



UNIVERSITY of
BRADFORD

Financial Statements

For the
year ended
31 July 2018



Contents

External Advisors	2
Membership of Council	3
Operating and Financial Review for the Year Ended July 31 2018	3
Aims and Objectives	3
Scope of Financial Statements	3
Context	3
University Strategy 2015-2025	3
Public Benefit	4
Review of the Year	5
Corporate and Social Responsibility	10
Financial Highlights	10
Financial Outlook	12
Risk Management	12
Investment Policy	13
Statement of Corporate Governance and Internal Control	14
Corporate Governance	14
Statement of Primary Responsibilities	17
Independent Auditors' Report	18
Statement of Principal Accounting Policies	21
Definition of Terms	26
Consolidated Statement of Comprehensive Income	27
Consolidated and University Statement of Changes in Reserves	28
Consolidated and University Balance Sheets	29
Consolidated Statement of Cash Flows	30
Notes to the Accounts	31

The University of Bradford - **Confronting Inequality: Celebrating Diversity™**
The University of Bradford is committed to promoting equality, diversity and an inclusive and supportive environment for students, staff and others closely associated with the University in conformity with the provisions of its Charter.

We can arrange for this material to be transcribed into an accessible format such as Braille, large print, E-text (compatible with screen-reading software) or digital audio such as CD.

Please contact Finance on
01274 233128

External Advisers

External Auditors

PricewaterhouseCoopers LLP
29 Wellington Street
Leeds
LS1 4DL

Internal Auditors

RSM
Central Square
29 Wellington Street
Leeds
LS1 4DL

Legal Advisors

Eversheds LLP
Cloth Hall Court
Infirmary Street
Leeds
LS1 2JB

Mills & Reeve
78-84 Colmore Row
Birmingham
B3 2AB

Main Bank

Lloyds Bank
Bradford City Centre Branch
45 Hustlergate
Bradford
BD1 1NT

Membership of the Council

NAME	POSITION	END OF OFFICE
EX-OFFICIO:		
Baroness A Taylor	Chair of Council and Pro-Chancellor	2018
Mr R Clark	Pro-Chancellor and Treasurer	2018
Ms S Smith	Pro-Chancellor	2018
Professor B Cantor	Vice Chancellor	n/a
Mr B McCarthy	Deputy Vice-Chancellor, Operations	n/a
Professor S Congdon	Deputy Vice-Chancellor, Academic	n/a
MEMBERS:		
Ms S Ali	Co-opted lay member	2018
Mr K Bates	Co-opted lay member	2019
Mr C Chambers	Co-opted lay member	2020
Ms F Driscoll	Co-opted lay member	2018
Ms K England	Co-opted lay member	2018
Mr T Hartwell	Co-opted lay member	2018
Dr T Higgins	Co-opted lay member	2018
Mr C Kay	Co-opted lay member	2018
Ms S Neocosmos	Co-opted lay member	2020
Mr M Watkins	Co-opted lay member	2018
Mr M Bell	Appointed by the Court	2020
Dr P Anand	Appointed by Senate	2018
Dr P Bagley	Appointed by Senate	2020
Mr C Mudd	Appointed by Senate	2018
Professor C Oltean-Dumbrava	Appointed by Senate	2018
Ms Z Garba-Sani	UBU Sabbatical Officer	2018
Mr F Illyas	UBU Sabbatical Officer	2018
Mr M Pandor	Graduate of the University	2019
Ms J Beaumont	Non-academic staff member	2020

Operating and Financial Review for the Year Ended 31 July 2018

Aims and Objectives

The overall aim of the University is set out in its Charter. It is to:

- advance education and knowledge through teaching and research; and the application of knowledge to societal welfare and in particular teaching and research in technological, scientific, social and professional disciplines in an environment of equality and diversity;
- collaborate with industry, commerce the professions and other institutions;
- in addition to its national and international roles, have a particular commitment to the economic and educational well-being of the City of Bradford and the District and Region.

Scope of Financial Statements

The Council of the University of Bradford presents the financial results of the University, including its subsidiary companies DHEZ Ltd and Bradford Education Consulting (Beijing) Co. Ltd, for the year ended 31 July 2018. The results of Inprint & Design Limited, a joint venture between the University and Bradford College are also included.

Context

The University has almost 10,000 students; approximately 570 of these are based at overseas partner institutions, and just under 400 are distance learners, based either in the UK or abroad. Over 1,500 of the overall student population is postgraduate (the majority of distance learners are postgraduate students). The postgraduate population includes over 300 research students. Of the 8,860 students based at Bradford, 9% are part-time. The University is a strong local recruiter with 39% of students recruited in 2017-18 from the Bradford area. 89% of students are Home/EU resident students with the remaining 985 students from the Rest of the World.

Students were organised into five faculties in 2017-18: Engineering and Informatics, Health Studies, Life Sciences, Social Sciences, and Management and Law (the latter two faculties merged during 2017-18).

The University has just over 1,650 permanent staff, of which 28% are part-time. Of the total percentage, (34%) (568) are academic staff and 65% are other professional and support staff. The University plays a vital role educating people from the Bradford

district as well as elsewhere nationally and internationally, and is one of the city's major employers.

University Strategy 2015-2025

Our Strategy and associated Development Plan set out the broad ambitions of the University up to 2025. The Strategy sets out our vision, values, academic themes and objectives.

Our vision: a world-class technology university

The University of Bradford is a technology university with great strengths. We began as the Bradford Institute of Technology. Building on these foundations, our ambition is to be known as a world-class technology university, and a leader in:

- the creation of knowledge through fundamental and applied research;
- the dissemination of knowledge by teaching students from all backgrounds;
- the application of knowledge for the prosperity and well-being of people.

A broad definition of technology is that it is the application of knowledge to create value for people and society. Our motto which captures this applied nature of the university is "Making Knowledge Work". On the one hand, cutting-edge research underpins knowledge transfer into productive capacity, leading to the creation of new jobs. On the other hand, high-quality university teaching produces educated self-learners, whose career prospects are substantially enhanced.

We believe in doing research and teaching in vocational and professional subjects, to deliver economic development, job creation, and career opportunities for our students. Our strengths correspond well with this vision, in the physical sciences and engineering, life sciences and health services, management and business, and international relations, politics and societal impact.

Our values

Our values describe how we operate and how staff, students and visitors behave towards each other. Our values are:

- (a) we encourage participation and openness;
- (b) we encourage creativity and innovation;
- (c) we support academic freedom and respect the right to express diverse points of view;
- (d) we provide equal opportunities for all staff and students to achieve their full potential;

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

- (e) we apply the best ethical standards in everything we do.

Academic themes

Three overarching academic themes frame decisions about developments in teaching and learning, as well as research and knowledge transfer, and guide our business activities and partnerships. They are:

- (a) advanced healthcare;
- (b) innovative engineering;
- (c) sustainable societies.

Strategic objectives

The University of Bradford's strategy has four overarching objectives, which also shape our development:

- (a) excellence;
- (b) internationalisation;
- (c) equality and diversity;
- (d) sustainability.

Public benefit

The University of Bradford is an exempt charity under the terms of Charities Act 2011 and therefore is a public benefit entity. In setting and reviewing the University's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The University provides public benefit through delivery of our teaching of students at undergraduate and postgraduate level, by enhancing knowledge through our research and through effective transfer of knowledge to business and the community. The University is one of a small group of higher education institutions that are both highly research engaged as well as business and technology-focused, and benefits from commercialisation of research and knowledge transfer relationships. The University continues to provide the environment and support which lead to excellent graduate employment rates, and is regularly ranked highly for the proportion of our employed graduates obtaining professional and managerial jobs, after six months, in the Guardian League tables. In support of our access and student success aims, a wide range of scholarships and bursaries are available to enable participation by those students who would not otherwise be able to afford to study at the University,

resulting in a diverse population with significant proportions of ethnic minority, mature, disabled, and international students, amongst the highest for universities in the UK.

Our distinctiveness is integrally linked to delivering public benefit through acting in a socially responsible manner. This distinctive approach informs the way that we manage our impact upon society and the environment through our operations, teaching, research, knowledge transfer and other services, and through our interactions with key stakeholders such as our students and employees, our investors and funders, our partners, suppliers and our communities. Our expectations for a learning and working environment are based upon the principles of self-respect and tolerance, respecting and valuing difference, and promoting wellbeing. Recruiting high quality students and staff from diverse backgrounds and supporting them to become outstanding is a key feature of our approach to developing and sustaining excellence.

Education for sustainable development has been a key feature of the University's approach to curriculum design and we have developed curricula and pedagogy that have aimed to enhance graduates' capabilities to contribute to sustainable and just societies. We aim to develop further our approach to education for sustainable development with our strategic and operational partnerships across the professional, business and community sectors. Our aim is to promote a culture of ethical, sustainable, and socially responsible living, learning and working, within an environment that is free from unacceptable or unreasonable behaviour.

The University of Bradford is proud to be a part of the City of Bradford, the District and the City Region. We believe that through collaboration we can contribute positively to developing the City of Bradford and also the local and regional economy. Alongside being a University with an international perspective and a significant number of International students from all round the world, we are also a University with a comparatively high proportion of local students.

We create effective partnerships, both formal and informal, with stakeholders in the district in the voluntary, public and private sectors.

We provide significant leadership and support to the Bradford Pathway Programme, part

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

of our Access Agreement and our Science, Technology, Engineering and Mathematics (STEM) outreach. In many respects, we have turned what was a Higher Education Funding Council (HEFCE) funded programme (STEM at Bradford) into a sustainable outreach programme in collaboration with HE providers and Bradford Council. We are partners in 'Go Higher West Yorkshire' and work alongside them on a National Collaborative Outreach Programme. Playing a leading role in the Bradford Health and Social Care Economic Partnership is of paramount importance to the University and we continue to work in collaboration with Bradford Institute for Health Research (BIHR) to support Applied Health Research in Bradford. Gaining a prestigious Wolfson Grant alongside the Bradford NHS Teaching Hospital Trust and University of Leeds. We work closely with local partners in the health and private sector, through our company DHEZ Ltd, and through our DHEZ Academic unit, to stimulate innovation, skills and practice across the spectrum of a person's physical and mental wellbeing.

We participate with other education providers in the Bradford Opportunity Area initiative, designed to bring about a step change in the educational aspirations and achievements of young people in Bradford. Alongside Bradford Council we co-sponsor the University Academy Keighley and many of our staff are active as school governors, or as representatives in networks across the City, district and region. The University offers a programme of public lectures and exhibitions, all accessible to the community.

Review of the Year

At its core, the University's Strategy and Development Plan seeks to enhance and consolidate the University's position as a provider of high-quality teaching and learning, and world-class research with impact, making knowledge work for people, business and society.

2017/18 was a year which presented challenges to the University: this is reflected in our financial performance, and our plans for reform. The higher education environment continued to affect fundamental aspects of how we operate, fund our activities and recruit students. Like others in the sector, we must continually adapt to rapidly changing circumstances.

During the year the University therefore reviewed its overall strategy in the face of increasing competition with other higher education institutions, current government policy to increase marketisation and consumerism in the sector, the demographic dip in 18 year olds and actual enrolments for the year.

New student recruitment and, therefore, our total student population has been falling for several years, with recent improvements in home postgraduate numbers due to the introduction of the PGT loan being offset by further declines in undergraduate and international student recruitment in 2017-18. The University recruited 2,939 new full-time students in 2017-18 down from 3,145 the previous year.

The review resulted in the decision to scale back projections for future student numbers. We originally envisaged a period of growth in the size of the University, but our focus now is reshaping internally during the next 2 years, alongside seeking some modest expansion in international markets, in order to ensure financial viability and sustainability in the medium term.

Bradford Excellence Programme

The Bradford Excellence Programme (BEP) is our continuing transformational plan of action to enable us to achieve our short and long-term ambitions.

During the year we completed the delivery of the first and most substantial phase of the programme, which has enabled the University to build over £11 million of financial benefit into the annual budget through a mix of cost reduction and cost avoidance.

Following the review of the University Strategy, we decided to move into a second significant phase of activity to secure further financial benefits, quality and operational improvements.

This second phase - which was commenced during the year, but which will mainly have an impact in 2018-20 - has three major elements:

- Organisational restructure: reshaping of our Professional Services Directorates, and non-academic functions within faculties during 2018. This will remodel the University to create better alignment with projected student numbers, and bring our

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

proportion of support staff closer to sector norms. A concurrent Top Management Review will redistribute responsibilities and accountabilities amongst fewer senior managers;

- Recruitment: more targeted investment in international student recruitment in countries across the world where the University has a market advantage, as well as sustaining UK recruitment;
- Academic shape: reforming our future Bradford offer, concentrating on new interdisciplinary relevant courses, and including research, academic capability, student retention, and fundraising.

The University recognises the uncertainty that these changes have created for our staff, and acknowledges the dedication and commitment that colleagues have shown during the year in helping our students achieve great things.

Future Development

We were not successful in our bid to Government to establish a Bradford Medical School. However, we submitted a strong and innovative bid developed with our key NHS partner. Our proposal to offer an innovative curriculum, which would put our medical students in the heart of the communities they serve and open up access to those who would not previously have considered a career in medicine, is a strong proposition. We will therefore continue with our partners to pursue our ambition to set up Medical School.

The University Strategy continues to envisage major growth in inter-disciplinarity and partnership working. We have brought together the Faculty of Management & Law and the Faculty of Social Sciences. The new single faculty supports the joint strategic development of the two schools, through access to common learning and teaching facilities, and enhances inter-disciplinary collaboration.

The University will look for further opportunities to cultivate and enhance inter-disciplinary teaching, research and business engagement within existing areas of strength and new areas of provision. This will support collaboration across disciplines and functions in new, innovative and entrepreneurial ways that will enhance engagement within the University and with the student community. Delivering high quality professional and

vocational courses and applied research in the 21st Century will require major developments in inter-disciplinarity across all of our faculties.

University performance

The University has developed a suite of key performance indicators to measure delivery of its strategic objectives. These are considered by Council at each meeting. The latest version of these indicators are stated below (target = 2018):

	2016	2017	2018
NSS - Overall Satisfaction (target 82%)	83%	81%	78%

	2016-17 Intake	2017-18 Intake	2018-19 Intake
Average Tariff (undergraduate full-time home) (target 132)	132 (approximate equivalent)	135.4	127.9

	2015-16	2016-17	2017-18
Good honours (target 75.7%)	74.70%	77.30%	80.4%

	2014-15 graduates	2015-16 graduates	2016-17 graduates
Employed or in further study six months after graduating (UK undergraduates) (target 83%)	92%	93%	94%

	2015-16	2016-17	2017-18
Staff student ratio (target 16.7)	16.25	16.8	17

We recognise that some internal administrative changes we made during the year left some students less satisfied than we would wish. We shall continue to work closely with students and their representatives to identify and quickly resolve the root causes of their concerns.

Achievements and events

The University has moved up three places in the Guardian University Guide to be placed 72nd and has one subject featuring in the top 10 (Chemical Engineering, ranked 3rd), and two in the top 20

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

(Nursing and Midwifery, and Chemistry, ranking 14th and 18th respectively). Our Career Prospects also scored well moving up 10 places with a score of 80.5%, above the sector average of 73.5%.

Our School of Management remains part of an elite group of business schools worldwide with the triple-crown of accreditations - Association to Advance Collegiate Schools of Business (AACSB), Association of Master of Business Administration (AMBA) and European Quality Improvement System (EQUIS). Its Distance Learning MBA has been highly rated in the 2018 Financial Times online MBA world rankings, also ranked the best value for money in the world, fifth in the world for career progress and 14th in the world overall. The Financial Times also places the programme 3rd in the UK overall, and 1st in the UK for salary increase.

The University won a Chartered Institute of Marketing (CIM) Northern Marketing Awards in the Best Use of Creative category for the Virtual Experience as well as a CorpComms Digi Award for Best use of video with the "bold and brave" campaign "Don't go to Bradford" attracting more students to apply to the University by dispelling their myths about Bradford.

The Pharmacy curriculum team at the University was recognised nationally with a Collaborative Award for Teaching Excellence (CATE) from the Higher Education Academy. The award is given for their pioneering implementation of team based learning and their transformation of the student learning experience and Pharmacy education.

We were accredited as a provider of the Professional Higher Certificate in Glaucoma by the College of Optometrists. The course aims to prepare optometrists to diagnose ocular hypertension, to make a preliminary diagnosis of chronic open angle glaucoma, and to monitor patients with diagnosed ocular hypertension on treatment or in the absence of a management plan.

We were also recognised as one of the country's leading employers for our support of the Armed Forces, having been honoured at a special awards ceremony as part of the Government's Employer Recognition Scheme (ERS). The University was applauded for its flexible working practices and positive support for reservists, Cadet Force Adult Instructors, veterans and families of service personnel.

The University recognises the importance of its students' wellbeing and has received £31,500

to support mental health and wellbeing for postgraduate research students. The funding, which the University will match, has been awarded by the Higher Education Funding Council for England (HEFCE) and will support a project to improve support for the mental health and wellbeing of postgraduate research students.

High-impact research continues to emerge from the University with numerous papers published and receiving global media coverage. Bradford played a significant role in the largest study of ancient human DNA, revealing the complex story behind the 'Beaker' culture, one of the defining periods in European prehistory. Lost landscapes under both the North and Irish Sea were explored by our archaeologists in two ground-breaking expeditions and the discovery of a handprint in the Orkney Islands believed to be over 1000 years old provided an insight into the life of an ancient Pictish coppersmith.

Strong research continues to come out of the university's Psychology Department with researchers conducting one of the largest surveys of people's first memories, finding that nearly 40 per cent of people had a first memory which is fictional. Also revealed this year was that almost a third of UK MPs had experienced online abuse and threats. Psychology staff presented their findings to MPs at an All-Party Parliamentary Group.

Cutting-edge software developed at the University continues to push boundaries in artificial intelligence (AI), with the ability to take facial recognition to new heights and automatically assign gender purely based on a smile.

The University continues to carry out research with the aim of improving health care in a range of areas. Advances were made in the area of neurodegenerative conditions, with the discovery of a single protein on-off switch which affects how we learn new tasks and acquire new memory. Another breakthrough this year was the discovery of a previously unknown interaction between two proteins that could help in the prevention of damage to healthy blood vessels. Led by the University, the research shows how the two proteins combine to protect blood vessels from inflammation and damage, and could pave the way for treatments to reduce the risk of coronary heart disease and stroke.

The University also secured many successful research grants enabling new research projects to begin. Continuing our close partnership with the NHS, projects include improving outcomes for

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

heart failure patients leaving hospital, reducing disparities in health and healthcare for patients with diverse needs, and a unique programme for overweight patients to use a virtual avatar to encourage weight loss.

The University and The Mid Yorkshire Hospital NHS Trust opened our joint school of nursing and healthcare leadership at Dewsbury and District Hospital. The school will boost nursing recruitment and widening degree course participation in the local area.

The Digital Health Enterprise Zone (DHEZ) Academic, part of the £13m Digital Health Enterprise Zone (DHEZ) partnership, has provided a space for students, researchers, businesses and health professionals to work together to develop projects that change how health and health care is delivered in the future. The centre provides public clinics for physiotherapy, eye examinations and patient medicine.

The University is part of a new collaboration aiming to make inventions more attractive to investors. The Grow MedTech partnership, backed by almost £10m of funding, will build on the distinctive cluster of medical technologies expertise in the Leeds and Sheffield city regions. It will address issues that can block the process of commercialising products and bringing them from conception to clinical use.

Professor Vince Gaffney (Archaeological and Forensic Sciences) and Clive Wilson (Estates and Facilities) were honoured by the Queen receiving MBEs for their dedication and influence in their fields of work.

Law staff and students supported the community by providing immigration legal advice to all through a partnership with a community support charity. Students get an opportunity to give back to the community whilst also practising their skills and completing their degree.

International

The University of Bradford led the creation of the first World Technology Universities Network. Representatives from universities and other major organisations worldwide converged on Bradford for the second World Technology Universities Congress, with a range of high profile speakers and an extensive programme. Delegates from 30 world universities and 20 other institutions travelled from Europe, Africa, Asia, Australia, and North and South America.

Continuing our internationalisation agenda the University undertook a high-level visit to develop strategic links with Ghana and Nigeria. The Vice-Chancellor led a delegation of academics and professional staff to Accra, Abuja and Lagos, where he sought to bring together the expertise of other Vice-Chancellors who share interests in internationalising their universities. The delegation met with government officials, over 100 alumni of the University and 70 potential students, as the University seeks to boost student recruitment from the region.

The University has seen a modest increase in student numbers following the visit and currently sees a 100% increase year-on-year in applications for 2019/20. The University has also received increased interest from potential university partnerships in the region. The University of Africa will shortly be signing an MoU with the World Universities Technologies Network (of which the University of Bradford is a founding member) and this will open up more opportunities for collaboration on staff exchanges and research. The trip also resulted in the Guarantee Trust Bank (one of the largest banks in Nigeria) having signed a contract with us to enrol their staff onto our online MBA course as part of their staff development.

Chinese students joined students from the University of Bradford to develop new ideas for international business and social enterprises, as part of a new initiative designed to support students to become entrepreneurs and to be able to secure funding for new ventures.

Professor Phil Coates in Polymer Engineering has been recognised with China's highest award for a foreign scientist, receiving the International Science and Technology Cooperation Award from President Xi Jinping in a ceremony held in the Great Hall of the People, Beijing.

Sustainability

The University continues to lead in the sector for sustainability winning the Environmental Industry category at the Educate North awards for its pioneering Bradford:50@50 carbon reduction programme. The campaign has seen the University reduce its carbon emissions by 50% and save almost £10m in the process since 2005. The estates team are working hard to continue this success by reducing emissions by 75% by 2021. We are again in the world top 10 of most sustainable campuses.

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

Equality and diversity

We continue to attract more young people into STEM subjects with the launch of a new project to support STEM teachers in the district and the hosting of the Love STEM festival, organised by Go Higher West Yorkshire.

The School of Chemistry and Biosciences was awarded an Athena SWAN award for its work in gender equality. The bronze award recognizes the sustained efforts of colleagues to promote progress and overcome barriers to inclusivity for both colleagues and students. The award celebrates the dedication of the School and its Athena SWAN team to grow as ambassadors for gender equality in the university and higher education sector.

In a celebration of the city's diversity, the University welcomed back its popular Diversity Festival. The theme of the festival was 'Challenging Perceptions'. The programme looked at new, interesting and thought provoking ideas and was created in partnership with staff, students and external partners.

Leadership Changes

The University has recently seen the departure of a number of senior members of staff, including our Pro Vice-Chancellor Learning and Teaching. Our Deputy Vice-Chancellor (Operations) will leave the University in early 2019. This has created opportunities to realign accountabilities and responsibilities amongst the remaining leadership team to improve academic and managerial excellence, create greater efficiency and effectiveness of academic and professional support operations, increase value for money and ensure the best use of resources.

Our current Vice-Chancellor Professor Brian Cantor announced in September 2018 that he will step down at the end of the 2018/19 academic year and will take up an Emeritus Professorship at the University of Oxford. During his tenure, Professor Cantor has led the University into a renewed period of self-confidence as one of Britain's first technology universities and has enhanced the academic and managerial quality of the institution. He will ensure a smooth transition to a new Vice-Chancellor, and help see through the changes in the second phase of the Bradford Excellence Programme, which are essential for the future strength of the University.

Sector developments

The operating environment for higher education over the past year continues to present challenges for all universities.

The increased competition in the sector and reduction in applicant pool due to a decline in numbers of 18 year olds nationally, has impacted on the timescales for change at the University of Bradford. In recognition of this, the strategy for recruitment of home undergraduate students has shifted from growth to maintaining existing numbers in the short term, with a focus on increasing the student population through an increase in international numbers.

In 2018 the sector funding body Higher Education Funding Council of England (HEFCE) and the Office for Fair Access (OFFA) were disbanded and replaced with The Office for Students (OfS). This new regulatory body for the sector has a new focus working in the interests of students and prospective students from all backgrounds, and with a broader remit including the authority to grant university title and degree awarding powers.

A major funding review of post-18 education has been launched in 2018, which has the potential to lead to significant changes and impact on the sector, including a reduction in government funding for universities. There are four key aspects to the review which are: prospective student choice; value for money; access; and skills provision. The scope of this review shares common themes with the remit of the OfS in terms of better availability of information about the performance of universities, both for applicants and the public. Performance and status are increasingly visible within national and international rankings, which in turn influence the attractiveness of the institution and recruitment of future prospective students. The University will be closely monitoring progress of the review and the implications of the outcomes.

In addition to the increasingly competitive domestic market, the global landscape of higher education is developing and shifting. Providers in markets such as North America and Australia are growing in strength, with emerging markets in areas such as South East Asia developing rapidly. There is significant increase in the number of universities and high performing institutions in that region strengthening in reputation and climbing to the top of global league tables. This presents a challenge to international recruitment for the University and the UK sector broadly, however the increase in demand and engagement

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

with higher education globally also provides opportunities for growth.

The ongoing discussion about the viability of the Universities Superannuation Scheme will also need to be closely monitored, as reform will, in all likelihood, increase costs to universities.

The increasing rigour around monitoring and reporting of performance against benchmarks continues with the evolution of the Teaching Excellence Framework (TEF) and consultation around the future setting and monitoring of institutional Access Plans.

The University is committed to providing opportunities for all individuals with the potential to engage successfully in higher education to achieve a university degree. We have an outstanding track record in social inclusion and mobility which is clearly demonstrated by our continuing excellent record related to access performance, academic outcomes and employment prospects for specific student groups. Bradford is located in a conurbation of relative social deprivation, and our students come from low-income backgrounds. In 2017-18 52% of our full-time UK-domiciled undergraduate students were in receipt of full state support; just over 9% received Disabled Students' Allowance; and 72.6% were BME. Our overall strategy for inclusivity and diversity promotes student involvement within our entire learning community, in a culturally responsive curriculum. Nevertheless, our record for graduate employability is outstanding for which we are in the top 25 in the UK and 1st of Yorkshire. We are proud of providing an excellent environment in which talented students from disadvantaged backgrounds can prosper.

As Britain prepares to leave the European Union in 2019 the university will continue to consider the implications for student and staff recruitment, as well as research funding opportunities. In addition to the changing relationship with Europe, the policy decisions of our national government will continue to mould the future position and shape of the sector, and any change in party or leadership could present new opportunities and threats through changes in strategy and policy. Members of the University Council receive regular briefings on these subjects to ensure the University is well-placed to meet future changes in the shape of the sector.

Corporate and Social Responsibility.

The University's dedication to an ongoing Ecoversity programme is reflected in three of the world's most sustainable buildings being located on campus. We are also nationally recognised as a carbon reduction champion by the Chartered Institute of Building Service Engineers for reducing our carbon footprint by 50%. This resulted in the University receiving the Environmental Industry Award at this year's Educate North Ceremony.

Alongside our excellence in widening participation and community engagement, our environmental commitment has resulted in the University being awarded a Gold Standard in the Universities that Count corporate and social responsibility index. The University also received a prestigious second Green Flag award and a 6th consecutive Yorkshire in Bloom award in recognition of the high quality of its green spaces.

The University is a key partner in the Bradford Literature Festival which has grown from strength to strength since its creation four years ago, with an estimated attendance of 70,000. This year's festival saw 77 events hosted on the University campus alongside welcoming 7,800 young people through our doors as part of the Festival's school programme.

The University has been a leading supporter of a successful campaign to set up a Business Improvement District (BID) in Bradford city centre. The BID has just been approved and will promote new investment into the city centre which is something the University supports and encourages.

The University puts significant importance on communicating with our staff and students. Our internal communications strategy places emphasis on striking a balance between listening and sending clear messages. The aim is to build effective relationships across the campus, share feedback, and continually improve the University's culture for the benefit of all.

In recognition of our broader corporate and social responsibilities, the University has established an Ethics Committee with delegated authority from Council, to consider ethical questions arising from all aspects of the University's business and to determine necessary actions. The Committee oversees and monitors the University Ethics Code and how the Code and principles contained within it are embedded across the University.

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

Additionally, the University's work to ensure a culture of welcome and inclusion for asylum seekers and refugees has been recognised with the award of University of Sanctuary status. This follows five years of hard work, including the introduction of a specific Sanctuary Scholarship Scheme enabling people seeking asylum, or those already granted refugee status, who cannot access student finance, to participate in higher education.

Financial Highlights

i. Income and Expenditure Account

The University of Bradford, in line with the sector, continues to operate in a challenging and changing environment. There is increased competition across the whole Higher Education sector for a reducing number of UK students as the demographic decline of 18 year olds in the population continues. The impact of this is demonstrated in our financial performance with income falling from £113M to £110M. Although the operating environment was difficult, the University saw income from full time home and International students remaining static year on year, as shown in notes 1&2. Part time student income and other income were the main factors for the overall reduction in income of £3M year on year.

The University, through its transformation project (Bradford Excellence Programme) is continuing to review its expenditure to ensure we remain flexible and agile in the changing environment, whilst ensuring value for money. This is reflected in the cost basis of the University which fell year on year by £2.4M, of which £2M was due to pension provision changes, so the underlying change was £0.4M reduction. A large proportion of this saving was due to other operating expenses (note 8) with all major costs reporting a savings. Due to a potential onerous contract, we recognised a provision of £5.9M bringing the movement in the year to an increase of £3.5M.

Overall the University made a deficit for the year of £4.6M. However the position prior to gains/ losses and the actuarial gain in respect of the pension scheme is a £12.1M deficit, which includes a favourable movement in the pension provision of £2M. The university has realised the full cost of the transformation restructuring in 2017/18, with a total cost of £5M and £5.9M relating to the onerous contract. The deficit position was forecasted as the University continues to go through its transformational project.

Adjusting for gains and losses, actuarial valuation movements, and significant non-recurrent transactions, the University's consolidated results show an improved underlying operating result, with a £1.2m loss compared to £4.1m in 2016-17.

	2017-18	2016-17
	£000	£000
Total income	110,270	113,408
Total Expenditure	122,406	118,911
Deficit before adjustments	<u>(12,136)</u>	<u>(5,503)</u>
Exclude significant non-recurrent items:		
Restructuring costs	5,032	1,409
Provision for onerous contract	<u>5,900</u>	<u>—</u>
	<u>10,932</u>	<u>1,409</u>
Underlying operating result	<u>(1,204)</u>	<u>(4,094)</u>
Add back the significant non-recurrent items	(10,932)	(1,409)
Gains/(losses) on assets and joint ventures	(171)	2,110
Actual gain on pension schemes	<u>7,756</u>	<u>24,890</u>
Declared surplus/ (deficit) for the year	<u>(4,551)</u>	<u>21,497</u>

Income has decreased by 2.8% from the previous year. The main reasons for this are:

The University's core student income, including funding body grant income has decreased by 1.7%, primarily due to a reduction in part time funded students.

Research grants and contract income has decreased by 6.6% and the split between funders is demonstrated in note 3.

All other income has fallen by 13.1%, however last year saw a one-off brought-forward adjustment for capital grants therefore the

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

restated fall is 9%.

Investment income has increased by 15%, due to increases in interest received and dividend income.

Total expenditure for the year has increased by 2.9% due to the contract provision, with an underlying decrease of 5.1%. The University continues to review its expenditure in line with our strategic objectives and value for money.

Staff costs including restructuring costs are in line with previous years. The underlying staff costs, excluding restructuring costs and pension provision movements reported a movement of 0.8%, and this underlying figure represents 57.4% (2017: 55.8%) of turnover.

Operating costs have increased by 9.8% as the University continues to implement its transformational programme, reviewing all operating costs. The University is also reviewing all procurement activities in line with Faculty plans to ensure long-term value for money.

Travel and subsistence expenditure decreased by 22% as we continue to review our expenditure and utilise technology enhancements which have been implemented.

Casual staff costs continue to fall by 25%, reflecting the University's continued policy of reducing reliance on short term appointments.

Bursaries, scholarships and prizes increased by £0.1M as we continue to invest in our students, both home and overseas.

Minor works and long term maintenance expenditure decreased by 51.5%; last year saw a large increase due to changes in accounting practices and this year has fallen in line with previous years.

Books and Periodicals costs fell by 48.8%, due to one year accounting adjustments.

Legal and professional fees fell by 10%, the University is continuing to review legal and professional fees to ensure value for money.

ii. Balance Sheet

The University net assets have decreased by £4.6M from the previous year with the pension provision decrease of £9.5M due to changing assumptions.

Fixed assets decreased by £2.8M. During the year the University revalued a commercial building leading to a decrease of £0.7M.

The long term investment portfolio rose steadily by £0.8M to £19.8M by the end of the year. Cash and cash equivalents decreased by £2M to £19.7M in the year.

Creditors falling due within one year increased by £3.6M, predominantly due to decreases in accruals and deferred income. At the last year end the University had a number of large projects that required accruals.

Creditors falling due after more than one year increased by £4.6M due to the receipt of further long-term loans.

The pension provision decreased by £9.5M in the year and is mainly a result of the actuarial gain on the WYPF, with the changes in assumptions relating to an increased discount factor as a result of higher than expected returns on the pension investments.

iii. Cash Flow

The analysis of cash and cash equivalents shows decreases of £1.8M as the University continues to reposition itself; the decrease in cash was forecasted throughout the year. The University's financial covenants have been met in the current year.

Financial Outlook

The financial performance in-year has, as anticipated, delivered a deficit for 2017-18 before the actuarial gain in respect of the West Yorkshire Pension fund is considered. The result for the year continues to be in line with the University's expectation as we continue to reposition ourselves in line with the University amended strategy. The University Financial Sustainability, allowing the University to manage its risks, invest in student experience and ensure value for money. The next phase of the Bradford Excellence Programme, described above, is designed to ensure the University has efficient and effective services in place, with costs aligned to its projected income base. Our financial plans for 2018/19 and 2019/20 foresee a high degree of internal reshaping, with the need to manage expenditure also driven by inflationary costs pressures which are not matched in income flows. Modest expansion in income from overseas markets will also contribute to medium term financial sustainability.

Operating and Financial Review for the Year Ended 31 July 2018 (continued)

The University has a good level of cash balances and reserves placing it in a strong position for the future, both of which allow us to fund the period of restructuring planned for the next two financial periods. The need for flexibility, resilience and adaptability will remain paramount, to deal with the uncertain environment we are operating in. The next phase of the Bradford Excellence Programme, with emphasis on controlling underlying expenditure, will lay the foundations for the University to invest in our students, staff and innovate in our core provision. This will ensure that we provide world-class teaching, learning and research for our students and graduates, and equip them with the experience and the skills necessary to meet the challenges of modern society.

The University's outlook is underpinned by prudent planning, budgeting and close fiscal monitoring to ensure financial sustainability. In conjunction with our plans the University continues to monitor its risks and put in place financial and operational strategies.

The University recognises risks to its financial position that stem from factors beyond its direct control. These include:

- Uncertainties in international recruitment from Brexit - the University is exposed to any reform which makes it less attractive for EU nationals to study in England (5% of our students are from EU states)
- Pay inflation: our plans provide for headline average pay rises of 2.5% each year. Rises above that would require us to improve internal efficiency by employing fewer staff, which could impact on the student experience. Each 1% pay increase add £0.6M costs per annum
- Pension cost rises: ongoing uncertainty about the cost to employers of the Universities Superannuation Scheme means the University could be exposed. Our plans provide for an additional 2% cost. Each further 1%, add £0.5M costs per annum, and has the same effect as pay inflation on the need to be more internally efficient

The as-yet-unknown impact of any wider reforms to the sector adds to this uncertainty. The University would need to continue, and possibly extend, its transformational changes in response to such reforms.

Risk Management

The University has established a Risk Oversight Group which reports to Executive Board. This Group aims to oversee a consistent and comparable approach to risk management across the University and will have oversight of devolved responsibilities for finance, academic, health and safety, and insurable risks, the details of which are managed through appropriate committees.

Consideration has also been given to risk associated with legal compliance, particularly in relation to the requirements of the General Data Protection Regulations and a University-wide working group has been established to oversee GDPR readiness and continuing compliance. Mitigating action has been agreed against all risks and is monitored regularly to further reduce the University's risk profile.

Investment Policy

Under the University's new governance and management structure the Investment Committee is responsible for long and short term investments, including developing policy, appointing Investment Managers/Advisers and monitoring performance.

i. Long term Investment Policy

The portfolio is managed by Cazenove Capital Management. The chief objectives are to maximise returns from the portfolio within the constraints and risk tolerance of the University Investment Policy and to target capital growth aiming broadly at doubling the market value over a ten year period.

ii. Treasury Management Policy

This includes managing day to day balances at the bank, investing surplus funds as required for varying periods of up to a year using Royal London, a company specialising in Treasury Management. The key objectives are to ensure the University has funds available to meet day to day operational requirements, to safeguard University cash balances through effective management and control of funds and to maximise returns from the short term investment of University cash balances within the constraints and risk tolerances of the Treasury Management Policy.

Professor B Cantor
VICE-CHANCELLOR

B/C 26/11/2018

Statement of Corporate Governance and Internal Control

The University is committed to demonstrating best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Higher Education Code of Governance published by the Committee of University Chairs and the HEFCE Memorandum of Assurance and Accountability.

Corporate Governance

In common with all Chartered institutions, the University operates under a bicameral system in which Council and Senate, each with clearly defined functions and responsibilities, oversee and manage its activities. The Charter and Statutes define the roles of the two bodies, which may be summarised as follows:

- **The Council** is the University's governing body responsible for the finance, property, investments and general business of the University, and for approving our general strategic direction. It is the Council's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Council's powers are defined in University Statutes. The Council is unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit.

Council has a majority of members from outside the University (lay members), from whom its Chair is drawn. Also included in its membership are representatives of the staff of the University and the student body. The Chair of Council receives an honorarium in recognition of her significant role in ensuring the success of the University. The power to remunerate the Chair has been approved by the Privy Council and is incorporated into the University's governing instruments. No other lay member receives any payment, apart from the reimbursement of expenses, for the work they do for the University.

- **The Senate** is the academic authority of the University and draws its membership primarily from our academic staff, with additional representation of other categories of staff and of students. Senate's role is, in summary, to direct and regulate the teaching and research work of the University. Its powers are also defined in University Statutes.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility

to the Council and the Senate for maintaining and promoting the efficiency and good order of the University. The responsibilities of the Vice-Chancellor are defined in summary in the University's Statutes. In addition, under the terms of the Memorandum of Assurance and Accountability between the University and the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the Accountable Officer for the University and is formally responsible for: ensuring that public funds are used for the purposes for which they are allocated; for their efficient and effective deployment; and for reporting as required on their use. In this capacity, the Vice-Chancellor is publicly accountable for the University and ultimately may be summoned to appear before the Public Accounts Committee of the House of Commons. In effect, the Vice-Chancellor is the Chief Executive Officer of the University.

The Council meets six times each academic year (four formal meetings and two away-days), but much of its detailed work is initially managed by committees, namely the Finance Committee, the Audit Committee, the Governance and Nominations Committee, the Remuneration Committee, Ethics Committee and the Health, Safety and Wellbeing Committee. The recommendations and decisions of these committees (made in accordance with the University's Scheme of Delegation) are formally taken to the Council. The remit and responsibilities of these committees are set out below.

In respect of its strategic planning and development responsibilities and as the planning and budgeting processes involve matters falling within the powers of both bodies, the Council and Senate receive recommendations and advice from the Executive Board, the principal management committee of the University, which ensures the effective leadership, coordination and management of the activities of the University. The Executive Board, inter alia, recommends to the Council, through consideration at the Finance Committee, the University's annual revenue and capital budgets and monitors performance in relation to approved budgets.

All members of Council have access to independent professional advice from the University Secretary. The University Secretary is a member of the University's Senior Management Team, however for the

Statement of Corporate Governance and Internal Control (continued)

purpose of her role as Clerk to Council acts independently and is accountable to the Council.

The Council has a majority of lay members and no individual or group dominates its decision making process. Members of Council receive advice and guidance from the University Secretary on their individual responsibilities as members and as Charity Trustees and are made aware of the collective nature of decision making of the Council, for example through induction and briefings and a dedicated members' handbook. The Council ensures that each of its lay members is independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, both through a Register of Interests and a formal declaration of interest at each meeting.

Committees of the Council

The role of Council committees is set out below; each Committee of Council meets four times a year.

Governance and Nominations Committee

The Governance and Nominations Committee considers nominations for membership of Council and reports to Council on the overall effectiveness of governance arrangements. The committee ensures that there is an appropriate range of skills and expertise on Council and that there is effective succession planning. Members of Council are appointed for an initial term of three years, renewable for a maximum of two further terms, i.e. for a maximum of nine years, which is consistent with the provisions of the CUC Code of Governance. The Governance and Nominations Committee oversaw an external review of Council effectiveness during the course of the 2016/17 academic year. The recommendations from the review were presented to Council in May 2017 and are being taken forward as part of a planned enhancement activity. The committee also approves University nominated directors to subsidiary and associated companies.

Remuneration Committee

The Remuneration Committee determines the pay and conditions of the Vice-Chancellor and other senior staff. The Committee also receives reports on equal pay and other staffing related matters.

Audit Committee

The Audit Committee is responsible for advising the Council and the Vice-Chancellor on the effectiveness of the University's management and control systems. To this end, it meets with the external auditors to discuss their audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It also receives and considers reports from the HEFCE and other bodies (such as the National Audit Office) which affect the University's business and monitors adherence to regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies and advises Council on the appointment of internal and external auditors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and the Committee meets privately with internal and external auditors for independent discussions at least annually.

Finance Committee

The Finance Committee is responsible for recommending to Council the University's annual Financial Statements, financial forecasts and annual budgets, for monitoring the University's overall financial health and advising on financial strategy. In doing so, it reviews key financial risks, seeking explanation and clarification as appropriate and reviews financial regulation, policies and procedures to ensure that they are robust and follow best practice.

Ethics Committee

The Ethics Committee oversees and monitors the University Ethics Code and how the Code and principles contained within it are embedded across the University.

Health, Safety and Wellbeing Committee

The Health, Safety and Wellbeing Committee provides assurance to Council that the University's statutory obligations in relation to health and safety are being met and that appropriate reporting mechanisms and policies are in place and being implemented.

Statement of Corporate Governance and Internal Control (continued)

Internal control

The Council has responsibility for ensuring that a sound system of internal control is in place. This supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and in the Memorandum of Assurance and Accountability.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. The process has been reviewed by Internal Audit and it was concluded that internal controls were mostly effective, noting the need to ensure that the control environment continually develops to ensure that it meets changing needs.

The Council has responsibility for reviewing the effectiveness of the system of internal control. The following measures provide assurance in this respect:

- Scrutiny of internal and external audit plans, reports and management actions at the University's Audit Committee;
- Receiving an Annual Report providing assurance that risk management control is effective;
- Agreeing the Risk Management Policy annually and considering in detail the University's risk appetite;
- Assigning responsibility for overseeing risk management to the Audit Committee, with operational management assigned to Executive Board;
- The Audit Committee receives regular reports from the internal auditors, which include the internal auditor's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;
- Facilitated training and awareness sessions are held as necessary to identify and record risks facing the University;

- Risk awareness training is provided at all levels and includes the requirement to assess risks on all new projects requiring a business case;
- A robust risk prioritisation methodology based on probability, impact and controls is applied;
- Faculty and University risk registers are used and updated regularly to monitor risks, controls and management action;

An external review of effectiveness, undertaken in 2016/17, found the University's governance arrangements to be generally sound with some areas of excellent practice. A working group comprising the Chair of Council, the Vice-Chancellor and two external members of Council has been established to oversee actions for enhancement arising from the review. This will support the enhancement of effective governance.

The Council's oversight of the effectiveness of the system of internal control is informed by;

- i) internal audit, which operates to standards defined in the HEFCE Accountability and Audit Code of Practice. The internal auditors submit regular reports that include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.;
- ii) informed by the work of the executive managers within the institution, who have the responsibility for the development and maintenance of the internal control framework
- iii) and by the comments made by the external auditors in their management letter and other reports.

The Council has approved a basket of key performance indicators which are benchmarked against other publicly available data sources and reviewed on a regular basis by Council. The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant business, operational, compliance and financial risks, that it has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the UK Corporate Governance Code as deemed appropriate for Higher Education.

Statement of Primary Responsibilities

The University Council has adopted a Statement of Primary Responsibilities which sets out the principal responsibilities of the governing body. It is based on the Model Statement contained in The Higher Education Code of Governance, published by the Committee of University Chairs (December 2014).¹

The primary responsibilities of Council are as follows:

1. To approve the mission, strategic vision, long-term academic and business plans and key performance indicators of the University and to ensure that these meet the interests of staff, students and other stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be benchmarked against other comparable institutions.
3. To appoint the Vice-Chancellor as the chief academic and administrative officer of the University and the HEFCE Accountable Officer and to put in place suitable arrangements for monitoring his/her performance and setting appropriate remuneration (through the Remuneration Committee).
4. To delegate authority to the Vice-Chancellor for the effective academic, corporate, financial, estate and human resource management of the University and to establish and keep under review the policies, procedures and limits which such authority is exercised.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances, whistle-blowing, and for managing conflicts of interest.
6. Establish processes to monitor and evaluate the performance and effectiveness of the Council and its sub-committees, with a formal effectiveness review of the Council at least once every four years.
7. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life embracing selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.
8. To receive assurance that adequate measures are in place to safeguard the reputation and values of the University, and to take action where insufficient assurance has been obtained, and to be responsible for the ethical governance of the University.
9. To appoint a Secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
11. To ensure that systems are in place for meeting all the University's legal obligations, including those which relate to health and safety and equal opportunities and those which arise from contracts and other legal commitments made in the University's name. The Council is responsible for determining the custody and use of the Common Seal of the University.
12. To receive assurance that adequate provision has been made for the general welfare of students, and to take action where insufficient assurance has been obtained.
13. To receive assurance that the Students' Union operates in a fair and democratic manner and is accountable for its finances, and to take action where insufficient assurance has been obtained.
14. To receive assurance that any property, legacy, endowment, bequest or gift made to the University is used to support its work, and to take action where insufficient assurance has been obtained.
15. To ensure that the University's Charter and Statutes are followed at all times and that appropriate advice and support is available to enable this to happen.

¹ www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf

Independent auditors' report to the Council of the University of Bradford (the "institution")

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2018 and of the group's and of the parent institution's income and expenditure, gains and losses, changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice - Accounting for Further and Higher Education and the requirements of the Office for Students' ("OfS's") Accounts direction (OfS 2018.26).

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise the Consolidated and University Balance Sheets as at 31 July 2018; the Consolidated Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, and the Consolidated Statement of Cash Flows for the year then ended; the Statement of Principal 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:

- Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Council 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. Council 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 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.

Responsibilities for the financial statements and the audit

Responsibilities of Council for the financial statements

As explained more fully in the Statement of Primary Responsibilities set out on page 17, Council 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. Council 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, Council 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 Council 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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for Council as a body in accordance with section 14 of the Statutes of the institution, and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, 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

Opinions on other matters prescribed in the OfS and Research England Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended)

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, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by the Higher Education Funding Council for England, the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 27/11/18

Statement of Principal Accounting Policies Year Ended 31 July 2018

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. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union. Although the Students Union is predominantly funded by grants from the University it is separately governed by sabbatical officers directly elected by the student body, assisted by a permanent staff body and independent trustee board. As such the University does not exert control or dominant influence over policy decisions.

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

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 Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

Funds the University receives and disburses as 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.

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

Donations and endowments

Non-Exchange Transactions are those transactions whereby an entity receives (or gives) value from/to another entity without directly giving/receiving approximately equal value in exchange.

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

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

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or

Statement of Principal Accounting Policies (continued)

Year Ended 31 July 2018

unrestricted income according to the terms other restriction applied to the individual endowment fund.

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

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

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Employment benefits

Short term employment benefits such as salaries and compensated absences such as paid annual leave or sabbaticals 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.

Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the West Yorkshire Pension Fund (WYPF). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

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

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

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

Statement of Principal Accounting Policies (continued)

Year Ended 31 July 2018

Finance leases

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

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

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.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency,

Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Fixed assets

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

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

Land and buildings

Land and buildings are included in the balance sheet at historical cost. Buildings and their component parts are depreciated over their expected useful economic life to the University of 3-100 years. Land is not depreciated.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of those costs.

Buildings under construction are accounted for at cost, based on the value of costs incurred to 31 July. They are not depreciated until they are brought in to use.

Expenditure on building enhancements over £20,000 is capitalised and depreciated over its useful economic life to the University of 20 years or 7 years.

Plant and Equipment

Plant and Equipment costing less than £10,000 per individual item is written off to operating expenses in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Plant and Equipment	3-25 years
Computer Software	3 years
Vehicles	4 years

Impairment

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying

Statement of Principal Accounting Policies (continued)

Year Ended 31 July 2018

amount of the fixed asset may not be recoverable.

Indicators of impairment include:

- evidence of obsolescence or physical damage of an asset;
- a significant adverse change in the environment or competitive market. This may be caused by, for example: the entrance of a new supplier of a course or service; changes in the regulatory or statutory environment; or significant changes in the value of an indicator used to measure the fair value of a non-current asset on acquisition. Such changes may include income streams from courses or underperformance against the recurrent funding agreement with the funding body;
- an asset's market value has declined significantly more than expected, for example due to a slump in property prices;
- significant changes have occurred, or are planned imminently, to the way the asset is used, for example the governing body may require a restructure or business plans lead to courses being withdrawn and assets becoming idle; and
- evidence indicates that the economic performance of an asset is significantly worse than expected.

Investments

Non current asset investments are held on the Balance Sheet at fair value with movements recognised within the Statement of Comprehensive Income.

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 within the Statement of Comprehensive Income.

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. An investment only qualifies as a cash equivalent when it has a short maturity, typically three months or less from the date of acquisition.

Provisions, contingent liabilities and contingent assets

The use of a provision is restricted to a liability where there is some uncertainty as to the timing or amount that has been incurred. Provisions are recognised in the financial statements where the following three conditions are met:

- there is an obligation at the reporting date as a result of a past event, and the University has no realistic alternative to settlement;
- the transfer of economic benefits in settlement is more likely than not; and
- the value of the obligation can be estimated reliably.

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 when an event leads to:

- a possible rather than a present obligation;
- a possible rather than a probable outflow of economic benefits; and
- an inability to measure the economic outflow.

A contingent asset arises if it is possible that an asset may arise from a past event. If in any period it becomes virtually certain that an inflow of economic benefits will occur then the asset and its associated gain is recognised in that accounting period.

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

Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

In respect of its interests in jointly controlled operations, the University recognises in its financial statements:

- (a) the assets that it controls and the liabilities that it incurs; and
- (b) the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

Statement of Principal Accounting Policies (continued)

Year Ended 31 July 2018

In respect of its interest in a jointly controlled asset, the University recognises in its financial statements:

- (a) its share of the jointly controlled assets, classified according to the nature of the assets;
- (b) any liabilities that it has incurred;
- (c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- (d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- (e) any expenses that it has incurred in respect of its interest in the joint venture.

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's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

The University is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Reserves

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

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

Definition of Terms

The definitions, which follow, have been adopted for the purposes of this statement.

Accounts comprise the income and expenditure account, the balance sheets, the cash flow statement and the statement of total recognised gains and losses.

Capital grants are grants which have been specifically identified by the grantor to be used for the purchase, construction or development of assets.

Deferred capital grants are capital grants where an asset purchased with such a grant has been capitalised. The deferred capital grant related to the asset is included in the balance sheet and released to income and expenditure account over the life of the asset to which it relates.

General income is that which can be applied to any activity of the University at the discretion of the University. Examples of such income are Funding Council recurrent grant, students' tuition fees and income from general endowments.

Endowment assets are those investments held for endowment funds where the income and/or the capital of the funds are required to be used for specific purposes of the University as determined by the terms of the endowment.

Financial statements comprise the accounts, the statement of accounting policies and the notes to the accounts.

Fixed assets are those assets intended to be held for use on a continuing basis in the activities of the University.

Investments within current assets are investments other than investments within fixed assets or endowment asset investments.

Investments within fixed assets are those investments intended to be held for use on a continuing basis in the activities of the University. An investment is classified as a fixed asset only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Reports and financial statements comprise the financial statements, a statement of corporate governance, a statement of the responsibilities of Council, the Auditors' report and the Operating and Financial Review.

Specific endowments are those bequests and gifts where the use of the capital and income, or only the income, is for a specific purpose or activity so designated by the donor and which can only be used for that purpose or activity.

Specific income is that which can only be applied to a specific purpose or activity so designated by the grantor or donor. Examples of such income are Funding Council grants for specific purposes, research grants and some contracts and income from specific endowments.

Subsidiary undertaking is analogous to that as defined in the Companies Act and Financial Reporting Standard 2 and is a body corporate or partnership or unincorporated association carrying on a trade or business with or without a view to profit and control may be exercised by the University.

Consolidated Statement of Comprehensive Income for the Year Ended 31 July 2018

	Note	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	78,872	78,872	82,046	82,046
Funding body grants	2	13,401	13,401	11,860	11,860
Research grants and contracts	3	7,305	7,305	7,822	7,822
Other income	4	9,526	9,376	10,963	10,878
Investment income	5	606	606	526	526
Donations and endowments	6	560	560	191	191
Total income		110,270	110,120	113,408	113,323
Expenditure					
Staff costs	7	69,024	68,786	71,976	71,712
Fundamental restructuring costs		5,032	5,032	1,409	1,409
Other operating expenses	8	39,292	39,241	35,788	35,816
Depreciation		7,382	7,382	7,857	7,857
Interest and other finance costs	9	1,676	1,664	1,881	1,881
Total expenditure		122,406	122,105	118,911	118,675
Deficit before other gains / (losses) and share of operating surplus / deficit of joint ventures and associates		(12,136)	(11,985)	(5,503)	(5,352)
Gain / (loss) on disposal of fixed assets		-	-	17	17
Gain on investments		551	551	2,039	2,039
Share of operating surplus in joint venture		(65)	-	54	-
Deficit before tax and deficit for the year		(11,650)	(11,434)	(3,393)	(3,296)
Actuarial gain / (loss) in respect of pension schemes		7,756	7,756	24,890	24,890
Unrealised deficit on revaluation of land and buildings		(657)	(657)	-	-
Total comprehensive income / (expense) for the year		(4,551)	(4,335)	21,497	21,594
Represented by:					
Endowment comprehensive expense for the year		117	117	(210)	(210)
Restricted comprehensive (expense) / income for the year		27	27	(39)	(39)
Unrestricted comprehensive income / (expense) for the year		(4,695)	(4,479)	21,746	21,843
		(4,551)	(4,335)	21,497	21,594

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves for the Year Ended 31 July 2018

Consolidated	Income and expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1 August 2016	1,282	1,526	30,234	5,553	38,595
Deficit from the income and expenditure statement	(210)	(39)	(5,237)	2,093	(3,393)
Other comprehensive expense	-	-	24,890	-	24,890
	<u>(210)</u>	<u>(39)</u>	<u>19,653</u>	<u>2,093</u>	<u>21,497</u>
Balance at 1 August 2017	1,072	1,487	49,887	7,646	60,092
Deficit from the income and expenditure statement	118	26	(12,937)	486	(12,307)
Other comprehensive expense	-	-	7,756	-	7,756
	<u>118</u>	<u>26</u>	<u>(5,181)</u>	<u>486</u>	<u>(4,551)</u>
Total comprehensive (expense) / income for the year	118	26	(5,181)	486	(4,551)
Balance at 31 July 2018	<u>1,190</u>	<u>1,513</u>	<u>44,706</u>	<u>8,132</u>	<u>55,541</u>

University	Income and expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1 August 2016	1,282	1,526	30,207	5,529	38,544
Deficit from the income and expenditure statement	(210)	(39)	(5,086)	2,039	(3,296)
Other comprehensive expense	-	-	24,890	-	24,890
	<u>(210)</u>	<u>(39)</u>	<u>19,804</u>	<u>2,039</u>	<u>21,594</u>
Balance at 1 August 2017	1,072	1,487	50,011	7,568	60,138
Deficit from the income and expenditure statement	118	26	(12,786)	551	(12,091)
Other comprehensive expense	-	-	7,756	-	7,756
	<u>118</u>	<u>26</u>	<u>(5,030)</u>	<u>551</u>	<u>(4,335)</u>
Total comprehensive (expense) / income for the year	118	26	(5,030)	551	(4,335)
Balance at 31 July 2018	<u>1,190</u>	<u>1,513</u>	<u>44,981</u>	<u>8,119</u>	<u>55,803</u>

Consolidated and University Balance Sheets as at 31 July 2018

	Note	31 July 2018		31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	116,029	116,029	118,846	118,846
Investments	12	19,756	19,875	18,813	18,932
Investment in joint ventures	13	13	-	79	-
		<u>135,798</u>	<u>135,904</u>	<u>137,738</u>	<u>137,778</u>
Current assets					
Trade and other receivables	14	12,210	12,598	14,225	14,463
Investments	15	42	42	42	42
Cash and cash equivalents		19,877	19,742	21,704	21,615
		<u>32,129</u>	<u>32,382</u>	<u>35,971</u>	<u>36,120</u>
Less: Creditors: amounts falling due within one year	16	(25,825)	(25,922)	(31,656)	(31,799)
Net current assets		<u>6,304</u>	<u>6,460</u>	<u>4,315</u>	<u>4,321</u>
Total assets less current liabilities		<u>142,102</u>	<u>142,364</u>	<u>142,053</u>	<u>142,099</u>
Creditors: amounts falling due after more than one year	17	(58,873)	(58,873)	(54,220)	(54,220)
Provisions					
Pension provisions	18	(18,288)	(18,288)	(27,741)	(27,741)
Other provisions	18	(9,400)	(9,400)	-	-
Total net assets		<u>55,541</u>	<u>55,803</u>	<u>60,092</u>	<u>60,138</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	1,190	1,190	1,072	1,072
Income and expenditure reserve - restricted reserve	20	1,513	1,513	1,487	1,487
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		44,706	44,981	49,887	50,011
Revaluation reserve		8,132	8,119	7,646	7,568
Total Reserves		<u>55,541</u>	<u>55,803</u>	<u>60,092</u>	<u>60,138</u>

The financial statements were approved by the Council on 21 November 2018 and signed on its behalf by



Baroness A Taylor
CHAIR OF COUNCIL



Professor B Cantor
VICE-CHANCELLOR

Consolidated Statement of Cash Flows for the Year Ended 31 July 2018

	31 July 2018 £000	31 July 2017 £000
Cash flow from operating activities		
Deficit for the year	(11,650)	(3,393)
Adjustment for non-cash items		
Depreciation	7,382	7,857
Decrease / (increase) in debtors	2,015	2,927
Increase / (decrease) in creditors	(6,902)	(3,170)
Increase in pension provision	(1,697)	575
Increase / (decrease) in other provisions	9,400	(527)
Gain on investments	(516)	(2,035)
Receipts of donated assets	-	-
Share of operating surplus in joint venture	67	(54)
Adjustment for investing or financing activities		
Investment income	(606)	(526)
Interest payable	1,073	862
Endowment income	(560)	(191)
Loss / (profit) on the sale of fixed assets	122	(17)
Capital grant income	(1,516)	(1,476)
Net cash inflow from operating activities	<u>(3,388)</u>	<u>832</u>
Cash flows from investing activities		
Proceeds from the sale of fixed assets	17	17
Investment income	606	526
Payments made to acquire fixed assets	(5,359)	(12,098)
Capital grant receipts	4,507	4,269
Withdrawal of deposits	123	114
New non-current asset investments	(551)	(452)
Disposal of non-current asset investments	-	-
Net cash outflow from investing activities	<u>(657)</u>	<u>(7,624)</u>
Cash flows from financing activities		
Interest paid	(1,073)	(862)
Endowment cash received	560	191
New unsecured loans	3,565	915
Repayments of amounts borrowed	(834)	(1,130)
New cash (outflow) / inflow from financing activities	<u>2,218</u>	<u>(886)</u>
Decrease in cash and cash equivalents in the year	<u>(1,827)</u>	<u>(7,678)</u>
Cash and cash equivalents at beginning of the year	21,704	29,382
Cash and cash equivalents at end of the year	<u>19,877</u>	<u>21,704</u>
	<u>(1,827)</u>	<u>(7,678)</u>

Notes to the Accounts

For the year ended 31 July 2018

1. Tuition fees and education contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Full-time home and EU students	53,344	53,344	51,611	51,611
Full-time international students	12,547	12,547	12,088	12,088
Part-time students	4,835	4,835	7,151	7,151
Research Training Support Grant	1,218	1,218	1,426	1,426
Health Education Training Contract	6,928	6,928	9,770	9,770
	<u>78,872</u>	<u>78,872</u>	<u>82,046</u>	<u>82,046</u>

2. Funding body grants

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Recurrent grant	11,064	11,064	11,289	11,289
Specific grants	821	821	717	717
Deferred capital grants released in the year	-	-	-	-
Buildings	1,301	1,301	(487)	(487)
Equipment	215	215	341	341
	<u>13,401</u>	<u>13,401</u>	<u>11,860</u>	<u>11,860</u>

3. Research grants and contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Research councils	1,946	1,946	2,583	2,583
UK based charities	1,441	1,441	1,169	1,169
Government (UK and overseas)	2,272	2,272	2,156	2,156
Industry and commerce	1,564	1,564	1,530	1,530
Other	82	82	384	384
	<u>7,305</u>	<u>7,305</u>	<u>7,822</u>	<u>7,822</u>

4. Other income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Residences, catering and conferences	2,251	2,246	2,520	2,520
Other services rendered	1,393	1,393	1,559	1,559
Other capital grants	528	528	1,622	1,622
Other income	5,354	5,209	5,262	5,177
	<u>9,526</u>	<u>9,376</u>	<u>10,963</u>	<u>10,878</u>

5. Investment income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Investment income on endowments	-	-	4	4
Other investment income	606	606	522	522
	<u>606</u>	<u>606</u>	<u>526</u>	<u>526</u>

Notes to the Accounts

For the year ended 31 July 2018 (continued)

6. Donations and endowments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
New endowments	461	461	92	92
Donations with restrictions	99	99	99	99
Unrestricted donations	-	-	-	-
	<u>560</u>	<u>560</u>	<u>191</u>	<u>191</u>

7. Staff costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Salaries	58,017	57,821	57,854	57,642
Social Security Costs	5,309	5,290	5,420	5,400
Movement in USS provision	(3,597)	(3,597)	(2,255)	(2,255)
Other pension costs	9,295	9,272	10,957	10,925
Total	<u>69,024</u>	<u>68,786</u>	<u>71,976</u>	<u>71,712</u>

Emoluments of the Vice-Chancellor
Salary

Year ended 31 July 2018	Year ended 31 July 2017
£000	£000
<u>251</u>	<u>250</u>

The VC was not an active member of our pension arrangement between the periods in question as he had previously achieved 40 years' service and elected to cease contributing.

Remuneration of other higher paid staff, excluding pension contributions

£100,000 - £104,999
£105,000 - £109,999
£110,000 - £114,999
£115,000 - £119,999
£120,000 - £124,999
£125,000 - £129,999
£130,000 - £134,999
£140,000 - £144,999
£155,000 - £159,999
£165,000 - £169,999
£170,000 - £174,999
£190,000 - £194,999
£195,000 - £199,999

Year ended 31 July 2018	Year ended 31 July 2017
Number	Number
1	
	3
3	3
1	
1	2
2	2
2	2
1	
	1
1	
1	
	1
1	

Full time equivalent staff numbers by major category:

	Year ended 31 July 2018	Year ended 31 July 2017
	Number	Number
Academic and research	503	525
Technical	60	63
Administrative	738	778
Other	102	101
Total	<u>1,403</u>	<u>1,467</u>

Notes to the Accounts

For the year ended 31 July 2018 (continued)

7. Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority for planning, directing and controlling the activities of the University, being the Chair of Council and the University's Senior Management team. Staff costs include compensation paid to key management personnel.

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Key management personnel compensation	1,074	1,219

- (a) Median salary on FTE basis is £33,110.63. This is inclusive of all academic and non-academic staff. Temporary and agency workers have not been included in this years median salary calculation as there is an ongoing internal audit of all records to ensure the data is reliable and constant for this calculation. This data will be available for next years calculation.
- (b) The head of the provider's basic salary is 7.5 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The remuneration package for the Vice Chancellor (Head of Institution) is justified based on pay benchmarking data and the value and performance of the post holder, as measured against set objectives through an annual performance review process which is reviewed annually by the Remuneration Committee in line with CUC Guidance. Pay benchmarking data indicates that the average salary is £274.8k (UCEA Benchmarking) for heads of providers across all institutions, and £307.1k across pre-92 institutions (UCEA Benchmarking), therefore the current remuneration for our Vice Chancellor (Head of Institution) is below the average salary.

Key management personnel remuneration includes £20,000 (2017: £20,000) payable to the Chair of Council.

Council Members

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

Transactions with Council members are disclosed in note 24.

8. Other operating expenses

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Consumables and laboratory expenses	6,059	6,059	5,277	5,273
Travel and subsistence	1,647	1,637	2,112	2,109
Casual staff costs	1,088	1,088	1,453	1,453
Books and periodicals	1,181	1,181	2,305	2,305
Bursaries, scholarships and prizes	5,855	5,855	5,752	5,752
Heat, light, water and power	1,800	1,771	2,144	2,128
Repairs and general maintenance	1,379	1,374	2,055	2,050
Minor works and long term maintenance	851	851	1,753	1,753
Grants to University of Bradford Students' Union	1,425	1,425	1,428	1,428
Rents and insurances of buildings	1,409	1,352	1,278	1,217
Rates	434	430	85	74
Telephone	192	182	280	274
Postage, advertising, printing and stationery	1,653	1,655	1,859	1,851
External auditors' remuneration	73	68	77	73
External auditors' remuneration in respect of taxation services	-	-	-	-
External auditors' remuneration in respect of other services	8	8	2	2
Other auditors' remuneration	41	41	19	19
Internal auditors' remuneration	89	89	91	91
Legal and professional fees	2,855	2,746	3,170	3,135
International agency fees	1,471	1,673	1,746	1,942
Amortisation	88	88	87	87
Equipment and furniture	1,241	1,241	1,810	1,807

Notes to the Accounts

For the year ended 31 July 2018 (continued)

Other expenses	2,553	2,527	1,005	993
Exception item - onerous contract provision	5,900	5,900	0	0
	<u>39,292</u>	<u>39,241</u>	<u>35,788</u>	<u>35,816</u>

Amortisation relates to the University's capital contribution towards the student village at The Green. This is being written down over 20 years.

9. Interest and other finance costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Net charge on pension scheme	591	591	1,019	1,019
Loan interest	1,085	1,073	862	862
	<u>1,676</u>	<u>1,664</u>	<u>1,881</u>	<u>1,881</u>

10. Taxation

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
UK Corporation Tax receivable / (payable) on the profit of subsidiary companies	-	-	-	-

11. Fixed Assets

	Freehold Land and buildings £000	Plant & Machinery £000	Fixtures, Fittings & Equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 31 July 2017	135,174	31,962	18,934	6,930	193,000
Additions	-	-	228	5,132	5,360
Disposals	(46)	-	(208)	-	(254)
Transfers	5,184	2,346	2,684	(10,214)	-
Revaluation	(656)	-	-	-	(656)
At 31 July 2018	<u>139,656</u>	<u>34,308</u>	<u>21,638</u>	<u>1,848</u>	<u>197,450</u>
Accumulated depreciation					
As at 31 July 2017	42,648	16,370	15,136	-	74,154
Charge for the year	4,024	2,026	1,332	-	7,382
Disposals	-	-	(115)	-	(115)
Transfers	-	-	-	-	-
As at 31 July 2018	<u>46,672</u>	<u>18,396</u>	<u>16,353</u>	<u>-</u>	<u>81,421</u>
Net book value					
As at 31 July 2018	<u>92,984</u>	<u>15,912</u>	<u>5,285</u>	<u>1,848</u>	<u>116,029</u>
As at 31 July 2017	<u>92,526</u>	<u>15,592</u>	<u>3,798</u>	<u>6,930</u>	<u>118,846</u>

At 31 July 2018, freehold land and buildings included £1.9m (2017: £1.9m) in respect of freehold land which is not depreciated.

Buildings with a net book value of £33.1m (2017: £33.6m) have been funded by Treasury sources. Should these buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE.

Notes to the Accounts

For the year ended 31 July 2018 (continued)

12. Investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
Consolidated			
At 1 August 2017	-	18,813	18,813
Additions	-	550	550
Disposals	-	(123)	(123)
Revaluation	-	516	516
At 31 July 2018	-	19,756	19,756
University			
At 1 August 2017	119	18,813	18,932
Additions	-	550	550
Disposals	-	(123)	(123)
Revaluation	-	516	516
At 31 July 2018	119	19,756	19,875

Other non-current investments consist of:

	Consolidated and University £000
Long term asset portfolio	19,694
Others	62
	19,756

The University as principal sponsor of University Academy Keighley ("UAK") can appoint the majority of the board, though it currently does not hold a majority. However it does not consolidate the financial statements of UAK in to the University group financial statements.

This is because the University cannot obtain any benefits or exercise rights over assets and management as defined in FRS 102. The University does not derive any financial or non-financial benefit (based on the memorandum and articles). The University also does not have the power to control UAK on the basis of the secretary of state intervention powers over the Academy, including the secretary of state's right to assets on wind up.

13. Investment in joint venture

The University holds a 50% share of Inprint & Design Limited. This is a joint venture company owned equally by the University and Bradford College. The arrangement is treated as a joint venture and is accounted for using the equity method, such that 50% of the company's gross assets and liabilities are incorporated in to the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated statement of comprehensive income.

	Year ended 31 July 2018		Year ended 31 July 2017	
	£000	£000	£000	£000
Income and expenditure account				
Income		1,126		1,366
Result before tax		(37)		109
Balance Sheet				
Fixed assets	80		75	
Current assets	241		430	
		321		505
Creditors: amounts due within one year		(296)		(346)
Restatement				(441)
Share of net assets		13		79
Restatement		-		30

Notes to the Accounts

For the year ended 31 July 2018 (continued)

14. Trade and other receivables

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Prepayments - capital contribution to student village	1,050	1,050	1,138	1,138
Other amounts falling due after more than one year	34	34	34	34
	<u>1,084</u>	<u>1,084</u>	<u>1,172</u>	<u>1,172</u>
Amounts falling due after more than one year			1,172	1,172
Research grant receivables	985	985	1,365	1,365
Other trade receivable	5,463	5,425	5,653	5,637
Other receivables	58	58	93	93
Prepayments and accrued income	4,620	4,611	5,942	5,939
Amounts due from subsidiary companies	-	435	-	257
	<u>12,210</u>	<u>12,598</u>	<u>14,225</u>	<u>14,463</u>

15. Current investments

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Short term investment in shares	42	42	42	42

16. Creditors: amounts falling due within one year

	31 July 2018		31 July 2017 (as restated)	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loans	1,163	1,163	1,269	1,269
Trade payables	555	555	887	887
Social security and other taxation payable	2,951	2,947	3,436	3,436
Accruals and deferred income	21,156	21,117	26,064	26,059
Amounts due to subsidiary companies	-	140	-	148
	<u>25,825</u>	<u>25,922</u>	<u>31,656</u>	<u>31,799</u>

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.

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Donations	123	123	64	64
Research grants received on account	3,176	3,176	3,156	3,156
Grant income	3,775	3,775	3,889	3,889
Other income	7,541	7,541	7,095	7,095
	<u>14,615</u>	<u>14,615</u>	<u>14,204</u>	<u>14,204</u>

Notes to the Accounts

For the year ended 31 July 2018 (continued)

17. Creditors: amounts falling due after more than one year

	31 July 2018		31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Deferred income	37,535	37,535	35,719	35,719
Unsecured loans	21,338	21,338	18,501	18,501
	<u>58,873</u>	<u>58,873</u>	<u>54,220</u>	<u>54,220</u>

Analysis of unsecured loans:

	31 July 2018		31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Due within one year or one demand	1,163	1,163	1,269	1,269
Due between one and two years	1,078	1,078	1,163	1,163
Due between two and five years	3,567	3,567	2,346	2,346
Due in five years or more	16,693	16,693	14,992	14,992
Due after more than one year	<u>21,338</u>	<u>21,338</u>	<u>18,501</u>	<u>18,501</u>
Total unsecured loans	<u>22,501</u>	<u>22,501</u>	<u>19,770</u>	<u>19,770</u>

Included in loans are the following:

Lender	Amount	Term	Interest rate	Borrower
	£000		%	
Barclays Bank plc	16,948	2030	5	University
HEFCE	1,225	2020	0	University
SALIX	328	2019	0	University
Santander	4,000	2023	6.4	University
	<u>22,501</u>			

18. Provision for liabilities

	Obligation to fund deficit on USS pension	Defined Benefit Obligations	Total Pension Provisions	Other Provisions
	£000	£000	£000	£000
Consolidated and University				
At 1 August 2017	12,945	14,796	27,741	-
Utilised in year	(3,597)	-	(3,597)	-
Additions in 2017/18	239	(6,095)	(5,856)	9,400
At 31 July 2018	<u>9,587</u>	<u>8,701</u>	<u>18,288</u>	<u>9,400</u>

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme 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.

Premature Retirement Fund

This provision relates to payments paid in the year, and amounts anticipated to be paid, in relation to employees who signed up to the Voluntary Severance Scheme. The amounts paid in year relate to a combination of pension and salary payments. All amounts outstanding are due to be paid within one year.

Notes to the Accounts

For the year ended 31 July 2018 (continued)

19. Endowment reserves

	Restricted permanent endowments £000	Expendable endowments £000	2018 Total £000	2017 Total £000
Balances at 1 August 2017				
Capital	188	714	902	1,006
Accumulated income	198	(28)	170	276
	<u>386</u>	<u>686</u>	<u>1,072</u>	<u>1,282</u>
New endowments	-	301	301	85
Investment income	2	-	2	6
Expenditure	-	(185)	(185)	(307)
	<u>388</u>	<u>802</u>	<u>1,190</u>	<u>(301)</u>
Increase / (decrease) in market value of investments	-	-	-	6
	<u>388</u>	<u>802</u>	<u>1,190</u>	<u>1,072</u>
At 31 July 2018				
Represented by:				
Capital	188	662	850	902
Accumulated income	200	140	340	170
	<u>388</u>	<u>802</u>	<u>1,190</u>	<u>1,072</u>
Analysis by type of purpose:				
Lectureships	-	230	230	259
Scholarships and bursaries	328	433	761	613
Prize funds	60	53	113	114
General	-	86	86	86
	<u>388</u>	<u>802</u>	<u>1,190</u>	<u>1,072</u>
Analysis by asset:				
Current and non-current asset investments			60	42
Cash and cash equivalents			1,130	1,030
			<u>1,190</u>	<u>1,072</u>

Notes to the Accounts

For the year ended 31 July 2018 (continued)

20. Restricted reserves

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Balances at 1 August 2017	1,487	1,487	1,526	1,526
New donations	213	213	99	99
Investment income	-	-	1	1
Expenditure	(187)	(187)	(139)	(139)
At 31 July 2018	<u>1,513</u>	<u>1,513</u>	<u>1,487</u>	<u>1,487</u>
Analysis of restricted funds by type of purpose:				
Lectureships	34	34	2	2
Scholarships and bursaries	(36)	(36)	16	16
Research support incl DHEZ	1,495	1,495	1,449	1,449
General	20	20	20	20
	<u>1,513</u>	<u>1,513</u>	<u>1,487</u>	<u>1,487</u>

21. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted for	<u>1,661</u>	<u>1,661</u>	<u>241</u>	<u>241</u>

22. Subsidiary undertakings

The subsidiary companies wholly-owned or effectively controlled by the University are as follows:

Name of undertaking	Country of incorporation	Description of business	Holding
Bradford Education Consulting (Beijing) Co. Ltd	China	Marketing of the University	100%
DHEZ Ltd	United Kingdom	SME Support	90%

Notes to the Accounts For the year ended 31 July 2018 (continued)

23. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the West Yorkshire Pension Fund (WYPF) administered by the City of Bradford Metropolitan Council. The assets of the schemes are held in separate trustee-administered funds. The main assumptions of the most recent valuations are as follows:

	USS	WYPF
Latest actuarial valuations	31 March 2014	31 March 2016
Valuation Method	Projected Unit	Projected Unit
Investment returns per annum	5.2%	2.1%
Salary scale increases per annum	3%	3.35%
Pension increases per annum	2.6%	2.1%
Value of notional assets	£41,600 million	£11,211 million
Proportion of members' accrued benefits covered by the actuarial value of assets	89%	94%

The contributions payable by the University in respect of the USS scheme during the year were equal to employer contributions of 18% of salary.

The University paid contributions of 19% in respect of the WYPF scheme for the accounting year as recommended by the actuary.

FRS 102

The institution participates in the Universities Superannuation Scheme (the scheme). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The total pension cost for the institution was £7.106M (2017: £7.035M). This includes £534,626 (2017: £583,187) outstanding contributions at the balance sheet date. The disclosures below represent the position from the scheme's financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets

Notes to the Accounts For the year ended 31 July 2018 (continued)

23. Pension schemes (continued)

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%
Pensionable salary growth	n/a	n/a
Price inflation (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) SINA tables as follows:

Pre-retirement	71% of AMCOO (duration 0) for males and 112% of AFCOO (duration 0) for females
Post-retirement	96.5% of SAPS SINMA "light" for males and 101.3% of RFVVO for females

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females. 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

Existing benefits	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%

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

As a result of the delayed conclusion of the 2017 USS Valuation process and with no agreed way forward with regards to addressing the Scheme deficit, the USS Trustee triggered the cost-sharing rule under clause 76.4 of the Scheme regulations. The cost sharing rule sets out a pre-determined process for addressing the deficit by calculating what contribution rate the Trustee believes is required to maintain the current level of benefit, and splits the cost 35:65 (member/employer). The Trustee has agreed to implement increases on a staggered basis beginning April 2019, before further increases from October 2019 and April 2020. As a result, the University expects to incur additional charges resulting in a potential contingent liability of £1m per annum.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the

Notes to the Accounts For the year ended 31 July 2018 (continued)

contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2017, USS had over 198,652 active members and the institution had 822 active members participating in the scheme.

23. Pension schemes (continued)

The West Yorkshire Pension Fund valuation was updated by the University's actuary on an FRS 17 basis as at 31 July 2018, 31 July 2017 and 31 July 2016.

The major assumptions used in this valuation were:

	2018	2017	2016
Rate of increase in salaries	3.35%	3.25%	3.3%
Rate of increase in pensions in payment and deferred pensions	2.1%	2.0%	1.8%
Discount rate applied to scheme liabilities	2.8%	2.6%	2.3%
Inflation Assumption	2.1%	2.0%	1.8%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2018	2017
Retiring today		
Males	22.1	22.1
Females	25.3	25.2
Retiring in 20 years		
Males	23.1	23.0
Females	27.1	27.0

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University considered the West Yorkshire Pension Fund scheme rules and associated members' literature and has concluded that a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Comprehensive Income. No change in treatment is proposed in the current year.

Notes to the Accounts For the year ended 31 July 2018 (continued)

23. Pension schemes (continued)

Scheme Assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2018	Value at 2017	Value at 2016
	£000	£000	£000
Present value of scheme assets			
Equities	107,353	104,977	92,732
Government Bonds	15,542	13,242	13,829
Other Bonds	5,037	5,324	5,186
Property	6,044	6,006	5,927
Cash/Liquidity	3,166	2,321	1,729
Other	6,763	4,641	4,075
	<u>143,905</u>	<u>136,511</u>	<u>123,478</u>
Present value of scheme liabilities			
Pension liability	(152,606)	(151,307)	(160,529)
Net pension liability	<u>(8,701)</u>	<u>(14,796)</u>	<u>(37,051)</u>

Analysis of other pension costs charged in arriving at operating deficit

	2017-18	2016-17
	£000	£000
Current service cost	3,766	3,997
Past service cost	78	305
	<u>3,844</u>	<u>4,302</u>

Analysis of amounts included in other finance income / (costs)

	2017-18	2016-17
	£000	£000
Expected return on pension scheme assets	3,523	2,824
Interest on pension scheme liabilities	(3,875)	(3,648)
	<u>(352)</u>	<u>(824)</u>

Notes to the Accounts For the year ended 31 July 2018 (continued)

23. Pension schemes (continued)

Movement in deficit during year	2017-18	2016-17	2015-16	2014-15	2013-14
	£000	£000	£000	£000	£000
Deficit in scheme at beginning of year	(14,796)	(37,051)	(18,249)	(15,944)	(22,656)
Current service cost	(3,766)	(3,997)	(3,220)	(2,783)	(2,964)
Contributions paid	2,535	2,491	2,244	2,079	1,823
Past Service cost	(78)	(305)	(150)	(121)	(67)
Other finance (costs)/income	(352)	(824)	(599)	1,999	1,400
Actuarial (loss)/gain	7,756	24,890	(17,077)	(3,479)	6,520
(Deficit) in the scheme at end of year	<u>(8,701)</u>	<u>(14,796)</u>	<u>(37,051)</u>	<u>(18,249)</u>	<u>(15,944)</u>
Asset and Liability Reconciliation	2017-18	2016-17	2015-16	2014-15	2013-14
	£000	£000	£000	£000	£000
Reconciliation of Liabilities					
Liabilities at start of year	151,307	160,529	130,948	120,741	126,132
Current service cost	3,766	3,997	3,220	2,783	2,964
Interest cost	3,875	3,648	4,511	4,812	5,542
Employee contributions	780	799	815	810	787
Actuarial (gain)/loss	(1,798)	(13,264)	25,879	6,320	(10,583)
Benefits paid	(5,402)	(4,707)	(4,994)	(4,639)	(4,168)
Past service costs/(credit)	78	305	150	121	67
Liabilities at end of year	<u>152,606</u>	<u>151,307</u>	<u>160,529</u>	<u>130,948</u>	<u>120,741</u>
Reconciliation of Assets					
Assets at start of year	136,511	123,478	112,699	104,797	103,476
Expected return on assets	3,523	2,824	3,912	6,811	6,942
Actuarial gain/(loss)	5,958	11,626	8,802	2,841	(4,063)
Employer contributions	2,535	2,491	2,244	2,079	1,823
Employee contributions	780	799	815	810	787
Benefits paid	(5,402)	(4,707)	(4,994)	(4,639)	(4,168)
Assets at end of year	<u>143,905</u>	<u>136,511</u>	<u>123,478</u>	<u>112,699</u>	<u>104,797</u>

The estimate for the contribution for the defined benefit scheme for the year to 31 July 2019 is £4m.

Notes to the Accounts For the year ended 31 July 2018 (continued)

24. Related Party Transactions

The University owns 50% of the ordinary shares of Inprint & Design Limited. Transactions with the company in the year were:

	2017-18 £	2016-17 £
Charged by the University:		
Rent	76,800	76,800
Salary recharges	368,837	362,861
Other	71,770	24,732
	<u>517,407</u>	<u>464,393</u>
Purchases made by the University:		
Print services	365,887	629,621
	£	£
Owed to the University at 31 July	169,092	170,254
Owed by the University at 31 July	29,723	98,738

Two members of Council were officials of the University of Bradford Students' Union during the year. Transactions with the Students' Union in the year were:

	2017-18 £	2016-17 £
Charged by the University:		
Rent	537,737	537,737
Salary recharges	669,201	711,616
Other	89,928	14,464
	<u>1,296,866</u>	<u>1,263,817</u>
Purchases/grants made by the University:		
Grants	1,372,737	1,428,121
Other	202,220	185,294
	<u>1,574,957</u>	<u>1,613,415</u>
Owed to the University at 31 July	110,907	175,252
Owed by the University at 31 July	37,795	95,535

Notes to the Accounts For the year ended 31 July 2018 (continued)

25. Financial Commitments

At 31 July the University had annual commitments under non-cancellable operating leases as follows:

Land and buildings

Expiring within one year
Expiring within two and five years

Equipment

Expiring within two and five years

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Land and buildings				
Expiring within one year	104	62	257	211
Expiring within two and five years	20	20	48	48
	<u>124</u>	<u>82</u>	<u>305</u>	<u>259</u>
Equipment				
Expiring within two and five years	-	-	46	46
	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>





FORD

Chancellor's Awards for Outstanding Achievement 2017

OUTSTANDING
ACHIEVEMENT



VICE-CHANCELLOR'S AWARDS FOR OUTSTANDING ACHIEVEMENT





UNIVERSITY of
BRADFORD



PLEASE ADDRESS ALL
ENQUIRIES TO:

Finance
University of Bradford
Bradford
West Yorkshire
BD7 1DP

T: 01274 233128
F: 01274 236020
E: finance@bradford.ac.uk
www.bradford.ac.uk

