gar were revalued in 1998 at depreciated replacement cost by Cooke & Arkwright, a firm of independent chartered surveyors. On adoption of FRS 102, revalued properties have been treated as deemed cost. The analysis of cost or valuation of the tangible fixed assets as at 31 July 2019 is as follows:

	Freehold land and buildings £'000	Assets Under Construction £'000	Leasehold land and buildings £'000	Equipment, fixtures and fittings £'000	Motor vehicles £'000	Livestock £'000	Totals £'000
<b>Cost or Valuation</b>							
Valuation in 1998	19,716	0	0	0	0	324	20,040
Cost	185,679	1,073	18,532	45,845	302	0	251,431
	<b>205,395</b>	<b>1,073</b>	<b>18,532</b>	<b>45,845</b>	<b>302</b>	<b>324</b>	<b>271,471</b>

## NOTES TO THE ACCOUNTS

## 10 Tangible fixed assets (Continued)

University	Freehold land and buildings £'000	Assets Under Construction £'000	Leasehold land and buildings £'000	Equipment, fixtures and fittings £'000	Motor vehicles £'000	Livestock £'000	Totals £'000
<b>Cost or Valuation</b>							
At 1 August 2018	78,635	66,468	18,532	30,064	289	0	193,988
Additions in the year	7,599	568	0	2,444	13	0	10,624
Transfers	54,729	(54,729)	0	0	0	0	0
To Inv. Properties	0	(11,739)	0	0	0	0	(11,739)
Disposal	(3,557)	0	0	0	0	0	(3,557)
<b>At 31 July 2019</b>	<b>137,406</b>	<b>568</b>	<b>18,532</b>	<b>32,508</b>	<b>302</b>	<b>0</b>	<b>189,316</b>
<b>Accumulated depreciation</b>							
At 1 August 2018	38,233	8,967	3,295	27,494	251	0	78,240
Charge for the year	2,832	0	365	1,993	12	0	5,202
Impairment	710	0	0	0	0	0	710
To Inv. Properties	0	(8,967)	0	0	0	0	(8,967)
Disposal	(41)	0	0	0	0	0	(41)
<b>At 31 July 2019</b>	<b>41,734</b>	<b>0</b>	<b>3,660</b>	<b>29,487</b>	<b>263</b>	<b>0</b>	<b>75,144</b>
<b>Net book value</b>							
<b>At 31 July 2019</b>	<b>95,672</b>	<b>568</b>	<b>14,872</b>	<b>3,021</b>	<b>39</b>	<b>0</b>	<b>114,172</b>
At 31 July 2018	40,402	57,501	15,237	2,570	38	0	115,748

## 11 Heritage assets

### Consolidated and University

The heritage assets include a collection of rare manuscripts, tracts, incunabula and printed books. The assets were formally revalued at 31<sup>st</sup> July 2014 by Bernard Quaritch Ltd, resulting in an increase in value of £250k.

The University of Wales Lampeter Pension & Assurance Scheme trustees have a £2m floating charge over the University's heritage assets.

The University's heritage assets are hosted in a specialist purpose built annexe to the library on the Lampeter Campus and are managed by 2 specialist, qualified members of staff. Where the assets require any preservation or conservation work, this is carried out by the National Library of Wales

There have been no acquisitions or disposals of heritage assets within the last five years.

Details of the University's collection is available on the University's website <https://uwtsd.ac.uk/rbla/a-z-list-of-collections/>

## NOTES TO THE ACCOUNTS

**12 Investment properties**

<b>Consolidated</b>	<b>Freehold Property £' 000</b>
Balance at 1 August 2018	3,628
Additions	1,526
Revaluation	(1,238)
Re-categorisation to Investment Properties	2,772
<b>Balance at 31 July 2019</b>	<b><u>6,688</u></b>
<b>University</b>	<b>Freehold Property £ '000</b>
Balance at 1 August 2018	2,178
Additions	1,526
Revaluation	(1,313)
Re-categorisation to Investment Properties	2,772
<b>Balance at 31 July 2019</b>	<b><u>5,163</u></b>

The Investment properties are valued by an independent RICS registered valuer on an annual basis with the latest valuation being dated 31<sup>st</sup> July 2019. The valuation basis for the investment properties is at fair value as defined under IFRS with an assumption that the properties selling value is subject to any existing leases. The revaluation amount recognised in 2019 relates to the Yr Egin Building which was completed in the year and subsequently revalued to its fair value.

The University has no restriction of use on the income generated from the investment properties and at 31 July 2019 has no contractual obligations for future development or maintenance of the properties.

## NOTES TO THE ACCOUNTS

13 Non-Current Investments Consolidated	Interest in Joint Venture (Note 14) £'000	Interest in Associated Undertaking £'000	Other fixed asset investments £'000	Total £'000
At 1 August 2018	821	950	282	2,053
Additions	150	114	0	264
Disposals	0	0	0	0
Impairment	0	0	(31)	(31)
<b>At 31 July 2019</b>	<b>971</b>	<b>1,064</b>	<b>251</b>	<b>2,286</b>
Share of post-acquisition reserves				
At 1 August 2018	(253)	(950)	0	(1,203)
Retained profit less losses	0	(114)	0	(114)
<b>At 31 July 2019</b>	<b>(253)</b>	<b>(1,064)</b>	<b>0</b>	<b>(1,317)</b>
<b>Balance at 31 July 2019</b>	<b>718</b>	<b>0</b>	<b>251</b>	<b>969</b>
Balance at 31 July 2018	568	0	282	850

University	£'000	£'000	£'000
At 1 August 2018	950	0	950
Additions	114	0	114
Impairment	(1,064)	0	(1,064)
<b>At 31 July 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>

The University has a 49% holding in the UW Centre for Advance Batch Manufacturing Ltd, the company undertakes research and consultancy to develop industrial specific solutions for SMEs. During the year the University invested a further £114,000 into the associate. The Group's share of the operating loss of the associate for the year ended 31 July 2019 is £114,000 (2018: £315,000). It has recognised this loss in addition to a further £135,000 of unrecognised prior year losses, being the extent of its investment in the company.

## 14 Investment in joint venture

One of the University's subsidiaries, UWTSD Investments Limited, holds a 50% share of OSTC TSD LLP, a limited liability partnership. This is a joint venture owned equally by UWTSD Investments Limited and OSTC, a Commercial Company. The investment in OSTC TSD LLP is partly in share capital (£300,000 – 2018: £300,000) and partly as an unsecured loan, repayable on demand, with an interest rate of 4% over base rate (£670,978 – 2018: £520,978). The arrangement is treated as a joint venture and is accounted for using the equity method, such that the investment is initially recorded at cost and is subsequently adjusted to reflect the University's 50% share of the net profit or loss of the joint venture. The Group's share of the operating loss of the joint venture within the joint venture's most recent financial statements (dated 31 December 2018) is £nil (2018: £108,000 loss). The Group's interest in the joint venture is £718,000 (2018: £568,000), consisting of the loan as disclosed above, plus capital investment in its consolidated balance sheet.



## NOTES TO THE ACCOUNTS

15 Stock	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Finished goods	315	302	315	300
Livestock for resale	193	15	178	0
	<b>508</b>	<b>317</b>	<b>493</b>	<b>300</b>

Stock is valued at the lower of its cost and net realisable value on a FIFO basis

## 16 Trade and other receivables

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	15,291	14,713	10,065	9,668
Prepayments and accrued income	9,314	4,768	10,436	7,960
Amounts due from subsidiary companies	0	10,268	0	10,306
Derivatives	0	0	94	94
	<b>24,605</b>	<b>29,749</b>	<b>20,595</b>	<b>28,028</b>

The amounts due from subsidiaries are repayable on demand and are interest free. The derivatives relate to an interest rate swap contract which is used to fix the rate of the University's loan at 1.435% plus Bank lending margin. This is held at fair value and has been valued using mark to market. The balance as at 31<sup>st</sup> July 2019 was a liability of £1,247,000 (see note 18).

## 17 Investments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term investment in shares	5,136	5,136	5,276	5,276
Short term bonds	0	0	0	0
Short term deposits	19	0	19	0
	<b>5,155</b>	<b>5,136</b>	<b>5,295</b>	<b>5,276</b>

The University follows a conservative investment policy with an emphasis on obtaining an increase in the real capital value of each fund within the portfolio each year, a target of 5% real growth is expected, with 3.5% being income growth and 1.5% being capital growth.

The investments are held within the University and consolidated endowment funds. The movement in fair value on these investments is detailed in Note 21.

## NOTES TO THE ACCOUNTS

## 18 Creditors : amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts due on land purchase	4,177	4,177	4,487	4,487
Unsecured loans (note 18)	0	0	36,402	36,402
Secured loans (note 18)	0	0	0	0
Obligations under finance leases (note 18)	709	507	530	354
Trade creditors	2,473	2,227	6,455	5,356
Social security and other taxation payable	1,771	1,142	1,627	1,081
Accruals and deferred income	30,611	22,921	22,344	18,501
Amounts due to subsidiary companies	0	10,023	0	8,028
Derivatives	1,247	1,247	0	0
	<b>40,988</b>	<b>42,244</b>	<b>71,845</b>	<b>74,209</b>

The amount due on the land purchase is the final payment on completion which is payable by April 2020.

The derivatives relate to an interest rate swap contract which is used to fix the rate of the University's loan to 1.435% plus bank lending margin. This is held at fair value and has been valued using mark to market. The balance as at 31<sup>st</sup> July 2018 was an asset of £94,000 (see note 16).

At 31 July 2018 all of the University's outstanding unsecured loans had been classified as falling due within one year although the scheduled repayments under the facility agreement are for repayments of £30.1 million to be made after more than one year. The reasons for this accounting treatment are explained in note 19 below.

## 19 Creditors : amounts falling due after more than one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Obligations under finance leases	818	546	690	494
Unsecured loans	0	0	0	0
Secured loans	38,000	38,000	0	0
	<b>38,818</b>	<b>38,546</b>	<b>690</b>	<b>494</b>
Analysis of obligations under finance leases				
Due within one year (note 18)	709	507	530	354
Due between two and five years	818	546	690	494
<b>Total obligations under finance leases</b>	<b>1,527</b>	<b>1,053</b>	<b>1,220</b>	<b>848</b>

## NOTES TO THE ACCOUNTS

## 19 Creditors: amounts falling due after more than one year (continued)

Analysis of unsecured loans:	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
Due within one year or on demand (note 18)	0	0	36,402	36,402
Due between one and two years	0	0	0	0
Due between two and five years	0	0	0	0
Due in five years or more	0	0	0	0
<b>Total unsecured loans</b>	<b>0</b>	<b>0</b>	<b>36,402</b>	<b>36,402</b>
Unsecured loans repayable by 2026	0	0	36,402	36,402
	<b>0</b>	<b>0</b>	<b>36,402</b>	<b>36,402</b>
<b>Analysis of secured loans:</b>				
Due within one year or on demand (note 18)	0	0	0	0
Due between one and two years	2,000	2,000	0	0
Due between two and five years	36,000	36,000	0	0
Due in five years or more	0	0	0	0
<b>Total secured loans</b>	<b>38,000</b>	<b>38,000</b>	<b>0</b>	<b>0</b>
Secured loans repayable by 2024	38,000	38,000	0	0
	<b>38,000</b>	<b>38,000</b>	<b>0</b>	<b>0</b>

The borrowing at 31<sup>st</sup> July 2019 consists of:

<i>Lender</i>	<i>Instrument</i>	<i>Amount £'000</i>	<i>Term</i>	<i>Interest rate %</i>	<i>Borrower</i>
HSBC	Term loan	38,000	To 2024	3.785%	University

The borrowing at 31<sup>st</sup> July 2018 consisted of

<i>Lender</i>	<i>Instrument</i>	<i>Amount £'000</i>	<i>Term</i>	<i>Interest rate %</i>	<i>Borrower</i>
HSBC	Revolving loan facility	6,000	To 2021	Libor + 0.85%	University
HSBC	Term loan	32,000	To 2026	2.785%	University

In January 2019 the University agreed with HSBC bank to restructure the terms of the term loan and the revolving loan facility and to consolidate the loans with the Bank taking security for the consolidated loan. The revised terms, provide a capital repayment holiday until August 2020 and an amortised repayment of the existing revolving credit facility which will provide the University with additional cash headroom over the next three years. The new terms also include revised financial covenants for 2018/19 which have been satisfied both at the 31<sup>st</sup> July 2019 and continue to be satisfied by the current forecast financial performance

**NOTES TO THE ACCOUNTS**

at the covenant testing points. These terms are reflected in a new facility agreement with HSBC which was entered into on 12 April 2019.

At 31 July 2018 the University was in breach of one of its borrowing covenants to HSBC. This breach was subsequently waived by the Bank but the position at the year-end was one of expected breach which was at that point un-remedied. Accordingly the loans then outstanding with HSBC and totalling £36,402,000 had been classified as repayable on demand at 31 July 2018 and were included within creditors due in less than one year. If the borrowing had been classified on the basis of the subsequently received waiver then the position would have been as follows:

	<b>Year ended 31 July 2018</b>
<b>Analysis of unsecured loans:</b>	<b>Consolidated and University</b>
Due within one year or on demand	<b>6,350</b>
Due between one and two years	<b>1,425</b>
Due between two and five years	<b>4,900</b>
Due in five years or more	<b>23,727</b>
<b>Total unsecured loans</b>	<b>36,402</b>
	<hr/>
Unsecured loans repayable by 2026	<b>36,402</b>
	<hr/>
	<b>36,402</b>
	<hr/>

**20 Provisions for liabilities****Consolidated**

	<b>Other</b>	<b>Pension enhancements on termination</b>	<b>Pension Scheme Rectification</b>	<b>Total Provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2018	219	2,793	38	3,050
Utilised in year	0	(325)	0	(325)
Additions in year	0	184	0	184
<b>At 31 July 2019</b>	<b>219</b>	<b>2,652</b>	<b>38</b>	<b>2,909</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The other provision of £219K relates to a potential repayment of European Funds (ESF) in relation to one of the subsidiaries' overhead recovery methodology.

The pension enhancements provision relates to staff in both the University and its subsidiaries who have already left employment and commitments for reorganisation costs at the balance sheet date. The provision has been recalculated in accordance with the latest LSC circular.

The Pension rectification provision is a potential liability on the University's in-house pension scheme.

## NOTES TO THE ACCOUNTS

<b>University</b>	<b>Other £'000</b>	<b>Pension enhancements on termination £'000</b>	<b>Pension Scheme Rectification £'000</b>	<b>Total Pensions Provisions £'000</b>
At 1 August 2018	0	1,682	38	1,720
Utilised in year	0	(235)	0	(235)
Additions in year	0	99	0	99
<b>At 31 July 2019</b>	<b>0</b>	<b>1,546</b>	<b>38</b>	<b>1,584</b>

The pension enhancements and the pension rectification provisions are as previously described

## NOTES TO THE ACCOUNTS

## 21 Endowment Funds

## Consolidated

Restricted net assets relating to endowments are as follows:

	Unrestricted permanent endowment £'000	Restricted permanent endowment £'000	Restricted expendable endowment £'000	2019 Total £'000	2018 Total £'000
Balance at 1 August 2018					
Capital	1,038	4,696	19	5,753	5,391
Accumulated income	15	1,823	0	1,838	1,678
	1,053	6,519	19	7,591	7,069
New Endowments	0	0	0	0	66
Investment Income	25	339	0	364	304
Expenditure	0	(179)	(1)	(180)	(146)
(Decrease) / increase in market value of investments	0	(77)	1	(76)	298
<b>Total endowment comprehensive income for the year</b>	25	83	0	108	522
Transfer to Unrestricted reserve	0	0	0	0	0
<b>At 31 July 2019</b>	1,078	6,602	19	7,699	7,591
<b>Represented by:</b>					
Capital	1,038	4,619	19	5,676	5,753
Accumulated income	40	1,983	0	2,023	1,838
	1,078	6,602	19	7,699	7,591
<b>Analysis by type of purpose:</b>					
Lectureships	0	3,333	0	3,333	3,270
Fellowships, scholarships and prize funds	23	1,585	19	1,627	1,551
General	1,055	1,684	0	2,739	2,770
	1,078	6,602	19	7,699	7,591
<b>Analysis by asset</b>					
Investments				5,155	5,295
Cash				2,637	1,842
Debtors				0	544
Creditors				(93)	(90)
				7,699	7,591

## NOTES TO THE ACCOUNTS

## Endowment Funds (continued)

## University:

Restricted net assets relating to endowments are as follows:

	Unrestricted permanent endowments £'000	Restricted permanent endowments £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August 2018				
Capital	1,027	4,449	5,476	5,113
Accumulated income	0	1,818	1,818	1,661
	1,027	6,267	7,294	6,774
New endowments	0	0	0	66
Investment income	2	339	341	301
Expenditure	(1)	(178)	(179)	(144)
(Decrease) / increase in market value of investments	0	(77)	(77)	297
<b>Total endowment comprehensive income for the year</b>	<b>1</b>	<b>84</b>	<b>85</b>	<b>520</b>
Transfer to Unrestricted reserve	0	0	0	0
<b>At 31 July 2019</b>	<b>1,028</b>	<b>6,351</b>	<b>7,379</b>	<b>7,294</b>
<b>Represented by:</b>				
Capital	1,027	4,373	5,400	5,476
Accumulated income	1	1,978	1,979	1,818
	1,028	6,351	7,379	7,294
<b>Analysis by type of purpose:</b>				
Lectureships	0	3,334	3,334	3,270
Fellowships, scholarships and prize funds	0	1,548	1,548	1,472
General	1,028	1,469	2,497	2,552
	1,028	6,351	7,379	7,294
<b>Analysis by asset</b>				
Investments			5,136	5,276
Cash			2,336	2,108
Creditors			(93)	(90)
			<b>7,379</b>	<b>7,294</b>

## NOTES TO THE ACCOUNTS

**22 Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2019:

	At 31st July 2019		At 31st July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	4,735	4,735	22,109	22,109
Commitments authorised	0	0	429	0
	<b>4,735</b>	<b>4,735</b>	<b>22,538</b>	<b>22,109</b>

**23 Lease obligations****Consolidated**

Total rentals payable under operating leases:

	At 31st July 2019			At 31 July 2018
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
<b>Payable during the year</b>	<b>1,189</b>	<b>260</b>	<b>1,449</b>	<b>1,314</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	1,300	84	1,384	716
Later than 1 year and not later than 5 years	3,905	99	4,004	3,462
Later than 5 years	2,717	0	2,717	673
<b>Total lease payments due</b>	<b>7,922</b>	<b>183</b>	<b>8,105</b>	<b>4,851</b>

**University**

Total rentals payable under operating leases:

	At 31st July 2019			At 31 July 2018
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
<b>Payable during the year</b>	<b>1,154</b>	<b>41</b>	<b>1,195</b>	<b>1,362</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	1,265	15	1,280	722
Later than 1 year and not later than 5 years	3,889	0	3,889	3,456
Later than 5 years	2,717	0	2,717	673
<b>Total lease payments due</b>	<b>7,871</b>	<b>15</b>	<b>7,886</b>	<b>4,851</b>



## NOTES TO THE ACCOUNTS

## 24 Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status
Eclectica Drindod Limited	Deliver third mission activity	TUC sole member
Trinity College	Hold endowment assets	TUC sole trustee
Trinity University College (TUC)	Dormant	UWTSD sole member
UWTSD Investments Limited	Commercial activities	100% owned
Y Ganolfan Dysgu Cymraeg		
Genedlaethol	Delivery of Welsh for Adults programme	UWTSD sole member
UWTSD Learning Centres Limited	Dormant	100% owned
Mentrau Creadigol Cymru	Dormant	100% owned
Tidal Lagoon Academy Ltd	Dormant	100% owned
Welsh American Academy		
Enterprises Limited	Dormant	100% owned
Inspire (UWTSD) Limited	Dormant	100% owned
Swansea Business School Limited	Dormant	100% owned
Isustain (UWTSD) Limited	Dormant	100% owned
Coleg Sir Gar	Further education	100% owned
Coleg Ceredigion	Further education	100% owned

## 25 Related party transactions

The company has taken advantage of the disclosure exemptions of 100% owned related party transactions under FRS102.

The transactions with related parties that are not 100% owned by the group are disclosed below:

University of Wales is deemed a related party in that it has key management personnel in common with the University -

Balances : £2,433 receivable (2018: £3,268), £135,991 payable (2018: £41,317)  
Total income £760 (2018: £15,255) Total purchases £229,525 (2018: £204,633)

University of Wales Press is a wholly owned subsidiary of the University of Wales -

Balances : £0 receivable (2018: £nil), £7,500 payable (2018: £3,500)  
Total income £0 (2018: £nil) Total purchases £16,155 (2018: £7,655)

Gregynog Hall is a wholly owned subsidiary of the University of Wales -

Balances : £0 receivable (2018: £nil), £0 payable (2018: £nil)  
Total income £0 (2018: £nil) Total purchases £3,556 (2018: £27,849)

OSTC Trinity St David LLP is deemed a related party in that the UWTSD Investments Limited (a wholly owned subsidiary of the University) is a partner in it and has significant influence over it. The balance below represents an unsecured loan, for which more details are provided in note 14.

Balances: £670,978 receivable (2018: £520,978) £0 payable (2018: £nil)  
Total income £nil (2018: £118,044) Total purchases £0 (2018: £nil)

UW Advanced Batch Manufacturing is a related party in that it is an associate company that the University has an interest in. During the year the University invested a further £114,000 into the associate, to bring the total investment by the University to £1,064,000, as disclosed in note 13 to the accounts.

## NOTES TO THE ACCOUNTS

## 26 Pension schemes

There are five pension schemes in operation via the Group for its staff: the Teachers' Pension Scheme (TPS) for academic staff and Universities Superannuation Scheme (USS) for academic and support staff and all staff appointed after 18 November 2010, the Dyfed Pension Fund (LGSS), the Swansea Pension Fund (LGPS) and the University of Wales Lampeter Pension and Assurance Scheme (UWLPS) for support staff.

The total pension costs included in the consolidated accounts are:

<b>Staff Costs:</b>	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>TPS contributions</b>				
University of Wales: Trinity Saint David	1,083	1,083	1,133	1,133
Coleg Sir Gar	1,743	0	1,504	0
Coleg Ceredigion	317	0	299	0
<b>USS contributions</b>				
University of Wales: Trinity Saint David	4,157	4,157	3,757	3,757
<b>Local Government contributions</b>				
University of Wales Trinity Saint David	2,832	2,832	1,953	1,953
Less recharged to subsidiary	0	0	0	0
Coleg Sir Gar	1,200	0	1,074	0
Coleg Ceredigion	217	0	195	0
<b>In House Scheme</b>				
University of Wales Trinity Saint David	218	218	205	205
<b>FRS102 adjustment</b>				
University of Wales Trinity Saint David	0	0	4	4
Movement on USS provision	9,495	9,495	(102)	(102)
Coleg Sir Gar	1,303	0	957	0
Coleg Ceredigion	485	0	224	0
<b>Restructuring Provision</b>				
University of Wales Trinity Saint David	95	95	123	123
Coleg Sir Gar	109	0	29	0
Coleg Ceredigion	6	0	13	0
<b>Total Pension costs per note 6</b>	<b>23,260</b>	<b>17,880</b>	<b>11,368</b>	<b>7,073</b>
<b>Interest Costs:</b>				
Local Government – University	304	304	414	414
Local Government – Coleg Sir Gar	212	0	314	0
Local Government – Coleg Ceredigion	19	0	43	0
In House Scheme – University	79	79	76	76
USS – University	152	152	140	140
<b>Total Pension interest cost per note 7</b>	<b>766</b>	<b>535</b>	<b>987</b>	<b>630</b>

## NOTES TO THE ACCOUNTS

## Pension schemes (continued)

The pension liability disclosed in the balance sheet is summarised as follows:

	<b>Consolidated</b>	<b>University</b>	Consolidated	University
	<b>2019</b>	<b>2019</b>	2018	2018
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>In House Scheme</b>				
University of Wales: Trinity Saint David	<b>4,202</b>	<b>4,202</b>	3,234	3,234
<b>USS Pension Scheme</b>				
University of Wales: Trinity Saint David	<b>15,073</b>	<b>15,073</b>	5,424	5,424
<b>Local Government Schemes</b>				
University of Wales: Trinity Saint David	<b>14,770</b>	<b>14,770</b>	8,620	8,620
University of Wales: Trinity Saint David	<b>7,660</b>	<b>7,660</b>	3,164	3,164
Coleg Sir Gar	<b>17,433</b>	<b>0</b>	7,919	0
Coleg Ceredigion	<b>2,700</b>	<b>0</b>	730	0
<b>Liability at 31 July</b>	<b>61,838</b>	<b>41,705</b>	29,091	20,442

## LGPS

## Dyfed Scheme

Certain employees are members of the Dyfed Local Government Pension Scheme (LGPS). The University and employees contribute to the LGPS, which is a defined benefit scheme, and based on members final pensionable salary. A full actuarial valuation of the scheme was carried out as at 31 March 2016 and updated on 31 July 2018 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>2019</b>	2018	2017
	<b>%</b>	%	%
Rate of increase in salaries	<b>3.7</b>	3.6	3.7
Rate of increase in pensions	<b>2.3</b>	2.2	2.2
Discount rate	<b>2.2</b>	2.9	2.6
Rate of inflation	<b>2.2</b>	2.1	2.2

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

	<b>2019</b>	2018	2017
<b>Retiring today</b>			
Males	<b>23.0</b>	22.9	22.8
Females	<b>25.7</b>	25.6	25.5
<b>Retiring in 20 years</b>			
Males	<b>25.2</b>	25.1	25.0
Females	<b>28.1</b>	27.9	27.8

## NOTES TO THE ACCOUNTS

## LGPS Dyfed Scheme (continued)

At the last actuarial valuation date, the market value of the assets of the scheme was £1,900 million and the present value of the scheme liabilities was £1,964million. Representing a funding level of 97% and a deficit of £64million.

The employer contribution rate is 18.4%.

## The split of the scheme assets were:

	Split at 31 July 2019 %	Split at 31 July 2018 %	Split at 31 July 2017 %
Equities	71.4	70.6	70.9
Government Bonds	4.8	8.7	9.2
Other Bonds	10.2	9.4	9.5
Property	12.3	10.9	9.7
Cash/liquidity	1.3	0.4	0.7
	<u>100</u>	<u>100</u>	<u>100</u>

## Dyfed Scheme - University of Wales Trinity Saint David

The following amounts at 31 July 2019, 31 July 2018 and at 31 July 2017 were measured in accordance with the requirements of FRS102

	31 July 2019 £ '000	31 July 2018 £ '000	31 July 2017 £ '000
Fair value of assets	23,808	22,372	20,306
Present value of scheme liabilities	<u>(31,468)</u>	<u>(25,536)</u>	<u>(26,111)</u>
Deficit in the scheme	<u>(7,660)</u>	<u>(3,164)</u>	<u>(5,805)</u>

## Analysis of amount charged in Statement of Comprehensive Income

	2019 £ '000	2018 £ '000
Current service cost	(666)	(731)
Past service cost	(382)	0
Administration expenses	(14)	(14)
Curtailement	(67)	(41)
Total operating charge	<u>(1,129)</u>	<u>(786)</u>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme - University of Wales Trinity Saint David (continued)

## Analysis of finance income and charges

	2019 £ '000	2018 £ '000
Expected return on assets	0	530
Interest on pension liabilities	(84)	(674)
Net finance cost	<u>(84)</u>	<u>(144)</u>

## Amount recognised in other comprehensive income

	2019 £'000	2018 £'000
Difference between actual and expected return on scheme assets	0	1,378
Effects of changes in assumptions underlying the present value of scheme liabilities	(3,795)	1,690
	<u>(3,795)</u>	<u>3,068</u>

## Movement in scheme deficit during the year

	2019 £ '000	2018 £ '000
Deficit in scheme at beginning of the year	(3,164)	(5,805)
<b>Movement in year</b>		
Current service cost	(1,129)	(786)
Contributions paid by the employer	512	503
Net finance cost	(84)	(144)
Actuarial gain / (losses)	(3,795)	3,068
Deficit in scheme at the end of the year	<u>(7,660)</u>	<u>(3,164)</u>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme - University of Wales Trinity Saint David (continued)

## Analysis of the movement in the present value of the scheme liabilities

	2019 £ '000	2018 £ '000
At 1 August	(25,536)	(26,111)
Current service cost	(666)	(731)
Past service cost	(382)	0
Interest cost	(734)	(674)
Member contributions	(157)	(156)
Actuarial gain/(losses)	(4,508)	1,690
Curtailement	(67)	(41)
Benefits paid	582	487
At 31 July	<u>(31,468)</u>	<u>(25,536)</u>

## Analysis of the movement in the present value of the scheme assets

	2019 £ '000	2018 £ '000
At 1 August	22,372	20,306
Expected rate of return on scheme assets	650	530
Re measurement gains on assets	713	1,378
Administration expenses	(14)	(14)
Employer contributions	512	503
Members contributions	157	156
Benefits paid	(582)	(487)
At 31 July	<u>23,808</u>	<u>22,372</u>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme – Coleg Sir Gar

The following amounts at 31 July 2019, 31 July 2018 and at 31 July 2017 were measured in accordance with the requirements of FRS102:

	<b>2019</b>	2018	2017
	<b>£'000</b>	£'000	£'000
Fair value of assets	<b>45,193</b>	41,981	37,808
Liabilities	<b>(62,626)</b>	(49,900)	(50,447)
Deficit in the scheme/net pension liability	<b>(17,433)</b>	(7,919)	(12,639)

In accordance with FRS102, the following components of the pension charge have been recognised in the Statement of Comprehensive Income and Expenditure for the year ended 31 July 2019 and 31 July 2018:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Analysis of amount charged in Statement of Comprehensive Income</b>		
Current service cost	<b>(1,979)</b>	(2,046)
Administration cost	<b>(40)</b>	(38)
Curtailment cost	<b>(543)</b>	(6)
Operating cost	<b>(2,562)</b>	(2,090)
<b>Analysis of finance income and charges</b>		
Expected return on assets	<b>1,227</b>	991
Interest on pension liabilities	<b>(1,439)</b>	(1,305)
Net finance cost	<b>(212)</b>	(314)
<b>Amount recognised in other comprehensive income</b>		
Difference between actual and expected return on scheme assets	<b>1,346</b>	2,577
Effects of changes in assumptions underlying the present value of scheme liabilities	<b>(9,345)</b>	3,415
	<b>(7,999)</b>	5,992

## NOTES TO THE ACCOUNTS

## Dyfed Scheme – Coleg Sir Gar (continued)

<b>Movement in the College's share of the scheme's deficit during the year</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£ '000</b>
Deficit in scheme as at 1 August	<b>(7,918)</b>	(12,639)
Operating cost	<b>(2,562)</b>	(2,090)
Net finance cost	<b>(212)</b>	(314)
Actuarial gain/(loss)	<b>(7,999)</b>	5,992
Contributions	<b>1,258</b>	1,133
Deficit in scheme as at 31 July	<b>(17,433)</b>	(7,918)

**Analysis of the movement in the present value of the scheme liabilities**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Liabilities at start of period	<b>49,900</b>	50,447
Current service cost	<b>1,979</b>	2,046
Interest cost	<b>1,439</b>	1,305
Contribution by scheme participants	<b>416</b>	384
Actuarial (gain)/loss	<b>9,345</b>	(3,415)
Benefits paid	<b>(996)</b>	(873)
Curtailments and settlements	<b>543</b>	6
Liabilities at end of period	<b>62,626</b>	49,900

**Analysis of the movement in the present value of the scheme assets**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Assets at start of period	<b>41,981</b>	37,808
Expected return on assets	<b>1,227</b>	991
Actuarial gain/(loss)	<b>1,346</b>	2,577
Administration expenses	<b>(40)</b>	(39)
Contributions by the employer	<b>1,258</b>	1,133
Contributions by the scheme participant	<b>416</b>	384
Benefits paid	<b>(995)</b>	(873)
Assets at end of period	<b>45,193</b>	41,981



**NOTES TO THE ACCOUNTS****Dyfed Scheme – Coleg Ceredigion**

The following amounts at 31 July 2019, 31 July 2018 and at 31 July 2017 were measured in accordance with the requirements of FRS102:

	2019	2018	2017
	£'000	£'000	£'000
Market value of assets	11,105	10,492	9,702
Liabilities	(13,805)	(11,222)	(11,512)
Deficit in the scheme/net pension liability	<u>(2,700)</u>	<u>(730)</u>	<u>(1,810)</u>

In accordance with FRS102, the following components of the pension charge have been recognised in the Statement of Comprehensive Income and Expenditure account and statement of total recognised gains and losses for the year ended 31 July 2019 and 31 July 2018:

**Analysis of amount charged in Statement of Comprehensive Income**

	2019	2018
	£'000	£'000
Current service cost	(406)	(419)
Administration charge	(106)	(7)
Curtailment cost	(171)	0
Operating cost	<u>(683)</u>	<u>(426)</u>
<b>Analysis of finance income and charges</b>		
Expected return on assets	304	241
Interest on pension liabilities	(323)	(284)
Net finance cost	<u>(19)</u>	<u>(43)</u>
<b>Amount recognised in other comprehensive income</b>		
Difference between actual and expected return on scheme assets	334	662
Effects of changes in assumptions underlying the present value of scheme liabilities	(1,819)	692
	<u>(1,485)</u>	<u>1,354</u>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme – Coleg Ceredigion (continued)

<b>Movement in scheme deficit for the year</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme as at 1 August	(730)	(1,810)
Operating cost	(683)	(426)
Net finance cost	(19)	(43)
Actuarial gain/(loss)	(1,485)	1,354
Contributions	217	195
Deficit in scheme as at 31 July	<b>(2,700)</b>	<b>(730)</b>

<b>Analysis of the movement in the present value of the scheme liabilities:</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Liabilities at start of period	11,222	11,512
Current service cost	406	419
Past Service Cost	269	0
Interest cost	323	284
Contribution by scheme participants	80	76
Actuarial (gain)/loss	1,819	(692)
Benefits paid	(314)	(377)
Liabilities at end of period	<b>13,805</b>	<b>11,222</b>

<b>Analysis of the movement in the present value of the scheme assets</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Assets at start of period	10,492	9,702
Expected return on assets	304	241
Actuarial gain	334	662
Contributions by the employer	217	195
Administration charge	(8)	(7)
Contributions by the scheme participant	80	76
Benefits paid	(314)	(377)
Assets at end of period	<b>11,105</b>	<b>10,492</b>

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

**NOTES TO THE ACCOUNTS****Swansea Scheme – University of Wales Trinity Saint David**

Certain employees are members of the City and County of Swansea Local Government Pension Scheme (LGPS). The University and employees contribute to the LGPS, which is a defined benefit scheme, and based on members final pensionable salary. The latest actuarial valuation was undertaken at 31 March 2016 by independent actuaries.

The actuarial valuation of the scheme is based on the projected unit method and the principal assumptions made by the actuaries were:

	%
Rate of increase in pensionable pay	3.5
Rate of increase in pensions in payment	2.0
Discount rate:	
- in service	4.6
- left service	4.6
Inflation assumption	2.0

The valuation states that the assets held at the valuation date amounted to £1,512million and, represented a shortfall of assets relative to the funding target of £383.3million. This corresponds to a funding ratio of 80%.

The actuaries have calculated an aggregate employer future service contribution rate of 18% from 1 April 2017. This is the rate of employer contribution that would normally be appropriate if the fund had no surplus or shortfall and the assets were exactly equal to the funding target. There is an additional shortfall contribution payable from 1 April 2017 required to eliminate the shortfall within 22 years and this is approximately equivalent to 7% of pensionable pay per annum, giving an aggregate contribution rate of 25%.

As detailed in Note 28, an updated valuation of the University's interest in the Swansea LGPS scheme at 31 March 2019 has been received in November 2019 which had it been applied at the 31<sup>st</sup> July 2019 would have increased the pension liability by £1.483m

**FRS102 disclosure**

In accordance with the requirements of Financial Reporting Standard 102, independent qualified actuaries have updated the results of the March 2016 valuation in order to ascertain the assets and liabilities of the fund which relate to the University at 31 July 2019. The projected unit method was used.

**Principal financial assumptions**

	31 July 2019	31 July 2018	31 July 2017
Rate of increase in salaries*	3.7%	3.6%	3.5%
Rate of increase in pensions in payment**	2.2%	2.1%	2.0%
Rate of increase in deferred pensions**	2.2%	2.1%	2.0%
Discount rate	2.1%	2.8%	2.6%
CPI Inflation assumption	2.2%	2.1%	2.0%

\* The actuaries have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013

\*\* In excess of Guaranteed Minimum Pension increases in payment where appropriate.

## NOTES TO THE ACCOUNTS

## Swansea Scheme – University of Wales Trinity Saint David (continued)

Principal demographic assumptions

The mortality assumptions are based on the recent actual mortality experience of members in the Fund and allow for future expected mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

	31 July 2019	31 July 2018
Male		
Future lifetime from age 65 (currently aged 65)	23.0	22.9
Future lifetime from age 65 (currently aged 45)	24.7	24.6
Female		
Future lifetime from age 65 (currently aged 65)	24.6	24.5
Future lifetime from age 65 (currently aged 45)	26.4	26.2

**Asset allocation**

The approximate split of assets for the Fund as a whole (based on data supplied by Fund Administering Authority) is shown in the table below.

	2019	2018	2017
	%	%	%
Equities	77.4	76.5	77.4
Property	4.4	4.5	4.9
Government			
Bonds	10.6	11.0	11.2
Corporate			
Bonds	0.8	0.8	0.9
Cash	3.2	4.3	2.8
Other*	3.6	2.9	2.8
Total	100.0	100.0	100.0

\*Other holdings include hedge funds, currency holdings, asset allocation futures and other. The actuary has assumed this year that these will get a return in line with equities.

<b>Reconciliation of funded status to balance sheet</b>	<b>2019</b>	2018	2017
	£'000	£'000	£'000
Fair value of assets	36,150	33,190	29,710
Present value of funded liabilities	(50,920)	(41,810)	(40,860)
<b>Pension liability recognised on the Balance Sheet</b>	<b>(14,770)</b>	<b>(8,620)</b>	<b>(11,150)</b>

## NOTES TO THE ACCOUNTS

## Swansea Scheme – University of Wales Trinity Saint David (continued)

## Analysis of amount charged in Statement of Comprehensive Income

	2019	2018
	£'000	£'000
Current service cost	(1,060)	(1,130)
Past service cost	(500)	(120)
<b>Total operating charge</b>	<b>(1,560)</b>	<b>(1,250)</b>

## Analysis of finance income and charges

	2019	2018
	£'000	£'000
Expected return on pension scheme assets		780
Interest on pension scheme liabilities	(220)	(1,050)
<b>Net Financing Cost</b>	<b>(220)</b>	<b>(270)</b>

## Amount recognised in other comprehensive income

	2019	2018
	£'000	£'000
Difference between actual and expected return on scheme assets	1,290	1,980
Effects of changes in assumptions underlying the present value of scheme liabilities	(7,120)	620
	<b>(5,830)</b>	<b>2,600</b>

## Analysis of the movement in the present value of the scheme liabilities

	2019	2018
	£'000	£'000
<b>Opening present value of liabilities</b>	<b>41,810</b>	<b>40,860</b>
Current service cost	1,060	1,130
Past service cost	500	120
Interest Cost	1,160	1,050
Contributions by participants	200	200
Actuarial (gains)/losses on liabilities	7,120	(620)
Net benefits paid out	(930)	(930)
<b>Closing present value of liabilities</b>	<b>50,920</b>	<b>41,810</b>

## NOTES TO THE ACCOUNTS

## Swansea Scheme – University of Wales Trinity Saint David (continued)

	2019	2018
	£'000	£'000
<b>Analysis of the movement in the present value of the scheme assets</b>		
<b>Opening fair value of assets</b>	<b>33,190</b>	29,710
Expected return on assets	940	780
Remeasurement gains on assets	1,290	1,980
Contributions by the employer	1,460	1,450
Contributions by participants	200	200
Net benefits paid out	(930)	(930)
<b>Closing fair value of assets</b>	<b>36,150</b>	33,190

	2019	2018
	£'000	£'000
<b>Movements in scheme deficit for the year</b>		
<b>Deficit in scheme as at 1 August</b>	<b>(8,620)</b>	(11,150)
Operating Cost	(1,560)	(1,250)
Net finance cost	(220)	(270)
Actuarial gain/(loss)	(5,830)	2,600
Contributions	1,460	1,450
<b>Deficit in scheme as at 31 July</b>	<b>(14,770)</b>	(8,620)

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS)

The University sponsors the University of Wales, Lampeter Pension & Assurance Scheme which is a defined benefit arrangement. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities.

The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the trustees is determined by the scheme's trust documentation. One-third of the trustees are nominated by the members of the scheme, at least one of the member nominated trustees must be a pensioner member.

A full actuarial valuation was carried out as at 31 July 2017, the results have been updated to 31 July 2019 by a qualified actuary, independent of the plan's sponsoring employer.

The results of the 31 July 2017 valuation showed a deficit of £1,981,000. The University has agreed with the trustees that it would aim to eliminate the deficit over a period of 10 years from 1 August 2017 by the payment of monthly contributions of £10,017 from 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019 and then £20,583 from 1<sup>st</sup> August 2019, increasing at 3% per annum in respect of the deficit. In addition and in accordance with the actuarial valuation, the University has agreed with the trustees that it will pay 25.3% of pensionable earnings in respect of the cost of accruing benefits. The University will also meet expenses of the scheme and levies to the Pension Protection Fund, insurance premiums for death in service and all management and administration expenses. Member contributions are payable at the rate of 6.25% of pensionable service.

## NOTES TO THE ACCOUNTS

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

The material assumptions used by the actuary as at 31 July 2019, and for the comparative period, were as follows:

	2019	2018	2017
	% per annum	% per annum	% per annum
Rate of increase in salaries	4.4	4.4	4.4
Rate of increase in pensions in payment	2.3	3.3	3.3
Discount rate	2.1	2.7	2.6
Inflation assumption (CPI)	2.5	2.5	2.5
Revaluation rate for deferred pensioners	2.5	2.5	2.5
Allowance for commutation of pension for cash at retirement	Maximum Allowed	Maximum Allowed	Maximum Allowed

The mortality assumptions adopted at 31 July 2019 imply the following life expectancies:

Male retiring at age 65 in 2019	20.9 years
Female retiring at age 65 in 2019	22.8 years
Male retiring at age 65 in 2039	22.3 years
Female retiring at age 65 in 2039	24.3 years

The assets of the scheme for each period were:

	2019	2018	2017
	£'000	£'000	£'000
Equities	8,506	8,214	7,725
Bonds	11,023	9,805	9,398
Other	2,389	1,735	1,624
	<u>21,918</u>	<u>19,754</u>	<u>18,747</u>

Present values of scheme liabilities, fair value of assets and surplus/(deficit):

	2019	2018	2017
	£'000	£'000	£'000
Fair value of scheme assets	21,918	19,754	18,747
Present value of scheme liabilities	(26,120)	(22,988)	(21,707)
Deficit / net pension liability	<u>(4,202)</u>	<u>(3,234)</u>	<u>(2,960)</u>

Analysis of amount charged in Statement of Comprehensive Income

	2019	2018
	£'000	£'000
Current service cost	123	125
Expenses	0	1
Total operating charge	<u>123</u>	<u>126</u>

## NOTES TO THE ACCOUNTS

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

## Analysis of finance income and charges

	2019	2018
	£'000	£'000
Interest income	539	482
Interest on pension liabilities	<u>(618)</u>	<u>(558)</u>
Net finance cost	<u>(79)</u>	<u>(76)</u>

## Defined benefit cost recognised in other comprehensive income statement

	2019	2018
	£'000	£'000
Return on plan assets – gain	1,192	973
Experienced gains/(losses) arising on plan liabilities	4	(1,844)
Change in financial and demographic assumptions underlying the plan	<u>(2,708)</u>	594
Total loss recognised in the other comprehensive income statement	<u>(1,512)</u>	<u>(277)</u>

## Movement in the scheme deficit during the year:

	2019	2018
	£'000	£'000
Deficit at 1 August	<u>(3,234)</u>	(2,960)
Movement in year:		
Current service cost	(123)	(125)
Net interest payable	(79)	(76)
Contributions	912	205
Expenses		(1)
Losses due to benefit changes	(166)	0
Actuarial (loss)/gain	<u>(1,512)</u>	<u>(277)</u>
Deficit at 31 July	<u>(4,202)</u>	<u>(3,234)</u>

## Analysis of the movement in the present value of the scheme liabilities

	2019	2018
	£'000	£'000
Scheme liabilities at start of period	<u>(22,988)</u>	(21,707)
Current service cost	(123)	(125)
Interest cost	(618)	(558)
Contributions by scheme participants	(27)	(26)
Actuarial loss	<u>(2,704)</u>	(1,250)
Benefits paid, death in service insurance premiums and expenses	506	679
Losses due to benefit changes	(166)	0
Expenses	0	(1)
Scheme liabilities at end of period	<u>(26,120)</u>	<u>(22,988)</u>



**NOTES TO THE ACCOUNTS****University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)****Analysis of movement in the market value of scheme assets**

	2019	2018
	£'000	£'000
Fair value of scheme assets at start of period	19,754	18,747
Interest income	539	482
Actuarial gains	1,192	973
Contributions by employer	912	205
Contributions by scheme participants	27	26
Benefits paid, death in service insurance premiums and expenses	(506)	(679)
Fair value of scheme assets at end of period	<u>21,918</u>	<u>19,754</u>

**Teachers' Pension Scheme**

The latest actuarial valuation of the scheme was as at 31 March 2012. The Government Actuary (GA) reported on the valuation of the Teachers' Pension Scheme in June 2014. The GA concluded that, at the date of the valuation, the liabilities in the scheme were £191.5bn and the value of the assets was £176.6bn giving a notional past service deficit of £15.0bn

The total recommended rate of contribution payable by employers from 1 April 2016 is 16.4% (previously 14.1%) of salary.

The financial assumptions adopted for the current valuation and, for comparison, those adopted for the 2004 valuation, are shown below:

Latest actuarial valuation	31 March 2012	31 March 2004
Actuarial method	prospective benefits	prospective benefits
Discount rate:		
Real	3.00%	3.50%
Nominal	5.06%	6.50%
Pensions increases	2.00%	2.90%
Long term salary growth	4.75%	4.40%
-In excess of assumed	2.75%	1.50%

Under the definitions set out in FRS102, the TPS is a multi-employer pension scheme.

The TPS is unable to provide for the University an identification of its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption of FRS102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out above the information on the scheme and the implication for the University in terms of the anticipated contribution rates.

**NOTES TO THE ACCOUNTS****USS**

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. 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 scheme's assets are not hypothecated to individual Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises 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 the income and expenditure account.

The total cost charged to the income and expenditure account is £15,225K (2017 - £3,822K).

The latest available full actuarial valuation of the scheme was at 31 March 2017 ("the valuation date", which was carried out using projected unit method. Since the University cannot identify its share of the scheme assets and liabilities the following disclosures reflect those relevant for the scheme as a whole.

As at the year-end a valuation as at 31 March 2018 was underway but not yet completed.

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

These figures will be revised once the 2018 scheme valuation is complete.

The 2018 valuation had not yet been concluded by the 31<sup>st</sup> July 2019, pending ongoing consultation regarding the cost sharing between employers and members. The impact of the 2018 valuation is noted in Note 28: Non-adjusting Post Balance Sheet events

**Assumptions**

The financial assumptions adopted for the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles:

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI + 1.7%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

**NOTES TO THE ACCOUNTS**

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<u>Pre-retirement</u> 71% of AMCO0 (duration 0) for males and 112% of AC00 (duration 0) for females
	<u>Post-retirement</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	<b>2019</b>	<b>2018</b>
Males currently aged 65 years	24.6	24.5
Females currently aged 65 years	26.1	26.0
Males currently aged 45 years	26.6	26.5
Females currently aged 45 years	27.9	27.8

The funding position of the scheme has since been updated on an FRS102 basis:

	<b>2019</b>	<b>2018</b>
Scheme assets	£67.4 bn	£63.6 bn
Total scheme liabilities	£79.2 bn	£72.0 bn
FRS 102 total scheme deficit	£11.8 bn	£8.4 bn
FRS 102 total funding level	85%	88%

Key assumptions uses are:

	<b>2019</b>	<b>2018</b>
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increase (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £83.1 million to £248.4 million. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment.

**NOTES TO THE ACCOUNTS**

The University has agreed to a 16 year deficit reduction plan on 31<sup>st</sup> July 2015. The present value of the future payments under this deficit reduction plan has been determined using a deficit modeller produced by USS. A discount rate of 1.6% (2018 2.8%) has been used to calculate the present value of future payments.

<b>Consolidated and University</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening deficit	<b>(5,424)</b>	(5,386)
Current service cost	<b>(3,842)</b>	(3,318)
Change in deficit reduction plan assumptions	<b>(9,812)</b>	(337)
USS Pension cost in the Consolidated and University statements of comprehensive income	<b>(13,654)</b>	(3,655)
Net interest cost	<b>(152)</b>	(140)
Contribution from the University	<b>4,157</b>	3,757
Closing Deficit	<b>(15,073)</b>	(5,424)

**27 Accounting Estimates and judgements – key sources or estimation uncertainty****Defined benefit pension scheme assumptions**

The University has a number of defined benefit pension schemes. The valuation of the liabilities on each defined benefit scheme is calculated using a financial and demographic model to present a single scenario from a wide range of possibilities. The schemes' actual experience will inevitably differ from the assumptions underlying the financial and demographic model. The differences may be material because the valuation is very sensitive to the assumptions made over a long period of time. Please see note 26 for assumptions used in the valuation of pension assets and liabilities.

**NOTES TO THE ACCOUNTS****28 Non adjusting Post Balance Sheet Events****Pension liabilities**

As set out in Note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £6,077k in the provision for the Obligation to fund the deficit on the USS pension which would instead be £8,995k. The impact of the updated actuarial valuation will be reflected in the University's Financial Statements for the year ended 31 July 2020.

An updated valuation of the University's interest in the Swansea LGPS scheme at 31 March 2019 has been received in November 2019, after the balance sheet date. This will impact the valuation of the Swansea LGPS liability at 31 July 2020. The release of the valuation in November does not impact upon the valuation or disclosures for the scheme at 31 July 2019 but if the model had been live at 31 July 2019 the impact would have been an increase in the liability held of £1.483m.

**Capital Disposals**

In October 2019 a partial disposal of land in SA1 was completed at the forecasted amounts. The final disposal is due for completion in April 2020 with all accounting entries reflected in the Financial Statements for the year to 31<sup>st</sup> July 2020. The carrying value of the land on the balance sheet at 31<sup>st</sup> July 2019 is not impacted as the sale is at the value held. No adjustments to the valuation of the land have been made in the Income and Expenditure statement to 31<sup>st</sup> July 2019

A planned disposal of the Townhill campus completed in December 2019 at the forecasted amount, accounting entries reflecting this sale will be reflected in the Financial Statements for the year to 31<sup>st</sup> July 2020. The value of the property had been impaired to the sales value in the Income and Expenditure statement to 31<sup>st</sup> July 2019