

Charity number: 313223

University College of Estate Management

Report and financial statements
For the year ended 31 July 2018

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Reference and administrative information

For the year ended 31 July 2018

Charity number 313223 – registered in England and Wales

Registered office and operational address

Horizons
60 Queen's Road
Reading
RG1 4BS

The institution also operates using the abbreviated name "UCEM".

Trustees Trustees who served during the year and up to the date of this report were as follows:

John G T Gellatly AIIMR FRICS BA (Hons)	Chair
David Larkin FRICS	Honorary Treasurer, resigned 1 December 2018
Bridget Bartlett BA PGCE MBA FCMI	
Jat Brainch FCA	Honorary Treasurer from 1 December 2018
Amanda Clack MSc BSc PPRICS FRICS FICE	appointed 13 December
FAPM FRSA CCMI FIC CMC	2018
Christopher D Costigan Barrister FAUA	appointed 6 December 2017
FHEA FRSA	
Helen Edwards BA (Hons) MA PG Cert	Staff Trustee
AAUA	
Phoebe Farrell	Student Trustee, appointed 28 June 2018
Andrew Hynard FRICS BSc	
Dr Stephen Jackson FRGS FRSA	
Adam Marks LLB (Hons)	resigned 1 December 2018
Alastair G Martin FRICS FAAV	appointed 6 December 2017
David Mason	Student Trustee, resigned 1 April 2018
Professor Kenneth Miller LLB LLM PhD	
FRSA FIOSH	
Dr Nigel Pyke CIM	resigned 6 December 2017
Misa von Tunzelman FCIM	appointed 28 June 2018
Chris Turley LLB (Hons)	Appointed 27 September 2018
James Wates CBE FCIOB FRICS FCGI FRSA	resigned 1 December 2018
FICE CCMI	
Ashley P Wheaton BA (Hons)	member ex-officio

University College of Estate Management

Reference and administrative information

For the year ended 31 July 2018

Secretary Jane Fawkes BA (Hons) PgDip AFHEA

Key management personnel

Ashley Wheaton	Principal
Jane Fawkes	Deputy Principal
Paul Basham	Vice Principal Finance and Resources (resigned 8 December 2018)
Wendy Finlay	Vice Principal Student Experience
Nicholas Moore	Vice Principal Learning and Teaching
Aled Williams	Director Research Innovation and Partnerships
Lynne Downey	Vice Principal Online Education
Stephen Bartle	Director of Commercial and Business Development

Bank National Westminster Bank plc, PO Box 78, 13 Market Place, Reading, Berkshire, RG21 2EP

Solicitors: Eversheds, 1 Wood Street, London, EC2V 7WS
Field Seymour Parkes, 1 London Street, Reading, RG1 4PN
Irwin Mitchell, 40 Holborn Viaduct, London, EC1N 2PZ

Auditor Sayer Vincent LLP, Chartered Accountants and Statutory Auditor, Invicta House, 108–114 Golden Lane, London, EC1Y 0TL

Investment Manager Baring Asset Management Limited, 155 Bishopsgate, London, EC2M 3XY

Insurance Adviser Bluefin Insurance Services Limited, 1st Floor, Gail House, 5 Lower Stone Street, Maidstone, Kent, ME15 6NB

Trustees' annual report

For the year ended 31 July 2018

The trustees present their report and the audited financial statements for the year ended 31 July 2018.

Reference and administrative information set out on pages one and two form part of this report. The financial statements comply with current statutory requirements, the institution's Royal Charter and Bye-Laws and the Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP) applicable to Higher Education institutions preparing their accounts in accordance with FRS 102.

Objectives and activities

Purposes and aims

University College of Estate Management (UCEM) is concerned with education and training for all professions dealing with land, property and construction. It was founded in 1919, incorporated by Royal Charter (RC000125) on 22 August 1922 and has been a registered independent charitable institution in England and Wales since 24 May 1963. In 1977 Her Majesty The Queen was graciously pleased to grant her patronage to UCEM. In 1998 His Royal Highness The Prince of Wales became Patron of UCEM.

The governing documents of UCEM are its Royal Charter and Bye-Laws. In June 2018, following a petition to the Privy Council, a third Supplemental Charter was granted. The Supplemental Charter reflects that UCEM has taught degree awarding powers, and that on 11 November 2015 the institution was granted University College title by the Privy Council. Shortly thereafter "The College of Estate Management" rebranded as "University College of Estate Management" or "UCEM" for short.

The opportunity was also taken to update the Bye-Laws to reflect best practice corporate and academic governance.

The purposes of the institution as outlined in the Charter are as follows:

- To provide training and educational facilities at any level, and facilities for research, for all or any of the professions of surveyor, auctioneer, land or estate agent, or any other profession in land, buildings or property.
- This includes within the objects and purpose of the Charter the development of course curriculum, material examinations, and the conferring of awards.
- To undertake research that will assist those in professions, and vocations as relevant to land, property and building.
- The provision of continuing professional development for those in the built environment sector.

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UCEM fulfils the objects of the Charter and furthers its charitable purposes for the public benefit through the provision of online educational programmes, research, continuing professional development courses and student bursaries.

UCEM provides educational programmes from Level 3 to Level 7 of the FHEQ framework. All the programmes offered by UCEM sit within the core objective of the Charter, and are directly linked to the surveying, land and property professions. The programmes offered by UCEM are validated by the relevant professional bodies, such as the Royal Institution of Chartered Surveyors (RICS) and the Chartered Institute of Building (CIOB).

UCEM achieved Taught Degree Awarding Powers (TDAP) from 1 January 2013, so all programmes that have launched since 2013 are awards conferred by the institution. UCEM received confirmation from the Privy Council in December 2018 that UCEM's taught degree awarding powers had been renewed for a further six year period from the 1 January 2019. UCEM continues to develop the resources provided to students through the Online Education Team working with the subject experts to ensure material is interactive and engaging to students. UCEM offers sixteen programmes awarded by the institution, all of which are delivered online, so accessible to students worldwide. The Level 3 Surveying Technician Programme and Level 6 Degree apprenticeship programmes online delivery is supported by face to face workshops.

UCEM research is directed from two Research Centres, Online Learning (OLRC) and Property and Construction (PCRC), whose main objective is to support enhancements to students' learning opportunities and staff capacity. UCEM research in 2017–18 had wide ranging academic outcomes including: ten publications (book chapters, reports, academic and professional journals); externally funded projects on Degree Apprenticeships, NUS Responsible Futures, Alternative Assessments in Law together with internal project funding for Open Badges and Accessibility. Additionally, activities in 2017–18 have increased profile within the industry and Higher Education sector where presence has been enhanced through twenty conference presentations and workshops. UCEM hosted the Built Environment Skills Summit on 16 October 2017 which resulted in the 'Summary Report: Solutions to the Built Environment Skills Crisis'. This is buttressed through a range of research and scholarly activities which include roles taken in public bodies and associations, external examining and corporate events. In 2017–18 the institution was successful as collaborative bidders in Royal Agricultural University's HEFCE Catalyst Fund bid (£1.2m). There is clearly a significant opportunity to build on the institution's ethos of industry relevance and currency, through growing an applied and vocational research offer

In 2017/18 UCEM introduced two new tutor-supported CPD programmes delivered via the Online Academy, the Fundamentals of Quantity Surveying and Construction Project Management, and three short online courses on valuation methods. As part of a collaboration with the Prince's Foundation UCEM also completed a series of six free online CPD courses highlighting aspects of sustainable urban design, using the acclaimed Poundbury development in Dorset as an extended case study.

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To make education and academic success accessible to all, and in the context of its charitable status, UCEM operates several bursary schemes to provide financial assistance to new students from poorer backgrounds, students made redundant during their course and students with other special circumstances. Awards range from discounts in one semester for temporary challenges through to 100% fee bursaries for the lifetime of a programme. More details on UCEM's bursary awards is given in *Movements in funds* Note 18a to the Financial Statements.

The trustees review the aims, objectives and activities of the institution each year. They look at what the institution has achieved and the outcomes of its work in the reporting period. The trustees report the success of each key activity and the benefits the institution has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the institution's aims, objectives and activities remain focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the institution's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

Strategy

UCEM's core purpose is to provide truly accessible, relevant and cost effective education, enabling students to enhance careers, increase professionalism and contribute to a better built environment.

UCEM's vision is to be the leading online vocational university.

The strategic plan 2014–2019 sets out the direction for the institution to realise that vision in the context of the core purpose. The strategy comprises seven pillars; *student experience, academic excellence, growth, independence, financial sustainability, operational excellence* and *new work environment*.

In the context of the strategic plan, the Senior Leadership Team (SLT) set an annual plan for the year, which is approved by the Board of Trustees prior to the start of the financial year. This process occurs alongside budgetary planning, to ensure the appropriate resources are in place to deliver the plan for the forthcoming year.

The Board of Trustees meets four times per year, and as part of these meetings receives a report at each meeting of progress against the strategic plan.

Performance of the plan is monitored against seven key institutional metrics and these key performance indicators ("the M7") are used to measure the success and achievements of the institution each year.

Trustees' annual report

For the year ended 31 July 2018

The metrics are defined in the following areas:

- Independence; which is monitored to reflect the effective phasing out of programmes that were validated by the University of Reading
- New work environment; which includes staff engagement, monitored through the Gallup Q12 survey
- Growth measured by:
 - the target number of new students for each semester
 - the number of returning students for each semester
- Academic excellence; measured by student satisfaction rates in the National Student Survey (NSS) and a new UCEM Student Experience Survey introduced in January 2018
- Financial sustainability; measured by:
 - revenue; *and*
 - operating margin

These metrics are defined to ensure the institution meets its charitable aims and objectives to deliver education and training for the built environment sector in the long-term.

In 2017–18, UCEM made significant progress, met almost all its annual plan targets and remains on course to deliver its 2014–19 strategy. The institution continues to grow and work towards its goal of being the leading online vocational university. The achievements are discussed in the following section *Achievements and performance*.

UCEM continued to support its subsidiary and associate companies. UCEM approved a £510,000 grant in 2017–18 to its wholly owned Hong Kong subsidiary, UCEM Asia Limited, to advertise UCEM's courses, provide course registration assistance and teaching support to students in Hong Kong. A grant of £50,000 was made in December 2017 to Chartered Surveyor's Training Trust (CSTT) as part of the business integration agreement completed on 5 December 2017. UCEM has two trustees on the CSTT Board, which confers 40% control; hence UCEM accounts for CSTT as an associate on consolidation since March 2017 when the trustees were appointed.

UCEM does not engage in social investment activities.

UCEM trustees are volunteers and while their influence is significant they do not deliver UCEM services; UCEM makes no use of general volunteers to deliver its services.

Apprenticeships

Apprenticeship provision in the built environment is central to the institution's core purpose. UCEM supports the Government's apprenticeship agenda and sees apprenticeship delivery as vital to its future and that of training the sector which the institution was founded to serve.

To meet the needs of more employers in the sector and reach more students, UCEM entered the apprenticeship market in 2015–16 and began to deliver level three and level six apprenticeships in association with the Chartered Surveyors Training Trust (CSTT) and Eastleigh College.

The new Apprenticeship Levy for businesses with an annual payroll greater than £3M came into force in May 2017. UCEM applied and was admitted to the Register of Apprenticeship Training Providers (RoATP) in March 2017 so UCEM is now a Main Provider of apprenticeships and was able to deliver all elements of the apprenticeship for those levy-funded apprentices recruited in the autumn 2017 student intake (*i.e.* no longer in association with CSTT or Eastleigh College). UCEM can now access employer levy funds through the Education and Skills Funding Agency (ESFA) Digital Apprenticeship Service. UCEM still works with Eastleigh College to deliver apprenticeships where the programme started before UCEM had direct access to apprenticeship funding.

UCEM's partnership with Eastleigh College continued in 2017/18 and in October 2017, 61 new apprenticeships for non-levy paying employers commenced. In addition, in October 2017, UCEM entered into a partnership arrangement with Kaplan Financial to deliver ten Level 3 Surveying Technician apprenticeships for a key employer in the financial sector.

In December 2017 UCEM secured £511K of ESFA funding to deliver apprenticeships for non-levy paying employers. This funding means that UCEM is now a main provider of apprenticeships to both levy-paying and non-levy paying employers.

On 5 December 2017 UCEM acquired the apprenticeship delivery business of Chartered Surveyor's Training Trust (CSTT). This comprised 212 apprenticeship contracts through a novated contract with Rathbone Training. Most of the apprentices already studied academic programmes with UCEM but the institution now provides the apprenticeship management element to these apprentices too, and to fifty-six level six apprentices studying a BSc programme with either Kingston University or London South Bank University.

As at 31 July 2018, 690 apprentices employed by over 150 different employers were actively studying with UCEM, including 451 Level 6 Chartered Surveyor Degree apprentices and 239 Level 3 Surveying Technician apprentices. This represents growth of approximately 23% on the number of apprentices actively studying with UCEM at 31 July 2017. Whilst achieving this level growth is pleasing, additional growth was restricted by the lack of approval for delivery of a number of new apprenticeship standards.

UCEM includes apprenticeship course revenue on the face of the Consolidated Statement of Comprehensive Income and Expenditure (CSCIE) with other *Tuition fees and education contracts*.

Achievements and performance

The year ending 31 July 2018 was a significant year for the institution's performance and achievements.

Growth

During 2017/18 UCEM consolidated the growth in student numbers achieved over the previous three years, enrolling 1,707 new students in total. This outcome was driven by a strong performance in attracting 1,011 sponsored students including those on apprenticeship programmes, through building productive relationships with employers. The business-to-business segment represented 59% of total student enrolments.

This work enabled UCEM to maintain its leading position as the largest provider of surveying apprenticeships in the UK, with a total of 447 new starts across the Level 3 Surveying Technician and Level 6 Chartered Surveyor apprenticeship programmes.

Following the success of the existing surveying apprenticeship programmes UCEM also began the development of new programmes to meet demand from employers during the year. This enabled the Level 7 Senior Leaders Master's Degree Apprenticeship to be offered from September 2018 and a new offer in Facilities Management to be developed, to be launched in June 2019.

UCEM maintained a strong focus on growing student numbers through increasing levels of student retention and success, in addition to recruiting new students. In the spring 2018 semester 3,358 students continued their studies at UCEM, the highest number at that stage of the year since UCEM's current suite of undergraduate and postgraduate programmes were launched in 2014/15.

Academic excellence

Academic excellence in 2017–18 was defined in three areas.

In September 2017 the QAA completed an annual monitoring visit to UCEM to assess if UCEM continues to meet the quality standards and expectations following the QAA Higher Education Review in 2016. The official report states that UCEM is making commendable progress; the best outcome possible. This was reinforced in September 2018 when the QAA confirmed that it was satisfied based on UCEM's annual report and data return that UCEM continues to meet standards and did not require an annual monitoring visit.

As well as meeting the requirements of the QAA, UCEM must also meet the requirements of Ofsted with regard to the Level 3 Surveying Technician Diploma. Ofsted completed an Annual Monitoring visit to UCEM in August 2018, at which Ofsted confirmed that UCEM was making 'reasonable progress' against each theme. This is an outstanding achievement for an institution that only commenced Level 3 provision three years ago.

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Finally, overall student satisfaction in 2017–18 was monitored externally by the National Student Survey (NSS). The survey is open to all final year undergraduate students who are domiciled in the UK. The results of the NSS are monitored by the Office for Students through the Teaching Excellence and Outcomes Framework (TEF) as well as published nationally.

UCEM participated for the first time in this survey in 2016–17, where overall satisfaction was 76%. The results for 2017–18 showed an increase in overall student satisfaction with a score of 82%.

Students who were not eligible to complete the NSS were for the first time in January 2018 invited to complete the UCEM Student Experience Survey, which mirrors the questions within NSS. Overall satisfaction results in this survey were 70%, with higher levels of satisfaction shown for those who are over 21.

In the survey's students were particularly satisfied with the following:

- Employability– the skills learnt on the course will help students with their future career
- Teaching– the course is intellectually stimulating
- Resources– provided to support the learning and teaching

However, UCEM recognises that there are still areas where the student experience is not always excellent. To address this a new Student Success and Experience Management Group has been formed which includes representatives from all areas involved in the student experience to lead in making positive changes for the student community.

Independence

Institutional independence was defined during 2017–18 with UCEM's application to be a registered provider with the Office for Students (OFS), who from the 1 April 2018 are the new regulator of Higher Education. The OFS confirmed in September 2018 that UCEM had been successful in its application in the 'Approved (Fee cap)' category and as such are now published on the Register of Higher Education Providers. The status of 'Approved (Fee Cap)' means that UCEM will now be eligible for public grant funding from the OFS from the 1 August 2019.

In addition, the diligent work continues to successfully manage the completion of our 'legacy' programmes, awarded by University of Reading, where we now have less than 200 students remaining. We expect this work to be complete by the middle of 2019.

New work environment

The success of the institution's move to a new premises and open-plan work environment is measured twice a year through an employee engagement survey, which uses the Gallup 12 question format.

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Overall staff satisfaction continued to meet the 4.00 target; it scored 4.00 in December 2017 and exceed the score in June 2018 with overall staff satisfaction at 4.10. 8. The participation rate exceeded our 85% target on both occasions.

Financial sustainability

In the year 2017/18 UCEM achieved a consolidated income of £14.1m, an increase of 21% on 2016/17. The increase in the level of income was largely due to continued growth in the student numbers and expansion of the apprenticeships provision through organic growth and partnership with other providers and contractors.

The costs also increased in line with the revenues due to growth, as expenditure rose by 18% to £15.3m. This included the £0.9m of agreed business planning costs approved by the board of trustees.

The group made an operating deficit of £1.2m versus a planned operating deficit of £0.9m, this was mainly due to the shortfall in the student income against the target, however there was capital gains on investments of £125k and share of operating surplus from the associate (CSTT) of £79K which combinedly reduced the deficit by £204k down to annual deficit of just under £1m

Beneficiaries of our services

The institution's main activity is the provision of education and its beneficiaries are students, industry and the built environment sector worldwide. All its charitable activities focus on the sector and students developing careers in the sector and are undertaken to further UCEM's charitable purposes for the public benefit.

UCEM added 1,749 new students during 2017–18 against its target of 1,900. This is 0.8% year-on-year fall over the 1,763 new students in 2016–17.

UCEM made 1,172 academic awards during 2017–18 of which 842 were full academic awards and 330 were exit awards.

UCEM deepened its sector employer engagement: 1,101 students were sponsored by 728 employers.

“Sixteen students were awarded new student bursaries, worth up to £102,151 over four years if the students complete their studies. £103,712 of bursaries were paid in year. In addition, many students were assisted with fee reductions or debt write offs for special circumstances so that they could continue their studies; twenty-six awards were made from the Principal's Discretionary Fund totalling £17,707 and eight students received awards from the Redundancy Support Scheme totalling £10,062. More details on bursaries granted can be found in Notes 18a and 18b to the financial statements.

Financial review

Financial year 2017/18 has been a challenging year for UCEM in terms of the student growth and operating margin. The student income grew by 25% versus last year, as three years of double digit- student growth fed through to revenues, however it remained slightly behind the original targets set for the year of £14m by 4.2%.

The fall in revenues against the target income resulted in a higher operating deficit of £1.2m as compared to the planned operating deficit of £897k including business planning costs. However, when capital gains on group investments and share of operating surplus from associate are taken into account the statutory deficit reduced to £984k.

Investment income increased by 11.4% in the year despite UCEM withdrawing £750k from investments (see Note 11 *Non-current asset investments*) to fund the institution's growth and its apprenticeship business. The increase in investment income was mainly due to higher returns in the form of dividends as the Baring funds performed better than last year (see Note 3 *Investment Income*).

Group expenditure

Group expenditure increased from prior year in line with its revenues to provide sufficient resources for increased number of our students, reflecting controlled investment for growth, however it remained well within the approved expenditure budget.

Staff costs continued to grow in line with UCEM's student growth. Staff costs in 2017-18 were £10.8m, £1.6m (17.3%) up on the prior year. *Staff costs*: Note 5 to the accounts refers. Therefore staff costs remain the single largest cost to the business. Increase in staff costs was mainly due to a 27.3% increase in the average number of academic staffs, and annual promotional increments. The total staff costs though remained below the staff pay budget by £333k.

Other operating expenses presents an overall picture of increasing costs, with 24% increase from prior year, however it remained within the budget for the year by £280k.

Academic and related expenditure

The increase in group *Academic and related expenditure* was due to multiple drivers including increased e-books costs as the number of students increased. There were additional validation costs for the validation of intermediary awards, and a huge chunk of costs were incurred on the apprenticeships provision for the academic related expenditure as part of the business planning costs and also due to the take over of CSTT apprentices by UCEM.

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Administration and central services expenditure

Administration and central services expenditure rose by 10% from prior year due to the increase in professional and consultancy costs in relation to the apprenticeships and Shinfield Grange business planning, the costs also rose due to the CSTT integration as UCEM took over all its costs and revenues from 5 December 2017 and also paid £50k to CSTT as part of the integration agreement which is being realised here.

Premises expenditure

Premises expenditure increased with the increased number of staff and business activities due to growth, utility and rates also increased at Horizons inline. There were also some incremental costs due to the rent in relation to Moorgate (CSTT) and Derby offices.

In summary, income continues to grow strongly, but cost growth is also significant due to the growth and investment into student success projects and apprenticeships provision, so the institution will not realise its operating break-even ambition until at least 2021–22 when the Transform project has been fully completed. As the institution is using its reserves to invest in student success projects including a major Transform project lined up for the next three years with a budget set at £3m, it's expected that the reserves will be used accordingly, so that overall financial sustainability is maintained.

UCEM Courses Limited turnover (Note 12a *Subsidiary undertakings*) shrank 75% from £286K down to £73K as a major customer RICS terminated the contract for supply of RICS Foundation courses worth over £110k. There was also downfall in Bespoke training income (£50k), which further impacted on the revenues of Courses Ltd. This led to diminishing of profit. A more thorough strategic plan is being worked on to decide the future direction of Courses Ltd.

As the group's requirements for printed matter have shrunk in line with the institution's progress towards digital maturity, UCEM Publishing Limited's turnover has also shrunk substantially (Note 12a *Subsidiary undertakings*). Turnover fell from £9K in 2016–17 to £2K in 2017–18. Costs of sales fell in proportion, but administrative expenses were consistent so UCEM Publishing Limited made a small profit of £93, which was gifted to the parent institution. The continued shrinkage means that UCEM Publishing Limited's future is under review and it's expected to close down once approved by the trustees.

UCEM Asia Limited received £510K grant income from its parent institution which led to a profit of £17K in 2017–18 (Note 12a *Subsidiary undertakings*).

David Alexander Memorial Scholarship made £18K in investment income and gains boosting reserves to £169K (Note 12b *Other undertakings*).

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Harold Samuel Educational Trust was dissolved at the year-end 31 July 2018 due to administrative and compliance purposes and its funds of £318k were transferred to UCEM after the year end 2017–18 (Note 12b *Other undertakings*).

The consolidated balance sheet reserves moved by £984k due to the operating loss made during the year of £1.2m however the capital gains from investments reduced it by £204k. The other movements worth noting include Investments, whereby the balance has reduced by £625k due to the investments withdrawal during the year.

The group cash balance at year-end was £500K and there is a positive net current asset position of £79K, a decrease of £193k on 2016–17.

Pensions

UCEM is a member of the Universities Superannuation Scheme (USS), a defined benefit pension scheme with mutual employer membership. The scheme is in deficit and the liability is pooled amongst employer members. UCEM's share cannot be separately identified so is not shown on the Balance Sheet. However, UCEM does provide for 2% additional pension contributions that it pays to offset the historic USS scheme funding deficit. The provision is detailed in *Provisions for liabilities*: Note 17 to the financial statements.

UCEM also participates in two defined contribution pensions schemes. A Group Personal Pension scheme (GPP) operated by Prudential (closed to new members) and the People's Pension auto-enrolment scheme for employees not eligible for participation in USS.

More detail on UCEM's pension arrangements can be found in *Pension schemes*: Note 22 to the financial statements.

Other factors

UCEM through the Board of Trustees working with the Senior Leadership Team continued work on its 2019–2030 strategy. The new vision for 2019–2030 was approved by the Board in June 2018, and the strategy approved by the Board in December 2018.

Brexit continues to be an external influence that the trustees consider may force amendment to longer term financial planning. Should Brexit cause a property downturn, as UCEM has historically suffered a fall in student numbers during industry downturns, this could happen again. However, the new apprenticeship-levy funding model may change that as employer money is now ring-fenced for training. The trustees do not think "this time is different", UCEM would still be affected albeit the institution may prove to be better insulated than in prior downturns.

The Higher Education Environment continues to be one of change, and increased compliance with the introduction of the new Higher Education Regulator, the Office for Students.

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Politically the main parties remain opposed on the future of tuition fees, with the Government now conducting a post-18 education funding review (the Augar Review) looking at funding models for students. Any reforms may impact UCEM's current business model, where currently UCEM sets fees below those set by other institutions to keep programmes as financially accessible as possible to students whilst meeting its costs of delivery.

In addition, UCEM is also monitoring any proposed changes by the Government to the apprenticeship levy, and the funding cap available for each programme.

The final factor that may affect longer term financial planning more positively is the potential at the institution's site at Shinfield Grange. The site was revalued at fair value (open market value) at £1.7M in the 2016-17 Balance Sheet. Shinfield Grange is well positioned close to the M4, the Reading Science Park and the new link road in an area undergoing significant development. Trustees are exploring alternative uses for the site that may realise local and reputational benefits and ultimately a cash value materially above the Balance Sheet value.

Investments

UCEM does not take social, environmental or ethical considerations into account in its investment policy.

Investment policy

The trustees review the institution's investment policy annually. The policy aims at least to maintain the invested fund's real value (over a rolling five-year period) and to cover the income requirement of the institution. At the year-end the fund consisted wholly of investments in a multi-asset class equity fund.

The investment portfolio is regularly reviewed by the Finance Committee in conjunction with independent investment advisers. The institution's equity holdings are held on a discretionary basis in the form of charity units and as such enjoy favourable tax and charging structures. The equity holdings are held in two separate pools: 'Main' and 'Bursary' and since June 2011 have been managed by Barings in the Targeted Return Common Investment Fund. The objective of this fund is to outperform the Consumer Price Index (CPI) plus 5% over a rolling three-year period.

Measured to 30 September 2018, Barings Targeted Return Common Investment Fund had beaten its CPI plus 5% goal over the prior 12 and 36 months but had returned 7.2% versus a 6.9% target. This had been achieved with annualised volatility of 5.1% compared to UK equities of 8.1%, global equities of 7.3% and UK bonds of 6.6% – so volatility was substantially lower.

The Bursary Fund, which is a designated fund for reserves, was valued at 31 July 2018 at £2.2m representing a capital increase of 10% above the investment of £2M that was made in two separate £1m tranches in the financial years 2006-07 and 2007-08. Annual income from the Bursary Fund is invested in new student bursaries, with any annual shortfall or surplus being covered by capital.

Principal risks and uncertainties

The Board regularly considers the risks to which it believes the institution may be exposed. This is principally done by assessing the Risk Assessment Register (RAR) which identifies risks and the probability and impact both pre and post identified mitigation.

Specific risks are identified under six main headings in the RAR and summarised here:

- **Growth:** UCEM is dependent on maintaining and growing its student numbers. A failure to recruit new students or retain existing students would impact the institution's finances and reputation. The risks are reviewed regularly against Key Performance Indicators by the Board, SLT and Operating Committee (OC).
- **Operational excellence:** UCEM is an online business so the impact of technology failure in business operations or the online learning environment (VLE) can be significant. The risks are managed through the appropriate use of market-leading software solutions with appropriate support contracts, cloud software solutions, data back-ups and best practice in information technology.
- **Independence:** damage to reputation could cause UCEM to lose students, staff, industry accreditation partners and ultimately its status as a charity with degree awarding powers. Governance is key and UCEM takes its regulatory, compliance and policy framework policy very seriously. Codes of practice, guidelines and policies undergo periodic review and staff are trained and expected to follow policy.
- **Academic excellence:** product and student risks encompass quality, standards, consistency, complaints, student success and welfare. This includes monitoring student satisfaction and academic performance. Mitigation is achieved through the monitoring of student survey results, External Examiner reports, annual programme monitoring and Codes of Practice. Academic risks are also reviewed regularly by the Academic Board.
- **Financial:** investment risk comprises currency, custody, market and liquidity risk and is managed through appropriate investment policy and choice of investment manager. Fraud and financial loss are addressed by the internal control environment and backed with insurance. Long term financial planning, review of performance against plan and an appropriate reserves policy protect against insolvency risk.
- **New work environment:** the loss of key personnel or an inability to recruit appropriate personnel would restrain the institution's ability to deliver its academic programmes and charitable objects. Recruiting and retaining the right people are supported by a strong Performance Development Review (PDR) process, a staff satisfaction survey, benchmarked remuneration, an evolving benefits' offering, relevant insurances and an increasing investment in training.

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For the year ended 31 July 2018

Each individual risk in the RAR shows the assessed scores for the probability and the impact pre-mitigation, leading to a gross risk score, and probability and impact scores post the identified mitigating actions, leading to a net risk score. Detail is provided on each risk, with commentary on the evidence of controls in place, and identification of the early warning signs of heightened risk. Net risk scores of 20 or above are deemed to be of more significant risk and a focus is given to these areas.

The responsibility for mitigating each of the assessed risks has been delegated by the Board to the Principal and to individual members of the SLT.

The Board believes the RAR to be comprehensive and that the assessed risks are appropriately mitigated by the procedures and systems in place, which are also reviewed regularly. These are further mitigated by the policies and practices which help define the institution's strategy and determine its activities.

The review and approval process include the RAR being reviewed by the SLT. The Board has delegated to the Audit Committee the detailed review of the content of the RAR (and development of the appropriate control processes). The Audit Committee review the Risk Register twice a year, with further discussion once a year at the full Board meeting. Consequently, the trustees consider that arrangements are in place to ensure satisfactory effective internal control and risk management.

On systemic risk, the Board continues to be very mindful of the domestic and global construction sector from which the institution draws its student base, and the economic situation. The Board continues to monitor closely the numbers of new student registrations, as well as the potential impact on existing students striving to continue their studies.

Reserves policy and going concern

UCEM's general reserves arose from the original donations of £55,000 made when the College was set up in 1919, and its subsequent retention of modest surpluses on its activities, plus further small donations over the years.

The education sector, in general, operates on a long-term cycle, with none of our courses lasting less than two years and many students taking five or more years to complete. The sectors in which UCEM is permitted to apply its funds are land and property. These sectors are subject to considerable cyclical movement.

The trustees continue to monitor the use of reserves, in conjunction with the setting of annual budgets, and developments of our long-term strategy for delivering public benefit in distance learning projects, to meet the changing nature of demand. The present policy is to budget for operating surpluses sufficient to build reserves to meet the needs of our long-term strategy and to designate funds for specific projects as and when available and identified within that strategy.

Trustees' annual report

For the year ended 31 July 2018

However, trustees recognise that once finalised, further funds will probably be needed to drive the 2019–2030 strategy. Reserves may be the appropriate source of these funds. Accordingly, UCEM's reserves policy is under review and trustees are asking the question "what should the institution's level of liquid reserves be relative to its future ambition and the climate in which it is operating?" This question is core to the development of the institution's reserves policy and the institution is committed to ensuring the policy is reviewed fully in the medium term, in line with other work on the institution's investments and property taking place.

Total UCEM reserves as represented by total unrestricted reserves of £21.4m. £13.7m of this sum has been allocated to Designated Funds of which £2.2m has been allocated to a Bursary Fund, set up for the exclusive purpose of generating an income to provide bursaries to assist and support students and to otherwise encourage new entrants to the profession. £7.4m is in fixed assets and another £4m is allocated to a newly Designated Fund for UCEM Academic offer which includes Project Transform, Apprenticeship related projects and future growth plans. The remaining reserves of £7.8m represent approximately eight months' operating expenditure. The trustees view this current level of reserves as appropriate to provide for UCEM's normal educational commitment to students.

Accordingly, the trustees consider that UCEM is a going concern and have prepared the accounts on this basis.

Plans for the future

The focus for UCEM continues to be delivery of the strategic plan 2014–2019, with the key metric of achieving 3,727 full course equivalent students by 2019 (approximately 5,000 student headcount).

As part of achieving this objective the opportunities afforded to UCEM by growing its apprenticeship provision are significant. UCEM is already seeing growing numbers of apprenticeship students and some reticence from the number of employers sponsoring students to undertake the standard route on our BSc programmes.

The opportunities with apprenticeships will increase when more Level 3, 4 and Level 7 (postgraduate) standards are approved for construction.

The Board of Trustees as part of the future planning process has reviewed the investment required by the institution to meet the delivery and resourcing requirements, particularly related to Level 3 and continuing to meet the requirements of Ofsted. The Board has approved a £1m business planning investment to support compliance with Ofsted.

Looking further ahead UCEM has embarked on the 'Transform Project', which will launch in autumn 2020.

Trustees' annual report

For the year ended 31 July 2018

The purpose of the Transform Project is to transform the opportunities for student success at UCEM. The project will remove the barriers to success that currently exist within the student journey. In doing so it will deliver a simplified student journey, giving students more opportunity to progress effectively through their programmes and to achieve success at UCEM on a more consistent basis.

The project will also remove the barriers to growth and profitability that currently exist within our operational delivery model. In doing so it will deliver administrative processes and systems that are efficient and scalable, ensuring UCEM can support students effectively both now and in the future.

All of the existing Level 4–Level 7 programmes will move to a new structure as part of the Transform Project when it launches in 2020, and applicants, new and existing students have been advised of the forthcoming changes to the programmes.

The Board is committed to support the delivery of Transform and has approved an investment of £3m over three years for this project.

Finally, the Board has approved in December 2018 the Vision and Strategy for 2019–2030, and this will be formally launched in January 2019 as UCEM celebrates its centenary year.

Structure, governance and management

The strategic direction for UCEM is determined by the Board of Trustees, which meets four times a year. The Board is guided in its educational strategy by an *Academic Board* which also meets four times a year to assess such matters as changes in the regulatory environment (or best practice) regarding the provision of education. It is the supreme deliberative committee relating to educational matters.

The Board delegates some of its power to five standing sub-committees, established to consider in detail various issues on its behalf. The sub-committees have detailed terms of reference which are reviewed annually by the Board. They debate matters within their sphere and then make recommendations for the Board to consider for approval. Details of the sub-committees and their main functions are:

The Academic Review Committee

An independent sub-committee that acts as the advisory body for all aspects of UCEM's academic delivery. Its primary responsibility is to be the final auditor of all UCEM's academic review processes and performance data. This sub-committee meets a minimum of twice a year.

The Audit Committee

The committee's remit is to review the adequacy and effectiveness of the institution's system of audit related to financial reporting, internal control and risk management. In fulfilling this function, the Audit Committee adheres to the guidance and best practice for Audit Committees outlined in the CUC Higher Education Code for Governance, and the CUC Handbook for Members of Audit Committees in Higher Education Institutions. This sub-committee meets a minimum of twice a year.

The Finance Committee

This considers in detail the financial results against plan for the current year, the forecast of results for the following year, the cash position and the performance of investments. This committee also assesses the policies relating to Grant Making and Bursaries, Investments and Reserves. This sub-committee meets a minimum of twice a year.

The Nominations and Governance Committee

This committee considers and recommends to the Board all prospective appointments to the Board of Trustees having assessed the type of skills and experience deemed necessary for the Board to function as effectively as possible. This committee will also recommend to the Board all candidates considered for Honorary Fellow status, as well as all nominations for the annual UCEM Property Award. This sub-committee is also charged with ensuring that the very best governance practice is adhered to by UCEM as a registered charity in the higher education sector. This sub-committee meets a minimum of twice a year.

The Remuneration Committee

This meets annually, or as required, to consider the remuneration package for the Principal, the Senior Leadership Team and all other staff.

Senior Leadership Team

The day-to-day management of the institution is entrusted to the Principal, supported by a Senior Leadership Team (SLT) whose role is to deliver the strategic objectives and policies set by the Board of Trustees. The Principal is also an ex-officio trustee as required by the Royal Charter.

Trustees

Trustee recruitment

The terms of appointment for the Independent and Staff Trustees (other than those who are ex-officio) are three years. At the end of each three-year period these trustees are eligible for reappointment for one further term of three years. A Student Trustee, when appointed, has a one-year term which may be renewed for a further one-year term.

Trustees' annual report

For the year ended 31 July 2018

When vacancies arise for new trustees the Nominations and Governance Committee identifies suitable candidates. The Nominations and Governance Committee has regard to replacing specialist skills or experience that any retiring trustee may have had and considers other criteria such as experience, standing and reputation in academia or within the land and property sector. Due regard is also given to succession planning of future trustees with an aim to ensure there remains an appropriate blend of experience for future years.

All trustees, other than the Principal and Staff Trustees give their time voluntarily and receive no benefits from the institution. Any expenses reclaimed from the institution are set out in *Staff costs*: Note 5 to the accounts.

Appointment of trustees

It is a requirement of the role that the Principal of UCEM is a trustee. UCEM also has one staff trustee and one student trustee with nominations made by the relevant peer group.

The details of all prospective new trustees identified by the Nominations and Governance Committee are presented to the Board for approval. The details presented will consist of the individual's Curriculum Vitae and include highlights of any achievements and specialisms gained. Should the individuals proposed be approved to join the Board they are invited to attend the next Board meeting. Appointments normally run from the Board meeting at which the nomination is approved.

No other person or body is entitled to appoint one or more of the institution's trustees.

Trustee induction and training

Each new trustee is sent a comprehensive briefing pack on appointment. This includes background reading about UCEM, the Royal Charter and Bye-Laws, the current prospectus and the most recent set of statutory accounts. All new trustees are then invited to visit UCEM as part of their induction and given the opportunity to discuss any queries they may have with the Principal and the Senior Leadership Team. UCEM promotes trustee training by providing all trustees with relevant Charity Commission guidance on serving as a trustee, as well as funding attendance at appropriate courses and seminars that are organised by third parties. In addition, new trustees are allocated a mentor from one of the existing members of the Board.

Once appointed all trustees are subject to an annual appraisal with the Chair. UCEM is committed to meeting all relevant training needs identified by this process.

Related parties and relationships with other organisations

The consolidated accounts include UCEM together with its subsidiaries, UCEM Courses Limited, UCEM Asia Limited, UCEM Publishing Limited and three registered charities, two in which UCEM has a controlling interest, The Harold Samuel Educational Trust and the David Alexander Memorial Scholarship and one in which UCEM has had a 40% controlling interest through the placement of two trustees since January 2017, The Chartered Surveyor's Training Trust (CSTT).

UCEM Courses Ltd is a wholly owned subsidiary that delivers bespoke course content to corporate clients. UCEM Publishing Ltd is a wholly owned subsidiary that provides printed course and marketing content to UCEM and UCEM Courses Ltd and ad-hoc print work for University of Reading. UCEM Asia Ltd is a wholly owned subsidiary incorporated in Hong Kong that supports UCEM's marketing and teaching in Hong Kong.

In 2017–18 UCEM continued to deliver teaching for level 3 and level 6 apprenticeships as a subcontractor of CSTT and of Eastleigh College.

The programmes offered by UCEM are validated by the relevant professional bodies, such as the Royal Institution of Chartered Surveyors (RICS) and the Chartered Institute of Building (CIOB).

Remuneration policy for key management personnel

UCEM's Remuneration Committee meets annually, or as required, to consider the remuneration package for the Principal, the Senior Leadership Team and the raise and discretionary bonus pool for all other staff. The Remuneration Committee has adopted the Committee of University Chairs (CUC) Remuneration Code and applies this Code in the decisions related to senior pay. UCEM uses industry statistics and remuneration surveys (e.g. UCEA) to inform the committee's decisions.

Statement of corporate governance and internal control

The following statement is provided to enable readers of the annual report and financial statements of the institution to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The institution endeavours to conduct its business in full accordance with the requirements of The Higher Education Code of Governance issued by the Committee of University Chairs (CUC) in December 2014 (the CUC Code).

The institution is committed to exhibiting best practice in all aspects of corporate governance. The institution identified compliance with the CUC Code as an aspiration in autumn 2016 and began a review of the CUC Code requirements in January 2017. Since then the institution has formed an Audit Committee and engaged with an external provider to review the effectiveness of Board governance and has formally adopted the CUC Code.

Trustees' annual report

For the year ended 31 July 2018

Compliance with the CUC Code is reviewed annually by the institution's Nominations and Governance Committee. Users of the accounts are referred to the *Structure, governance and management* section of this report for further details on the institution's governance and the work of the Nominations and Governance Committee.

In addition, UCEM meets the governance conditions of the Office for Students, and these governance requirements are also monitored by the Nominations and Governance Committee.

The institution has not adopted and therefore does not apply the UK Corporate Governance Code, however, it has due regard to the Charity Governance Code. UCEM has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of these codes that the institution considers relevant to the higher education sector and best practice.

The institution adopted the CUC Code during the financial year 2016–17. In the opinion of the trustees, the institution now complies with or exceeds the provisions of the CUC Code in all material respects. The trustees recognise that, as a charity and higher education institution UCEM has a duty to observe the highest standards of corporate governance at all times.

The institution is a registered charity within the meaning of Part 3 of the Charities Act 2011. The trustees confirm that they have had due regard for the Charity Commission and that the required statements appear elsewhere in these financial statements.

Statement of responsibilities of the trustees

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the institution's and group's financial activities during the period and of their financial position at the end of the period. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Further and Higher Education SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the institution will continue in operation

Trustees' annual report

For the year ended 31 July 2018

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the institution and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the institution and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the institution's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The trustees' annual report has been approved by the trustees on 28 March 2019 and signed on their behalf by

John Gellatly
Chair

Independent auditor's report

To the members of

University College of Estate Management

Opinion

We have audited the financial statements of University College of Estate Management (the 'the parent entity') for the year ended 31 July 2018 which comprise the consolidated and UCEM statement of comprehensive income and expenditure, the consolidated and UCEM statement of changes in reserves, the consolidated and UCEM balance sheets, the consolidated statement of cash flows, the summary of significant accounting policies and the notes to the financial statements. 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 and parent entity's affairs as at 31 July 2018 and of the group's and parent entity's incoming resources and total comprehensive income for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Charities Act 2011

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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.

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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent entity'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 other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us 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
- Sufficient accounting records have not been kept; or
- the 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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees 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 trustees 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 trustees are responsible for assessing the group and the parent entity'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 trustees either intend to liquidate the group or the parent entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the parent entity's trustees as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the parent entity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent entity and the parent entity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent entity to cease to continue as a going concern.

Independent auditor's report

To the members of

University College of Estate Management

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

9 April 2019

Sayer Vincent LLP, Statutory Auditor

Invicta House, 108–114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

Consolidated and UCEM Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2018

	Notes	Consolidated £	2018 UCEM £	Consolidated £	2017 UCEM £
Income					
Tuition fees and education contracts	1	13,405,081	13,405,081	10,708,968	10,708,968
Other income	2	90,023	335,593	445,417	11,508
Investment income	3	594,413	589,472	533,696	527,732
Total income before endowments and donations		14,089,517	14,330,146	11,688,081	11,248,208
Donations	4	500	(12,052)	–	96,603
Total income		14,090,017	14,318,094	11,688,081	11,344,811
Expenditure					
Staff costs	5	10,786,773	10,605,084	9,197,451	8,928,368
Other operating expenses	7	4,102,259	4,228,931	3,313,393	3,369,273
Depreciation and impairment charges	9	374,797	374,797	366,781	366,781
Interest and other finance costs	6	1,416	1,565	27,242	17,428
Total expenditure		15,265,245	15,210,377	12,904,867	12,681,850
(Deficit)/surplus before other gains losses and share of operating surplus of associates		(1,175,228)	(892,283)	(1,216,786)	(1,337,039)
Net gain/(loss) on investments	11	125,254	99,821	1,454,676	1,413,347
Share of operating surplus in associate		79,119	–	26,583	–
Surplus before tax		(970,855)	(792,462)	264,473	76,308
Taxation	7	(12,679)	–	–	–
(Deficit) / surplus for the year and total comprehensive income for the year		(983,534)	(792,462)	264,473	76,308
Total comprehensive income for the year		(983,534)	(792,462)	264,473	76,308
Represented by:					
Restricted comprehensive income for the year		26,247	315,891	20,447	3,500
Unrestricted comprehensive income for the year		(1,009,781)	(1,108,353)	244,026	72,808
Attributable to UCEM		(983,534)	(792,462)	264,473	76,308
		(983,534)	(792,462)	264,473	76,308
Surplus for the year attributable to:					
Non controlling interest		–	–	–	–
UCEM		(983,534)	(792,462)	264,473	76,308

All items of income and expenditure relate to continuing activities

Consolidated

	Income and expenditure account		Total
	Restricted £	Unrestricted £	£
Balance at 1 August 2016	453,482	22,243,746	22,697,228
Surplus from the income and expenditure statement	20,447	244,026	264,473
Total comprehensive income for the year	20,447	244,026	264,473
Balance at 1 August 2017	473,929	22,487,772	22,961,701
Surplus/(deficit) from the income and expenditure statement	26,247	(1,009,781)	(983,534)
Total comprehensive income for the year	26,247	(1,009,781)	(983,534)
Balance at 31 July 2018	500,176	21,477,991	21,978,167

UCEM

	Income and expenditure account		Total
	Restricted £	Unrestricted £	£
Balance at 1 August 2016	11,935	22,372,178	22,384,112
Surplus from the income and expenditure statement	3,500	72,808	76,308
Total comprehensive income for the year	3,500	72,808	76,308
Balance at 1 August 2017	15,435	22,444,986	22,460,420
Surplus/(deficit) from the income and expenditure statement	315,891	(1,108,353)	(792,462)
Total comprehensive income for the year	315,891	(1,108,353)	(792,462)
Balance at 31 July 2018	331,326	21,336,633	21,667,958

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £	UCEM £	Consolidated £	UCEM £
Fixed assets	9	7,439,643	7,439,643	7,673,238	7,673,238
Investment properties	10	1,700,000	1,700,000	1,700,000	1,700,000
Investments	11	12,989,343	13,100,058	13,614,089	13,430,350
Investments in associate	13	244,728	–	165,609	–
		22,373,714	22,239,701	23,152,936	22,803,588
Current assets					
Stock	14	6,701	6,701	11,452	11,452
Trade and other receivables	15	1,802,474	1,769,589	1,156,880	1,039,567
Cash and cash equivalents		499,864	433,466	1,162,491	1,100,106
		2,309,039	2,209,756	2,330,823	2,151,125
Less: Creditors: amounts falling due within one year	16	(2,224,100)	(2,301,012)	(2,060,274)	(2,032,508)
Net current assets/(liabilities)		84,939	(91,256)	270,549	118,617
Total assets less current liabilities		22,458,653	22,148,445	23,423,485	22,922,205
Provisions	17	(480,486)	(480,486)	(461,784)	(461,784)
Total net assets		21,978,167	21,667,959	22,961,701	22,460,421
Restricted Reserves					
Income and expenditure reserve – restricted reserve		500,176	331,326	473,929	15,435
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		7,825,935	7,684,577	11,457,984	11,415,198
Income and expenditure reserve – designated		13,652,056	13,652,056	11,029,788	11,029,788
		21,477,991	21,336,633	22,487,772	22,444,986
Total Reserves	18a	21,978,167	21,667,959	22,961,701	22,460,421

The financial statements were approved by the Governing Body on 28 March 2019 and were signed on its behalf on that date by:

John Gellatly
Chair

Consolidated Statement of Cash Flows

Year ended 31 July 2018

	Notes	Year ended 31 July 2018 £	Year ended 31 July 2017 £
Cash flow from operating activities			
(Deficit)/surplus for the year		(983,534)	264,473
Adjustment for non-cash items			
Depreciation and impairment charges	9	374,797	366,781
(Gain)/loss on investments	11	(125,254)	(754,676)
Decrease/(increase) in stock	14	4,751	(3,963)
(Increase) in debtors	15	(645,594)	(230,294)
Increase/(decrease) in creditors	16	163,826	(691,970)
Increase/(Decrease) in pension provision	17	18,702	(122,415)
Gain in value of investment property	13	–	(700,000)
Share of operating surplus in associate	18	(79,119)	(26,583)
Credit from acquisition of associate	18	–	(139,026)
Adjustment for investing or financing activities			
Investment income	3	(594,413)	(533,696)
Interest payable	6	1,416	27,242
Net cash inflow from operating activities		(1,864,422)	(2,544,127)
Cash flows from investing activities			
Investment income	3	594,413	533,696
Payments made to acquire fixed assets	9	(141,202)	(110,596)
Payments made to acquire investments	11	–	–
Proceeds from sale of investments	11	750,000	2,530,000
		1,203,211	2,953,100
Cash flows from financing activities			
Interest paid	6	(1,416)	(27,242)
		(1,416)	(27,242)
(Decrease)/Increase in cash and cash equivalents in the year		(662,627)	381,731
Cash and cash equivalents at beginning of the year		1,162,491	780,760
Cash and cash equivalents at end of the year		499,864	1,162,491

a) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS)102. UCEM 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 investment assets.

b) Basis of consolidation

The consolidated financial statements include UCEM and all its subsidiaries for the financial year to 31 July 2018 and 2017. Intra-group transactions are eliminated on consolidation.

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

c) 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 Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships provided by UCEM are shown as a reduction of income.

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

Donations

Non exchange transactions without performance related conditions are donations. Donations with donor imposed restrictions are recognised in income when UCEM 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 UCEM is entitled to the funds.

Investment income is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms.

The main types of donations identified within reserves are:

- a) Restricted donations – the donor has specified that the donation must be used for a particular objective.
- a) Unrestricted donations – the donor has not specified that the donation must be used for a particular objective.

d) Accounting for retirement benefits

Defined benefit plan

The group participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. 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 group 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, 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. UCEM also complies with FRS 102 section 28.11A. UCEM has entered into an agreement with USS to fund its deficits, and recognises a liability for the contributions payable that arise from this agreement. The expense resulting from this liability and any movements in this liability are recognised in the consolidated statement of comprehensive income and expenditure.

Defined Contribution Plan

The group also operates a Group Personal Pension (GPP) and an Auto-Enrolment Compliant (AE) defined contribution scheme. The assets of these schemes are individually held by their members. Contributions to these schemes in the year were charged to the consolidated statement of comprehensive income and expenditure as incurred.

e) 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 UCEM. Any unused benefits are accrued and measured as the additional amount UCEM expects to pay as a result of the unused entitlement.

f) 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.

g) 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

h) Fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

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

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The useful lives in use are as follows:

Freehold buildings	50 years
Telephone system	10 years
Furniture	10 years
Machinery and equipment	5 years
Motor vehicles	4 years
Computers	3 years

No depreciation is provided on freehold land as it is deemed to have an infinite life.

i) Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the statement of comprehensive income and expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

j) Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of comprehensive income and expenditure. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments". UCEM does not acquire put options, derivatives or other complex financial instruments.

Investments in associates and subsidiaries are carried at cost less impairment in UCEM's accounts.

Current asset investments are held at fair value with movements recognised in the statement of comprehensive income and expenditure.

k) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

l) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

m) Cash and cash equivalents

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

n) Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) UCEM 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 UCEM a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of UCEM. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

o) Taxation

UCEM is a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, UCEM is potentially exempt from UK Corporation Tax 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.

p) Reserves

Reserves are classified as restricted or unrestricted.

Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

1 Tuition fees and education contracts

Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Part-time students	13,536,562.00	13,536,562.00	10,833,639.00	10,833,639.00
Bursaries given	(131,481.00)	(131,481.00)	(124,671.00)	(124,671.00)
	<u>13,405,081.00</u>	<u>13,405,081.00</u>	<u>10,708,968.00</u>	<u>10,708,968.00</u>

2 Other income

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Corporate services – UCEM Courses	72,721	–	286,058	–
Income from HSET transfer (see note 12b)	–	318,291	–	–
Other income	17,302	17,302	159,359	11,508
	<u>90,023</u>	<u>335,593</u>	<u>445,417</u>	<u>11,508</u>

3 Investment income

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Investment income from investment property	60,461	60,461	51,526	51,526
Investment income on general reserves	447,774	442,833	407,011	401,047
Investment income on designated reserves	84,944	84,944	76,026	76,026
Other investment income	1,234	1,234	(867)	(867)
	<u>594,413</u>	<u>589,472</u>	<u>533,696</u>	<u>527,732</u>

4 Donations

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Donations with restrictions	–	–	–	30,000
Unrestricted donations	500	500	–	–
Unrestricted donations from subsidiary companies	–	127	–	66,603
Return of Overpaid Distribution	–	(12,679)	–	–
	<u>500</u>	<u>(12,052)</u>	<u>–</u>	<u>96,603</u>

5 Staff costs

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	UCEM	Consolidated	UCEM
	£	£	£	£
Staff Costs :				
Salaries	8,429,530	8,269,660	7,253,429	7,015,228
Social security costs	783,622	783,622	637,225	636,110
Movement on USS provision	18,702	18,702	(122,415)	(122,415)
Other pension costs	733,275	720,692	674,754	663,300
Other staff costs	821,644	812,408	754,458	736,145
Total	10,786,773	10,605,084	9,197,451	8,928,368

Remuneration in excess of £60,000 of higher paid staff, excluding employer's pension contributions and employer's national insurance [all shown before any salary sacrifice]:

	2018	2017
	No.	No.
£60,000 to £69,999	8	1
£70,000 to £79,999	4	7
£80,000 to £89,999	1	3
£90,000 to £99,000	3	1
£180,000 to £189,999	–	1
£190,000 to £199,999	1	–
	17	13

	2018	2017
	No.	No.
Average staff numbers by major category :		
Academic	84	66
Research	3	1
Management & specialist	8	8
Technical	9	7
Other	193	207
	297	289

	2018	2017
	£	£
Compensation for loss of office payable to a senior post-holder:		
Compensation payable recorded within staff costs	62,280	23,088

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University College. Staff costs includes compensation paid to key management personnel. The figures below include employer national insurance and employer pension contributions.

	Year ended 31 July 2018	Year ended 31 July 2017
	£	£
Key management personnel compensation	1,009,174	957,237

5 Staff costs (continued)**Council Members**

UCEM's Council members are the trustees for charity law purposes. Due to the nature of UCEM's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms length and in accordance with UCEM's Financial Regulations and usual procurement procedures.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

In accordance with the bye-laws of UCEM, two trustees (2017: two) received remuneration for the services they provide in undertaking the roles of Principal and member of staff and not in respect of their services as trustees. Their remuneration during their period as a trustee was as follows:

	Year ended 31 July 2018 £	Year ended 31 July 2017 £
Principal – Ashley Wheaton		
Remuneration	192,556	183,317
Employer pension contributions	29,158	28,587
Other benefits	963	814
	<u>222,677</u>	<u>212,718</u>
Staff trustee – Helen Edwards		
Remuneration	48,140	30,000
Employer pension contributions	3,046	1,964
	<u>51,186</u>	<u>31,964</u>
Total trustee remuneration and benefits	<u><u>273,863</u></u>	<u><u>244,682</u></u>

The pension contributions are in respect of membership of the USS Scheme and are paid by the employer on the same basis as any other member's employer contribution.

Trustee travel, entertaining and subsistence

	Year ended 31 July 2018 £	Year ended 31 July 2017 £
Principal	3,690	5,752
9 other trustees (2017: nine)	2,074	2,872
	<u><u>5,764</u></u>	<u><u>8,624</u></u>

Other than as reported above, the trustees were neither paid nor received any other benefits from employment with the charity in the year (2017: £nil). No member of the trustees received payment for professional or other services supplied to the charity (2017: £nil).

6 Interest and other finance costs

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	UCEM	Consolidated	UCEM
	£	£	£	£
Exchange differences	1,416	1,565	27,242	17,428
	<u>1,416</u>	<u>1,565</u>	<u>27,242</u>	<u>17,428</u>

7 Other operating expenditure

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	UCEM	Consolidated	UCEM
	£	£	£	£
Academic and related expenditure	1,447,981	1,319,813	998,812	996,130
Administration and central services	2,015,182	2,380,607	1,855,507	2,017,928
Premises	487,647	380,838	366,526	270,693
Catering and conferences	151,449	147,673	92,548	84,522
	<u>4,102,259</u>	<u>4,228,931</u>	<u>3,313,393</u>	<u>3,369,273</u>

Other operating expenses include:

External auditor remuneration – audit services	21,000	19,950
External auditor remuneration – non-audit services	15,500	900
Operating lease rentals:		
• Land and buildings	123,029	90,633
• Other	34,917	22,080
	<u>173,456</u>	<u>113,563</u>

Taxation

UCEM is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. UCEM's trading subsidiaries distribute available profits to UCEM under Gift Aid.

Recognised in the statement of comprehensive income**Current tax**

Current tax expense	–	–
Adjustment in respect of previous years	12,679	–
Current tax expense	<u>12,679</u>	<u>–</u>
Total tax expense	<u>12,679</u>	<u>–</u>

8 Related Parties

In October 2017, UCEM engaged Building Research Establishment Ltd. The following Trustees; Jat Brainch is Chief Financial Officer of BRE, James Wates is a Director of BRE Trust and Ashley Wheaton a non-executive Director of BRE Group Board and CEO of UCEM. Total payments of £68,745 were made to BRE during the financial year 2017–2018, £30,000 of this was for Project management in relation to the CSTT business integration and £38,745 was for venue hires for apprentices' workshops. UCEM also provides online self-managed CPD courses via BRE Academy platform on a 50:50 shared revenue basis. UCEM received £689 during the financial year 2017–18 from BRE, i.e. their share from sales of CPD online courses. BRE Academy is part of the BRE group.

Ms Phoebe Farrell is a UCEM Board Trustee and a Surveying Executive for JLL. JLL is sponsoring a few students who are studying with UCEM. During the financial year 2017–2018 UCEM invoiced JLL for £3,760.

8 Related Parties (continued)

Dr Stephen Jackson, a Trustee is member of the governing body of Cardiff Metropolitan University who is a supplier to UCEM. There were no payments made to Cardiff Metropolitan University in the financial year 2017–2018.

Dr Nigel Pyke, a Trustee is a partner at Cushman and Wakefield a customer of UCEM. Cushman and Wakefield are sponsoring students studying with UCEM. In financial year 2017–2018 UCEM invoiced £6,010 to Cushman and Wakefield.

Ashley Wheaton CEO and Trustee of UCEM and Wendy Finlay, Senior Leadership Team of UCEM are on the Board of Directors of CSTT a UCEM associate company. UCEM performs Secretariat services for CSTT at no cost.

9 Fixed Assets

Consolidated and UCEM	Freehold land and buildings £	Equipment and motor vehicles £	Computer system £	Total £
Cost				
At 1 August 2017	8,113,262	749,979	1,240,900	10,104,141
Additions	329	5,359	135,514	141,202
At 31 July 2018	8,113,591	755,338	1,376,414	10,245,343
Depreciation				
At 1 August 2017	1,216,833	329,150	884,920	2,430,903
Charge for the year	100,434	76,158	198,205	374,797
At 31 July 2018	1,317,267	405,308	1,083,125	2,805,700
Net book value				
At 31 July 2018	6,796,324	350,030	293,289	7,439,643
At 31 July 2017	6,896,429	420,829	355,980	7,673,238

All of the above assets are used for charitable purposes.

The new premises were planned and designed specifically for UCEM. Financial Reporting Standards require the premises to be included in the financial statements at replacement cost where this is less than actual cost. An Existing Current Use with Vacant Possession valuation was carried out by Knight Frank LLP on 23 June 2016. This valuation was lower than actual cost so an impairment was recognised in the year ended 31 July 2016. This was as anticipated and in accordance with the trustees' business plan for the acquisition of a new headquarters building. A further impairment review was performed in the year 2016–17 and did not identify any further reductions in value and it remains the same for this year.

Notes to the financial statements

For the year ended 31 July 2018

10 Investment properties

The investment property is Shinfield Grange and was last valued on 1 August 2017 by Knight Frank LLP at fair value in its current physical condition with vacant possession. Following this, the value of the property was increased by £700,000. The trustees have reviewed this and consider that it remains an appropriate reflection of the property's value for the financial year 2017–18.

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	UCEM	Consolidated	UCEM
	£	£	£	£
Fair value at the start of the year	1,700,000	1,700,000	1,000,000	1,000,000
Net gain on change in fair value	–	–	700,000	700,000
Fair value at the end of the year	1,700,000	1,700,000	1,700,000	1,700,000

11 Non-current asset investments

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	UCEM	Consolidated	UCEM
	£	£	£	£
Fair value at the start of the year	13,614,089	13,430,350	15,389,413	15,217,003
Additions at cost	–	319,887	–	–
Disposal proceeds	(750,000)	(750,000)	(2,530,000)	(2,500,000)
Net gain/(loss) on change in fair value	125,254	99,821	754,676	713,347
Fair value at the end of the year	12,989,343	13,100,058	13,614,089	13,430,350
Historic cost	11,281,548	11,259,538	11,930,411	11,908,401

Investments comprise:

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	UCEM	Consolidated	UCEM
	£	£	£	£
UK Common investment funds				
• General UCEM fund	10,270,643	10,270,643	10,935,735	10,935,734
• Designated bursary fund	2,257,429	2,257,429	2,242,517	2,242,517
• Restricted funds	461,271	319,887	435,837	–
Investment in subsidiary undertakings	–	252,099	–	252,099
Fair value at the end of the year	12,989,343	13,100,058	13,614,089	13,430,350

12a Subsidiary undertakings

UCEM owns the whole of the issued ordinary share capital of UCEM Courses Limited (company number 2169181) and UCEM Publishing Ltd (company number 4965413), both companies are incorporated in the United Kingdom. The subsidiaries are used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the statement of comprehensive income and expenditure. Available profits are distributed under gift aid to the charity. Trustees J Gellatly and D Larkin, as well as the Principal, A Wheaton, are directors of both companies. A summary of the results of the subsidiaries are shown below:

	UCEM Courses 2018 £	2017 £	UCEM Publishing 2018 £	2017 £
Turnover	72,721	286,058	1,804	8,825
Cost of sales	(69,142)	(215,037)	(643)	(3,675)
Gross profit	3,579	71,021	1,161	5,150
Administrative expenses	(3,545)	(5,142)	(1,068)	(4,426)
Operating profit / (loss)	34	65,879	93	724
Profit / (loss) on ordinary activities	34	65,879	93	724
Distribution under Gift Aid to parent charity	(34)	(65,879)	(93)	(724)
Return of Overpaid Distribution	12,679			
Profit / (loss) on ordinary activities before taxation	12,679	-	-	-
Taxation on profit on ordinary activities	(12,679)	-	-	-
Profit / (loss) for the financial year	-	-	-	-
The aggregate of the assets, liabilities and funds was:				
Assets	283,674	272,613	10,782	14,013
Liabilities	(33,574)	(22,513)	(9,782)	(13,013)
Funds	250,100	250,100	1,000	1,000

UCEM also owns the whole of the issued ordinary share capital of UCEM Asia Limited (company number 2290068), registered in Hong Kong. The subsidiary was incorporated on 24 September 2015. This subsidiary is used for promoting UCEM and coordinating support for local students. All activities have been consolidated on a line by line basis in the statement of comprehensive income and expenditure. A summary of the results of the subsidiary is shown below:

	UCEM Asia 2018 £	2017 £
Turnover	-	-
Cost of sales	(490,545)	(414,390)
Gross loss	(490,545)	(414,390)
Other operating income	510,000	420,000
Profit/(loss) for the financial year	19,455	5,610
The aggregate of the assets, liabilities and funds was:		
Assets	43,607	33,743
Liabilities	(145,977)	(155,568)
Funds	(102,370)	(121,825)

12b Other undertakings

The accounts for UCEM include in the consolidation two Trust Funds in which it has a controlling interest. The Harold Samuel Educational Trust (HSET, charity number 800790) and David Alexander Memorial Scholarship (DAMS, charity number 525767), both Registered Charities in England and Wales. The DAMS funds are to be used to provide a scholarship tenable at the University College of Estate Management for students based in Wales. All activities have been consolidated on a line by line basis in the statement of income and comprehensive income. However during the financial year 2017–18, the resolution was passed to dissolve HSET for simpler governance structure of UCEM entities, therefore HSET was removed from the Register of Charities on 31 July 2018 and its net assets were transferred to UCEM.

	HSET 2018 £	2017 £	DAMT 2018 £	2017 £
Incoming resources	–	–	4,941	5,964
Resources expended	(1,662)	(30,283)	(65)	(63)
Net incoming resources	(1,662)	(30,283)	4,876	5,901
Investment gains/(losses)	12,339	25,466	13,094	15,863
Net movement in funds	10,677	(4,817)	17,970	21,764
Fund balances at the start of the year	307,614	312,431	150,880	129,116
HSET dissolution and transfer to UCEM	(318,291)	–	–	–
Fund balances at the end of the year	–	307,614	168,850	150,880
The aggregate of the assets, liabilities and funds was:				
Assets	–	307,614	168,856	150,886
Liabilities	–	–	(6)	(6)
Funds	–	307,614	168,850	150,880

12c Parent charity

The parent charity's gross income and the results for the year are disclosed as follows:

	2018 £	2017 £
Gross income	14,318,094	11,344,811
Result for the year	(792,462)	76,308

13 Investment in associate

In March 2017, two UCEM trustees were appointed to the board of Chartered Surveyors Training Trust (CSTT). CSTT has five trustees so since then UCEM has had 40% influence over the trustee board. Accordingly, UCEM accounts for CSTT as an associate and at this date, 40% of the net assets of CSTT, being £139,026 was recognised as an asset in UCEM's financial statements, with a corresponding item of income.

At 31 July 2018 UCEM's share of the net assets in CSTT stood at £244,728 and the share of income recognised in UCEM for 2017–2018 is £79,119.

	2018 £	2017 £
Investment in associate	244,728	165,609

14 Stock

	2018		2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Finished goods	6,701	6,701	11,452	11,452
	<u>6,701</u>	<u>6,701</u>	<u>11,452</u>	<u>11,452</u>

15 Trade and other receivables

	2018		2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Amounts falling due within one year:				
Other trade receivables	831,330	826,152	677,869	589,550
Other receivables	39,720	15,112	39,354	14,745
Prepayments and accrued income	700,027	696,928	411,158	409,270
Amounts due from subsidiary companies	-	-	-	(289)
VAT	-	-	28,499	26,291
Amounts falling due later than 1 year:				
Prepayments and accrued income	231,397	231,397	-	-
	<u>1,802,474</u>	<u>1,769,589</u>	<u>1,156,880</u>	<u>1,039,567</u>

Amounts falling due later than 1 year is comprising of prepayment amount of £10,412 to RICS for end point assessment fees in relation to the students' final stage of study, however paid in advance. And accrued income of £220,985 due to be paid by ESFA once apprentices go through the end point assesment towards the end of their degree programme. Out of the total accrued income, £55,429 is receivable after 1 year and £165,556 between 2 to 4 years based on different cohorts of apprentices having different end point dates.

16 Creditors : amounts falling due within one year

	2018		2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Trade payables	145,687	145,221	139,068	139,069
Other payables	1,085,071	988,369	821,122	812,418
Amounts due to subsidiary companies	-	192,356	-	-
Advance payments	-	-	387	-
Deferred income	922,854	910,369	1,099,697	1,081,021
VAT	70,488	64,697	-	-
	<u>2,224,100</u>	<u>2,301,012</u>	<u>2,060,274</u>	<u>2,032,508</u>

Deferred income

Included within deferred income are the following items of income which have been deferred as it's in relation to the year 2018-19.

	2018		2017	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Current Academic Offer	910,369	910,369	1,024,534	1,024,534
Corporate services – UCEM Courses	12,485	-	18,676	-
Legacy courses	-	-	56,487	56,487
	<u>922,854</u>	<u>910,369</u>	<u>1,099,697</u>	<u>1,081,021</u>

17 Provisions for liabilities**Consolidated and UCEM**

	2018	2017
	£	£
Obligation to fund deficit on USS pension		
At the start of the year	461,784	584,199
Movement in the year	18,702	(122,415)
At the end of the year	480,486	461,784

USS deficit

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

The USS deficit recovery plan extends to 2031, the period over which outflow related to this provision is expected. The changes in salary costs and staff numbers have been assessed using the forecast impact of UCEM's strategic plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

18a Movements in funds (current year)

	At the start of the year £	Incoming resources & gains £	Outgoing resources & losses £	Transfers £	At the end of the year £
Restricted funds:					
BCSC Educational Trust Fund	1,472	–	–	–	1,472
Philip Rose Award	439	–	(100)	–	339
BSc Estate Management Club	1,286	–	–	–	1,286
Marsh & Company	2,032	–	–	–	2,032
RICS Presidents' bursaries	1,185	–	(1,185)	–	–
Harold Samuel Educ. Trust–Bursary Fund	3,200	–	(1,015)	–	2,185
Harold Crowter Prize fund	1,671	–	(100)	–	1,571
FJ Comerford Prize award	500	–	–	–	500
QS Student Bursary Fund	150	–	–	–	150
Research Bursary	3,500	–	–	–	3,500
Harold Samuel Research Prize Fund	–	–	–	284,291	284,291
Peter Goodacre Fund	–	–	–	34,000	34,000
The Harold Samuel Educational Trust	307,614	12,339	(1,662)	(318,291)	–
David Alexander Memorial Scholarship	150,880	18,035	(65)	–	168,850
Total restricted funds	473,929	30,374	(4,127)	–	500,176
Unrestricted funds:					
Designated funds:					
Fixed assets	7,673,238	141,202	(374,797)	–	7,439,643
Bursaries	2,256,550	84,944	(129,081)	–	2,212,413
Property maintenance	1,100,000	–	–	(1,100,000)	–
UCEM Academic Offer	–	–	–	4,000,000	4,000,000
Total designated funds	11,029,788	226,146	(503,878)	2,900,000	13,652,056
General funds	11,457,984	14,037,870	(14,769,919)	(2,900,000)	7,825,935
Total unrestricted funds	22,487,772	14,264,016	(15,273,797)	–	21,477,991
Total funds	22,961,701	14,294,390	(15,277,924)	–	21,978,167

18b Movements in funds (prior year)

	At the start of the year £	Incoming resources & gains £	Outgoing resources & losses £	Transfers £	At the end of the year £
Restricted funds:					
BCSC Educational Trust Fund	1,472	–	–	–	1,472
Philip Rose Award	439	–	–	–	439
BSc Estate Management Club	1,286	–	–	–	1,286
Marsh & Company	2,032	–	–	–	2,032
RICS Presidents' bursaries	1,185	–	–	–	1,185
Harold Samuel Educ. Trust–Bursary Fund	3,200	–	–	–	3,200
Harold Crowter Prize fund	1,671	–	–	–	1,671
FJ Comerford Prize award	500	–	–	–	500
QS Student Bursary Fund	150	–	–	–	150
Research Bursary	–	–	(8,500)	12,000	3,500
MACE Fund	–	–	(18,000)	18,000	–
The Harold Samuel Educational Trust	312,431	25,466	(283)	(30,000)	307,614
David Alexander Memorial Scholarship	129,116	21,827	(63)	–	150,880
Total restricted funds	453,482	47,293	(26,846)	–	473,929
Unrestricted funds:					
Designated funds:					
Fixed assets	7,929,423	110,596	(366,781)	–	7,673,238
Bursaries	2,204,562	176,659	(124,671)	–	2,256,550
Property maintenance	1,100,000	–	–	–	1,100,000
Total designated funds	11,233,985	287,255	(491,452)	–	11,029,788
General funds	11,009,761	12,945,388	(12,497,165)	–	11,457,984
Total unrestricted funds	22,243,746	13,232,643	(12,988,617)	–	22,487,772
Total funds	22,697,228	13,279,936	(13,015,463)	–	22,961,701

19 Purposes of restricted funds

BCSC Educational Trust Fund – The provision of bursaries to College students studying for the Diploma in Shopping Centre Management.

Philip Rose Award – To award a prize for excellence in an area study.

BSc Estate Management Club – The provision of bursaries to undergraduate College students.

Marsh & Company – The provision of bursaries to College students.

RICS Presidents' bursaries – The provision of bursaries to College students based overseas.

Harold Samuel Educational Trust – The provision of bursaries for College students.

Harold Crowter Prize fund – To award a prize for excellence in an area of study.

FJ Comerford Prize award – To award a prize for excellence in an area of study.

QS Student Bursary Fund – The provision of bursaries for College students.

Peter Goodacre Fund – To award £1,000 at every graduation for one student for 34 years

Harold Samuel Research Prize Fund – An annual award of up to £15,000 for an innovative research project that has the potential to provide industry-changing insight for the Built Environment. The Prize will be judged and awarded by a panel of experts from across the industry, UCEM staff and independent appointees. The Prize is open to applications from the UK and in any other part of the world.

Research Bursary – Harold Samuel Educational Trust released funds to support UCEM sustainability research.

MACE fund – Harold Samuel Educational Trust released funds to purchase a ceremonial graduation mace for UCEM.

The Harold Samuel Educational Trust – see note 12b. The Harold Samuel Educational Trust was dissolved and transferred to UCEM where two restricted funds were set up, the Peter Goodacre Fund and the Harold Samuel Research Prize Fund.

David Alexander Memorial Scholarship – see note 12b.

Purposes of designated funds

Fixed assets – This represents the net book value of the groups fixed assets.

Bursaries – The New Student Bursary Fund was established to encourage wider participation in College courses.

Property – The fund was established for essential maintenance requirements for the College's operational properties. This fund has now been closed and funds have been moved to the newly created fund called UCEM Academic Offer.

UCEM Academic Offer – Investment in UCEM's Academic Offer including project Transform (£3m) and other Apprenticeships related projects.

20 Lease obligations

Total rentals payable under operating leases for the group were:

	Property		Equipment	
	2018	2017	2018	2017
	£	£	£	£
Payable during the year	134,974	106,515	23,226	21,119
Future minimum lease payments due:				
Not later than 1 year	126,812	113,415	21,291	21,931
Later than 1 year and not later than 5 years	187,229	143,745	41,206	59,860
Total lease payments due	314,041	257,160	62,497	81,791

Total rentals receivable under operating leases for the group were:

	Property	
	2018	2017
	£	£
Receivable during the year	2,708	2,043
Future minimum lease receivable due:		
Not later than 1 year	2,708	2,043
Total lease receivable due	2,708	2,043

21 Events after the reporting period

UCEM acquired Building People C.I.C company number 10699488 on 4th September 2018 at no cost. Building People C.I.C was incorporated on 30 March 2017. Building People is the digital market place for the building sector which connects people with job oppurtunites and advancing their industry knowledge and learning. The total revenue of the entity at the year end of 31 March 2018 was £15,000 and its net assets were £2,945.

The UCEM Board approved the dissolution of DAMT on the 13 December 2018 and merging it into UCEM in order to allow a simpler governance structure in relation to the UCEM entities.

22 Pension schemes

The Group operates three pension schemes for its employees:

(1) Universities Superannuation Scheme**Contingent Liabilities and Assets**

UCEM participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. UCEM is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to UCEM's employees. In 2017, the percentage was 18% (2016: 18%). UCEM is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme.

A contingent liability exists in relation to the pension valuation recovery plan, since UCEM is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and UCEM is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet.

The total cost increase included in the statement of comprehensive income and expenditure is £18,706 (cost reduction 2017: £122,415). This includes £43,738 (2017: £40,268) outstanding contributions at the balance sheet date. The disclosures below represent the position from the scheme's financial statements.

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.

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.

Pension liability numbers have been produced for the using the following assumptions:

	2018	2017
Discount rate	2.6%	2.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.0%	2.4%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality 96.5% of S1NA ["light"] YoB tables – No age rating
 Female members' 101.3% of S1NA ["light"] YoB tables – rated down 1 year

22 Pension schemes (continued)**(1) Universities Superannuation Scheme (continued)**

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

<i>Existing benefits</i>	<i>2018</i>	<i>2017</i>
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29

<i>Existing benefits</i>	<i>2018</i>	<i>2017</i>
Scheme assets	£63.6bn	£60.0bn
Liabilities	£72bn	£77.5bn
Deficit	£8.4bn	£17.5bn
Funding level	88%	77%

(2) Group Personal Pension Scheme (GPP)

Operating on a defined contribution basis in respect of pensionable service since 1 November 2004, the GPP has received contributions on behalf of members from the Employer and Employee at the following rates: Employer 7%, Employee 2½% (minimum).

For members of the former CEM Contracted Out Money Purchase Scheme who had joined that Scheme prior to April 1997 the rates of contribution, to the GPP, were as follows:

Age	College	Member
40–49	9%	2½% (minimum)
50–59	10%	2½% (minimum)

This scheme is now closed to new members as it has been succeeded by an auto enrolment compliant scheme (see below). The pension charge for the GPP scheme for the year was £73,363 (2017: £87,133).

(3) Auto Enrolment Compliant Scheme (AE)

Operating on a defined contribution basis in respect of pensionable service since 1 January 2014, the AE scheme has received contributions on behalf of members from the Employer and Employee at the following rates: Employer 7%, Employee 2½% (minimum).

The pension charge for the period was £322,522 (2017: £231,276).

Unfunded Pensions

The College also provided unfunded pensions to an ex-employee. Payment in the year totalled £4,923 (2017: £4,841).