



# **REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31<sup>st</sup> July 2019**



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**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31<sup>st</sup> JULY 2019****UNIVERSITY OF WORCESTER DIRECTORATE AND PROFESSIONAL ADVISERS****VICE CHANCELLOR AND CHIEF EXECUTIVE**

Professor David Green CBE MA (Cantab.)

**DEPUTY VICE CHANCELLOR, PROVOST AND DEPUTY CHIEF EXECUTIVE**

Professor Sarah Greer MA (Cantab.)

**Registered Address**

Henwick Grove  
Worcester  
WR2 6AJ

**Independent Auditors****External**

BDO LLP  
Chartered Accountants and Statutory Auditors  
Two Snowhill  
Birmingham  
B4 6GA

**Internal**

Ernst & Young Global Limited  
1 Colmore Square  
Birmingham  
B4 6HQ

KPMG LLP  
One Snowhill  
Birmingham  
B4 6GH

**Bankers**

Lloyds Bank  
125 Colmore Row  
Birmingham  
B3 3SD

Barclays Bank PLC  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GB

**Insurance Brokers**

Henderson Insurance Brokers Limited  
No 1 Whitehall Riverside  
Leeds  
West Yorkshire  
LS1 4BN

**REPORT AND FINANCIAL STATEMENTS 2019****MEMBERS OF THE BOARD OF GOVERNORS**

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

Professor Gloria Agyemang	Independent
Mr Carl Arntzen	Independent
Mr John Bateman OBE	Chair & Independent
Dr Diana Beech	Co-opted (withdrew from the Board for the period 01.12.2018 – 01.11.2019)
Mr John Bothamley	Co-opted (Independent from 01.03.2019)
Ms Alice Brunt	Independent (retired 01.03.2019)
Ms Lucy Conn	Student Governor (term ended 30.06.2019)
Mrs Charmian Di Nunzio	Independent (retired 09.07.2019)
Mr Robert Dudley	Academic Staff Governor
Mrs Diana Gant	Independent
Professor David Green CBE	Vice Chancellor & Chief Executive
Mrs Anna Hooper	Vice Chair & Independent
Mr David Iddon	Independent
Mr Harry Lonsdale	Student Governor (from 01.07.2019)
Mr Nadeem Khan	Independent
Mr Euan Morrison	Student Governor (term ended 30.06.2019)
Dr Derek McDougall	Academic Staff Governor
Mr Zadvinder Padda	Independent (term ended 31.08.2019)
The Rev'd Dr Alwyn Pettersen	Independent
Dr Sarah Pittaway	Co-opted Staff Governor
Miss Meg Price	Student Governor (from 01.07.2019)
Mr Marc Scriven	Co-opted Staff Governor
Mr Ian Smith	Independent
Mrs Sarah Speck	Vice Chair & Independent
Mr Douglas Dale	Independent (member of Audit Committee not the Board)

## STRATEGIC REPORT

### FOR THE YEAR ENDED: 31<sup>st</sup> JULY 2019

This statement covers the period 1<sup>st</sup> August 2018 up to 25<sup>th</sup> November 2019.

## SECTION 1: The University's Strategy

### THE UNIVERSITY OF WORCESTER'S VALUES AND VISION

We published our Strategic Plan 2019 in February 2019, following its adoption by our Board of Governors. The Plan, like its predecessors, was the product of a widespread consultation process involving staff, students, governors and many external partners.

During the next period, we will build on our many successes to further improve the quality of our courses, the skills of our graduates and the impact we have in society. The University aims to grow in scope as well as in scale.

**Read the University of Worcester Strategic Plan:**

[University of Worcester Strategic Plan: Values and Vision](#)

### MEASURING PROGRESS AND SUCCESS

The Strategic Plan 2019 was published at a time of great national uncertainty, both for the higher education sector and the country as a whole. For this reason the new Strategic Plan does not include specific objectives and instead outlines an approach, which will enable the University to navigate this most turbulent environment.

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

The University's Vice Chancellor and Chief Executive regularly gives updates on developments at the University to the Board of Governors. The Board receives annual reports on performance indicators in relation to the following measures:

#### Learning and Teaching, Students

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

#### Research

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

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

### Financial Sustainability

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

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

In April 2019 the *Times Higher Education* (THE) published its University Impact Rankings for the first time. The University of Worcester was found to be performing very well and was the best performing University in the world which does not benefit from a huge research base. *See page six for further details.*

We were shortlisted in six categories of the prestigious Times Higher Education Awards, including University of the Year in 2019. The awards celebrate the very best in UK Higher Education and its contribution to the wider society.

We were also shortlisted for:

- Outstanding Support for Students, focusing particularly on the work of our Disability and Dyslexia Service;
- Outstanding Contribution to the Local Community, highlighting our Association for Dementia Studies' work to develop Meeting Centres;
- International Collaboration of the Year, which was based on a touring illustration exhibition and subsequent book on the theme of Migration;
- Outstanding Research Supervisor of the Year for Dr Theresa Mitchell, from the University's Three Counties School of Nursing and Midwifery.

We were also named in the final six shortlisted for University of the Year in the UK Social Mobility Awards and final three for Sustainability Institution of the Year in the Green Gown Awards. Earlier this year Worcester won the Guardian University Award for Internationalisation in recognition of its world-leading work in inclusive sport.

#### **Times Higher University Awards**

[Shortlist 2019](#)

#### **Guardian University Awards**

[Winners 2019](#)

#### **UK Social Mobility Awards**

[2019 Finalists](#)

## SECTION 2: Public Benefit Statement

### CHARITABLE STATUS AND CHARITABLE OBJECTIVES OF THE UNIVERSITY

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

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

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

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

### Beneficiaries

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

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

### INTRODUCTION: MAKING AN IMPACT

In the first ever *Times Higher Education University Impact Rankings*, published in 2019, the University of Worcester placed number one in the UK and 26th globally for Quality Education and number one in the UK and joint 4th globally for gender equality. At 32nd place overall, we are the highest ranked institution in the overall impact table that does not feature in the research focused *THE World University Rankings*.

The Impact Rankings are based on 11 of the 17 UN Sustainable Development Goals. Independently assessing over 500 institutions from 80 countries, it is the world's first global attempt to document evidence of universities' impact on society. It is a vivid illustration of the way in which universities can address the challenges facing their local communities and recognises the deep engagement of universities with the issues that matter most to our societies.

**Read the full rankings:**

[Times Higher Impact Rankings](#)

**Read more about the United Nations Sustainable Development Goals:**

[About the SDGS](#)

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

As a University, we are an expression of democracy, progress, knowledge and principle. In preparing our public benefit statement, we have followed the model developed by the *THE Impact Rankings* to demonstrate our fundamental, transformative effect on individuals and society as a whole.

### QUALITY EDUCATION

#### Raising Aspirations

We are an open, meritocratic institution that proactively seeks out people capable of benefiting from higher education, minimises barriers to their participation and contributes to the expansion of higher education opportunities, locally, nationally and internationally. We have a long-held commitment to welcome, support, and engage students with a broad range of backgrounds.



*Worcester placed number one in the UK and 26th globally for Quality Education in the first ever Times Higher Impact Rankings.*

The University's Access and Participation Plan, submitted to the Office for Students, provides detailed information on our commitment to all students, regardless of background or financial considerations.

**Read the full Plan:**

[University of Worcester Access and Participation Plan](#)

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

**Read the full report:**

[HEPI: Upending the rankings: Benchmarking widening participation in universities](#)

In 2018, 97% of our students were state educated, with 16% coming from low participation neighbourhoods (Higher Education Statistics Agency) - both higher than the national average. Worcester students begin their higher education with lower than national average UCAS tariff points, yet our graduates are in the top 10 English HEIs for employment one, three and five years after graduation, according to the government-published Longitudinal Educational Outcomes survey. In 2018, 97% of Worcester graduates were in work or further study within six months, placing them above the national average, and the proportion of graduates taking up highly skilled "graduate-level" jobs within the first six months rose to over 75% - an increase of 5.8% in a single year.



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

We were shortlisted to be UK University of the Year in the annual UK Social Mobility Awards in July 2019. Reaching the shortlist of just six institutions is a most positive recognition of the innovative work done throughout the whole University.

**View the Social Mobility Awards shortlist:**

[Awards 2019](#)



*For the past 10 years we have been working with The Learning Institute to provide opportunities for students to become qualified in areas such as early years, learning support and child and adolescent mental health. Over 1,000 students have graduated and are now working to advance their schools, children and communities in some of the most isolated and deprived parts of rural England.*

Illustrative examples: Engagement with children and young people	Number of children and young people participating in 2018/19
Children's University	1,100
University of Worcester Storytelling Festival	4,200
Higher education outreach activities	21,129
Royal Institution Science Shows	980
Big Sing	2,100
Infirmiry Medical Museum school engagement	1,103 children

### Student satisfaction and participation

Graduating students rated the University of Worcester very highly in the latest National Student Survey (NSS), placing us in the top 10 of English universities. A remarkable 88.2% of Worcester final year students reported they are satisfied overall. We are ranked 8<sup>th</sup> out of all English non-specialist universities and are 16<sup>th</sup> out of all 152 university institutions in the UK for overall satisfaction. Nine courses at Worcester received 100% satisfaction with our Law degree, which launched in 2016, receiving a 96% satisfaction rating from its very first cohort of graduating students, placing us as one of the top ranked universities nationally for this subject. The Times and Sunday Times Good University Guide 2019 ranked us 15th for teaching quality and 18th for student experience based on the 2018 NSS.

**Review the Results:**

[Office for Students: Full NSS Data](#)

[Worcester in top 10 of English universities for student satisfaction](#)

[The Times Good University Guide 2019: Full Rankings](#)

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

We have a student-focused approach to delivering an outstanding, holistic student experience, with extensive opportunities for engagement and participation. We were one of the first universities in the country to have student officers on our Board of Governors and its key committees, including Finance and Development and Audit. This is a manifestation of our commitment to a student-centred approach and the principle of ‘nothing about us without us’.

Student participation and representation	2018/19
Number of student representatives	380
Number of student volunteering hours	16,189
Number of student societies	43

### Early Years and lifelong learning

Schools and education have been at the heart of our work since our inception. As one of the country’s 10 biggest providers for teacher training, we are at the forefront of educating caring and insightful professionals.

In 2018, we launched a Diploma in Personal Social Education to improve the education of some of the world’s most deprived children. It was developed with Worcester alumna, Dr Swaroop Sampat-Rawal, whose extraordinary work with children in India saw her named as one of the world’s top 10 outstanding teachers in the Global Teacher Prize.

The number of secondary school pupils is projected to increase by 19% between 2017 and 2026, but national trainee numbers have been below targets every year since 2012. We have a key role to play in developing the future workforce for Schools.

Educational Impact	Numbers 2018/19
Teacher Training graduates	426



*Worcester graduate and one of only 10 nominees for the Global Teacher prize, Dr. Swaroop Sampat-Rawal, works with Primary School children in the University’s Hive Library.*

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

### GOOD HEALTH AND WELL-BEING

#### Living Well Through the Life-course

The University has a strong research focus on improving human health and well-being through the life cycle from pregnancy through to end of life care.

Recent examples include:

- Our researchers are examining birth-related perineal trauma in low- and middle-income countries. Such trauma can lead to increased morbidity and mortality, particularly in community settings, in poorer countries.
- Working with colleagues at Great Ormond Street NHS Foundation Trust and Birmingham Children's Hospital, we are engaged in research focused on improving care for children suffering from congenital heart disease, in particular supporting parents with infants with such disease.
- Our pollen and aerobiology research group is focused on developing more precise pollen forecasts which will enable those suffering with asthma and hay fever to manage their symptoms more effectively.
- Worcester is one of the two principal university hosts of the Bi-Polar Disorder Research Network, which includes the largest network of individuals with bi-polar disorder and related mood disorders in the world. A particular focus of this exceptional research group is working to understand the causes and identifying treatments for postpartum psychosis.
- At the other end of the lifecycle, the Association of Dementia Studies (ADS) makes a substantial contribution to building evidence-based practical ways of working with people living with dementia and their families that enables them to live well.

**Read more about the impact of our research:**

[worchester.ac.uk/research](http://worchester.ac.uk/research)



*Our Association for Dementia Studies is helping communities across the UK set up Meeting Centres, which help people living with dementia positively adjust to changes that come with their diagnosis. There are now 8 Meeting Centres, with a further 20 expressions of interest from across the UK. The project is currently shortlisted for a Times Higher University Award for Community Collaboration.*

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

### Student and Staff Wellbeing

The University has a deep commitment to inclusion for those experiencing mental health problems. We have offered specialist wellbeing support to students since 2000, while in 2004 we were one of the first universities in the UK to directly employ Mental Health Advisors. We are playing a leading role in partnership with the National Union of Students and others to make universities and cities 'suicide safer' through early intervention. We were shortlisted for a prestigious Times Higher Education Award in 2018 for our work in this area.

#### Read more:

[Suicide Safer: Forum for Access and Continuing Education](#)

[Suicide Safer: National Union of Students](#)

[Times Higher Education Awards: Shortlist 2018](#)

### Meeting workforce demands

Official 2018 statistics revealed that one in 11 posts across NHS hospital, ambulance and mental health trusts were vacant. With our long history of outstanding Health Education and as leaders of the national campaign to increase nursing places, we are helping to meet the needs of this workforce crisis. We have grown our existing courses for health professionals and work is well underway to create a new Medical School, meeting the urgent needs of our region for compassionate, high quality doctors.

Health Graduates	2018/19
Nurses	183
Midwives	29
Paramedics	102
Social Workers	32

### Community access to university sports facilities and expertise

Sustained investment throughout the campus, typified by the University of Worcester Arena, the country's first indoor sports arena purpose-designed to include wheelchair athletes, promotes participation for those with physical impairment and encourages wellbeing.

The University of Worcester Arena has helped Worcester become one of the UK's most successful educators in the UK of degree qualified Physical Education teachers, sports coaches and sports psychologists with specialist expertise in inclusive sport and practice. Our graduates are now working all over Britain, educating and coaching tens of thousands of young people with genuine inclusive sport and practice expertise.

In 2018 we worked with the Japanese Paralympic Committee and movement, as well as the Beijing Sports University, to ensure a strong, inclusive legacy from both the Tokyo 2020 and Beijing 2022 Olympic and Paralympic Games.

University of Worcester Arena	2018-19
Total Number of visitors to the Arena	609,964
Number of children to visit the Arena	199,258
Number of major disability-specific events	9
Worcester Wolves Basketball Attendance	22,408
Worcester Wolves Watch & Play programme with schools	1,505 tickets to 53 schools
Severn Stars Netball Attendance	4,272
Netball Development Camps	329



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

Over 102,000 community visitors have enjoyed sport and leisure experiences at our Lakeside Campus, St. John's Campus Sport Centre and the Riverside Centre this year.

We work with age groups spanning from 5 to 85+yrs, engaging in entry level participation activities to elite performance. Many and varied successes, including a national The community clubs and societies have achieved age-group title for rhythmic gymnastics. Other highlights include:

- Launching a new outdoor activities group for senior citizens,
- Hosting the Herefordshire and Worcestershire Sport Partnership Business Challenge events,
- Being selected by British Swimming and the RNLI as their partner in their national safety campaign to develop and deliver outdoor swimming for children.

We encourage students to play a pivotal role in planning, supporting and staffing as many activities as possible.



*Worcester won a prestigious Guardian University Award for Internationalisation in recognition of its work to share inclusive physical education around the world.*

## EQUALITY AND INCLUSION

Our approach, which is built on the principle of inclusion, has seen us become one of the fairest universities in the UK.

### **Accessibility**

At Worcester we typically educate around 40% more students with a disability than the national average, with 10% of full time undergraduates in 2017/18 in receipt of Disabled Students' Allowance (Higher Education Statistics Agency).

We have invested heavily in facilities and support for students with a disability. For example, our Disability and Dyslexia Service introduced a number of new initiatives aimed at ensuring every disabled student joining the University has the maximum opportunity to get all the information, advice and support they need to ensure a smooth and successful transition into university life. These included online programmes, more face-to-face appointments and specific summer schools for those with additional needs to prepare them for life at university.

In January 2019, the then Universities Minister, Chris Skidmore, called for more institutions to follow the lead of Worcester in supporting students with disabilities. Writing in *The Guardian*, he said: "Universities like Brunel and Worcester have long been leading the way in improving the disabled student experience, by enhancing support services available to them and designing facilities with accessibility in mind. I want institutions like these to no longer be the exception, but the norm."

**Read the full article:**

[Universities can do more to support their disabled students](#)

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

### Gender Equality

Worcester is the best performing university in England and the most genuinely equal when it comes to gender pay, according to data published in both 2018 and 2019. We have the smallest average pay gap of any UK university and have a high percentage of women employed at all levels including within the senior team.

**Read the full report:**

[University of Worcester Gender Pay report](#)

**Search and compare national gender pay gap data:**

<https://gender-pay-gap.service.gov.uk/>

Women make up 65 per cent of Worcester's overall staff and are represented at this level throughout the University. In the top quartile, 63.3 per cent of staff are women, while in the lowest quartile, 66.1 per cent of staff are women. This contrasts with the majority of other universities where women are under-represented amongst higher paid staff and over-represented amongst the lower-paid. At Worcester, women are neither under-represented at the top nor over-represented at the bottom.



*Senior University staff, partners and students with former Minister for Women and Equalities, Nicky Morgan MP. Worcester is the best performing university in England and the most genuinely equal when it comes to gender pay.*

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

We regularly monitor the employment 'lifecycle' of our staff; from initial recruitment ensuring that we have fair and consistent selection processes; having career development opportunities open for all job roles; clear and consistent promotion and salary processes; fair and flexible working practices.

We were granted an Athena SWAN institutional Bronze Award in 2018 in recognition of our support for and focus on issues of gender equality.

**Read more:**

[Athena Swan at the University of Worcester](#)  
[Equality Charter: Athena Swan Members](#)

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

### DECENT WORK, ECONOMIC GROWTH AND INNOVATION

The University's annual income has risen by more than four times since 2004 and is now approaching £100m, with the University's activities generating well over a quarter of a billion pounds annually for the regional economy, and supporting more than 8,000 jobs directly or indirectly in the area. In 2016, Worcestershire's local economy was England's best for growth in higher-level workforce skills, second for productivity growth and third for growth in prosperity.

The University is a major employer in Worcestershire, directly employing over 1,700 staff and 1,407 students in a wide range of roles. We offer competitive rates of pay and good employment benefits. Our combination of flexible working arrangements, competitive annual leave and a high-quality nursery on campus help our staff to maintain a positive work-life balance.

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

### SUSTAINABLE CITIES AND COMMUNITIES

We have deliberately chosen to develop our estate inclusively, creating buildings that are conducive to co-operation and success. The opportunity to study at The Hive, Europe's first integrated university and public library, is a day-to-day encouragement to active citizenship and learning.

By opening our facilities in imaginative ways for the public benefit, we encourage cohesion and contribute to our community becoming even safer, stronger and more engaged.

**Read the UPP Foundation Civic University Report: Hive case study**  
[Final report](#)



*The Art House was opened in 2018. Its inaugural exhibition, 'Migrations' included 300 original postcards from illustrators around the globe in response to the world migration crisis. The exhibition has been shortlisted for a Times Higher Award for Internationalisation.*



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

<i>Indicative examples:</i> <b>Public Arts and Science Events</b>	<b>2018/19 attendance</b>
Photographic Exhibition	5,600
World Illustration Exhibition	900
Infirmary Museum	567 adults
Arts Degree Final Show	500
University Carol Service	300

<b>Hive Library</b>	<b>2018/19</b>
Total number of visits	704,979
Teenage library membership	20,305
Number of children and adults participating in community events	29,604
Number of people attending public lectures	2,303



*Students work under the supervision of qualified Solicitors to give members of the public access to free legal advice on Employment Law issues in our Legal Advice Centre.*

*University of Worcester staff raised over £20,000 for local Charity, Smile for Joel.*





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

### CLIMATE ACTION AND RESPONSIBLE CONSUMPTION

Worcester is a leader in sustainability and climate change research, teaching and engagement. Our campus is a living laboratory for developing, testing and implementing solutions that enhance the health of people and planet. Community engagement campaigns, such as projects to improve energy efficiency in student housing, car share schemes and sustainability conferences for young people, focus on using our campus to incubate new ideas and replicable models for change.

We have, in close partnership with the Students' Union, pioneered many initiatives to promote sustainability over the last 15 years, including much improved recycling, encouraging walking and cycling wherever possible, and practical changes such as introducing less energy intensive lighting and solar heated hot water.

We are engaged in a wide-ranging body of research which seeks to enhance food security at a UK and global level but to do so in an environmentally sustainable way, for example:

- We are working in collaboration with the James Hutton Institute to develop integrated management strategies to deal with various pathogens of food crops
- We have co-funded a series of doctoral studentships with Waitrose and with specific fruit growers to enable increased yield of specific fruit crops whilst minimising the use of pesticides

Worcester has had first class honours in the Guardian published People and Planet 'Green' league every year since 2009. We successfully completed our ISO 14001:2015 audit, making us the second university in the UK to transition to the new standard.

We were shortlisted for Sustainability Institution of the Year 2019, Campus of the Future and Total Reporting in the Green Gowns, the leading national sustainability awards for higher education.

#### **Green Gown Awards**

[Finalists 2019](#)

### PEACE, JUSTICE, STRONG INSTITUTIONS

#### **Academic freedom**

Through highly effective campaigns, the University of Worcester has become identified with academic freedom and freedom of expression, with a reputation for demonstrating leadership and speaking out on critical issues.

The University's vigorous case for academic freedom, institutional independence and autonomy, whilst pointing out the immense beneficial impact of universities in society, has significantly raised the profile of the University. Recent examples include:

- In May 2018 Worcester's Vice Chancellor and Chief Executive led a discussion at the Going Global conference in Malaysia, presenting a powerful exposition of the benefits of an inclusive approach, including how global connections lead to local action - transforming education to become more inclusive around the world.
- In October 2018, a year after a "dangerous attack" on academic freedom by a Government whip, which was exposed by the Vice Chancellor, the Information Commissioner found in favour of the University.
- Worcester has also been vocal in calling for greater fairness from the Office for Students in its approach to universities, with proper respect for institutional autonomy, as well as campaigning for fair university access.

### SECTION 3: Financial Management and Sustainability

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

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

#### **RESULTS FOR THE YEAR**

The 2018/19 consolidated financial statements show a reasonable financial position for the University, with a surplus of £0.6m (2018: £8.7m). The surplus has reduced substantially compared to the previous year, which was expected, as the previous year included a large gain on the revaluation of investment assets, which has not been the case for 2018/19. Due to recent High Court rulings regarding the 2015 public sector pension reforms, the University has also had to account for a fairly substantial increase in pension liabilities, as at present it is felt that there will be a knock on effect for other public sector schemes, including both the Local Government Pension Scheme (LGPS) and the Teachers Pension Scheme (TPS), both of which the University are members of. The consolidated results shown in the accompanying financial statements consist of the main University and its trading subsidiaries, U W Developments Limited, U W Enterprises Limited and UW Worcester Wolves Limited.

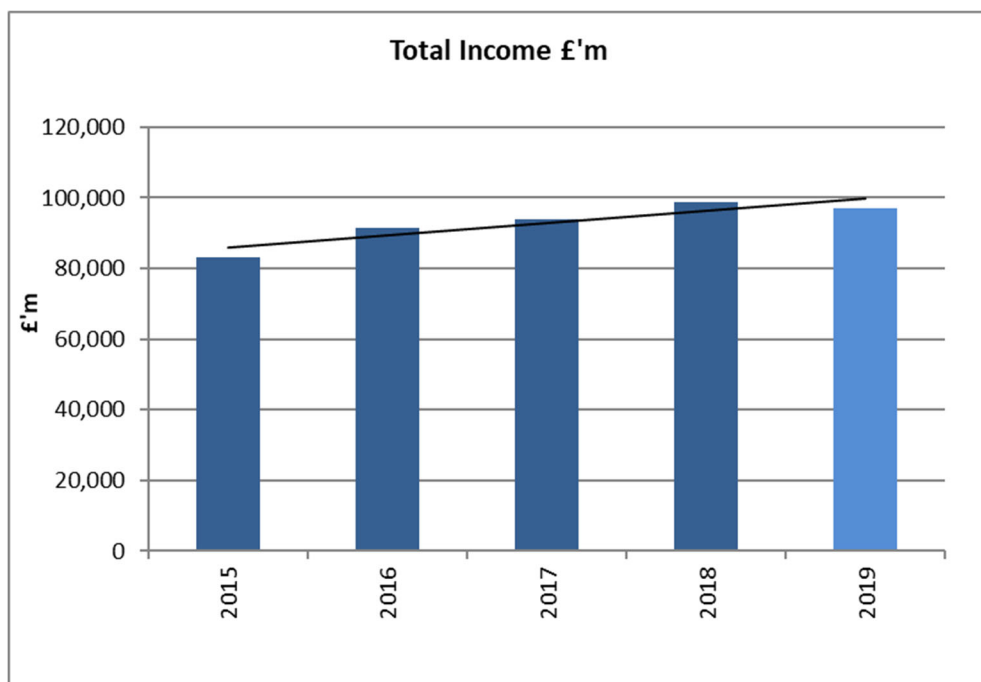
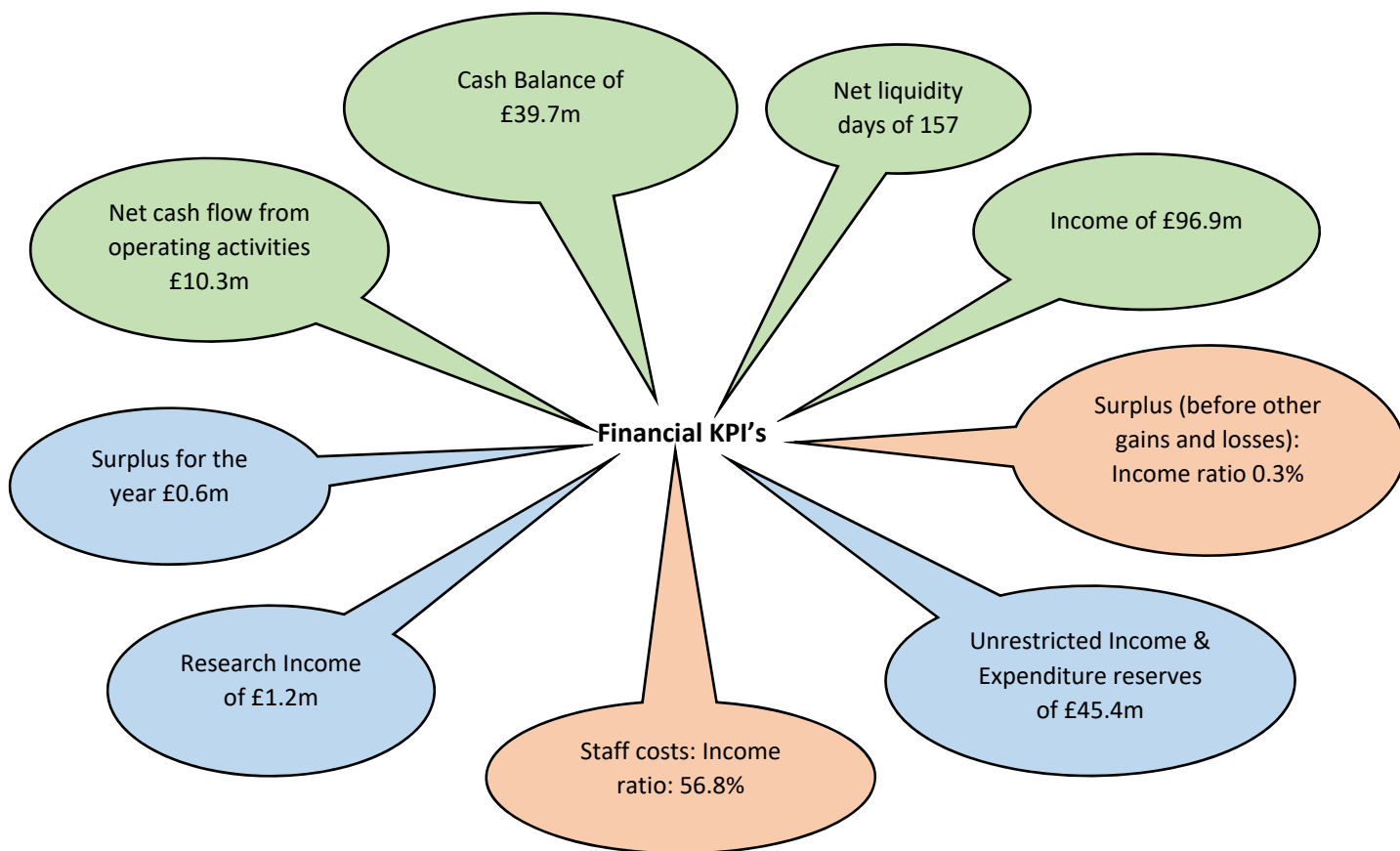
U W Developments Limited is the entity through which the University manages its significant capital development projects. Following the Development Agreement with the University, which was signed during 2016/17, the Company has now commenced the construction phase on the Himbleton Road Townhouse Development project, which is due for completion at the end of 2019.

U W Enterprises Limited is the entity through which the University's commercial activities are channelled. Following a steady decline in full commercial trading, the University made the decision a few years ago that the on-going minimal amount of trading relating to the National Pollen and Aerobiology Research Unit would in the short term be filtered through the University, rather than the subsidiary company due to its links to educational services. This decision will be reviewed in the future if commercial trading activity increases, however for the year ending 31<sup>st</sup> July 2019 no trading activity was undertaken. Due to a movement in debtor and creditor balances, the Company does not meet the criteria for dormant status and therefore basic accounts have been produced.

UW Worcester Wolves Limited is a 100% subsidiary company of U W Enterprises Limited. The principal activity of the company is the running and operating of a professional basketball team, in which the main team plays in the top league in the UK, the British Basketball League (BBL), and who are based at the University of Worcester Arena. In addition, the company supports the activities of other basketball teams and activities in the University and the Worcester region. For the year ending 31<sup>st</sup> July 2019 the Company achieved a profit due to the continued support of the University of Worcester and local external sponsors. The club continues to have a positive impact on the local community and as a result match day turnover should remain stable in the coming years.

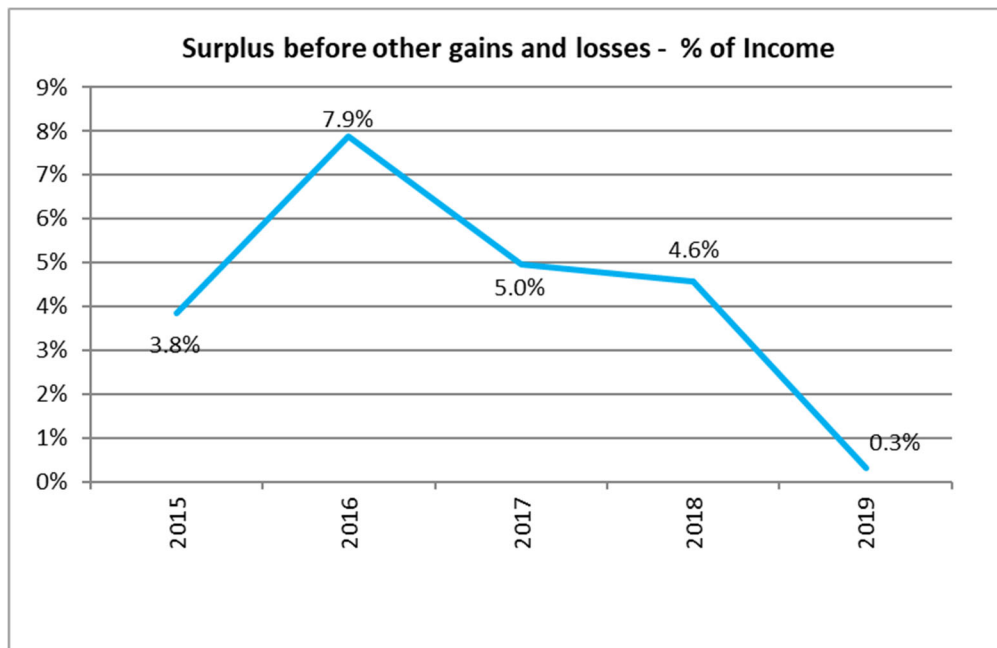
**SECTION 3: Financial Management and Sustainability (continued)**

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



2018/19 is the first year where the University's income has reduced. The reduction of 2% was anticipated due to a change of circumstances regarding some of the University's leased student accommodation. The other main element where income has reduced is tuition fees and educational contracts, which due to the current climate and demographics regarding the number of 18 year olds, is still seen as fairly positive as it shows that the University continues to attract a wide range of students, regardless of the continued increase in competition.

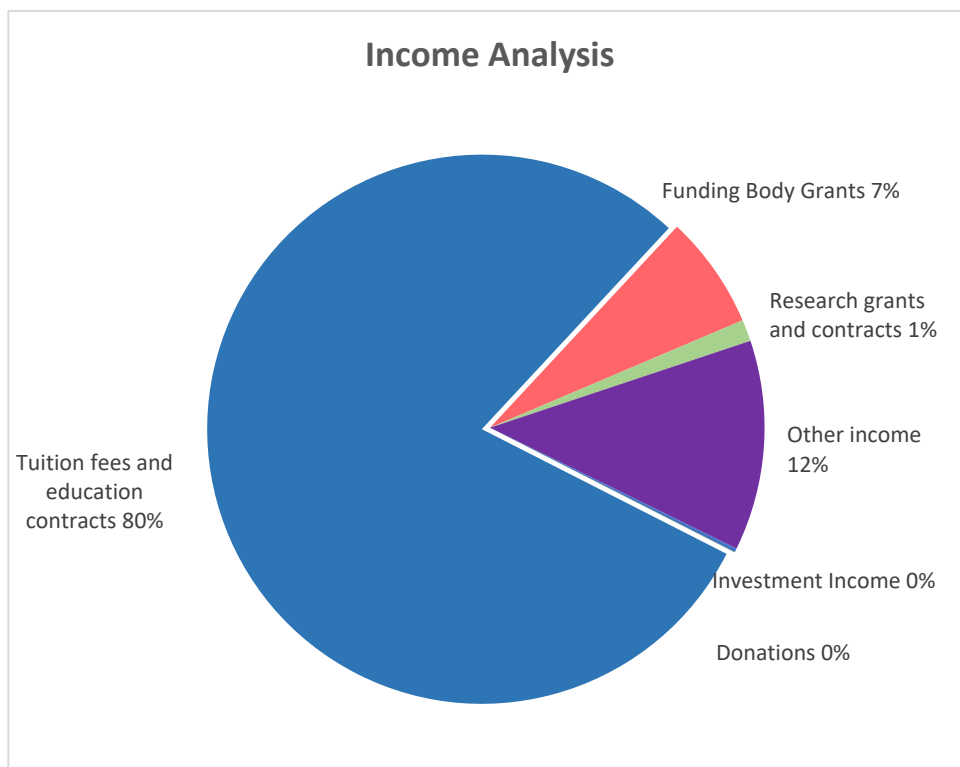
**SECTION 3: Financial Management and Sustainability (continued)**



The level of surplus (before other gains and losses) generated has continued to fluctuate, with some years resulting in a higher surplus due to elements of non-recurrent income and differences relating to the movement of pension liabilities. As previously explained it is these pension movements that substantially account for the fall in this ratio for 2019.

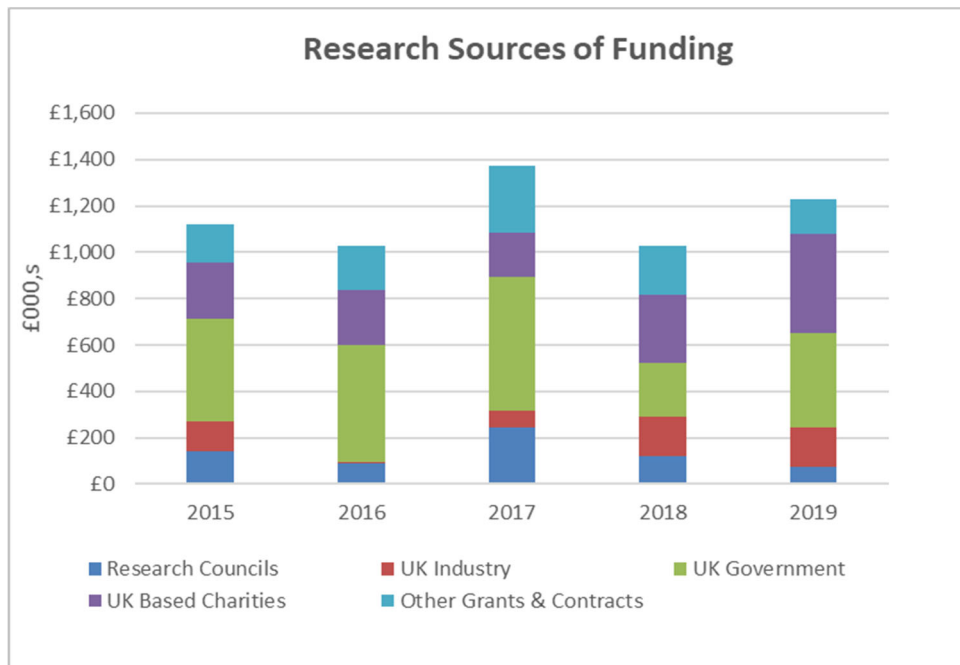
Although recent Government policies around tuition fees make long term planning challenging, nevertheless the University’s current financial forecasts indicate an increase in the surplus to income ratio over the coming three years. The assumptions include a prudent estimate regarding the intake in student numbers along with a continued increase in pay related costs. However, given the political situation affecting all universities, the Board and the University Management regularly review the forecasts and budgets to ensure the on-going financial sustainability of the University.

Analysis of the 2018/19 financial results shows the majority of income continuing to be received directly from tuition fees, as shown in the chart on the right. The shift between grant income (received from government) to student fees has now been fully realised however depending on what is finally agreed by the Government regarding the level of tuition fees, will depend of the future split of the University’s income. Student fees now represent 80% of total income.



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

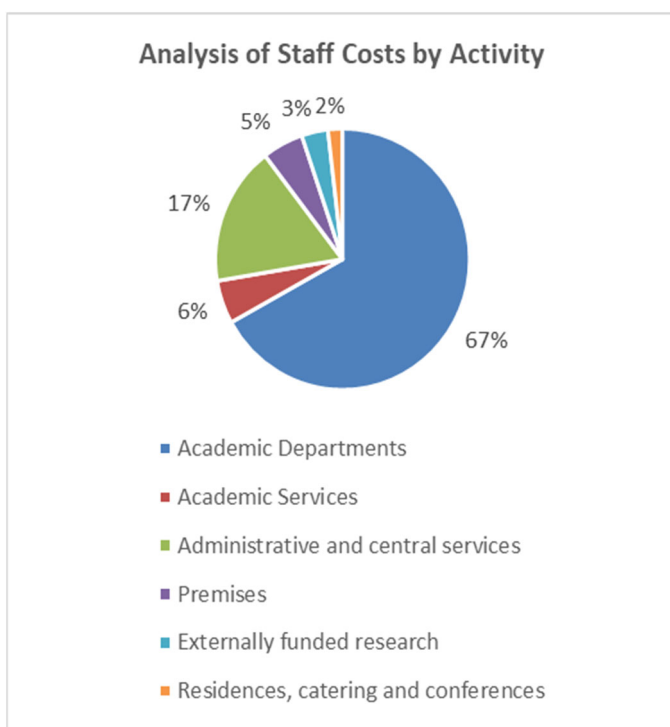
The University of Worcester has not historically been a research-intensive University, as indicated by the income analysis chart below. However, research continues to play a key part in the educational offering to students and over the past few years focus has been on strengthening the University’s research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



Research income increased in 2018/19 to £1.2m. Part of this fluctuation is due to the accounting changes whereby contract performance conditions determine when income is disclosed. An element of the University’s deferred income, at the year-end, relates to research contracts for which cash has been received, however full contract conditions have not yet been achieved due to the stated timescales of the projects, therefore the income cannot be disclosed in 2018/19. This income will be released in future years as each project progresses.

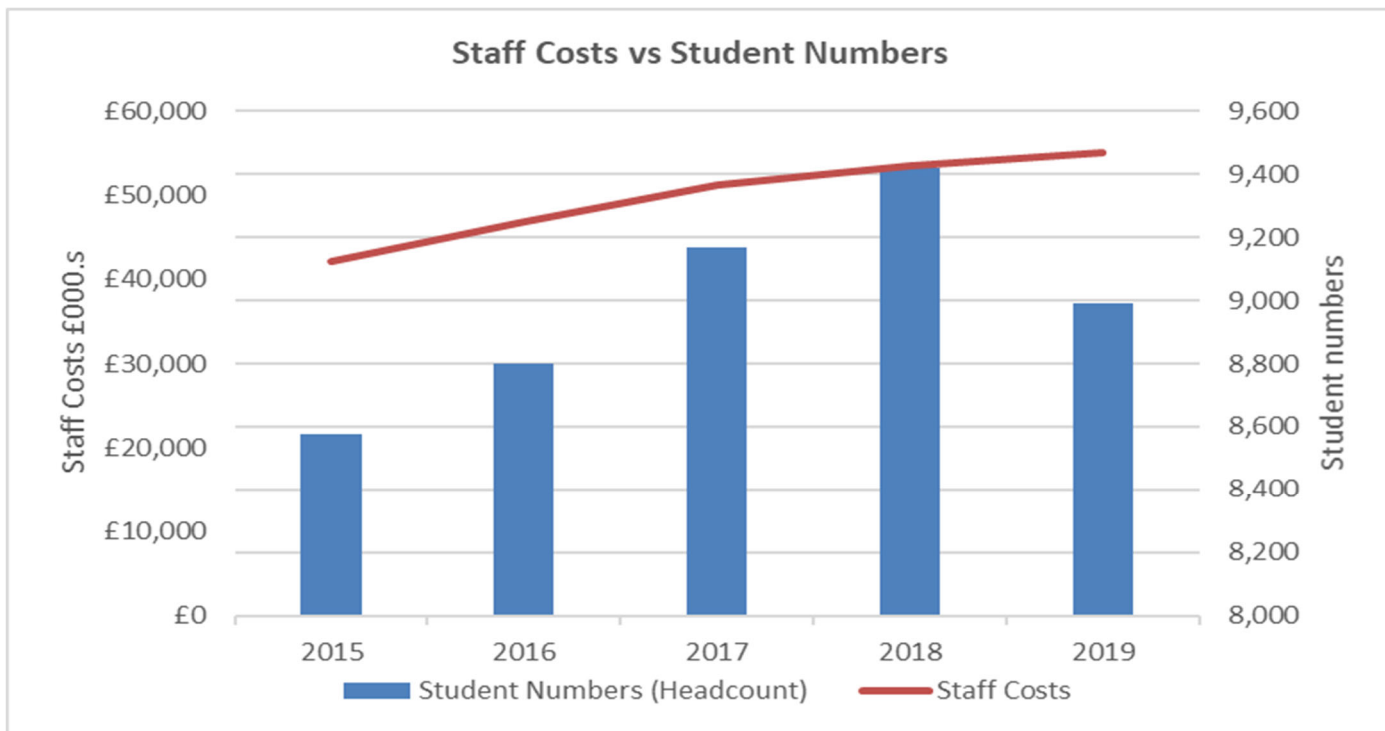
The University already has signed contracts in place, which will continue to generate income for the coming year. The University continues to focus on new opportunities to further increase the level of research related income in the future. The chart shows the analysis of research related income over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

Total expenditure for the year increased by £2.3m (2.4%) to £96.6m (2018: £94.3m). Staff costs remain the University’s largest area of expenditure and have risen by £1.6m (2.9%) to £55.1m (2018: £53.5m) which is mainly due to the inclusion of pension past service costs relating to the recent High Court ruling regarding the 2015 pension reforms, and an increase in the employer contribution rates for the Teachers Pension Scheme. The ratio of staff cost: income at 56.8% (2018: 54.1%) has increased compared with that of the previous year. The University’s long-term financial plans aim to keep this ratio at a similar level, or lower level, for the next three years, which is considered by management to be an appropriate level to ensure that academic services and facilities continue to be provided at the highest standard in order to maintain student satisfaction. The University continues to focus on maintaining this sustainable level of staff costs, which, due to defined benefit pension liabilities, has become a challenge over the past few years. The chart to the right shows the analysis of staff costs between key areas:

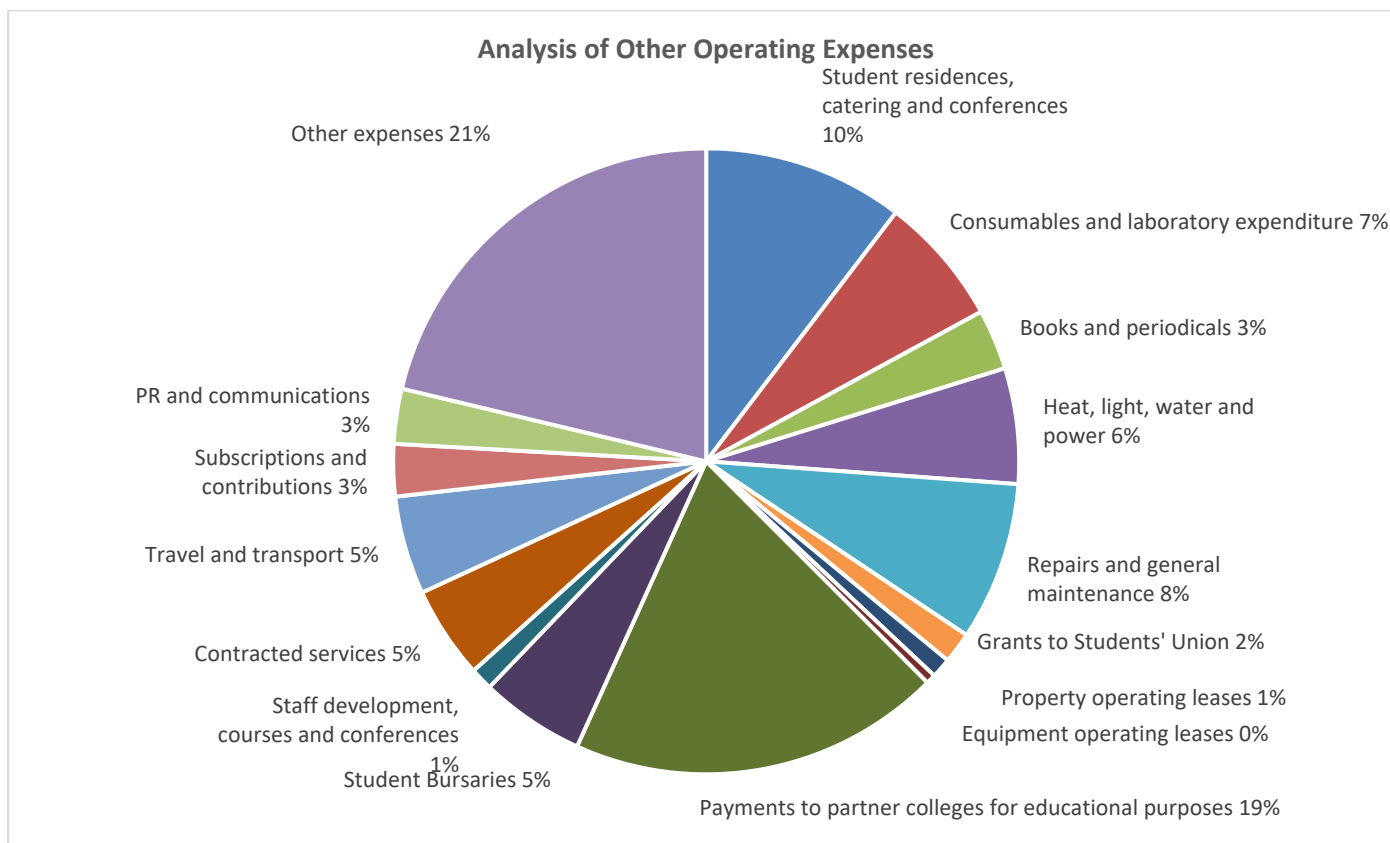


### SECTION 3: Financial Management and Sustainability *(continued)*

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

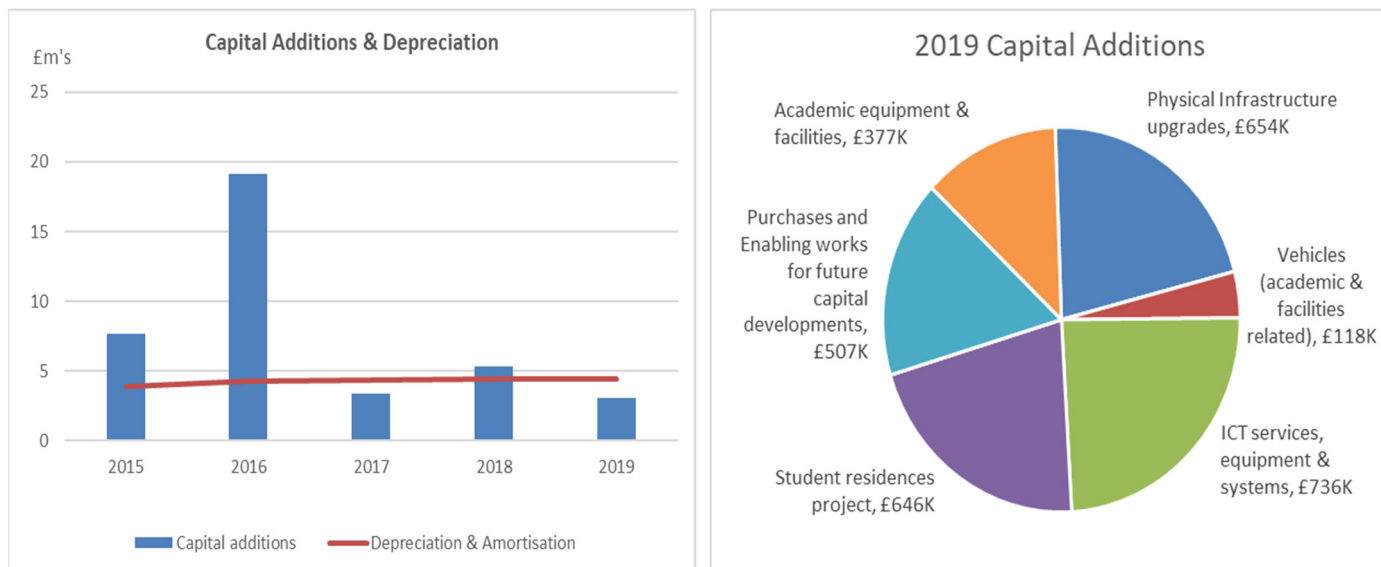


Other operating expenses increased from £32.1m in 2017/18 to £33.0m in 2018/19. The breakdown of the total other operating expenses is shown below:



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

The depreciation and amortisation charge has remain consistent. The level of capital investment during the year was lower than that of the previous year, due to a change in timing regarding the student residences project and also because the University is in the initial stages of planning for a new Inclusive Cricket Centre and Medical School, which in turn will increase the level of capital investment over the coming years as these projects progress.



The University Group balance sheet showed a healthy position with net assets at £55.8m (2018: £71.0m). The main aspects of this were total fixed assets of £148.5m mostly relating to the physical estate of the University and associated equipment, along with the remaining parcel of investment land held at University Park.

Net Current assets were £35.3m (2018: £24.7m) with the majority of this relating to the cash balance and held at the year-end. This was a result of the Barclays tranche C loan draw down on 27<sup>th</sup> July 2016, which remained unutilised during the year due to longer-term capital investment plans.

- Trade and other receivables £6.0m (2018: £3.7m)

The total value of trade and other receives has increased mainly due to a contractual agreement relating to the sale of some of the University's investment land which involves a repayment schedule covering the next two years. The particular element of the balance has been profiled accordingly within Note 16. The level of trade debtors at the end of this financial year, when excluding the element relating to the land sale, was just under £1.5m, which is lower than that of the previous year. The majority of this outstanding debt relates to non-student debt. The University's credit control processes remain strong, which has resulted in a continued low level of student debt at the year-end. Prepayments and accrued income was £1.8m.

- Creditors (amounts falling due within one year) £(10.4)m (2018: £(13.2)m)

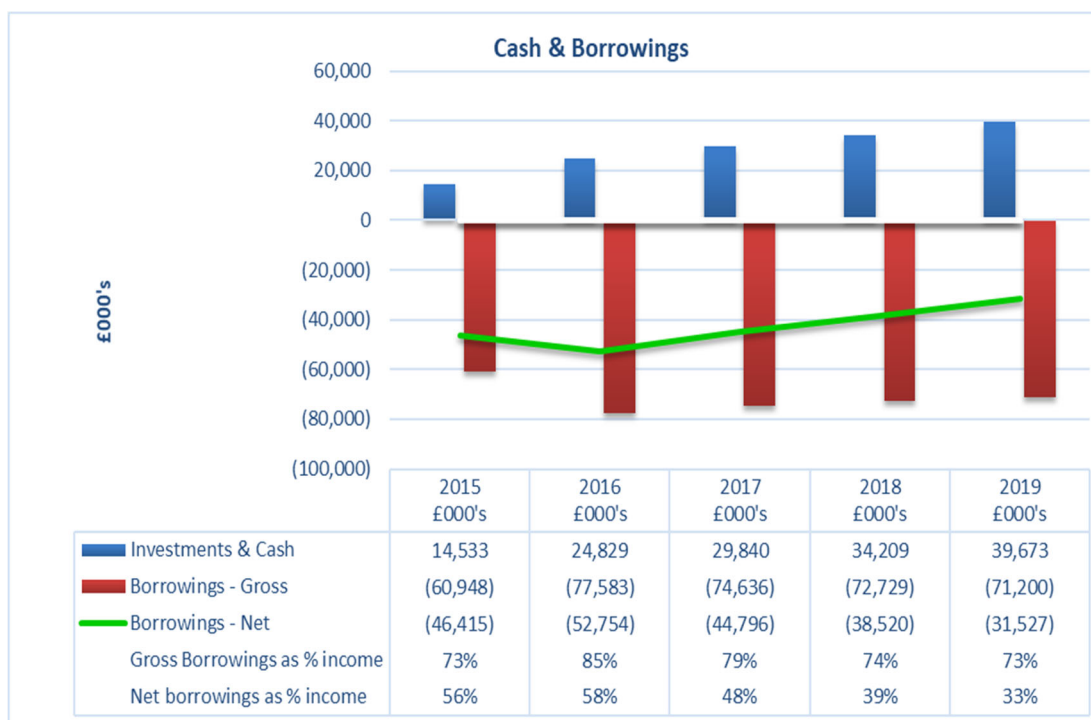
The creditor balance has reduced compared to that of the previous year. Included within the overall creditor balance is £1.4m of loan repayments due within the year 2019/20 in accordance with the terms of the overall borrowing facility. Tax, social security, and pension payments, relating to July, were paid before the end of the financial year, rather than being paid in August, as has been the case in the previous year. Deferred income in relation to research contracts, capital grants and student tuition and accommodation fees increased slightly from £2.2m to £2.3m. This income will be released in the coming year upon entitlement to the income. Trade creditors reduced quite dramatically from £3.1m to £0.7m, partly due to a reduction in capital projects spanning the year-end but also because the University made a continued effort to process supplier payment quickly.

Longer-term liabilities are related to loan borrowings, the Hive finance lease and government deferred capital grants, which will be released to income from 2020/21 onwards.



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

The total bank loan drawn down as at 31<sup>st</sup> July 2019 remained at the full £80.0m although some has been repaid, (with the remaining long-term creditors relating to other funding connected to the Hive). This was consistent with the overall investment strategy of the University, with the borrowings used to successfully fund the expansion in the physical estate of the University and facilitate the substantial increase in both student numbers and resulting income which has been the case for the past few years. The intention is that the unused cash balance from the final loan drawdown will be invested in the coming years in the continuation of development projects.



Most of the borrowings are due for repayment over a considerable number of years and the Board of Governors is satisfied at the University's ability to meet these repayments together with the associated interest charges as they fall due. The financial performance in the year ended 31<sup>st</sup> July 2019 meant that all bank and related covenant tests were again comfortably achieved.

#### Provisions for liabilities

The University has accounted for several provisions in relation to pensions, VAT and legal costs. The overall pension liability provision as at 31<sup>st</sup> July 2019 was £(41.4)m (2018: £(21.6)m) which includes the University's liabilities relating to the Worcestershire Local Government Pension Scheme (WLGPS), the liability to fund the pension deficit regarding the University's Superannuation Scheme (USS), and the on-going provision regarding past early retirement benefits. The performance of WLGPS assets during the year was positive however the substantial increases on the schemes liabilities, due to a reduction in the discount rate and a small increase in the inflation rate, resulted in a substantial increase to the overall fund liability from £(20.9)m to £(40.0)m. The year-end adjustment to the current service cost was as expected, resulting in a charge to the Income and Expenditure Account as per previous years following the introduction of FRS102. However, the adjustment in relation to past service costs, which includes the estimate relating to the recent High Court ruling regarding the 2015 public section pension reforms, was only estimated at the end of the year and therefore this has had a substantial impact on both the University's overall surplus for the year and in turn its total net assets. The continued increase in pension costs for the University remains a concern and is a key factor in the long term financial planning of the University.

#### Consolidated Cash flow

The cash inflow for the year from operating activities was £10.3m (2018: £14.9m). This cash inflow was partly used to invest in capital expenditure and to service the loan facility (interest and loan repayments). During the year, the University sold some of the investment land, which generated an additional £8.6m in cash. This cash will be used in future years to support working capital fluctuations, maintain long-term debt repayments and allow for additional investment in future capital expenditure projects.



## SECTION 4: Infrastructure Development Programme

2018/19 saw the completion of the refurbishing of the former County Furnishings building, a Grade II listed building adjacent to the City Campus to provide a new flexible and innovate resource for the creative arts and associated community groups. The redevelopment of the site commenced in December 2017 and work was completed in September 2018 with the new facility being formally opened by the University's Chancellor, HRH The Duke of Gloucester, on 6<sup>th</sup> February 2019. The refurbishment has respected the heritage of the 1930s former car show room building and its industrial and urban features to create a modern and exciting Art House with accessible studio and teaching facilities.

The primary project under construction as part of the University's Infrastructure Development Programme in 2018/19 was a new style residential 'townhouse' on the St Johns' Campus. The new 'townhouse' will comprise a six and ten bedroom flat and four studio flats. This new provision takes forward the original designs developed as part of the University Court masterplanning exercise to develop residential accommodation which is inclusive for all. This has translated into a residential 'townhouse' in which an individual with physical disabilities, whether in a wheelchair or not, can easily access all rooms on both floors. Two of the studio flats will allow an individual with disabilities to live independently, whilst the other two studio flats could be used for carers or easily converted to provide additional fully inclusive rooms. The construction of the 'townhouse' commenced in September 2018 with an anticipated completion date in December 2019.

Work commenced in 2019 to develop detailed plans for a new facility at the Severn Campus which will include inclusive indoor facilities for cricket and in particular all four strands of disability cricket. The project is supported by the England and Wales Cricket Board, England Disability and community partners. The new facility will build on lessons learnt in the development of the University's Arena, the first University Sports Arena to be built with the disabled athlete at its heart, and will reinforce the University's excellent credentials and reputation for being at the forefront of training practitioners to support disability sport.

Building on the University's excellent green credentials, plans will be developed in 2019/20 to develop the Lakeside Campus into a sustainable campus. The Campus provides outdoor space for a wide range of teaching provision including water based sports, outside training space for paramedics, forest school training for teachers and a research facility for environmental sciences as well as outside recreational space. The new proposals will seek to provide an energy neutral indoor space with teaching and changing facilities, as well as extending the already existing natural habitat with further tree planting.

Work continues on the St John's Campus in developing plans for the refurbishment of space, vacated as a result of the new Art House, to provide space for the Three Counties Medical School, which is expected to welcome its first cohort of students in September 2021.

## SECTION 5: Staff

### AN INCLUSIVE COMMUNITY FOR HIGH ACHIEVING STAFF

The University was delighted to achieve the position of joint 4<sup>th</sup> for Gender Equality in the Times Higher University Impact rankings 2019, in recognition of its long term commitment to inclusivity and fairness. See Section 2 for further details.

This accolade was further endorsed by this year's Gender Pay Gap data. The University continues to be the best performing University and the most genuinely equal when it comes to gender pay and the data is demonstrable of the University's promotion of educational and social inclusion and equality. *For further details see page 13.*

### TRADE UNION FACILITY TIME APRIL 2018- MARCH 2019

In accordance with The Trade Union (Facility Time Publication Requirements) Regulation, the University published information relating to trade union officials and facility time.

The information below is for the period 1 April 2018 to 31 March 2019.

#### Relevant union officials:

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

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
16	15.4

#### Percentage of time spent on facility time:

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

Percentage of time	Number of employees
0%	1
1-50%	15
51%-99%	-
100%	-

#### Percentage of pay bill spent on facility time

Total cost of facility time	£ 21,074
The total pay bill	£ 51,845,987
The percentage of the total pay bill spent on facility time	0.04%

#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	21.95%
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## SECTION 6: Corporate Governance

The University of Worcester is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objectives, powers and framework of governance are set out in the Instrument and Articles of Government, which are available on the University's website: <https://www.worc.ac.uk/discover/governance.html>.

### **THE BOARD OF GOVERNORS**

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

In accordance with the University's Articles of Government, the Board is responsible for determining the educational character and the strategy of the University and has oversight of its activities. The Board's Statement of Primary Responsibilities is as follows:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
3. To delegate authority to the Vice Chancellor and Chief Executive for the academic, corporate, financial, estate and human resource management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with the latest version of the *CUC Code of Higher Education Governance* and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the Vice Chancellor and Chief Executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Clerk to the Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all 'holder of senior posts' in the institution (as prescribed in the Articles of Government) and to be responsible for establishing a human resources strategy and a framework for the pay and conditions of other staff.

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

11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To receive assurance that adequate provision has been made for the general welfare of students and the management of academic quality and standards.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's Instruments and Articles of Government are followed at all times and that appropriate advice is available to enable this to happen.

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

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

The Board has taken reasonable steps to:-

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

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

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

The Board formally adopted the Higher Education Code of Governance published by the Committee of University Chairs (CUC) in December 2014. At the same time, the Board received and approved a report, which confirmed the University's compliance with the seven primary elements of governance identified in the Code.

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

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

### **ACADEMIC BOARD**

The University's governance arrangements include an Academic Board, which, subject to the overall responsibility of the Board of Governors, has oversight of the academic affairs of the Institution and draws its membership from the staff and students of the University. The Academic Board is particularly concerned with general issues relating to the learning, teaching and research work of the University. An independent member of the Board of Governors attends meetings of the Academic Board in an observer capacity. The Board of Governors has mechanisms in place to assure itself that the University has in place arrangements to safeguard the quality and standards of its academic provision. It receives reports of each meeting of the Academic Board and an annual report from the Academic Board on quality and standards. Details of the terms of reference for Academic Board and its sub-committees can be found in Bye-Law 4 at [https://www.worc.ac.uk/documents/Byelaws\\_Board\\_Approved\\_Jul\\_17.pdf](https://www.worc.ac.uk/documents/Byelaws_Board_Approved_Jul_17.pdf)

### **NOMINATIONS COMMITTEE**

The Nominations Committee is responsible for ensuring that the membership of the Board is maintained and that the spectrum of members include appropriate knowledge and expertise. There is a matrix of members' skills and expertise to assist decision making, which is reviewed on an annual basis. Annual reporting on the profile of the Board in respect of equality and diversity was introduced formally in 2016/17. In accordance with the Lambert Report (2003) and best practice in the Higher Education Code of Governance (2014), the University continues to advertise nationally against defined person specifications and role descriptors. In 2019 a new role descriptor and person specification was developed following the AdvanceHE Board Recruitment Framework with the intention of further diversifying the membership of the Board. Vacancies for independent board members are advertised on the University's website and a range of recruitment boards including Women Count. The recruitment campaign for new Board members included the targeting of under-represented groups through specialist website and membership groups. The Board additionally demonstrated its commitment to promoting diversity for new non-executive directors and governors in Higher Education and other sectors, through its participation in the Board Apprentice programme. The Board welcomed its first board apprentice in 2017/18 and has continued to offer the opportunity.

### **FINANCE AND DEVELOPMENT COMMITTEE**

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

### **AUDIT COMMITTEE**

The Audit Committee meets four times a year, with the University's External and Internal Auditors in attendance. The University appointed BDO in 2017/18 for its external audit services. The current internal audit providers, Ernst Young, were appointed in 2015/16 and in line with University policy the contract was retendered during 2018/19. As a result KPMG were appointed as internal auditors with effect from 1<sup>st</sup> September 2019.

The Committee membership comprises four independent members appointed by the Board of Governors, none of whom are members of the Finance and Development Committee, and up to a further two co-opted independent members. At least one member should have recent and relevant experience in finance, accounting or auditing. Members of the Executive attend meetings of the Audit Committee, but they are not members of the Committee. The

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

Committee members meet with the Auditors on their own for at least one independent discussion per annum. During 2018/19, one 'in camera' session of this type was held.

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

### **HR COMMITTEE**

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

### **REMUNERATIONS COMMITTEE**

In 2018/19 two separate Remuneration Committees were established: Remuneration Committee (Vice Chancellor and Chief Executive) and Remuneration Committee (Board Appointees). The Committees have distinct terms of reference and membership.

Remuneration Committee (Vice Chancellor and Chief Executive) membership comprises of: the Chairs of the Board's Committees and the Board and the President of the Students' Union. The Committee is chaired by one of the Vice Chairs of the Board. The Committee met on one occasion to discuss the remuneration of the Vice Chancellor, who is not a member of the Committee and was not present. The Committee agreed to offer the Vice Chancellor an uplift of 2% which was the nationally agreed uplift which had been applied to all the University's staff. The Vice Chancellor waived this increase. The Vice Chancellor's remuneration is reported later in this document in the format and with the justification as required by the OfS in its Accounts Directive.

Remuneration Committee (Board Appointees) considers the remuneration of the two Board appointments namely the Deputy Vice Chancellor and the Clerk to the Board. Its membership comprises of: the Chairs of the Board's Committees, with the Chair of the Board and the Vice Chancellor in attendance. The Committee is chaired by one of the Vice Chairs of the Board. The Committee met once in 2018/19 to discuss the remuneration of the Board appointees and the Vice Chancellor was in attendance as an advisor. The Committee agreed to create a new position of Provost and Deputy Vice Chancellor to which the existing Deputy Vice Chancellor was appointed. The Committee also agreed to create a new position of Head of Governance and Regulatory Affairs, who would also be Clerk to the Board of Governors, a Board appointment. The existing Head of Information Assurance was appointed to the post of Clerk by the Board and to the post of Head of Governance & Regulatory Affairs by the Vice Chancellor.

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

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

### **INTERNAL CONTROL AND RISK MANAGEMENT**

The Board has responsibility for maintaining a sound system of internal control that supports the achievement of institutional strategies and policies, whilst safeguarding public and other funds and the assets of the University. The system of internal control is designed to manage rather than eliminate risk and can only provide reasonable rather than absolute assurance of effectiveness. The University Risk Manager is the Head of Governance & Regulatory Affairs.

In February 2019 the Head of Governance & Regulatory Affairs was appointed as Clerk to the Board, this replaced the interim arrangement which had been in place since the previous Clerk left the University in March 2018.

An institutional Risk Register is maintained, which is presented on a six monthly basis to the Audit Committee and Board of Governors for approval. In 2018/19 the Head of Governance & Regulatory Affairs undertook a comprehensive review of the existing institutional Risk Register and Policy. The review resulted in a new format for the institutional Risk Register and significant update to the Risk Management Policy, both of which were considered by the Audit Committee and approved by the Board of Governors in July 2019. Separate and detailed risk registers are maintained for key capital developments and the Medical School project and risk assessments are also undertaken alongside any proposals for major new partnerships.

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

### **GOVERNANCE DEVELOPMENTS IN 2018/19**

During 2018/19 the Board has engaged in active consideration and discussion of the University's response to the Secretary of State for Education's independent review of the Teaching Excellence and Student Outcomes Framework (TEF) and the University's five year Access and Participation Plan (APP).

Going forward in 2019/20 the Board will undertake a Review of Board Effectiveness in accordance with the CUC Code of Governance.

Mr John Bateman OBE

Chair of the Board of Governors

Professor David Green CBE

Vice Chancellor and Chief Executive



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

### Opinion

We have audited the financial statements of University of Worcester ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheets, the Consolidated and University Statements of Changes in Reserves, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.



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

In our opinion, in all material respects:

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

**Responsibilities of governors**

As explained more fully in the governor responsibilities statement set out on pages 26 and 27, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

**Use of our report**

This report is made solely to the University board of governors, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's board of governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the governors as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

**Consolidated and University Statements of Comprehensive Income and Expenditure**  
**For the year ended 31st July 2019**

	Note	Group		University	
		2019 £000	2018 £000	2019 £000	2018 £000
<b>INCOME</b>					
Funding Body Grants	2	6,472	6,468	6,472	6,468
Tuition fees and education contracts	3	76,969	78,173	76,969	78,173
Research grants and contracts	4	1,230	1,027	1,230	1,027
Other income	5	12,000	12,987	11,986	12,958
Investment Income	6	220	138	273	202
Donations and endowments	7	21	37	21	37
<b>TOTAL INCOME</b>		<b>96,912</b>	<b>98,830</b>	<b>96,951</b>	<b>98,865</b>
<b>EXPENDITURE</b>					
Staff Costs	8	55,051	53,479	54,900	53,299
Other operating expenses	9 & 11	32,961	32,101	33,177	32,309
Depreciation and amortisation	9,12 & 13	4,479	4,468	4,592	4,581
Interest and other finance costs	10	4,111	4,269	4,111	4,269
<b>TOTAL EXPENDITURE</b>	11	<b>96,602</b>	<b>94,317</b>	<b>96,780</b>	<b>94,458</b>
<b>Surplus before other gains losses</b>		<b>310</b>	<b>4,513</b>	<b>171</b>	<b>4,407</b>
Loss on disposal of fixed assets	13	(370)	(17)	(368)	(17)
Gain on investment property	14	616	4,205	616	4,205
Surplus before taxation		556	8,701	419	8,595
Taxation	27	-	-	-	-
<b>Surplus for the year</b>		<b>556</b>	<b>8,701</b>	<b>419</b>	<b>8,595</b>
Actuarial (Loss)/gain in respect of pension schemes	26	(15,717)	10,645	(15,717)	10,645
<b>Total comprehensive income for the year</b>		<b>(15,161)</b>	<b>19,346</b>	<b>(15,298)</b>	<b>19,240</b>
Represented by:					
Restricted comprehensive income for the year		(50)	(8)	(50)	(8)
Unrestricted comprehensive income for the year		(15,111)	19,354	(15,248)	19,248
		(15,161)	19,346	(15,298)	19,240
<b>Surplus for the year attributable to:</b>					
Non-controlling interest		-	-	-	-
University		556	8,701	419	8,595
<b>Total Comprehensive income for the year attributable to</b>					
Non-controlling interest		-	-	-	-
University		(15,161)	19,346	(15,298)	19,240

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

The notes on pages 37-70 form part of these financial statements.

**Consolidated and University Balance Sheets as at 31st July 2019**

	Note	Group		University	
		2019 £000	2018 £000	2019 £000	2018 £000
<b>Non-current assets</b>					
Intangible assets	12	457	37	457	37
Tangible fixed assets	13	144,670	146,904	150,430	152,696
Investments	14	3,319	8,414	3,330	8,425
<b>Total Non-current assets</b>		<b>148,446</b>	<b>155,355</b>	<b>154,217</b>	<b>161,158</b>
<b>Current assets</b>					
Stock	15	12	21	7	16
Trade and other receivables	16	6,027	3,656	7,379	5,278
Short term Investments	17	-	14,000	-	14,000
Cash and cash equivalents		39,673	20,209	39,344	19,651
<b>Total Current assets</b>		<b>45,712</b>	<b>37,886</b>	<b>46,730</b>	<b>38,945</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	18	(10,435)	(13,161)	(10,405)	(13,067)
<b>Net Current assets</b>		<b>35,277</b>	<b>24,725</b>	<b>36,325</b>	<b>25,878</b>
<b>Total assets less current liabilities</b>					
		<b>183,723</b>	<b>180,080</b>	<b>190,542</b>	<b>187,036</b>
Creditors: amounts falling due after more than one year	19	(86,342)	(87,236)	(86,342)	(87,236)
<b>Provisions</b>					
Pension	21	(41,363)	(21,569)	(41,363)	(21,569)
Other	21	(209)	(305)	(209)	(305)
<b>Total Net assets</b>		<b>55,809</b>	<b>70,970</b>	<b>62,628</b>	<b>77,926</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment					
Income and expenditure reserve - restricted	22	78	128	78	128
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		45,347	60,216	52,166	67,172
Revaluation reserve		10,384	10,626	10,384	10,626
		<b>55,731</b>	<b>70,842</b>	<b>62,550</b>	<b>77,798</b>
<b>Total Reserves</b>		<b>55,809</b>	<b>70,970</b>	<b>62,628</b>	<b>77,926</b>

The financial statements on pages 33 to 70 were approved by the Board of Governors on 25<sup>th</sup> November 2019 and signed of their behalf:

The notes on pages 37-70 form part of these financial statements.

Mr John Bateman OBE  
Chair of the Board of Governors

Professor David Green CBE  
Vice Chancellor and Chief Executive

**Consolidated and University Statements of Changes in Reserves**  
**For the year ended 31st July 2019**

Group	Income and expenditure reserve		Revaluation reserve	Total excluding Non-controlling Interest	Non-controlling interest	Total Reserves
	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2018</b>	<b>128</b>	<b>60,216</b>	<b>10,626</b>	<b>70,970</b>	<b>-</b>	<b>70,970</b>
(Deficit) / surplus from the income and expenditure statement	(50)	606	-	556	-	556
Other comprehensive income	-	(15,717)	-	(15,717)	-	(15,717)
<b>Total comprehensive income/ (expense) for the year</b>	<b>(50)</b>	<b>(15,111)</b>	<b>-</b>	<b>(15,161)</b>	<b>-</b>	<b>(15,161)</b>
Transfers between revaluation and income and expenditure reserve	-	242	(242)	-	-	-
<b>Balance at 31 July 2019</b>	<b>78</b>	<b>45,347</b>	<b>10,384</b>	<b>55,809</b>	<b>-</b>	<b>55,809</b>

University	Income and expenditure reserve		Revaluation reserve	Total excluding Non-controlling Interest	Non-controlling interest	Total Reserves
	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2018</b>	<b>128</b>	<b>67,172</b>	<b>10,626</b>	<b>77,926</b>	<b>-</b>	<b>77,926</b>
(Deficit) / surplus from the income and expenditure statement	(50)	469	-	419	-	419
Other comprehensive income	-	(15,717)	-	(15,717)	-	(15,717)
<b>Total comprehensive income/ (expense) for the year</b>	<b>(50)</b>	<b>(15,248)</b>	<b>-</b>	<b>(15,298)</b>	<b>-</b>	<b>(15,298)</b>
Transfers between revaluation and income and expenditure reserve	-	242	(242)	-	-	-
<b>Balance at 31 July 2019</b>	<b>78</b>	<b>52,166</b>	<b>10,384</b>	<b>62,628</b>	<b>-</b>	<b>62,628</b>

**Consolidated Cash Flow Statement for the year ended 31st July 2019**

	<b><u>2019</u></b> £000	<b><u>2018</u></b> £000
<b>Cash flow from operating activities</b>		
Surplus for the year	556	8,701
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	4,479	4,468
Increase in stock	9	(6)
Increase in debtors	347	(368)
Increase in creditors	(2,090)	259
Annual pension cost adjustments	4,077	2,742
Decrease in other provisions	(96)	(23)
Revaluation of non-current asset investments	140	(4,205)
<b>Adjustment for investing or financing activities</b>		
Investment income	(220)	(138)
Interest payable	3,471	3,485
Donations income	(21)	(37)
Gain on disposal of investment property	(756)	-
Loss on the disposal of fixed assets	370	17
<b>Net cash flow from operating activities</b>	<b>10,266</b>	<b>14,895</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of tangible fixed assets	8,593	-
Withdrawal of deposits	14,000	-
Investment income	220	138
Payments made to acquire tangible and intangible fixed assets	(3,037)	(5,309)
Payments made to acquire investments	(5,600)	-
New deposits	-	(4,000)
<b>Net cash flow from / (used in) investing activities</b>	<b>14,176</b>	<b>(9,171)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(3,269)	(3,277)
Interest element of finance lease and service concession payments	(201)	(208)
Donation cash received	21	37
Repayments of amounts borrowed	(1,429)	(1,812)
Capital element of finance lease and service concession payments	(100)	(95)
<b>Net cash flow (used in) financing activities</b>	<b>(4,978)</b>	<b>(5,355)</b>
<b>Increase in cash and cash equivalents in the year</b>	<b>19,464</b>	<b>369</b>
Cash and cash equivalents at beginning of the year	20,209	19,840
Cash and cash equivalents at end of the year	39,673	20,209
<b>In year movement</b>	<b>19,464</b>	<b>369</b>

**Notes to the financial statements**  
**Year ended 31<sup>st</sup> July 2019**

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

### **Basis of preparation**

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

### **Basis of consolidation**

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31<sup>st</sup> July 2019. Intra-group transactions are eliminated on consolidation.

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

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

### **Income recognition**

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

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

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

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

### **Grant funding**

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

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

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

### Donations and endowments

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

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

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

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

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

### Capital grants

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

### Accounting for retirement benefits

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

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

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

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

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

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

### Defined contribution plan

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

### Defined benefit plan

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

### Employment benefits

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

### Finance leases

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

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

### Service concession arrangements

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

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



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

### Operating leases

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

### Foreign currency

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

### Fixed assets

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

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

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

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

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

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

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

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

### Equipment

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

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

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

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

### Borrowing costs

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

### Intangible assets

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

### Investment properties

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

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

### Investments

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

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

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

### Stocks

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

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

### Cash and cash equivalents

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

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

### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

### Taxation

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

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

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

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

### Financial Instruments

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

### Reserves

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

### Critical accounting judgements and estimation uncertainty

Investment Land (note 14) – As part of the FRS102 transition the University reclassified the land held at University Park as Investment Land. This was following an update to the University's long-term capital development programme. As the land was not currently being used by the University on a continuing operational basis, management reviewed the options in relation to the possible sale of the land in the future. In the meantime, the University is not generating any cash flow from the land and therefore until the point of sale the land is deemed as being held for capital appreciation and therefore was reclassified as investment land in 2016. For the year ending 31<sup>st</sup> July 2018, the University instructed a formal revaluation of the site in order to ensure the land is held at fair value. Due to external factors, such as residential planning permission approval, on both parts of the site, and on other similar local sites, the land was and continues to be valued based on 'residential' use rather than 'employment' use. During the year ending 31<sup>st</sup> July 2019 part of the land was sold and an updated valuation was received relating to the remaining land.

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

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

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

**2. Funding body grants**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
<b>Recurrent grant:</b>				
Office for Students	3,465	3,495	3,465	3,495
Research England	980	939	980	939
<b>Specific Grants:</b>				
Fellowship Monies	-	2	-	2
Higher Education Innovation Fund	412	379	412	379
Widening Participation	533	583	533	583
National College for Teaching and Leadership	131	202	131	202
Department for Education Apprenticeship Levy	37	10	37	10
<b>Deferred Capital Grants released:</b>				
Buildings	400	400	400	400
Equipment	514	458	514	458
	<u>6,472</u>	<u>6,468</u>	<u>6,472</u>	<u>6,468</u>

**3. Tuition fees and education contracts**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Full time home students fees	62,637	63,951	62,637	63,951
Part time home students fees	3,372	3,269	3,372	3,269
EU student fees	3,744	2,249	3,744	2,249
Overseas student fees	1,690	1,514	1,690	1,514
Apprenticeships	309	29	309	29
Short course fees	323	496	323	496
Other fees	1,924	1,488	1,924	1,488
Contract Income Health Education England	2,970	5,177	2,970	5,177
	<u>76,969</u>	<u>78,173</u>	<u>76,969</u>	<u>78,173</u>

**4. Research grants and contracts**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Research Councils	76	119	76	119
UK Industry	170	174	170	174
UK Government	407	232	407	232
UK Based Charities	426	292	426	292
Other Grants & Contracts	151	210	151	210
	<u>1,230</u>	<u>1,027</u>	<u>1,230</u>	<u>1,027</u>

**5. Other Income**

	<b>Group</b>		<b>University</b>	
	<b>2019</b> £000	<b>2018</b> £000	<b>2019</b> £000	<b>2018</b> £000
Residences, catering and conferences	8,622	9,567	8,622	9,567
Other services rendered	199	186	199	186
Release of other deferred capital grants	74	130	74	130
Other income	3,105	3,104	2,872	2,849
Inter Company Sales	-	-	219	226
	<b>12,000</b>	<b>12,987</b>	<b>11,986</b>	<b>12,958</b>

**6. Investment income**

	<b>Group</b>		<b>University</b>	
	<b>2019</b> £000	<b>2018</b> £000	<b>2019</b> £000	<b>2018</b> £000
Other investment income	220	138	217	135
Interest from Subsidiaries and Joint Ventures	-	-	56	67
	<b>220</b>	<b>138</b>	<b>273</b>	<b>202</b>

**7. Donations and endowments**

	<b>Group</b>		<b>University</b>	
	<b>2019</b> £000	<b>2018</b> £000	<b>2019</b> £000	<b>2018</b> £000
Donations with restrictions	21	35	21	35
Unrestricted donations	-	2	-	2
	<b>21</b>	<b>37</b>	<b>21</b>	<b>37</b>



**8. Staff costs**

	Group		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Wages and Salaries	40,959	40,878	40,827	40,720
Social Security Costs	4,249	4,194	4,230	4,172
Movement on USS provision	699	22	699	22
Other Pension Costs	9,080	8,212	9,080	8,212
Termination Costs	64	173	64	173
	<b>55,051</b>	<b>53,479</b>	<b>54,900</b>	<b>53,299</b>

The termination costs above relate to 18 individual payments made during the year (2018: 7)

**Emoluments of the Vice Chancellor and Chief Executive:**

	Group		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Salary	325	325	325	325

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

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

In accordance with the Higher Education Code of Governance (para 3.15), the Committee reports to the Board on an annual basis.

During 2018/19 the membership of Remuneration Committee (Vice Chancellor and Chief Executive) comprised:-

**Remuneration Committee (Vice Chancellor and Chief Executive)****Chair:**

Vice Chair of the Board of Governors

**Members:**

Chair of the Board of Governors

Chair of the Finance and Development Committee

Chair of the Audit Committee

Chair of the HR Committee

President of the Student Union

**In attendance**

Director of Human Resources

**Secretary**

Clerk to the Board of Governors

The process for the performance review of the Vice Chancellor is conducted with reference to the CUC Code on Senior Staff Remuneration and Regulatory Advice 9 from the Office for Students.

## 8. Staff costs (*continued*)

When making decisions, Committee members referred to the Terms of Reference for the Remuneration Committee and the delegated powers as outlined in the Articles of Government (3.3.3.).

In advance of the meeting, Committee members received detailed information in relation to the review process for the Vice Chancellor. This included an overview of the current salary arrangements and benchmark data in relation to the nearest role group using data provided by UCEA Senior Staff Remuneration Survey 2018, OfS report on Senior Staff Remuneration and CUC data relating to VC pay for Post 1992 institutions with similar turnover.

In addition, the Chair of the Board of Governors provided a written summary of the appraisal discussion with the Vice Chancellor and feedback on performance against agreed objectives.

For 2017/18, the Chair and Vice Chancellor agreed a fifteen point review framework that was used as the basis of the appraisal/review process. The fifteen KPI's selected broadly reflected the priorities set out in the new strategic plan and the main duties outlined in the Vice Chancellors job description.

Throughout the year, progress in each of the fifteen key performance areas of the framework was monitored and reviewed in regular meetings between the Chair and Vice Chancellor. On occasions this has additionally involved the Vice Chairs.

The Vice Chancellor also reported to the Board at each meeting using the key performance areas in the framework as a basis for his report.

Evidence of progress in each of the fifteen key performance areas was recorded throughout the year and this evidence was shared with the Committee members. This included a range of notable achievements, including:

- The creation of a new strategic plan for the University, building on the many successes to date, with a focus on the ability to combine institutional agility and innovation with educational excellence and timeless, inclusive human values.
- In 2017/18, the University had the largest all-year student number ever, with noted improvements in student retention.
- A number of top rankings earned, including: top 25% of UK universities for students' satisfaction (NSS 2018), top university in the UK for gender pay equality (UK Statistics 2018), top 10 performance in postgraduate taught experience survey (Advance HE 2018), top 10 of UK universities to best reflect society (HEPI 2018).
- The opening of the University of Worcester Art House building, continuing the University's commitment to transforming the City of Worcester through its programme of capital development.
- The launch of a partnership with the International Paralympic Committee Academy, preparation for the University's inclusive cricket centre and publication of the University's Gender Pay Gap figures, which were the best in the Sector.

In reviewing the performance of the Vice Chancellor in 2018/19, the Committee commended the Vice Chancellor for his innovative and highly effective leadership during a notably turbulent time for the Higher Education Sector and for his performance against the agreed objectives.

## 8. Staff costs (continued)

Having considered feedback from the Chair of the Board of Governors, in relation to the performance of the Vice Chancellor against the agreed annual objective, and with reference to relevant sector benchmark data and the 'cost of living' salary increase applied to all staff at the University, the Committee agreed to apply a 2% award to the salary of the Vice Chancellor, backdated to 1st August 2018. This was the same percentage uplift in salaries that had already been applied, as a minimum, to all staff at the University. The Vice Chancellor decided to waive the agreed increase, for a second year.

The multiple of The Vice Chancellor and Chief Executive's total remuneration, to that of the median total remuneration for all staff, including student employees and agency staff was 11.6 (2018: 11.4)

The multiple of The Vice Chancellor and Chief Executive's total remuneration, to that of the median total remuneration for all staff, including agency staff but EXCLUDING student employees was 8.5

The multiple of the Vice Chancellor and Chief Executive's salary, to that of the median salary, for all staff, including student employees and agency staff was 13.0 (2018: 13.0)

The multiple of the Vice Chancellor and Chief Executive's salary, to that of the median salary, for all staff, including agency staff but EXCLUDING student employees was 9.7

Key Management Personnel	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Salary and employee benefits including pension contributions	1,166	1,231	1,166	1,231

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

The membership of the Vice Chancellors Executive Board includes the Vice Chancellor and Chief Executive, Deputy Vice Chancellor, Pro Vice-Chancellor Students, Director of Finance and Resources, Director of Human Resources, Director of Communications and Participation, Head of Information Assurance, and Head of Vice Chancellors Office. During the year certain roles have been restructured, which led to a reduction in costs as there are no longer separate positions for the Clerk of the Board of Governors and University Legal Counsel. The role of Clerk is now included within the role of the Head of Information Assurance.

Governors are entitled to reimbursement of travel expenses. During the year £765.45 was claimed by three individuals (2018: £622.85 by two individuals).

Emoluments of higher paid staff:

	<u>2019</u> number	<u>2018</u> number	<u>2019</u> number	<u>2018</u> number
£100,001 - £105,000	1	-	1	-
£120,000 - £125,000	-	2	-	2
£125,001 - £130,000	2	-	2	-
£175,001 - £180,000	-	1	-	1
£185,001 - £190,000	1	-	1	-
£325,001 - £330,000	1	1	1	1

**8. Staff costs (continued)**

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

**Average Monthly number of staff:**

	Group		University	
	<u>2019</u> fte	<u>2018</u> fte	<u>2019</u> fte	<u>2018</u> fte
Academic Departments	609	561	609	561
Academic Services	62	84	62	84
Administrative and central services	317	284	311	278
Premises	101	103	101	103
Research	28	32	28	32
Residences, catering and conferences	29	48	29	48
	<u>1,146</u>	<u>1,112</u>	<u>1,140</u>	<u>1,106</u>

**9. Other operating expenses**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Residences, catering and conferences	3,416	4,004	3,407	3,997
Consumables and laboratory expenditure	2,208	1,056	2,208	1,056
Books and periodicals	1,030	859	1,030	859
Heat, light, water and power	1,968	1,709	1,968	1,709
Repairs and general maintenance	2,704	2,967	2,705	2,968
Grants to UW Students' Union	529	500	529	500
Auditors remuneration:				
External	74	73	68	67
Internal	46	98	46	98
Non-audit services	-	50	-	50
Property operating leases	341	749	341	749
Equipment operating leases	164	184	164	184
Payments to Partner Colleges	6,349	6,111	6,349	6,111
Student Bursaries	1,781	1,599	1,781	1,599
Other expenses	12,351	12,142	12,581	12,362
	<u>32,961</u>	<u>32,101</u>	<u>33,177</u>	<u>32,309</u>
Depreciation and Amortisation	4,479	4,468	4,592	4,581

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

**10. Interest and other finance costs**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Loans not wholly repayable within 5 years	3,269	3,266	3,269	3,266
Lease Finance Costs	201	208	201	208
Unwind of discount on USS pension provision	8	8	8	8
Pension Interest	633	777	633	777
Loan arrangement fee	-	10	-	10
	<u>4,111</u>	<u>4,269</u>	<u>4,111</u>	<u>4,269</u>

**11. Analysis of Expenditure by Activity**

	Group				<b><u>2019</u></b> <b><u>Total</u></b> £000	<b><u>2018</u></b> <b><u>Total</u></b> £000
	<b>Staff costs</b>	<b>Other expenses</b>	<b>Depreciation and amortisation</b>	<b>Interest and other finance costs</b>		
	£000	£000	£000	£000		
Academic Departments	36,862	15,371	363	-	52,596	35,471
Academic Services	2,962	3,411	459	201	7,033	6,643
Administrative and central services	9,495	4,289	40	3,910	17,734	32,757
Premises	2,868	6,182	1,050	-	10,100	9,814
Research	1,847	344	9	-	2,200	1,805
Residences, catering and conferences	1,017	3,364	2,558	-	6,939	7,827
	<b>55,051</b>	<b>32,961</b>	<b>4,479</b>	<b>4,111</b>	<b>96,602</b>	<b>94,317</b>

	University				<b><u>2019</u></b> <b><u>Total</u></b> £000	<b><u>2018</u></b> <b><u>Total</u></b> £000
	<b>Staff costs</b>	<b>Other expenses</b>	<b>Depreciation and amortisation</b>	<b>Interest and other finance costs</b>		
	£000	£000	£000	£000		
Academic Departments	36,862	15,371	363	-	52,596	35,471
Academic Services	2,962	3,411	459	201	7,033	6,643
Administrative and central services	9,344	5,096	34	3,910	18,384	32,858
Premises	2,868	5,591	1,050	-	9,509	9,833
Research	1,847	344	9	-	2,200	1,805
Residences, catering and conferences	1,017	3,364	2,677	-	7,058	7,848
	<b>54,900</b>	<b>33,177</b>	<b>4,592</b>	<b>4,111</b>	<b>96,780</b>	<b>94,458</b>



**12. Intangible assets****Group and University**

	<b>2019</b>	<b>2018</b>
	£000	£000
<b>Cost</b>		
At beginning of year	936	982
Assets in course of development	437	(46)
Disposals	(201)	-
At end of year	<b>1,172</b>	<b>936</b>
<b>Accumulated amortisation</b>		
At beginning of year	899	876
Charge for year	15	23
Amortisation on disposals	(199)	-
At end of year	<b>715</b>	<b>899</b>
<b>Net book value</b>		
At end of year	<b>457</b>	<b>37</b>
Previous year	<b>37</b>	<b>106</b>

**13. Tangible Fixed Assets**

	Group					Total 2019 £000
	Freehold Land and Buildings  £000	Service concession arrangement Land and Buildings  £000	Plant and Machinery  £000	Fixtures, Fittings and Equipment  £000	Assets in the Course of Construction  £000	
Cost or valuation at beginning of year	157,246	11,331	586	9,435	4,632	183,230
Additions at cost	1,098	-	136	645	721	2,600
Transfers (reclassification)	3,248	-	-	128	(3,376)	-
Disposals at cost	(1,199)	-	(15)	(605)	-	(1,819)
<b>At end of year</b>	<b>160,393</b>	<b>11,331</b>	<b>707</b>	<b>9,603</b>	<b>1,977</b>	<b>184,011</b>
Accumulated depreciation						
At beginning of year	28,215	1,360	332	6,419	-	36,326
Charge for year	3,164	185	91	1,024	-	4,464
Depreciation on disposals	(873)	-	(13)	(563)	-	(1,449)
<b>At end of year</b>	<b>30,506</b>	<b>1,545</b>	<b>410</b>	<b>6,880</b>	<b>-</b>	<b>39,341</b>
Net Book Value						
At end of year	129,887	9,786	297	2,723	1,977	144,670
Previous Year	129,031	9,971	254	3,016	4,632	146,904

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

	University					Total 2019 £000
	Freehold Land and Buildings £000	Service concession arrangement Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	
Cost or valuation at beginning of year	163,526	11,331	567	9,435	4,630	189,489
Additions at cost	1,099	-	136	645	799	2,679
Transfers (reclassification)	3,248	-	-	128	(3,376)	-
Disposals at cost	(1,199)	-	(10)	(605)	-	(1,814)
<b>At end of year</b>	<b>166,674</b>	<b>11,331</b>	<b>693</b>	<b>9,603</b>	<b>2,053</b>	<b>190,354</b>
Accumulated depreciation						
At beginning of year	28,688	1,360	326	6,419	-	36,793
Charge for year	3,283	185	85	1,024	-	4,577
Depreciation on disposals	(873)	-	(10)	(563)	-	(1,446)
<b>At end of year</b>	<b>31,098</b>	<b>1,545</b>	<b>401</b>	<b>6,880</b>	<b>-</b>	<b>39,924</b>
Net Book Value						
At end of year	135,576	9,786	292	2,723	2,053	150,430
Previous year	134,838	9,971	241	3,016	4,630	152,696

**14. Investments**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
<b>Investment Land</b>				
At beginning of year	8,405	4,200	8,405	4,200
Purchases at cost	5,600	-	5,600	-
Disposals	(10,555)	-	(10,555)	-
Movement in fair value	(140)	4,205	(140)	4,205
<b>At end of year</b>	<b>3,310</b>	<b>8,405</b>	<b>3,310</b>	<b>8,405</b>
<b>Investments in subsidiary companies</b>				
Investments in subsidiary companies	-	-	20	20
Investment in BBL Franchise for UW Worcester Wolves Limited	9	9	-	-
	<u>3,319</u>	<u>8,414</u>	<u>3,330</u>	<u>8,425</u>

The Investment land value stated above relates to the land held at University Park. The University no longer has any intentions of developing this land for operational purposes, due to focusing on other capital development projects, and therefore it is now classified as an Investment asset.

Due to the land being classified as investment property, any movements in its fair value is recognised in income or expenditure. For the year ending 31<sup>st</sup> July 2019, the University instructed an update to the formal revaluation which was carried out the previous year in order to ensure the land is held at fair value. The result of which is shown above.

During the year the University enacted its right to purchase an adjoining piece of land, which was immediately sold to Bloor Homes, alongside the other element of land that was covered under the existing option agreement. The balance above therefore relates to the remaining parcel of land.

**Subsidiaries**

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

(\*) Held indirectly

**15. Stocks**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Stock (wine for ceremonies & events and merchandise)	12	21	7	16

**16. Trade and other receivables**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
<b>Amounts falling due within one year:</b>				
Research grants receivables	36	61	36	61
Other trade receivables	1,491	2,205	1,469	2,167
Amounts owed from sale of investments	1,359	-	1,359	-
Amounts owed by subsidiary undertakings	-	-	617	303
Prepayments and accrued income	1,782	1,390	1,782	1,390
	4,668	3,656	5,263	3,921
<b>Due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	757	1,357
Amounts owed from sale of investments	1,359	-	1,359	-
	6,027	3,656	7,379	5,278

**17. Short Term Investments**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
	-	14,000	-	14,000

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

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Payments received on account	451	351	451	351
Trade Creditors	668	3,053	662	3,041
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	3	-
Finance Lease	104	100	104	100
Tax and Social Security	149	89	149	80
Accruals and deferred income	5,841	6,246	5,814	6,173
Other Creditors	1,793	1,893	1,793	1,893
Bank Loan	1,429	1,429	1,429	1,429
	10,435	13,161	10,405	13,067

**18. Creditors: Amounts falling due within one year (continued)****Deferred income**

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

	Group		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Research grants received on account	361	210	361	210
Grant income	23	90	23	90
Other income	954	917	954	917
Student tuition and accommodation fees received in advance	968	933	968	933
	<u>2,306</u>	<u>2,150</u>	<u>2,306</u>	<u>2,150</u>

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

	Group		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Accruals and deferred income	919	-	919	-
Obligations under finance lease	2,659	2,763	2,659	2,763
Secured loans	67,008	68,437	67,008	68,437
Deferred Income in relation to Government Capital Grants	15,756	16,036	15,756	16,036
	<u>86,342</u>	<u>87,236</u>	<u>86,342</u>	<u>87,236</u>

**Analysis of secured and unsecured loans:**

	Group		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Due within one year or on demand	1,429	1,429	1,429	1,429
Due between one and two years	1,429	1,429	1,429	1,429
Due between two and five years	27,723	27,723	27,723	27,723
Due in five years or more	37,856	39,285	37,856	39,285
Due after more than one year	67,008	68,437	67,008	68,437
Total secured and unsecured loans	<u>68,437</u>	<u>69,866</u>	<u>68,437</u>	<u>69,866</u>



**19. Creditors: Amounts falling due after more than one year (continued)****Analysis of finance lease repayments**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Due within one year	298	301	298	301
Due between one and two years	297	298	297	298
Due between two and five years	874	885	874	885
Due in five years or more	3,325	3,611	3,325	3,611
Total gross payments	4,794	5,095	4,794	5,095
Less finance charges included above	(2,031)	(2,232)	(2,031)	(2,232)
	<u>2,763</u>	<u>2,863</u>	<u>2,763</u>	<u>2,863</u>

**Finance lease liability**

	Group		University	
	<u>2019</u> £000	<u>2018</u> £000	<u>2019</u> £000	<u>2018</u> £000
Opening balance	2,863	2,958	2,863	2,958
Payments	(100)	(95)	(100)	(95)
Closing balance	<u>2,763</u>	<u>2,863</u>	<u>2,763</u>	<u>2,863</u>

The University has a loan facility with Barclays Bank PLC of £80 million for capital development works, of which all has now been drawn down. The outstanding balance as at 31<sup>st</sup> July 2019 is £68 million. Of the loan drawn down £45 million is at a fixed interest rate of 4.952%, with the remaining £23 million subject to interest at LIBOR. The repayment schedule of the £45 million includes a bullet payment of £12.5 million payable on 31<sup>st</sup> July 2042. The capital repayment schedule of the more recent £23 million drawn down, is due for repayment in February 2022, although Barclays have indicated a willingness to extend this repayment date further, subject to discussions nearer the time. The loans are secured by specific charges on the St Johns Campus and City Campus. Total carrying amounts of these assets as at 31<sup>st</sup> July 2019 are £89,866K (2018: £92,980K)

The University has a 25 year finance lease in respect of the joint library with Worcestershire County Council. The finance lease liability relates to the University share of the library facility, The Hive which opened in July 2012. The Hive has been developed through a partnership between the University of Worcester (UoW) and Worcestershire County Council (WCC) and has been financed through a Private Finance Initiative (PFI). The project partnership is for the provision of a fully integrated public and University library. The PFI agreement is between the contractor, Galliford Try Investments Ltd and WCC for the construction and provision of the library. During the life of the contract the unitary payment value is £4.65m, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. A stakeholder agreement exists between WCC and UoW for the 25 year term of the development project. The partners are committed to the project in the share WCC 70% and UoW 30%, or as altered by mutual agreement to reflect actual usage of The Hive by the various parties. The cost is reflected in these proportions after PFI credits have been applied. The value on the balance sheet of £2.763 million relates to a 30% share of the total PFI contract. The finance lease cost represents the UoW obligation to the project for the building element of the agreement plus any allocated depreciation for the period.

**20. Consolidated reconciliation of net debt**

	<b>2019</b>
	£000
Net debt at beginning of year	(52,520)
Movement in cash and cash equivalents	19,464
Amount of debt repaid in year	1,529
Net debt at end of year	(31,527)
<b>Change in net debt</b>	<b>20,993</b>

**Analysis of net debt:**

	<b>2019</b>	<b>2018</b>
	£000	£000
Cash and cash equivalents	39,673	20,209
Borrowings: amounts falling due within one year		
Secured loans	(1,429)	(1,429)
Obligations under finance leases	(104)	(100)
	(1,533)	(1,529)
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	(2,659)	(2,763)
Secured loans	(67,008)	(68,437)
	(69,667)	(71,200)
<b>Net debt</b>	<b>(31,527)</b>	<b>(52,520)</b>

**21. Provisions for liabilities**

	Group and University						
	Obligation to fund deficit on USS Pension £000	Pension enhancements on termination £000	Defined Benefit Obligations (Note 26) £000	Total Pensions Provisions £000	Legal £000	VAT £000	Total Other £000
At 1 August 2018	370	301	20,898	21,569	196	109	305
Utilised in year	-	(42)	-	(42)	-	(54)	(54)
Additions in 2018/19	687	1	19,148	19,836	23	-	23
Unused amounts reversed in 2018/19	-	-	-	-	(65)	-	(65)
<b>At 31 July 2019</b>	<b>1,057</b>	<b>260</b>	<b>40,046</b>	<b>41,363</b>	<b>154</b>	<b>55</b>	<b>209</b>

**USS deficit**

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

**Pension enhancement**

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

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

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

**VAT**

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

## 22. Restricted Reserves

Reserves with restrictions are as follows:

	Capital grants £000	Donations £000	Other £000	<b>2019</b> <b>Total</b> £000	<b>2018</b> <b>Total</b> £000
Balances at 1 August 2018	-	55	73	128	136
New grants	-	-	1	1	15
New donations	-	21	-	21	36
Expenditure	-	(21)	(51)	(72)	(59)
<b>At 31 July 2019</b>	<b>-</b>	<b>55</b>	<b>23</b>	<b>78</b>	<b>128</b>

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

## 23. Capital and other commitments

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

	<b>2019</b> £000	<b>2018</b> £000
Commitments contracted for:		
Building Refurbishment Works	16	94
Infrastructure Works	-	298
City Campus S106	-	16
Construction of Residences	1,287	-
Enabling Works for Future Capital Developments	122	-
General Refurbishment Works	-	754
Finance Management System	94	-
	<b>1,519</b>	<b>1,162</b>

## 24. Contingent liabilities

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

## 25. Lease obligations

Total rentals payable under operating leases:

	<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>31 July 2019</b>	<b>31 July 2018</b>
	£000	£000	£000	£000	£000
<b>Payable during the year</b>	139	6	164	<b>309</b>	668
<b>Future minimum lease payments due:</b>					
Not later than 1 year	132	-	90	<b>222</b>	297
Later than 1 year and not later than 5 years	520	-	-	<b>520</b>	698
Later than 5 years	1,770	-	-	<b>1,770</b>	1,770
<b>Total lease payments due</b>	<b>2,422</b>	<b>-</b>	<b>90</b>	<b>2,512</b>	<b>2,765</b>

## 26. Pension schemes

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

### Worcestershire Pension Fund (WPF)

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

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

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

Under the definitions set out in FRS 102, the WCCPF is a multi-employer defined benefit pension scheme. In the case of the WCCPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31<sup>st</sup> July 2019, using the updated assumptions shown below:

	2019	2018
Rate of CPI inflation	2.20%	2.10%
Rate of increase in salaries	3.70%	3.60%
Rate of increase in pensions	2.30%	2.20%
Discount Rate	2.20%	2.90%

### Mortality Assumptions

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

	As at 31st July 2019	As at 31st July 2018
<b>Males</b>		
Current Pensioner	22.8	22.7
Future pensioner aged 65 in 20 years' time	25.1	24.9
<b>Females</b>		
Current Pensioner	25.8	25.7
Future pensioner aged 65 in 20 years' time	28.2	28.0

**26. Pension schemes (continued)**

The assets in Worcestershire Pension Fund (WPF) scheme were:

The breakdown of Assets in the scheme are as follows:

	% at 31st July 2019	Value at 31st July 2019 £000	% at 31st July 2018	Value at 31st July 2018 £000
	%		%	
Equities	70.90	47,421	76.90	47,115
Government Bonds	7.5	5,016	8.20	5,024
Other Bonds	5.0	3,344	4.70	2,880
Property	6.0	4,013	4.60	2,818
Cash/Liquidity	2.9	1,940	1.30	796
Other	7.7	5,150	4.30	2,634
		<b>66,884</b>		<b>61,267</b>

**Reconciliation of fair value of assets**

	<b>2019</b> £000	<b>2018</b> £000
Fair Value of assets at beginning of year	61,267	52,917
Interest on plan assets	1,815	1,408
Administration expenses	(61)	(58)
Re-measurements of assets	1,205	4,503
Employer Contributions	2,753	2,638
Member Contributions	1,050	1,006
Benefits/transfers	(1,145)	(1,147)
Fair Value of assets at end of year	<b>66,884</b>	<b>61,267</b>

**Reconciliation of present value of scheme liabilities**

	<b>2019</b> £000	<b>2018</b> £000
Benefit Obligation at beginning of year	82,165	81,611
Current Service Cost	4,399	4,713
Interest on Pension Liabilities	2,381	2,119
Member Contributions	1,050	1,006
Past Service Costs	1,158	-
Re-measurements of liabilities	16,922	(6,142)
Curtailements	-	5
Benefits/transfers paid	(1,145)	(1,147)
Benefit obligation at end of year	<b>106,930</b>	<b>82,165</b>

	<b>2019</b> £000	<b>2018</b> £000
Total market value of assets	66,884	61,267
Present value of scheme liabilities	(106,930)	(82,165)
Deficit – Net pension liability	<b>(40,046)</b>	<b>(20,898)</b>

The value of pension payments made in year to the Worcestershire Pension Fund was £3,801,758 (2018: £3,642,829).



**26. Pension schemes (continued)****Provision for pensions**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	£000	£000
As at 1st August	20,898	28,694
Increase/ (Decrease) in pension liability	19,148	(7,796)
<b>As at 31st July</b>	<b>40,046</b>	<b>20,898</b>

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
	£000	£000
Current service Cost	4,399	4,713
Past service cost	1,158	-
Net interest cost	566	711
Administration expenses	61	63
<b>Total pension cost recognised in Income &amp; Expenditure</b>	<b>6,184</b>	<b>5,487</b>
Re-measurements (liabilities & assets)	15,717	(10,645)
<b>Total pension costs recognised in SOI</b>	<b>21,901</b>	<b>(5,158)</b>

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

	<b><u>2019</u></b>	<b><u>2018</u></b>
	£000	£000
Deficit on scheme at 1st August	(20,898)	(28,694)
Current service cost	(4,399)	(4,713)
Past service cost	(1,158)	-
Contributions	2,753	2,638
Net interest cost	(566)	(711)
Re-measurements (liabilities & assets)	(15,717)	10,645
Curtailements	-	(5)
Administration expenses	(61)	(58)
<b>Deficit at 31st July</b>	<b>(40,046)</b>	<b>(20,898)</b>

In December 2018, the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud, relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27<sup>th</sup> June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required.

## 26. Pension schemes (*continued*)

At this stage, it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes, but this note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members.

- FRS102 liabilities which have been used in the calculations is: £105,771,000
- Applying the calculations to the estimated active member liabilities and service cost at 31<sup>st</sup> July 2019 gives the following figures:
  - Additional past service liabilities as at 31 March 2019: £1,158,000
  - Additional projected service cost for the year commencing 1 April 2019: £220,000

### Teachers' Pension Scheme (TPS)

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

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%).

During the year, the employer contribution rate paid was 16.48% and the employees' contribution varied between 7.4% and 11.7% members full time equivalent salary. The value of pension payments made in year to the Teachers' Pension Scheme was £5,732K (2018: £5,355K).

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

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015. The cases of Sargeant and McCloud, referred to in the previous Worcestershire Pension Fund section, are also relevant to TPS, for which the implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

## 26. Pension schemes (continued)

### Universities' Superannuation Scheme (USS)

#### Principal accounting policies

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

#### Critical accounting judgements

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

#### Pension Costs

The total cost charged to the Income and Expenditure account is £940K (2018: £209K), which is made up of the following entries:

#### UNIVERSITIES SUPERANNUATION SCHEME

	<b>2019</b> £000	<b>2018</b> £000
Employer contributions paid	253	253
Interest Payable - Unwinding of discount	8	8
Element of employer contributions allocated against the deficit	(20)	(30)
Difference between actual contribution and past expectations	699	(22)
<b>Total amount charged to the Income and Expenditure Account</b>	<b>940</b>	<b>209</b>
Brought Forward Pension Provision	(370)	(413)
Movement	(940)	(210)
Cash payments made to USS	253	253
<b>Carried Forward Pension Provision (Note 21)</b>	<b>(1,057)</b>	<b>(370)</b>

## 26. Pension schemes (continued)

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

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

The 2017 valuation was the fourth valuation for the scheme 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%.

The key financial assumptions used in the 2017 valuation are as follows:

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
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%

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:

	<b>2017 valuation</b>
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

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

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

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

## 26. Pension schemes *(continued)*

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £631K, a decrease of £426K from the current year end provision.

## 27. Taxation

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

## 28. NCTL Training salaries and bursaries

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

	<b>2019</b> £000	<b>2018</b> £000
Funding	2,610	2,523
Disbursements to Students	(2,560)	(2,409)
Balance unspent as at 31st July	<u>50</u>	<u>114</u>

## 29. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (with members drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest.

All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest. However, there have been no material transactions with members of the board during the accounting year.

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

	<b>2019</b>
	£0's
AUA	884
The Basketball League Ltd	3,606
CILIP	1,273
Graduate Prospects	1,020
Higher Education Careers Services Unit	1,130
SCONUL	2,639
Universities UK	25,075
West Mercia Police	75,377
Worcester City Council	41,779
Worcester Cathedral	11,325
Worcestershire County Council	771,048
Worcester Student's Union	566,396
Worcester Sixth Form College	760

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

### University of Worcester Students' Union:

In accordance with FRS 102 section 33, the activities of Worcester Students' Union have not been consolidated on the grounds that the University does not operate dominant influence over its activities. During the year, the University contributed grants of £529K (2018: 500K) to the Students' Union, along with reimbursement for travel costs relating to student sporting teams and specific insurance costs relating to equipment. In addition, the Students' Union occupies the building on a rent free basis under a licence agreement, subject to the Union maintaining the building in a good state of repair. The President and Vice President (Education) occupy a position on the Board of Governors.

## 30. Post Balance Sheet Events

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 £426K in the provision for the Obligation to fund the deficit on the USS pension which would instead be £631K. This adjustment will be reflected in the University's Financial Statements for the year ended 31st July 2020.