

The logo of the University of South Wales is a red shield-like shape with a rounded bottom right corner. It contains the university's name in white text.

**University of  
South Wales  
Prifysgol  
De Cymru**

**Financial Statements and Annual Review**  
for the year ended 31 July 2018

[www.southwales.ac.uk](http://www.southwales.ac.uk)

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# The University of South Wales Group

## The University of South Wales

As one of Britain's most exciting new universities and a major player in higher education, the University of South Wales attracts a cosmopolitan mix of students from over 120 countries.

USW is unusual in combining the broadest range of provision with the widest access to education. It offers a full range of qualifications, from PhD study to foundation degrees. The breadth of subjects includes the full range of STEM subjects, from aircraft engineering and mathematics to computing and chemistry, through to creative industries, health and education.

The University of South Wales is recognised as a powerhouse in applied research that is used to shape key decisions. As a public policy think-tank, the University offers independent advice to government, industry and employers across the UK on health, education, economic growth, social policy, and governance. This enables it to provide a platform for ideas and debate with bodies such as the CBI, the Joseph Rowntree Foundation, and NESTA.

## The Royal Welsh College of Music & Drama

The Royal Welsh College of Music & Drama is the National Conservatoire of Wales and a leading UK provider of specialist practical and performance-based training in music, drama and other related professions. The College provides training that enables students to discover their own artistic individuality and helps to shape the future of their chosen careers.

## The College Merthyr Tydfil

The College makes a major impact on the economy of the Heads of the Valleys region by providing access to basic and higher level skills and qualifications. The vocational nature of its courses reflects the current practices and conditions of the professional world.



Ty Crawshay, Pontypridd Campus



Pontypridd Campus, Glyntaff



ATRIUM Building, Cardiff Campus

# Building on Success

This has been a year of both significant progress and vital consolidation for the University of South Wales. In weathering an unprecedentedly turbulent market environment, USW has continued to invest in its students and staff.

The market for higher education remains unprecedentedly volatile and hostile. Market distortion caused by UK Government policy in England has resulted in significant imbalance between so-called high tariff institutions being oversubscribed and other universities facing challenges to recruit. The policy is not of Wales's creation, but Welsh universities exist and recruit in this reality. Progressive and sensible reform to the student funding regime in Wales, developed through the Diamond Review, rightly continues to be implemented.

However, it is incumbent on individual institutions to take responsible steps to ensure they are prepared for their own future. In recent years USW has undertaken a major programme of realigning our courses and campuses to ensure that we are able to make the best offering in an inescapable and competitive marketplace. With these difficult but necessary decisions, we have successfully reshaped our operation so that our resources are organised for the needs of our students.

Critically, USW is benefiting from the steps we take to ensure that the University is financially stable and able to retain freedom to invest in developing academic provision.

When in January the First Minister of Wales was joined by Lions captain Sam Warburton and the leadership of the Welsh men's and women's international football teams to open our enhanced Sport Park, it told a story. A University with sound finances is able to invest, to support a dream building such a facility from its own carefully stewarded resource.

Such investment is needed in the market to provide an attractive offer for students, to offer those students a truly first-class experience in their studies, and to build our unique partnerships with sport at both the very highest level and through our civic responsibility to the wider community in which we live and play. As with the wider University, the success of USW's sport offer is created in the critical alchemy of ambition and wherewithal.

Our reputation as a University rests on what others say about us. Some of these endorsements are academic and technical, but they nevertheless represent significant milestones for the University. USW's intellectual quality has been recognised through government and

research council grant funding for its research, individual accolades through the National Teaching Fellowship Scheme and CASE, and in the public praise of leaders such as Carolyn Fairbairn, the Director General of the CBI and business leader Sir Terry Matthews, who opened our USW Exchange business initiative at the start of the academic year.

Our research has informed professional practice from the hydration of hospital patients to the Welsh Government position on problem gambling in our communities. The most telling endorsement of all has come from our students. USW rose 4% in the 2018 National Student Survey. This rise, the biggest of any university in Wales, is a result of systemic work across the board to listen to students and respond to their needs.

Such progress is recognition both for USW's strategic direction, underpinned by its academic blueprint and student experience plan, and for the collective effort of staff across the University, both academic and those who support them, in making the University function as a community.

By its very nature, a university is deeply and widely connected to the wider world. Our impact has been felt in both economic and social contexts. We demonstrate this in our engagement with students across the globe, and major initiatives such as our development in Dubai South, the global aerospace hub at the centre of the world's aviation industry.

Our students come from communities across our valleys and cities, as rightly we would expect for South East Wales's major regional university. They mix, study with students from every corner of the globe, sharing perspectives and challenging conventions as they broaden their horizons and develop their intellectual rigour.

The USW student community that we recognise on the graduation platform and in the lecture theatre, in the seminar room and the social space, is strikingly diverse in age, background, personality and nationality. Every one of those students will gain in some way from their university experience at USW. We are proud to be, quite literally, transforming lives.

**Professor Julie Lydon OBE**  
Vice-Chancellor

**Gareth Williams**  
Chairman of the Board of Governors





USW is collaborating with global technology company Thales to plan a new centre for excellence for digital and cyber security.



# Strategic Statement

At the University of South Wales, our core purpose is to add value to students, through applied research and innovation, and through engagement with the economy and society of our region and the wider world. This purpose informs our vision, our strategic goals, and how we focus and deliver our academic activities through our Academic Plan.

## Our Vision

"To be the University of choice in Wales and beyond, for students, organisations and communities who value vocationally-focused education and applied research, which provides solutions to problems that affect society and the economy."

To achieve this, we have identified three broad strategic goals that we are now focusing on University-wide:

### Our Students

- High quality programmes
- Clear progression pathways
- Inspirational teaching in stimulating environments
- Outstanding support
- Career skills and experience

### Our Applied Research and Innovation

- Distinctive research
- Culture of creativity, discovery and innovation
- Research-informed teaching
- Knowledge, experiences and ideas shared with partners

### Our Engagement

- Accessible higher learning opportunities
- Catalyst for economic growth and social justice
- Opening up the talents and riches of our communities
- Constructive international Partnerships

Fundamentally by 2020, we want the University of South Wales to be known for learning that is fed by world-class research in selected areas, by the development we offer for graduate employment and careers, and for our outstanding staff who deliver inspirational learning, teaching and student support fed by scholarship, enquiry and engagement with the wider world.

During 2017-18, we worked with purpose, pace and vigour on creative, innovative and ambitious change activities and projects in the pursuit of realising our vision. Over the next few pages, we outline a cross section of these endeavours to highlight our achievements and significant progress, including those that will come to fruition in the current or future academic years.

## Our Students

"The University of South Wales is a vigorous academic community of many nations and beliefs brought together by a shared commitment to the transformation of lives through knowledge and education."

**Rt Hon and Rt Revd Lord Williams of Oystermouth,  
Chancellor USW**

In order to attract and retain talented students, we offer distinctive programmes differentiated in content where appropriate and in pedagogy and mode of delivery. We focus on curriculum that promotes active and immersive learning, strengthening our use of technologies and embracing best practice to enable this. Our learning is simulation-based; consolidating our considerable experience and expertise acquired through the use of specialist clinics, laboratories, case studies and live briefs.

We have an excellent record of achievement in enabling the participation of young people and mature age students in higher education, and creating pathways that facilitate the transition required to achieve this. We take seriously our responsibility to enhance learning opportunities for students from all backgrounds and, in particular, provide access to under-represented students who may be the first in their family to study for a degree or from low socio-economic communities.

An important focus of our work is ensuring that our students graduate with a distinctive and competitive edge that enables them to demonstrate the attributes that are valued by employers and that our academic staff offer excellent learning and teaching experiences that are informed by engagement with employers through research and practice.

### Notable achievements and progress in 2017-18 included:

- The First Minister of Wales joined British & Irish Lions captain Sam Warburton, and the management teams of the national men's and women's Wales football teams, to open the enhanced USW Sport Park. This facility offers state of the art facilities, including Wales's only permanent 3G full-sized indoor pitch
- USW's National Cyber Security Academy (NCSA), the first of its kind in Wales and a major UK initiative, successfully graduated its first students. Based in USW's Newport City Campus the NCSA continues to expand rapidly to help meet the demand for skills in the cyber security sector.
- USW continued to develop its Strategic Alliance with the major further education colleges of the region. Working with Bridgend College, Cardiff & Vale College, Coleg y Cymoedd, Coleg Gwent and The College Merthyr Tydfil (part of the USW Group), this Alliance reaches across South Wales to provide further and higher education across 38 campuses and a host of venues in the community to over 98,000 learners. With a combined turnover of £380 million, the Alliance is a powerful vehicle for developing and delivering an integrated coherent approach to a region which continues to experience areas of significant material and social deprivation, including education underachievement.
- USW lecturer Beth Pickard was awarded a National Teaching Fellowship in recognition of her work with people with disabilities.
- The National Student Survey showed the largest rise of any Welsh university.
- A major project has been initiated by USW in partnership with Coleg Gwent and Newport City Council to develop the "Newport Knowledge Quarter" which will act as a beacon to lift educational aspiration and attainment by offering clear progression pathways from post-16 education to higher education, in the first instance, within Newport, and more widely, across the region.

### Looking forward:

- USW's Student Experience Plan continues to be implemented, focusing on a journey of "student success"; underpinning themes of aspiration, connectivity, graduate attributes and an approach to learning focused on action and problem solving will recur in this plan.
- New facilities will be developed to support the development of USW's Business School learning and teaching and research activities at the Pontypridd Campus.
- USW will open its presence in Dubai South, meeting the key milestones of the Memorandum of Understanding with the Dubai Aviation City Corporation (DACC), owned by the Government of Dubai, to establish aircraft maintenance engineering centre at the Dubai South economic zone to meet the demand for certified aviation engineers in Dubai and the wider Gulf region. The agreement was signed by Sheikh Ahmed bin Saeed Al Maktoum, president of Dubai Civil Aviation Authority and chairman and chief executive of Emirates Airline and Group, and Professor John Andrews, USW Pro Chancellor. The initiative has been developed with the full and active support of both the Welsh Government and HM Government.

## Our Research and Innovation

As an institution we target investment in research and innovation at our areas of critical mass; playing to the strengths that we already have and continuing our Research Excellence Framework (REF) trajectory alongside supporting practitioner research and industry partnerships. As well as playing into the undergraduate curriculum through the application of critical and creative thinking and appreciative enquiry, our research focus leads to Postgraduate Taught (PGT) and Postgraduate Research (PGR) opportunities that support our research environment and reputation and attract both students and stakeholders to work with us in more creative ways.

From technology to health, and culture to crime, USW continues to face up to the world's biggest challenges and opportunities, bringing a benefit and create an impact where it's needed most. This means focussing our research on meeting real world challenges leading to economic and social benefits for the people of Wales and beyond.

Our research is directly affecting people and cultures in all parts of the world.

For example, research into new justice systems led by criminologist, Professor Ali Wardak, has led to a change in Afghanistan law by their Ministry of Justice. The insights derived from the community based research over a number of years has led to a new justice model which was piloted successfully in different parts of Afghanistan.

Collaboration with local aerospace companies has also allowed our research to be applied globally; pioneering mobile communications research has been incorporated into a major new system used throughout the British Armed Forces as soldiers had challenges to reliably deal with the huge volume of data provided by modern intelligence and surveillance equipment.

Closer to home, Research into the cultural benefits of Welsh Media carried out by Professor Ruth McElroy has provided an evidence base for developing media policy in Wales resulting in a significant increase in Welsh media production.

USW values research that makes a significant contribution to the regional economy and society. We have a strong reputation for engaging in collaborative research partnerships with organisations in the private, public and third sectors to address their challenges and make a real difference to people's lives.

Supported by a Knowledge Economy Skills Scholarship (KESS), USW PhD student Dr Jane Davies, worked closely with local healthcare company Huntleigh Healthcare to demonstrate that new technology could be used as a viable method of screening for cardiovascular disease in the legs.

KESS which is supported by European funding has enabled 30 research students to address external challenges with our partners.

Looking forward the university is developing a number of new strategic partnerships to explore how we can make a bigger impact on the communities in which we are situated. We want to work as closely as possible with partners to ensure our research benefits organisations such as the county borough councils, health boards, the museums and the national parks.

Knowledge Economy Skills Scholarships 2 (KESS II) is a pan-Wales higher-level skills programme part-funded by the Welsh Government's European Social Fund (ESF) Convergence programme. It encourages high calibre graduates to work on a range of collaborative research projects (PhD and MRes) with small and medium sized organisations located in West Wales and the Valleys and runs from 2016 until 2021. The research undertaken through the project must fit with one of the Welsh Government's four Grand Challenge Areas which are Life Sciences & Health, Advanced Engineering & Materials, Low Carbon, Energy & Environment and ICT & The Digital Economy. USW will support up to 64 PhD and MRes projects over the duration of the programme.



## Our Engagement

USW has a defining mission towards the prosperity and well-being of the communities that we live among and serve. We are an important player in the economy of South Wales and beyond and we have declared commitments to “opening the talents and riches of our communities”, creating “accessible higher learning opportunities” and acting as a “catalyst for economic growth and social justice”. We further commit through our research and teaching to engage with the problems that affect society and the economy in our region and beyond. In addition, we seek constructive international engagement based on the premise of mutual benefit.

USW continues to play an active role, alongside other universities across the region, in the work of the Learning, Skills and Innovation Partnership (LSKIP) for South East Wales which is focused on developing the social and economic potential of South East Wales by supporting people and businesses to deliver a high performing prosperous region that stimulates inward investment.

USW delivered a significant volume of Continuing Professional Development (CPD) for individuals and public sector organisations.

As part of its Global Choices programme, the School of Humanities and Social Sciences organised public lectures by a number of leaders, including ambassadors and cabinet ministers. Over 1,000 guests had attended Global Choices events, many from colleges and schools across South Wales.

The Cardiff Capital Region (CCR) City Deal £1.2 billion agreement between the UK government, the Welsh government and the ten leaders of the local CCR provides local partners with the powers and the resources to unlock significant economic growth across the Cardiff Capital Region. USW plays a full and active role with other universities across the region in assisting these bodies to join up decision making, pool resources and work more effectively with local businesses in order to deliver up to 25,000 new jobs and leverage an additional £4 billion of private sector investment.

USW hosted meetings and engagement events for the Welsh Government's Valleys Task Force, and will publish research on future developments in the heads of the valleys.

### Looking forward:

- Former Prime Minister Sir John Major and Shami Chakrabarti will deliver the first headline lectures of the 2018-19 Global Choices series.
- USW will host its first public research impact awards, recognising the partnership between university researchers and our external partners.
- USW will host the National Assembly's Economy Committee in its work on economic growth in Wales.
- USW will play a core role in the Doctoral Training Alliance with other UK universities within the University Alliance mission group.

## A Year in the University




**University of South Wales**  
Prifysgol De Cymru

**cymru | wales**

**Mae Prifysgol De Cymru yn falch o fod yn bartner Gemau Cymmanwlad Cymru**  
University of South Wales is a proud partner of Commonwealth Games Wales

USW was the official partner of Team Wales at this year's Commonwealth Games – staff, students and alumni were involved at all levels in preparing athletes for the Games.



The Centre for Automotive and Power Systems Engineering was awarded almost £1m to invest in research into battery technology for use in the automotive industry.

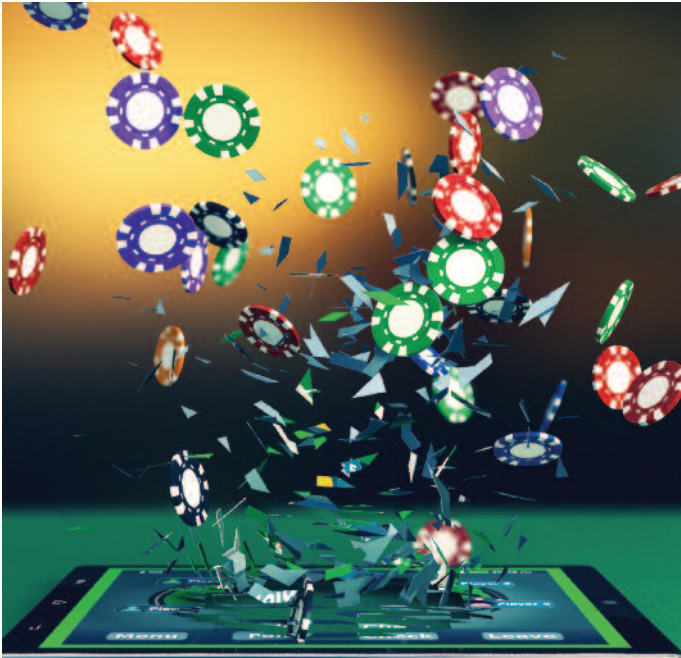


Student Tina Taylor was named Learner of the Year: Post Registration, at the 2018 Student Nursing Times Awards.



USW's newly launched Film & TV School Wales forms a focal point for students who want to work in the film and TV sectors in Wales.





A new report published by USW unveils that a quarter of people that gamble don't identify themselves as gamblers.



USW agreed a partnership with Hockey Wales to help develop the sport, and to increase the number of players.



A financial services graduate programme, which sees 35 top graduates stay in or return to Wales to gain experience with top employers – and gain a Masters degree, was launched.



USW Exchange, sponsored by Barclays, is a new business hub which puts together the needs of SMEs with the skills of academia.



# Members of the Board of Governors

## Independent Governors

Gareth Williams (Chair)  
Sandra Spray (Deputy Chair)  
Professor David Baker  
John Derrick  
Graham Edwards  
Chris Freegard OBE  
Clare Hudson  
Debbie Jones (from 1 April 2018)  
Hélène Mansfield OBE  
Tony Morgan  
Alison Phillips  
Chris Sutton  
Michael Stevens  
Jemma Terry

## Co-opted Governors

Professor Michael Gunn  
Louise Evans

## Vice-Chancellor

Professor Julie Lydon (Vice-Chancellor)

## Student Governor

Megan Wilson  
Ollie Britten

## Members of the Finance and Resources Committee

Tony Morgan (Chair)  
Gareth Williams  
Sandra Spray  
Professor Julie Lydon  
Professor David Baker  
Hélène Mansfield  
Chris Sutton  
Michael Stevens  
Louise Evans

## Elected Staff Governor

Angela Lewis

## Academic Board Nominees

Professor Diana Wallace

## Co-opted members of the Executive

Professor Helen Langton (until 31 May 2018)  
Huw Williams

## Clerk to Board of Governors

William Callaway

Since year end, the following changes to the Board of Governors have occurred:

New members appointed from 1 August 2018:

Raj Aggarwal  
Professor Sara Owen  
Mishan Wickremasinghe

Members who have completed their term of office:

Dr John Graystone  
Professor Diana Wallace

## Members of the Audit Committee

Chris Freegard (Chair)  
Alison Phillips  
Professor Michael Gunn  
Steve Blake (co-opted)  
Dr John Graystone (co-opted)



A £15m extension to USW's Sport Park opened and includes the only full-size indoor 3G pitch at a Welsh university.





# Financial Review 2017/18

## Principal Objectives

The principal objectives of the University, in accordance with section 124 of the Education Reform Act 1988 (as amended) are concerned with the provision of higher education, further education and the conduct of research. In addition, the University also undertakes other activities in support of those principal objectives. These include knowledge transfer, consultancy and the provision of accommodation, catering and conference services.

## Financial Strategy

Our financial strategy is designed to ensure the long term viability and sustainability of the University group (Group) by creating an operating environment in which staff are accountable and responsible for the efficient and effective stewardship of our resources.

We continue to maintain and build on our successful financial management in meeting the opportunities and challenges of an increasingly changeable higher education landscape. To do this, we will generate cash required to support our strategic programmes and our ability to maintain and enhance our infrastructure. We will control costs, making sound strategic decisions on activities that are in alignment with the University Strategic Plan.

The Group has identified the following key financial performance indicators that it monitors as part of its financial strategy. Performance over the last three years shows:

Key financial ratios as a % of Income	2017/18 %	2016/17 %	2015/16 %
Operating Surplus	4.3	5.2	7.2
Surplus/(Deficit)	2.6	3.2	4.4
EBITDA	14.4	14.9	16.3
Staff Cost	58.9	58.6	56.6

Despite a challenging competitive and economic environment, the Group has performed well demonstrating good financial performance year on year.

## Financial Prospects

We anticipate that realising student growth in the highly competitive home and international markets will be challenging. It is essential that we are able to continue to attract and retain talented students from both the UK and overseas to support our scholarly activities across a diverse range of academic disciplines. In order to do so, we will offer distinctive programmes that students truly want to study; differentiated from our competitors in content where appropriate and in pedagogy and mode of delivery.

Our Academic Plan seeks to build on what we already have that is distinctive in our academic offer and promote best practice that is clearly found across the length and breadth of our campuses. The emphasis on active participation and simulation based learning for 21st Century employment that is underpinned by focused, high quality research will direct our decision making in relation to our academic programmes, our strategic partnerships, our staffing and our learning environments.

In 2017/18 many universities in England are charging £9,250 for full time home and EU undergraduate study. In Wales, the fee was capped at £9,000 and there will be no increase in fees from 2018/19 onwards to reflect inflation. This ever changing landscape, along with other impacts such as Brexit, presents challenges as we have a potentially flat income stream but are still subject to significant inflationary pressures from staff pay awards, additional pension scheme costs, and general inflation. As staff costs constitute 61.5% of total annual expenditure, continued control of both staff numbers and pay levels remains crucial to the ongoing financial performance of the group.

The Higher Education Funding Council for Wales has reduced the premium funding allocated to the Royal Welsh College of Music and Drama to fund conservatoire level provision. The reduction has been partially mitigated through income generation and costs savings and the College generated a small surplus for the year. The Welsh Government has undertaken a review of the funding of conservatoire and performing arts provision in Wales. The report has recently been published and has been welcomed by the University Group.

## Annual Financial Statements

The annual financial statements comprise the results for the University consolidated with the results of its subsidiaries. Details of the principal components of the group have been detailed on page 3.

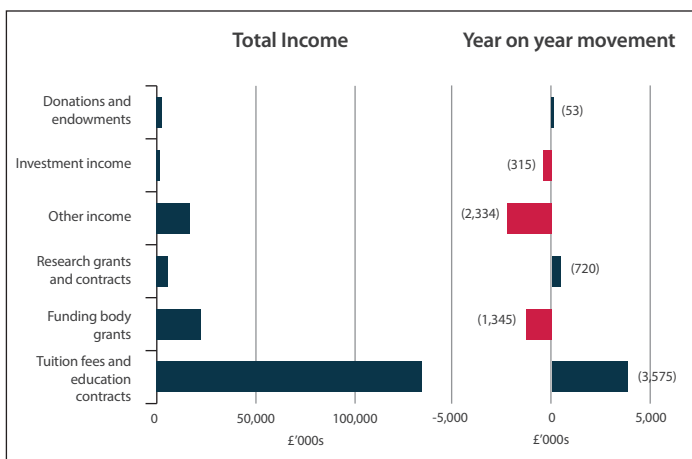
## Financial Performance 2017/18

- ▲ Income has increased slightly by 0.2% to £184.5m.
- ▲ Total expenditure pre-exceptional items has increased by 1.1% to £176.6m.
- ▼ Operating Surplus is down £1.6m to £7.9m.
- ▲ Cash generated from operations increased by £17.0m to £30.5m.
- ▲ Net assets have increased by £33.4m to £94.1m.

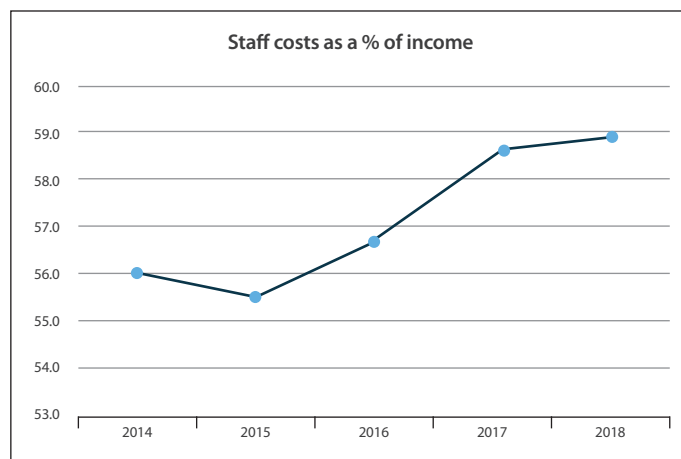
An Exceptional item of £3m has been recognised in the financial statements to reflect the further impairment of the Caerleon Campus following the rejection of the hybrid development plan by Newport Council Planning committee.



## Income



## Expenditure



- Tuition fees have increased by £3.6m to £133.2m mainly as a result of an increase in Postgraduate Taught student numbers and fees which is reported within full time home and EU students.
- Funding Body grants have fallen by £1.3m as a result of the phasing out of merger funding.
- Research grants and contracts have increased by £0.7m. This reflects an increase in funding to support collaborative projects such as the National Digital Exploitation Centre, The Centre of Excellence in Mobile and Emerging Technologies and the development of world class research in Flexible Integrated Systems - Flexis.
- Other income has fallen by £2.3m, contributing to this decrease is the impact of a number of grants completing during the year.

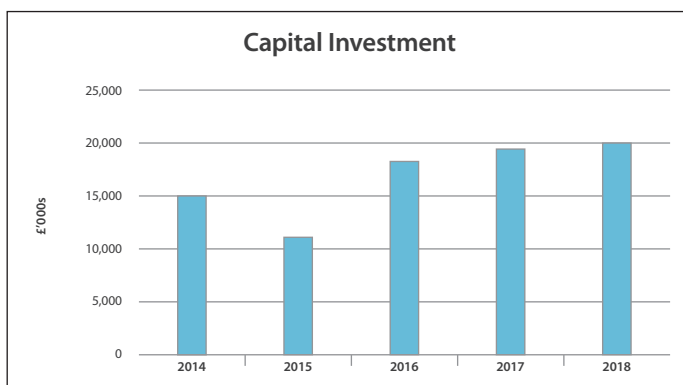
- Staff costs as a percentage of income is 58.9% compared with 58.6% in 2016/17. Year on year this percentage has increased due to continued inflationary increases and high pension charges against an income stream that has remained static.
- Whilst there has been a reduction in staff FTE by 74, with a corresponding reduction in operating staff costs, overall staff costs have increased by £0.7m, primarily due to the additional contribution paid to Rhondda Cynon Taf Pension Fund as part of the plan to reduce the University's pension deficit.
- Other operating costs of £49.2m have been managed during the academic year with a slight increase on last year of £0.4m. This reflects the University's ability to make effective savings which have been offset against additional spend in research and other grants.



## Capital Investment

We have continued to invest year on year in our capital infrastructure and equipment. During this academic year we have spent £20.0m on facilities to enhance the experience for our students and their academic success. The key areas of investment during the year include:

- Continued investment of £5.3m on the development of the Sports Park facilities incorporating a full size 3G indoor football pitch and specialised camera equipment.
- £6.1m on improving the University's IT Networking Infrastructure
- £2.1m investment into the new campus in Dubai including Aviation equipment.



### Cash flow and financing

The Group has generated cash flow from operating activities of £30.5m (2017 £13.5m).

The net funds position (cash and invested balances less bank loans) has increased from £21.7m to £31.7m. This includes long term bank loans of £64.5m (2017 £67.9m). The loans are subject to financial covenants, all of which have been complied with during the year.

The Group holds £96.2m (2017 £89.6m) of cash and short term investment balances. These balances are invested with a range of UK and overseas banks and building societies, UK government securities and corporate bonds.

### Pensions

The Group participates in three pension schemes, the Teachers Superannuation Scheme (TSS), the Rhondda Cynon Taff County Borough Council Pension Fund (RCTPF) and the Universities Superannuation Scheme (USS).

It has not been possible to identify the institution's share of the underlying assets and liabilities in relation to the TSS and USS scheme and as such they are accounted for as if they were defined contribution schemes, however under SORP 2015 a liability of £169K has been introduced to take account of the deficit within the USS scheme which is currently being repaid with additional agreed contributions. The deficit of the RCTPF has decreased from £130m to £110m. This is mainly due to the final transfer of assets from the Greater Gwent Pension Fund of £8.2m.

### Vice-Chancellor's Emoluments

The Board of Governors is charged with setting the remuneration of the Vice-Chancellor, who is Chief Executive of the University of South Wales Group, which includes the College Merthyr Tydfil and the Royal Welsh College of Music & Drama.

At its review in 2017, the Board of Governors, on the advice of its Remuneration Committee, has kept the salary of the Vice-Chancellor at £225,000.

### Principal risks and uncertainties

The Group has identified a number of higher level strategic risks that it monitors on a regular basis. These include:

**Financial sustainability** – Operating in a highly competitive market where tuition fee levels are restricted and expenditure is subject to inflationary price rises, it is more important than ever to be able to generate sufficient cash surpluses to allow strategic investment in the student experience, infrastructure and staff.

The Group mitigates this risk through the implementation of the finance strategy. This includes a focus on fundamentals of financial management ensuring transactional efficiency and understanding and analysis of contribution and business drivers. A key component of this is the ongoing delivery of a transformational change programme designed to review the core business process of the organisation. A key stream of this programme is the implementation of a new finance system which went live on 1 August 2016.

**Reputation** – The Group league table position has the potential to impact on both recruitment of students, high calibre research and teaching staff. Although to date we have seen no significant impact, we have a strategic focus to address the key areas affecting this position.

**Student recruitment and retention** – The Group has a stated ambition to be the University of choice in Wales and beyond for students who value vocationally-focused education and applied research. The lifting of the student number cap in England and future the demographic of students provides uncertainty and significant risk to student recruitment.

Our Academic Plan seeks to build on what we already have that is distinctive in our academic offer and promote best practice that is clearly found across the length and breadth of our campuses. In addition, we are continuing to promote the USW brand both internationally and in the UK and look at ways to improve the student experience to improve overall retention rates.



The University will begin delivering degrees to aerospace engineering students as a key partner at the UAE's new Dubai South development.



جامعة ساوث ويلز





# Public Benefit Statement

## Introduction

The University of South Wales became a registered charity (number 1140312) on 9th February 2011, having previously been an exempt charity under the terms of the Charities Act 2003. The registered address of the charity is Treforest, Pontypridd, CF37 1DL. The members of the Board of Governors are the trustees of the charity and as such have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit.

Under section 124 of the Education Reform Act 1988, the University of South Wales Higher Education Corporation has power to:

- a) provide higher education;
- b) provide further education;
- c) carry out research and to publish the results of research.

The University promotes the advancement of education and learning for the public benefit through the provision of advanced courses of instruction, leading to the award of degrees or other appropriate qualifications.

We undertake research in pursuit of new knowledge and understanding driven by a spirit of academic enquiry. In keeping with our role as an institution firmly embedded in its local, regional and national communities, we also have great strengths in problem driven research conducted in partnership with external stakeholders.

We provide, maintain and improve facilities and services for the benefit of the student body and our local communities, e.g. accommodation, catering, sporting facilities, performance space and public amenities (e.g. chiropractic clinic).

We also have due regard to any detrimental harm that may arise from our activities and, particularly, to the impact of our campus developments on our immediate localities. We aim to minimize this impact through extensive community discussion and consultation in addition to working closely with the relevant local authorities.

## University Strategy

The University of South Wales is a dynamic higher education institution which is at the vanguard of innovative change within Wales and beyond and states with some conviction that it has always applied its knowledge and research to the real-life problems facing people, businesses and our communities. It aspires to be unrivalled for professional, vocationally-focused education and research informed innovation and engagement.

Displaying a strong track record of robust financial management and resilience, the University has in recent years invested significantly in its infrastructure to encourage and support distinctive learning, teaching and research of the highest quality

across a range of academic disciplines. Much of the University's academic endeavour – courses of study, research and commercial activities - is orientated to the needs of professions, industry and the public sector. We are justly very proud of the University and its achievements; the talents of our students and staff have taken us from our origins in Newport and Treforest over a century ago to our current position as one of the largest universities in the UK.

In the execution of our strategy and the advancement of education for the public benefit, the University strives to adhere to the following core values in all of our activities:

“We will be proud and passionate about our University and our own contribution to its success”

### Professional

*We will:*

- Be accountable for the delivery of our personal and team objectives
- Act with integrity to ensure people can trust and rely on us
- Take responsibility individually and collectively for contributing to our strategic goals
- Value and respect every individual for their contribution to our University

### Creative

*We will:*

- Nurture curiosity and innovation so that ideas can flourish
- Embrace new ideas
- Actively look to collaborate with others in our University
- Take risks and challenge current ways of working to make a positive impact

### Inspiring

*We will:*

- Be passionate about celebrating success
- Be dynamic, stimulating and motivating
- Create opportunities that widen our own and our students horizons
- Transform lives

### Responsive

*We will:*

- Be flexible and agile, embracing change
- Be approachable, seeking feedback to continually develop
- Challenge blockers and blocking behaviours
- Identify and communicate best practice and ideas

### **Harnessing and developing the creative, innovative and entrepreneurial capabilities of our students and staff**

The University is committed to offering its students a creative, innovative and intellectually challenging higher education experience which will furnish them with the evaluative, analytical and entrepreneurial skills essential to succeeding in the workplace. We are cognisant of the growing importance of student employability within the current economic environment and have embarked upon a comprehensive curriculum review in order to deliver an attractive, distinctive and vocationally focused portfolio of academic programmes underpinned by cutting edge scholarship and practice, providing effective embedded development of professional skills. We seek to offer programmes that unlock the talents of our students and equip them with the requisite skills to take on the role of contributing citizens, quality employees, creative thinkers and leaders.

The University is also committed to enhancing the student experience. The outcomes of a major institutional review has resulted in the development of a Student Experience Plan which will effect strategic and operational change across the University in the short to medium term to ensure our students have an exceptional experience. For example, we will deliver the integrated frontline services project to provide excellent, accessible first line support and advice for learners and ensure good integration between academic advice and guidance, personal coaching, analytics and the student advice teams. We have also continued our significant investment in our estate to meet the academic and social needs of our students, including enhanced facilities at our Cardiff campus for our creative industries students and at our Pontypridd campus for engineering students.

The University has an excellent record of providing staff with opportunities to continuously develop their personal and professional skill base. Through implementation of our People Plan, we strive to offer opportunities which support the acquisition of skills and expertise relevant to roles; maximise the capacity of employees to make an outstanding contribution to the University's vision and strategic priorities; and foster individual potential and promote job satisfaction.

The concept that academic staff should contribute to both teaching and scholarly activity/research or teaching and professional practice has been developed and refined over several years. The University of South Wales Academic concept seeks to engage all academic staff in research or scholarly activity to underpin their teaching.

### **Promoting social inclusion and increasing participation in and progression to Higher Education**

The University of South Wales has an excellent record of achievement in enabling the participation of students of all ages in higher education and in creating pathways to achieve this. We take seriously our responsibility to enhance learning opportunities for students from all backgrounds and, in particular, provide access to those from Communities First cluster areas, areas in the bottom quintile of the lower super output areas of the Welsh Index of Multiple Deprivation (WIMD) and other Low Participation areas.

We are justly proud of our successes in supporting non-traditional entrants not only to aspire to participate, but to achieve outstanding outcomes. Our strong partnerships with schools, further education colleges and other education providers, plus our use of modern and traditional learning methods (recognising a range of learning styles and diverse employment destinations), has been a significant element in our success.

Our recently approved Fee & Access Plan demonstrates our continued commitment (and alignment with previous Fee Plans) to ensuring equality of opportunity and the promotion of higher education, with targets set for widening access, participation, Welsh-medium provision, student retention, student satisfaction, student success and employability.

We also support students from low participation backgrounds to enter higher education by providing alternatives to the traditional three-year full time degree programme. For example, 15.7% of the UK based undergraduate students studying at USW campuses in 2017/18 were doing so on a part-time basis. By offering part-time study options, prospective students are able to learn around their work or family commitments. As previously outlined, we also work closely with further education colleges to enable those students who may not have considered higher level studies earlier on in their life or have mobility difficulties to access higher education locally. This has encouraged many people to re-engage with education after taking some time out (e.g. a third of the current student population at USW is over 24 years old).

### **Making a positive impact on the economy, society and culture of Wales and beyond through innovation and engagement**

As outlined in the Strategic Statement, effective engagement is at the heart of our core purpose; imbuing higher skills development, an entrepreneurial approach and extensive business engagement in order to make a significant contribution to the social and economic well-being of Wales and beyond.

Services to business have continued to grow and diversify with a good recovery from the impact of recession. A marked increase in the number of large-scale technology based projects, as well as the establishment of new commercial centres, has strengthened and diversified the University's commercial activity. The University's commitment to developing leaders and managers has continued, offering key professional training accreditations to key strategic partners. Partnerships with employers, professional bodies and employer networks have been built upon, with work-based learning and the employability of our graduates being key.

The University has been working to strengthen the links between consultancy and knowledge transfer, and link to the University's key fields of research: Digital Economy; Enterprise and Social Innovation; Culture and Society; Health and Well-being; Energy and Environment; Security and Resilience. The University continues to engage proactively with key knowledge transfer programmes such as the Welsh Government's A4B programme and will increase the engagement of academic staff with external organisations through the establishment of USW Exchange. We also continue to commit to both the student entrepreneurship and employability agenda through, e.g. the "Ideas Factory" business start-up programme.

### **An ethical, open, collaborative and professional work ethos**

The University of South Wales is a diverse academic community of all religions and none, united by a common commitment to academic endeavour. The satisfaction we feel in work comes in lectures, laboratories, refectories, social spaces, where we see what we do is transforming the lives and prospects of those individuals who study with us. Our graduation ceremonies look and feel diverse: they are a celebration of people of every background and origin, with different life stories, all able to access the tremendous opening up of potential that comes with university study.

Our staff are an equally diverse body of people with different perspectives, values and attitudes. We seek to promote an inclusive environment where such differences are shared and valued, and where any unfair treatment or discrimination is challenged and eliminated. It is important that we promote inclusivity in all our activities and promote the principles of diversity by ensuring that different perspectives of individuals or groups are respected and celebrated.

Our Strategic Equality Plan 2016-20 sets out our response to the requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. Through this Plan, we have set out a clear commitment to not only comply with equality legislation, but also to ensure that all those who work or study at the University are treated with respect and that diverse needs are taken into consideration and responded to. This commitment to equality and diversity is even more important during this current climate of economic uncertainty and substantial change to the education sector. This is a time when it is even more essential to ensure that steps to ensure equality of opportunity in education and work are put in place and actions are prioritised where they are most needed.

We ensure that the Strategic Equality Plan remains a 'live' document that is implemented throughout the USW Group and that progress, achievements and challenges of doing so are regularly reviewed. While it is the responsibility of the Board of Governors and leadership teams to ensure we are meeting the requirements of equality legislation and we give this task utmost importance, we recognise that embedding equality into everything we do is fundamental to meeting our legal and moral responsibilities.



Student nurses took part in a Blue Light Exercise, working together with other emergency service personnel to manage the aftermath of a mock-up road accident.







ATRium building, Cardiff Campus



### An environmentally-aware and sustainable University

Sustainability aims to fulfill human needs while preserving the environment so that these needs can be met not only in the present, but also for future generations. The University's commitment to sustainability consists of a holistic approach that involves:

- A long-term, integrated approach to developing and achieving a healthy community for staff, students and visitors by jointly addressing economic, environmental and social issues, whilst avoiding the over consumption of natural resources;
- Adapting a series of policies and strategies which over time underpin how the University operates, functions and presents itself to the outside world;
- Complying with the increasing demand to perform across a wide range of environmental, social and economic drivers;
- Drawing upon and including our staff, students, visitors, business contacts, suppliers, local residents and partners.

An Environmental Strategy 2015-20 has been developed alongside our Environmental Policy to support our environment mission:

"To serve, maintain and enhance the University and protect its local environment ensuring that it is able to pursue its educational and research objectives."

The Policy is a top-tier document, endorsed by the Vice-Chancellor, which outlines the University's commitment to minimising its environmental impact. The Strategy aligns with the University's commitment to protecting the environment and reflects the objectives of our ISO 14001:2004 Environmental Management System. It also reflects the aims and objectives of both the regional and institutional strategies of the University, the requirements of the Welsh Government's Climate Change Strategy for Wales, and the requirements of various Higher Education Funding Council for Wales (HEFCW) Circulars, including the Education for Sustainable Development and Global Citizenship (ESDGC) circular requirements.

### Civic role of the University

The University continues to engage with policy makers in advisory roles through key research groups, including the Centre for Social Policy, Welsh Institute of Health and Social Care and the Wales Transport Research Centre. They offer fresh thinking, new evidence and, above all, innovative solutions to the challenges policy makers face in effecting change and improvement in public service organisation and delivery. We also run a wide range of events to encourage involvement in policy debate and civic engagement. For example, Global Choices is a series of high profile public talks by leading artists, politicians, campaigners and diplomats discussing some of the major cultural, economic and political issues of our age, including those core to the WJEC "Global Citizenship" curriculum, e.g. conflict and security, citizenship and human rights, migration and asylum.

The University's curriculum design guidance makes explicit the importance of embedding citizenship in the curriculum. Notable programmes in this area include the BA (Hons) Public Services which examines the delivery and management of public services, including the role of the voluntary sector and the involvement of citizens in the management of public services. Other key awards include MSc Public Service Management, MSc Global Governance, BSc (Hons) Youth and Community Work. The University also offers both an MSc in Disaster Management and in Disaster Healthcare.

The University regards the enhancement of the Welsh language and culture as a priority, with a key objective being the growth of Welsh medium/bilingual provision in focused academic disciplines. There are now over a hundred modules fully or partly studied through the medium of Welsh, including: Nursing, Law, Drama and Music. In 2010, the University launched its Welsh Language Scheme, which was approved by the Welsh Language Board. We have adopted the principle that we will aim to treat Welsh and English equally when conducting public business in Wales. We also participate in Coleg Cymraeg Cenedlaethol's student ambassador scheme which seeks to persuade school pupils to follow part of their university studies through Welsh and present the advantages of studying through the language.



# Corporate Governance

The University is committed to high standards of corporate governance. Whilst the University, being a higher education corporation formed by statute and with charitable status, does not fall within the corporate governance reporting requirements of the London Stock Exchange, the University wishes to demonstrate that its governance is undertaken in an open and accountable manner and that it complies with best practice within the higher education sector.

This statement describes how the relevant principles of corporate governance are applied to the University. The Boards of Directors of the Royal Welsh College of Music & Drama Ltd (RWCMD) and the Merthyr Tydfil College Ltd (MTC) are responsible to the Board of the University which is the sole 'member' of those corporations. The committees of the Board of Governors of the University act as committees for the Boards of Directors of RWCMD and MTC as appropriate, except insofar as those Boards (with the agreement of the University Board) have their own arrangements.

The Board of Governors carries the overall responsibility for ensuring there is a sound system of risk management, control and governance. The governors discharge this responsibility through the following elements:

- Effective review by the governing body and relevant committees, particularly Finance and Resources and Audit;
- Control systems which include policies, objectives and plans, management of key risks and opportunities, monitoring of financial and operational performance, physical safeguarding of assets, segregation of duties, authorisation and approval procedures, and information systems;
- An effective internal and external audit function;
- The identification and management of risk embedded in all business systems and
- Regard for the Committee of University Chairs Governance Code of Practice.

The University's approach for the effective management of risk is set out below:

- The University focuses on the active management of risk as an integral part of the management process within every part of the organisation;
- As part of the risk management framework, the University clearly identifies risks of various kinds to the achievement of its objectives. These risks may be strategic or operational and may present potential implications for the University's reputation, its financial position or its day to day operations or any combination thereof;

- The University actively encourages all managers to consider risk implications of each major decision, contract or project as a normal part of their day to day work;
- The University integrates risk management into the annual planning process which is the means by which the Executive determine and co-ordinate the University's academic and other activities;
- The Vice-Chancellor and the senior management team endeavour to identify and focus on immediate and transient risks with strategic implications, which may change from week to week, as well as on the more substantial and permanent risks which are identified in the University's risk register;
- Managers are expected to link risk identification to action, whether in mitigation of the risk or in response to it.
- The Vice-Chancellor and the senior management team work with Deans and Faculty Executives, Heads of Support Departments and their management teams to encourage and support effective risk management as part of the day-to-day management of the institution, and specifically to help them to identify, evaluate, manage and report risks;
- The Governing Body requires the Audit Committee to undertake a quarterly assessment of significant risks through a snapshot assessment. The assessment is recorded through the corporate risk register and is part of the ongoing process of risk management. The risk register identifies significant risks and contains details of:
  - the nature of the risk
  - its potential impact
  - the likelihood of the risk crystallising
  - the 'owner' of the risk
  - the control processes which manage the risk
  - any independent assessment of those control processes – internal audit, Quality Assurance Agency, external reviews
- The University has agreed with its internal auditors that their programme of work and the approach to internal control will be risk based: this includes business, operational and compliance risks as well as financial risk and;
- The Audit Committee of the Board of Governors regularly reviews the adequacy of the process of risk management at the University as it continues to be developed.











The Board is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2018 and in place up to the date of approval of the Financial Statements and Annual Review, that it is regularly reviewed by the Board and that it accords with the internal control guidance for directors on the UK Corporate Governance Code as amended by the British Universities Finance Directors Group.

### **Summary of the University's Structure of Corporate Governance**

The University's Board of Governors comprises members appointed in accordance with the Instrument of Government of the University, the majority of whom are lay independent members with relevant experience in business and the professions. The roles of the Chairman and Deputy Chairman of the Board are separated from the role of the University's Vice-Chancellor (as Chief Executive). Those matters specifically reserved to the Board for decision are set out in the Articles of Government of the University. The Board holds to itself the responsibilities for the ongoing strategic direction of the University, the effective and efficient use of resources and the approval of major developments and receives regular reports from senior management.

The Board meets four times a year and has three standing Committees (Finance and Resources, Human Resources and Audit). In addition, a Nominations and Governance Committee makes recommendations to the Board on membership and Senior Staff Pay and Remuneration Committees on the remuneration of senior management.

The Finance and Resources Committee develops and advises the Board on long term financial strategies, recommends to the Board annual revenue and capital budgets, reviews and reports to the Board on the annual financial statements and receives regular reports on budgetary performance. In addition the Finance & Resources Committee approves the Financial Regulations, keeps under review financial operating procedures, approves regulations for and monitors the investment of surplus funds and borrowing requirements and approves expenditure above the limits of delegations specified in the Financial Regulations.

The Audit Committee reviews the process for ensuring the effectiveness of the financial and other (non-academic) internal control systems. In doing this the Audit Committee makes recommendations on the appointment of internal audit, reviews their reports, including follow up reports on implementation and the scope and effectiveness of their work. The Audit Committee also makes recommendations on the appointment of external audit and reviews the financial statements of the University, incorporating any subsidiaries, after review by the Finance and Resources Committee and prior to submission to the Board of Governors, reviews the management letter, and receives and considers progress reports on areas of significant risk identified by the Vice Chancellor's Executive Board. In addition the Audit Committee receives and considers reports from the Higher Education Funding Council for Wales including the Council's Audit Service, as they affect the University's business and monitors adherence with regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

### **Committee of University Chairs Governance Code of Practice**

In 2015/16 a review of effectiveness of the Board of Governors was concluded, which carefully considered the CUC Code. The Review Committee concluded that the only omission with regard to the CUC guidance is that there is no Scheme of Delegation in existence. The Committee proposed that a Scheme of Delegation should be created; and this recommendation was approved by the Board of Governors and is due to be implemented in 2018/19.

In future, the Review of Effectiveness of the Board will be undertaken on a quadrennial basis, as proposed by the new CUC Code.

# Responsibilities of the Board of Governors

In accordance with the Education Reform Act 1988 (as amended), the Board of Governors of the University of South Wales is responsible for the administration and management of the affairs of the University Group, including ensuring an effective system of internal control and is required to present audited financial statements for each financial year. The Board is responsible for preparing the Financial Statements in accordance with applicable law and regulations.

The law applicable to the University requires the Board to prepare financial statements for each financial year. Under that law the Board of Governors has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the University and the consolidated group and of the incoming resources and application of resources, including the income and expenditure of the University and the consolidated group for that period.

In causing the financial statements to be prepared, the Board has to ensure that:

- suitable accounting policies are selected and applied consistently;
- the methods and principles in relation to the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions are observed;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK 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 is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and the Group and which enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988 (as amended), the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (SORP) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum between the Higher Education Funding Council for Wales and the Board of the University, the Board, through its designated office holder, is required to prepare financial statements which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows for that year.

The Board has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for Wales are used only for those purposes for which they have been given and in accordance with the Financial Memorandum 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's resources and expenditure.

The key elements of the University's system of internal financial control, which are designed to discharge the responsibilities of the Board in relation to internal financial control, include the following:

- a planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, the overall budget being approved by the Board of Governors;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure;
- comprehensive Financial Regulations, detailing policies, financial controls and procedures;
- Senior Staff Pay and Remuneration Committees which make recommendations to the Board of Governors on the remuneration of senior management;
- Internal Audit team whose annual programme is approved and monitored by the Audit Committee;
- External Audit reporting to the Board of Governors annually

Any system of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.







# Independent auditors' report to the Governing Body of the University of South Wales (the "institution")

## Report on the audit of the financial statements

### Opinion

In our opinion, the University of South Wales's group financial statements and parent institution (the "university") financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2018, and of the group's and university's income and expenditure and 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 Financial Statements and Annual Review (the "Annual Report"), which comprise: the Consolidated and University Balance Sheets as at 31 July 2018; the Consolidated Statement of Comprehensive Income and Income for the year then ended; the Consolidated and University Statements of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; the Accounting Policies; and the notes to the financial statements, which include other explanatory information.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

### Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our 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 28, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We are eligible to act, and have been appointed, as auditors under section 144(2) of the Charities Act 2011.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 articles 13(2) and 13(3) of the institution's Articles of Government and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

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

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

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

In our opinion, in all material respects:

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

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

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

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

We have no exceptions to report arising from this responsibility.

### **Internal control**

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

26 November 2018

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors, Cardiff

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

(a) The maintenance and integrity of University of South Wales website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

## Consolidated and University Statement of Comprehensive Income

Income	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000s	University £'000s	Restated Consolidated £'000s	Restated University £'000s
Tuition fees and education contracts	1	133,246	123,312	129,671	119,905
Funding body grants	2	23,511	9,844	24,856	11,177
Research grants and contracts	3	4,941	4,544	4,221	3,664
Other income	4	20,936	18,332	23,270	21,188
Investment income	5	720	582	1,035	858
Donations and endowments	6	1,168	-	1,115	-
<b>Total income</b>		<b>184,522</b>	<b>156,614</b>	<b>184,168</b>	<b>156,792</b>
<b>Expenditure</b>					
Staff costs	7	108,679	91,338	107,937	91,231
Other operating expenses		49,232	42,277	48,844	42,084
Depreciation and amortisation	12,13	11,920	9,377	11,572	8,626
Interest and other finance costs	8	6,803	6,121	6,329	5,717
<b>Total expenditure</b>	<b>9</b>	<b>176,634</b>	<b>149,113</b>	<b>174,682</b>	<b>147,658</b>
<b>Surplus before other gains and losses</b>		<b>7,888</b>	<b>7,501</b>	<b>9,486</b>	<b>9,134</b>
Exceptional Item	10	(3,000)	(3,000)	(3,528)	(3,528)
Loss on disposal of fixed assets		(179)	(190)	(50)	-
<b>Surplus before tax</b>		<b>4,709</b>	<b>4,311</b>	<b>5,908</b>	<b>5,606</b>
Taxation	11	12	-	399	375
<b>Surplus for the year</b>		<b>4,721</b>	<b>4,311</b>	<b>6,307</b>	<b>5,981</b>
Actuarial gain/(loss) in respect of pension schemes	26	28,632	26,393	(8,250)	(6,937)
Increase in Market Value of Endowment Asset Investments	21	95	8	193	14
<b>Total comprehensive income/(expense) for the year</b>		<b>33,448</b>	<b>30,712</b>	<b>(1,750)</b>	<b>(942)</b>
Represented by:					
Endowment comprehensive income for the year		117	2	343	19
Restricted comprehensive income for the year		53	-	51	-
Unrestricted comprehensive income/(expense) for the year		33,278	30,710	(2,144)	(961)
		<b>33,448</b>	<b>30,712</b>	<b>(1,750)</b>	<b>(942)</b>



# Consolidated and University Statement of Changes in Reserves

Consolidated	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2017	3,193	836	56,640	60,669
Surplus from the income and expenditure statement	22	53	4,646	4,721
Other comprehensive income	95	-	28,632	28,727
<b>Total comprehensive income for the year</b>	<b>117</b>	<b>53</b>	<b>33,278</b>	<b>33,448</b>
Balance at 31 July 2018	3,310	889	89,918	94,117

University	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2016	2,850	785	58,784	62,419
Surplus from the income and expenditure statement	150	895	5,262	6,307
Other comprehensive income/(expense)	193	-	(8,250)	(8,057)
Release of restricted funds spent in year	-	(844)	844	-
<b>Total comprehensive income/(expense) for the year</b>	<b>343</b>	<b>51</b>	<b>(2,144)</b>	<b>(1,750)</b>
Balance at 31 July 2017	3,193	836	56,640	60,669

University	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2017	766	-	54,560	55,326
Surplus from the income and expenditure statement	(6)	-	4,317	4,311
Other comprehensive income	8	-	26,393	26,401
<b>Total comprehensive income for the year</b>	<b>2</b>	<b>-</b>	<b>30,710</b>	<b>30,712</b>
Balance at 31 July 2018	768	-	85,270	86,038

University	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2016	747	-	55,521	56,268
Surplus from the income and expenditure statement	5	-	5,976	5,981
Other comprehensive income/(expense)	14	-	(6,937)	(6,923)
<b>Total comprehensive income/(expense) for the year</b>	<b>19</b>	<b>-</b>	<b>(961)</b>	<b>(942)</b>
Balance at 31 July 2017	766	-	54,560	55,326

# Consolidated and University Balance Sheet

		At 31 July 2018		At 31 July 2017	
	Notes	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Non-current assets					
Intangible assets	12	1,255	1,186	1,370	1,337
Tangible Fixed assets	13	260,306	204,944	255,330	199,193
Investments	14	-	2,256	-	2,256
		261,561	208,386	256,700	202,786
Current assets					
Inventory	15	144	81	112	69
Trade and other receivables	16	9,715	9,466	10,804	11,166
Investments	17	70,791	64,014	15,557	13,267
Cash and cash equivalents	23	25,390	17,611	74,021	64,117
		106,040	91,172	100,494	88,619
Less: Creditors: amounts falling due within one year	18	(37,509)	(32,759)	(38,839)	(35,770)
Net current assets		68,531	58,413	61,655	52,849
Total assets less current liabilities		330,092	266,799	318,355	255,635
Creditors: amounts falling due after more than one year	19	(109,539)	(66,960)	(112,248)	(68,938)
Provisions					
Pension provisions	20	(118,107)	(105,785)	(138,766)	(125,198)
Other provisions	20	(8,329)	(8,016)	(6,672)	(6,173)
Total net assets		94,117	86,038	60,669	55,326
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	3,310	768	3,193	766
Income and expenditure reserve - restricted reserve	22	889	-	836	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		89,918	85,270	56,640	54,560
Total Reserves		94,117	86,038	60,669	55,326

The financial statements were approved by the Governing Body on 26 November 2018 and were signed on its behalf on that date by:

Chairman of the Board of Governors

The Vice-Chancellor

# Consolidated Statement of Cash Flows

	Notes	Year to 31 July 2018 £'000s	Year to 31 July 2017 £'000s
<b>Cash flow from operating activities</b>			
Surplus for the year		4,721	6,307
<b>Adjustment for non-cash items</b>			
Depreciation	13	11,744	11,403
Amortisation of intangibles	12	176	169
Impairment of Fixed assets	13	3,000	-
(Increase)/Decrease in stock	15	(32)	72
Decrease in debtors	16	1,089	1,693
Decrease in creditors	18	(910)	(11,881)
Release of deferred income	19	1,058	(2,245)
Increase in pension provisions		7,973	6,882
Increase in other provisions	20	1,657	1,930
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(720)	(1,035)
Interest payable	8	3,279	3,428
Endowment income	21	(30)	(110)
Increase in market value of endowment investments	21	95	193
Loss on disposal of fixed assets		184	50
Capital grant income		(2,830)	(3,374)
<b>Net cash inflow from operating activities</b>		<b>30,454</b>	<b>13,482</b>
<b>Cash flows from investing activities</b>			
Transfer from cash to investments	17	(55,234)	11,765
Capital grants receipts		2,830	3,374
Investment income	5	720	1,035
Payments made to acquire fixed assets	13	(19,904)	(19,617)
Payments made to acquire intangible assets	12	(61)	(119)
		(71,649)	(3,562)
<b>Cash flows from financing activities</b>			
Interest payable	8	(3,279)	(3,428)
Endowment cash received		30	110
Repayments of amounts borrowed		(4,187)	(3,439)
		(7,436)	(6,757)
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<b>(48,631)</b>	<b>3,163</b>
Cash and cash equivalents at beginning of the year	23	74,021	70,858
Analysis of cash and cash equivalents at end of the year:			
Short term bonds	23	6,996	41,456
Short term deposits	23	8,064	25,031
Cash at Bank and in hand	23	10,330	7,534
<b>Total</b>		<b>25,390</b>	<b>74,021</b>



## Statement of Accounting Policies

### a) Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Prior Year Income has been restated to reflect the reclassification of Grant Income which did not meet the Frascati definition for research from 'Research Grants and Contracts' to 'Other Income'.

The restatement has not impacted the total comprehensive income or net assets for the year ended 31 July 2017.

### b) Basis of Consolidation

The consolidated Financial Statements include the University and all its subsidiaries for the year ended 31 July 2018. Intra-group transactions are eliminated on consolidation.

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

### c) Income Recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income 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. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

Government grants including; funding council block grant; research grants from government sources; other grants and donations from non government sources are recognised within the Consolidated Statement of Comprehensive Income over the periods to which the University recognises the related costs. Where part of a Government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Other grants including research grants and donations from non government sources, are recognised within the Consolidated Statement of Comprehensive 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 deferred on the Balance Sheet and released to the Consolidated Statement of Income in line with such conditions being met.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income when the University is entitled to the Income. 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.

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.

Donations with no restrictions are recorded within the Consolidated Statement of Comprehensive Income when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the Financial Statements.

There are four main types of donations and endowments with restrictions:

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 can convert the donated sum into Income.
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.

### d) Capital Grants

Capital grants received from government sources except for capital grants for land are deferred and released to the Consolidated Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Capital grants received from government sources for land are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

Capital grants received from non government sources are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

# Statement of Accounting Policies

## e) Accounting for Retirement Benefits

The University participates in three principal defined benefit pension schemes, the Teachers' Superannuation Scheme (TSS), the Rhondda Cynon Taf County Borough Council Pension Fund (RCTPF), and the Universities' Superannuation Scheme (USS).

The USS and TSS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to university members due to the mutual nature of the scheme and therefore the scheme is accounted for as a defined benefit scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

RCTPF – The Group's net obligation in respect of defined benefit pension plans (and other post employment benefits) is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs. The liability discount rate is the yield at the balance sheet date on credit rated bonds denominated in the currency of the Group, and having taken into account maturity dates approximating to the terms of the Group's obligations.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs; the present value of benefits available in the form of any future refunds from the plan; reductions in future contributions to the plan or on settlement of the plan; and takes into account the adverse effect of any minimum funding requirements.

## f) Employee 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.

## g) 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 are stated 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, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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.

## h) 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.

## i) 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 retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

## j) Exceptional Items

Items are accounted for as exceptional if they require separate disclosure on the face of the Statement of Comprehensive Income if it is material in view of their amount, nature or circumstances. These would include but are not limited to the following:

1. Writing down inventories to net realisable value, or impairments of property, plant and equipment, as well as the reversal of such write downs or impairments;
2. restructuring provisions or their reversal;
3. profits or losses on disposals of items of property, plant and equipment;
4. profits or losses on disposals of investments;
5. litigation settlements; or
6. other reversals of provisions.



## Statement of Accounting Policies

### k) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on 1 August 2014, the date of transition to SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Expenditure 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. Expenditure which does not either enhance an asset beyond its original condition or increase its expected economic life is charged to the Income and Expenditure Account.

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 as follows:

Freehold Buildings – Up to 50 years

Plant and Machinery – 3 to 5 years

Fixtures and Fittings – 3 to 25 years

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

Equipment, including computers, costing less than £5,000 per individual item is written off in the year of acquisition. Where the completed asset includes a number of components that are necessary for the asset to function as planned, then the aggregated value can be used to determine whether the asset capitalisation threshold is reached. All other equipment is capitalised.

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

### l) Borrowing costs

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

### m) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and ten years, on a straight line basis.

Software costing less than £250,000 is written off in the of acquisition.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

### n) Investments

Non current investments are held on the Balance Sheet at amortised cost less impairment. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less Impairment in the University's accounts.

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

### o) Inventory

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

### p) Cash and cash equivalents

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

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

# Statement of Accounting Policies

## q) Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

## r) 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 only Corporation Tax charge reflected in the consolidated financial information is the tax deducted at source by HMRC in respect of Research and Development Expenditure Credits (RDEC) recognised in the consolidated statement of comprehensive income and expenditure during the year.

## s) Reserves

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



## Use of estimates and judgements

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### 1. Pension

The University participates in three defined benefit pension schemes, the Teachers' Superannuation Scheme (TSS), The Rhondda Cynon Taf County Borough Council Pension Fund (RCTPF) and the Universities' Superannuation Scheme (USS). The assumptions made are detailed within Note 26.

### 2. Enhanced pension provision

The provision for enhanced pensions has decreased from £8.3m (USW £7.4m) to £7.6m (USW £6.7m). This provision relates to the obligation to enhance previous employees' pensions under early retirement arrangements.

The liability has been calculated by the scheme actuary and accounted for in accordance with FRS102 as prescribed by the SORP: Accounting for further and higher education 2015.

### 3. Impairment of Caerleon assets

FRS102 sets out the conditions for assets to be impaired within an entity's financial statements. A review of the impairment should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

In October 2018, the Newport Council Planning Committee voted to reject the hybrid application for the redevelopment of the Caerleon site. The impaired asset within the Financial Statements was valued with planning permission and given this recent change, Caerleon has been revalued and a further impairment has been accounted for to the value of £3m.

### 4. Consolidation – Students' Union

The Students' Union has not been consolidated into the group Financial Statements as the University is not deemed to exert significant influence over the operating and financial policies of The Students Union to be considered to be an Associate or Subsidiary.



# Notes to the Financial Statements

## 1. Tuition fees and education contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Full-time home and EU students	110,973	103,789	107,497	100,406
Full-time international students	14,386	12,520	14,291	12,546
Part-time students	7,887	7,003	7,883	6,953
<b>Total</b>	<b>133,246</b>	<b>123,312</b>	<b>129,671</b>	<b>119,905</b>

## 2. Funding body grants

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
<b>Recurrent grant</b>				
Higher Education Funding Council	10,712	7,646	9,997	7,230
DCELLS	8,305	-	8,096	-
<b>Specific grants</b>				
Other	2,158	1,454	3,880	3,175
Capital grant	2,336	744	2,883	772
<b>Total</b>	<b>23,511</b>	<b>9,844</b>	<b>24,856</b>	<b>11,177</b>

## 3. Research grants and contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Restated Consolidated £'000s	Restated University £'000s
Research councils	291	291	363	363
Research charities	432	432	537	537
Government (UK and overseas)	1,065	1,065	1,157	1,157
Industry and commerce	115	115	169	169
Other	3,038	2,641	1,995	1,438
<b>Total</b>	<b>4,941</b>	<b>4,544</b>	<b>4,221</b>	<b>3,664</b>



## Notes to the Financial Statements

### 4. Other income

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000s	University £'000s	Restated Consolidated £'000s	Restated University £'000s
Residences, catering and conferences		7,804	7,206	8,086	7,470
Other capital grants		494	460	491	457
Other income		12,638	10,666	14,693	13,261
<b>Total</b>		<b>20,936</b>	<b>18,332</b>	<b>23,270</b>	<b>21,188</b>

### 5. Investment income

		Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Investment income on endowments	21	85	11	105	10
Other investment income		635	571	930	848
<b>Total</b>		<b>720</b>	<b>582</b>	<b>1,035</b>	<b>858</b>

### 6. Donations and endowments

		Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
New endowments	21	30	-	110	-
Donations with restrictions	22	989	-	895	-
Unrestricted donations		149	-	110	-
<b>Total</b>		<b>1,168</b>	<b>-</b>	<b>1,115</b>	<b>-</b>

# Notes to the Financial Statements

## 7. Staff costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Salaries	82,332	68,803	83,498	70,434
Social security costs	8,181	6,955	8,455	7,246
Movement on USS provision	94	94	(23)	(23)
Other pension costs	18,072	15,486	16,007	13,574
<b>Total</b>	<b>108,679</b>	<b>91,338</b>	<b>107,937</b>	<b>91,231</b>

	Year ended 31 July 2018 £'000s	Year ended 31 July 2017 £'000s
<b>Emoluments of the Vice-Chancellor:</b>		
Salary	225	225
Benefits	3	3
	<b>228</b>	<b>228</b>

### Remuneration of other higher paid staff, excluding employer's pension contributions:

	Number	Number
£100,000 to £109,999	1	1
£110,000 to £119,999	2	1
£120,000 to £129,999	-	-
£130,000 to £139,999	-	3
£140,000 to £149,999	1	-
£150,000 to £159,999	-	-
£160,000 to £169,999	-	-
£170,000 to £179,999	-	-
£180,000 to £189,999	1	-
	<b>5</b>	<b>5</b>

### Average staff numbers by major category:

	Number	Number
Academic Departments	1,173	1,194
Academic Services	324	340
Residences, Catering and Conferences	74	80
Premises	74	84
Administration and Central Services	415	436
	<b>2,060</b>	<b>2,134</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel.

	Year ended 31 July 2018 £'000s	Year ended 31 July 2017 £'000s
<b>Key management personnel compensation</b>	<b>851</b>	<b>938</b>

## Notes to the Financial Statements

### 8. Interest and other finance costs

Notes	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Loan interest	3,279	2,935	3,428	3,078
Net charge on pension schemes	3,524	3,186	2,901	2,639
<b>Total</b>	<b>6,803</b>	<b>6,121</b>	<b>6,329</b>	<b>5,717</b>

### 9. Analysis of total expenditure by activity

Consolidated	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Restated Consolidated £'000s	Restated University £'000s
Academic departments	78,194	64,451	79,062	65,059
Academic services	18,210	16,509	19,498	18,001
Research grants and contracts	4,538	4,538	4,605	4,605
Residences, catering and conferences	6,030	5,436	6,367	5,786
Premises	24,903	20,544	24,796	20,587
Administration and central services	30,025	25,455	31,163	26,642
Consulting, training and commercial activities	3,788	-	4,174	-
Other expenses	10,946	12,180	5,017	6,978
<b>Total</b>	<b>176,634</b>	<b>149,113</b>	<b>174,682</b>	<b>147,658</b>

#### Other operating expenses include:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
External auditors remuneration in respect of audit services	79	54	84	63
External auditors remuneration in respect of non-audit services	9	3	39	13
<b>Operating lease rentals</b>				
Land and buildings	622	517	537	434
Other	103	27	112	31

### 10. Exceptional Items

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Restructuring costs	-	-	(2,114)	(2,114)
Impairment of Fixed Assets	(3,000)	(3,000)	-	-
Caerleon closure costs	-	-	(1,414)	(1,414)
<b>Total</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,528)</b>	<b>(3,528)</b>

Exceptional items have been recognised in the Financial Statements relating to the further impairment of the Caerleon Campus.



# Notes to the Financial Statements

## 11. Taxation

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Research and Development Expenditure Credit (RDEC)	12	-	399	375
<b>Total</b>	<b>12</b>	<b>-</b>	<b>399</b>	<b>375</b>

## 12. Intangible assets

	Software £'000	Consolidated Assets in the Course of Construction £'000	Total £'000s	Software £'000	University Assets in the Course of Construction £'000	Total £'000s
<b>Cost</b>						
At 1 August 2017	1,613	-	1,613	1,503	-	1,503
Additions	61	-	61	-	-	-
Transfers	-	-	-	-	-	-
<b>At 31 July 2018</b>	<b>1,674</b>	<b>-</b>	<b>1,674</b>	<b>1,503</b>	<b>-</b>	<b>1,503</b>
<b>Accumulated Amortisation</b>						
At 1 August 2017	243	-	243	166	-	166
Charge for the year	176	-	176	151	-	151
<b>At 31 July 2018</b>	<b>419</b>	<b>-</b>	<b>419</b>	<b>317</b>	<b>-</b>	<b>317</b>
<b>Net book value at 31 July 2018</b>	<b>1,255</b>	<b>-</b>	<b>1,255</b>	<b>1,186</b>	<b>-</b>	<b>1,186</b>
Net book value at 31 July 2017	1,370	-	1,370	1,337	-	1,337

## 13. Tangible Fixed Assets

	Freehold Land and Buildings £'000	Plant and Machinery £'000s	Fixtures & Fittings £'000s	Assets in the Course of Construction £'000s	Total £'000s
<b>Consolidated</b>					
<b>Cost</b>					
At 1 August 2017	330,612	42,201	21,925	12,251	406,989
Additions	5,915	8,643	3,418	1,928	19,904
Transfers	9,796	1,373	187	(11,356)	-
Disposals	-	(6,170)	(1,388)	-	(7,558)
<b>At 31 July 2018</b>	<b>346,323</b>	<b>46,047</b>	<b>24,142</b>	<b>2,823</b>	<b>419,335</b>
<b>Consisting of valuation as at:</b>					
31 July 2018	2,684	-	-	-	2,684
Cost	343,639	46,047	24,142	2,823	416,651
	<b>346,323</b>	<b>46,047</b>	<b>24,142</b>	<b>2,823</b>	<b>419,335</b>
<b>Accumulated Depreciation</b>					
At 1 August 2017	99,205	36,079	16,375	-	151,659
Charge for the year	7,193	3,048	1,503	-	11,744
Impairment	3,000	-	-	-	3,000
Disposal	-	(6,079)	(1,295)	-	(7,374)
<b>At 31 July 2018</b>	<b>109,398</b>	<b>33,048</b>	<b>16,583</b>	<b>-</b>	<b>159,029</b>
<b>Net book value at 31 July 2018</b>	<b>236,925</b>	<b>12,999</b>	<b>7,559</b>	<b>2,823</b>	<b>260,306</b>
Net book value at 31 July 2017	231,407	6,122	5,550	12,251	255,330

## Notes to the Financial Statements

### 13. Fixed Assets (continued)

University	Freehold Land and Buildings £'000	Plant and Machinery £'000s	Fixtures & Fittings £'000s	Assets in the Course of Construction £'000s	Total £'000s
<b>Cost</b>					
At 1 August 2017	267,346	31,629	17,377	12,251	328,603
Additions	5,543	7,863	2,824	1,928	18,158
Transfers	9,796	1,373	187	(11,356)	-
Disposals	-	(6,154)	(1,388)	-	(7,542)
<b>At 31 July 2018</b>	<b>282,685</b>	<b>34,711</b>	<b>19,000</b>	<b>2,823</b>	<b>339,219</b>
<b>Consisting of valuation as at:</b>					
Cost	282,685	34,711	19,000	2,823	339,219
	<b>282,685</b>	<b>34,711</b>	<b>19,000</b>	<b>2,823</b>	<b>339,219</b>
<b>Accumulated Depreciation</b>					
At 1 August 2017	89,285	26,859	13,266	-	129,410
Charge for the year	6,117	2,283	826	-	9,226
Impairment	3,000	-	-	-	3,000
Disposals	-	(6,066)	(1,295)	-	(7,361)
<b>At 31 July 2018</b>	<b>98,402</b>	<b>23,076</b>	<b>12,797</b>	<b>-</b>	<b>134,275</b>
<b>Net book value at 31 July 2018</b>	<b>184,283</b>	<b>11,635</b>	<b>6,203</b>	<b>2,823</b>	<b>204,944</b>
Net book value at 31 July 2017	178,061	4,770	4,111	12,251	199,193

Cumulative interest capitalised during the course of construction amounted to £nil (2017 £nil). Interest capitalised in the year amounted to £nil (2017 £nil).

#### Impairment

In October 2018, the Newport Council Planning Committee voted to reject the hybrid application for the redevelopment of the Caerleon site. The impaired asset within the Financial Statements was valued with planning permission and given this recent change, Caerleon has been revalued and a further impairment has been accounted for to the value of £3m (note 10).

#### Freehold land and buildings

Land and buildings were revalued at 31 July 1998 and this valuation is reflected in the opening balance figures, except for land which was revalued as at 1 August 2014. All other fixed assets are shown at cost, and depreciated in line with the accounting policies. As a result of the Education Reform Act 1988, the freehold interest in land and buildings occupied by the University and the title to other assets were formally transferred to the University at the date of incorporation. The valuation at 31 July 1998 was undertaken by Messrs Cooke & Arkwright, Chartered Surveyors. The basis of capitalisation was depreciated replacement cost, other than for local domestic premises the University acquired and converted to office space, where open market valuation was used. The valuation of land at 1 August 2014 was also undertaken by Messrs Cooke & Arkwright, Chartered Surveyors.

#### "Exchequer funded"

Included in land and buildings are certain Exchequer Funded assets. Under the terms of the Financial Memorandum of Assurance and Accountability between the Higher Education Funding Council of Wales and the University, net proceeds from the disposal of Exchequer Funded assets are subject to a line which may require the net proceeds, or part thereof, to be remitted to the Higher Education Funding Council for Wales.

# Notes to the Financial Statements

## 14. Non-current Investments

	Subsidiary Companies £'000s	Total £'000s
<b>Consolidated</b>		
At 1 August 2017 and 31 July 2018	-	-
<b>University</b>	£'000s	£'000s
At 1 August 2017 and 31 July 2018	2,256	2,256
<b>Other non-current investments consist of:</b>		University £'000s
USW Commercial Services Limited		50
University of Wales, Newport Enterprises Limited		200
Merthyr Tydfil College Limited		2,004
RWCMD Limited		1
Springdoor Limited (dormant)		1
<b>Total</b>		<b>2,256</b>

## 15. Inventory

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Inventory	144	81	112	69
<b>Total</b>	<b>144</b>	<b>81</b>	<b>112</b>	<b>69</b>

## 16. Trade and Other Receivables

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
<b>Amounts falling due within one year:</b>				
Trade receivables	3,349	2,660	3,219	2,754
Other receivables	724	-	303	-
Prepayments and accrued income	5,642	5,140	7,282	6,517
Amounts due from subsidiary companies	-	1,666	-	1,895
<b>Total</b>	<b>9,715</b>	<b>9,466</b>	<b>10,804</b>	<b>11,166</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.



## Notes to the Financial Statements

### 17. Investments

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Short term investment in shares	2,413	459	2,158	233
Short term bonds	30,812	29,098	438	73
Short term deposits	37,566	34,457	12,961	12,961
<b>Total</b>	<b>70,791</b>	<b>64,014</b>	<b>15,557</b>	<b>13,267</b>

Deposits are held with banks and building societies licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 1.31% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 133 days. The fair value of these deposits was not materially different from the book value.

### 18. Creditors: amounts falling due within one year

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Bank loans – secured	149	-	142	-
Bank loans – unsecured	3,617	3,284	3,204	3,204
Trade payables	9,315	9,102	6,065	5,716
Accruals and deferred income	24,428	19,332	29,428	23,736
Amounts owed to group undertakings	-	1,041	-	3,114
<b>Total</b>	<b>37,509</b>	<b>32,759</b>	<b>38,839</b>	<b>35,770</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

#### Deferred income

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

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Research grants received on account	1,654	1,654	5,835	5,835
Grant income	11,873	10,618	10,450	8,386
Other income	1,725	1,330	3,092	2,631
<b>Total</b>	<b>15,252</b>	<b>13,602</b>	<b>19,377</b>	<b>16,852</b>

# Notes to the Financial Statements

## 19. Creditors: amounts falling due after more than one year

	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Deferred income	48,802	15,881	47,744	14,574
Unsecured loans	54,496	51,079	58,114	54,364
Secured loans	6,241	-	6,390	-
<b>Total</b>	<b>109,539</b>	<b>66,960</b>	<b>112,248</b>	<b>68,938</b>

### Analysis of secured and unsecured loans:

Due within one year or on demand	3,766	3,284	3,346	3,204
Due between one and two years	4,074	3,377	3,766	3,284
Due between two and five years	11,359	7,966	12,747	10,004
Due in five years or more	45,304	39,736	47,991	41,076
Due after more than one year	60,737	51,079	64,504	54,364
<b>Total secured and unsecured loans</b>	<b>64,503</b>	<b>54,363</b>	<b>67,850</b>	<b>57,568</b>

Included in loans are the following:

	Lender	31 July 2018 Amount £'000s	31 July 2017 Amount £'000s	Term	Interest Rate %	Borrower
<b>Unsecured Bank loans</b>						
	Lloyds plc	16,284	17,655	20	5	University
	Lloyds plc	13,643	13,868	32	5	University
	Lloyds plc	3,841	3,968	30	5	University
	Lloyds plc	3,528	3,599	33	5	University
	Santander	15,267	16,067	25	6	University
<b>Total unsecured Bank loans</b>		<b>52,563</b>	<b>55,157</b>			
<b>Bank loans secured on land and buildings</b>	Barclays Bank	6,390	6,532	33	5	Subsidiary
<b>Other</b>	HEFCW	1,800	2,400	-	-	University
	HEFCW	3,750	3,750	-	-	Subsidiary
	Salix Finance Ltd	-	11	-	-	University
<b>Total</b>		<b>64,503</b>	<b>67,850</b>			

## Notes to the Financial Statements

20. Provisions for liabilities	Obligation to Fund Deficit on USS Pension £'000s	Pension Enhancements on Termination £'000s	Defined Benefit Obligations (Note 26) £'000s	Total Pensions Provisions £'000s	Total Other Provisions £'000s
<b>Consolidated</b>					
At 1 August 2017	75	8,378	130,313	138,766	6,672
Utilised in year	-	(1,138)	(6,547)	(7,685)	(1,619)
Additions	94	371	(13,439)	(12,974)	3,276
<b>At 31 July 2018</b>	<b>169</b>	<b>7,611</b>	<b>110,327</b>	<b>118,107</b>	<b>8,329</b>

	Obligation to Fund Deficit on USS Pension £'000s	Pension Enhancements on Termination £'000s	Pension Scheme Provision Under FRS 102 (Note 26) £'000s	Total Pensions Provisions £'000s	Total Other Provisions £'000s
<b>University</b>					
At 1 August 2017	75	7,434	117,689	125,198	6,173
Utilised in year	-	(1,076)	(6,076)	(7,152)	(1,431)
Additions	94	371	(12,726)	(12,261)	3,274
<b>At 31 July 2018</b>	<b>169</b>	<b>6,729</b>	<b>98,887</b>	<b>105,785</b>	<b>8,016</b>

### Provisions

The Provisions are primarily for deficits relating to defined benefit schemes, accounted for under FRS102. The provisions are also for ongoing costs of restructuring, and also relate to an actuarial assessment of the future pension costs that will fall upon the University in respect of those former members of staff who have opted for voluntary early retirement or voluntary redundancy. In calculating the liabilities of the unfunded scheme, the key assumptions used by the actuaries are consistent with Note 26.

In addition, a further provision has been made in respect of accrued holiday pay entitlement under FRS102, and for the ongoing closure costs relating to the Caerleon Campus.

### USS Deficit

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



# Notes to the Financial Statements

## 21. Income and Expenditure Reserve – Endowment Reserve

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000s	Year to 31 July 2018 Total £'000s	Year to 31 July 2017 Total £'000s
<b>Consolidated</b>				
<b>Balances at 1 August</b>				
Capital	674	1,869	2,543	2,240
Accumulated income	476	174	650	610
	<b>1,150</b>	<b>2,043</b>	<b>3,193</b>	<b>2,850</b>
New endowments	-	30	30	110
Investment income	22	63	85	105
Expenditure	(27)	(66)	(93)	(65)
Increase in market value of investments	20	75	95	193
<b>Total endowment comprehensive income for the year</b>	<b>15</b>	<b>102</b>	<b>117</b>	<b>343</b>
<b>At 31 July</b>	<b>1,165</b>	<b>2,145</b>	<b>3,310</b>	<b>3,193</b>
<b>Represented by:</b>				
Capital	694	1,974	2,668	2,543
Accumulated income	471	171	642	650
	<b>1,165</b>	<b>2,145</b>	<b>3,310</b>	<b>3,193</b>
<b>Analysis by type of purpose:</b>				
Lectureships	768	-	768	766
Scholarships and bursaries	397	2,145	2,542	2,427
	<b>1,165</b>	<b>2,145</b>	<b>3,310</b>	<b>3,193</b>
<b>Analysis by asset</b>				
Current asset investments			2,745	2,611
Cash and cash equivalents			565	582
			<b>3,310</b>	<b>3,193</b>

The majority of donations received during the year by the Group and the University were from bequests.

## Notes to the Financial Statements

21. Income and Expenditure Reserve – Endowment Reserve (continued)	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000s	Year to 31 July 2018 Total £'000s	Year to 31 July 2017 Total £'000s
<b>University</b>				
<b>Balances at 1 August</b>				
Capital	321	-	321	307
Accumulated income	445	-	445	440
	<b>766</b>	<b>-</b>	<b>766</b>	<b>747</b>
New endowments	-	-	-	-
Investment income	11	-	11	10
Expenditure	(17)	-	(17)	(5)
Increase in market value of investments	8	-	8	14
<b>Total endowment comprehensive income for the year</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>19</b>
<b>At 31 July</b>	<b>768</b>	<b>-</b>	<b>768</b>	<b>766</b>
<b>Represented by:</b>				
Capital	329	-	329	321
Accumulated income	439	-	439	445
	<b>768</b>	<b>-</b>	<b>768</b>	<b>766</b>
<b>Analysis by type of purpose:</b>				
Lectureships	768	-	768	766
Scholarships and bursaries	-	-	-	-
	<b>768</b>	<b>-</b>	<b>768</b>	<b>766</b>
<b>Analysis by asset</b>				
Current asset investments			329	321
Cash and cash equivalents			439	445
			<b>768</b>	<b>766</b>

22. Income and Expenditure Reserve – Restricted Reserve	Donations £'000s	Year to 31 July 2018 Total £'000s	Year to 31 July 2017 Total £'000s
Reserves with restrictions are as follows:			
<b>Balances at 1 August</b>	836	836	785
New donations	989	989	895
Expenditure	(936)	(936)	(844)
<b>Total restricted comprehensive income for the year</b>	<b>53</b>	<b>53</b>	<b>51</b>
<b>At 31 July</b>	<b>889</b>	<b>889</b>	<b>836</b>

# Notes to the Financial Statements

23. Cash and Cash Equivalents	Consolidated			University		
	At 1 August 2017 £'000s	Cash Flows £'000s	At 31 July 2018 £'000s	At 1 August 2017 £'000s	Cash Flows £'000s	At 31 July 2018 £'000s
Short term bonds	41,456	(34,460)	6,996	39,295	(34,043)	5,252
Short term deposits	25,031	(16,967)	8,064	21,754	(15,671)	6,083
Cash at Bank and in hand	7,534	2,796	10,330	3,068	3,208	6,276
<b>Total</b>	<b>74,021</b>	<b>(48,631)</b>	<b>25,390</b>	<b>64,117</b>	<b>(46,506)</b>	<b>17,611</b>

24. Capital and Other Commitments	At 31 July 2018		At 31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Provision has not been made for the following capital commitments at 31 July 2018:				
Commitments contracted for	-	-	10,309	10,309
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10,309</b>	<b>10,309</b>

25. Lease Obligations	At 31 July 2018			At 31 July 2017	
	Land and Buildings £'000s	Plant and Machinery £'000s	Other Leases £'000s	Total £'000s	Total £'000s
Total rentals payable under operating leases:					
<b>Consolidated</b>					
Payable during the year	622	103	27	752	678
Future minimum lease payments due:					
Not later than 1 year	628	109	31	768	719
Later than 1 year and not later than 5 years	2,290	472	2	2,764	2,627
Later than 5 years	1,394	1,829	-	3,223	3,557
<b>Total lease payments due</b>	<b>4,312</b>	<b>2,410</b>	<b>33</b>	<b>6,755</b>	<b>6,903</b>

	At 31 July 2018			At 31 July 2017	
	Land and Buildings £'000s	Plant and Machinery £'000s	Other Leases £'000s	Total £'000s	Total £'000s
Total rentals payable under operating leases:					
<b>University</b>					
Payable during the year	517	-	27	544	465
Future minimum lease payments due:					
Not later than 1 year	520	-	31	551	507
Later than 1 year and not later than 5 years	1,838	-	2	1,840	1,735
Later than 5 years	1,275	-	-	1,275	1,373
<b>Total lease payments due</b>	<b>3,633</b>	<b>-</b>	<b>33</b>	<b>3,666</b>	<b>3,615</b>



## Notes to the Financial Statements

### 26. Pension Schemes

The Group participates in three principal defined benefit pension schemes. Details of the schemes are as follows:-

- Teachers' Superannuation Scheme (TSS)
- Universities' Superannuation Scheme (USS)
- Rhondda Cynon Taff County Borough Council Pension Fund (RCTPF)

All three schemes are contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds. However, as explained below, due to the nature of each scheme the TSS and USS are accounted for as defined contribution schemes and the RCTPF as a defined benefit scheme.

#### (a) The Teachers' Superannuation Scheme (TSS)

The TSS is a contributory "sector-wide" scheme for academic staff administered by the Teacher's Pension Agency on behalf of the Department for Education and Skills. The scheme, which does not have a fund but instead operates on a "pay-as-you-go" basis, is subject to actuarial valuation every five years for the purpose of determining the "sector-wide" contribution rates. The latest actuarial valuation of the scheme was as at 31 March 2012. The cost of pension increases is currently excluded from the valuation and neither employees nor employers contribute to this added value to the employee, which is met by the Exchequer.

The contribution rate during the year was 16.4%.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the Consolidated Statement of Comprehensive Income and Expenditure is equal to the contributions payable to the scheme for the year.

#### (b) The Universities' Superannuation Scheme (USS)

The University participates in the USS, a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' 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 FRS 102(28) "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The appointment of directors to the board of the trustee 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 latest triennial actuarial valuation of the scheme was at 31 March 2014. This was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

# Notes to the Financial Statements

## 26. Pension Schemes (continued)

### (b) The Universities' Superannuation Scheme (USS) (continued)

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2018	2017
Discount rate	2.64%	2.57%
Pension increases (CPI)	2.02%	2.41%

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

Male members' mortality 96.5% of SAP S1NMA ["light"] YoB tables – No age rating

Female members' mortality 101.3% of RFV00 ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2016 projections of a long term improvement rate of 1.8% pa for males and 1.6% pa for females were adopted. The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	63.6bn	60.0bn
Total scheme liabilities	72.0bn	77.5bn
FRS 102 total scheme deficit	8.4bn	17.5bn
FRS 102 total funding level	88%	77%

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

## Notes to the Financial Statements

### 26. Pension Schemes (continued)

#### (c) Rhondda Cynon Taff County Borough Council Pension Fund

##### Funding Valuation

This scheme provides benefits for non-academic staff based on final pensionable salary. The scheme is valued every three years as required under Regulation 77(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612). The latest valuation was undertaken by independent consulting actuaries as at 31 March 2016.

Under the definitions set out in FRS 102, the Local Government Pension Scheme is a multi employer defined benefit pension scheme. In the case of the LGSS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2018. The University employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2018.

##### FRS102

In accordance with the requirements of Financial Reporting Standard 102, the independent consulting actuaries updated the results of the March 2016 actuarial valuation in order to ascertain the valuation of the "sub-funds" in the scheme at 31 July 2018.

The major assumptions used by the actuary in this respect were:

	2018 %	2017 %	2016 %
Rate of increase in salaries	3.30	3.30	2.75
Rate of increase in pensions in payment	2.30	2.30	1.75
Discount rate	2.75	2.75	2.60
CPI Inflation assumption	2.30	2.30	1.75
RPI Inflation assumption	3.40	3.40	2.75

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

	2018	2017
<b>Retiring today</b>		
Males	22.1	22.2
Females	24.0	24.1
<b>Retiring in 20 years</b>		
Males	23.8	23.9
Females	25.8	25.9

The University assets in the scheme and the expected rate of return were:

	Value at 31 July 2018 £'000s	Value at 31 July 2017 £'000s	Value at 31 July 2016 £'000s
Equities	164,888	152,773	132,298
Gilts	28,749	17,620	18,126
Bonds	25,422	20,143	21,302
Property	12,830	11,466	11,212
Cash	5,702	3,117	3,923
	<b>237,591</b>	<b>205,119</b>	<b>186,861</b>



# Notes to the Financial Statements

## 26. Pension Schemes (continued)

The Consolidated assets in the scheme and the expected rate of return were:

	Value at 31 July 2018	Value at 31 July 2017	Value at 31 July 2016
	£'000s	£'000s	£'000s
Equities	180,652	167,857	145,098
Gilts	31,497	19,359	19,879
Bonds	27,853	22,132	23,363
Property	14,056	12,598	12,296
Cash	6,247	3,426	4,305
	260,305	225,372	204,941

The following amounts at 31 July 2018 were measured in accordance with the requirements of FRS 102.

### Analysis of the amount shown in the University balance sheet

	31 Jul 2018 £'000s	31 Jul 2017 £'000s	31 Jul 2016 £'000s	31 Jul 2015 £'000s	31 Jul 2014 £'000s
Estimated share of assets	237,591	205,119	186,861	166,084	145,354
Present value of scheme liabilities	(336,477)	(322,808)	(290,606)	(247,174)	(213,394)
Deficit in the scheme – net pension liabilities	(98,886)	(117,689)	(103,745)	(81,090)	(68,040)

### Analysis of the amount shown in the Consolidated balance sheet

	31 Jul 2018 £'000s	31 Jul 2017 £'000s	31 Jul 2016 £'000s	31 Jul 2015 £'000s	31 Jul 2014 £'000s
Estimated share of assets	260,305	225,372	204,941	181,774	158,704
Present value of scheme liabilities	(370,633)	(355,685)	(319,036)	(270,774)	(233,244)
Deficit in the scheme – net pension liabilities	(110,328)	(130,313)	(114,095)	(89,000)	(74,540)

### Analysis of the amount charged to staff costs within the operating surplus

	31 July 2018		31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Current service cost	10,765	9,278	10,268	8,973
Past service cost	1,061	1,061	161	136
	11,826	10,339	10,429	9,109

## Notes to the Financial Statements

### 26. Pension Schemes (continued)

#### Analysis of the amount that is charged to interest payable

	31 July 2018		31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Interest income on pension scheme assets	(6,203)	(5,643)	(5,346)	(4,870)
Interest on pension scheme liabilities	9,725	8,827	8,247	7,509
Net charge	3,522	3,184	2,901	2,639

#### Analysis of the amount recognised in Statement of Comprehensive Income

	31 July 2018		31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Actual return less expected return on pension scheme assets	27,218	25,588	13,547	12,347
Experience gains/(losses) arising on scheme liabilities	1,414	805	(21,797)	(19,284)
Actuarial gain/(loss)	28,632	26,393	(8,250)	(6,937)

#### The movement in the University's and Consolidated deficit during the year is made up as follows:

	31 July 2018		31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Deficit on scheme at 1 August	(130,313)	(117,689)	(114,095)	(103,745)
Movement in year:				
- current service cost	(10,932)	(9,422)	(10,438)	(9,122)
- past service cost	(1,061)	(1,061)	(161)	(136)
- contributions	6,867	6,076	5,532	4,890
- other finance charge	(3,522)	(3,184)	(2,901)	(2,639)
- actuarial gain/(loss)	28,632	26,393	(8,250)	(6,937)
Deficit on scheme at 31 July	(110,329)	(98,887)	(130,313)	(117,689)

#### Analysis of the movement in the present value of the scheme liabilities

	31 July 2018		31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
At beginning of the year	355,685	322,808	319,036	290,606
Current Service Cost	10,765	9,278	10,268	8,973
Past service cost	1,061	1,061	161	136
Interest Cost	9,725	8,827	8,247	7,509
Contributions by scheme participants	2,261	1,960	2,352	2,060
Actuarial gains and losses	(1,414)	(805)	21,797	19,284
Benefits paid	(7,450)	(6,652)	(6,176)	(5,760)
At end of the year	370,633	336,477	355,685	322,808

# Notes to the Financial Statements

## 26. Pension Schemes (continued)

### Analysis of the movement in the market value of the scheme assets

	31 July 2018		31 July 2017	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
At beginning of the year	225,372	205,119	204,941	186,861
Expected rate of return on scheme assets	6,203	5,643	5,346	4,870
Actuarial gains and losses	27,218	25,588	13,547	12,347
Contributions by scheme participants	2,261	1,960	2,352	2,060
Contributions by the Employer	6,867	6,076	5,532	4,890
Benefits paid	(7,449)	(6,651)	(6,176)	(5,760)
Administrative expenses	(167)	(144)	(170)	(149)
At end of the year	260,305	237,591	225,372	205,119

The University's experience gains and losses for the years ended 31 July were as follows:

	31 Jul 2018	31 Jul 2017	31 Jul 2016	31 Jul 2015	31 Jul 2014
<b>Difference between the expected and actual return on scheme assets</b>					
Amount £'000s	25,588	12,347	14,467	12,380	(2,040)
Percentage of scheme assets	10.8%	6.0%	7.7%	7.5%	(1.4)%
<b>Experienced gains and losses on scheme liabilities</b>					
Amount £'000s	805	(19,284)	(31,794)	(21,450)	5,240
Percentage of present value of scheme liabilities	0.2%	(6.0)%	(10.9)%	(8.7)%	2.5%
<b>Total amount recognised in the statement of comprehensive income</b>					
Amount £'000s	26,393	(6,937)	(17,327)	(9,070)	3,200
Percentage of present value of scheme liabilities	7.8%	(2.1)%	(6.0)%	(3.7)%	1.5%



## Notes to the Financial Statements

### 26. Pension Schemes (continued)

The Consolidated experience gains and losses for the years ended 31 July were as follows:

	31 Jul 2018	31 Jul 2017	31 Jul 2016	31 Jul 2015	31 Jul 2014
<b>Difference between the expected and actual return on scheme assets</b>					
Amount £'000s	27,218	13,547	15,847	13,540	(1,430)
Percentage of scheme assets	10.5%	6.0%	7.7%	7.4%	(0.9)%
<b>Experience gains and losses on scheme liabilities</b>					
Amount £'000s	1,414	(21,797)	(34,974)	(23,530)	4,020
Percentage of present value of scheme liabilities	0.4%	(6.1)%	(11.0)%	(8.7)%	1.7%
<b>Total amount recognised in the statement of comprehensive income</b>					
Amount £'000s	28,632	(8,250)	(19,127)	(9,990)	2,590
Percentage of present value of scheme liabilities	7.7%	(2.3)%	(6.0)%	(3.7)%	1.1%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £23,005,000 (2017 £51,637,000).

The estimate for contributions for the defined benefit scheme for the year ending 31 July 2018 is £7,113,000.

The actual return on scheme assets in the year was £33,421,000 (2017 £18,893,000).

# Notes to the Financial Statements

## 27. Related Party Transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is likely that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Organisation	Individual Board Member	31 July 2018		31 July 2017	
		Expenditure £'000s	Creditor £'000s	Expenditure £'000s	Creditor £'000s
Hugh James Solicitors	Gareth Williams	-	-	1	-
IRG Advisors	Jemma Terry	42	-	68	16
Agored Cymru	Dr John Graystone	11	-	2	13
University of South Wales' Students' Union	Jonathan Jones	1,272	-	1,188	-

## 28. Audit Exemption

For the year ending 31 July 2018 a subsidiary of the University, namely University of Wales, Newport Enterprises Limited was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. All members of the subsidiary company agree to the exemption in respect of the financial year to 31 July 2018. The parent guarantees the liabilities of the subsidiary under section 479C of the Companies Act 2006 in respect of the financial year to 31 July 2018.

The directors of the subsidiary acknowledge their responsibilities for complying with the requirements of the act with respect to accounting records, and the preparation of accounts.

## 29. Post Balance Sheet Events

### Tydfil Training Company Limited

On 1 August 2018, the College acquired Tydfil Training Company Limited, a charitable company engaged primarily in the provision of work based learning training. In addition the organisation delivers other educational and employment related contracts for organisations such as Department for Work and Pensions, Merthyr Tydfil County Borough Council, WCVA and the Princes Trust.

Tydfil Training Company's turnover for the year ended 31 July 2018 was some £948,000 and its net assets acquisition, as recorded in the draft accounts were some £850,000. Since acquisition the College and Tydfil Training Company management teams have been working together to maximise the benefits available to both parties. By combining our resources and skills, it will give the new body the greatest potential to maximise the offer from the newly commissioned "Working Wales" contract.

### Local Government Pension Scheme

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. We are working with the trustees of our pension schemes, and our actuarial and legal advisers, to understand the extent to which the judgment crystallises additional liabilities for the Local Government pension scheme. We estimate this could be £320,000 and any adjustment necessary is expected to be recognised in the Statement of Comprehensive Income during 2018/19.

## Notes to the Financial Statements

### 30. Interests in Group Undertakings

The University of South Wales has the following wholly owned subsidiary companies, all of which are registered in England and Wales:

Royal Welsh College of Music & Drama Limited  
Merthyr Tydfil College Limited  
USW Commercial Services Limited  
USW Services Limited  
University of Wales, Newport Enterprises Limited\*  
Allied Aspects Limited\*  
Glamorgan Environmental Research Limited\*  
Springdoor Limited\*  
Glamorgan Accommodation III Limited\*  
All Wales Business School Limited\*  
E College Wales Limited\*  
Enterprise College Wales Limited\*  
Glamorgan Online Limited\*  
USW Professional and Support Services Limited\*  
Glamorgan Metropolitan Limited\*  
Cardiff Metropolitan Limited\*  
Cardiff/Glamorgan Metropolitan Limited\*  
Caerleon and Newport Enterprises Limited (CANE)\*  
USW Enterprises Limited\*  
MC452 Limited\*

\*Denotes dormant company during the year to 31 July 2018.







For further information, contact:

**University of South Wales**  
**Pontypridd | Wales | CF37 1DL**  
**Call: 03455 76 01 01**  
**Visit: [www.southwales.ac.uk](http://www.southwales.ac.uk)**

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