



UNIVERSITY OF  
GLOUCESTERSHIRE

# Financial Statements

For the year ended 31 July 2018



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# Members of Council and major committees

## Members of Council for the period 1 August 2017 to 27 November 2018

Ms J Anderson (resigned 3 October 2018)  
Ms E Andrews (resigned 26 June 2018)  
Ms M Azizi (appointed 27 June 2018)  
Mr P Bungard  
Mr M Burgess  
Prof F Chambers (resigned 31 August 2017)  
Prof J Crampton CBE DL (Chair)  
Mr P Davies  
Mr C Fung  
Ms N de longh  
Ms V Hatton (resigned 26 June 2018)  
Ms M Jerrim (appointed 27 June 2018)  
Mr D Jones  
Mr M Jones  
Mr S Marston  
Mr A Mawby  
Mr S Maycock (appointed 3 October 2017)  
Mrs K Morgan OBE DL (Vice-Chair)  
Prof A Parker (appointed 1 September 2017,  
resigned 15 August 2018)  
Ms M Patrick  
Mrs P Sissons  
Rt Revd R Springett  
Mr A Taylor

## Board apprentices

Mr P Kamalaneson (reappointed 1 September 2018)  
Ms C Walwyn (reappointed 1 September 2018)

## Membership of major Council committees as at 31 July 2018

### Audit Committee

Mr P Bungard\*  
Mr M Burgess  
Mr P Davies  
Mr C Fung  
Mr M Jones  
Mr J Hunt (co-opted member)

### Council and Foundation Standing Group

Mrs K Morgan OBE DL\*  
Ms H Baldry  
Dr C Baker  
The Revd Canon Dr A Braddock  
Ms P Crook  
Mr I Davies  
Dr P Giddings  
Mrs R Howie  
Mr S Hyde-White  
Mr S Marston  
Mr L Ndekha  
Prof A Parker  
Rt Revd R Springett  
Mr M Wagstaff  
Revd S Witcombe

### Finance and General Purposes Committee

Mr A Mawby\*  
Mr S Marston  
Ms M Patrick  
Mrs P Sissons  
Mr A Taylor  
Ms J Atherton (co-opted member)  
Revd D Munro (co-opted member)

### Governance and Nominations Committee

Prof J Crampton CBE DL\*  
Mr S Marston  
Mrs K Morgan OBE DL  
Mrs P Sissons

### Remuneration and Human Resources Committee

Mrs K Morgan OBE DL\*  
Ms M Azizi  
Mr P Bungard  
Prof J Crampton CBE DL  
Ms N de longh  
Mr M Jones  
Mr A Mawby

\* denotes Chair

# Honorary posts, officers and advisers

## Honorary posts

### Chancellor

Baroness Rennie Fritchie DBE

### Pro Chancellors

Sir Henry Elwes  
Rt Revd R Treweek

## Officers

### Executive Managers

*Vice-Chancellor*  
Mr S Marston

*Deputy Vice-Chancellor*  
Dr R O'Doherty

*Pro Vice-Chancellor (Operations)*  
Ms M Melling (resigned 13 January 2018)

*Director Finance and Planning*  
Mrs C Stallard

*University Secretary and Registrar*  
Dr M Andrews

*Director Human Resources*  
Mrs R Davies

*Executive Director Estates Strategy*  
Mr D White

### Deans

*Dean of Business and Enterprise*  
Dr G Jones (resigned 13 April 2018)

*Dean of Academic Development*  
Prof D James

### Company Secretary

Dr M Andrews

## Registered office

Fullwood House  
Park Campus  
The Park  
CHELTENHAM  
Gloucestershire  
GL50 2RH

The university is an exempt charity, a company limited by guarantee, registered in England and Wales:  
Registration Number 06023243

## Advisers

### Solicitors

Pinsent Masons LLP  
55 Colmore Row  
BIRMINGHAM  
B3 2FG

### Registered External Auditors

Grant Thornton UK LLP  
3140 Rowan Place  
John Smith Drive  
Oxford Business Park South  
OXFORD  
OX4 2WB

### Registered Internal Auditors

KPMG LLP  
St Nicholas House  
31 Park Row  
NOTTINGHAM  
NG1 6FQ

### Bankers

The Royal Bank of Scotland plc  
PO Box 9  
31 The Promenade  
CHELTENHAM  
GL50 1LH



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# Operating and financial review

## Executive summary

This report reviews the university's activities in the year 2017-18 in the context of the challenges and risks within which the university operates, and comprises the following sections:

### Section 1: Summary of the year

#### Section 2: Strategic priorities

- 2.1 University values
- 2.2 Achievements in 2017/18
- 2.3 Enabling students to reach their full potential
- 2.4 Teaching and support for learning
- 2.5 Research
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# Operating and financial review

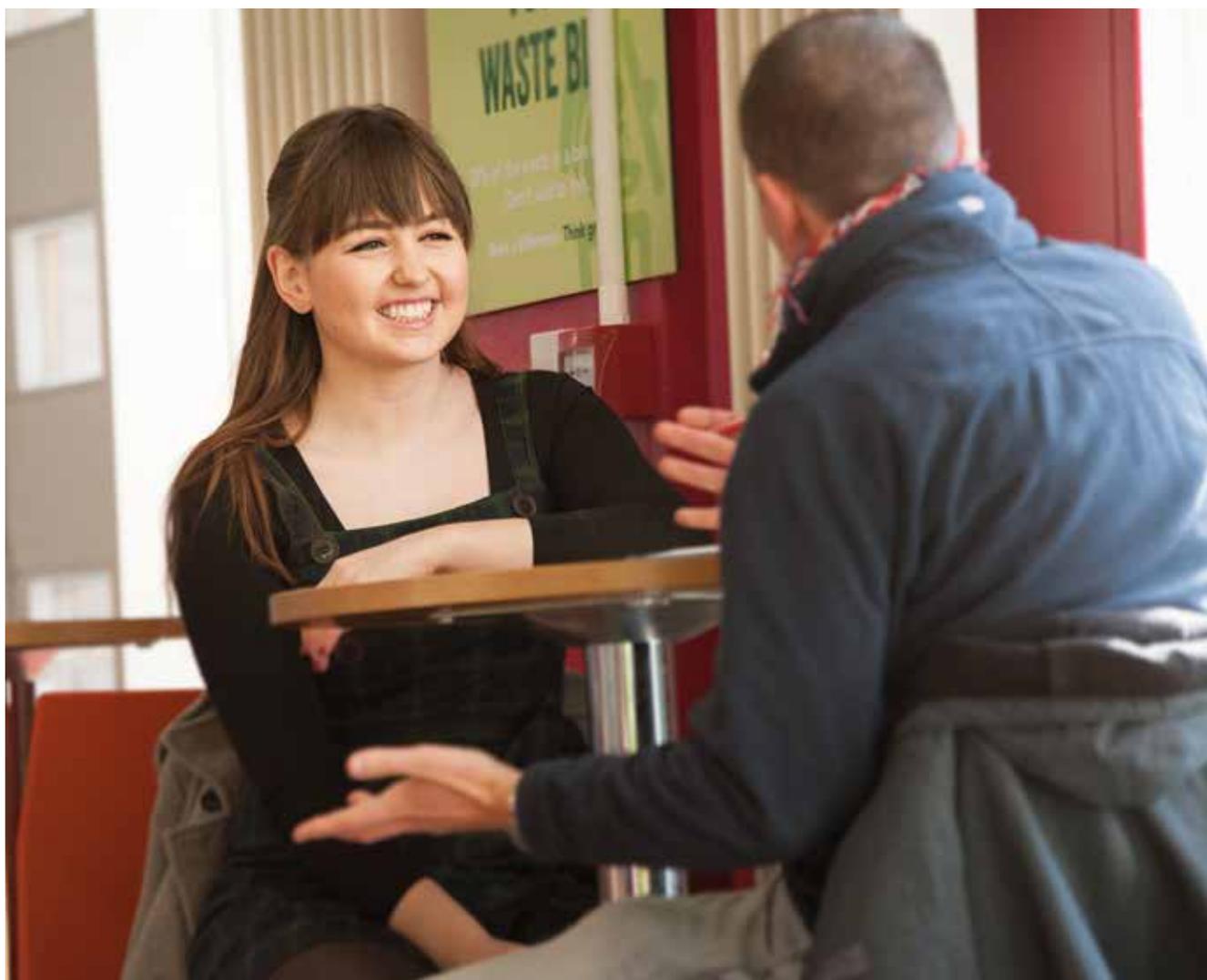
## Section 1: Summary of the year

- 1.1 The Academic and Financial Year 2017/18 saw the University of Gloucestershire achieve some major successes despite a highly competitive and challenging environment. Following the enactment of the Higher Education and Research Act 2017, the Office for Students was established with effect from April 2018. It has introduced a new regulatory framework, championing the interests of students and with increased emphasis on universities competing in a market. The University of Gloucestershire has for many years placed students at the centre of our mission, recognising our responsibility to provide an excellent experience of higher education for all our students. We have re-affirmed our positioning as a teaching-led, student-centred university committed to the long term well-being of our community.
- 1.2 Along with the rest of the higher education sector, the university has focused during 2017/18 on the management of student recruitment, given the challenges of demographic decline in the 18 year old cohort, escalating competitive pressures, and ongoing public and political debate about the value of higher education. We were pleased that total student enrolments during the reporting year were slightly higher than the previous year at 9,220. We have continued to evolve and strengthen our course portfolio in response to trends in student and employer demand. The introduction and expansion of new nursing and allied health courses has been a notable success, working in close partnership with the Gloucestershire NHS Trusts. We have expanded our range of higher and degree apprenticeships across a range of professional areas including management, financial services, cyber and health, in order to provide new opportunities for students to access high quality higher education and for employers to meet their needs for skilled, qualified staff. We have extensively reviewed our approach to marketing, branding and recruitment during the year, with a view to maintaining our competitive position and staying on track to achieve our long term growth ambitions.
- 1.3 The university's first goal in our strategic plan for 2017-2022 is to provide a breadth and richness of experience that enables all our students to reach their full potential. Given the costs that students and their families incur to participate in higher education, we recognise our responsibility to support all of our students to gain employability skills and experience in order to prepare them for successful careers. During 2017/18, we continued to extend and strengthen the 'Your Future Plan' programme, which gives all students structured opportunities throughout their time at the university to reflect on their career ambitions, and to build their own career-readiness through work experience, placements, field trips in the UK and overseas, industry-led projects, and a wide range of engagements with industry professionals. The Destinations of Leavers from Higher Education (DLHE) survey results in summer 2018 showed encouraging progress. The proportion of our new graduates from full-time first degree programmes going into employment or further study rose to 95.3%. That is our best result in at least a decade and above the sector average of 94.4%. The 'graduate level employment' indicator for all Gloucestershire graduates rose to 71.8%, which is a rise of 11 percentage points over the past three years.
- 1.4 Within the goal of enabling students to reach their full potential, the university has put increasing emphasis during 2017/18 on supporting the mental wellbeing of our students. In common with universities across the country, we have seen a rising proportion of students displaying, and seeking help for, states of anxiety, excessive stress, and mental ill-health. This undermines students' ability to make the most of their time at university, and is placing unsustainable pressure on counselling and support services. During the year, in partnership with the Students' Union, the university has developed through consultation a student wellbeing strategy, which will be implemented from 2018/19.
- 1.5 The university's second strategic goal is to provide teaching and support for learning of the highest quality. We use the annual National Student Survey as the primary indicator of success in achieving that goal. The University of Gloucestershire's summer 2018 NSS results showed a rise in overall student satisfaction from 84% last year to 86% this year. That puts us three percentage points ahead of the sector average, which is our best result in at least a decade and better than most Russell Group universities. The Times Higher ranking put us in 36th equal place out of 154 universities and HE colleges in the UK.
- 1.6 This excellent result reflects the university's focus on continuous improvement of teaching and learning. During the reporting year, we reviewed the assessment strategies for all courses, to promote consistent high quality in assessment practice. We continued to work closely with the Students' Union to strengthen student representation at subject and course level, with a new student feedback tool. We have extended the use of technology to enhance learning, creating new online learning resources within our Virtual Learning Environment, consolidating the electronic management of assessment, and making our systems easily accessible to students through the MyGlos app. All of this is designed to support active student engagement in their own learning, and a shared commitment between staff and students to continuous enhancement informed by rich, real-time data.
- 1.7 Our third strategic goal is to undertake research and professional practice which enriches students' learning and creates impact and benefit for others. During the reporting year, the university has focused on continuing to build the strongest possible volume and quality of research outputs for submission to the next Research Excellence Framework in 2020, overseen by the university's Research Committee. As outputs are completed, they are externally reviewed to help us estimate probable quality ratings. We have developed our impact case studies and research environment statements in the light of the REF guidance as it is published. In parallel, we have continued to apply for research funding from EU and other sources, winning project bids worth £1.4m during the year.
- 1.8 Our fourth strategic goal is to build partnerships which create opportunity, innovation and mutual benefit for the communities we serve. It is core to the university's mission that we are an anchor institution working with partners for the long term economic, social and cultural benefit of the community we serve. The reporting year has seen a wide range of activities and achievements in pursuit of this goal. The success of the university's Growth Hub in providing services to business was recognised in winning

# Operating and financial review

the top award for outstanding employer engagement in this year's Times Higher Education Leadership and Management Awards, reflecting the fact that the Growth Hub has achieved all of the targets set for the first three years of operation, including the number of businesses supported to develop growth strategies. The university co-ordinated and fronted the Gloucestershire 2050 vision exercise, launched in February 2018, to develop through consultation across all the communities in Gloucestershire a long-term ambition for the future of the county. The university has continued to strengthen our partnerships in providing skilled, qualified professionals to meet the needs of public services in Gloucestershire, including schools, the health service, police and social work. The university has also led the creation of a Gloucester Cultural Entrepreneurs Hub as one strand of the Gloucester Culture Strategy.

1.9 In addition to these four goals, our strategic plan identifies six 'enablers' - governance, people and culture, finance, IT and estates, internationalisation, and sustainability. As reported elsewhere in these accounts, our financial position remains strong, with increased turnover and healthy surplus. We continue to be a leading university for our achievements in sustainability, being ranked second overall in this year's People and Planet league. A highlight of the year has been the successful delivery of our highly ambitious estate development programme, with the completion of a new Business School and Growth Hub building at the Oxstalls campus in Gloucester; a new sports hall and two all weather sports pitches at Oxstalls; new student accommodation, in partnership with Cityheart, in the historic centre of Gloucester; and the remodelling of accommodation at the Park campus in Cheltenham to create a new Design Centre, as part of the development of a better integrated, inter-disciplinary 'creative campus' at Park combining media, design and computing. These new facilities will transform the quality of the environment for teaching, learning, research and business services for our staff and students.



# Operating and financial review

## Section 2: Strategic priorities

The University of Gloucestershire's vision is to enable transformation, particularly for our students.

**2.1 The university values:** nurture, creativity, sustainability, service, respect, and trust.

In 2017 the university launched a new corporate strategic plan for the period 2017-2022. In seeking to achieve our mission and vision, we will pursue four strategic goals, each of which has a clear ambition for the end of the strategy period. These are:

- To provide a breadth and richness of experience that enables all our students to reach their full potential
  - reach the upper quartile of universities for graduate-level employment
  - grow our student numbers by at least one third.
- To provide teaching and support for learning of the highest quality
  - achieve the highest rating in the government's Teaching Excellence Framework.
- To undertake excellent research and innovative professional practice which enrich students' learning and create impact and benefit for others
  - achieve world-leading and internationally excellent status for over 50% of the research submitted to the Research Excellence Framework.
- To build partnerships which create opportunity, innovation and mutual benefit for the communities we serve
  - increase the range and impact of our partnerships with business, colleges, public services and international partners.

We want our academic community to be distinguished by the quality of relationships between students and staff, valuing the face to face, operating on a human, personalised scale, and welcoming a diversity of views and experience. We want to be outward looking, intensively engaged with others to enrich our learning and research, and working in partnership for mutual benefit.

### 2.2 Achievements in 2017/18

2017/18 has been a period of implementation and embedding the strategy into operational plans whilst continuing to deliver major investment in our estates and facilities with new subject community spaces to improve our students' experience. We have seen a small level of growth in student numbers, and have initiated programmes of work to grow our academic portfolio in nursing, allied health and STEM. Our student experience results and positive graduate outcomes are comfortably above sector average and we have also seen an increase in professional level employment for University of Gloucestershire graduates. The quality and volume of outputs across our research priority areas is increasing, and new and existing partnerships are being developed to ensure sustainable and mutually beneficial relationships.

### 2.3 To provide a breadth and richness of experience that enables all our students to reach their full potential

#### • Student experience and satisfaction

We want each student, during their time at the university, to gain the skills, knowledge, insight and confidence to transform their own lives for the better.

Our National Student Survey results in 2018 show that the university's overall satisfaction rate has increased to 86% (up from 84% in 2017) and is again ahead of the sector average in all sections of the survey: teaching, learning opportunities, assessment and feedback, academic support, organisation and management, learning resources, learning community, and student voice.

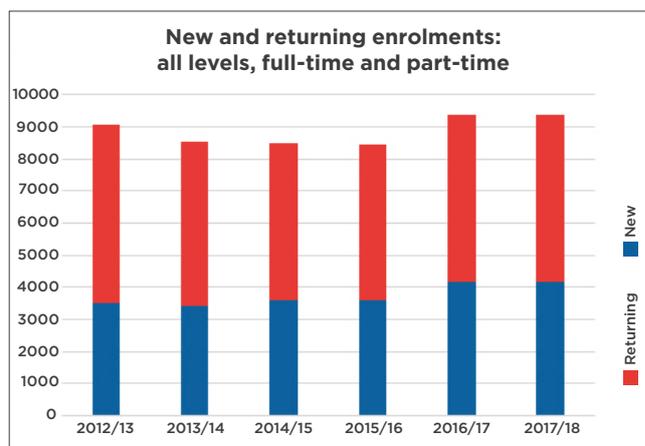
Courses with 100% overall satisfaction are:

- BA Advertising
- BA International Business Management
- BA Landscape Architecture
- BA Photography
- BSc Business Computing
- BSc Criminology and Sociology

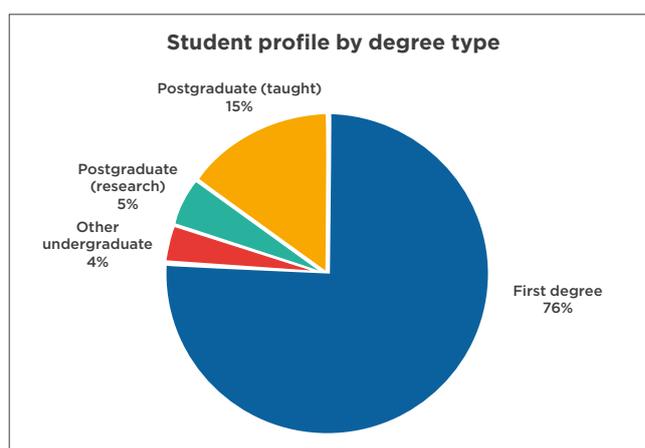
A further 20 courses achieved satisfaction of 90% or above, nearly half of our courses.

#### • Recruitment and growth

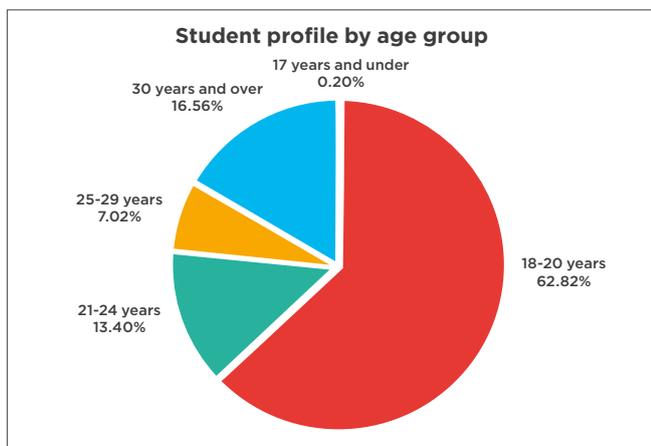
Despite the demographic dip affecting student recruitment across the sector, the total number of students enrolling at the University of Gloucestershire in 2017/18 increased to 9,220 students (including apprenticeships there were 4,153 new entrants and 5,067 returning students), reflecting 9% growth since 2015/16.



The university attracts a wide range of student groups studying at different higher education levels, from foundation degrees to postgraduate research, although undergraduates in the 18-20 age group continue to be our biggest student group.



# Operating and financial review

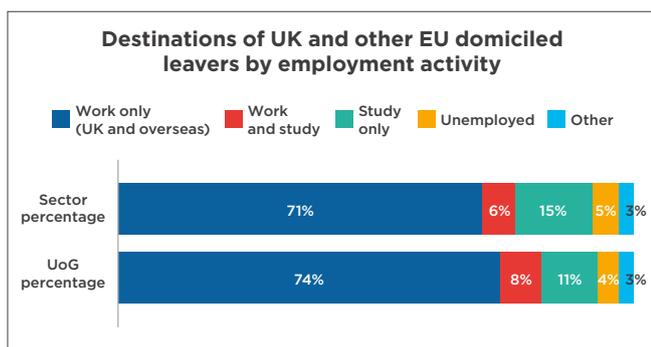


## • Employability

We provide our students with the opportunities and support they need to develop into highly employable graduates. We aim to empower them to become confident architects of their own future. Every student is encouraged to start developing their future plan from their very first term at university, so that by the time they graduate they are well-equipped to make a successful transition to the next stage of their career.

The HEFCE's report on the university's submission to the Teaching Excellence Framework (TEF) found: "an integrated approach to careers, volunteering and placements that effectively enhances student employability, including offering shared facilities for business services and economic development, which provides opportunities for students to engage directly with businesses". The recent integration of our employability service with our business development and business support functions - including our partnership with GFirst LEP to provide a network of Growth Hub facilities that boost the productivity of local organisations - underpinned our achievement of 'Outstanding Employer Engagement Strategy' at 2018's Times Higher Education Leadership & Management Awards (THELMAs).

At 95.7% - a 0.8% increase on the previous year and our best performance for at least ten years - overall employability of university graduates remains consistently high (Employment Indicator / Positive Outcomes metric, Destination of Leavers from Higher Education survey of 2016/17 leavers). The percentage of leavers in graduate-level jobs has also increased - to 71.8%, our best position for at least nine years (the furthest back we have suitably comparable data). At 3.1%, the rate of growth in graduate-level outcomes for our UK domiciled, full-time, first-degree leavers - our biggest cohort - outpaced both sector (2.6%) and our comparator group (1.5%).



The university is in the top 15% of institutions in the UK for graduates in sustained employment three and five years after leaving and the national Longitudinal Education Outcomes 2018 dataset showed an increase in average earnings across all of our subject areas one year after graduating. As our Business School prepares to take up dynamic new premises on our Oxtalls campus in Gloucester, it was particularly pleasing to note that graduates from business and administrative studies out-earned their peers graduating from similar subjects elsewhere in the country across all three sample years (Years 1, 3 and 5).

The university continues to promote to students the 'Your Future Plan' programme which helps develop self-awareness, employability and career confidence right from the start of students' courses. We help to guide students to 'explore, decide, and achieve' in three key areas:

- work experience
- skills development
- career management

The university is widening the offer of 'Your Future Plan' to support a broader range of 'futures', including self-employment and further study, respecting students as individuals and helping transform themselves into the best graduate they can be. We are aiming to embed assessed work-based learning in every undergraduate course by 2022, with an increase of 20% in the number of work placements undertaken by our students this year (4,120 placements having been registered for).

## • Student wellbeing

Supporting students in their own personal wellbeing is a priority for the university. Building on their launch in the 2017/18 academic year, the university's rebranded and refurbished Student Helpzones and Libraries' help desks provide two defined Helpzones on each campus, one specialising on student services and personal wellbeing, and the other on IT and library-related queries. Both service areas are able to assist on 'general' queries, and as a result students have access to face-to-face support for longer operational hours.

The Students' Union and the Student Services Department have worked together to create a programme of joint campaigns across the academic year focused on raising awareness with and encouraging action from the student body on issues related to wellbeing, including personal safety and security; making good housing choices; 'This Girl Can' - motivating female students to participate in sport; and reducing stigma related to mental health issues.

In September 2018 we will launch a new five year student wellbeing strategy developed following a cross-institutional consultation exercise. The strategy contains nine key themes and is supported by an annual operating plan and will be a key influencer of major decisions across the institution. The new student wellbeing strategy articulates with the new academic strategy, recognising that wellbeing is fundamental to students' fitness to study effectively and benefit from the learning opportunities.

## 2.4 To provide teaching and support for learning of the highest quality

We want each graduate to leave equipped to achieve their potential more fully and ready to pursue their ambitions more successfully, for the benefit of society, their families and themselves.

The TEF report found "a personalised approach to learning through which each student is encouraged to develop a

# Operating and financial review

bespoke learning plan supported by personal tutors to secure high levels of student engagement with their studies”.

## • Teaching excellence

The university participated in the Teaching Excellence Framework (TEF), and received a silver award that recognises the university’s high quality teaching and learning that consistently exceeds rigorous national quality requirements. The personalised approach to learning, the high quality specialist teaching facilities and an institutional culture that recognises and rewards excellent teaching were all recognised by the TEF panel.



In 2018-19, the launch of our new technology for learning environment will further develop our student centred learning approach as articulated in the academic strategy. In particular, the increased engagement of students through innovative guided independent learning, drawing on excellent resources, is central to our plans. The scheduled contact time can then make optimal use of the new learning spaces (see below), including the investment in our classrooms to facilitate collaborative and engaging contact time with the tutor present.

The progress in the second year of our fundamental review of assessment has ensured that every course has an assessment strategy, improving the experience of students in this critical area of their studies. Satisfaction survey outcomes continue to show improvement, and we consistently exceed the sector average performance in this area.

## • Learning spaces

The university’s commitment to invest over £100m in its estates over a five year period is well underway with the completion of the Oxstalls masterplan in September 2018. Our learning and teaching will increasingly be enriched and supported by the use of technology, but we will continue to place face-to-face engagement and human relationship at the heart of effective learning. The focus of the university’s estate development is to ensure students benefit from subject communities, providing excellent social learning spaces, high quality spaces for teaching, and access to specialist resources to complement the enhanced virtual learning environment. In the 2018 NSS the university’s results for satisfaction with the learning community were above sector average (81% compared to 76%). Since 2016/17, we have made funding available for over 30 projects exploring how the enhanced technology can be used to have impact on student learning and curriculum development.

The TEF report found: “an institutional approach to developing high quality specialist teaching facilities and digital resources with support for students in developing study and research skills”.

## • Academic strategy

The new academic strategy for 2017-22 has been approved, and builds on the good progress over the prior three year period of the previous strategy. In recognition of our sustained focus on excellent teaching and teachers, we are proud of the number of our staff who have been recognised as National Teaching Fellows and Fellows of the Higher Education Academy, and continue to make it a priority to help staff develop excellent pedagogic skills. 55% of academic staff have teaching qualifications, ahead of the sector

average. Our multi-year programme of work to develop assessment practice and technology enhanced learning focus on critical areas that profoundly shape the experience of students and their learning opportunities. For example, for the start of the 2018-19 academic year, a significantly enhanced environment for teachers to provide assessment feedback will be in place, responding directly to the needs of students.

The TEF report found: “implementation of an institutional culture that facilitates, recognises and rewards excellent teaching, encouraging staff to attain professional recognition and teaching qualifications”.

The second university Festival of Learning, as a centrepiece of our wider university festival in June provided a chance to celebrate and reflect upon learning and teaching at the University of Gloucestershire and beyond. University staff, and colleagues from collaborative partners, local schools and the NHS joined the university in presentations and showcases, with the theme in 2018 of assessment.

## • Portfolio development

The university continues to develop its course portfolio, including Nursing BSc (Hons), Allied Health (MA or MSc by Research/MRes/PhD) and STEM. We continue to support skills development with new Higher Apprenticeships and Degree Apprenticeships, where students gain a degree qualification while studying alongside their work commitments. Each school has an enhancement plan, with a particular focus in 17-18 on assessment strategies at the course level, and an employment action plan reflecting the wider ‘Your Future Plan’ offer to students.

The university’s quality framework, redesigned in 2016 under the Rethinking Enhancement project, moved the university from an approach that was heavily focused on assurance to one that more appropriately balances enhancement and assurance, and enables us to achieve the ambitions set out in the university’s academic strategy through improved data, a strong student voice through subject and course representatives, and efficient governance. An external consultant has recently completed a review of the project concluding that “...the university has made huge progress over the last twenty months in implementing major changes...”. This shift in approach is against the backdrop of a national shift, with similar emphasis in the quality assessment framework, focusing on outcomes and impacts, and the proportionate and risk-based approach.

## 2.5 To undertake excellent research and innovative professional practice which enrich students’ learning and create impact and benefit for others

Our staff create transformation, through supporting students to learn and through research leading to new knowledge, understanding and application.

In an environment where student learning opportunities include the creation and application of new knowledge, and opportunities to get involved in applied research programmes, research is fundamental to an excellent learning-led environment. One of our graduate attributes is focused on ‘enquiry’, and we build the student skills and experiences through our courses.

We are supporting our teaching staff to engage in research, and providing all our research-active staff with support through our developing academic career framework. We have also launched an early career research network, and we are working to reduce the gender imbalances at all stages of the researcher career framework.

# Operating and financial review

Our research students also expect a high-quality research environment, consistent with our research degree awarding powers. The 2018 Post Graduate Survey (PRES) showed a 5% increase in the university's research culture.

## 2.6 To build partnerships which create opportunity, innovation and mutual benefit for the communities we serve

As a university, we work with partners to transform the wellbeing and prosperity of our community. We pursue this purpose of transformation through relationships.

### • Community support

Mutually beneficial partnerships will support our success and the achievement of our goals, as we also support others to succeed and achieve their goals. The university is proud to be the university of, and for, Gloucestershire and we value the support we have received over many years from the county. The university's 'Bank It' programme has seen students and staff 'banking' over 15,000 volunteering hours to local causes and organisations in 2017/18. Volunteers play varied roles across the county, including acting as governors/trustees for schools and charities, coaching sports teams or leading youth groups.

The Pittville Student Village formally opened in September 2018. The state of the art village houses 794 students on the site with a range of support facilities to enhance their living experience. The site and services were designed to enhance the local community, with the university maintaining a night-bus service, a volunteer student community patrol scheme, and regular meetings for local residents to discuss any of their concerns.

The Oxstalls masterplan provides opportunities for the university to invest with partners in sporting facilities for the benefit of students and the community. Working with the city and county councils and a range of sporting bodies, (including Aspire Sports & Cultural Trust which manages the Oxstalls sports park and tennis centre), the university has expanded the sporting facilities available on Oxstalls campus and the Oxstalls sports park.

### • International pathway partnership

Our international pathway partnership with INTO University Partnerships Ltd has now completed its fifth full year of operation, providing recruitment to English language courses, pathway programmes and a source of international students progressing to the university. The jointly controlled Entity Board is continuing to consider projections and the business model in a highly challenging market and has recently agreed further changes to the model of paying for services supplied by the two respective parent organisations. The financial performance of the JV entity combined with the net revenues from progressing students, continues to deliver a worthwhile partnership arrangement for the university which enhances the internationalisation agenda.

### • Support for businesses

University of Gloucestershire in Business (UIB) was formed in 2017, with a clear remit to deliver the benefits of improved employability, business engagement and support for enterprise. Since then we have succeeded in redefining the university's approach to employer engagement; dramatically expanded our range of commercial services and apprenticeships; delivered the first year of ESIF activity, and made significant progress in respect of the Growth Hub expansion; opened new incubation and teaching facilities at Berkeley and Blackfriars, and also expanded our grant capture and project delivery capabilities.

The university continues to build on the successes of the Growth Hub, offering support and advice to Gloucestershire businesses, through funded projects working through the expanded Growth Hub network. Business engagement activities also offer many experiential opportunities for students. Links to employers can be used to identify and develop experiential opportunities for all levels of student activity, including placements, internships, large-scale induction events and individual student projects at all levels, including PhD's academic research.

We are committed to our role as an 'anchor institution', forming part of the character of the place and contributing to the wellbeing and sustainability of our community for the long term. Strong partnerships are critical to the successful implementation of the 2017-22 strategic plan, including partnerships with business and employers, with further education colleges and international partners, with providers of public services, and with cultural and community groups.

## 2.7 Enablers of the strategic plan:

### • People and culture

The university is a people-based organisation. Achievement of all our goals depends on the skills, professionalism and engagement of our staff. The highest priority amongst our enablers is therefore to recruit, retain and motivate excellent staff, and to create a working environment in which all staff can achieve their full potential and be part of the transformational purpose of the university. We are proud of the quality of our staff, almost 50% of all academics have HEA fellowship and 70% are professionally qualified as teachers. Biennial staff surveys have shown an improvement in staff satisfaction, with the university obtaining above sector average results on a number of benchmarks, 89% of respondents believe the university is a good place to work, 87% say that they are proud to work here and 91% say they are interested in the university and it is more than just a job to them.

A health and wellbeing steering group has been established, and an agreed plan has been developed to support the university's progression to a higher level of accreditation for the Public Health Workplace Wellbeing Chartermark. The university achieved Level 1 in Autumn 2017. Academic career pathways continue to be developed and a two year development programme for subject and course leads is underway. A leadership programme ran through 2017/18 and a new framework for leadership across the university has been developed.

The university has made significant progress on developing a positive and inclusive work environment. The university made its first submission to Stonewall's Workplace Equality Index in 2018 and achieved Level 2 of being Disability Confident in February 2018.

### • Finance

The finance strategy supports the delivery of the university's strategic, operational and departmental business plans. The strategy is designed to ensure the long term financial viability of the university, delivering an integrated approach linking academic, financial and business planning issues, enabling investment and development and underpinning the delivery of an excellent student experience.

Our financial results for the year are reviewed in Section 3.

### • IT and Estates

Completion of the university's Oxstalls masterplan in September 2018 sees the transition of the Business School to the Oxstalls campus, alongside university in Business and creating a collocated centre for business education, economic

# Operating and financial review

development, business services and support working with the GFirst Local Enterprise Partnership. In addition to the new 'state-of-the-art' facilities in the new building, such deep and credible engagement with the business community offers significant advantages for student recruitment and satisfaction. The Oxstalls development also sees expansion of the sports facilities, with the opening of a new sports hall enabling a wide range of sports facilities to meet national and, in some cases, potentially international standards that are shared between the university and Gloucester City Council to support wider community use. Concurrent developments for nursing and the redevelopment of the Blackfriars site in Gloucester into high quality student accommodation will help ensure a greater breadth and richness of experience for students. The new student village at Pittville in Cheltenham opened in September 2018 providing accommodation for 794 students, and office space for student and professional services.

In 2017/18 the university initiated the technology to enhance learning programme, this includes implementing an improved online assessment submission process through the Moodle virtual learning environment offering enhanced student facing support and greatly improving the marking tools available to academics. We have also put in place improved solutions for attendance monitoring, learning resource management, online media management and enriched data view of learners progress (the latter through our partnership working with JISC where we are a reference with our approach to learning analytics). We have enhanced a range of student facing processes particularly provision of a new accommodation management system, improvements to the enrolment process and our underlying data processes. It is worth noting that the university scored above sector average in the 2018 National Student Survey for provision of IT resources and facilities that support learning well (83.95%).

## • Internationalisation

The University of Gloucestershire is committed to being an academic community with a global outlook, recognising that our stakeholders are best served by an internationally engaged institution which furthers opportunities for intercultural learning, teaching and research. This requires an institution-wide approach to internationalisation which aligns with our focus on sustainability.

In 2017 the university approved its first internationalisation strategy to cover 2017-2022. The strategy aims, as one of its strands, to enable students to broaden their experience through overseas trips and placements. There have recently been student field trips to Guangzhou, Kuala Lumpur, Ho Chi Minh City, Hong Kong, New York, Milan and Barcelona. For the eighth year running, students participated in the Sport Malawi project which enabled them to spend four weeks in Malawi, working with local practitioners to deliver workshops in sports coaching, outreach and education overseas. We continue to develop new and existing partnerships with universities and colleges in Hong Kong, Myanmar, Vietnam, Malaysia and, most recently, in Sri Lanka.

## • Sustainability

In November 2017 the university advanced to 2nd position in the People and Planet league of sustainability performance in all UK universities, retaining first class status and scoring 100% for sustainability policy, environmental management, educational activities and carbon management.



In 2017-18 the university gained accreditation to the new ISO 14001 environmental management standard and released its new annual sustainability report. A significant policy decision was taken, working with the Students' Union, to fully divest from fossil fuels, we also reduced carbon emissions by 46% against our 2005 baseline, exceeding our commitment of a 40% reduction by 2019-20.



Student experiences in sustainability included 13 professional projects and the LIFT (Learning Innovation for Tomorrow) programme supported 10 new sustainability education projects led by seven of our eight academic schools. Events management students delivered an interactive pop-up event at Cheltenham Jazz Festival which featured in a report to the United Nations as one of four selected case studies on how universities are delivering the UN Sustainable Development Goals.



In the 2017 UK Green Gown Awards, the university won the Highly Commended 2nd place for its 'Power of the Purse' supply chain project and highly commended as 'Sustainability Champion' for Dr Michelle Williams, course lead for Product Design BA (Hons) and creator of the Regeneration Repair Café with local partners in Cheltenham.

# Operating and financial review

## Section 3: Financial performance

Financial performance is key to ensuring that the university continues to be a successful and sustainable organisation.

The university has prepared its financial statements in accordance with FRS 102 and the financial highlights below show an improvement on last year.

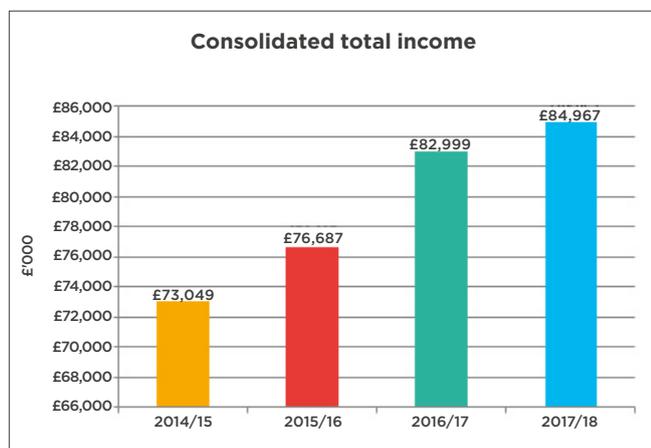
### 3.1 Key financial highlights

- The net asset position before pension provisions has improved to £84.6m (2017: £77.7m);
- The core operating surplus for the year has decreased to £3.9m (2017: £4.3m);
- We have utilised £17.8m of our additional loan facility of £20m to finance the Oxstalls capital project;
- Investment of £27.2m in fixed assets;
- Net pension liability improved by £7.1m.

### 3.2 Review of the year

#### • Operating performance

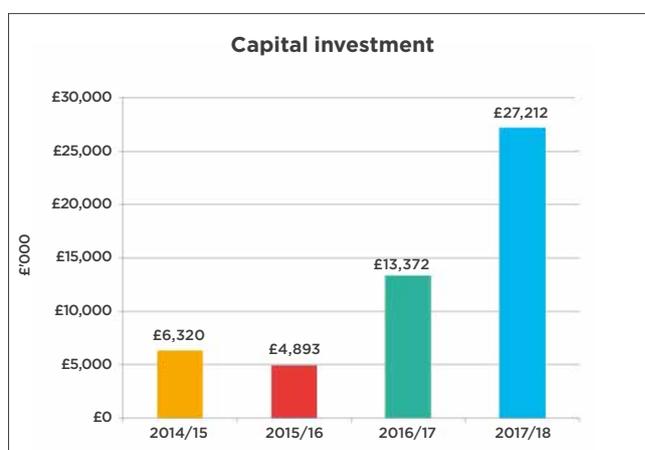
The university reports a consolidated operating surplus for the year of £3.9m (2017: £4.3m) this is before the debt write off of the jointly controlled entity. With an improved net asset position of £84.6m before pension liability (2017: £77.7m), this is a positive result as the sector heads into a challenging period and has continued to build on strong operating performance over the last eight years. The cash generated in the year, and the drawdown of the new loan facility has enabled the university to invest £27.2m in capital this year in line with the strategic capital project plan.



The jointly controlled entity with INTO University Partnerships Ltd has now completed its fifth full year of operation. The jointly controlled Entity Board has reviewed projections and revised the business model in light of the highly challenging market. As a result the board agreed to £2.2m of the jointly controlled entity's debt being written off, £1.1m from the university and £1.1m from INTO University Partnerships Ltd. Excluding this write off the university's share of the result would have been a loss of £(0.5)m (2017: £(0.8)m). The financial performance of the JV entity combined with the net revenues from progressing students, continues to deliver a worthwhile partnership arrangement for the university which enhances the internationalisation agenda.

#### • Capital investment

Capital investment in the year has focused on completing the expansion of the Oxstalls campus, constructing a new business school and an expanded Growth Hub, developing sports facilities with a new sports hall and all weather pitches and cricket pavilion in readiness for the 2018/19 academic year. Nursing facilities have also been constructed to accommodate the growth and success of our new nursing and allied health course. Other major estates capital investment includes a major refurbishment to create a new Design Centre at Park campus during the summer of 2018. IT continues to support the business maintaining the major systems and infrastructure in addition to delivering significant projects to support and improve the student experience.



#### • Investment in cyber and business partnerships

Investment at the Cyber Security and Conference Centre at Berkeley and cyber security facilities at the university's Park campus has been financed by HM Government providing local growth capital funding. GFirst LEP has worked with the university as a strategic lead organisation, in conjunction with Gloucestershire County Council as the accountable body, to support the development with £3m of funding made available. £0.4m of this was received in 2017/18, £1.5m received in 2016/17 and £1.1m was received during 2015/16. The centre is now fully operational and was officially opened in November 2017.

Local growth capital funding of £5m has also been made available to develop the Business School and Growth Hub. The funding received as at July 2018 was £3.5m, £1m was received in 2016/17. The balance of £0.5m is on target to be claimed and received by October 2018. The development is now complete and operational with effect from September 2018.



#### • Long term debt (secured loans)

At the year end, our long term borrowings (secured loans) were £30.7m and all covenants were complied with. This figure includes £17.75m of borrowings, drawn down during 2017/18 against a new loan facility previously agreed with HSBC of £20m to assist the financing of the Oxstalls capital project. The gearing ratio has increased to 41.5% but still remains within the target set out in the finance strategy.

# Operating and financial review

## Liquidity and treasury management

Cash deposits are invested in accordance with the university's treasury management policy. The prime requirement of the policy is for capital sums to be distributed between approved financial institutions to ensure minimal risk exposure.

Deposits held with any one bank should not exceed £6m. At the balance sheet date £24.5m was placed on deposit with a number of banks; average monthly balances held by deposit takers over the year were £21.6m (2017: £23.9m).

The year-end liquidity position has continued to exceed the target of 75 days set out in the strategic plan and at the year-end was 124 days (2017: 130 days).

During the year, the university took the decision to divest from fossil fuels within our endowment funds and has disposed of all shareholdings in companies engaged in coal, oil and gas extraction. The decision was prompted by requests from students for the university to take positive action against climate change, and for social and ethical responsibility. The decision was taken in the knowledge that returns on the endowment fund may reduce slightly, but in reaching a balanced decision the potential income losses were not considered to be sufficiently material. The immediate share disposals generated a profit on sale for the university of £39k.

### • Pensions and pension liability

Retirement benefits for employees of the university are provided by a number of defined benefit schemes. The financial results include the impact of FRS 102.

Under the Gloucestershire County Council superannuation scheme the net pension liability (LGPS) as at 31 July 2018 has decreased to £26.0m (2017: £33.0m; 2016: £29.3m). The reduction in the liability this year is primarily due to an increase in fund returns in addition to the default financial assumptions resulting in a slightly higher net discount rate compared to prior year.

The Universities Superannuation Scheme (USS) and Church of England Funded Pension Scheme (CEFPS) are multi-employer schemes for which it is not possible to identify the assets and liabilities to the university for members and are therefore accounted for as defined contribution retirement benefit schemes. The net pension liabilities for

any contractual commitment to fund past deficits have been identified within provisions: USS: £331k (2017: £378k), CEFPS: £24k (2017: £23k).

The Teachers' Pension Scheme (TPS) is a multi-employer unfunded scheme and the university's share of assets and liabilities cannot be separately identified. This scheme is therefore accounted for as a defined contribution retirement benefit scheme.

Employer contributions to pension schemes were as follows:

Pension scheme	Current contribution rate	2017/18 £000	2016/17 £000
LGPS	18.5% plus £1.0m pa	3,782	3,447
USS	18.0%	204	210
TPS	16.48%	2,659	2,561
Others including Church of England Scheme	39.9% (CEFPS)	10	8
<b>Total</b>		<b>6,654</b>	<b>6,226</b>

## 3.3 Financial sustainability and key performance indicators

Management continue to closely monitor the financial position of the university, taking appropriate action where needed to ensure it maintains a stable platform to enable it to face the current and future challenges in the HE sector.

This is the final year of the 2015-2018 finance strategy which focuses on delivering a successful and financially sustainable academic institution with a sound financial base that is properly resourced to enable the university to pursue strategic opportunities. A more commercial approach is being embedded to reflect the changing external environment in which we operate. The key performance indicators in this strategy are actively monitored to support delivery of the university's financial goals. Regular business review planning meetings are also held through the year to monitor progress against school and department key performance indicators supporting the university's operational and business plans.



# Operating and financial review

The key objectives of the current strategy are to:

- Provide continued financial sustainability to enable the university to deliver its strategic objectives;
- promote a culture of commercial awareness across the university;
- increase and diversify income, in the face of potentially static fees and an uncertain external environment;
- provide resources to support our corporate priorities;
- provide a framework for improving profitability;
- provide a basis for improved investment in infrastructure, balancing recurrent and capital spend;
- manage risk effectively with robust policies and practices.

Performance against the targets included in the finance strategy is set out below:

Key financial indicator	Performance 2016-17 to 2017-18	Finance strategy target 2015 to 2018
Surplus before gains on fixed assets and investments and share of results of jointly controlled entity	4.8% decreasing to 3.3% (incl debt write off in JV) 5.1% decreasing to 4.6% (excl debt write off in JV)	4.5 - 6% of income
EBITDA as a % of total income	13.8% decreasing to 10.6%	10% of income
Net liquidity days	130 days decreasing to 124 days	75 days
Cash generation from operating activities	16.2% decreasing to 8.9%	10% of income by 2018
Gearing - external borrowings (all borrowings and service concessions)	24.9% increasing to 41.5%	Less than 45% of income
Pay as a % of total income	54.1% increasing to 57.3%	Not to exceed 55% of income
Annual growth in total income	5.2% average over last 3 years	To average 3% over the 3 year period
Growth of diversified income (non-regulatory fees and grant income)	2% increasing to 10.5%	Growth of 5% of non-regulatory fees and grant income
Investment in capital and maintenance		Investment as a % of income:
- capital	16.1% increasing to 32.2%	5%
- recurrent maintenance	2.8% decreasing to 2.5%	2.5%

## 3.4 Payment of creditors

It is the university's policy to obtain the best terms for all its business activities and therefore terms are negotiated with individual suppliers. The university aims to pay creditors in line with its terms and conditions set out on individual purchase orders; these terms may vary by agreement or contract, or by statutory or regulatory conditions. The university paid 95.4% (2017: 95.9%) of the 10,854 invoices received within 30 days of them being determined as valid and undisputed. The average (median) payment time for invoices was 13 days (2017:11.2 days). The university did not make any payments in respect of the late payment of invoices.

## 3.5 Value for money

An annual report on value for money is presented to the Audit Committee to provide assurance that the university is delivering value for money from public funds. The primary aim for the Value for Money Plan 2017/18 was to ensure departmental activity supported strategic developments to improve value for money and the generation of savings, while also putting increasing focus on how best to address and improve student perceptions of value for money. In 2017/18 the university also submitted an annual efficiency return (relating to university 2016/17 financial results) in accordance with HEFCE regulations.

The university is committed to make the best use of the resources that it has available, to deliver intended services and maximise the benefit achieved from those services, and to provide excellent value for money to students. The focus of value for money work going forwards will be on ensuring that the university is transparent on its finances, ensures students are aware of the full costs of their courses and that the university provides good value for money to its students.

## 3.6 Accounting systems

The university continues with the development of the Agresso accounting software and related systems. Enhancements during the year included a further upgrade to the finance system. The forecasting tool 'Corporate Planner' continues to be used successfully for pay forecasting and modelling.

## 3.7 Post balance sheet events

On 18 September 2018 the university received confirmation of its registration with the Office for Students enabling the university to maintain its degree awarding powers, continue to access public grant funding and student support funding.

# Operating and financial review

## Section 4: Future plans, risks and developments

The UK HE sector is experiencing a period of substantial turbulence. The national demographic contraction of 18 year old school leavers, combined with increased competition amongst providers, presents uncertainty over short term recruitment of students. Whilst these next two years of demographic contraction are expected to be followed by a decade of sustained market growth, there can be no certainty about the trend in future demand for higher education. Meanwhile, there is no immediate prospect of regulated fees being allowed to rise to keep pace with the increase in costs being faced by universities. The university has embarked on a cost reduction programme to ensure it is well placed to manage the challenges ahead.

The University Executive and Council operate to deliver the University Strategic Plan (2017-2022) and the Annual Operating Plan. The university closely monitors sector developments and national political and economic policy matters, identifying risks and opportunities that might affect delivery of our plans. The university has a strong track record in successful management of change and benefits from a flexible and responsive business planning and delivery model.

### • Academic portfolio developments

As noted above, the recent launch of Nursing BSc (Hons) and other allied health courses have been some of the most successful course launches in recent years. The university will build on these successes with expansion into related course areas in allied health professions. Further development is also well underway to meet local and regional employer requirements for STEM graduates, through a new subject area covering engineering technologies.

Higher Apprenticeships offer the university the opportunity to diversify its academic offer through alternative forms of delivery. Signs of growth in this activity in the latter part of 2017/18 provide a foundation for further growth plans over the coming years.

The opening of the new Business School and Growth Hub facility at the Oxstalls campus presents real opportunities for the school to achieve greater business engagement for the benefit of students. Similarly, the launch of the new sports facilities will facilitate greater community engagement and will offer opportunities for the hosting of high profile sports events.

### • Infrastructure investment

The recent programme of £45m investment in the Oxstalls masterplan and improvements at both Francis Close Hall and Park campus largely concluded in 2017/18. This reflects a period of major investment in facilities for the university and has been delivered in parallel with over £50m of private investment in the residential estate.

Levels of investment will return back to prior values and the balance of estates to ICT investments will be reviewed each year to ensure that the most important investments are being prioritised. Investments in technology to generate enhanced learning analytics are being trialled and if successful will be rolled out across the university and aim to underpin enhanced engagement with students throughout their course.

### • Financial performance

The business challenges faced by the university are expected to impact on financial performance and the university approach will be to deliver a planned savings programme, whilst managing levels of investment and cash generation. The finance strategy sets out a clear roadmap for financial sustainability and performance management and adherence to agreed key financial indicators is a key part of this strategy.

The government's review of tertiary education funding currently underway creates further uncertainty. The university is actively reviewing potential outcomes of this review and will review a series of actions which may need to be taken as a result.

Finally, pay and pensions are creating further pressures on the resource base of the sector, and the university feels these pressures as acutely as others. Whilst our mix of staff between the various pension funds may differ slightly from our peers, all of the pension schemes are experiencing increases in employer contributions. The indicative results of the 2016 valuation of the Teachers' Pension Scheme suggests that employer contributions will need to rise by 7.2% (from 16.48% to 23.68%) from 1 September 2019. There is an imbalance between rising staff costs and a real terms reduction in student tuition fees, which the university will take appropriate action to address through a cost-reduction and income-generation programme.

# Operating and financial review

## Section 5: Public benefit statement

The University of Gloucestershire is an exempt charity under the terms of the Charities Act 2011. As an exempt charity it is not required to be registered with the Charity Commission, but is however subject to the Charity Commission's regulatory powers which are monitored by the Office for Students. The University Council have due regard to the Charity Commission's public benefit guidance. The Council have taken into account the Charity Commission's guidance on public benefit and are satisfied that the activities of the university as described in these financial statements fully meet the public benefit requirements.

The objectives of the university are the advancement of the higher and further education of men and women by the provision, conduct and development of a university for the advancement of education, teaching, advice and research. The preceding sections, particularly sections two and three, more fully describe the activities of the university and should be considered alongside this statement, to gain a full understanding of the extent to which the activities of the university deliver a benefit to society.

The prime beneficiaries are the students of the University of Gloucestershire who are engaged in learning and research activities. Other beneficiaries include employers, businesses, school children and the general public. Staff and students also engage in voluntary action in the local community and overseas, for example in Malawi where the university has led a sport-based project for several years. The university also supports access to arts, musical and other cultural events. This includes long standing support for the internationally acclaimed Cheltenham Festivals. In 2017/18 the university supported the Cheltenham Literature Festival, the Jazz Festival and was the headline sponsor for the Science Festivals Cyber zone. The literature festival partnership enabled the university to invite students from widening participation areas to attend an audience with Hillary Clinton. Amongst many other contributions to community benefit, during 2017/18 the university led the 'Gloucestershire 2050' exercise to develop through wide-ranging consultation a long term vision for the county; and the university led the creation of a Cultural Entrepreneurs Hub as part of the Gloucester Great Places cultural development strategy.

Education at the University of Gloucestershire reaches far beyond the classroom. Our strategic plan emphasises our commitment to the development of graduates who are engaged, enquiring, empowered, empathetic and ethical. We pride ourselves on being an academic community that is student-centred, learning-led and research-informed.

Of the 8,856 (2016/17: 8,926) students registered at the university 22% (2016/17: 19%) identified themselves as having a disability, 11% (2016/17: 12%) identified themselves as part of the black and minority ethnic (BME) communities resident in the UK and 10% (2016/17: 9.7%) were from countries other than the UK. The university is committed to extending the diversity of its student body and runs a programme of outreach and financial support to ensure that there is fair and equal access for all.

The Widening Participation and Outreach unit sustains strong relationships between the university and the wider community supporting schools, colleges, local groups and other regional and national networks in promoting progression to higher education. The team provides a breadth of activities and events which are focused on aspirational and supportive sessions for school and college students to inform and inspire them on higher education options, how to apply to university and the financial support available. In 2017/18 the outreach team undertook 410 activities with schools and colleges, ranging from primary school children to lifelong learners. Just over 16,000 students engaged in outreach activities over the year. Activities take place on and off campus.

The university works predominantly with schools and colleges, including 50 institutions in its 'compact' network in Gloucestershire and neighbouring counties, and the three colleges within the strategic alliance (Bath College, Gloucestershire College, and South Gloucestershire and Stroud College). It organises a wide range of activities for both young people and mature learners which aim to raise awareness of higher education, providing activities that inform students about their options. Interventions are in place to work with a wide range of students to ensure our intake reflects all areas of society. Such projects include residential summer schools and providing mentors within Gloucestershire schools to work with learners on a one-to-one basis, as well as opportunities to work with subject specialist widening participation and Outreach Support Officers such as accessing subject taster sessions and personal statement master classes.

In 2017/18 the university provided around £3.4m in financial support to students through fee discounts, fee waivers and bursary awards. The university supports students from under-represented groups by offering financial support and a large financial assistance fund. Scholarships and bursaries are available to those who progress onto a course at the university having previously studied at a partner college, whilst fee discounts are provided to alumni who wish to progress to postgraduate study. Examples include the university bursary of up to £500 for students who progressed to the university from a local partnership school or college, and up to £9,000 per year for care leavers. A disabled sports scholarship is also available to encourage diversity in our sporting community.

# Operating and financial review

## Section 6: Senior staff remuneration

### 6.1 Introduction

The university is committed to transparency in senior staff remuneration, and the publication of this report as part of our annual financial statement is an important part of that commitment.

Throughout this report 'senior staff' is understood to mean the Executive Group, namely the Vice-Chancellor, the Deputy Vice-Chancellor, the Director of Finance and Planning, the Director of HR, the Executive Director of Estates Strategy, the university Secretary and Registrar, and the Dean of Academic Development. The Executive Group includes the Vice-Chancellor but in some regards as described below the approach to setting remuneration for the Vice-Chancellor differs from that adopted for other members of the Executive Group.

The Council has adopted the Committee of University Chairs (CUC) 'Higher Education Senior Staff Remuneration Code' (June 2018), including the supporting documents referred to by this code, in its approach to senior staff remuneration. Council also has regard to the 'Good Pay Guide for Charities and Social Enterprises' (December 2013) issued by the Chief Executives of voluntary organisations, and has agreed to adopt the CUC 'Guidance on Decisions Taken about Severance Payments in HEIs' (June 2013) for all staff in the Executive Group including the Vice-Chancellor. Council, through its audit and finance and general purposes committees, also ensures it follows the stipulations regarding senior staff remuneration published by the Office for Students in 'Regulatory advice 9: Accounts direction – guidance on preparing and publishing financial statements' (June 2018).

### 6.2 Remuneration and Human Resources Committee

In June 2017, Council agreed that it would merge the Employment Policy Committee (which had responsibility for the oversight of human resources strategy, policies and associated procedures) and Remuneration Committee (responsible for making recommendations to Council on the pay and conditions of service and severance arrangements of the Vice-Chancellor, and to agree pay and conditions for all other members of the Executive Group) to form a new Remuneration and Human Resources Committee (RHRC). This new committee is responsible for the development of remuneration and reward policies for all senior staff together with terms and conditions of employment for such staff, and for discussion of the university's human resources strategy and pay framework for all staff.

It was intended that there would be benefits from a single committee having a holistic view of all staff policy and pay matters, including senior staff. The Vice-Chancellor himself is not a member of RHRC, but attends for relevant agenda items including discussions concerning the performance of other members of the Executive Group as well as discussions concerning the university overall approach to pay, conditions and HR strategy for all staff. With a view to ensuring transparency a student member of Council (normally the Students' Union President) is included in the membership of RHRC.

RHRC also has responsibility to Council for the oversight of pay gaps based on gender, ethnicity and other protected characteristics, as well as equal pay and other human resources matters. It meets at least twice per year (normally June and October) with additional meetings as required.

RHRC is independent, being made up exclusively of external members of Council plus one student member.

The membership of RHRC includes the Chair of Council. The competence of its membership is reviewed annually by Council through its Governance and Nominations Committee. This includes consideration of an individual's expertise on appointment to RHRC as well as through the annual effectiveness review process led by the Chair of Council. The Chair of RHRC is ex officio the Vice-Chair of Council. The full terms of reference and membership for RHRC may be found on-line: [www.glos.ac.uk/governance/council/pages/university-council.aspx](http://www.glos.ac.uk/governance/council/pages/university-council.aspx)

### 6.3 Approach to senior staff remuneration

The university takes very seriously the need to set pay levels for all staff that are proportionate, that reflect the level of responsibility of the role, and enable us to attract and retain staff of the highest calibre. We are also conscious of the balance to be struck between recruiting, retaining and rewarding the best staff possible, in order to deliver the best outcomes for students, society and the economy, while demonstrating effective use of resources and value for money for students in the use of the university's overall resources.

To ensure its approach to senior staff remuneration remains appropriate, during 2017/18 the RHRC commissioned and received a report produced by Korn Ferry Hay Group that provided information and comment on the competitiveness of remuneration for the Vice-Chancellor and the rest of the Executive Group, taking account of market movements and changes in roles. It updated a previous benchmarking report, also produced by Hay Group, in 2016. This report adopted an approach to considering remuneration that included, inter alia, economic factors, affordability, competition, market rates, roles, and skills required of post holders. The report also took account of changes in the responsibilities of Executive Group members following decisions to streamline the group and improve overall cost-effectiveness by not replacing two former postholders when they retired, reducing the size of the Executive Group from nine to seven. The comparison of market rates was based on four sources:

- The annual higher education survey by the Universities and Colleges Employers' Association (UCEA);
- Published data on the remuneration of Vice-Chancellors in an agreed list of comparator institutions;
- Hay Group data on higher education;
- Hay Group data on the general market (all organisations UK except for financial services).

The university's current approach is that members of the Executive Group (listed in section 6.6) are appointed on fixed basic salaries as determined from time to time (normally every three years) by job evaluation review and relevant benchmarking. These fixed basic salaries therefore remain the same until such time as RHRC agree a change as informed by the results of an external evaluation and benchmarking exercise and are therefore not increased annually to account for the national pay award.

Alongside these fixed basic salaries there is an annual non-consolidated performance related pay element available to members of the Executive Group. These payments are pensionable. In 2013 the pot was set at 4% of the Executive Group's combined basic salaries (excluding the Vice-Chancellor). This pot has been increased each year by a percentage equivalent to the national pay award plus incremental drift, except that for awards in respect of performance during 2017/18 the pot was increased by the national pay award only. The size of the pot is discounted each time the base pay of any executive members is increased as

# Operating and financial review

a result of external benchmarking. In setting the performance pot each year RHRC takes account of the university's performance and context.

Awards to individuals from this pot (including no award) are based on individual performance.

Individual performance is assessed by the Vice-Chancellor and Deputy Vice-Chancellor (for the individuals they respectively manage) based on an annual performance review. A rating scale of 'not meeting expectations', 'meeting expectations', and 'exceeding expectations' is employed and the Vice-Chancellor and Deputy Vice-Chancellor explain their proposed ratings to RHRC for validation and as a way of sharing expectations and maintaining consistency. RHRC will only make the highest award of 'exceeding expectations' to a small percentage of the Executive Group in any single year.

## 6.4 Remuneration of the Vice-Chancellor (head of institution)

In the light of continuing debate about the pay of senior staff in universities, and particularly Vice-Chancellors, the Council and RHRC have kept the issue under close review. RHRC is also acutely aware of the Vice-Chancellor's critical role in achieving the university's strategic objectives in an increasingly competitive environment.

In 2017/18 the Vice-Chancellor, Stephen Marston, received a salary of £169,478. Including pension contributions the total package was £199,024. This is substantially below the average pay of Vice-Chancellors across the sector.

Each year the Vice-Chancellor's performance is subject to review with the Chair of Council against a pre-agreed set of priorities and scrutinised by RHRC in the absence of the Vice-Chancellor. A recommendation on remuneration is then made to Council for approval. Each year since his appointment, the Vice-Chancellor has published his objectives for all staff to see.

Since his appointment in 2011, in no year has the Vice-Chancellor accepted a pay increase higher than the national pay award for university staff (excluding incremental drift). The Vice-Chancellor has never accepted a re-evaluation of his pay based on information provided by external benchmarking exercises. Although the Vice-Chancellor's contract provides for the award of a performance-related bonus, he has not taken such a bonus in any year. The emoluments of the Vice-Chancellor are provided on page 35.

## 6.5 Pay ratios

The university calculates pay ratios according to the guidance issued by the Universities and Colleges Employers Association (UCEA). The total remuneration ratio includes performance pay, employer's pension contributions, honorariums and overtime, compensation for loss of office or redundancy is excluded. The methodology is informed by pay multiple reporting requirements in the public sector which were implemented following the Hutton Review of Fair Pay in the Public Sector (2011).

The pay ratio in 2017/18 between the total pay of the Vice-Chancellor (£199,024) and the median full-time equivalent earnings of the whole university workforce (£36,613) was 5.44 compared to a UK average of 6.8. In 2016/17 the ratio was 5.21.

## 6.6 Remuneration of the Executive Group

RHRC has delegated authority from Council to approve the remuneration (including levels and rates of performance

related pay), terms and conditions of employment and all other benefits of all members of the Executive Group (with the exception of the Vice-Chancellor). The members of the Executive Group during 2017/18 (excluding the Vice-Chancellor) were as follows:

- Dean of Academic Development, Dr David James
- Dean of Business and Enterprise, Dr Gwyn Jones (until 13 April 2018)
- Deputy Vice-Chancellor (Vice-Chair), Dr Richard O'Doherty
- Director of Finance and Planning, Camille Stallard
- Director of Human Resources, Ruth Davies
- Executive Director of Estates Strategy, Duncan White
- Pro Vice-Chancellor (Operations), Maxine Melling (until 13 January 2018)
- University Secretary and Registrar, Dr Matthew Andrews

There is a robust and consistent process for setting objectives and assessing each member of the Executive Group's contribution to the performance of the university and the achievement of its strategic objectives. This is based on an annual Staff Review and Development (SRD) process in which objectives for the previous year are reviewed and set for the following year. Any awards made in respect of annual performance related pay arrangements are directly linked to the achievement of these specific annual objectives and are not consolidated. Non-achievement of an individual's expected contribution would have the consequence that no performance-related award is made. No individual, including the Vice-Chancellor, is involved in deciding their own remuneration, including any discretionary performance-related element.

The table on page 35 provides information concerning the number of staff with a basic salary of over £100,000 per annum, broken down into bands of £5,000.

## 6.7 External appointments

The university's standard contract of employment confirms that all staff (including members of the Executive Group) are required to devote their full time, attention and abilities to their duties during their working hours and to act in the best interests of the university at all times. Accordingly, all staff must not, without the consent of the university, undertake any employment or engagement that might interfere with the performance of their duties or conflict with the interests of the university.

Every staff member is therefore required to notify their manager of any employment or engagement which they intend to undertake whilst in the employment of the university. The manager (including the Chair of Council in the case of the Vice-Chancellor) will then confirm whether the employment or engagement is permissible. The university's position on these matters for senior staff, including on the retention of income derived from external activities, is described in the policy for senior staff on external activities, available at: [www.glos.ac.uk/docs/Pages/default.aspx](http://www.glos.ac.uk/docs/Pages/default.aspx)

## 6.8 Expenses

The university has a single published scheme for expenses that applies to all staff.

University staff expenses policy: [www.glos.ac.uk/docs/download/Governance/university-staff-expenses-policy.pdf](http://www.glos.ac.uk/docs/download/Governance/university-staff-expenses-policy.pdf)

RHRC receives an annual assurance that the scheme is operating effectively.

# Operating and financial review

## Section 7: Corporate governance

### 7.1 Introduction

The university is incorporated as a private company limited by guarantee, and is an exempt charity under the terms of the Charities Act 2011. Its objects, powers and framework of governance are set out in the Articles of Association, with the amended and latest set of articles approved by the Privy Council on 4 May 2016.

The university conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and is committed to best practice in all aspects of corporate governance. The university's Council has adopted, and ensured compliance with, the Committee of University Chairs' (CUC) Higher Education Code of Governance (2014), and has conducted its business in accordance with CUC good practice and principles and in line with the public interest governance principles as articulated by the Office for Students (OfS) in the 'regulatory framework for higher education in England'. The Council has ensured that it has discharged its responsibilities in full compliance with the requirements of 'Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE', some aspects of which replicate and replace the provisions of the Higher Education Funding Council for England (HEFCE)'s Memorandum of Accountability and Assurance.

### 7.2 Summary of the university's structure of corporate governance

Council is the governing body of the university, responsible for setting the general strategic direction of the institution, for ensuring proper accountability, and for the strategic oversight of its finances, property and investments and the general business of the university. Following the amendments to the Articles of Associations approved in May 2016, Council has a membership of 20: a majority of whom are non-executive and independent, together with student and staff representatives (both academic and non-academic) and the Vice-Chancellor. Members of Council (as well as members of the university Executive) are only appointed after demonstration that they satisfy the definition of 'fit and proper persons' as articulated by the OfS in the 'Regulatory framework for higher education in England'.

The roles of Chair and Vice-Chair of Council are separated from the role of the university's Chief Executive, the Vice-Chancellor. The responsibilities specifically reserved to the Council are set out in the Articles of Association of the university, and further elaborated in the statement of primary responsibilities and scheme of delegation. During 2017/18, as a matter of good governance practice, the Council introduced arrangements whereby at each meeting Council non-executive members meet without any staff of the university (including the Vice-Chancellor) being present.

In the conduct of its formal business, in addition to an annual strategic away day, the Council meets six times a year. It has a number of formally constituted committees which are: Audit Committee, Finance and General Purposes Committee, Governance and Nominations Committee, Remuneration and Human Resources Committee (which from June 2017 replaced a separate Employment Policy Committee and Remuneration Committee – see further comments above in Section 6.2), and the Council and Foundation Standing Group. All of these committees are constituted with formal terms of reference and membership, which are reviewed on an annual basis. The

scheme of delegations further details the specific delegated powers of these committees.

The **Academic Board** is the academic authority of the university and draws its membership from the staff and students of the university. Its principal role is to direct and regulate the teaching and learning and research work of the university and to advise Council accordingly. A member of Council is appointed from amongst the members of Academic Board, and the member of academic staff elected to Council is also ex officio a member of the Academic Board. The Vice-Chancellor is Chair of the Academic Board.

The **Audit Committee** has responsibility for monitoring the effectiveness of the university's risk management, control and governance arrangements, along with the arrangements to promote economy, efficiency and effectiveness throughout the institution, and advises the Council accordingly. The committee exercises oversight over internal audit arrangements, including recommending the appointment of internal auditors. It considers internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management's responses and implementation plans. The committee also exercises oversight over external audit arrangements, such as the nature, scope and effectiveness of the process, and considers the audit aspects of the institution's financial statements. It also advises the Council on the appointment of external auditors. In accordance with recommended practice, the committee, which met four times during the year, provides the opportunity at each meeting for members to meet with the internal and external auditors without officers of the university present.

The **Finance and General Purposes Committee (FGPC)** is responsible for monitoring and advising Council on the financial health of the university, including the financial strategy, budget setting, annual accounts, investment activity, and consideration of capital expenditure and estates development. The committee also has responsibility for monitoring institutional level key performance indicators (KPIs) in order to measure and monitor university performance against agreed strategies and targets.

The **Governance and Nominations Committee** is responsible for a range of governance related issues including recommendations to Council on the appointment of new independent members and the spread of skills and experience of all Council members. The committee monitors and reviews the development and implementation of good governance practice, including oversight of the test to determine that Council members are 'fit and proper persons' within the meaning defined by the Office for Students.

The **Remuneration and Human Resources Committee** is responsible for the development of remuneration and reward policies for senior staff together with terms and conditions of employment for such staff, and for discussion of human resources strategy for all staff. Further details are included in Section 6.2.

The **Council and Foundation Standing Group** oversee those aspects of the university's mission and objects relating to its Anglican identity.

The Council recognises that, in accordance with best practice recommended in the CUC Higher Education Code of Governance, regular reviews of the effectiveness of the governing body should be undertaken. During 2015/16 a detailed, comprehensive, and externally-led review was undertaken by the Leadership Foundation for Higher Education (LFHE). The review combined a desk-based study with interviews with members of Council and its officers,

# Operating and financial review

observations of Council and its committees, a detailed questionnaire and other activities. The university's governance structures and arrangements were evaluated against the CUC Higher Education Code of Governance and other benchmarks and comparisons made against the practices employed elsewhere in the higher education and other sectors.

The reviewers concluded that: "The corporate governance arrangements are sound and compare well against the CUC Code and Council discharges its legal and regulatory obligations. The Council and its members have clearly played a key part in the university's progress in recent years". A number of recommendations for further improvement were also provided in the report and the university Secretary has implemented a number of changes to address them, particularly those relating to improving the diversity of Council's membership and developing its involvement in the life of the university. Both these areas have seen considerable progress, as evidenced by feedback from Council members, since the LFHE report.

An internal audit of corporate governance was held during 2016/17 and the auditor's opinion was that Council could take substantial assurance that the controls upon which the organisation relied to manage its governance were suitably designed, consistently applied, and operating effectively.

## 7.3 Financial responsibilities of the university's Council

In accordance with the university's Articles of Association, the Council is responsible for the oversight of the university's affairs, and is required to present audited financial statements for each financial year, which include a statement on corporate governance and internal control.

Working through its established sub-committees, the Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the university and to enable it to ensure that the financial statements are prepared in accordance with the university's Articles of Association, the 2015 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and other relevant accounting standards. In addition, within the terms and conditions of the 'Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE', some aspects of which replicate and replace the provisions of the memorandum of accountability and assurance agreed between the Higher Education Funding Council for England and the university's Council, the Council, through its Accounting Officer, is required to prepare financial statements for each financial year. Under those terms and conditions, the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the university for that year. In preparing these financial statements, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting and financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the university will continue in operation.

The Council has taken all reasonable steps, through its senior officers and Audit Committee, to:

- ensure that funds from the Higher Education Funding Council for England, the National College for Teaching and Leadership, and other sources are used only for the purposes for which they have been given;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the university and prevent and detect fraud;
- secure the economical, efficient and effective management of the university's resources and expenditure.

## 7.4 Disclosure of information to auditor

At the date of making this report, the Council confirms the following:

- so far as each member of Council is aware, there is no relevant information needed by the university's auditor in connection with preparing their report of which the university's auditor is unaware;
- each member of Council has taken all the steps that he/she ought to have taken as a member of Council in order to make himself/herself aware of any relevant information needed by the university's auditors in connection with preparing their report and to establish that the university's auditor is aware of that information.

## 7.5 Statement of internal control

As the governing body of the University of Gloucestershire, the Council recognises that it has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Articles of Association and the expectations of the Office for Students as provided in the 'regulatory framework for higher education in England'.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements.

In recent years the university has revised its risk management policy and procedures in order to better recognise and manage the risks it faces in the delivery of its strategic aims. The risk framework is aligned with the university's strategic plan for 2017-22 and reflects the importance of the four institutional goals in the plan. It has been designed to cover all risks including governance, management, quality, reputational and financial, whilst focusing on the most important risks. The risk register provides an appraisal of the current (or net, pre-additional-mitigation) and projected (or target, post-additional-mitigation) position for each risk, including a likelihood/impact matrix. A detailed reporting schedule is in place to ensure that the relevant information is reviewed and reported in a timely manner to appropriate

# Operating and financial review

audiences including the University Executive Committee, Audit Committee and Council. An internal audit conducted in April 2017 concluded that the Council could take substantial assurance that the controls upon which the organisation relies to manage the identified risks are suitably designed. Due to the relatively recent refreshment of the university's approach to risk management during 2016/17, the internal auditors also concluded that Council could take reasonable assurance that the controls in place to manage the risk were consistently applied. A further internal audit was conducted in 2017/18 which found numerous areas of good practice and advised that Council could take significant assurance from the strategic process and advised on enhancements to the devolved risk process in academic schools and professional departments.

Risk management is fully incorporated into the corporate planning and decision-making processes of the institution, and informs the work undertaken by internal audit. The University Executive Committee has a standing agenda item to review all key risks, to report on progress of action plans that introduce new mitigations, risk trajectories, and projected risk. While the identification of new and emerging risks may occur at any point during the year, an annual risk workshop is held at the start of the academic year to refresh the Risk Register. It has been embedded at school and department level by ensuring that the annual planning cycle includes a review of the risks facing each unit, together with clear mitigation plans, closely aligned with institutional level risks. Each school and department has revised its own risk register to align with the institutional framework so that there is a clear link between the risks reported at an institutional level and at a school or departmental level. Detailed business continuity and disaster recovery plans, both at an institutional and a school or departmental level, are also in place. In addition, risk management is included as a core element of the university's Higher Education Leadership and Management programme for managers.

In addition to this, Council oversees the university's performance in meeting its strategic objectives through the planning and monitoring of the annual operating plan. Regular updates on performance are presented to Council during the year, with a full year-end report considered in November. The operating plan for the following year is approved by Council every June. An internal audit of some aspect of strategic planning and management information, including supporting strategies, is normally undertaken as part of the annual internal audit plan. In 2016/17 a review into the Information Strategy was conducted. This review concluded that the Council could take reasonable assurance that the controls in this area are suitably designed and consistently applied.

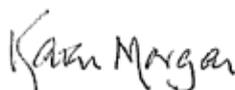
The Council has responsibility for reviewing the effectiveness of the institution's systems of internal control and, via the Audit Committee, conducts an annual review of these. Council considers the plans and strategic direction of the university and receives reports from the Chair of Audit Committee concerning internal control and has access to the minutes of Audit Committee meetings. The Audit Committee receives regular reports from the internal audit, which includes an independent opinion on the adequacy and effectiveness of the university's system of internal control together with recommendations for improvement. The internal auditors' annual opinion on the internal control environment is taken into account by Audit Committee in preparing its own opinion on internal control. The review of the effectiveness of the system of internal control is also informed by the work of the Executive Team within the university, who have responsibility for the development and maintenance of the internal control

framework, and by comments made by the external auditors in their management letter and other reports.

The last assurance review conducted by The Higher Education Funding Council for England (HEFCE) to examine how the university exercises accountability for the public funding it receives concluded that the University was 'not at higher risk' for financial sustainability, good management and governance matters, and that it 'meets requirements' for quality and standards matters. That conclusion represents the highest level of assurance rating that can be achieved on HEFCE's rating scale. In September 2018, the university successfully achieved registration with the Office for Students, without any specific conditions being applied to its registration.

Council is of the view that the university has an appropriate framework for delivering assurance to the governing body on key aspects of governance, risk management and internal control, and that there is clarity in terms of the respective roles of the Audit Committee, Finance and General Purposes Committee and Council and how internal audit interfaces with these bodies.

The operating and financial review set out on pages 5-22 was approved by the Council of the University of Gloucestershire on 27 November 2018, and was signed on its behalf by:



**Mrs Karen Morgan**  
Vice-Chair of Council



**Stephen Marston**  
Vice-Chancellor

# Independent auditor's report to the governing body of the University of Gloucestershire

## Opinion

We have audited the financial statements of The University of Gloucestershire (the 'parent university') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the statement of principal accounting policies, the consolidated and university statement of comprehensive income and expenditure, the consolidated and university statement of changes in reserves, the consolidated and university balance sheet, the consolidated and university cash flow 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 the parent university's affairs as at 31 July 2018 and of the group's and the parent university's surplus, and its income and expenditure, gains and losses, changes in reserves and the group's and parent university's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. 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 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.

## Who we are reporting to

This report is made solely to the university's governing body, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the university's governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the university and the university's governing body as a body, for our audit work, for this report, or for the opinions we have formed.

## 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 governing body's use of the going concern basis

of accounting in the preparation of the financial statements is not appropriate; or

- the governing body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 governing body are responsible for the other information. The other information comprises the information included in the annual report set out on pages 6-22, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors report has been prepared in accordance with applicable legal requirements.

## Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent university and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors report.

## Opinion on other matters prescribed by the Office for Student's ('OfS') terms and conditions of funding for higher education institutions (issued March 2018) and the OfS's accounts direction (issued July 2018)

In our opinion, in all material respects:

- funds from whatever source administered by the parent university for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE and the OfS have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS's accounts direction (issued June 2018) have been met.

# Independent auditor's report to the governing body of the University of Gloucestershire

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent university, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent university financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the governing body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of governing body for the financial statements

As explained more fully in the statement of responsibilities of the Council set out on pages 20-21, the Council (who are also the directors of the charitable company for the purposes of company law) 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 governing body 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 governing body are responsible for assessing the group's and the parent university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intend to liquidate the group or parent 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.

## Mark Bishop FCA

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford

27 November 2018



# Financial statements for the year ended 31 July 2018

## Statement of principal accounting policies

### 1 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (FRS 102) and in accordance with the Statement of Recommended Practice – Accounting in Further and Higher Education Institutions (2015 SORP). These financial statements are prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of the University of Gloucestershire and all its subsidiary undertakings drawn up to 31 July each year.

### 2 Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgements that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relate to the following:

#### *Finance lease*

The university has entered into an agreement with Cityheart (Gloucester) Ltd who operate student residences in Gloucester. The residences are being funded by Aviva Investors. Under the terms of the contractual arrangements, if Cityheart (Gloucester) Ltd default on their lease with Aviva Investors, the university will inherit the lease. Having considered all the contractual arrangements and obligations, management consider that this arrangement falls within the definition of a finance lease as set out in FRS102. In the judgement of management, as the university is only guaranteeing the overriding contract and not the individual rentals, there are no guaranteed amounts and therefore no value can be attributed to an asset or liability on the balance sheet. Management will continue to monitor progress on the contract and assess the need to recognise any ongoing liabilities, should they arise. A contingent liability for any future financial obligation will be recognised when the possibility of an outflow of future resources is no longer considered to be remote.

#### *Provisions*

In recognising provisions, the company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgements used to recognise provisions are based on currently known factors which may vary over time, resulting

in changes in the measurement of recorded amounts as compared to initial estimates.

### 3 Going concern

The Council has reviewed the budget for the year to 31 July 2019 and the financial forecasts for the following two years and has adopted the guidance provided by the Financial Reporting Council (FRC) under *going concern basis of Accounting and Reporting on Solvency & Liquidity Risks: Guidance for Directors of UK Companies 2016*.

Under the FRC guidance the university has employed a self-assessment questionnaire that provides a framework to assist the Council in determining whether it is appropriate to adopt the going concern basis for preparing financial statements, and, in making balanced, proportionate and clear disclosure. The assessment included a review of forecasts and budgets, borrowing requirements, timing of cash flows, contingent liabilities, markets, risk management and financial adaptability, including sensitivity analysis and risk register.

Based on information and knowledge available to the Council in carrying out this review the Council has a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. For this reason the Council continues to adopt the going concern basis for preparing the accounts.

### 4 Basis of consolidation

The results of the university's subsidiary undertakings, and undertakings in which it has a controlling interest, have been consolidated in the financial statements and details of these are provided in note 14 to the accounts.

The university's share of the results in its jointly controlled entity has been consolidated in the financial statements and accounted for under the gross equity method. The university accounts for its share of transactions from joint operations and jointly controlled assets in the consolidated and university statement of comprehensive income and expenditure. Details of this and the basis for consolidation are provided in note 14 to the accounts.

The consolidated financial statements do not include the results of the University of Gloucestershire Students' Union as it is a separate company limited by guarantee in which the university has no financial interest, control or significant influence over policy decisions.

### 5 Grants

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 conditions are met.

Government capital equipment grants are capitalised and released to the income and expenditure account over the expected useful lives of the assets in line with the depreciation policy.

# Financial statements for the year ended 31 July 2018

Government capital building grants are capitalised and released as follows:

- building maintenance - against expenditure in the year it is incurred;
- building development or improvement - over the expected useful life of the asset.

Deferred income, in respect of HEFCE capital grants, which are attributable to subsequent financial years, is included in creditors as a deferred credit.

Other capital grants are recognised in income when the university is entitled to the funds subject to any performance related conditions being met.

## 6 Recognition of income

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

Investment income is credited to the consolidated and university statement of income and expenditure on a receivable basis.

Income due to third parties, under contractual arrangements where the university is acting as agent, is held on the balance sheet as a current liability.

## 7 Donations and endowments

Non exchange transactions where we receive value from a donor without providing equal value in return are donations or 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.

Endowment income and appreciation of endowments is recorded in income in the year in which it arises and as either

restricted or unrestricted income according to the terms of the restriction 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.

## 8 Tangible fixed assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

### *Freehold land and buildings*

Certain freehold land and buildings that had been revalued to fair value on or prior to the date of transition to the 2015 HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

### *Leasehold land and buildings*

Leasehold land and buildings are included at cost.

Additions to freehold and leasehold land and buildings are capitalised at cost.

### *Plant and equipment*

Expenditure on all plant and equipment is capitalised where the individual cost of items exceeds £5,000, or if an item is a component of a larger asset or programme.

## 9 Depreciation

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned.

In calculating depreciation, buildings acquired before 1 August 2006 are considered to have a residual value of 50% of cost to reflect an ongoing maintenance and repair programme.



# Financial statements for the year ended 31 July 2018

New buildings commissioned post 1 August 2006 are considered to have a nil residual value with the full cost written off in accordance with the component life cycle methodology for depreciation. The lives used for this purpose are:

		Pre July 2006 acquisitions	Post July 2006 acquisitions
<i>Freehold and leasehold land and buildings:</i>			
Freehold land		NIL	NIL
Buildings	Listed	100 years	100 years
Buildings	Other and unlisted	50 years	Component life 10-50 years
Buildings	Major adaptations	10-25 years	Component life 5-40 years
Plant	Up to 1994-1995	10 years	
Plant	From 1994-1995	20 years	Component life 10-30 years
<i>Equipment:</i>			
Apparatus and equipment		5 years	5 years
Computer equipment		3 years	Component life 3-10 years
Motor vehicles		5 years	5 years
Furniture, fixtures and fittings		10 years	Component life 10-15 years

## 10 Impairments of assets and assets held for disposal

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower.

Recoverable amount is defined as the higher of fair value less costs to sell and the estimated value in use at the date the impairment review is undertaken.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, as defined above. Assets are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year.

No depreciation is charged on assets classified as held for sale.

## 11 Stocks

Stocks are stated at the lower of cost and net realisable value.

## 12 Taxation

Effective from 1 August 2007, the university became a company limited by guarantee and an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. It is therefore a charity within the meaning of paragraph 1 of schedule 6 to the Finance Act 2010 and accordingly, the university is therefore potentially exempt from taxation in respect of income and capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

Value Added Tax on purchases exceeds Value Added Tax on sales. However, because of the VAT status of education, the university's principal supply, the difference is generally not reclaimable and is, therefore, a cost of the university.

Fullwood Park Limited and Gloucestershire ISC Limited are liable for UK corporation tax. The companies have agreed

to pay the lower of their accounting and tax profits to the university of Gloucestershire, which is an exempt charity, under corporate gift aid regulations introduced in April 2000. Fullwood Park Limited is registered for VAT.

## 13 Investments

Fixed and endowment asset investments are included in the balance sheet at market value. Where no market value for an investment asset can be readily ascertained, the investment is stated at cost except where a permanent diminution of value has taken place.

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 surplus or deficit.

## 14 Finance and 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.

Leasing agreements, which transfer to the university substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright, and 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 the 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 outstanding balance of the lease.

## 15 Interest payable and financial instruments

The university uses derivative financial instruments such as interest rate swaps to reduce exposure to interest rate movements on its loans. Such derivative financial instruments

# Financial statements for the year ended 31 July 2018

are not held for speculative purposes and relate to actual liabilities, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Any derivative financial instruments are held on the balance sheet at fair value with movements in fair value recorded in the surplus or deficit.

## 16 Pension scheme arrangements

Retirement benefits to employees of the university are provided by defined benefit schemes, which are funded by contributions from the university and employees. Payments are made to the teachers' pension scheme, the Universities Superannuation Scheme (USS) for academic staff, The Church of England Funded Pensions Scheme (CEFPS) for clerical staff and to the Gloucestershire Local Government Pension Scheme for non-academic staff. These are independently administered schemes.

Contributions to the schemes are recognised as an expense in the year so as to spread the cost of the pensions over the employees' working lives with the university.

Changes to the funding of the schemes arising from changes in legislation or from fund performance, or from changes in membership or other composition of the schemes, are recognised at each scheme actuarial valuation. Adjustments to scheme funding, if any, and employers' contributions to the schemes which follow actuarial valuations, will address any shortfall or surplus arising from that valuation.

The university has adopted in full the requirements of FRS 102 for the Local Government Pension Scheme.

The USS and CEFPS are multi-employer schemes for which it is not possible to identify the assets and liabilities to the university for members due to the mutual nature of the schemes and therefore these are accounted for as defined contribution retirement benefit schemes. A liability is recorded within provisions for any contractual commitment to fund past deficits in accordance with the latest agreed deficit funding plan.

The TPS is a multi-employer unfunded scheme for which it is not possible to identify the assets and liabilities to the university for members due to the mutual nature of the scheme and therefore this is also accounted for as a defined contribution retirement benefit scheme. Employers have recently been advised of increases from Sept 2019 onwards.

## 17 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.

## 18 Repairs and maintenance costs

Expenditure on routine corrective maintenance is charged to the income and expenditure account as it is incurred.

## 19 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determinations of income and expenditure for the financial year.

## 20 Provisions

Provisions are recognised when the university has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

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.

## 21 Capitalisation of finance costs and interest

Interest and finance charges for capitalised projects are written off to the income and expenditure account during the period of construction and thereafter.

## 22 Bad and doubtful debts

The university regularly considers its debt book for recoverability of debtors by means of review of internal data and from information provided by its collecting agent. Arising from this review, the university makes provision for bad and doubtful debts based on both specific cases and a formula basis related to the age of outstanding debt including the related assets on the balance sheet and estimated recoverable amount.

## 23 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.

## 24 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.

# Financial statements for the year ended 31 July 2018

## Consolidated and university statement of comprehensive income and expenditure year ended 31 July 2018

		<b>Consolidated</b>	Consolidated	<b>University</b>	University
	Notes	<b>2018</b>	2017	<b>2018</b>	2017
		<b>£000</b>	£000	<b>£000</b>	£000
<b>Income</b>					
Funding body grants	1	6,255	7,327	6,255	7,327
Tuition fees and education contracts	2	64,791	60,930	64,791	60,930
Research grants and contracts	3	1,387	1,322	1,387	1,322
Other income	4	12,064	13,030	12,064	13,030
Investment income	5	440	272	401	251
Donations and endowments	6	30	118	40	103
<b>Total income</b>		<b>84,967</b>	<b>82,999</b>	<b>84,938</b>	<b>82,963</b>
<b>Expenditure</b>					
Staff costs	7	48,676	44,960	48,676	44,960
Depreciation of tangible fixed assets	11	5,108	4,916	5,108	4,916
Other operating expenses	8	26,660	27,496	26,646	27,487
Interest and other finance costs	9	1,711	1,669	1,711	1,669
<b>Total expenditure</b>	10	<b>82,155</b>	<b>79,041</b>	<b>82,141</b>	<b>79,032</b>
<b>Surplus before other gains and share of operating surplus of joint controlled entity</b>		<b>2,812</b>	<b>3,958</b>	<b>2,797</b>	<b>3,931</b>
Share of operating surplus in jointly controlled entity		665	1,746	-	-
Gain/(loss) on investments		3	124	(19)	73
<b>Surplus before tax</b>		<b>3,480</b>	<b>5,828</b>	<b>2,778</b>	<b>4,004</b>
Taxation		-	-	-	-
<b>Surplus for the year</b>		<b>3,480</b>	<b>5,828</b>	<b>2,778</b>	<b>4,004</b>
Actuarial gain/(loss) in respect of pension schemes		10,562	(1,677)	10,562	(1,677)
Currency translation differences		(16)	(30)	(16)	(30)
<b>Total comprehensive income for the year</b>		<b>14,026</b>	<b>4,121</b>	<b>13,324</b>	<b>2,297</b>
Represented by:					
Endowment comprehensive income for the year		63	176	49	95
Restricted comprehensive income for the year		3	13	3	13
Unrestricted comprehensive income for the year		13,960	3,932	13,272	2,189
		<b>14,026</b>	<b>4,121</b>	<b>13,324</b>	<b>2,297</b>
<b>Surplus for the year attributable to the university</b>		<b>3,480</b>	<b>5,828</b>	<b>2,778</b>	<b>4,004</b>

All items of income and expenditure related to continuing activities.

# Financial statements for the year ended 31 July 2018

## Consolidated and university statement of changes in reserves year ended 31 July 2018

### Consolidated

	Income and expenditure account				Total £000
	Endowment £000	Restricted £000	Unrestricted £000	Revaluation reserve £000	
Balance at 1 August 2016	2,792	20	30,480	5,370	38,662
Surplus from the statement of comprehensive income	176	13	5,641	-	5,830
Other comprehensive loss	-	-	(1,707)	-	(1,707)
Transfers between revaluation and income and expenditure reserve	-	-	1,583	(1,583)	-
<b>Total comprehensive income for the year</b>	176	13	5,517	(1,583)	4,123
<b>Balance at 1 August 2017</b>	<b>2,968</b>	<b>33</b>	<b>35,997</b>	<b>3,787</b>	<b>42,785</b>
Surplus from the statement of comprehensive income	63	3	3,414	-	3,480
Other comprehensive gain	-	-	10,546	-	10,546
Transfers between revaluation and income and expenditure reserve	-	-	1,602	(1,602)	-
<b>Total comprehensive income for the year</b>	63	3	15,562	(1,602)	14,026
<b>Balance at 31 July 2018</b>	<b>3,031</b>	<b>36</b>	<b>51,559</b>	<b>2,185</b>	<b>56,811</b>

### University

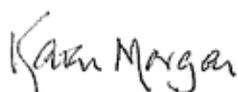
	Income and expenditure account				Total £000
	Endowment £000	Restricted £000	Unrestricted £000	Revaluation reserve £000	
Balance at 1 August 2016	2,353	20	33,918	5,370	41,661
Surplus from the statement of comprehensive income	95	13	3,897	-	4,005
Other comprehensive gain	-	-	(1,707)	-	(1,707)
Transfers between revaluation and income and expenditure reserve	-	-	1,583	(1,583)	-
<b>Total comprehensive income for the year</b>	95	13	3,773	(1,583)	2,298
<b>Balance at 1 August 2017</b>	<b>2,448</b>	<b>33</b>	<b>37,691</b>	<b>3,787</b>	<b>43,959</b>
Surplus from the statement of comprehensive income	49	3	2,726	-	2,778
Other comprehensive gain	-	-	10,546	-	10,546
Transfers between revaluation and income and expenditure reserve	-	-	1,602	(1,602)	-
<b>Total comprehensive income for the year</b>	49	3	14,874	(1,602)	13,324
<b>Balance at 31 July 2018</b>	<b>2,497</b>	<b>36</b>	<b>52,565</b>	<b>2,185</b>	<b>57,283</b>

# Financial statements for the year ended 31 July 2018

## Consolidated and university balance sheet as at 31 July 2018

		<b>Consolidated</b>	Consolidated	<b>University</b>	University
	Notes	<b>2018</b> <b>£000</b>	2017 £000	<b>2018</b> <b>£000</b>	2017 £000
<b>Non-current assets</b>					
Fixed assets	11	118,595	96,638	118,595	96,638
Investments	13	2,557	2,549	2,091	2,082
		<b>121,152</b>	<b>99,187</b>	<b>120,686</b>	<b>98,720</b>
<b>Current assets</b>					
Stocks		73	57	73	57
Debtors	15	12,197	10,361	12,546	10,703
Investments	16	24,478	25,046	24,478	25,046
Cash and cash equivalents	28	1,732	1,418	1,601	1,342
		<b>38,480</b>	<b>36,882</b>	<b>38,698</b>	<b>37,148</b>
<b>Creditors: amounts falling due within one year</b>	17	(25,353)	(23,812)	(25,343)	(23,812)
<b>Net current assets</b>		<b>13,127</b>	<b>13,070</b>	<b>13,355</b>	<b>13,336</b>
<b>Total assets less current liabilities</b>		<b>134,279</b>	<b>112,257</b>	<b>134,041</b>	<b>112,056</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(47,498)</b>	<b>(31,890)</b>	<b>(47,498)</b>	<b>(31,890)</b>
<b>Provisions</b>					
Pension provisions	20	(27,822)	(34,895)	(27,822)	(34,895)
Other provisions		(2,148)	(2,687)	(1,438)	(1,312)
<b>Total net assets</b>		<b>56,811</b>	<b>42,785</b>	<b>57,283</b>	<b>43,959</b>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowment fund	21	3,031	2,968	2,497	2,448
Income and expenditure reserve - restricted reserve	22	36	33	36	33
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		51,559	35,997	52,565	37,691
Revaluation reserve	23	2,185	3,787	2,185	3,787
<b>Total reserves</b>		<b>56,811</b>	<b>42,785</b>	<b>57,283</b>	<b>43,959</b>

The financial statements on pages 25-53 were approved by the Council of the University of Gloucestershire on 27 November 2018, and were signed on its behalf by:



**Mrs Karen Morgan**  
Vice-Chair of Council



**Stephen Marston**  
Vice-Chancellor

# Financial statements for the year ended 31 July 2018

## Consolidated and university cash flow year ended 31 July 2018

		<b>Consolidated</b>	Consolidated	<b>University</b>	University
	Notes	<b>2018 £000</b>	2017 £000	<b>2018 £000</b>	2017 £000
<b>Cash flow from operating activities</b>					
Surplus for the year		3,480	5,828	2,778	4,004
<b>Adjustment for non-cash items</b>					
Depreciation	11	5,108	4,916	5,108	4,916
(Gain)/loss on investments		(3)	(124)	19	(73)
(Increase)/decrease in stock		(16)	3	(16)	3
Increase in debtors	15	(1,701)	(1,051)	(1,712)	(1,056)
(Decrease)/increase in creditors	17	(1,075)	4,529	(1,081)	4,527
Increase in pension provisions	20	3,489	2,006	3,489	2,006
(Decrease)/increase in other provisions	20	126	(24)	126	(32)
Share of operating (surplus) in joint controlled entity		(665)	(1,746)	-	-
<b>Adjustment for investing or financing activities</b>					
Investment income	5	(832)	(273)	(793)	(251)
Interest payable	9	777	468	777	468
Endowment income		(30)	(118)	(40)	(103)
Loss on the sale of fixed assets		-	26	-	26
Fixed asset impairment		131	-	131	-
Capital grant release to income		(1,250)	(984)	(1,250)	(984)
Exchange loss		(16)	(30)	(16)	(30)
<b>Net cash inflow from operating activities</b>		<b>7,523</b>	<b>13,426</b>	<b>7,520</b>	<b>13,421</b>
<b>Cash flows from investing activities</b>					
Capital grant receipts		5,322	3,031	5,322	3,031
Investments		505	723	505	723
Investment income		321	179	283	169
Payments made to acquire fixed assets		(27,247)	(13,172)	(27,247)	(13,172)
Payments made to acquire intangible fixed assets		(92)	-	(117)	-
Proceeds from sales of intangible assets		117	109	117	-
New non-current assets		(417)	(833)	(416)	(707)
New deposits		568	(4,844)	568	(4,844)
		<b>(20,923)</b>	<b>(14,807)</b>	<b>(20,985)</b>	<b>(14,800)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(737)	(657)	(737)	(657)
Interest element of finance lease payments		-	(284)	-	(284)
Endowment cash received		30	118	40	103
New secured loans		16,000	17,450	16,000	17,450
Repayments of amounts borrowed		(1,579)	(12,374)	(1,579)	(12,374)
Capital element of finance lease rental payments		-	(4,487)	-	(4,487)
		<b>13,714</b>	<b>(234)</b>	<b>13,724</b>	<b>(249)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>314</b>	<b>(1,615)</b>	<b>259</b>	<b>(1,628)</b>
<b>Cash and cash equivalents at beginning of the year</b>	28	<b>1,418</b>	<b>3,033</b>	<b>1,342</b>	<b>2,970</b>
<b>Cash and cash equivalents at the end of the year</b>	28	<b>1,732</b>	<b>1,418</b>	<b>1,601</b>	<b>1,342</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

		<b>Consolidated</b>	Consolidated	<b>University</b>	University
	Notes	<b>2018</b> <b>£000</b>	2017 £000	<b>2018</b> <b>£000</b>	2017 £000
<b>1 Funding body grants</b>					
<i>Recurrent grant</i>					
Higher Education Funding Council		4,684	5,803	4,684	5,803
Teaching Regulation Agency		411	435	411	435
Skills Funding Agency		162	129	162	129
<i>Specific grants</i>					
Higher Education Funding Council redundancy compensation		31	40	31	40
<i>Deferred capital grants</i>					
Buildings	19	493	552	493	552
Equipment	19	474	368	474	368
		<b>6,255</b>	<b>7,327</b>	<b>6,255</b>	<b>7,327</b>
<b>2 Tuition fees and education contracts</b>					
Full-time Home and EU students		58,470	54,169	58,470	54,169
Full-time International students		3,489	3,272	3,489	3,272
Part-time students		2,049	2,811	2,049	2,811
Other (short course) fees		783	678	783	678
		<b>64,791</b>	<b>60,930</b>	<b>64,791</b>	<b>60,930</b>
<b>3 Research grants and contracts</b>					
Research councils		7	40	7	40
UK based charities		67	38	67	38
European Commission grants		885	816	885	816
Other grants and contracts		428	428	428	428
		<b>1,387</b>	<b>1,322</b>	<b>1,387</b>	<b>1,322</b>
<b>4 Other income</b>					
Residencies, catering and conferences		6,790	8,127	6,790	8,127
Release from deferred capital grants		283	64	283	64
Other services rendered		1,404	1,564	1,404	1,564
Other income		3,195	2,369	3,195	2,369
Gains on refinancing		-	433	-	433
Movement in fair value of derivatives		392	473	392	473
		<b>12,064</b>	<b>13,030</b>	<b>12,064</b>	<b>13,030</b>
<b>5 Investment income</b>					
Investment income on endowments	21	209	187	194	163
Other investment income		231	85	207	88
		<b>440</b>	<b>272</b>	<b>401</b>	<b>251</b>
<b>6 Donations and endowments</b>					
New endowments	21	4	49	4	30
Donations with restrictions	23	26	69	26	69
Unrestricted donations		-	-	10	4
		<b>30</b>	<b>118</b>	<b>40</b>	<b>103</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 7 Staff

	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
<i>Staff costs</i>				
Wages and salaries	35,422	33,707	35,422	33,707
Social security costs	3,535	3,398	3,535	3,398
Fundamental restructuring costs	427	291	427	291
Pension costs	9,292	7,564	9,292	7,564
	<b>48,676</b>	<b>44,960</b>	<b>48,676</b>	<b>44,960</b>

#### *Staff numbers by department*

	<b>2018</b>	2017
Academic departments	428	423
Central administrative	471	446
Other including manual	12	12
<b>Total staff numbers</b>	<b>911</b>	<b>881</b>

The staff numbers above relate to full-time equivalents (including senior post holders)

#### *Emoluments of the Vice-Chancellor*

	<b>2018</b>	2017
	<b>£000</b>	£000
Salary	169	167
Pension contributions	30	26
	<b>199</b>	<b>193</b>

Median pay ratio - all staff basic pay

Median pay ratio - all staff total pay

Please refer to pages 18-19 of the senior staff remuneration section for further details on the university's approach to setting pay of the Vice-Chancellor and senior staff.

	<b>2018</b>	2017
	<b>£000</b>	£000
Median pay ratio - all staff basic pay	4.91	4.77
Median pay ratio - all staff total pay	5.44	5.21

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### Emoluments of members of executive (including the Vice-Chancellor)

The remuneration paid to members of the university Executive Group who served during the year including salary, non-consolidated performance pay, pension contributions and any pay in lieu of notice:

Salary and non-consolidated performance pay

Pension contributions

2018 £000	2017 £000
1,027	1,016
164	158
<b>1,190</b>	<b>1,174</b>

Members of executive whose emoluments are included above

Numbers	Numbers
9 7.8FTE	10 8.9FTE

The above numbers include all members who were employed during the year. There were seven members of the Executive Team at the year end.

The number of higher paid employees who received emoluments during the year (excluding pension contributions and payment in lieu of notice) in the following ranges was:

£100,000 - £104,999

£105,000 - £109,999

£110,000 - £114,999

£130,000 - £134,999

£135,000 - £139,999

£165,000 - £169,999

Numbers	Numbers
1	-
-	2
1	1
1	-
-	1
1	1
<b>4</b>	<b>5</b>

Compensation for loss of office payments

Number of staff whose compensation is included in above

2018 £000	2017 £000
427	291
28	22

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the university. Staff costs include compensation paid to key management personnel defined as those members of the senior management team who form the university Executive Committee.

The Chair and non-executive members of Council receive no emoluments with the exception of the staff appointed non-executive members.

The above summaries should be read in conjunction with the Council statement on corporate governance.

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

	Consolidated	Consolidated	University	University
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
<b>8 Other operating expenses</b>				
Consumable and non-capital items	2,420	2,479	2,420	2,479
Academic administration	962	859	962	859
Books and periodicals	626	645	626	645
Rents and premises	3,776	4,765	3,776	4,764
Heat, light, water and power	960	788	960	788
Repairs and general maintenance	1,764	1,919	1,764	1,919
Staff development and training	432	438	432	438
Staff travel and subsistence	1,221	1,201	1,221	1,201
Student travel and subsistence	1,549	1,351	1,549	1,351
Student bursaries	2,321	2,402	2,312	2,398
Marketing and agent commission	1,943	1,553	1,943	1,553
Postage, telephone, printing and reprographics	621	730	621	730
Insurance and finance	1,586	1,130	1,586	1,129
Project fees expensed	-	458	-	458
Professional fees and contractors	2,234	3,314	2,229	3,311
Course franchising and partnerships	1,845	1,382	1,845	1,382
Purchases for resale	1,491	1,222	1,491	1,222
Equipment operating lease rentals	216	276	216	276
Students' Union grant	397	372	397	372
Loss on disposal of fixed assets	-	26	-	26
Fixed asset impairment	131	-	131	-
Other expenses	165	186	165	186
	<b>26,660</b>	<b>27,496</b>	<b>26,646</b>	<b>27,487</b>
Included within professional fees				
External auditor's remuneration - external audit	56	52	54	51
External auditor's remuneration - non-audit services	13	24	13	24

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 9 Interest and other finance costs

	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Finance lease	-	284	-	284
Loan interest	737	657	737	657
Movement in the fair value of derivatives	40	-	40	-
Net charge on pension schemes	934	728	934	728
	<b>1,711</b>	<b>1,669</b>	<b>1,711</b>	<b>1,669</b>

### 10 Analysis of total expenditure by activity

Academic departments	34,565	33,501	34,565	33,501
Academic services	11,049	10,697	11,049	10,697
Research grants and contracts	909	799	909	799
Residences, catering and conferences	6,023	7,307	6,023	7,307
Premises	7,158	6,922	7,158	6,922
Administration	17,849	17,321	17,835	17,312
Other expenses	4,602	2,494	4,602	2,494
	<b>82,155</b>	<b>79,041</b>	<b>82,141</b>	<b>79,032</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

	Freehold land and buildings	Leasehold land and buildings	Equipment	Assets under construction	Total
<b>11 Tangible fixed assets</b>					
<b>a) Consolidated</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost/valuation</b>					
At beginning of year (as previously reported)	110,069	3,766	26,014	11,629	151,478
Adjustment	283	32	302	(617)	-
At beginning of year (revised)	110,352	3,798	26,316	11,012	151,478
Additions at cost	3,042	33	2,408	21,729	27,212
Transfers at cost	2,010	1,123	1,318	(4,451)	-
Disposals	-	-	(3,214)	(16)	(3,230)
<b>At year end</b>	<b>115,404</b>	<b>4,954</b>	<b>26,828</b>	<b>28,274</b>	<b>175,460</b>
<b>Depreciation</b>					
At beginning of year	32,913	1,859	20,068	-	54,840
Charge for the year	2,871	145	2,223	-	5,239
Disposals	-	-	(3,214)	-	(3,214)
<b>At year end</b>	<b>35,784</b>	<b>2,004</b>	<b>19,077</b>	<b>-</b>	<b>56,865</b>
<b>Net book value</b>					
<b>At year end</b>	<b>79,620</b>	<b>2,950</b>	<b>7,751</b>	<b>28,274</b>	<b>118,595</b>
At beginning of year (revised)	77,439	1,939	6,248	11,012	96,638
<b>b) University</b>					
<b>Cost/valuation</b>					
At beginning of year (as previously reported)	110,069	3,766	26,014	11,629	151,478
Adjustment	283	32	302	(617)	-
At beginning of year (revised)	110,352	3,798	26,316	11,012	151,478
Additions at cost	3,042	33	2,408	21,729	27,212
Transfers at cost	2,010	1,123	1,318	(4,451)	-
Disposals	-	-	(3,214)	(16)	(3,230)
<b>At year end</b>	<b>115,404</b>	<b>4,954</b>	<b>26,828</b>	<b>28,274</b>	<b>175,460</b>
<b>Depreciation</b>					
At beginning of year	32,913	1,859	20,068	-	54,840
Charge for the year	2,871	145	2,223	-	5,239
Disposals	-	-	(3,214)	-	(3,214)
<b>At year end</b>	<b>35,784</b>	<b>2,004</b>	<b>19,077</b>	<b>-</b>	<b>56,865</b>
<b>Net book value</b>					
<b>At year end</b>	<b>79,620</b>	<b>2,950</b>	<b>7,751</b>	<b>28,274</b>	<b>118,595</b>
At beginning of year (revised)	77,439	1,939	6,248	11,012	96,638

In the prior year, assets with a cost of £617k were incorrectly categorised. This has been adjusted for in the current year. This is purely a reclassification and has no net impact on the cost or the depreciated value of the assets in question.

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### c) Revaluation of land and buildings

Land and buildings were revalued at 31 July 1997 by Bayley Donaldsons, Chartered Surveyors. Certain properties, included in freehold land and building costs and earmarked for disposal under the building programme, were valued on an estimated open market value basis. The remaining land and buildings to be retained for use and occupation by the university have principally been valued at depreciated replacement cost in existing use. The likely replacement cost of buildings, which are listed as being of special architectural and historic interest has been calculated on the basis of reinstating the buildings, as originally designed and constructed. Those buildings, which due to their special nature, are rarely, if ever, sold on the open market, have been valued at depreciated replacement cost. This basis is considered appropriate as it reflects the fact that listed buildings and buildings of this specialised nature cannot be replaced with simpler and less expensive buildings.

In the opinion of the valuers at the time of the valuation, depreciated replacement cost valuations for buildings on the above described basis are higher than an open market value for alternative use rather than existing use.

Under the terms of the financial memorandum with the Office for Students, the proportion of the proceeds on sale of assets attributed to the publicly funded assets is retained by the university only with the approval of the Office for Students. All proceeds of sale retained by the University are required under charities law to be re-invested in full in new capital assets.

Freehold land at Oxstalls, The Folley and Hardwick was revalued as at 1 August 2014 by Bruton Knowles, Chartered Surveyors.

If both freehold and leasehold land and buildings had not been revalued before being deemed as cost on transition, and on the assumption that the assets transferred from the Gloucestershire County Council were at nil cost, they would have been included at the following historical cost amounts:

	University land and buildings	
	2018 £000	2017 £000
Cost	94,657	91,593
Aggregate depreciation based on cost	31,005	29,189

### 12 Service concession arrangements

The university has one service concession arrangement where service delivery has commenced. On 21 January 2016 the University entered into a 46 year contract with a third party provider for the creation of a student village at Pittville to include the refurbishment of existing student accommodation to house 215 students and the construction of new accommodation for an additional 577 students. The construction of the new accommodation was completed for the start of the 2017-18 Academic Year.

The university nominates rooms in the student village on an annual basis, during the year ended 31 July 2018 the university nominated all of the accommodation available for the 2018-19 Academic Year.

#### *Movement in service concession arrangement assets:*

The asset value of the service concession included in debtors as at 31 July 2018 is £4,544k (2017 £4,375k).

#### *Movement in service concession arrangement liabilities:*

The total liability relating to the service concession included in creditors: amounts falling due within one year as at 31 July 2018 were £4,544k (2017: £4,375k).

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

<b>13 Non-current investments</b>	<b>Endowment asset investments £000</b>	<b>Other fixed asset investments £000</b>	<b>Total £000</b>
<b>Consolidated</b>			
At beginning of year	2,544	5	2,549
Additions at cost	417	-	417
Impairment	75	-	75
Disposals	(484)	-	(484)
<b>At year end</b>	<b>2,552</b>	<b>5</b>	<b>2,557</b>
<b>University</b>			
At beginning of year	2,077	5	2,082
Additions at cost	416	-	416
Impairment	51	-	51
Disposals	(458)	-	(458)
<b>At year end</b>	<b>2,086</b>	<b>5</b>	<b>2,091</b>

The non-current investments have been valued at market value.

### a) Investment in subsidiary companies

Details of the companies, all registered in England and Wales, in which the university holds an interest, are as follows:

<b>Name of company</b>	<b>Percentage holding of ordinary shares</b>	<b>Shareholding</b>	<b>Principle business activity</b>
Fullwood Park Limited	100%	100 Ordinary £1 shares	Provision of conference and catering services and property development
Gloucestershire ISC Limited	100%	1 Ordinary £1 share	Holding interests in joint venture activities

Urban Learning Foundation Limited is a dormant subsidiary company which is limited by guarantee and controlled by directors acting as nominees of the Council of the university. The consolidated financial accounts do not include those of Urban Learning Foundation as it is considered that the scale of the amounts involved are not material to the financial statements.

### b) The Janet Trotter Trust

The activities of The Janet Trotter Trust, a registered charity, are consolidated within endowment reserves on the grounds that the university has a controlling influence over its activities. The accounts of The Janet Trotter Trust for the year to 31 July 2018 show total net assets of £534,328 (2017: £520,130) and net income and movement in funds for the year of £(7,612) (2017: £29,976).

### c) Other fixed asset investments

Other fixed asset investments include the share capital held by the university in Uliving@Gloucestershire Holdco Limited. The university holds 5,030 £1 ordinary shares in the company, which comprises 10% of the issued share capital. The company was set up to manage the contract for the construction and running of the Pittville student village (see note 12).

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 14 Investment in jointly controlled entity

On 20 February 2013 the university entered into a limited liability partnership agreement, INTO Gloucestershire LLP, with INTO University Partnerships Limited. Gloucestershire ISC Limited invested £150,000 into INTO Gloucestershire LLP and has a 50% share of the jointly controlled entity. The remaining 50% share of INTO Gloucestershire LLP is owned by INTO University of Gloucestershire Limited, a wholly owned subsidiary of INTO University Partnerships Limited. The university also entered into an admission agreement with Gloucestershire County Council and INTO Gloucestershire Limited, relating to the admission of INTO Gloucestershire LLP to the Gloucestershire County Council Local Government Pension Scheme, to enable two employees transferred to the jointly controlled entity to be members of the pension scheme.

On 20 February 2013, Gloucestershire ISC Limited entered into a revolving loan facility agreement to lend up to £600,000 to INTO Gloucestershire LLP, at an interest rate of 2% above the Bank of England base rate. At 31 July 2018 a capital balance of £600,000 (2017: £600,000) was outstanding under this agreement.

The Board agreed to £2.2m of the jointly controlled entity's debt being written off, £1.1m from the University and £1.1m from INTO University Partnerships Limited.

INTO Gloucestershire LLP operates from the University of Gloucestershire campus. Its principal activity is the provision of English language courses and foundation, diploma and pre-masters programmes. The arrangement is treated as a jointly controlled entity and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the university and 50% of its net income is reported in the University's consolidated income and expenditure account.

### 15 Debtors

	Consolidated	Consolidated	University	University
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	2,641	2,461	2,641	2,461
Other debtors	1,733	1,110	1,728	1,110
Service concession arrangements (note 12)	4,544	4,375	4,544	4,375
Amounts owed by subsidiary companies	-	-	965	945
Amounts due from jointly controlled entity	611	603	-	-
Prepayments and accrued income	2,668	1,812	2,668	1,812
	<b>12,197</b>	<b>10,361</b>	<b>12,546</b>	<b>10,703</b>

Included within other debtors is £1,033,000 in respect of an interest bearing loan due from Uliving@Gloucestershire Finco Limited. The loan to Uliving@Gloucestershire Finco Limited was used by the company as part of the overall financing of the Pittville Student Village project (see note 13). The loan is for a period of 46 years with capital repayments to be made over the last 11 years.

### 16 Current investments

	Consolidated	Consolidated	University	University
	2018 £000	2017 £000	2018 £000	2017 £000
Short term deposits	<b>24,478</b>	<b>25,046</b>	<b>24,478</b>	<b>25,046</b>

### 17 Creditors: amounts falling due within one year

Secured loans	3,570	1,579	3,570	1,579
Service concession arrangements (note 12)	4,544	4,375	4,544	4,375
Payment received on account	1,221	1,131	1,221	1,131
Trade creditors	4,040	1,133	4,040	1,133
Social security and other taxation payable	952	877	952	877
Pensions	803	730	803	730
Deferred capital grants	1,709	1,255	1,709	1,255
Accruals and deferred income	8,514	12,732	8,504	12,732
	<b>25,353</b>	<b>23,812</b>	<b>25,343</b>	<b>23,812</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

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

	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£000</b>	£000	<b>£000</b>	£000
Secured loans	27,133	14,701	27,133	14,701
Other creditors	50	100	50	100
Derivatives	819	1,211	819	1,211
Deferred capital grants	19,496	15,878	19,496	15,878
	<b>47,498</b>	<b>31,890</b>	<b>47,498</b>	<b>31,890</b>
<b>Analysis of secured and unsecured loans</b>				
Due within one year	3,570	1,579	3,570	1,579
Due between one and two years	3,570	3,320	3,570	3,320
Due between two and five years	18,460	4,710	18,460	4,710
Due in five years or more	5,103	6,673	5,103	6,673
	<b>30,703</b>	<b>16,282</b>	<b>30,703</b>	<b>16,282</b>

In the prior year, the university re-financed all of its existing interest bearing loans and finance leases into a new loan for £15.7 million with the Royal Bank of Scotland. This loan runs to October 2026 and is managed using a series of short term interest contracts at LIBOR + 1.45%. This loan is secured on university property.

A further £20 million loan facility was taken out with HSBC in the prior year to fund the development of a new business school building and sports centre at the Oxstalls campus. £17.8 million was drawn down in the year to 31 July 2018 and it is anticipated that the remainder will be drawn down by November 2018. The loan has an initial term of five years, with an option to extend for a further two years. This loan is also secured on university property.

To reduce uncertainty, a swap contract with the Royal Bank of Scotland was put in place in 2005 to fix a proportion of the loan interest at 4.56%. This swap contract runs until 2025. This has been included in the balance sheet at the year-end valuation.

During 2017/18 the university entered into a 1.5% CAP facility with RBS to assist managing the additional interest rate risk associated with its additional borrowings with HSBC.

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 19 Deferred capital grants

	Consolidated and university funding councils £000	Consolidated and university other grants and benefactions £000	Consolidated and university total £000
<b>At beginning of year</b>			
Buildings	8,724	4,865	13,589
Equipment	3,294	250	3,544
	<b>12,018</b>	<b>5,115</b>	<b>17,133</b>
<b>Cash received</b>			
Buildings	271	4,125	4,396
Equipment	422	504	926
	<b>693</b>	<b>4,629</b>	<b>5,322</b>
<b>Released to income and expenditure</b>			
Buildings	(493)	(214)	(707)
Equipment	(474)	(69)	(543)
	<b>(967)</b>	<b>(283)</b>	<b>(1,250)</b>
<b>At end of year</b>			
Buildings	<b>8,502</b>	<b>8,776</b>	<b>17,278</b>
Equipment	<b>3,242</b>	<b>685</b>	<b>3,927</b>
	<b>11,744</b>	<b>9,461</b>	<b>21,205</b>

### 20 Provisions

	INTO Gloucestershire LLP £000	LGPS defined benefit obligations £000	Obligation to fund deficit on USS and CEFPS £000	Pensioners £000	Other £000	Total £000
<b>Consolidated</b>						
At beginning of year	1,375	33,035	401	1,459	1,312	37,582
Utilised during the year	-	(10,562)	-	(253)	-	(10,815)
Transfer from income and expenditure account	-	3,617	(45)	170	126	3,868
Share of gross assets	58	-	-	-	-	58
Share of gross liabilities	(723)	-	-	-	-	(723)
<b>At end of year</b>	<b>710</b>	<b>26,090</b>	<b>356</b>	<b>1,376</b>	<b>1,438</b>	<b>29,970</b>
<b>University</b>						
At beginning of year		33,035	401	1,459	1,312	36,207
Utilised during the year		(10,562)	-	(253)	-	(10,815)
Transfer from income and expenditure account		3,617	(45)	170	126	3,868
<b>At end of year</b>		<b>26,090</b>	<b>356</b>	<b>1,376</b>	<b>1,438</b>	<b>29,260</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 21 Endowment reserves

	Restricted permanent endowments £000	Expendable endowments £000	Total 2018 £000	Total 2017 £000
<b>Consolidated</b>				
At beginning of year				
Capital	1,925	1,518	3,443	3,277
Accumulated income	136	(611)	(475)	(485)
	2,061	907	2,968	2,792
New endowments	-	4	4	41
Investment income	121	17	138	185
Expenditure	(116)	(36)	(152)	(175)
	5	(15)	(10)	51
Increase in market value of investments	48	25	73	125
<b>At end of year</b>	<b>2,114</b>	<b>917</b>	<b>3,031</b>	<b>2,968</b>
<b>Analysis by type of purpose</b>				
Fellowships and scholarship prizes	-	1	1	2
Prize funds	13	87	100	101
Other funds	2,101	829	2,930	2,865
	<b>2,114</b>	<b>917</b>	<b>3,031</b>	<b>2,968</b>
<b>Analysis by asset</b>				
Current and non-current asset investments			2,546	2,543
Cash and cash equivalents			485	425
			<b>3,031</b>	<b>2,968</b>
<b>University</b>				
At beginning of year				
Capital	1,925	911	2,836	2,762
Accumulated income	136	(524)	(388)	(409)
	2,061	387	2,448	2,353
New endowments	-	4	4	22
Investment income	121	2	123	162
Expenditure	(116)	(13)	(129)	(162)
	5	(7)	(2)	22
Increase in market value of investments	48	3	51	73
<b>At end of year</b>	<b>2,114</b>	<b>383</b>	<b>2,497</b>	<b>2,448</b>
<b>Analysis by type of purpose</b>				
Fellowships and scholarship prizes	-	1	1	2
Prize funds	13	87	100	101
Other funds	2,101	295	2,396	2,345
	<b>2,114</b>	<b>383</b>	<b>2,497</b>	<b>2,448</b>
<b>Analysis by asset</b>				
Current and non-current asset investments			2,086	2,075
Cash and cash equivalents			411	373
			<b>2,497</b>	<b>2,448</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 22 Restricted reserve

	Consolidated	Consolidated	University	University
	2018 £000	2017 £000	2018 £000	2017 £000
At beginning of year	33	20	33	20
New endowments and donations	26	79	26	79
Expenditure	(23)	(66)	(23)	(66)
<b>At end of year</b>	<b>36</b>	<b>33</b>	<b>36</b>	<b>33</b>
<b>Analysis by type of purpose</b>				
Scholarships and bursaries	10	10	10	10
Other funds	26	23	26	23
	<b>36</b>	<b>33</b>	<b>36</b>	<b>33</b>

### 23 Revaluation reserve

#### Revaluations

At beginning of year	27,815	27,815	27,815	27,815
<b>At end of year</b>	<b>27,815</b>	<b>27,815</b>	<b>27,815</b>	<b>27,815</b>

#### Contributions to depreciation

At beginning of year	(24,028)	(22,445)	(24,028)	(22,445)
Released in year	(1,602)	(1,583)	(1,602)	(1,583)
<b>At end of year</b>	<b>(25,630)</b>	<b>(24,028)</b>	<b>(25,630)</b>	<b>(24,028)</b>

#### Revaluation reserve

<b>At end of year</b>	<b>2,185</b>	3,787	<b>2,185</b>	3,787
At beginning of year	3,787	5,370	3,787	5,370

### 24 Lease obligations

Future minimum lease payments under non-cancellable operating leases are as follows:

Within one year	2,285	2,397	2,285	2,397
Between two and five years	4,744	5,395	4,744	5,395
Over five years	2,413	5,764	2,413	5,764
	<b>9,442</b>	<b>13,556</b>	<b>9,442</b>	<b>13,556</b>
Representing:				
Land and buildings	9,221	13,381	9,221	13,381
Other operating leases	221	175	221	175
	<b>9,442</b>	<b>13,556</b>	<b>9,442</b>	<b>13,556</b>

### 25 Capital commitments

Authorised but not contracted

<b>At end of year</b>	<b>9,090</b>	9,587	<b>9,090</b>	9,587
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Authorised and contracted

<b>At end of year</b>	<b>6,077</b>	23,292	<b>6,077</b>	23,292
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# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 26 Contingent liabilities

The university has previously received a grant of £250,000 from the Church of England Central Board of Finance. This becomes payable in the event of the University withdrawing teacher training facilities.

### 27 Events after the reporting period

On 18 September 2018 the university received confirmation of its registration with the Office for Students enabling the university to maintain its degree awarding powers, continue to access public grant funding and student support. There were no specific conditions attached to the registration.

### 28 Cash and cash equivalents

	At beginning of year £000	Cash flows £000	At end of year £000
<b>Consolidated</b>			
Cash at bank and in hand	1,418	314	1,732
Short term deposits	25,046	(568)	24,478
	<b>26,464</b>	<b>(254)</b>	<b>26,210</b>
<b>University</b>			
Cash at bank and in hand	1,342	259	1,601
Short term deposits	25,046	(568)	24,478
	<b>26,388</b>	<b>(309)</b>	<b>26,079</b>

### 29 Related party transactions

To capture information on related party transactions, the university has written to members of Council. Due to the nature of the university's operations and the composition of Council, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of Council has a connection. All such connections are declared annually in the register of Council members Interests. All such transactions are conducted at arm's length and in accordance with the University's Financial Regulations with regards to procurement.

Relevant significant relationships held by members of Council who served in the year are:

- (i) Mr P Bungard is Chief Executive of Gloucestershire County Council
- (ii) Mr S Marston is a board member of Gloucestershire College and a board member of South Gloucestershire and Stroud Commercial Services Ltd
- (iii) Mr M Burgess is Principal of Gloucestershire College
- (iv) Mr M Jones is Governor and Vice-Chair of South Gloucestershire and Stroud College and a director of South Gloucestershire and Stroud Commercial Services Ltd
- (v) Ms R Ward is President of the Gloucestershire Students' Union
- (vi) Ms E Andrews is Education Officer of the Gloucestershire Students' Union
- (vii) Mr A Taylor is a Partner in Bruton Knowles

For the year ended 31 July 2018 expenses totalling £5,720 (2017: £2,423) were claimed by eight directors and trustees in respect of their responsibilities as directors and trustees. The university does not remunerate its external directors and trustees. The salaries of members of staff who serve on Council do not include any element specific to this role.

The University of Gloucestershire Students' Union is a separately constituted entity which is governed by its own board of directors, of which Ms R Ward is President. The university has no financial interest, control or significant influence over policy decisions. The university helps to support the core activities with a block grant on an annual basis which include student representation; student opportunities; support for student volunteering; student events and entertainments; and student sport and societies. During the year sales of £17,046 (2017: £11,676) and purchases of £480,843 (2017: £457,517) relating to core activities were transacted with the Student Union. At the year end a balance of £3,410 (2017: £22,013) was due to The University of Gloucestershire Students' Union and a year-end balance of £6,950 (2017: £0) was owed to the university.

During the year, the university supplied INTO Gloucestershire LLP with goods and services to the value of £1,045,051 (2017: £974,292), the balance included in trade debtors at 31 July 2018 was £38,571 (2017: £221,509). The university also received services from INTO Gloucestershire LLP during the year to the value of £83,744 (2017: £63,665), the balance included in trade creditors at 31 July 2018 was £25,527 (2017: £8,256).

The jointly controlled entity with INTO University Partnerships Ltd has now completed its fifth full year of operation. As outlined earlier in the operating and financial review, the jointly controlled Entity Board has reviewed projections and revised the business model in light of the challenging market. As a result the board agreed to £2.2m of the jointly controlled entity's debt being written off, £1.1m from the university and £1.1m from INTO University Partnerships Limited.

The interest of £11,326 (2017: £30,649) due from INTO Gloucestershire LLP to Gloucestershire ISC Limited on the revolving loan is detailed in note 14.

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### 30 The Teaching Regulation Agency

The university, acting as agent for the Teaching Regulation Agency (previously known as the National College for Teaching and Leadership), disbursed £278,800 (2017: £599,300) training bursaries to students undergoing initial teacher training for the year ended 31 July 2018. The training bursaries have not been included in the income and expenditure of the university.

### 31 Pension schemes

#### a) Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. Under the definitions set out in FRS 102, the TPS is a multi-employer pension plan. The university is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly the university has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The university has set out below the information available on the plan and the implications for the university in terms of the anticipated contribution rates.

The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pensions Regulations 2014 (as amended). These regulations apply inter alia to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the pensions (Increase) acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by parliament. Under the unfunded TPS, teachers' contributions on a 'pay as you go' basis, and employers' contributions, are credited to the exchequer under arrangements governed by the above Act.

The teachers' pensions regulations require an annual account, the teachers' pension budgeting and valuation account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return (in excess of price increases and currently set at 3.0%), which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

Following the Hutton report in March 2011 and subsequent consultations with trade unions and other representative bodies on reform of the TPS, the department published a proposed final agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a normal pension age equal to state pension age, but with options to enable members to retire earlier or later than their normal pension age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The total consolidated pension costs under the Teachers' Pension Scheme for the university were:

	<b>2018</b>	2017
	<b>£000</b>	£000
Contributions to teachers' pensions	<b>2,659</b>	2,561

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

### b) Universities Superannuation Scheme

The university participates in the Universities Superannuation Scheme (USS). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual 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 and therefore, as required by section 28 of FRS 102 'employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the 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 the resulting expense in the income and expenditure account.

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 that provided by USS. 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 is recognised in profit or loss. The directors are satisfied that the scheme provided by USS 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.

The total cost charged to the statement of comprehensive income and expenditure is £203,898 (2017: £210,107).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet complete. Since the university cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

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

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

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

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

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0
	<b>2018</b>	<b>2017</b>
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

### c) Gloucestershire County Council Superannuation scheme

Non-academic staff belong to the Gloucestershire County Council Superannuation scheme. The scheme is a defined benefits scheme in the UK and is externally funded. The total contributions made for the year ended 31 July 2018 were £4.929m, of which employer's contributions totalled £3.825m and employees' contributions totalled £1.104m. The agreed contribution rates for future years are 16.4% for employers plus a contribution of £1m towards the deficit and range from 5.5% to 12.5% for employees, depending on salary.

The following information is based on the last full actuarial valuation carried out at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary, Hymans Robertson.

	31 March 2016
Latest actuarial valuations	31 March 2016
Market value of assets at date of last valuation	£1,703m
Investment returns per annum	4.00%
Salary scale increases per annum	2.40%
Pension increases per annum	2.10%
Price Inflation	2.10%

The estimate of contributions expected to be paid in the next year (year ending 31 July 2018) are £3,626m at a contribution rate of 16.4% until the next actuarial valuation change in April 2018.

The major assumptions used by the actuary were:

	31 July 2018 %	31 July 2017 %	31 July 2016 %
Pension increase rate	2.40	2.50	1.90
Salary increase rate	2.70	2.80	2.20
Expected return on assets	2.80	2.70	2.40
Discount rate	2.80	2.70	2.40
Inflation assumption	2.80	2.50	1.90

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

The mortality assumptions assume that the current rate of improvements have peaked and will converge to a long term rate of 1.25%. Based on these assumptions, the average life expectancies at age 65 are:

	<b>31 July 2018</b>	31 July 2017	31 July 2016
	%	%	%
<i>Current pensioners</i>			
Males	22.4	22.4	22.5
Females	24.6	24.6	24.6
<i>Future pensioners (at age 45)</i>			
Males	24.0	24.0	24.4
Females	26.4	26.4	27.0

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of the investment organisations. The assets in the scheme were:

	<b>Value 31 July 2018 £000</b>	Value 31 July 2017 £000	Value 31 July 2016 £000
Equities (UK and Overseas)	1,638,060	1,537,200	1,294,440
Bonds	498,540	405,650	375,200
Property	189,920	149,450	131,320
Cash	47,480	42,700	75,040
	<b>2,374,000</b>	<b>2,135,000</b>	<b>1,876,000</b>

The amounts recognised in the consolidated and university statement of income and expenditure, in accordance with the requirements of FRS 102 are:

	<b>2018 £000</b>	2017 £000
<i>Amounts included in staff costs</i>		
Current service cost	6,494	4,786
Past service cost (including curtailments)	21	12
	<b>6,515</b>	<b>4,798</b>
<i>Amounts included in interest and other finance costs</i>		
Interest income on plan assets	(2,283)	(1,726)
Interest on pension scheme liabilities	3,210	2,444
Net charge to other finance costs	<b>927</b>	<b>718</b>
<i>Amount recognised in other comprehensive income</i>		
Return on pension plan assets	(4,906)	(8,125)
Changes in demographic assumptions	-	126
Changes in financial assumptions	(5,656)	7,624
Experience (gains)/losses arising on defined benefit obligations	-	2,052
	<b>(10,562)</b>	<b>1,677</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

An analysis of the amount shown in the balance sheets at 31 July 2018 and 31 July 2017 is:

	<b>31 July 2018</b> <b>£000</b>	31 July 2017 £000
Total market value of assets	93,320	83,087
Actuarial value of scheme liabilities	(119,409)	(116,121)
Deficit in the scheme - Net pension liability recorded within pension provisions	<b>(26,089)</b>	<b>(33,034)</b>
The movements in the net liability are as follows:		
<i>Movement in net defined (liability) during the year</i>		
Net defined liability in scheme at 1 August	(33,034)	(29,288)
Current service cost	(6,494)	(4,786)
Employer contributions	3,825	3,447
Impact of settlement and curtailment	(21)	(12)
Net interest on the defined (liability)	(927)	(718)
Actuarial gain/(loss)	10,562	(1,677)
Net defined (liability) in scheme at 31 July	<b>(26,089)</b>	<b>(33,034)</b>
<i>Movement in present value of the pension scheme during the year</i>		
Present value at 1 August	116,121	99,966
Current service cost (net of member contributions)	6,494	4,786
Past service costs (including curtailments)	21	12
Net interest	3,210	2,444
Plan participants' contributions	1,104	1,039
Actuarial gain/(loss)	(5,656)	9,802
Actual benefit payments	(1,885)	(1,928)
Present value at 31 July	<b>119,409</b>	<b>116,121</b>
<i>Movement in the fair value of the scheme assets</i>		
Fair value at 1 August	83,087	70,678
Expected return on assets	4,906	8,125
Interest income on plan assets	2,283	1,726
Actual contributions paid by the university	3,825	3,447
Plan participants' contributions	1,104	1,039
Actual benefit payments	(1,885)	(1,928)
Fair value at 31 July	<b>93,320</b>	<b>83,087</b>

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

History of experience gains and losses:

	Year to July 2018	Year to July 2017	Year to July 2016	Year to July 2015	Year to July 2014
<i>Difference between the expected and actual return on assets</i>					
Amount (£000)	4,906	8,125	4,048	3,262	489
Percentage of assets at year end	5.26%	9.78%	5.70%	5.3%	0.91%
<i>Experience gains/(losses) on liabilities</i>					
Amount (£000)	-	(2,052)	933	517	(1,532)
Percentage of liabilities at year end	0%	(1.77)%	(0.93)%	(0.57)%	1.94%

### d) Church of England Funded Pensions Scheme

The University of Gloucestershire participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the responsible bodies.

Each participating responsible body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the scheme's assets and liabilities to a specific responsible body, and this means contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the consolidated and university statement of comprehensive income and expenditure in the year are contributions payable towards benefits and expenses accrued in that year (2017: £10k, 2016: £9k), plus figures highlighted in the table below, giving a total charge of £11k for 2017 (2016: £4k).

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- an investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly from 70% by 31 December 2030
  - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- investment returns of 2.6% pa on gilts and 4.6% pa on return-seeking assets;
- RPI inflation of 3.2% pa (and pension increases consistent with this);
- increase in pensionable stipends of 3.2% pa; and
- mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are as set out in the table below.

	January 2016 to December 2017	January 2018 to December 2025
<i>% of pensionable stipends</i>		
Deficit repair contributions	14.1%	11.9%

As at 2015, the deficit repair contributions payable under the recovery plan in force at that time were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

# Financial statements for the year ended 31 July 2018

## Notes to the financial statements for the year ended 31 July 2018

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the scheme's rules. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

The liability reported at 31 July 2018 is based on the latest information available to 31 December 2017. As the university only has one member in the pension fund and the level of contributions after 31 December 2017 is consistent with the prior year, there will not be a material movement in the liability between 31 December 2017 and 31 July 2018.

	2017 £	2016 £
Balance Sheet liability at 1 January 2017	23,000	28,000
Deficit contributions paid	(2,000)	(3,000)
Interest cost	-	1,000
Remaining change to the balance sheet liability*	3,000	(3,000)
Balance Sheet liability at 31 December 2017	24,000	23,000

\*comprises change in agreed deficit recovery plan and change in discount rate between year-ends

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2017	December 2016	December 2015
Discount rate	1.4%	1.5%	2.5%
Price inflation	3.0%	3.1%	2.4%
Increase to total pensionable payroll	1.5%	1.6%	0.9%



FINANCIAL STATEMENTS **2017/2018**

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