



Cardiff  
Metropolitan  
University

Prifysgol  
Metropolitan  
Caerdydd

# 2018 - 2019

## ANNUAL REPORT & FINANCIAL STATEMENTS



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# Report of the Board of Governors

## Public Benefit Statement

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

The University offers courses in a range of subjects including health and social care, teacher education and environmental management with over 50 professional bodies accrediting its courses. It also engages with partners in business, the public sector and communities in a variety of ways. Specifically, during 2018/19 the University:

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

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

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

## Report of the board of Governors (continued)

### Responsibilities of the Board of Governors

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

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

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

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

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for Wales are used only for the purposes for which they have been given and in accordance with the Financial Management Code with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University resources and expenditure.

By order of the Board

**Professor C Carmichael Aitchison**

President & Vice-Chancellor

28 November 2019

## Report of the board of Governors (continued)

### Operating and Financial Review

#### Scope of the Financial Statements

These financial statements relate to the year ended 31 July 2019 and represent the twenty seventh Annual Report of the University since its incorporation in 1992. The financial statements consolidate the main activity of the University with that of its subsidiary companies and have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102.

#### Principal Activities

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

#### Financial and Investment Strategy

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

#### Results for the Year

The strength of the financial performance for the year, which saw the generation of an operational cash surplus of over £13m, is presentationally obscured by the declaration of a far more modest accounting surplus of £178k. This apparent distortion of the financial results has resulted from the need to significantly increase the pension deficit provisions for two of the university's three staff pension schemes, namely, the University Superannuation Scheme (USS) and the Cardiff & Vale of Glamorgan Pension Scheme (CVGPS). In common with all universities that participate in the USS, Cardiff Met has needed to reflect the increase in the USS pension deficit that has arisen from the triennial valuation of the scheme that was undertaken at March 2017. This has resulted in an accounting charge of £2.047m for the year. In addition, and far more significantly, the University has also needed to reflect accounting charges of £6.35m in relation to the pension deficit in the CVGPS. Taken together these pension charges amounting to £8.4m have significantly reduced the declared surplus for the year. Irrespective of these charges, operational cash generation has been strong, delivering the funding for a significant capital programme and an improvement in liquidity.

<b>Summary of Results</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Income	106,845	103,695
Expenditure	106,248	95,002
Surplus before exceptional costs	597	8,693
Exceptional Severance costs	(419)	(5,291)
<b>Surplus for the year</b>	<b>178</b>	<b>3,402</b>

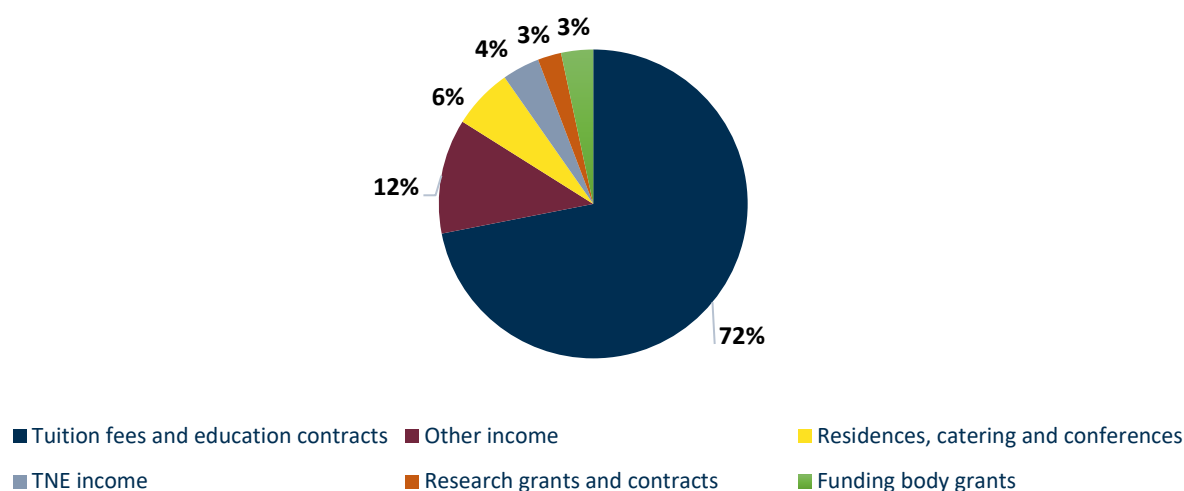
## Report of the board of Governors (continued)

### Operating and Financial Review (Continued)

#### Results for the Year (Continued)

The University group's income increased by £3.2m (3%) during the year to £106.8m. The group's main income stream is derived from tuition fees from UK and EU undergraduate and postgraduate students that together account for 57% of total income. Full time undergraduate tuition fees for UK and EU students remained capped at £9k during the year and as a result of this there was only marginal growth in the group's main income stream. The Welsh Government mitigated the effect of the fee cap by the payment of a specific fee mitigation grant of just over £1m; this grant together with increases in Funding Council grants (£400k); research grants (£600k); and international tuition fees (£800k), account for the main increases in income during the year

#### Income Analysis 2018-19



The group invested £8.1m in its infrastructure during 2018/19. Of this £5.8m was invested in the estate, including a £2.8m investment in the purchase and refurbishment of an office block close to The University's Llandaff campus; and a further investment of £1.8m on the latest phase of the student residences refurbishment programme. Expenditure of £2.3m was also invested in equipment, including investments totalling £1.2m in the academic and professional service departments and an investment of £800k in IT infrastructure and corporate systems.

The asset base of the balance sheet was strengthened by the aforementioned fixed asset investments, but this was offset by the need to increase the pension deficit provisions of two of the university's staff pension schemes. Additional pension deficit provisions amounting to £22m were required, CVGPS (£20m), USS (£2m). As a result of the pension deficit provision increases, total net assets reduced by £13.7m to £85.7m.

#### Liquidity & Cash

The University group's cash and short-term investment resources at the year-end amounted to £31.4m (2018: £25.3m). Investments in the estate and infrastructure during the year were funded entirely by cash generated from operating activities. The current ratio was maintained at 1.93 (2018: 1.92). The repayment holiday on £25m of long-term borrowings arranged during 2008 ended on 31 July 2019 with the first of twenty equal principal repayments of £1.25m. In total, the group's long-term debt reduced by £1.6m, from £28.1m to £26.5m during the year. At 31 July 2019 long term debt as a % of turnover amounted to 24.8%.

#### The Financial Outlook

During 2018/19 the university charged FT home and EU undergraduate students an annual tuition fee of £9000, as compared to the fee of £9250 being charged in English institutions, but with institutions in Wales being compensated in part for the difference by the payment of a Welsh Government funded fee mitigation grant. The payment of the fee mitigation grant will not continue during 2019/2020 and the FT undergraduate fee will remain frozen at £9000 in Wales for the eighth consecutive year and at £9250 in England.

## Report of the board of Governors (continued)

### Operating and Financial Review (Continued)

#### The Financial Outlook (Continued)

Given that the real value of the FT undergraduate fee has eroded significantly during the past eight years, the continuing lack of indexation on one of the university's main income streams poses funding challenges for both the university and the HE sector in general. A Review of Post-18 Education and Funding in England (the Augur Review) was commissioned by the UK Government in 2018 and reported its findings in May 2019. The review made a number of recommendations in relation to the FT undergraduate tuition fee in England. No decision has yet been made on the adoption of these recommendations, but it is possible that the review might influence future funding decisions in both England and Wales and as such is a source of significant uncertainty.

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

#### Charitable Status

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

#### Membership of the Board of Governors

The membership of the Board for the year 1 August 2018 to 31 July 2019 is set out on Page 9 of this report.

#### Independent Auditors

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

#### Equality of Opportunity

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

#### Health and Safety at Work

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

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

#### Modern Slavery and Human Trafficking Statement

Cardiff Metropolitan University is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The University's policies and procedures demonstrate its commitment to acting ethically and with integrity in all its business. The procurement function has had an 'Ethical Supply Chains' Policy in place since 2011. The Policy was reviewed and updated in 2018 to ensure it continues to reflect relevant good practice.

The University's workplace policies and procedures, which have been reviewed and amended to ensure they reflect the intent of the Code of Practice, demonstrate the University's commitment to acting ethically and with integrity in all its business relationships by ensuring that modern slavery and human trafficking do not occur within its UK and international workforces. During the year covered by this report, the University committed to ensure that all staff pay grades are at or above the National Living Wage. This change became effective on 1 August 2018.

## **Report of the board of Governors (continued)**

### **Operating and Financial Review (Continued)**

#### **Criminal Finance Act Statement**

Cardiff Metropolitan University and its subsidiary companies commit to ensuring that its employees, agents and other associated persons acting on its behalf are not facilitating tax evasion by another party.

The University regularly reviews its risks and associated processes and procedures to ensure that all steps are taken to prevent tax evasion. The University includes the risk of tax evasion on its Risk Register. The risk is reviewed and updated (at least twice) each year). This includes the review of controls to mitigate risks.

The University reviews its policies and guidance in relation to the Criminal Finance Act on a regular basis, in line with similar policies (Anti-Bribery, Counter Fraud and Corruption, Anti-Money Laundering policies and Financial Regulations).

**Professor C Carmichael Aitchison**

President & Vice-Chancellor

28 November 2019

# Corporate Governance Statement

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

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

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

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

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

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

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

# Governors and Directorate

## Governors and Designated Senior Postholders 2018/19

### Governors

The Baroness Finlay of Llandaff  
 FRCP, FRCG, FHEA, FLSW, FMedSci (Chair)  
 Ms N Amery (Vice-Chair)  
 Professor C C Aitchison, President and Vice-Chancellor (ex officio)  
 Ms J Berry  
 Mr N Capaldi  
 Mr W G Davies  
 Mr I Gardiner  
 Mr J Nottingham  
 Mrs S Goodson  
 Mr G Hardacre  
 Ms S Hay  
 Mr F J Holmes  
 Mr U Hussain MBE  
 Dr Malcolm James  
 Dr K Nnoaham  
 Dr Katie Thirlaway  
 Dr C Turner  
 Mr S Waddington  
 Mr D Warrender

### Period of Office

1 August 2018 to date  
 1 April 2014 to date  
 1 October 2016 to date  
 1 August 2014 to 31 July 2019  
 28 November 2018 to date  
 1 December 2015 to date  
 1 August 2017 to 31 July 2019  
 1 August 2018 to 31 July 2019  
 1 August 2017 to date  
 1 April 2013 to 31 July 2019  
 1 April 2013 to 31 July 2019  
 1 April 2013 to 31 July 2019  
 1 August 2015 to date  
 1 August 2017 to date  
 1 August 2017 to date  
 1 October 2018 to date  
 1 August 2017 to date  
 28 November 2018 to date  
 28 November 2018 to date

### Secretary & Clerk to the Governors

Mr R D G Walters

1 June 1999 to 31 January 2019

### Interim Secretary & Clerk to the Governors

Dr J Rees

16 January 2019 to date

### Designated Senior Postholders

Professor S Chang	Deputy Vice-Chancellor Academic
Professor S Hanton	PVC Research & Innovation
Dr J Boddington	PVC Student Engagement
Professor M Loutfi	PVC International
Professor L Robinson	PVC Cyncoed & Executive Dean

4 September 2017 to 7 June 2019  
 23 April 2012 to date  
 18 September 2017 to date  
 28 September 2012 to 31 August 2018  
 2 October 2017 to date

## Key Performance Indicators

The University utilises a number of Key Performance Indicators (KPIs) to assist in the monitoring of the University against its objectives. A selection of the main KPIs are shown below.

Students	
Numbers	Outcomes
<ul style="list-style-type: none"> <li>8,572 applications</li> <li>8,191 total undergraduates</li> <li>2,299 total postgraduates</li> <li>10% overseas students</li> </ul>	<ul style="list-style-type: none"> <li>85% of students are satisfied (NSS 2019)</li> <li>70.6% achieved a First or 2:1 degree (18-19)</li> <li>95.8% of graduates are in employment or further study (16-17)</li> </ul>

Staffing	
<p><b>Total Staff (FTE)</b> 1,233</p>	<p><b>Academic Staff (FTE)</b> 483</p>

**Key Performance Indicators (continued)****Student Key Performance Indicators**

<b>KPI</b>	<b>Undergraduate degree success – Proportion obtaining 1<sup>st</sup>/2:1 class degree</b>	
<b>Measuring</b>	Success in supporting students in their learning experience	
<b>Year</b>	<b>2018-19</b>	<b>2017-18</b>
	70.6%	67.4%

<b>KPI</b>	<b>Graduate Employability</b>	
<b>Measuring</b>	Success in supporting graduates to obtain a job or go onto further study	
<b>Year</b>	<b>2016-17</b>	<b>2015-16</b>
	95.8%	94.8%

<b>KPI</b>	<b>Student Satisfaction</b>	
<b>Measuring</b>	Student Satisfaction	
<b>Year</b>	<b>2018-19</b>	<b>2017-18</b>
	85%	83%

<b>KPI</b>	<b>Staff / Student Ratio</b>	
<b>Measuring</b>	Number of Students per academic staff member	
<b>Year</b>	<b>2019</b>	<b>2018</b>
	21.7	21.2

**Key Performance Indicators (continued)****Diversity - Students**

<b>KPI</b>	<b>Percentage of students from disadvantaged backgrounds</b>	
<b>Measuring</b>	Success at attracting under-represented groups into higher education	
<b>Year</b>	<b>From Communities First Areas</b>	<b>From Low Participation Neighbourhoods</b>
18/19	28%	37%
17/18	27%	36%

<b>KPI</b>	<b>Percentage of Male and Female Students</b>	
<b>Measuring</b>	Gender balance	
<b>Year</b>	<b>Male</b>	<b>Female</b>
18/19	43%	57%
17/18	45%	55%

<b>KPI</b>	<b>Proportion of students who are BME</b>	
<b>Measuring</b>	Participation rates of BME students at the University	
<b>Year</b>	<b>BME</b>	<b>White</b>
18/19	16%	84%
17/18	15%	85%

<b>KPI</b>	<b>International Students</b>	
<b>Measuring</b>	Ability to attract international students / promote student diversity	
<b>Year</b>	<b>Home/EU</b>	<b>Overseas</b>
18/19	90%	10%
17/18	90%	10%

**Key Performance Indicators (continued)****Diversity - Staff**

<b>KPI</b>	<b>Gender</b>	
<b>Measuring</b>	Gender balance of Staff (Headcount)	
<b>Year</b>	<b>Male</b>	<b>Female</b>
2019	42%	58%
2018	42%	58%

<b>KPI</b>	<b>Females in senior roles</b>	
<b>Measuring</b>	Female staff members in senior roles	
<b>Year</b>	<b>2019</b>	<b>2018</b>
	20 (29.4%)	18 (26.5%)

**Student Numbers – 2018-19**

<b>All Students</b>		<b>Home/EU</b>	<b>Home/EU FTE</b>	<b>Overseas</b>	<b>Overseas FTE</b>	<b>Total</b>	<b>Total FTE</b>
<b>Undergraduate</b>	Full-time	6,897	6,664	558	565	<b>7,500</b>	<b>7,229</b>
	Part Time	736	157	0	1	<b>736</b>	<b>158</b>
	<b>Total</b>	<b>7,633</b>	<b>6,821</b>	<b>558</b>	<b>566</b>	<b>8,191</b>	<b>7,387</b>
<b>Postgraduate Taught</b>	Full-time	949	770	474	257	<b>1,423</b>	<b>1,027</b>
	Part Time	664	234	13	5	<b>677</b>	<b>239</b>
	<b>Total</b>	<b>1,613</b>	<b>1,004</b>	<b>487</b>	<b>262</b>	<b>2,100</b>	<b>1,266</b>
<b>Postgraduate Research</b>	Full-time	44	25	26	21	<b>70</b>	<b>46</b>
	Part Time	122	40	7	4	<b>129</b>	<b>44</b>
	<b>Total</b>	<b>166</b>	<b>65</b>	<b>33</b>	<b>25</b>	<b>199</b>	<b>90</b>
<b>Total</b>		<b>9,412</b>	<b>7,890</b>	<b>1,078</b>	<b>853</b>	<b>10,490</b>	<b>8,743</b>

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

## Report on the audit of the financial statement

### Opinion

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

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2019, and of the group's and parent institution's income and expenditure, gains and losses, and changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated & University Statements of Financial Position as at 31 July 2019; the Consolidated & University Statements of Comprehensive Income & Expenditure for the year then ended; the Consolidated & University Statements of Changes in Reserves for the year then ended; the Consolidated Cash Flow Statement for the year then ended; the Statement of Principal Accounting Policies; and the notes to the financial statements.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's and parent institution's activities, students, suppliers and the wider economy.

## Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

## Trustees' Report

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the Governing Body for the financial statements

As explained more fully in the Responsibilities of the Board of Governors set out on page 3, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the group and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

We are eligible to act and have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## Use of this report

This report, including the opinions, has been prepared for and only for the institution's Governing Body as a body in accordance with section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992 and section 151 of the Charities Act 2011 and regulations made under section 154 of that Act (Part 4 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

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

In our opinion, in all material respects:

- the requirements of HEFCW's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them;
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability, the Financial Management Code and any other terms and conditions attached to them; and
- funds provided by HEFCW have been used for the purposes for which they were received.

### Sufficiency of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
28<sup>th</sup> November 2019

# Statement of Principal Accounting Policies

## 1 Basis of Preparation

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

## 2 Basis of Consolidation

The consolidated financial statements include Cardiff Metropolitan University and its wholly owned subsidiary undertakings, Cardiff Met Company Ltd and Cardiff Metropolitan Education Services (Beijing) Ltd. In addition, the university holds a majority (55%) share interest in a spin out company Fovo Technology Ltd, the balance of the shares being held by two of the university's academics. This company's activity is also consolidated into these financial statements. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or significant influence over policy decisions. Intra-group sales and profits are eliminated fully on consolidation.

## 3 Income Recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount, income receivable is shown net of the discount. Fee scholarships are treated as a discount and are deducted from income.

Research training support grants have been reclassified in the financial statement according to guidance received from HESA. Previously research training support income was included in other income; in the current year and going forward research training support income relating to student fees is reclassified as fee income. Comparative figures have also been reclassified.

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

### a) Grant Funding

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

### b) Donations and Endowments

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

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

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

**Statement of Principal Accounting Policies (Continued)****3 Income Recognition (Continued)****b) Donations and Endowments (continued)**

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

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

**c) Capital Grants**

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

**4 Accounting for Retirement Benefits**

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

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

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

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

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

**a) Defined Contribution Plan**

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

**b) Defined Benefit Plan**

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

**Statement of Principal Accounting Policies (Continued)****5. Employment Benefits**

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

**6. Finance Leases**

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

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

**7. Operating Leases**

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

**8. Foreign Currency**

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

**9. Fixed Assets****a) Land and Buildings**

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

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

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

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

**b) Equipment**

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

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

**Statement of Principal Accounting Policies (Continued)****9. Fixed Assets (continued)****c) Borrowing costs**

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

**10. Intangible Assets**

Software development costs are capitalised and amortised on the straight-line basis over an estimated useful life of between five and ten years. Amortisation of such developments commences when brought into use.

Intellectual property: The Group is developing software technology relating to new ways of creating and interacting with digital images. Costs that are directly attributable to the design and testing of the technology and is recognised as an intangible asset when the following criteria are met;

- It is technically feasible to complete the underlying software so that the technology will be available for use,
- Management intends to complete the development and to sell or licence the use of the technology,
- It can be demonstrated that the technology will generate probable future economic benefits,
- Adequate technical and financial resources to complete the development and to sell or licence the technology are available, and
- The expenditure attributable to the development of the technology can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intellectual property is amortised over its estimated useful life commencing at the date that development is complete, and the technology is available for sale or licensing.

**11. Investments**

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

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

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit. The University holds £10m of its cash balances with Kingswood Institutional investment group who manage the investments on the University's behalf.

**12. Stock**

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

**13. Cash and Cash Equivalents**

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

Cash equivalents are short term, with a notice period of 3 months or less, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

**14. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the financial statements when:

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

## Statement of Principal Accounting Policies (Continued)

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

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

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

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

## 15 Taxation

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

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

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

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

## 16 Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

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

**Statement of Principal Accounting Policies (Continued)****17 Critical accounting judgements and estimation uncertainty**

Pension schemes: assumptions used in the calculation of the USS and C&VPF pension deficit provisions represent a source of material uncertainty based on the sensitivity of assumptions (note 17 and note 22).

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

Intangible assets, critical judgements: The Group is developing software technology relating to new ways of creating and interacting with digital images. The criteria used for the recognition of development and other costs as an intangible asset requires an assessment of future events including the technical feasibility that the technology will be available for use such that future economic benefits will be generated. The Group considers that the testing performed to date and the initial feedback from potential users of the technology supports the recognition of the intangible asset.

Intangible assets, key accounting estimates and assumptions: The Group considers whether its intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the future cash flows and the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

## Consolidated & University Statements of Comprehensive Income & Expenditure

### Year Ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000 Reclassified	University £'000 Reclassified
<b>Income</b>					
Tuition fees and education contracts	1	81,024	80,996	80,648	80,648
Funding body grants	2	3,580	3,580	1,779	1,779
Research grants and contracts	3	2,631	1,812	1,991	1,345
Other income	4	19,383	16,765	19,193	16,922
Investment income	5	175	175	41	41
Donations	6	52	40	43	32
<b>Total income</b>		<b>106,845</b>	<b>103,368</b>	<b>103,695</b>	<b>100,767</b>
<b>Expenditure</b>					
Staff costs	7	68,982	66,921	60,147	57,947
Exceptional severance costs	7	419	419	5,291	5,291
Other operating expenses		30,108	28,564	28,568	27,303
Depreciation	10	4,480	4,452	3,564	3,537
Interest and other finance costs	8	2,678	2,678	2,723	2,723
<b>Total expenditure</b>	9	<b>106,667</b>	<b>103,034</b>	<b>100,293</b>	<b>96,801</b>
<b>Surplus before exceptional costs</b>		<b>597</b>	<b>753</b>	<b>8,693</b>	<b>9,257</b>
Exceptional severance costs	7	(419)	(419)	(5,291)	(5,291)
<b>Surplus for the year</b>		<b>178</b>	<b>334</b>	<b>3,402</b>	<b>3,966</b>
Actuarial (loss)/gain in respect of pension schemes	22	(13,860)	(13,860)	6,530	6,530
<b>Total comprehensive (expense)/income for the year</b>		<b>(13,682)</b>	<b>(13,526)</b>	<b>9,932</b>	<b>10,496</b>
<b>Represented by:</b>					
Unrestricted total comprehensive (expense)/income for the year attributable to the Group and University		(13,682)	(13,526)	9,932	10,496
		(13,682)	(13,526)	9,932	10,496

All items of income & expenditure relate to continuing activities.

The reclassification arises from the movement of Research Training Support Grant income (amounting to £245k in 2018) from Other Income to Fee Income and impacts both consolidated and University balances.

## Consolidated & University Statements of Changes in Reserves

### Year Ended 31 July 2019

<u>Consolidated</u>	Unrestricted Reserves £'000	Total Reserves £'000
<b>Balance at 1 August 2017</b>	<b>89,466</b>	<b>89,466</b>
Surplus for the year	3,402	3,402
Other comprehensive income	6,530	6,530
<b>Total comprehensive income for the year</b>	<b>9,932</b>	<b>9,932</b>
<b>Balance at 31 July and 1 August 2018</b>	<b>99,398</b>	<b>99,398</b>
Surplus for the year	178	178
Other comprehensive expense	(13,860)	(13,860)
<b>Total comprehensive expense for the year</b>	<b>(13,682)</b>	<b>(13,682)</b>
<b>Balance at 31 July 2019</b>	<b>85,716</b>	<b>85,716</b>
<u>University</u>		
<b>Balance at 1 August 2017</b>	<b>89,723</b>	<b>89,723</b>
Surplus for the year	3,966	3,966
Other comprehensive income	6,530	6,530
<b>Total comprehensive income for the year</b>	<b>10,496</b>	<b>10,496</b>
<b>Balance at 31 July and 1 August 2018</b>	<b>100,219</b>	<b>100,219</b>
Surplus for the year	334	334
Other comprehensive expense	(13,860)	(13,860)
<b>Total comprehensive expense for the year</b>	<b>(13,526)</b>	<b>(13,526)</b>
<b>Balance at 31 July 2019</b>	<b>86,693</b>	<b>86,693</b>

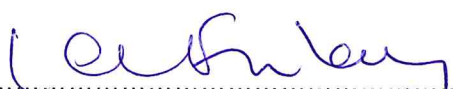
All reserves are unrestricted.


## Consolidated & University Statements of Financial Position

### As at 31 July 2019

		As at 31 July 2019		As at 31 July 2018	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Tangible assets	10	160,838	160,754	157,567	157,455
Intangible assets	11	348	-	-	-
Investment in subsidiary	12	-	1,650	-	1,500
<b>Current assets</b>					
Stock	13	280	59	147	48
Trade and other receivables	14	6,133	5,846	6,135	6,861
Investments	15	13,054	13,054	13,025	13,025
Cash and cash equivalents	20	18,392	17,627	12,280	10,214
		37,859	36,586	31,587	30,148
Less: Creditors: amounts falling due within one year	16	(19,621)	(18,589)	(16,429)	(15,557)
<b>Net current assets</b>		18,238	17,997	15,158	14,591
<b>Total assets less current liabilities</b>		179,424	180,401	172,725	173,546
Creditors: amounts falling due after more than one year	17	(24,679)	(24,679)	(26,266)	(26,266)
<b>Provisions</b>					
Pension provisions	19	(69,029)	(69,029)	(47,061)	(47,061)
<b>Total net assets</b>		85,716	86,693	99,398	100,219
<b>Unrestricted reserves</b>					
Income and expenditure reserve		85,716	86,693	99,398	100,219
<b>Total reserves</b>		85,716	86,693	99,398	100,219

The Financial Statements on pages 17 to 39 were approved by the Board of Governors on 28 November 2019 and signed on its behalf by

  
 The Baroness Finlay of Llandaff

  
 Professor C Carmichael Aitchison  
 (President & Vice-Chancellor)

## Consolidated Cash Flow Statement

### Year ended 31 July 2019

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Cash flow from operating activities</b>		
Surplus for the year	178	3,402
<b>Adjustment for non-cash items</b>		
Depreciation	4,480	3,564
(Increase)/Decrease in stock	(133)	2
Decrease/(Increase) in debtors	119	(2,785)
Increase/(Decrease) in creditors	4,014	(208)
Difference between pension charge and cash contributions	7,136	1,202
<b>Adjustment for investing or financing activities</b>		
Investment income	(175)	(41)
Interest payable	1,418	1,439
<b>Net cash inflow generated from operating activities</b>	<b>17,037</b>	<b>6,575</b>
<b>Cash flows from investing activities</b>		
Redemption of investments	13,025	9,764
Investment income	175	41
Payments made to acquire fixed assets	(8,099)	(3,815)
Purchase of investments	(13,054)	(13,025)
<b>Net cash outflow from investing activities</b>	<b>(7,953)</b>	<b>(7,035)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,418)	(1,439)
New unsecured loans	277	240
Repayments of amounts borrowed	(1,831)	(516)
<b>Net cash outflow from financing activities</b>	<b>(2,972)</b>	<b>(1,715)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>	<b>6,112</b>	<b>(2,175)</b>
Cash and cash equivalents at beginning of the year	12,280	14,455
Cash and cash equivalents at end of the year	18,392	12,280
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>	<b>6,112</b>	<b>(2,175)</b>

## Notes to the Financial Statements

### Year Ended 31 July 2019

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000 Reclassified	University £'000 Reclassified
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	61,188	61,188	61,079	61,079
Full-time & part time international students	10,377	10,377	9,599	9,599
Part-time home and EU students	962	962	896	896
Transnational education income	4,181	4,181	5,220	5,220
Education contracts	3,838	3,838	3,609	3,609
Research training support grants	478	450	245	225
	<b>81,024</b>	<b>80,996</b>	<b>80,648</b>	<b>80,628</b>

Reclassification results from the movement of Research Training Support Grant income from Other Income to Fee Income

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council for Wales	1,787	1,787	1,416	1,416
<b>Specific grants</b>				
Specific initiative grants	762	762	363	363
Mitigation funding	1,031	1,031	-	-
	<b>3,580</b>	<b>3,580</b>	<b>1,779</b>	<b>1,779</b>

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>3 Research grants and contracts</b>				
Research councils	201	201	340	340
Research charities	174	162	240	240
Government (UK and overseas)	1,540	1,297	660	660
Industry and commerce	540	152	726	80
Other	176	0	25	25
	<b>2,631</b>	<b>1,812</b>	<b>1,991</b>	<b>1,345</b>

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000 Reclassified	University £'000 Reclassified
<b>4 Other income</b>				
Residences, catering and conferences	6,772	6,294	6,526	6,203
Other income	11,557	9,417	11,358	9,430
European funded projects	1,054	1,054	1,309	1,309
	<b>19,383</b>	<b>16,765</b>	<b>19,193</b>	<b>16,942</b>

Reclassification results from the movement of Research Training Support Grant income from Other Income to Fee Income.

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Investment income</b>				
Other investment income	175	175	41	41
	<b>175</b>	<b>175</b>	<b>41</b>	<b>41</b>

**Notes to the Financial Statements (continued)****Year Ended 31 July 2019**

	<b>Year Ended 31 July 2019</b>		<b>Year Ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>6 Donations</b>				
Donations	52	40	43	32
	<b>52</b>	<b>40</b>	<b>43</b>	<b>32</b>

	<b>Year Ended 31 July 2019</b>		<b>Year Ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>7 Staff costs</b>				
Salaries	49,087	47,395	46,784	44,955
Social security costs	4,939	4,788	4,706	4,552
Other pension costs	7,819	7,601	7,455	7,238
Movement on USS provision	2,017	2,017	(256)	(256)
CVGPF costs in excess of contributions	5,120	5,120	1,458	1,458
Staff costs excluding exceptional severance costs	<b>68,982</b>	<b>66,921</b>	<b>60,147</b>	<b>57,947</b>

**Exceptional severance costs**

	<b>Year Ended 31 July 2019 £'000</b>	<b>Year Ended 31 July 2018 £'000</b>
Exceptional severance costs	<b>419</b>	5,291

**Average staff numbers by major category:**

	<b>Year Ended 31 July 2019 No.</b>	<b>Year Ended 31 July 2018 No.</b>
Academic	<b>483</b>	480
Administrative, support and projects	<b>632</b>	593
Technicians	<b>35</b>	33
Ancillary	<b>83</b>	82
	<b>1,233</b>	1,188

**Emoluments of the Vice-Chancellor**

	<b>Year Ended 31 July 2019 £</b>	<b>Year Ended 31 July 2018 £</b>
Salary	<b>248,584</b>	233,906
Payments in lieu of pension contributions	<b>33,330</b>	32,677
	<b>281,914</b>	266,583

**Vice-Chancellor remuneration as a multiple of the median**

	<b>Year Ended 31 July 2019</b>		<b>Year Ended 31 July 2018</b>	
	<b>Basic salary</b>	<b>Total remuneration</b>	<b>Basic salary</b>	<b>Total remuneration</b>
Vice-Chancellor	<b>£248,584</b>	<b>£281,914</b>	£233,906	£266,583
Median salary	<b>£38,460</b>	<b>£39,106</b>	£37,706	£38,172
Pay multiple	<b>6.5</b>	<b>7.2</b>	6.2	7.0

## Notes to the Financial Statements (continued)

Year Ended 31 July 2019

### 7 Staff Costs (Continued)

The President & Vice-Chancellor's basic salary is 6.5 times (2017/18 6.2 times) the median pay of staff. The median pay is calculated on a full-time equivalent basis of the salaries paid by the University to its staff. The President & Vice-Chancellor's total remuneration is 7.2 times (2017/18 7.0 times) the median total remuneration of staff. The median total remuneration is calculated on a full time equivalent basis for the total remuneration paid by the University to its staff. Agency and atypical staff have been excluded from the above calculations, as full-time equivalent data is not available.

#### Higher Paid Staff

	Year Ended 31 July 2019	Year Ended 31 July 2018 Restated
	No.	No.
£100,000 to £104,999	2	2
£105,000 to £109,999	1	-
£120,000 to £124,999	1	-
£125,000 to £129,999	2	2
£130,000 to £134,999	-	1
£135,000 to £139,999	-	1
£140,000 to £144,999	1	-
	<b>7</b>	<b>6</b>

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

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2019 Number of staff	Year Ended 31 July 2018 £'000	Year Ended 31 July 2018 Number of staff
<b>Higher paid staff: loss of office</b>				
Higher paid staff compensation for loss of office	<b>249</b>	<b>2</b>	-	-

In 2018/19 the Key Management Personnel were defined as the University Vice Chancellor's Executive Group. It comprised; the Vice Chancellor, Deputy Vice Chancellor, PVC (Research and Innovation), PVC (International), PVC (Student Engagement), the PVC (Cyncoed) and Dean of the School of Sport and Health Sciences and the Secretary & Clerk to the Board of Governors.

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
<b>Key management personnel remuneration</b>		
Key management personnel remuneration (excludes pension costs)	<b>778</b>	<b>848</b>

Due to the nature of the University's operations and the composition of the Board, it is inevitable that transactions will take place with organisations in which a Member of the Board or a senior member of staff may have an interest. All transactions in which they may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The financial regulations require an individual to declare an interest and to withdraw from discussions should a conflict of interest potentially arise. Written assurances are obtained annually from all Governors and key personnel in respect of themselves and their close family. For the financial year to 31 July 2019 the returns state that there has been no undue influence between the University and related parties (as defined by FRS102).

In the 2018/19 financial year there were no declarations of interest from a related party under FRS102. In the 2017/18 financial year there was one declaration of interest from a related party under FRS102. Mr F Holmes was both a Governor at Cardiff Metropolitan University and a senior partner at Gambit Corporate Finance LLP. During the financial year the University expended £39k with Gambit of which £18k was recorded as a creditor at the year-end (2017: expended £21k with no creditor). Mr F Holmes retired as a governor of The University on 31 July 2019.

**Notes to the Financial Statements (continued)**

Year Ended 31 July 2019

**7 Staff Costs (Continued)**

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Agency staff	239	147
Self-employed staff	83	86
Honorary contract	-	-
Staff not employed by the University, but by a company consolidated into the financial statements	-	-
<b>Atypical staff costs</b>	<b>322</b>	<b>233</b>

**8 Interest and other finance costs**

	Year Ended 31 July 2019 Consolidated £'000	Year Ended 31 July 2019 University £'000	Year Ended 31 July 2018 Consolidated £'000	Year Ended 31 July 2018 University £'000
Loan interest	1,418	1,418	1,439	1,439
Net charge on pension scheme	1,260	1,260	1,284	1,284
	<b>2,678</b>	<b>2,678</b>	<b>2,723</b>	<b>2,723</b>

**9 Analysis of total expenditure by activity**

Academic and related expenditure	52,316	52,316	51,670	51,667
Administration and central services	22,137	20,777	21,113	19,597
Premises (including service concession cost)	9,397	9,369	7,918	7,890
Residences, catering and conferences	3,907	3,593	3,955	3,724
Research grants and contracts	1,977	1,568	1,566	1,081
Other expenses	16,514	14,992	8,780	7,551
Exceptional severance costs	419	419	5,291	5,291
	<b>106,667</b>	<b>103,034</b>	<b>100,293</b>	<b>96,801</b>

**Other operating expenses include:**

External auditors remuneration in respect of audit services	40	32	35	26
External auditors remuneration in respect of non-audit services	11	-	39	39

## Notes to the Financial Statements (continued)

### Year Ended 31 July 2019

#### 10 Tangible Fixed Assets

		Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<b>Consolidated</b>					
<b>Cost or valuation</b>	At 1 August 2018	173,605	15,963	158	189,726
	Additions	5,760	2,339	-	8,099
	Transfers	158	-	(158)	0
	<b>At 31 July 2019</b>	<b>179,523</b>	<b>18,302</b>	<b>-</b>	<b>197,825</b>
<b>Consisting of valuation at:</b>	1 August 2014	72,268	-	-	72,268
	Cost	107,255	18,302	-	125,557
		<b>179,523</b>	<b>18,302</b>	<b>-</b>	<b>197,825</b>
Accumulated Depreciation	At 1 August 2018	22,100	10,059	-	32,159
	Charge for the year	2,718	1,762	-	4,480
	<b>At 31 July 2019</b>	<b>24,818</b>	<b>11,821</b>	<b>-</b>	<b>36,639</b>
Net book value	<b>At 31 July 2019</b>	<b>154,705</b>	<b>6,481</b>	<b>-</b>	<b>161,186</b>
	At 31 July 2018	151,505	5,904	158	157,567
<b>University</b>					
<b>Cost or valuation</b>	At 1 August 2018	173,605	15,675	158	189,438
	Additions	5,760	1,991	-	7,751
	Transfers	158	-	(158)	0
	<b>At 31 July 2019</b>	<b>179,523</b>	<b>17,666</b>	<b>-</b>	<b>197,189</b>
<b>Consisting of valuation at:</b>	1 August 2014	72,268	-	-	72,268
	Cost	107,255	17,666	-	124,921
		<b>179,523</b>	<b>17,666</b>	<b>-</b>	<b>197,189</b>
Accumulated Depreciation	At 1 August 2018	22,100	9,883	-	31,983
	Charge for the year	2,718	1,734	-	4,452
	<b>At 31 July 2019</b>	<b>24,818</b>	<b>11,617</b>	<b>-</b>	<b>36,435</b>
Net book value	<b>At 31 July 2019</b>	<b>154,705</b>	<b>6,049</b>	<b>-</b>	<b>160,754</b>
	At 31 July 2018	151,505	5,792	158	157,455

At 31 July 2019, freehold land and buildings included £52.598m (2018: £52.598m) in respect of freehold land and is not depreciated.

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

## Notes to the Financial Statements (continued)

### Year Ended 31 July 2019

	At 31 July 2019	
	Consolidated £'000	University £'000
<b>11 Intangible Assets</b>		
<b>Cost or valuation</b>		
At 1 August 2018	-	-
Additions	348	-
At 31 July 2019	348	-
<b>Accumulated amortisation</b>		
At 1 August 2018	-	-
Charge for the period	-	-
At 31 July 2019	-	-
<b>Net book value</b>		
At 31 July 2019	348	-
Net book value		
At 31 July 2018	-	-

No amortisation has been charged in the period ended 31 July 2019. The additional intangible asset of £348k in 2018/19 represents the capitalisation of the intellectual property developed in Fovo Technology Ltd. The intellectual property is valued at cost incurred and does not reflect the company value.

	At 31 July 2019	
	University £'000	
<b>12 Investment in Subsidiary</b>		
<b>Cost or valuation</b>		
At 1 August 2018		1,500
Additions		150
<b>At 31 July 2019</b>		1,650

The investments represent shares in group undertakings. During the financial year 2018/19 The University bought 150,000 shares in Cardiff Met Company Ltd for £150k

**Notes to the Financial Statements (continued)**

Year Ended 31 July 2019

		At 31 July 2019		At 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>13 Stock</b>					
Work in progress		190	-	70	-
General consumables (Catering & other)		90	59	77	48
		<b>280</b>	<b>59</b>	<b>147</b>	<b>48</b>
		At 31 July 2019		At 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>14 Trade and other receivables</b>					
Amounts falling due within one year:					
Trade receivables		4,069	3,806	3,497	3,137
Prepayments and accrued income		2,064	1,972	2,638	2,520
Amounts due from subsidiary companies		-	68	-	1,204
		<b>6,133</b>	<b>5,846</b>	<b>6,135</b>	<b>6,861</b>
		At 31 July 2019		At 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>15 Investments</b>					
Current asset investments		13,054	13,054	13,025	13,025
		<b>13,054</b>	<b>13,054</b>	<b>13,025</b>	<b>13,025</b>
		At 31 July 2019		At 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>16 Creditors: amounts falling due within one year</b>					
Secured loans		448	448	423	423
Unsecured loans		1,372	1,372	1,364	1,364
Trade payables		5,569	5,348	4,822	4,721
Social security and other taxation payable		1,364	1,346	1,326	1,307
Accruals and deferred income		10,868	9,921	8,494	7,742
Amounts due from subsidiary companies		-	154	-	-
		<b>19,621</b>	<b>18,589</b>	<b>16,429</b>	<b>15,557</b>
		At 31 July 2019		At 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>17 Creditors: amounts falling due after more than one year</b>					
Secured loans		1,924	1,923	2,371	2,371
Unsecured loans		22,755	22,756	23,895	23,895
		<b>24,679</b>	<b>24,679</b>	<b>26,266</b>	<b>26,266</b>
Analysis of secured and unsecured loans:					
<b>Due within one year or on demand</b>		1,820	1,820	1,787	1,787
Due between one and two years		1,828	1,828	1,736	1,736
Due between two and five years		5,044	5,044	5,347	5,347
Due in five years or more		17,807	17,807	19,183	19,183
<b>Due after more than one year</b>		24,679	24,679	26,266	26,266
<b>Total secured and unsecured loans</b>		<b>26,499</b>	<b>26,499</b>	<b>28,053</b>	<b>28,053</b>

**Notes to the Financial Statements (continued)**

Year Ended 31 July 2019

18 Lender		Amount	Repayable by	Interest Rate	Borrower
		As at July		%	
		2019			
		£'000			
	Secured and unsecured loans				
RBS	Secured loan	817	2027	Variable	University
RBS	Secured loan	1,555	2023	7.69	University
Santander	Unsecured loan	12,350	2038	5.10	University
Barclays	Unsecured loan	11,400	2038	5.10	University
Salix	Unsecured loan	57	2020	0.00	University
Salix	Unsecured loan	88	2022	0.00	University
Salix	Unsecured loan	63	2021	0.00	University
Salix	Unsecured loan	169	2024	0.00	University
		<b>26,499</b>			

The RBS loans are secured against the University's Plas Gwyn Campus and a part of the Cyncoed Campus

**19 Pension Provisions**

	Obligation to fund deficit on USS Pension £'000	Pension enhancement on termination £'000	Defined Benefit Obligations (Note 22) £'000	Total Pensions Provisions £'000
<b>Consolidated and University</b>				
At 1 August 2018	(1,091)	(3,710)	(42,260)	(47,061)
Utilised in year	-	260	-	260
Addition in year	(2,048)	(100)	(6,390)	(8,538)
Actuarial gain/(loss) in year	-	170	(13,860)	(13,690)
<b>At 31 July 2019</b>	<b>(3,139)</b>	<b>(3,380)</b>	<b>(62,510)</b>	<b>(69,029)</b>

**USS deficit**

The obligation to fund the past service deficit of the University's Superannuation Scheme (USS) arises from a contractual obligation to fund benefits arising from past performance. This obligation is reassessed every three years using the scheduled triennial valuation of the scheme. In reassessing the value of the required provision during the current year management has used the March 2017 valuation of the scheme. The resultant charge amounted to £2.048m.

The latest available actuarial valuation of the scheme at 31 July 2019 was the March 2017 valuation. Since 31 July 2019, a valuation of the scheme as at 31 March 2018 has been completed. This valuation places a materially different value on the scheme deficit. As the 2018 valuation had not been completed at 31 July 2019 it is being treated as a non-adjusting post balance sheet event. Had the 2018 valuation been used the charge for the year would have been £751k as compared to the actual charge for the year of £2.048m.

	At 1 August 2018 £'000	Cash Flows £'000	At 31 July 2019 £'000
<b>20 Cash and cash equivalents</b>			
<b>Consolidated</b>			
Cash and cash equivalents	12,280	6,112	<b>18,392</b>
	<b>12,280</b>	<b>6,112</b>	<b>18,392</b>

	For the year ended 31 July 2019 Consolidated £'000	University £'000	For the year ended 31 July 2018 Consolidated £'000	University £'000
<b>21 Capital commitments</b>				
Commitments contracted for	<b>1,463</b>	<b>1,463</b>	990	990
	<b>1,463</b>	<b>1,463</b>	990	990

## Notes to the Financial Statements (continued)

Year Ended 31 July 2019

### 22 Commitments under operating leases

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

	2019 £'000	2018 £'000
Not later than 1 year	67	67
Later than 1 year and not later than 5	208	270
Later than 5 years	-	-
	<u>275</u>	<u>337</u>

### 23 Subsidiary undertakings

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

### 24 Pension Obligations

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

The contributions payable to the scheme were

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Contribution for TPS	3,215	3,123
Contribution for CVGPF	3,853	4,148
Contribution for USS	751	716
	<u>7,819</u>	<u>7,987</u>

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

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cost for TPS	3,215	3,123
Cost for CVGPF	8,973	5,606
Cost for USS	2,768	460
	<u>14,956</u>	<u>9,189</u>

## Notes to the Financial Statements (continued)

### Year Ended 31 July 2019

#### 24 Pension Obligations (continued)

##### Cardiff & Vale of Glamorgan Pension Fund ( CVGPF)

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

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

	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2017
Discount rate	2.2%	2.8%	2.6%
RPI inflation	3.2%	3.2%	3.1%
CPI inflation	2.2%	2.1%	2.0%
Rate of increase to pensions in payment	2.2%	2.1%	2.0%
Rate of revaluation of pension accounts	2.2%	2.1%	2.0%
Rate of increase in deferred pensions	2.2%	2.1%	2.0%
Rate of general increase in salaries	3.2%	3.1%	3.0%

##### Mortality assumption

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

	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2017
Assumed life expectancy at 65 years			
- retiring today male/(female)	22.1 (24.5)	23.1 (25.8)	23.0 (25.7)
- retiring in 20 years male/(female)	22.7 (25.6)	24.2 (27.2)	24.0 (27.1)

Asset Allocation	Value at 31 July 2019	Value at 31 July 2018
Equities	64.9%	65.9%
Property	7.2%	6.5%
Government bonds	9.9%	10.5%
Corporate bonds	11.0%	10.2%
Cash	1.9%	1.7%
Other	5.1%	5.2%
Total	<u>100.0%</u>	<u>100.0%</u>

**Notes to the Financial Statements (continued)**

Year Ended 31 July 2019

**24 Pension Obligations (continued)****Amounts recognised in income statement**

	Year ended 31 July 2019		Year ended 31 July 2018	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
<b>Operating cost</b>				
- current service cost	6,060	-	5,800	-
- past service cost/(income)	2,940	-	(190)	-
<b>Financing Cost</b>				
- interest on net defined benefit liability	1,130	100	1,150	100
<b>Pension expense recognised in income statement</b>	<b>10,130</b>	<b>100</b>	<b>6,760</b>	<b>100</b>

**Amounts recognised in other comprehensive income**

	Year ended 31 July 2019		Year ended 31 July 2018	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Asset gains arising during the year	3,290	-	3,900	-
Liability (losses)/gains arising during the year	(17,320)	170	2,630	-
<b>Total recognised in other comprehensive (expense)/income</b>	<b>(14,030)</b>	<b>170</b>	<b>6,530</b>	<b>-</b>

**Changes to the fair value of assets**

	Year ended 31 July 2019		Year ended 31 July 2018	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Opening value	105,020	-	96,070	-
Interest income on assets	3,047	-	2,530	-
Remeasurement gains on assets	3,290	-	3,900	-
Contributions by the employer	3853	260	4,150	290
Contributions by participants	1,500	-	1,410	-
Net benefits paid out	(2,120)	(260)	(3,040)	(290)
<b>Closing value</b>	<b>114,590</b>	<b>-</b>	<b>105,020</b>	<b>-</b>

**Changes to the present value of the defined benefit obligation**

	Year ended 31 July 2019		Year ended 31 July 2018	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Opening value	147,280	3,710	142,250	3,900
Current service cost	6,060	-	5,800	-
Interest expense on defined benefit obligation	4,120	100	3,680	100
Contributions by participants	1,500	-	1,410	-
Actuarial losses/(gains)/ on liabilities	17,320	(170)	(2,630)	-
Net benefits paid out	(2,120)	(260)	(3,040)	(290)
Past service cost	2,940	-	(190)	-
<b>Closing value</b>	<b>177,100</b>	<b>3,380</b>	<b>147,280</b>	<b>3,710</b>

## Notes to the Financial Statements (continued)

### Year Ended 31 July 2019

#### 24 Pension Obligations (continued)

##### Reconciliation of funded status to balance sheet

	At 31 July 2019		At 31 July 2018	
	£'000		£'000	
	Funded	Unfunded	Funded	Unfunded
Fair value of assets	114,590	-	105,020	-
Present value of defined benefit obligation	(177,100)	(3,380)	(147,280)	(3,710)
<b>Liability</b>	<b>(62,510)</b>	<b>(3,380)</b>	<b>(42,260)</b>	<b>(3,710)</b>

##### Teachers' Pension Scheme (TPS)

###### Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

###### The Teachers' Pension budgeting and valuation account

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

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

###### Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

###### Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

## Notes to the Financial Statements (continued)

### Year Ended 31 July 2019

#### 24 Pension Obligations (continued)

##### Universities Superannuation Scheme

The University participates in the Universities' Superannuation Scheme. The Scheme is a hybrid pension scheme which provides benefits based on final pensionable salary for Final Salary members until 2016 (closed to new entrants in 2011); Career Revalued Benefits (CRB) up to an indexed salary threshold for new entrants since 2011 and for Final Salary members since 2016; and defined contribution benefits above the same salary threshold and for members wishing to make additional contributions. 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. As a result the university is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a wholly defined-contribution scheme. The amount charged to the statement of comprehensive income and expenditure represents the contributions payable to the scheme for the year. A liability is also recorded within provisions for any contractual commitment to fund past deficits within the scheme. Movements in this provision can also give rise to charges to the statement of comprehensive income and expenditure as shown in note 17 above.

The appointment of directors to the board of trustees is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The scheme is valued triennially with the latest available complete actuarial valuation at 31 July 2019 having taken place as at 31 March 2017 (the valuation date). Since 31 July 2019, a valuation of the scheme as at 31 March 2018 has been completed. This valuation places a materially different value on the scheme deficit. As the 2018 valuation had not been completed at 31 July 2019 it is being treated as a non-adjusting post balance sheet event.

The 2017 valuation was the fourth under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the 2017 valuation date, the value of the assets of the scheme was £60 billion and the valuation of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion, up from £5.3 billion at the previous valuation as at 31 March 2014. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. By contrast, at the 2018 valuation date, the value of the assets of the scheme was £63.7 billion and the valuation of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion as compared to £7.5 billion as at March 2017 and £5.3 billion as at 31 March 2014. The assets at the 2018 valuation date were therefore sufficient to cover 95% of the benefits which had accrued to members after allowing for expected future increases in earnings, as compared to 89% at the 2017 valuation date.

##### Creditor Balances

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

	2019 £'000	2018 £'000
TPS	440	403
CVGPF	405	374
USS	95	93
	<u>940</u>	<u>870</u>



Cardiff  
Metropolitan  
University

Prifysgol  
Metropolitan  
Caerdydd