

CARDIFF METROPOLITAN UNIVERSITY
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

REGISTERED CHARITY No. 1140762

CARDIFF METROPOLITAN UNIVERSITY

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CARDIFF METROPOLITAN UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS

OPERATING and FINANCIAL REVIEW

Scope of the Financial Statements

These financial statements relate to the year ended 31 July 2018 and represent the twenty sixth Annual Report of the University since its incorporation in 1992. The financial statements consolidate the main activity of the University with that of its subsidiary companies and have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102.

Principal Activities

The principal activity of the University is the provision of higher education from campuses in Cardiff and through collaborative activities elsewhere in the UK and overseas. The University's portfolio extends across undergraduate, postgraduate and research activities and is complemented by training, consultancy and other commercial spin offs which are provided to local, national and international organisations. The University also provides conferencing and residential services, together with sports and catering facilities, for students and external users. Many of these commercial activities are carried out through a subsidiary company Cardiff Met Company Ltd, which gifts the taxable profit back to the University through the Gift Aid scheme.

Financial and Investment Strategy

The University last reviewed and updated its Financial Strategy during July 2018. This Strategy has the key objectives of growing and diversifying income; promoting long-term sustainability; and operating efficiently and effectively. The Strategy includes challenging performance objectives in support of the University's aspirations for the future.

Results for the Year

The University has delivered a strong financial performance during the year with a surplus for the year of £3.4m and cash generated through operations of £9.4m (excluding non cash pension charges). The key financial priority for the year was the resetting of the staff cost base through a combination of a voluntary severance exercise (at a cost of £5.3m) together with the disestablishment of selected vacant posts. This exercise was successfully concluded at the end of August 2017 and delivered the targeted reduction in the cost base. This will strengthen the financial foundations for the future enabling the university to target an increased annual surplus and higher levels of cash generation in support of the planned strategic developments set out in the corporate strategy.

Summary of Results	2017/18	2016/17
	£000	£000
Income	103,695	99,871
Expenditure	95,002	98,686
Surplus before exceptional costs	8,693	1,185
Exceptional Severance costs	(5,291)	(1,131)
Surplus for the year	3,402	54

CARDIFF METROPOLITAN UNIVERSITY

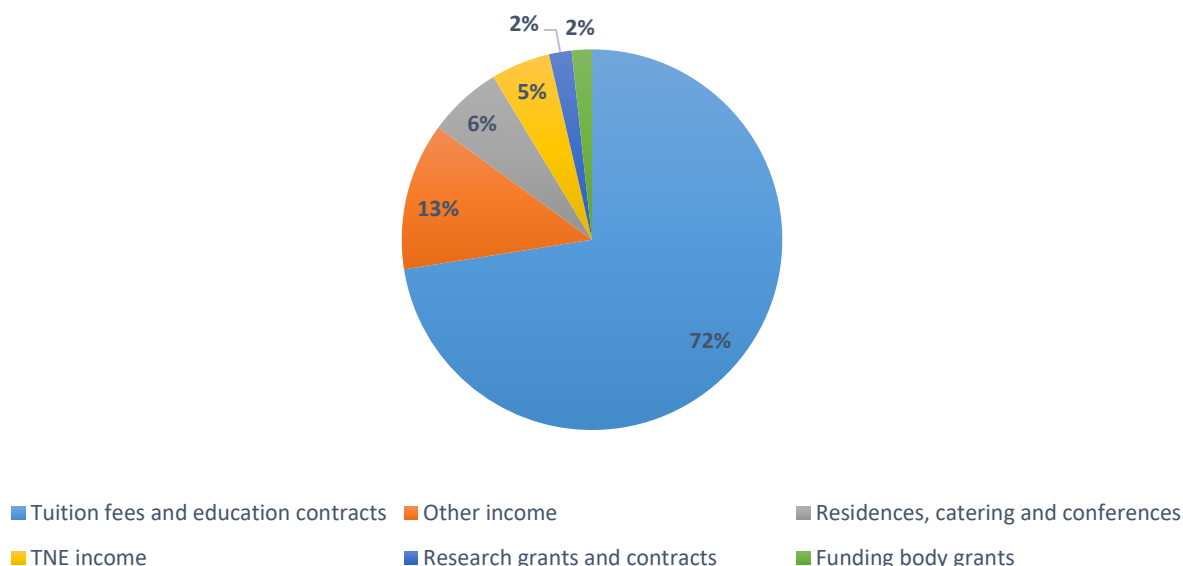
REPORT OF THE BOARD OF GOVERNORS (continued)

OPERATING and FINANCIAL REVIEW (continued)

Results for the Year (continued)

The University group's income increased by £3.8m compared with the previous year and amounted to £103.7m. This is the first year that the consolidated turnover of the university has exceeded £100m. The increase in total income was mainly due to an increase of £3.4m in tuition fee income, from on-campus students and from transnational students studying at partner institutions abroad.

Income Analysis 2017-18



The group invested £3.8m in its infrastructure during 2017/2018. Of this £2.4m was invested in the estate including £1m in the latest phase of the student residences refurbishment programme. Expenditure of £1.4m was also invested in equipment including £800k in IT infrastructure and corporate systems.

The balance sheet has been strengthened by a £9.9m increase in net assets achieved through operational performance (£3.4m) and an actuarial revaluation of the pension deficit with Cardiff & Vale of Glamorgan Pension Fund (£6.5m), which contributed to the net reduction in the deficit from £50.1m to £46m. The reduction in the deficit is a result of changes to the actuarial assumptions used to project future pension scheme liabilities, including assumptions relating to the discount rate.

Liquidity & Cash

The University group's cash and short term investment resources at the year end amounted to £25.3m (2017: £24.2m). Investments in the estate and infrastructure during the year have been funded entirely by cash generated from operating activities. The current ratio improved during the year to 1.92 (2017: 1.70). The group has £25m of long term borrowing for which repayments are not required to start until July 2019; as a result the group's total debt reduced only marginally to £28.05m from £27.8m at last year end.

CARDIFF METROPOLITAN UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (continued)

OPERATING and FINANCIAL REVIEW (continued)

The Financial Outlook

During 2017/2018 the University charged FT home and EU undergraduate students an annual tuition fee of £9000, as compared to the fee of £9250 being charged in English institutions. It had been announced by the Welsh Government that Welsh institutions would be permitted to raise the £9000 fee to £9295 from 2018/2019 with further inflationary uplifts during 2019/2020 and 2020/2021. Following a decision in England to cap fees at £9250, the decision to increase fees in Wales was reversed and the fee chargeable by Welsh institutions has remained capped at £9000. The Welsh Government has provided additional funding to the Funding Council for 2018/2019 to compensate for the continued capping of the fee and this has been deployed to institutions in the form of a fee mitigation grant. It is not yet known when or whether the cap on the £9000 fee will be lifted or whether funding will continue to be provided through a fee mitigation grant after 2018/2019. A Review of Post-18 Education and Funding in England has been commissioned by the UK Government and this is due to report early in 2019. It is possible that this review of the English system will influence future funding decisions in Wales. At present the methodology for the future funding of institutions in both Wales and England is uncertain.

The financial statements for 2017/18 show that the University deployed 58% of its income on staff costs as compared to 65.7% during the previous year. At 65.7% the level of expenditure on staffing was significantly above both sector norms and the Financial Strategy tolerances. The position was corrected during August 2017 by the targeted disestablishment of selected vacant posts combined with a voluntary severance exercise. This exercise reset the cost base and has strengthened the financial foundations of the university, enabling it to plan for increased accounting and cash surpluses to provide the funding for the ambitious programme of development set out in the corporate strategy.

In order to generate development funding and as a counter to the uncertainty arising from the current fee arrangements, the University has ambitious plans to grow and diversify its income base through the development of new academic programmes and investment in research and innovation activity, both to be provided through new and rejuvenated estate and infrastructure.

Charitable Status

The University became a Registered Charity (No. 1140762) on 10 March 2011.

Membership of the Board of Governors

The membership of the Board for the year 1 August 2017 to 31 July 2018 is set out on Page 8 of this report.

Independent Auditors

The external auditors for the year were PricewaterhouseCoopers LLP. The internal auditors for the year were Deloitte LLP.

CARDIFF METROPOLITAN UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (continued)

OPERATING and FINANCIAL REVIEW (continued)

Equality of Opportunity

The University works to ensure compliance with equality legislation, and is committed to proactively integrating the principles of equality into all its activities. A Strategic Equality Plan has been agreed and implemented. The University is active in widening access to education, and in providing an inclusive approach to learning, teaching, and research.

Health and Safety at Work

The health, safety and wellbeing of staff and students are essential to the success of the University. The University's Health & Safety Committee considers all relevant aspects of health, safety and welfare. The Committee receives regular monitoring reports of periodic audits of schools/units health & safety management arrangements and of initiatives and/or issues emanating from school/unit health & safety meetings. Additionally, the Committee disseminates updates on legislation and guidance on good practice and monitors accident levels and staff attendance. The Minutes of the Committee are presented to the Resources Committee and health & safety reports also feature at the University's Audit Committee. An Annual Health & Safety Report is provided to the Board of Governors to enable it to meet its statutory obligation to ensure compliance with health & safety legislation.

Dealing with the future challenges can only be achieved through the continuing work and support of the University's staff and the Board of Governors wish to thank all staff for their efforts and commitment to the University throughout the year.

Professor C Carmichael Aitchison

President & Vice-Chancellor

27th November 2018

CARDIFF METROPOLITAN UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (continued)

PUBLIC BENEFIT STATEMENT

Cardiff Metropolitan University seeks to advance higher education and research within South East Wales, Wales, the UK and overseas. Its charitable objective is to inspire and enable individuals, organisations and communities to succeed through innovation in high quality learning, research and enterprise. The benefit of this charitable objective is derived through the intellectual development of individuals and providing the opportunity for them to enter professional life in many fields of public and private provision. The beneficiaries are the public at large to whom education is open. The University's provision has been aligned with the Welsh Government's strategy for higher education and serves the public benefit by contributing to regional regeneration, preservation of the environment and addressing social justice.

The University offers courses in a range of subjects including health and social care, teacher education and environmental management with over 50 professional bodies accrediting its courses. It also engages with partners in business, the public sector and communities in a variety of ways. Specifically during 2017/2018 the University:

- (a) Undertook Sport Development for Cardiff City Council. The University, through Cardiff Met Sport, is working with the Council, Cardiff City FC and Sport Wales to increase sports participation and the quality of the experience across the city. The project, which places particular emphasis upon addressing key themes including disability, gender, and disadvantaged groups, is also contributing to the strengthening of Cardiff Met's relationships with all of the city's primary and secondary schools, and supports thousands of hours of student work placement and volunteering opportunities.
- (b) As part of its Widening Access programme the University participated in the First Campus Initiative which encourages the importance of learning amongst community first areas and schools in SE Wales.
- (c) Administered and supported a £12m pan Wales advisory and implementation service in food technology related initiatives, including areas such as technical, microbiological, hygiene and product development to help clients (SMEs) achieve measurable outputs and clear financial, environmental and skill-based benefits and to maximise business performance.
- (d) Worked with Welsh Government to provide Knowledge Transfer Centres as an effective interface between academia and Welsh business - providing access to research, development, expertise, facilities and knowledge to a wide range of technology led businesses.
- (e) Used its sports facilities to provide junior academies for local children and training facilities for all levels of athlete, thereby supporting world class participants in a range of national and international sports.
- (f) Operated a Community Borrower Scheme which provides the public with direct access to the University's library collections, enabling them to borrow books or other audio-visual education materials.
- (g) Provided professorial lectures and exhibitions open to the general public.
- (h) Actively promoted the National Young Ambassador programme which aims to inspire young people to become leaders through sport and physical activity.
- (i) Supported the wellbeing of future generations through ensuring that 100% of the electricity used by the University is generated from renewable sources. Cardiff Met is currently ranked top University in Wales, and 8th in the UK, for sustainability as measured by the annual People & Planet League Table.

During the year, Welsh domiciled students of the University were able to access the Assembly Learning Grant and English domiciled students the Maintenance Grant; the University also offered its own bursaries. Various other schemes were also available to assist students to access higher education and the University administered a discretionary contingency fund for those who required financial support to continue their studies. The University offered a wide range of accredited taster sessions at outreach centres and bespoke projects designed to raise the aspirations amongst disadvantaged/under represented communities.

CARDIFF METROPOLITAN UNIVERSITY

REPORT OF THE BOARD OF GOVERNORS (continued)

PUBLIC BENEFIT STATEMENT (continued)

In common with other charitable higher education corporations in the UK, the University is overseen by a non-remunerated Board of Governors, the majority of whom are otherwise independent of the University. The Board of Governors includes staff and student representation.

RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Education Reform Act 1988 the Board of Governors of Cardiff Metropolitan University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors 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 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (effective from 1 January 2015) and in accordance with applicable Accounting Standards. In addition, within the terms and conditions of Financial Management Code issued by the Higher Education Funding Council for Wales, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University, of the surplus or deficit and cash flows for that year.

In preparing these financial statements, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting 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 Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for Wales are used only for the purposes for which they have been given and in accordance with the Financial Management Code with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- 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 resources and expenditure.

By order of the Board

Professor C Carmichael Aitchison
President & Vice-Chancellor
27th November 2018

CARDIFF METROPOLITAN UNIVERSITY

CORPORATE GOVERNANCE STATEMENT

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code both during the year and up to the date of approval of the financial statements. Its purpose is to help the reader of the financial statements to understand how the principles have been applied.

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

The Risk Management Policy and the Strategic Risk Register were last reviewed and revised in July 2018. The Governing Body is of the view that an effective and continuing process for identifying, evaluating and managing the University's significant risks has been in place for the period of the financial statements. The Governing Body regularly reviews this process which accords with the guidance for directors on internal control contained in the UK Corporate Governance Code, as deemed appropriate for higher education.

The Board of Governors meets at least four times a year and has several committees including an Audit Committee, a Resources Committee, a Strategic Planning & Performance Committee, a Nominations & Governance Committee, a Remuneration Committee and a Transnational Education Committee. All Committees are formally constituted with terms of reference and membership comprised exclusively or mainly of independent members of the Governing Body. The Resources Committee recommends the University's annual revenue and capital budget to the Governing Body and monitors performance in relation to the approved budgets. The Nominations & Governance Committee makes recommendations to the Governing Body in respect of the appointment of governors in accordance with the Instrument of Government. The Remuneration Committee determines the remuneration of the Vice-Chancellor and all other senior post-holders.

Membership of the Audit Committee includes two external independent members who are not members of the Governing Body and who thus provide additional externality to the Committee's deliberations. The University's senior executives attend meetings of the Audit Committee as necessary but are not members of it. The Audit Committee meets three times a year with attendance by the University's internal and external auditors as appropriate. The Committee considers detailed internal audit reports which, as appropriate, make recommendations for the improvement of the University's systems of internal control and include management's responses and implementation plans. The Committee also monitors adherence to regulatory requirements and considers reports from the external auditors, the Higher Education Funding Council Wales and other sources as they affect the University's business. The Committee meets privately with the University's Internal Auditors before each meeting and meets similarly with the External Auditors at least once annually.

The responsibility for embedding risk management across the institution and maintaining an overview of the key high level institutional risks rests with the University's Management Board. The Board of Governors and Management Board receive reports setting out key performance indicators and identifying risks, and consider related control issues. The Audit Committee receives and examines regular Risk Management reports which help to inform the future direction of the rolling internal audit programme. The executive receive regular reports from the University's internal and external auditors which include recommendations for improvement. The Audit Committee's role in this area is to provide a high level review of the arrangements for internal financial control. The Governing Body's agenda includes a regular item for the consideration of risk and control; regular reports thereon are received from the executive and the Audit Committee. The emphasis is upon obtaining the relevant degree of assurance and not merely reporting by exception.

The University's Governing Body adheres to the provisions of the Higher Education Code of Governance issued during the Spring Term 2015. The Board of Governors maintains a rolling programme of review of its own effectiveness and that of its main committees.

CARDIFF METROPOLITAN UNIVERSITY

GOVERNORS AND DIRECTORATE

GOVERNORS AND DESIGNATED SENIOR POSTHOLDERS 2017/2018

GOVERNORS

	<u>PERIOD OF OFFICE</u>
Miss B Wilding CBE QPM (Chair)	1 August 2010 to 31 July 2018
Ms N Amery (Vice-Chair)	1 April 2014 to date
Professor C C Aitchison, President and Vice-Chancellor (ex officio)	1 October 2016 to date
Ms J Berry	1 August 2014 to date
Ms K Chamberlain	1 August 2015 to 31 July 2018
Mr W G Davies	1 December 2015 to date
Mr W Fuller	1 August 2016 to 31 July 2018
Mr I Gardiner	1 August 2017 to date
Mrs S Goodson	1 August 2017 to date
Mr G Hardacre	1 April 2013 to date
Ms S Hay	1 April 2013 to date
Mr F J Holmes	1 April 2013 to date
Mr U Hussain MBE	1 August 2015 to date
Dr Malcolm James	1 August 2017 to date
Mr S Kidwai OBE	1 August 2012 to 31 July 2018
C Morgan	1 August 2016 to 3 April 2018
Dr K Nnoaham	1 August 2017 to date
Dr C Turner	1 August 2017 to date
Mr G Yorston	1 August 2013 to 5 March 2018

SECRETARY & CLERK TO THE GOVERNORS

Mr R D G Walters	1 June 1999 to date
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DESIGNATED SENIOR POSTHOLDERS

Professor S Chang	Deputy Vice-Chancellor Academic	4 September 2017 to date
Professor S Hanton	PVC Research & Innovation	23 April 2012 to date
J Boddington	PVC Student Engagement	18 September 2017 to date
Professor M Loutfi	PVC International	28 September 2012 to 31 st August 2018
Mr D Price	PVC Strategy & Performance	1 August 2013 to 15 September 2017
Professor L Robinson	PVC Cyncoed & Executive Dean	2 October 2017 to date

CARDIFF METROPOLITAN UNIVERSITY

Independent auditors' report to the Governing Body of Cardiff Metropolitan University (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, Cardiff Metropolitan University's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2018, and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and University Statements of Financial Position as at 31 July 2018; the Consolidated and University Statements of Comprehensive Income and Expenditure for the year then ended; the Consolidated and University Statements of Changes in Reserves for the year then ended; the Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent institution'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Governing Body is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 **CARDIFF METROPOLITAN UNIVERSITY**

knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements

As explained more fully in the Responsibilities of the Board of Governors Statement set out on page 6, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the group and parent institution'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 intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We are eligible to act, and have been appointed, as auditors under section 144(2) of the Charities Act 2011. 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 auditors' 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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the institution's Governing Body as a body in accordance with section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 and the Financial Management Code issued under the Higher Education (Wales) Act 2015

CARDIFF METROPOLITAN UNIVERSITY

Other required reporting

Opinion on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 and the Financial Management Code issued under the Higher Education (Wales) Act 2015

In our opinion, in all material respects, funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them.

Opinions on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- the requirements of HEFCW's accounts direction have been met; and
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

Sufficiency of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Internal control

Under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

4 December 2018

CARDIFF METROPOLITAN UNIVERSITY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102; the Accounts Direction issued by the Higher Education Funding Council for Wales; the Charities Act 2011 and applicable Accounting Standards in the United Kingdom. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets). The principal accounting policies have been applied consistently except as where described otherwise and are set out below.

2 Basis of Consolidation

The consolidated financial statements include Cardiff Metropolitan University and its wholly owned subsidiary undertakings, Cardiff Met Company Limited and Cardiff Metropolitan Education Services (Beijing) Limited, for the financial year to 31 July 2018. During 2018 the University set up Fovo Technology Ltd as a spin out company. This company is also consolidated into these financial statements, however the results were highly immaterial in the current year. The company is owned 55% by Cardiff Met Company Ltd and 45% by 2 of the University's academics. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions. Intra-group sales and profits are eliminated fully on consolidation.

3 Income Recognition

Income from the sale of goods or services is credited to the Consolidated 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 and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount, income receivable is shown net of the discount. Fee scholarships are treated as a discount and are deducted from income.

TNE income derives from the University's franchise, validation and outreach franchise arrangements with international partners. Transnational Education income (TNE) has been redefined in the accounts according to guidance received from both HESA and HEFCW. Previously TNE income was included in other income; in the current year and going forward TNE income relating to student fees is reclassified as fee income. Comparative figures have also been restated.

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

a) Grant Funding

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

b) Donations and Endowments

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

3 Income Recognition (continued)

b) Donations and Endowments (continued)

There may be 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.

c) Capital Grants

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

4 Accounting for Retirement Benefits

The University operates three pension schemes for University staff; the Cardiff and Vale of Glamorgan Pension Fund (CVGPF), the Teachers' Pension Scheme (TPS) and the Universities Superannuation Scheme (USS). The CVGPF and USS are funded schemes.

The CVGPF is valued every three years by a professionally qualified actuary using the projected unit method, the rate of contribution payable being determined by the Administering Authority on the advice of the actuary.

The TPS is subject to an actuarial valuation every five years by the Government Actuarial Department using the age entry method. The rate of contribution for the TPS is determined by the Teachers' Pension Agency on the advice of the actuary.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to the University at member level due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

However, in accordance with FRS102, a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

a) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees. Given the nature of the TPS, contributions to that scheme are accounted for on this basis.

b) Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods,

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

5. 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.

6. Finance Leases

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

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

7. 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.

8. Foreign Currency

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

9. Fixed Assets

a) Land and Buildings

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

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of between 20 and 75 years.

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

9. Fixed Assets (continued)

b) Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated on a straight-line basis over its useful economic life of between 3 and 10 years. Equipment purchased for research projects is treated and depreciated on the same basis as other equipment expenditure.

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

c) Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

10. Intangible Assets

Intangible assets are amortised over the estimated economic life of the assets.

11. Investments

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

Investments in subsidiaries are carried at cost less impairment in the University's financial statements.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

12 Stock

Stocks are stated at the lower of cost or net realisable value, and is measured using an average cost formula.

13 Cash and Cash Equivalents

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

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

14 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

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

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

CARDIFF METROPOLITAN UNIVERSITY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

14 Provisions, Contingent Liabilities and Contingent Assets (continued)

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

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

15 Taxation

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

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation. No charge for taxation has been included in respect of the Subsidiary Companies' activities since the entire taxable profit of these companies is transferred to the University under the Gift Aid scheme.

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

16 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.

17 Accounting Estimates and Judgements

Key Sources of Estimation & Uncertainty

Pension schemes: assumptions used in the calculation of the USS and C&VPF pension deficit provisions represent a source of material uncertainty based on the sensitivity of assumptions (note 16 and note 21).

Employee Leave Accrual: under FRS102 the University recognises a liability for employee holiday pay at the financial year end. A number of departments and schools within the University have been sampled to derive typical holiday usage, this has then been applied to the University as a whole. There is a level of uncertainty when applying the sample to the whole. The leave accrual is contained within creditors less than 1 year (note 14).

Consolidated & University Statements of Comprehensive Income & Expenditure

Year Ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000 Restated	University £'000 Restated
Income					
Tuition fees and education contracts	1	80,403	80,403	77,025	77,025
Funding body grants	2	1,779	1,779	1,933	1,933
Research grants and contracts	3	1,991	1,345	1,790	1,086
Other income	4	19,438	17,167	19,030	16,699
Investment income	5	41	41	48	48
Donations	6	43	32	45	37
Total income		103,695	100,767	99,871	96,828
Expenditure					
Staff costs	7	60,147	57,947	65,596	63,560
Exceptional severance costs	7	5,291	5,291	1,131	1,131
Other operating expenses		28,568	27,303	26,793	25,794
Depreciation	10	3,564	3,537	3,364	3,336
Interest and other finance costs	8	2,723	2,723	2,933	2,933
Total expenditure	9	100,293	96,801	99,817	96,754
Surplus before exceptional costs		8,693	9,257	1,185	1,205
Exceptional severance costs	7	(5,291)	(5,291)	(1,131)	(1,131)
Surplus for the year		3,402	3,966	54	74
Actuarial gain in respect of pension schemes	21	6,530	6,530	16,210	16,210
Total comprehensive income for the year		9,932	10,496	16,264	16,284
Represented by:					
Unrestricted total comprehensive income for the year attributable to the University		9,932	10,496	16,264	16,284
Surplus for the year attributable to:					
Group and University		3,402	3,966	54	74

All items of income & expenditure relate to continuing activities.

Consolidated & University Statements of Changes in Reserves

Year Ended 31 July 2018

<u>Consolidated</u>	Unrestricted Reserves £'000	Total Reserves £'000
Balance at 1 August 2016	73,202	73,202
Surplus for the year	54	54
Other comprehensive income	16,210	16,210
Total comprehensive income for the year	16,264	16,264
Balance at 31 July and 1 August 2017	89,466	89,466
Surplus for the year	3,402	3,402
Other comprehensive income	6,530	6,530
Total comprehensive income for the year	9,932	9,932
Balance at 31 July 2018	99,398	99,398
 <u>University</u>		
Balance at 1 August 2016	73,439	73,439
Surplus for the year	74	74
Other comprehensive income	16,210	16,210
Total comprehensive income for the year	16,284	16,284
Balance at 31 July and 1 August 2017	89,723	89,723
Surplus for the year	3,966	3,966
Other comprehensive income	6,530	6,530
Total comprehensive income for the year	10,496	10,496
Balance at 31 July 2018	100,219	100,219

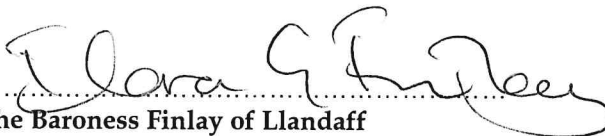
All reserves are unrestricted.


CARDIFF METROPOLITAN UNIVERSITY

Consolidated & University Statements of Financial Position
As at 31 July 2018

	Note	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	10	157,567	157,455	157,316	157,177
Investment		-	1,500	-	500
Current assets					
Stock	11	147	48	149	42
Trade and other receivables	12	6,135	6,861	3,350	3,636
Investments	13	13,025	13,025	9,764	9,764
Cash and cash equivalents	17	12,280	10,214	14,455	13,736
		31,587	30,148	27,718	27,178
Less: Creditors: amounts falling due within one year	14	(16,429)	(15,557)	(16,330)	(15,894)
Net current assets		15,158	14,591	11,388	11,284
Total assets less current liabilities		172,725	173,546	168,704	168,961
Creditors: amounts falling due after more than one year	15	(26,266)	(26,266)	(27,845)	(27,845)
Provisions					
Pension provisions	16	(47,061)	(47,061)	(51,393)	(51,393)
Total net assets		99,398	100,219	89,466	89,723
Unrestricted Reserves					
Income and expenditure reserve		99,398	100,219	89,466	89,723
Total Reserves		99,398	100,219	89,466	89,723

The Financial Statements on pages 12 to 33 were approved by the Board of Governors on 27 November 2018 and signed on its behalf by


.....
The Baroness Finlay of Llandaff


.....
Professor C Carmichael Aitchison
(President & Vice-Chancellor)

Consolidated Cash Flow Statement

Year ended 31 July 2018

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities		
Surplus for the year	3,402	54
Adjustment for non-cash items		
Depreciation	3,564	3,364
Decrease in stock	2	120
(Increase)/ Decrease in debtors	(2,785)	718
Decrease in creditors	(208)	(972)
Difference between pension charge and cash contributions	1,202	3,506
Adjustment for investing or financing activities		
Investment income	(41)	(48)
Interest payable	1,439	1,468
Net cash inflow generated from operating activities	<u>6,575</u>	<u>8,210</u>
Cash flows from investing activities		
Redemption of investments	9,764	9,777
Investment income	41	48
Payments made to acquire fixed assets	(3,815)	(8,017)
Purchase of investments	(13,025)	(9,764)
Net cash inflow used in investing activities	<u>(7,035)</u>	<u>(7,956)</u>
Cash flows from financing activities		
Interest paid	(1,439)	(1,468)
New Unsecured loans	240	-
Repayments of amounts borrowed	(516)	(433)
Net cash inflow used in financing activities	<u>(1,715)</u>	<u>(1,901)</u>
Decrease in cash and cash equivalents in the year	<u>(2,175)</u>	<u>(1,647)</u>
Cash and cash equivalents at beginning of the year	14,455	16,102
Cash and cash equivalents at end of the year	12,280	14,455
Decrease in cash and cash equivalents in the year	<u>(2,175)</u>	<u>(1,647)</u>

Notes to the Financial Statements
Year Ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000 Restated	University £'000 Restated
1 Tuition fees and education contracts				
Full-time home and EU students	61,079	61,079	60,993	60,993
Full-time & part time international students	9,599	9,599	7,866	7,866
Part-time students (not overseas)	896	896	850	850
TNE income	5,220	5,220	3,773	3,773
Welsh Assembly Government & NHS Contract	3,609	3,609	3,543	3,543
	80,403	80,403	77,025	77,025

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
2 Funding body grants				
Recurrent grant				
Higher Education Funding Council for Wales	1,416	1,416	1,345	1,345
Specific grants				
Specific Initiative Grants	363	363	588	588
	1,779	1,779	1,933	1,933

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
3 Research grants and contracts				
Research councils	340	340	225	225
Research charities	240	240	287	287
Government (UK and overseas)	660	660	525	525
Industry and commerce	726	80	719	15
Other	25	25	34	34
	1,991	1,345	1,790	1,086

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000 Restated	University £'000 Restated
4 Other income				
Residences, catering and conferences	6,526	6,203	5,901	5,562
Other income	11,603	9,655	10,592	8,600
European Funded Projects	1,309	1,309	2,537	2,537
	19,438	17,167	19,030	16,699

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
5 Investment income				
Other investment income	41	41	48	48
	41	41	48	48

CARDIFF METROPOLITAN UNIVERSITY

Notes to the Financial Statements
Year Ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
6 Donations				
Donations	43	32	45	37
	43	32	45	37

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff Costs				
Salaries	46,784	44,955	49,483	47,868
Social security costs	4,706	4,552	5,030	4,802
Other pension costs	7,455	7,238	7,743	7,550
Movement on USS provision	(256)	(256)	(166)	(166)
CVGPF costs in excess of contributions	1,458	1,458	3,506	3,506
	60,147	57,947	65,596	63,560

Staff costs exclude exceptional severance costs

Exceptional Severance Costs

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Exceptional Severance Costs	5,291	1,131

Average staff numbers by major category:

	Year Ended 31 July 2018 No.	Year Ended 31 July 2017 No.
Academic	480	532
Administrative, support and projects	593	668
Technicians	33	37
Ancillary	82	75
	1,188	1,312

	Year Ended 31 July 2018 £	VC from	VC until
		01.10.2016 Year Ended 31 July 2017 £	31.08.2016 Year Ended 31 July 2017 £
Emoluments of the Vice-Chancellor			
Salary	233,906	183,333	17,313
Benefits in kind	-	18,875	1,565
Benefits in kind in lieu of pension contributions	32,677	25,612	2,042
	266,583	227,820	20,920

Notes to the Financial Statements (continued)
Year Ended 31 July 2018

7 Staff costs (continued)

Vice-Chancellor Remuneration as a multiple of the median	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Basic salary	Total remuneration	Basic salary	Total remuneration
Vice-Chancellor	£233,906	£266,583	£183,333	£208,945
Median Salary	£37,706	£38,172	£37,075	£37,412
Pay multiple	6.2	7.0	4.9	5.6

Higher Paid Staff

	Year Ended 31 July 2018	Year Ended 31 July 2017 Restated
	No.	No.
£100,000 to £104,999	2	1
£105,000 to £109,999	-	1
£125,000 to £129,999	2	2
£130,000 to £134,999	1	1
£135,000 to £139,999	1	1
£145,000 to £149,999	-	1
	6	7

Payment of compensation for loss of office to higher paid staff was as follows;

	Year Ended 31 July 2018	Year Ended 31 July 2018	Year Ended 31 July 2017	Year Ended 31 July 2017
	£'000	Number of staff	£'000	Number of staff
Higher Paid Staff: Loss of Office				
Higher paid staff compensation for loss of office	-	-	778	3

Notes to the Financial Statements (continued)
Year Ended 31 July 2018

7 Staff costs (continued)

In 2017/18 the Key Management Personnel were defined as the University Vice Chancellor's Board. It comprised of; the Vice Chancellor, Deputy Vice Chancellor, PVC (Research and Innovation), PVC (International), PVC (Student Engagement), and the PVC (Cyncoed) and Dean of the School of Sport and Health Sciences. The Key Management Personnel roles were restructured with effect from 1 August 2017.

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Key Management Personnel Remuneration		
Key Management Personnel Remuneration (excludes pension costs)	<u>848</u>	<u>886</u>

Due to the nature of the University's operations and the composition of the Board, it is inevitable that transactions will take place with organisations in which a Member of the Board or a senior member of staff may have an interest. All transactions in which a they may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The financial regulations require an individual to declare an interest and to withdraw from discussions should a conflict of interest potentially arise. Written assurances are obtained annually from all Governors and key personnel in respect of themselves and their close family. For the financial year to 31 July 2018 the returns state that there has been no undue influence between the University and related parties (as defined by FRS102).

In the 2017/18 financial year there was one declaration of interest from a related party under FRS102. Frank Holmes is both a Governor at Cardiff Metropolitan University and a senior partner at Gambit Corporate Finance LLP. During the financial year the University expended £39k with Gambit of which £18k was recorded as a creditor at the year end (2017: expended £21k with no creditor).

Notes to the Financial Statements (continued)
Year Ended 31 July 2018

	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Interest and other finance costs					
Loan interest		1,439	1,439	1,468	1,468
Net charge on pension scheme	20	1,284	1,284	1,465	1,465
		2,723	2,723	2,933	2,933
9 Analysis of total expenditure by activity					
Academic and related expenditure		51,670	51,667	52,129	52,129
Administration and central services		21,113	19,597	22,592	21,145
Premises (including service concession cost)		7,918	7,890	9,518	9,490
Residences, catering and conferences		3,955	3,724	3,345	3,113
Research grants and contracts		1,566	1,081	1,436	942
Other expenses		8,780	7,551	9,666	8,804
Exceptional severance costs		5,291	5,291	1,131	1,131
		100,293	96,801	99,817	96,754
Other operating expenses include:					
External auditors remuneration in respect of audit services		35	26	32	26
External auditors remuneration in respect of non-audit services		39	39	4	3

Notes to the Financial Statements (continued)

Year Ended 31 July 2018

10 Fixed Assets

		Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated					
Cost or valuation	At 1 August 2017	170,935	24,866	430	196,231
	Additions	2,240	1,417	158	3,815
	Disposals	-	(10,320)	-	(10,320)
	Transfers	430	-	(430)	0
	At 31 July 2018	173,605	15,963	158	189,726
Consisting of valuation at:	1 August 2014	72,268	-	-	72,268
	Cost	101,337	15,963	158	117,458
		173,605	15,963	158	189,726
Accumulated Depreciation	At 1 August 2017	20,137	18,778	-	38,915
	Charge for the year	1,963	1,601	-	3,564
	Disposals	-	(10,320)	-	(10,320)
	At 31 July 2018	22,100	10,059	-	32,159
Net book value	At 31 July 2018	151,505	5,904	158	157,567
	At 31 July 2017	150,798	6,088	430	157,316
University					
Cost or valuation	At 1 August 2017	170,935	23,955	430	195,320
	Additions	2,240	1,417	158	3,815
	Disposals	-	(9,697)	-	(9,697)
	Transfers	430	-	(430)	0
	At 31 July 2018	173,605	15,675	158	189,438
Consisting of valuation at:	1 August 2014	72,268	-	-	72,268
	Cost	101,337	15,675	158	117,170
		173,605	15,675	158	189,438
Accumulated Depreciation	At 1 August 2017	20,137	18,006	-	38,143
	Charge for the year	1,963	1,574	-	3,537
	Disposals	-	(9,697)	-	(9,697)
	At 31 July 2018	22,100	9,883	-	31,983
Net book value	At 31 July 2018	151,505	5,792	158	157,455
	At 31 July 2017	150,798	5,949	430	157,177

At 31 July 2018, freehold land and buildings included £52.598m (2017: £52.598m) in respect of freehold land and is not depreciated.

A full valuation of the University's land portfolio was carried out as at 1 August 2014 by Cooke & Arkwright Chartered Surveyors.

Notes to the Financial Statements (continued)
 Year Ended 31 July 2017

	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
11 Stock				
Work in progress	70	-	94	-
General consumables (Catering & other)	77	48	55	42
	147	48	149	42
	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
12 Trade and other receivables				
Amounts falling due within one year:				
Trade Receivables	3,497	3,137	1,408	1,200
Prepayments and accrued income	2,638	2,520	1,942	1,778
Amounts due from subsidiary companies	-	1,204	-	658
	6,135	6,861	3,350	3,636
	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
13 Investments				
Current asset investments	13,025	13,025	9,764	9,764
	13,025	13,025	9,764	9,764
	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
14 Creditors : amounts falling due within one year				
Secured loans	423	423	426	426
Unsecured loans	1,364	1,364	59	59
Trade payables	4,822	4,721	3,463	3,393
Social security and other taxation payable	1,326	1,307	1,335	1,313
Accruals and deferred income	8,494	7,742	11,047	10,703
	16,429	15,557	16,330	15,894
	As at 31 July 2018		As at 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Creditors : amounts falling due after more than one year				
Secured loans	2,371	2,371	2,794	2,794
Unsecured loans	23,895	23,895	25,051	25,051
	26,266	26,266	27,845	27,845
Analysis of secured and unsecured loans:				
Due within one year or on demand	1,787	1,787	485	485
Due between one and two years	1,736	1,736	1,723	1,723
Due between two and five years	5,347	5,347	5,177	5,177
Due in five years or more	19,183	19,183	20,945	20,945
Due after more than one year	26,266	26,266	27,845	27,845
Total secured and unsecured loans	28,053	28,053	28,330	28,330

Notes to the Financial Statements (continued)

Year Ended 31 July 2018

15 Lender	Amount As at July 2018 £'000	Repayable by	Interest Rate %	Borrower
RBS	1,876	2023	7.69	University
RBS	918	2027	Variable	University
Santander	13,000	2038	5.10	University
Barclays	12,000	2038	5.10	University
Invest to Save	50	2019	0.00	University
Salix	95	2020	0.00	University
Salix	114	2022	0.00	University
	28,053			

16 Pension Provisions

	Obligation to fund deficit on USS Pension £'000	Pension enhancement on termination £'000	Defined Benefit Obligations (Note 20) £'000	Total Pensions Provisions £'000
Consolidated and University				
At 1 August 2017	(1,313)	(3,900)	(46,180)	(51,393)
Utilised in year	-	290	-	290
Addition in year	-	(100)	-	(100)
Released in year	222	-	3,920	4,142
At 31 July 2018	(1,091)	(3,710)	(42,260)	(47,061)

USS deficit

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

	At 1 August 2017 £'000	Cash Flows £'000	At 31 July 2018 £'000
17 Cash and cash equivalents			
Consolidated			
Cash and cash equivalents	14,455	(2,175)	12,280
	14,455	(2,175)	12,280

	For the year ended 31 July 2018 Consolidated £'000	University £'000	For the year ended 31 July 2017 Consolidated £'000	University £'000
18 Capital commitments				
Commitments contracted for	990	990	600	600
	990	990	600	600

Notes to the Financial Statements (continued)
Year Ended 31 July 2018

19 Commitments under operating leases

At 31 July Cardiff Metropolitan University had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Not later than 1 year	67	-
Later than 1 year and not later than 5	270	-
Later than 5 years	-	-
	<u>337</u>	<u>-</u>

20 Subsidiary undertakings

Company	Principal Activity	Status
Cardiff Metropolitan Company Ltd	Undertakes non primary purpose trading activities which are non-charitable.	100% owned
Cardiff Metropolitan Education Services (Beijing) Ltd	Holding company for China Wholly Foreign-Owned Enterprise.	100% owned
Cardiff Metropolitan Education Consulting Service (Beijing) Ltd	Develop strategic partnerships with Chinese institutions.	100% owned indirectly
Fovo Technology Ltd	Developing a new technology that improves the nature of visual experience.	55% owned indirectly

21 Pension Obligations

The University participates in three separate pension schemes, each of which has its own membership eligibility criteria. The three schemes are; the Cardiff & Vale of Glamorgan Pension Fund (CVGPF) (principally administration and support staff); the Teachers' Pension Scheme (TPS) (principally academic staff); and the Universities Superannuation Scheme (USS) (a mixture of administrative and academic staff). All three schemes are defined-benefit schemes.

The contributions payable to the scheme were :-

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cost for TPS	3,123	3,217
Cost for CVGPF	4,148	3,580
Cost for USS	716	1,111
	<u>7,987</u>	<u>7,908</u>

The costs recognised within the University's staff costs for the year were :-

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cost for TPS	3,123	3,217
Cost for CVGPF	5,606	7,086
Cost for USS	460	1,111
	<u>9,189</u>	<u>11,414</u>

Notes to the Financial Statements (continued)
Year Ended 31 July 2018

21 Pension Obligations (continued)

Cardiff & Vale of Glamorgan Pension Fund (CVGPF)

CVGPF is a local government superannuation scheme. The most recent full actuarial valuation was carried out as at 31 March 2016, and has been updated by independent actuaries to the Cardiff & Vale of Glamorgan Pension Fund to take account of the requirements of FRS 102 in order to assess the liabilities of the Fund as at 31 July 2018. The next triennial valuation of the fund will be reported during December 2019.

The principal assumptions used for the purposes of FRS 102 are as follows :-

	31 July 2018	31 July 2017	31 July 2016
Discount rate	2.8%	2.6%	2.4%
RPI inflation	3.2%	3.1%	2.9%
CPI inflation	2.1%	2.0%	1.8%
Rate of increase to pensions in payment	2.1%	2.0%	1.8%
Rate of revaluation of pension accounts	2.1%	2.0%	1.8%
Rate of increase in deferred pensions	2.1%	2.0%	1.8%
Rate of general increase in salaries	3.1%	3.0%	2.8%

Mortality assumption

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

Assumed life expectancy at 65 years			
- retiring today male/(female)	23.1 (25.8)	23.0 (25.7)	23.8 (26.8)
- retiring in 20 years male/(female)	24.2 (27.2)	24.0 (27.1)	25.9 (29.1)

Asset Allocation	Value at 31 July 2018 £'000	Value at 31 July 2017 £'000
Equities	65.9%	77.9%
Property	6.5%	6.3%
Government bonds	10.5%	8.3%
Corporate bonds	10.2%	5.6%
Cash	1.7%	1.9%
Other	5.2%	0.0%
Total	100.0%	100.0%

Notes to the Financial Statements (continued)

Year Ended 31 July 2018

21 Pension Obligations (continued)

Amounts recognised in income statement

	31 July 2018		31 July 2017	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Operating cost				
- current service cost	5,800	-	7,090	-
- past service (income)/cost	(190)	-	30	-
Financing Cost				
- interest on net defined benefit liability	1,150	100	1,320	110
Pension expense recognised in income statement	6,760	100	8,440	110

Amounts recognised in other comprehensive income

	31 July 2018		31 July 2017	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Asset gains arising during the year	3,900	-	6,490	-
Liability gains arising during the year	2,630	-	9,220	500
Total recognised in other comprehensive income	6,530	-	15,710	500

Changes to the fair value of assets

	31 July 2018		31 July 2017	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Opening value	96,070	-	84,790	-
Interest income on assets	2,530	-	2,070	-
Remeasurement gains on assets	3,900	-	6,490	-
Contributions by the employer	4,150	290	3,620	280
Contributions by participants	1,410	-	1,480	-
Net benefits paid out	(3,040)	(290)	(2,380)	(280)
Closing value	105,020	-	96,070	-

Changes to the present value of the defined benefit obligation

	31 July 2018		31 July 2017	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Opening value	142,250	3,900	141,860	4,570
Current service cost	5,800	-	7,090	-
Interest expense on defined benefit obligation	3,680	100	3,390	110
Contributions by participants	1,410	-	1,480	-
Actuarial (gains)/losses on liabilities	(2,630)	-	(9,220)	(500)
Net benefits paid out	(3,040)	(290)	(2,380)	(280)
Past service cost	(190)	-	30	-
Closing value	147,280	3,710	142,250	3,900

Notes to the Financial Statements (continued)

Year Ended 31 July 2018

21 Pension Obligations (continued)

Reconciliation of funded status to balance sheet

	As at 31 July 2018		As at 31 July 2017	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Fair value of assets	105,020	-	96,070	-
Present value of defined benefit obligation	(147,280)	(3,710)	(142,250)	(3,900)
Liability	(42,260)	(3,710)	(46,180)	(3,900)

Teachers' Pension Scheme (TPS)

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. 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.

The Teachers' Pension budgeting and valuation account

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

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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 on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- 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 £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

Notes to the Financial Statements (continued)

Year Ended 31 July 2018

21 Pension Obligations (continued)

Universities Superannuation Scheme

The University participates in the Universities' Superannuation Scheme. Until 31 March 2016 the scheme was a defined-benefit only scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trust-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 university 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 is equal to the contributions payable to the scheme for the year. Since the university has entered into agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the university recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The scheme is valued triennially with the latest available full-actuarial valuation having taken place as at 31 March 2017. The 2017 valuation was the fourth under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60 billion and the valuation of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion up from £5.3 billion at the previous valuation as at 31 March 2014. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. The trustees are currently consulting on how this funding shortfall should be addressed.

Creditor Balances

Cardiff Metropolitan University's balances as at 31 July for each scheme are as follows:-

	2018	2017
	£'000	£'000
TPS	403	436
CVGPF	374	382
USS	93	102
	870	920