

**University of Wales:
Trinity Saint David**

Charity number: **1149535**

**Consolidated Financial Statements
For the year ended 31 July 2020**

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MEMBERS AND EXTERNAL ADVISORS

The Trustees of the University who served during the year are listed below:

The Venerable Randolph Thomas (Chair)

Prof Medwin Hughes (Vice-Chancellor)

Mrs Maria Stedman

Mr Eifion Griffiths

Mr Andrew Curl

Mrs Pam Berry

Mr Andrew Gibson

Mrs Emma Hughes

Mr Tony Ball

Mrs Margaret Evans

Mr Arwel Ellis Owen

Dr Liz Siberry

Ms Tania Davies

Siân Eirian

Mrs Eirlys Pritchard Jones

Mr Rowland Jones

Mr Geraint Roberts

Victoria Provis

Dr Gareth Hughes

Ms Becky Ricketts (Resigned 30.06.2020)

Ms Martha Warren (Resigned 30.06.2020)

Mr James Mills (Appointed 01.07.2020)

Miss Georgia Thomas (Appointed 01.07.2020)

MEMBERS AND EXTERNAL ADVISORS

Administrative Details

| | |
|------------------|--|
| Charity Number | 1149535 |
| Company Number | RC000537 |
| Principal Office | Carmarthen Campus, College Road, Carmarthen, SA31 3EP |

Professional Advisors

| | | |
|------------------|-------------------|--|
| External Auditor | KPMG LLP | 3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX |
| Internal Auditor | Mazars LLP | 90 Victoria Square, Bristol, BS1 6DP |
| Bankers | Barclays Bank Plc | |
| | HSBC Plc | |
| | Natwest Bank Plc | |

Scope of the Financial Statements

The consolidated financial statements of University of Wales: Trinity Saint David consolidate the following entities:

- University of Wales: Trinity Saint David
- Trinity University College Limited
- Trinity College
- Eclectica Drindod Limited
- UWTSD Learning Centres Limited
- UWTSD Investments Limited
- Y Ganolfan Dysgu Cymraeg Genedlaethol
- Coleg Sir Gar
- Coleg Ceredigion
- Mentrau Creadigol Cymru
- UW Centre for Advance Batch Manufacture Limited
- OSTC Trinity St David LLP (Joint Venture)
- UWTSD Innovation Centres Limited
- Swansea Business School Limited
- Isustain (UWTSD) Limited

MEMBERS AND EXTERNAL ADVISORS

Legal Status

University of Wales: Trinity Saint David (UWTSD) is incorporated by Royal Charter. The most recent version of its constitution is the Supplemental Charter which was sealed by the Privy Council on 28 September 2012, following the constitutional merger with Swansea Metropolitan University.

Trinity University College Limited (TUC) is deemed to be controlled by UWTSD, as UWTSD is its sole member.

Trinity College incorporates the original endowment of 1848 and, as an education charity, embodies the assets of both land and buildings together with any charitable monies which have accrued to the charity. There is no direct ownership link between UWTSD and Trinity College. However, it is deemed to be controlled by UWTSD by virtue of the fact that TUC is the sole trustee.

Eclectica Drindod is a private company limited by guarantee with no share capital, established to undertake a role that more effectively delivers Third Mission activity for UWTSD. Eclectica Drindod is deemed to be controlled by UWTSD as TUC (whose sole member is UWTSD) is its sole member and has the power to appoint directors.

UWTSD Learning Centres Limited is a wholly owned subsidiary of UWTSD.

UWTSD Investments Limited is a wholly owned subsidiary of UWTSD.

Y Ganolfan Dysgu Cymraeg Genedlaethol is a private company limited by guarantee with no share capital. It undertakes the setting of the national strategic direction for the Welsh for Adults sector, providing leadership to Welsh for Adults providers. UWTSD is the sole member of the company.

Coleg Sir Gar is a private company limited by guarantee with no share capital, which undertakes the provision of further education and higher education. UWTSD is the sole member of the company.

Coleg Ceredigion is a private company limited by guarantee with no share capital, which undertakes the provision of further education. Coleg Sir Gar is the sole member of the company and it is deemed to be controlled by UWTSD as the sole member of Coleg Sir Gar.

Mentrau Creadigol Cymru Limited is a wholly owned subsidiary of UWTSD. It was established to operate a digital media centre at Canolfan S4C Yr Egin, adjacent to the University's campus in Carmarthen. Construction of the centre was completed during the year to 31st July 2019.

UW Centre for Advanced Batch Manufacture Limited, is a private company, At the 1st August 2019 the University had a 49% stake in the company. At the 1st July 2020 the University acquired 200,000 B shares from University of Wales for nil consideration to give the University a controlling interest in the company.

OSTC Trinity St David LLP, is a limited liability partnership, the University has a 50% stake in the entity with the other 50% owned by OSTC limited.

UWTSD Innovation Centres Limited is a wholly owned subsidiary of UWTSD and did not trade during the year.

Preparation of the consolidated financial statements

The consolidated financial statements for the year to 31 July 2020 have been prepared in accordance with applicable law and UK Accounting Standards, including the Statement of Recommended Practice – Accounting for Further and Higher Education 2019, the Accounts Direction for 2019/20 issued by the Higher Education Funding Council for Wales, and Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

The consolidated financial statements for the year to 31 July 2020 have been prepared on a going concern basis as detailed on page 30.

INTRODUCTION BY THE VICE-CHANCELLOR AND THE CHAIR OF COUNCIL

We are pleased to introduce the Financial Operating Statement for 2019-20 and to highlight the significant work that has been undertaken by the University of Wales Trinity Saint David in meeting the objectives of its Strategic Plan, during an unprecedented period in our history.

The Covid-19 pandemic is providing a challenging context across our whole society and, for Higher Education, it is particularly resonant as we reflect on the role of our universities in rebuilding our society post-Covid-19. Over the centuries, universities have responded to the social and economic imperatives of the day; their role, as civic institutions, to serve the public good. Our university sector has a critical part to play in the recovery of our society by supporting economic regeneration and the renewal of our communities in partnership with other key stakeholders. As well as safeguarding the health and wellbeing of our own students and staff, universities rallied to lend their talent, expertise and resources to support the national effort to combat Covid-19 and to mitigate its devastating human and economic impact, including in assisting the healthcare sector and their communities during this crisis. Our researchers and engineers worked on the design and development of ventilators, and colleagues across the University made and distributed PPE to the NHS and local care-settings, as well as assisted vulnerable people in their communities. On campus, our Estates and Facilities team supported the small number of students who remained in our residences, as well as NHS and emergency service frontline staff who resided in our accommodation so that they could continue to deliver essential services and protect vulnerable members of their own households.

Colleagues across the University worked tirelessly to ensure that the University could deliver learning, teaching and assessment remotely, as well as our professional support services. This ensured we could continue to educate our students and that they were not hindered in their progress to the next level of their studies.

Before the impact of the pandemic, UWTSD had already set in motion a series of initiatives to future-proof and safeguard our strategic mission as we continue to serve the needs of our learners and communities. The University's core strength has always been the professional care and commitment given to the students and the support shown in developing their intellectual and professional skills. Building their resilience and workplace skills, in partnership with employers, is our priority in order to ensure that our students can respond to the societal and technological disruption which is taking place all around them.

During the year, academic staff collaborated on redesigning the curriculum to offer a set of common modules, to be delivered online, across the majority of our disciplines and at all levels of undergraduate study. The focus of these modules is on the acquisition of professional competencies, as well as the development of personal qualities, and they are structured through a digital literacy framework.

The location of our campuses enables the University to play a significant role in the life of the region. Our campuses act as strategic economic, cultural and social hubs, reinforcing a sense of place and creating the conditions where people and communities can thrive. During the year, our campus Provosts worked with a range of internal and external stakeholders to define each campus's offer in order to promote their unique character and distinctiveness as well as to ensure that the University's provision addresses skills needs within their immediate environs.

A significant investment was made in the Lampeter campus in order to broaden its offer through the development of new programmes and a range of partnerships with international organisations in relation to multi-cultural and multi-faith education. The partnership with the Chin Kung Multi-Cultural Educational Foundation in the development of the Academy of Sinology has not only led to a range of new academic programmes but also to significant investment in the campus' infrastructure.

INTRODUCTION BY THE VICE-CHANCELLOR AND THE CHAIR OF COUNCIL

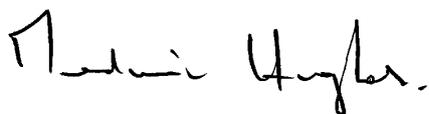
The University's Carmarthen campus has developed a distinctive offer around the themes of health; care and wellbeing; education; children and young people; creativity; and rurality. During the year, we celebrated the first year of Canolfan S4C yr Egin on the campus. Yr Egin, which is home to S4C as well as a range of companies within the creative and digital industries, has already established itself in the life of the region. In addition, with financial support through the LEADER fund –administered by Carmarthenshire County Council on behalf of Grŵp Cefn Gwlad – the University was able to develop a creative and digital engagement project to work with different communities across Carmarthenshire. The funding enabled Yr Egin to develop a variety of activities and events, and assisted Yr Egin in its mission to add value to the local economy and communities, as well as further developing opportunities for people to work, socialise and to be creative through the medium of Welsh.

The University's Swansea Campus has a reputation for its vocational portfolio of programmes linked with industry. During the year, the University welcomed the first cohort of students to take part in two new European-funded courses to develop their knowledge about Industry 4.0 and its application in their own workplaces. The programmes are part of a suite of EU-funded projects, delivered through the Manufacture for Advanced Design Engineering (MADE) project, and are designed to assist SMEs to future-proof their operations, by upskilling and by adopting advanced manufacturing technologies. The main aim of the MADE project is to assist Welsh manufacturers to understand the challenges they face and how they can respond to them by tapping into disruptive technologies and training, appropriate for their businesses.

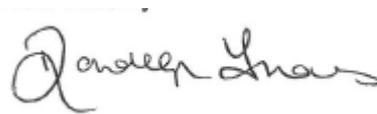
The University was recognised by the United Nations during the year as a centre for creative entrepreneurship. Creativity and innovation are at the heart of the University's offer. We aim to enhance graduate employability and the number of graduate start-ups by creating more opportunities for students to work with academics and businesses to explore ideas and create opportunities for the development of new sustainable enterprises, products and services. Our graduate entrepreneurs are invited back to the University to help inspire others by sharing their inspirational journeys, insights and expertise.

The student experience is at the forefront of our planning and activities and the University's performance in national league tables attest to a proud track record of supporting students to achieve their potential. During the year, the University was ranked 8th in the UK for 'teaching quality', and 24th overall in the 'Social Inclusion' table after being placed 2nd in the UK for 'students with a disability' and 12th in the UK for 'mature students' in the Times and Sunday Times Good University Guide. In addition, the University was ranked 1st in Wales for its learning community in the National Student Survey 2020 (NSS) and for the second year in a row, the University won the prestigious 'Course and Lecturers' award at the annual Whatuni Student Choice Awards (WUSCAs). It also won the 'Accommodation' award for providing students with the best 'home away from home' experience.

The University is committed to maintaining the highest standards of good governance and has welcomed the Review of Governance of the Universities in Wales by Gillian Camm, the report of which was published in February 2020. In July 2020 the Governing Body formally adopted the Governance Charter for Universities in Wales and agreed an action plan in response to the accompanying Commitment to Action. Considerable progress has already been made in implementing the plan, as detailed elsewhere in this report. We are grateful to the staff, students, and the members of the University's Governing Body for their continued and valued support.



Prof Medwin Hughes (Vice-Chancellor)



The Venerable Randolph Thomas (Chair)

OPERATING AND FINANCIAL REVIEW

Objectives and Activities

Within the context of Wales, the University has a distinctive role to play within higher education. Its mission, educational character and academic portfolio attest to its strategic importance in furthering bilingualism and supporting the enhancement of the Welsh language and culture.

Mission

Transforming Education; Transforming Lives.

Vision

Our vision is to be a University for Wales, with a commitment to the wellbeing and heritage of the nation at the heart of all that we do. Central to our vision is the promotion and embedding of a dual-sector educational system which educates learners of all ages and backgrounds, and stimulates economic development in our region, across Wales and beyond.

Public benefit statement

The University is a registered charity and its charity number is 1149535.

In setting and reviewing the University's objectives and activities, University 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 objects of the University are set out in its Charter:

'to advance education and disseminate knowledge by teaching, scholarship and research for the public benefit, which includes but is not limited to: (a) The power to award and revoke degrees of any rank of the University and other distinctions... in its own name and/or dually or jointly with other education institutions; and (b) The provision and maintenance of a significant physical University presence in Swansea, Carmarthen, and Lampeter (or such other places as may be determined), which facilitates the objects of the University; and (c) The objects of the University shall have regard to the vocational, bilingual, and Anglican heritages of historical entities.'

Through our activities we promote:

Excellent teaching informed by scholarship and professional practice, and applied research that influences knowledge and policy in Wales and beyond.

Inclusivity, by removing barriers to participation and supporting people from all backgrounds and circumstances to fulfil their potential.

Employability and creativity, by offering educational programmes that develop entrepreneurial and creative skills, enabling learners to have the best opportunities to gain employment and to contribute to the prosperity of their communities.

Collaboration through strategic relationships, working with others to provide educational and commercial opportunities and to ensure that Wales is connected to the wider world.

Sustainable development, by behaving in a way which ensures that the needs of the present are met without compromising the ability of future generations to meet their own needs, and by systematically embedding this principle in our approach to teaching and learning.

The concept of global citizenship, through the development of multi-national activities and opportunities for our learners, staff and partners.

Wales and its distinctiveness, through embedding the goals of the *Well-Being of Future Generations (Wales) Act* in all of our activities, and by celebrating the vibrant culture, heritage and language of Wales.

OPERATING AND FINANCIAL REVIEW

At the heart of the University's Strategic Plan is a commitment to all of its learners and specifically to Wales – to its culture, its heritage and its language, and to the prosperity and long-term health of its citizens. It recognises its local, national, international and civic role as a provider of higher education, and the responsibilities that it bears. As a reflection of this commitment, the seven goals and the five ways of working of the *Well-Being of Future Generations (Wales) Act 2015* have been placed at the core of planning, and its aspirations are closely aligned with those expressed by the Welsh Government in *Taking Wales Forward 2016-21*.

Key to the University's values are promoting social inclusion, increasing participation and making a positive impact on the economy, society and culture of Wales and beyond. The University's teaching and learning strategy and development of new learning centres demonstrates its approach to supporting learners to fulfil their potential, and contributing to social and economic requirements and the wider skills agenda. It addresses the Welsh Government's agenda outlined in *For our Future* and the priorities of the Higher Education Funding Council for Wales. The University has developed strong links with local communities to assist with the development of new learning centres.

Key Deliverables

In September 2017 the University launched a Strategic Plan for period 2017 to 2022. There are four strategic priorities for the planning period:

1. Putting learners first;
2. Maintaining excellence in teaching, scholarship and applied research;
3. Creation of opportunities through partnerships; and
4. Maintaining a University for Wales;

In addition, the Strategic Plan identifies seven key enablers to be achieved to support delivery of the strategic priorities. These are:

1. Maintaining financial security;
2. Supporting, encouraging and developing our people;
3. Improving our estates and infrastructure;
4. Maintaining good governance;
5. Providing effective leadership and management;
6. Promoting equality; and
7. Seeking continuous improvement.

Each of the strategic priorities and enablers has specific plans, measures of success and key performance indicators attached to it.

Ethical investment and banking policies

University Council (as trustees of the University's endowment funds) is expected to act in the best interests of the beneficiaries of the funds for which it is responsible. The beneficiaries include the University itself, staff and students. Council's policy is to aim for the best possible financial return from investments, consistent with an appropriate risk profile, and it may exclude investments from the investment portfolios if the aims of the bodies concerned are incompatible with its objectives.

Equal opportunities

The University's commitment to equality and diversity is set out in its *Strategic Equality Plan 2016-20* and is consistent with its mission to Transform Education and Transform Lives. Inclusivity is one of its key planning themes; it is embedded within the curriculum and is aligned to the Welsh Government's Wellbeing of Future Generations Goal of a more equal Wales. The University aims to create a culture of openness and respect in which barriers for those with protected characteristics are identified and removed. It wants its people to feel safe and valued, and to achieve their full potential for the benefit of the individual, the organisation and wider communities. It wishes to promote equality of opportunity, fair working practices, and good interpersonal relations throughout its staff and student bodies.

OPERATING AND FINANCIAL REVIEW

Environmental sustainability policy

Sustainability is at the heart of how the University does business. The University believes that environmental sustainability is the foundation of wider economic and social sustainability and is an integral part of good institutional practice. It has a duty to satisfy itself that all of its operations and activities are conducted with proper regard to the environment.

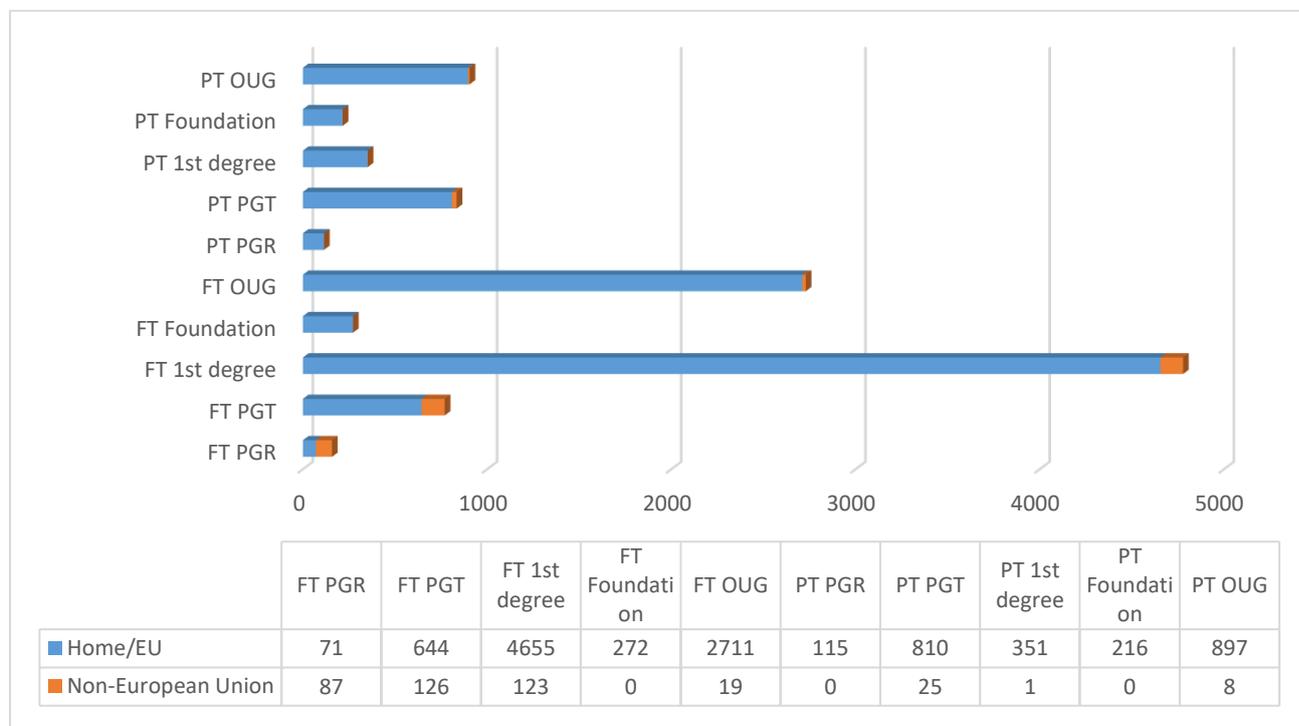
INSPIRE (Institute for Sustainable Practice, Innovation and Resource Efficiency) has continued to support the embedding of sustainability within the University’s curriculum at all levels as well as engaging with the widest number of organisations to develop sustainable practice across all sectors in Wales and further afield.

Tuition fees

In October 2020 the University published its Fee and Access Plan for 2021/22 with a full-time undergraduate tuition fee of £9,000.

2019/20 Student Numbers

The table below show the make up of the University’s student population.



Key: FT – Full time; PT – Part time; UG – Undergraduate; PGT – Postgraduate Taught; PGR – Postgraduate Research.; INT- International students.

The University is committed to having a student body that is balanced and diverse in terms of background and experience, with all the educational and cultural benefits that this brings. It encourages applications from all those with the motivation and academic ability to thrive at its locations within the South West Wales region, at its London campus, Birmingham Learning Centre and other outreach centres, whatever their background.

OPERATING AND FINANCIAL REVIEW

Principal risks and uncertainties

The underlying principal risks and uncertainties faced by the University which remain consistent with previous years are as follows:

- Managing in year cash-flows, particularly in light of the impact of the timing of tuition fee payments upon cash balances held within the Group at any one point in time, notwithstanding that cash balances remain substantial at the year-end (£26.1million);
- In line with the above managing the cash-flows and net asset balance to meet the banking covenants set as part of the secured borrowing with HSBC bank;
- Home/EU student recruitment and retention given uncertain political and economic environments and demographic trends;
- Managing performance across all of the Group's complex and diverse entities and locations and harmonising activity where appropriate to deliver strategic gains; and
- Development of the Group Estates Strategy to support on-going integration and future development of the University.

Covid-19

The University, as is common across the Higher Education sector, is faced with a wide reaching range of risks that have arisen purely as a result of the Covid-19 pandemic and associated lockdown measures. The impact of these risks are reflected in the results for 2019/20 and remain throughout 2020/21.

It is unclear at this time as to whether the pandemic will remain as an influencing factor in 2021/22 and beyond and the University's strategy for the medium term recognises that the risk may still remain but is one of readiness to successfully operate in a post pandemic environment.

The immediate risks facing the University from March 2020 were in relation to accommodation and commercial income, the income presented in note 4 reflects the fact that all commercial income streams in the final quarter of the year were virtually nil and that the fees paid by students for their third term accommodation were repaid where the accommodation was not utilised.

The University moved to a fully online teaching model at the end of March 2020 and did not experience any significant numbers of student withdrawals in term 3 from this move. The new intakes in the London and Birmingham learning centres in both June and September were in line with the original budget despite being delivered online in full.

As the University enters the new academic and financial year the 2 primary risks are:

- Student recruitment and retention; and
- Ensuring that the University Campus facilities are maintained in a Covid-19 safe state.

The University is offering a blended learning medium for 2020/21 with the majority of teaching being online. In order to support students in this approach, the University is providing support through a digital bursary that will provide laptops to those students who need this assistance. The recruitment in term one has been strong, the risk of retention remains and the University is proactively working with its student population and employees to provide a fulfilling and meaningful learning experience. Student pulse surveys are being utilised to gauge the effectiveness of the University's model.

The immediate outlook for international student recruitment is less certain and ongoing restrictions provide a barrier for students to enter the UK. The University's income from international students is relatively low but is still an important income stream and one that will drive future growth for the University. The University believes that the demand for education in the UK remains strong and any shortfalls in income in 2020/21 will be a short term event. Mitigating actions have been made through the introduction of new courses to counter the forecast fall in international income.

OPERATING AND FINANCIAL REVIEW

In managing the University campus facilities, the estates team have been preparing the various sites for the 2020/21 academic year from the onset of the lockdown in March and this effort is a continuous activity as students return. The expected cost of maintaining the estate through the pandemic has been included within the budget for 2020/21.

The University's budget for 2020/21 included no provision for financial support with the pandemic, with the business model in the year set to deliver a modest surplus despite the challenges faced in the year. It is expected that any financial support that may become available will be targeted at very specific areas and additional costs will be incurred by the University in delivering the impact that the funding is intended for

As noted in the introduction to these financial statements all departments in the University are working towards managing the risks posed by Covid-19 to ensure that the teaching, operations and support of the University continue and allow it to deliver on the immediate future as well as its longer term strategic developments.

Future prospects

The current environment within the sector is challenging but the University has invested significantly in its estate and improving the quality of its student experience, as reflected in its performance in the National Student Survey. In addition it is developing new provision and delivery modes, aimed at the development of new learning centres, and these are achieving growth to compensate for some of the reduction experienced in other fee income. This is transforming the University portfolio and will, in the medium to long term, ensure its sustainability and success. In the short term generation of cash surpluses is a key objective and the University has taken focused action to reduce costs to ensure they are in line with income levels to achieve this.

Declaration of information to auditor

In so far as each of the members who held office at the date of approval of this report is concerned:

- a) there is no relevant audit information of which the University's auditor is unaware; and
- b) each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Significant events during the year

During the year the University received accreditation as a Real Living Wage employer. The Real Living Wage is a voluntary payment of £9.30 per hour, outside London, made by over 6,000 employers in the UK to employees on the lowest grades who are over 18 years of age. Set by the Living Wage Foundation, the Real Living Wage is calculated from the cost of living based on a basket of household goods and services and is intended to enable people to meet their actual living costs.

The University's annual learning and teaching conference, NEXUS, usually delivered in a 'face-to-face' environment, was delivered for the first time online. The themes ('Looking after our learners' and 'Looking after you') were adapted to reflect the important challenges ahead, and were chosen in direct response to a staff pulse survey. The digital format allowed the University to engage with staff from across its campuses and collaborative partnership which increased participation and engagement.

UWTSD's Athrofa Professional Learning Partnership was among those who will be delivering a new initial teacher education programmes to be accredited by the Education Workforce Council's (EWC) ITE Accreditation Board. Introduced in line with recommendations from Professor John Furlong's review of ITE in 2015, the programmes take an entirely new approach to teacher education where universities and schools work closely together and share their knowledge. This pioneering approach is intended to raise the quality of provision, and attract candidates with the right skills, qualifications and aptitude to enter a career in teaching. The new programmes have been assessed and evaluated and will continue to be monitored by the Board to ensure they meet the accreditation criteria set by the Welsh Government.

OPERATING AND FINANCIAL REVIEW

Eddyfi Technologies, a Swansea-based company producing Non-Destructive Testing (NDT) inspection technologies, was the first to sign up to a ground-breaking partnership scheme designed to collaborate with manufacturers to future-proof their operations. The Manufacture for Advanced Design Engineering (MADE) project is a suite of EU-funded projects being delivered by the University's Centre for Advanced Batch Manufacture (CBM), supporting industry to upskill and adopt advanced manufacturing technologies. The MADE team is now working closely with Eddyfi Technologies to help the company further develop its Floormap™ technology. This equipment is typically used to detect corrosion on storage tanks floors in the oil and gas industry.

CBM Wales, has been working with Jam Creative Studios on an ergonomic casing for a new Augmented Reality product which to be launching in museums. ExplorAR is a device that will revolutionise the way visitors interact with museum exhibits and artefacts, using augmented and mixed reality.

The University hosted its fifth International Interfaith Colloquium which brought together faith leaders and academics from Wales, the rest of the United Kingdom, and further afield. The Interfaith Conference is a joint venture between the University and the Chin Kung Foundation, and the generous support of the Venerable Master Chin Kung. The theme of the annual conference was "Critical Interfaith Studies: Engaging with Assumptions in the Field." The annual conference, which was held online this year, provides an opportunity to bring together scholars and practitioners from diverse traditions and practices in order to discuss matters of multifaith and interfaith engagement, as well as themes of contemporary relevance that are vital for peaceful coexistence.

UWTSD's Swansea College of Art supplied 500 visors to Swansea Business Improvement District (BID) for distribution amongst shops and organisations in the city centre. The UWTSD team produced the visors which were also distributed to many care homes across the region. The University has a close relationship with Swansea BID and in 2013 they co-launched the Creative Bubble initiative to encourage students to set up their own businesses in Swansea. Swansea BID has been busy supporting the businesses through these challenging times, and the visors were offered as part of their efforts to help them get ready to reopen. They have produced an advice pack to provide information that contained risk assessments, hygiene requirements, legal advice and key guidance on PPE.

The University's Centre for Health and Ageing provided a new way for men and women aged 50+ to get fit and maintain a healthy lifestyle. Since its inception, the Centre has worked with a range of people with a client base of over 70 men and women who have their own individual training programmes developed specifically for them by a team of experts. Irrespective of previous fitness levels or health, over 95% of those who've taken part have improved their current fitness status.

The University's Wales Academy for Professional Practice and Applied Research, launched last November, is well placed to work with a range of employers. The Academy provides a flexible and bespoke work-based learning and development framework to assist organisations and individuals to identify solutions specific to their needs and context. It aims to develop employees to optimise their contribution to their organisation by recognising their experience and providing academic credentials that evidence their achievements and applies cutting edge solutions to future-proof talent and enhance leadership skills.

During the year the University launched a number of new degree apprenticeships in Advanced Manufacturing and Engineering. Apprenticeships provide a unique opportunity to co-create a programme of study with employers that completely integrates academic study and its practical application. Providing skills and training linked to real career opportunities whilst also enabling students to study an undergraduate award demonstrates the skills-pipeline at the heart of the University's provision and also assists in increasing participation in higher education.

OPERATING AND FINANCIAL REVIEW**Financial Review**

The consolidated results recorded a surplus for the year of £4.0 million (2019: deficit £19.4 million), and a surplus of £4.0 million charged to general reserves (2019: deficit £19.5 million). This result encompasses all activities, other than the Students' Union which is an independent body.

The movement from deficit to surplus (£23.4m) has largely been achieved through an improvement in the operations of the University. During the year Group income increased by £13.1m and total expenditure reduced by £10.4m.

The increase in income arose mainly from an increase in tuition fees arising from the learning centres in Birmingham and London. A second centre was opened – ahead of schedule - in Birmingham in January 2020 and generated income from 2 intakes in the year and this contributed to the increase in income. All centres in London and Birmingham demonstrated income growth in the year.

Due to the delivery of education courses in the learning centres not following a traditional academic year profile, with multiple intakes throughout the year, a proportion of income from each term is deferred into future years. As the number of students, and associated tuition fees, from these 'in year' intakes continues to grow the level of deferred tuition fee income held on the University's balance sheet also increases. At 31 July 2020 the deferred fee income was £12.3m (2019: £10.1m). As a result of this the continuing impact of the growth of the learning centres is reflected in future periods as well as this year.

Expenditure on academic related areas increased in the year to support the growth in tuition, however this was more than offset through a reduction in expenditure in non-academic areas, predominantly as a result of lower commercial activity as a result of the Covid-19 pandemic.

A summary of the financial performance is shown in the table below

Statement of Comprehensive Income summary

| | Year ended 31 July 2020 | Year ended 31 July 2019 | Movement |
|---|------------------------------------|----------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Income | 149,296 | 136,163 | 13,133 |
| Expenditure | (144,159) | (154,494) | 10,335 |
| Profit on Sale of Assets | 69 | 354 | (423) |
| Decrease in fair value of investment properties | (433) | (1,238) | (805) |
| Loss on investments | (393) | (82) | (311) |
| Share of operating loss in associate | (320) | (114) | (206) |
| Taxation | (8) | (8) | - |
| Deficit for the year | 4,051 | (19,419) | 23,470 |
| Actuarial gain/(loss) in respect of pension schemes | (29,121) | (20,621) | (8,500) |
| Gain on revaluation of heritage assets | - | - | - |
| Total comprehensive income for the year | (25,076) | (40,040) | (14,970) |

As in previous years the University's recorded deficit has been impacted by a number of non-core activities and non-cash movements on the pension schemes that it participates in, this is detailed in note 28. As is presented in the table below the nature of these items are consistent with the prior year, however the value of the items (excluding pension impacts) is greatly reduced. This reflects the operating position of the University where the focus has been very much on delivering a high quality learning environment and student experience for its students.

The impact of these are summarised in the table below:

OPERATING AND FINANCIAL REVIEW**Statement of Comprehensive Income summary**

| | Year ended 31 July 2020 £'000 | Year ended 31 July 2019 £'000 |
|---|--|-------------------------------------|
| Total Comprehensive Income for the year | (25,076) | (40,040) |
| Add back actuarial movement on pension schemes | 29,212 | 20,621 |
| <u>Deduct non-core income</u> | | |
| Capital grants received | (2,659) | (2,920) |
| Gain on disposal of fixed assets | (69) | (354) |
| <u>Add back non-core expenditure</u> | | |
| Net non-cash pension costs & adjustments | (1,727) | 11,962 |
| Revaluation of derivative liability | 480 | 1,341 |
| Restructuring costs | 298 | 2,192 |
| Property impairment charges | - | 710 |
| Decrease in fair value of investment properties | 433 | 1,238 |
| loss on investments | 393 | 82 |
| Share of operating deficit in joint venture and associate | 320 | 114 |
| Underlying (deficit)/surplus | 1,605 | (5,054) |

Managements forecasts at the commencement of 2019/20 was for an underlying surplus of £3.3m, however this included the receipt of £3.0m in the form of the City Deal Grant. Whilst the University has received £3.0m in the year, this is in the form of a loan and has therefore been recognised as a creditor balance and will be released to income in 2020/21 following formal award of the grant.

The £1.6m underlying surplus is an improvement on the forecast position when the timing of the grant income is removed, and is a reflection on the actions taken in previous years, both to increase revenues and set an appropriate year. Management remain confident that these actions position the Group for future growth and surpluses.

A conservative budget for 2020/21 has been prepared considering the challenges that Covid-19 will bring. This budget is for a modest surplus of £1.0m to be generated.

Management are also pleased with the net cash inflow of £12.9m. This is ahead of the forecast inflow of (£6.3m) and provides a good level of headroom to the banking covenants

Pension Charge Impact

Movements in pension liabilities continue to have a material impact on both the deficit and total comprehensive income values.

The stated deficits is after recording a credit of £4.8m (2019: charge £9.6m) on the USS pension scheme and a charge of £3.1m (2019: £2.3m) on the LGPS and in house schemes. In addition to these charges a further charge of £29.1m (2019: £20.6m) is recognised within total comprehensive income for the year due to actuarial losses on pension scheme liabilities. In total adjustments on pension schemes amount to £27.4m (2019: £32.5m). This volatility is being incurred by most Universities in the UK.

The USS liability reduced in the year to 31 July 2020 by £4.6m due to the updated valuation as at March 2018 (finalised in September 2019). This reduction is through the £4.8m credit referenced above less a £0.2m interest charge.

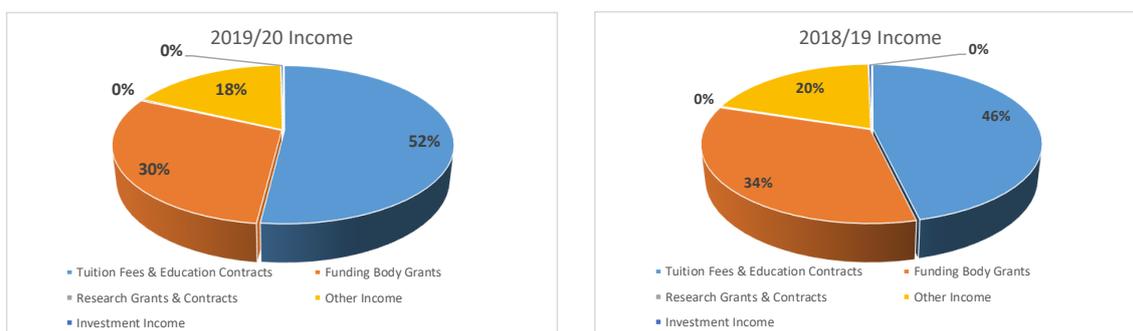
As noted in Note 27, the 2020 valuation for the USS scheme is in progress and whilst there is a significant amount of work to be done on the valuation before it is finalised, the early indications are that significant further increases to the scheme deficit will be recognised. Neither the reduction in the liability in 2019/20 or the expected increase in 2020/21 reflect the day to day operations of the University as they are a reflection of the accounting for the increase in USS pension liabilities and future commitments to pay down the deficit. They are not current expenditure items

OPERATING AND FINANCIAL REVIEW

Financial Review (continued)

As the longer term impacts of the Covid-19 pandemic impact financial markets into 2021 further volatility on the other pension scheme liabilities – whether positive or negative – is expected to impact the 2020/21 performance of the University. The LGPS schemes that the group participate in saw an increase in the liability value of £29.7m – a 69% increase from 31 July 2019. The most significant drivers of this increase were a fall in asset values and a deterioration of the discount rate used in valuing the future liabilities, this deterioration being impacted by the effect Covid-19 has had on financial markets. Post 31 July 2020 the asset values in the LGPS schemes have at least partially recovered, the position of other variables will not be known until later in the year

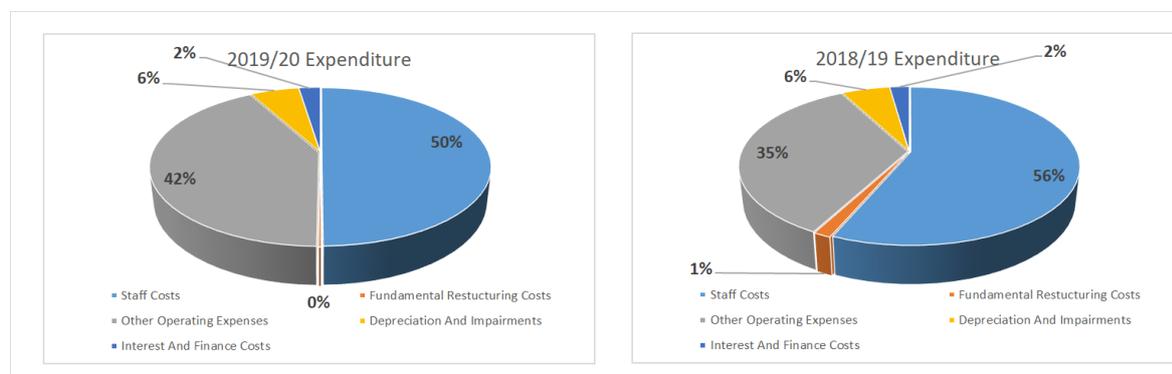
Income



The consolidated total income for the year amounted to £149.3 million (2019: £136.2 million). Within this sum, income received from the Higher Education Funding Council for Wales amounted to £4.7 million (2019: £4.7 million) which represented 3% of total income for the year (2019: 3%). Grants from the Welsh Government, received by Coleg Sir Gar, Coleg Ceredigion and Y Ganolfan Dysgu Cymraeg Genedlaethol (YGDCG) are included in funding body grants and amounted to £39.9 million (2019: £40.5 million), representing 27% of total income (2019: 29%).

Tuition Fees and Education Contracts income amounted to £77.6 million (2019: £63.1 million) which represented 52% of total income for the year (2019: 46%). Other income for the year totalled £26.5 million (2019: £26.8 million), representing 18% of total income for the year (2019: 20%). Other income arises from a wide range of sources including: student residences, catering and grant funding for projects and programmes.

Investment income for the year was £0.3 million (2019: £0.4 million).

OPERATING AND FINANCIAL REVIEW**Financial Review (continued)
Expenditure**

The consolidated total expenditure for the year was £144.2 million (2019: £154.5 million). Within this sum, staffing costs of £72.0 million (2019: £87.1 million) represented 48% of total income for the year (2019: 63%) and 50% of total expenditure (2019: 56%).

Other operating costs for the year were £60.4 million (2019: £53.2 million). As referenced above the growth in income has largely arisen through increased student numbers in our London and Birmingham learning centres. The recruitment of these students is through external agents and the increase in operating income is largely through increased commission payable on the increased student recruitment. The university has not recorded a significant cost for increases in bad or doubtful debts in the year and management of its debtors remains a key focus for 2020/21 and beyond.

Depreciation and impairment costs were £8.0 million (2019: £8.5 million) of which impairment charges were £0 million (2019: £0.7 million) and depreciation charges were £8.0 million (2019: £7.8 million). Interest and finance costs were £3.5 million (2019: £3.4 million), pension scheme interest charges of £1.2 million (2019: £0.8 million) and loan interest of £1.6m (2019: £1.2 million).

Balance Sheet

The consolidated Balance Sheet discloses a net assets position of £49.2m as at 31 July 2020 (2019: £75.1m). The decrease in net assets primarily arises from the increase in pension liabilities of £27.4m to £89.2m (2019: £61.8m). When Pension liabilities are excluded the net asset position is £138.5m at 31 July 2020 (2019: £136.9m).

Cash and cash equivalent balances were £27.0m at 31 July 2020 (2019: £13.2 million) with the increase reflecting the increase in income generating activity in the year and a proactive debt management process. The budget for 2020/21 shows further cash generation.

Capital expenditure at £5.9m is significantly lower than 2019 (£12.6m) and has been partly offset by land and building disposals in the year with a net book value of £4.1m. The major disposal in the year was of an old campus building of £2.7m and land within the SA1 development of £1.4m.

Total creditors (due within one year) were £51.8m at the year-end (2019: £40.1m). The increase is largely a result of the £2.2m increase in deferred fee income arising from the enrolment and teaching profile in the Birmingham and London learning centres (£12.3m (2019: £10.1m)), reclassification of £2m of loan balances due for payment in 2020/21 from creditors (due after 1 year) and £3.0m of short term funding received from Carmarthenshire County Council in relation to the City Deal grant award.

Total Creditors (due after one year) were £36.5m at the year-end (2019: £38.8m). The reduction is due to the reclassification of £2m of loan balances due for payment in 2020/21 to creditors (due within 1 year)

OPERATING AND FINANCIAL REVIEW

The University acquired a controlling interest in UW Centre for Advanced Batch Manufacture in the year. On acquisition the balance was impacted as below

| | £'000 |
|---|----------------|
| Goodwill | 21 |
| Tangible Fixed Assets (Equipment) | 249 |
| Stock | 14 |
| Other Debtors | 61 |
| Other creditors (amounts due within 1 year) | (1,277) |
| Other creditors (amounts due after 1 year) | (138) |
| Net Liabilities | (1,070) |
| Reserves | |
| Revaluation Reserve | (535) |
| Non-controlling interest | (535) |
| Total Reserves | (1,070) |

The goodwill was subsequently impaired

Financial Review (continued)**Cash Flow**

The consolidated net cash inflow from operating activities was £14.4m for the year (2019: £2.2m) and the overall cash inflow was £13.8m (2019: £4.9m outflow).

Cashflows from operating activities are impacted by the recognition of the positive non-cash pension costs of £2.0m (2019: negative £12.0m).

Cashflows from investing activities include proceeds from the sale of fixed assets of £4.2m (2019: £4.5m) and capital grant receipts of £2.7m (2019: £3.2m) less payments made to acquire fixed assets of £6.1m (2019: £13.7m).

Cashflows from financing activities comprises of new finance leases to fund the purchase of equipment of £0.5m (2019: £0.6m) less payments made against finance leases of £0.7m (2019: £1.2m) giving a net movement of (£0.2m) (2019: (£0.1m) and interest payments of £1.6m (2019: £2.0m)

Bank covenant compliance

Following the restructuring of the University's loan agreement with HSBC in the year, 3 covenant tests were in place that were to be tested on a quarterly basis from 31 October 2020. These were:

- The ratio of cash-flow available to meet debt servicing costs for the prior 12 months to be not less than 1.1 times debt servicing costs;
- The ratio of net debt to total income to be not more than 50%; and
- The level of consolidated net assets to be not less than £75 million at 31 October 2020.

During the year the third covenant was adjusted to exclude the pension liability with the first test date for all 3 tests amended from 31 October 2020 to 31 July 2020, with tests on every subsequent quarter. The amended test are:

- The ratio of cash-flow available to meet debt servicing costs for the prior 12 months to be not less than 1.1 times debt servicing costs;
- The ratio of net debt to total income to be not more than 50%; and
- The level of consolidated net assets excluding pension liabilities to be not less than £105 million.

All 3 covenants were met at 31 July 2020 and forecasts for 2020/21 indicate that they will be met at each testing point

OPERATING AND FINANCIAL REVIEW

Treasury Management

In accordance with the University's Treasury Management Policy, the investment objective is to achieve the best possible returns while minimising risk. At 31 July 2020 consolidated short-term investments, deposits and cash totalled £29.8m (2019: £18.4m). Of this amount, £7.6m (2019: £7.7m) were endowment funds. Interest and dividend income from all investments and deposits (endowment and non-endowment) was £0.3m (2019: £0.4 million) while losses on investments were £0.4m (2019: £0.1m).

Liquidity

The Group's current ratio at 31 July 2020 was 1.15 (2019: 1.06).

The University has prepared cashflow forecasts for the 12 months ended 31 July 2021 and is of the opinion that it will have sufficient cash resources and liquidity during this period to properly manage its affairs and planned operations. These forecasts indicate a positive cash flow in the year.

Creditors due within one year amount to £51.1m (2019: £41.0m), the increase primarily arising from the reclassification of £2m of the bank loan as being due within one year (2019: £0m). £3m of loan funding due for repayment to Carmarthenshire County Council (2019: £nil) is also recognised within this balance.

Trade creditors have increased to £3.9m (2019: £2.5m). This is due to timing of transactions, there has been no amendment to the creditor payment policy in the year which continues to follow best practice. The University's payment policy requires the University to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later.

Pensions

The net liability in the local in-house final salary pension scheme has decreased during the year, from £2.9m to £2.6m. The Local Government Pension Schemes (the Dyfed Pension Fund, which is administered by Carmarthenshire County Council, and the Swansea Pension Fund, which is administered by the City and County of Swansea) are both final salary pension schemes. The consolidated apportioned share of the deficit on the Dyfed Pension fund increased during the year from £7.7m to £13.7m. The Swansea Pension Fund liability increased during the year from £14.7m to £23.2m.

Accounting standards require the University to recognise its obligations to contribute to the deficit of the University Superannuation Scheme (USS) and this liability is included in the pension provision and additional costs are processed through staff costs in the consolidated statement of income and expenditure. During the year the liability on the USS decreased by £4.6m to £10.5m (2019: £15.1m).

The Local Government Pension Schemes for Coleg Sir Gar and Coleg Ceredigion saw an increase in their liabilities of £15.1m to £35.2m (2019: £20.1m)

OPERATING AND FINANCIAL REVIEW

Financial Health

The University is operating in a challenging economic environment which it is pro-actively managing. Key areas for management focus include:

- maintaining and being pro-active in the recruitment and retention of students;
- managing a change in the nature of core business with reduced reliance on traditional three year undergraduate programmes and increased development of new and innovative delivery programmes;
- maintaining a sufficient level of cash reserves to support operations while using surplus cash for investment in the transformed University's estate strategy;
- managing cash flows, including the timely collection of receipts from the student loans company, to ensure compliance with bank covenants;
- being pro-active in responding to the reductions in core funding from HEFCW and Welsh Government;
- responding to the changing political context of Higher Education in Wales;
- further diversification of income streams; and
- robustly managing increases in pension costs.

During the year ended 31 July 2020 the University's increased teaching activity has translated into positive cash flows and further diversification into new teaching areas and anticipated increased commercial activity towards the end of 2020/21 will further add to the building of the Groups' cash reserves and ability to service future investments in infrastructure and student experience.

Sustainability

The University considers sustainability on of the key risks that it faces, and maintaining financial security is the first listed enabler to achieving delivery of its strategic plan.

The primary metric of the University's sustainability is its cash position and projections. Along with a requirement to have sufficient cash reserves to meet its obligations, the University has 3 covenants with its bankers, HSBC, linked to borrowing. 2 of these covenants are directly related to cash generation.

The University considers income generation and realisation of this income in cash as the most appropriate method of maintaining sustainability and the profile of student intakes during the year is providing a flatter profile of cash generation from tuition fees than with a traditional September intake. The in year intakes are primarily through the London and Birmingham learning centres, both of which are delivering increasing students year on year.

Cashflow management involves close management of the monthly cashflow, with regular updates provided to the University Council on performance, including visible risks or opportunities. The university does have a term loan with HSBC and utilises tools such as finance leases to balance its cashflow against capital expenditure needs. At both the balance sheet date and the date of signing the accounts the University has no plans to enter into any material additional financial obligations.

The budget for 2020/21 contains a modest capital expenditure value to maintain the estate and IT infrastructure. The IT expenditure is expected to be via finance lease, this lease will replace an existing lease that expires in the year. Estates expenditure will be funded through cash flow and the timing of any expenditure will follow cash receipts in the year.

The University expects to build upon the cash generation in 2019/20, despite the anticipated relatively short term impact of Covid-19 in 2020/21. It is also felt that the University has sufficient cash reserves at 31 July 2020 and a sensible budget for 2020/21 that allows it to look at the medium term with confidence that any additional financial impact from Covid-19 that is not within the budget assumptions can be managed

OPERATING AND FINANCIAL REVIEW

Going Concern

The University has produced cash flow projections for the 12 months from the date of the financial statements being signed showing that even under a number of downside scenarios from the anticipated performance sufficient cash will be generated in the period to service the expenditure and liabilities falling due in the same period and to meet the 3 loan covenants.

As noted above and in the Consolidated Statement of Cash flows there was a cash generation of £12.8 million in the year to 31 July 2020 with a net cash inflow from operating activities of £17.3m. This cash generation supports the analysis of underlying performance at the beginning of this financial review.

The University is in a position where an underlying surplus has been recorded and whilst total comprehensive income remains negative, this is as a result of pension liability revaluations that do not impact short term cash flows. Budgets were prepared during the year for 2020/21 that, despite the impact of Covid-19, showed a further underlying surplus and cash generation in this period.

Following the preparation of this budget some of the anticipated downsides in 2019/20 relating to the lockdown from March did not materialise and the cash at 31 July 2020 was higher than forecast at this time. The indications from performance in the early months of 2020/21 are that further downside risks included in the budget will not be fully realised and a number initiatives that were introduced to counter these potential downsides are already generating positive results.

As noted in the Operating review risks section Covid-19 will continue to create uncertainty across the High Education Sector and the University continues to monitor any impact that this may have from both an operating and financial perspective.

The scenarios produced show that the University is in a position to manage this risk and the accounts are produced on a going concern basis to reflect the points covered above.

Risk Management / Risk Register

The Statement of Internal Control sets out the arrangements that are in place for risk management, including the continuing process of identifying, evaluating and managing risks.

A Comprehensive risk register is maintained by the University with specific risks allocated to the appropriate senior managers and departmental heads. It is the responsibility of these risk owners to identify and implement mitigating actions to protect the University.

Risks are allocated an initial 'score' based on likelihood of occurrence and impact on the University with updates at each relevant committee and council meeting detailing progress towards mitigating actions/new actions identified and an updated risk score post mitigation.

A full update to the register is presented to each meeting of the Audit and Risk Committee.

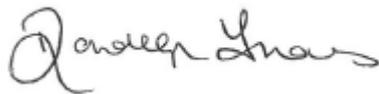
OPERATING AND FINANCIAL REVIEW

Conclusion

The ongoing Covid-19 pandemic is providing financial challenges to the whole Higher Education sector and these challenges will continue throughout 2020/21.

The University continues to deliver a divergence in products and markets alongside strengthening its core operations.

Cost management remains a key focus for the University and the activity that has been taken in previous years has provided a sound base from which the University can mitigate any challenges presented in the year and deliver *a healthy operating position to meet future challenges*.



The Venerable Randolph Thomas
Chair of University Council

STATEMENT OF CORPORATE GVERNANCE

Governance arrangements

In accordance with the University's Supplemental Royal Charter as revised in 2012, the Council is the governing body of the University and is responsible, through Statute, for approving the strategic plans for the University and for governing and regulating its finances, accounts, investments, property, business and affairs. Its Primary Responsibilities are set out in the University's Ordinances.

The Council comprises independent staff and student governors appointed under the Statutes and Ordinances of the University, the majority of whom are non-executive. Members of Council are also trustees of the University. Vacancies for independent members are advertised externally and appointments are made following completion of an interview and selection process. The role of Chair of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Council is served by a Clerk who is responsible to the Chair. A published Register of Members' Interests is reviewed and updated annually.

The Council meets at least four times a year and also exercises its responsibilities through the executive management and several standing committees. A Scheme of Delegation sets out where decision-making authority in the name of, or on behalf of, the Council resides, and where this authority can and has been delegated. The standing committees are chaired by independent members of Council and all have a majority of independent members. With effect from 2019/20 staff and student Council members have been members of all standing committees with the exception of the Audit and Risk Committee. Senior officers of the University attend meetings as necessary.

The standing committees of Council in 2019/20 were as follows:

- **Academic Committee**

Established in 2019/20, the Academic Committee provides advice to Council on its determination of the educational character of the University. Amongst other matters, it considers reports on the student experience, the learning environment, international activities, quality assurance and the University's strategy for developing and promoting Welsh medium and bilingual education.

- **Audit and Risk Committee**

The Audit and Risk Committee oversees audit across the UWTSD Group, with terms of reference that are based on the model terms of reference set out in the *Higher Education Audit Committees Code of Practice* published by the Committee of University Chairs (CUC). The Internal and External Auditors are present at each meeting. The Committee considers audit plans, discusses audit findings and recommendations, and reviews the University's financial statements and accounting policies.

- **Group Scrutiny Committee**

The Group Scrutiny Committee maintains oversight of the subsidiary companies of the University, focusing in particular on strategies pertaining to the relationship between the University and Coleg Sir Gar.

- **Nominations and Governance Committee**

The Nominations and Governance Committee is responsible for monitoring Council's corporate governance capability and governance arrangements for the University and the wider UWTSD Group. It monitors the composition and membership needs of the Council and makes recommendations for appointments to committees and other bodies.

- **Remuneration Committee**

The Remuneration Committee determines on an annual basis the salaries, terms and conditions and, where appropriate, the severance conditions of the Vice-Chancellor, Deputy Vice-Chancellors, the Pro Vice-Chancellors and the Clerk to the Council. As part of this process the Committee considers a range of external contextual and comparative measures in determining pay awards as set out in the annual Pay Policy Statement.

STATEMENT OF CORPORATE GVERNANCE

- **Resources and Performance Committee**

The Resources and Performance Committee maintains oversight of strategic planning and the financial affairs of the University. It monitors institutional performance in relation to key performance indicators, and reviews financial performance against forecasts, budgets and longer term plans. It also oversees estates, information management and human resources matters for the wider UWTSB Group.

In addition, the Senate, which is the academic authority of the University and draws its membership mainly from the academic staff and students of the institution, also reports to Council. Its role is to direct and regulate the teaching and research work of the University.

CUC Higher Education Code of Governance

The University aspires to high standards of corporate governance. As a corporation founded by Royal Charter with charitable status, the University does not fall within the corporate governance reporting requirements of the London Stock Exchange but it seeks to demonstrate that its governance is undertaken in an open and accountable manner and that it aspires to best practice within the higher education sector. All Council members are required to sign up annually to a *Code of Practice for Council Members* which sets out the standards of conduct and accountability which are expected of them in their role as governors of the University and charity trustees; the principles and values of the University and of public service more generally; and the University's approach to matters such as confidentiality and the declaration of interests.

The University's governance arrangements have been developed to reflect the principles and practices set out in CUC's *Higher Education Code of Governance*, published in December 2014 and revised in June 2018. An internal audit confirmed compliance with the 'must' statements of the Code in 2017. Analysis of the 'should' statements of the Code was undertaken the following year with a small number of areas identified for enhancement. In 2019 the Council undertook a Governance Effectiveness Review, with external input, which included holistic consideration of adherence to the Code and resulted in a published action plan. Through the Nominations and Governance Committee the Council has since reviewed the revised Code, published in September 2020. It has confirmed that all of the Primary Elements are in place and that adoption of all aspects of the Code will be complete following completion of its current work in relation to the Camm Review (see below).

Through its Remuneration Committee, Council reviewed compliance with CUC's Higher Education Senior Staff Remuneration Code (June 2018) in 2018/19. A further review was undertaken in 2020 in the light of the recommendations of the Camm Review. The University's practices adhere in full to the expectations of the Code. Through the Audit and Risk Committee, the Council has also confirmed that all elements of CUC's *Higher Education Audit Committees Code of Practice* (May 2020) have been adopted.

An internal audit of the Group's approach to Corporate Governance was undertaken in summer 2020 and provided substantial assurance on the adequacy of the control environment and the effectiveness of internal controls.

STATEMENT OF CORPORATE GVERNANCE

Camm Review of Governance of the Universities in Wales

The Council has welcomed the *Review of Governance of the Universities in Wales* by Gillian Camm ('the Camm Review'), the report of which was published in February 2020. In July 2020 the Council formally adopted the Governance Charter for Universities in Wales published by the Chairs of Universities Wales (ChUW) and Universities Wales and agreed an action plan in response to the accompanying Commitment to Action. By October 2020 the Council had made considerable progress with implementing the plan, including by:

- agreeing an approach to the formal review of quantitative and qualitative data relating to organisational culture;
- confirming its expectations in respect of the size and shape of the governing body (which is already consistent with Camm recommendations) and future recruitment strategy;
- confirming its approach to governor independence and conflict management;
- reviewing its arrangements for remuneration governance;
- completing a review of risk management policy;
- commissioning an annual report on whistle-blowing; and
- considering and recommending for approval the statements on independence, the role of the Secretary and annual reporting developed through the Welsh Clerks and Secretaries Group.

The Council expects to complete the remaining work in relation to the Camm Review by the end of 2020/21 and to adopt the new annual reporting template for the Annual Report and Financial Statements 2020/21.

STATEMENT OF INTERNAL CONTROL

As the governing body of the University, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of the strategic plans, aims and objectives of the institution, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Charter and Statutes, and the revised Memorandum of Assurance and Accountability issued in 2015 by the Higher Education Funding Council for Wales (HEFCW).

The internal control system includes policies, regulations and plans; monitoring of financial and operational performance; segregation of duties; authorisation and approval procedures; information systems; and effective internal and external audit functions. It also includes an ongoing process designed to identify the principal risks to the achievement of the strategic plans and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically. These systems have been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. The system accords with relevant guidance from the British Universities Finance Directors Group.

The system of internal control is designed to manage rather than eliminate the risk of failure in the achievement of business objectives; it therefore provides reasonable but not absolute assurance of effectiveness and not absolute assurance against material misstatement or loss.

The Audit and Risk Committee has specific authority delegated by the Council to monitor and review internal control matters on its behalf and to report to Council on these matters. Independent Internal Auditors undertake regular reviews of the systems of internal control; the scope of their work is determined, in advance, by the Audit and Risk Committee which receives their reports and recommendations. The areas for review are determined by their significance to the University's operations and the risks associated with their failure; they include operational and compliance matters as well as financial risk. The Internal Auditors attend each meeting of the Committee and meet privately with independent members on each occasion. The deliberations of the Audit and Risk Committee are reported at each meeting of the Council.

The University has established a robust methodology for evaluating and managing risk on a continuing basis, linked explicitly to the achievement of institutional objectives. UWTSD Group and corporate-wide University risk registers, which rate the likelihood and impact of identified risks, are maintained and regularly reviewed by the Senior Directorate. Departmental risk registers are developed and reviewed at local level, with risks escalated to the corporate risk register as appropriate. Registers are also maintained for discrete major projects and activities. The Group and corporate risk registers are considered at each meeting of the Audit and

STATEMENT OF CORPORATE GVERNANCE

Risk Committee and changes are reported to the Council. The Group Risk Management Policy and the construction of the risk register were comprehensively reviewed in 2019/20 and proposed revisions were approved by the Council in July 2020. An internal audit of the Group's approach to Risk Management was undertaken in summer 2020 and provided substantial assurance on the adequacy of the control environment and the effectiveness of internal controls.

The Council's review of the effectiveness of the system of internal control is also informed by the work of senior officers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their year-end management letter and other reports.

No significant internal control weaknesses or failures have arisen during the financial year or after the financial year but before these financial statements have been signed.

COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Council is responsible for preparing the Consolidated financial statements in accordance with the requirements of the Memorandum of Assurance and Accountability issued by the Higher Education Funding Council for Wales (HEFCW) and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the HEFCW. The Council is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

STATEMENT OF CORPORATE GIVERNANCE

The Council is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds from HEFCW and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCW and other funding bodies may from time to time prescribe;
- there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- for securing the economical, efficient and effective management of the University's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of University of Trinity Saint David (“the University”) for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the Statement of Accounting Policies in Note One.

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and the University’s affairs as at 31 July 2020, and of the Group’s and the University’s income and expenditure, gains and losses and changes in reserves, and of the Group’s cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of HEFCW’s Accounts Direction to Higher Education Institutions for 2019/20 issued on 24 June 2020; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under the Charters and Statutes of the institution and in accordance with section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council’s conclusions, we considered the inherent risks to the Group’s business model, and analysed how those risks might affect the Group and the University’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group or the University will continue in operation.

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID

Other information

The Council is responsible for the other information, which comprises the Operating and Financial Review and Corporate Governance Statement. 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 conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the operating & financial review is inconsistent in any material respect with the financial statements; or
- the University has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Council's responsibilities

As explained more fully in their statement set out on page 24 the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University'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 it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Rees Batley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

18 December 2020

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME

| | Notes | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------|-------------------------|---------------------|-------------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 2 | 77,600 | 71,261 | 63,068 | 56,411 |
| Funding body grants | 3 | 44,616 | 4,605 | 45,696 | 5,511 |
| Research grants and contracts | 4 | 311 | 311 | 235 | 235 |
| Other income | 5 | 26,488 | 18,629 | 26,773 | 20,259 |
| Investment income | 6 | 281 | 252 | 391 | 367 |
| Total Income | | 149,296 | 95,059 | 136,162 | 82,783 |
| Expenditure | | | | | |
| Staff costs | 7 | 72,004 | 48,067 | 87,111 | 59,354 |
| Fundamental restructuring costs | 7 | 298 | 298 | 2,192 | 1,236 |
| Other operating expenses | 9 | 60,358 | 35,288 | 53,241 | 27,186 |
| Depreciation and impairments | 11/12 | 7,981 | 5,187 | 8,546 | 5,912 |
| Interest and other finance costs | 8 | 3,524 | 3,056 | 3,404 | 3,135 |
| Total expenditure | | 144,165 | 91,896 | 154,493 | 96,823 |
| Surplus/(deficit) before other gains losses and share of operating surplus/(deficit) of joint ventures and associates. | | 5,131 | 3,163 | (18,331) | (14,040) |
| Gain on disposal of fixed assets | | 69 | 58 | 354 | 346 |
| Decrease in fair value of Investment properties | 14 | (433) | (258) | (1,238) | (1,313) |
| Gain/(Loss) on investments | | (393) | (407) | (82) | (85) |
| Share of operating deficit in associate | 15 | (320) | (320) | (114) | (1,064) |
| | | 4,053 | 2,235 | (19,411) | (16,156) |
| Taxation | 10 | (8) | - | (8) | 0 |
| Surplus/(deficit) for the year | | 4,045 | 2,235 | (19,419) | (16,156) |
| Actuarial gain/(loss) in respect of pension schemes | 29 | (29,121) | (11,817) | (20,621) | (11,137) |
| Gain on revaluation of heritage assets | | - | - | - | - |
| Total comprehensive income for the year | | (25,076) | (9,582) | (40,040) | (27,293) |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | 23 | (26) | (145) | 108 | 85 |
| Unrestricted comprehensive income for the year | | (25,050) | (9,437) | (40,148) | (27,378) |
| Surplus/(deficit) for the year attributable to | | | | | |
| University | | 4,036 | 2,235 | (19,411) | (16,156) |
| Non-controlling interest | | 9 | - | - | - |
| | | 4,045 | 2,235 | (19,411) | (16,156) |
| Total comprehensive income for the year attributable to | | | | | |
| University | | (25,085) | (9,582) | (40,040) | (27,293) |
| Non-controlling interest | | 9 | - | - | - |
| | | (25,076) | (9,582) | (40,040) | (27,293) |

All items of income and expenditure relate to continuing activities

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES**Consolidated**

| | Endowment | Unrestricted | Revaluation Reserve | Total Excluding Non- Controlling Interest | Non- Controlling Interest | Total |
|---|------------------|---------------------|--------------------------------|--|--|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2018 | 7,591 | 83,038 | 24,502 | 115,131 | - | 115,131 |
| Surplus/(deficit) from the income and expenditure statement | 108 | (19,527) | - | (19,419) | - | (19,419) |
| Other comprehensive income | - | (20,621) | - | (20,621) | - | (20,621) |
| Total comprehensive income for the year | 108 | (40,148) | - | (40,040) | - | (40,040) |
| Balance at 1 August 2019 | 7,699 | 42,890 | 24,502 | 75,091 | - | 75,091 |
| Recognised on consolidation of Associate (Note 14) | - | - | (535) | (535) | (535) | (1,070) |
| Surplus/(deficit) from the income and expenditure statement | (26) | 4,062 | - | 4,036 | 9 | 4,045 |
| Other comprehensive income | - | (29,121) | - | (29,121) | - | (29,121) |
| Total comprehensive income for the year | (26) | (25,060) | (535) | (25,621) | (526) | (26,147) |
| Balance at 1 August 2020 | 7,673 | 17,830 | 23,967 | 49,470 | (526) | 48,945 |

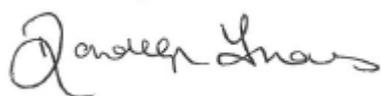
University

| | Endowment | Unrestricted | Revaluation Reserve | Total |
|---|------------------|---------------------|--------------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2018 | 7,294 | 48,251 | 14,454 | 69,999 |
| Surplus/(deficit) from the income and expenditure statement | 85 | (16,241) | - | (16,156) |
| Other comprehensive income | - | (11,137) | - | (11,137) |
| Total comprehensive income for the year | 85 | (27,378) | - | (27,293) |
| Balance at 1 August 2019 | 7,379 | 20,873 | 14,454 | 42,706 |
| Surplus/(deficit) from the income and expenditure statement | (145) | 2,380 | - | 2,235 |
| Other comprehensive income | - | (11,817) | - | (11,817) |
| Total comprehensive income for the year | (145) | (9,437) | - | (9,582) |
| Balance at 1 August 2020 | 7,233 | 11,437 | 14,454 | 33,124 |

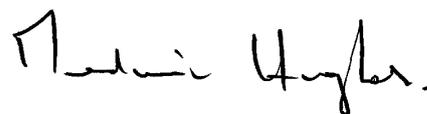
CONSOLIDATED AND UNIVERSITY STATEMENTS OF FINANCIAL POSITION

| | Notes | As at 31 July 2020 | | As at 31 July 2019 | |
|---|-------|-----------------------|---------------------|-----------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Non-current assets | | | | | |
| Goodwill | 11 | - | - | - | - |
| Tangible Fixed assets | 12 | 155,749 | 109,253 | 162,230 | 114,172 |
| Heritage assets | 13 | 6,241 | 6,205 | 6,241 | 6,205 |
| Investment properties | 14 | 6,286 | 4,936 | 6,688 | 5,163 |
| Investments | 15 | 733 | - | 969 | - |
| | | 169,009 | 120,394 | 176,128 | 125,540 |
| Current assets | | | | | |
| Stock | 17 | 547 | 317 | 508 | 317 |
| Trade and other receivables | 18 | 27,863 | 31,776 | 24,605 | 29,749 |
| Investments | 19 | 4,725 | 4,710 | 5,155 | 5,136 |
| Cash and cash equivalents | | 27,048 | 17,250 | 13,248 | 6,043 |
| | | 60,184 | 54,053 | 43,516 | 41,245 |
| Less: Creditors: amounts falling due within one year | 20 | (51,795) | (49,919) | (40,988) | (42,244) |
| Net current assets/(liabilities) | | 8,389 | 4,134 | 2,528 | (999) |
| Total assets less current liabilities | | 177,398 | 124,528 | 178,656 | 124,541 |
| Creditors: amounts falling due after more than one year | 21 | (36,540) | (36,115) | (38,818) | (38,546) |
| Provisions | | | | | |
| Pension provisions | 29 | (89,232) | (53,946) | (61,838) | (41,705) |
| Other provisions | 22 | (2,681) | (1,343) | (2,909) | (1,584) |
| Net assets | | 48,945 | 33,124 | 75,091 | 42,706 |
| Restricted Reserves | | | | | |
| Income and expenditure reserve - endowment reserve | 23 | 7,673 | 7,233 | 7,699 | 7,379 |
| Unrestricted Reserves | | | | | |
| Income and expenditure reserve - unrestricted | | 17,830 | 11,437 | 42,890 | 20,873 |
| Revaluation reserve | | 23,967 | 14,454 | 24,502 | 14,454 |
| | | 49,470 | 33,124 | 75,091 | 75,091 |
| Non-controlling interest | | (526) | - | - | - |
| Total Reserves | | 48,945 | 33,124 | 75,091 | 42,706 |

The financial statements were approved by the Governing Body on 18th December 2020 and were signed on its behalf on that date by:



The Venerable Randolph Thomas (Chair)



Prof Medwin Hughes (Vice-Chancellor)

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Year ended 31 July 2020 | Year ended 31 July 2019 £'000 |
|---|--------|----------------------------|-------------------------------------|
| Cash flow from operating activities | | | |
| Deficit for the year | | 4,045 | (19,419) |
| Adjustment for non-cash items | | | |
| Depreciation and impairments | 11, 12 | 7,980 | 8,546 |
| (Gain)/Loss in market value of investments | | 393 | 82 |
| (Gain)/Loss in investment properties | 14 | 433 | 1,238 |
| Loss in revaluation of livestock | 12 | 29 | 55 |
| Decrease/(increase) in stock | 17 | (25) | (15) |
| Decrease/(increase) in debtors | 18 | (3,198) | (4,010) |
| Increase/(decrease) in creditors | 20 | 7,533 | 4,120 |
| Increase/(decrease) in other provisions | 22 | (228) | (141) |
| Pension costs less contributions payable | 29 | (1,727) | 11,962 |
| Share of operating (surplus)/deficit in associate & JV | 15 | 320 | 114 |
| Adjustment for investing or financing activities | | | |
| Investment income | 6 | (281) | (391) |
| Interest payable | 8 | 1,769 | 3,323 |
| Capital grant income | | (2,718) | (2,920) |
| Profit on the sale of fixed assets | | (69) | (355) |
| Endowment received in the year | | 139 | - |
| Net cash inflow/(outflow) from operating activities | | 14,395 | 2,189 |
| Cash flows from investing activities | | | |
| Proceeds from sales of fixed assets | | 4,435 | 4,488 |
| Capital grant receipts | | 2,659 | 3,219 |
| Investment income | | 281 | 391 |
| New non-current asset investments | | - | (582) |
| Payments made to acquire fixed assets | | (6,145) | (13,742) |
| | | 1,230 | (6,226) |
| Cash flows from financing activities | | | |
| Interest element of finance lease rental payment | | (73) | (81) |
| Interest paid | | (1,530) | (1,887) |
| New secured loans | | - | 1,598 |
| Loan repayments | | - | (454) |
| Net capital element of finance lease rental payments | | (223) | (72) |
| | | (1,826) | (896) |
| Increase/(decrease) in cash and cash equivalents in the year | | 13,800 | (4,933) |
| Cash and cash equivalents at beginning of the year | | 13,248 | 18,181 |
| Cash and cash equivalents at end of the year | | 27,048 | 13,248 |

Note 1: Statement of Accounting Policies for the year ended 31 July 2020

a. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standards (FRS102).

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention, except in relation to investment properties, current asset investments and derivative financial instruments carried at fair value.

b. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2020, which include Coleg Sir Gar and Coleg Ceredigion. Intra entity transactions are eliminated fully on consolidation.

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

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

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS102 paragraphs 1.8 to 1.12. The following exemptions available under FRS102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosure required by FRS102.11 Basic Financial Instruments and FRS102.12 Other Financial Instrument issues in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

c. Going Concern

The activities of the University and its subsidiaries, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial review. The financial position of the University and its subsidiaries, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. The financial statements are prepared on a going concern basis which the senior management and Council believe to be appropriate for the following reasons.

Although the University has incurred a deficit in the current year, most of this deficit has arisen from asset and liability revaluations in the various pension schemes in which it participates. When the pension scheme liability revaluations and the other non-core income and expenditure items are excluded an underlying surplus of £5,922k has been generated in the current year.

This underlying surplus is an improved position on the underlying deficit in 2019 of £5,054k. The main driver of the £10,976k positive movement is a £13.1m increase in income – primarily tuition fee income through the London and Birmingham learning centres. This is offset through an increase in operating expenditure of £6.9m with underlying pay costs reducing by £1.0m. The remaining movement is through non-core activities that adjust reported surplus to underlying surplus.

The increased income level and lower cost base are repeatable events and the University is in a position to be delivering sustainable surpluses in future years.

The improvement in the underlying surplus is reflected in cash, with £12.8m net cash inflow being generated in the year, and a significant net cash from operating activities of £17.2m. The overall cash position is positive at £26.1m (2019: £13.2m) and its forecast for 2020/21 and to December 2021 shows sufficient cash resources to meet its obligations. These forecasts include a number of downside risks arising from the Covid-19 pandemic.

Beyond this the University and its subsidiaries have a clear strategic financial plan that build on the successful new initiatives that have been implemented in the past few years, increasing the surplus on core activities and to deliver cash surpluses from operations. The strategic financial plan has 3 key components. These are:

Note 1: Statement of Accounting Policies for the year ended 31 July 2020

1. Recognising the impact of demographic factors and changing demands on the market and restructuring the delivery cost base as a result. This has already been achieved substantially with a reorganisation and restructuring across the South Wales campuses implemented in the current financial year;
2. Acknowledging the needs and demand for more flexible learning models and of those adults not currently in Higher and Further education noted in the Augar review and developing delivery models to address these. The University has established non-traditional Learning Centres in South Wales, London and Birmingham with new delivery models and is growing student numbers considerably in these centres; and
3. Recognising the growing demand of international educational institutions for a presence in the UK higher education market and developing strategic alliances and partnerships to grow student numbers and income in this area.

The University and its subsidiaries prepared four year financial forecasts at the beginning of the year which showed surpluses over that period, based on the above plans. These forecasts returned a surplus in 2019/20 with the receipt of a one off capital grant, a small deficit in 2020/21 and then a return to continued surplus from 2021/22. In all years the forecasts show a positive cash inflow. They have also considered alternative “downside” scenarios if these plans are not realised and the alternative mitigating actions that would be required as a result. The results from 2019/20 exceed this forecast position and the updated forecast for 2020/21 are for a small surplus to be made in this year. Due to the uncertainty generated by Covid-19 the University has not performed a formal reforecast of the period post 2020/21 and is using the forecasts generated at the beginning of 2019/20 as a baseline for performance until the longer term impacts of the pandemic on Higher Education become clearer.

In the shorter term, as part of the going concern assessment the University and subsidiaries have prepared detailed financial forecasts for the 12 months ended 31 December 2021. These have been prepared on both “base case” and “downside case with mitigation” scenarios. The downside case reflects the principal financial performance risks to which the University and its subsidiaries are exposed and is believed to be a fair to cautious assessment of these. In both scenarios the University and its subsidiaries have adequate financial resources to sustain operations over the 12 month period and beyond, and to meet obligations as they fall due.

After reviewing these forecasts the Council is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Group banking covenants to HSBC bank have been amended to remove the volatility in the pension scheme liabilities. These covenants are now tested at 31 July 2020, will next be tested at 31 October 2020 and then at all subsequent quarters.

The forecasts referred to above demonstrate that the University and its subsidiaries will be compliant with all covenants on both base case and downside with mitigation case scenarios.

Consequently, the Council is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

d. Income recognition

Income from the sale of goods or services is credited to the Consolidated and University Statements 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 and University Statements of Comprehensive 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.

Note 1: Statement of Accounting Policies for the year ended 31 July 2020

Income from accommodation provision is credited to the Consolidated and University Statements of Comprehensive Income over the contracted length of the accommodation. Accommodation contracts are issued on a yearly basis. Bonds held on accommodation are held on the Consolidated and University Balance Sheets and repaid to students at the end of each academic year provided the terms of the accommodation contract have been upheld. Any bond retained by the University is credited to the Consolidated and University Statements of Comprehensive Income at the end of the accommodation period as an income item.

Investment income is credited to the Consolidated and University Statements of Comprehensive Income 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 grants including; funding council block grant; research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and the performance related conditions have been met.

Donations and Endowments

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

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

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

There are four main types of donations and endowments 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

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

e. Accounting for retirement benefits

There are five principal pension schemes for the University's staff, one of these schemes the Universities Superannuation Scheme (USS), is open to new members. The other four, Teachers' Pension; two local authority schemes (Swansea and Dyfed) and the University of Wales Lampeter Pension and Assurance Scheme are closed to new members from the University. The local authority schemes for Coleg Sir Gar and Coleg Ceredigion remain open to new member. The schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

The USS and Teachers' Pension schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities applicable to University members due to the mutual nature of the schemes and therefore the schemes are accounted for as a defined contribution retirement benefit schemes.

Note 1: Statement of Accounting Policies for the year ended 31 July 2020

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. 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.

f. Employment benefits

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

g. Finance Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease 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.

h. Operating Leases

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

i. Foreign Currency

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

j. Fixed Assets

Fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Note 1: Statement of Accounting Policies for the year ended 31 July 2020Land and Buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

| | |
|-----------------------------------|----------|
| Academic buildings | 50 years |
| Residences | 30 years |
| Laboratories and lecture theatres | 30 years |
| Refurbishments | 20 years |

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

Equipment

Equipment, including computers and software, costing less than de-minimus of £5,000 per individual item or group of items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

| | |
|---|-----------|
| Computer Equipment | 4 years |
| Equipment acquired for specific research projects | 3-5 years |
| Other Equipment | 10 years |
| Motor Vehicles | 4 years |

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

Borrowing costs

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

k. **Heritage Assets**

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Works of Art are included at costs incurred from 1 April 1981 or subsequent revaluation. The latest revaluation of heritage assets was at 31 July 2014, where certain sections of heritage assets were deemed to have increased in value. A full revaluation review of the Works of Art is planned to coincide with the University's bi-centennial in the year ending 31 July 2022.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

l. **Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated and University Statements of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

The review of the fair value of the investment properties is undertaken by Savills

Note 1: Statement of Accounting Policies for the year ended 31 July 2020

m. Investments

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

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less Impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Consolidated and University Statements of Comprehensive Income

n. Stock

Stock is held at the lower of cost and net realisable value. Cost represents the invoice price of the stock.

o. Financial InstrumentsTrade and other debtors/creditors

Trade and other debtors and creditors are recognised initially at transaction price net of attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs less any impairment losses in the case of trade debtors.

Interest bearing borrowings

Interest-bearing borrowings other than public benefit entity concessionary loans are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Concessionary loans are recognised initially at the amount received or paid and subsequently measured at cost plus any accrued interest payable or receivable.

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. 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

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in income or expenditure.

p. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Note 1: Statement of Accounting Policies for the year ended 31 July 2020

q. Accounting for joint ventures and associates

The University accounts for its share of joint ventures and associates using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets within the Consolidated and University Statements of Comprehensive Income.

r. Taxation

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

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

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

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

s. Reserves

Reserves are classified as restricted and unrestricted reserves. 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.

NOTES TO THE ACCOUNTS

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 2 Tuition fees and education contracts | | | | |
| Full-time home and EU students | 67,650 | 63,209 | 54,931 | 50,378 |
| Full-time international students | 4,591 | 4,576 | 3,483 | 3,452 |
| Part-time students | 3,600 | 3,477 | 2,744 | 2,581 |
| Education contracts | 1,760 | - | 1,910 | - |
| | 77,600 | 71,261 | 63,068 | 56,411 |
| | | | | |
| | | | | |
| | | | | |
| 3 Funding body grants | | | | |
| Recurrent grant | | | | |
| Higher Education Funding Council | 4,684 | 4,605 | 4,169 | 4,169 |
| Welsh Government | 34,612 | - | 34,671 | - |
| Specific grants | | | | |
| Higher Education Funding Council | - | - | 579 | 579 |
| Welsh Government | 5,320 | - | 6,277 | 763 |
| | 44,616 | 4,605 | 45,696 | 5,511 |
| | | | | |
| | | | | |
| | | | | |
| 4 Research grants and contracts | | | | |
| Research councils | 140 | 140 | - | - |
| Research charities | 28 | 28 | 14 | 14 |
| Other | 143 | 143 | 221 | 221 |
| | 311 | 311 | 235 | 235 |
| | | | | |
| | | | | |
| | | | | |
| 5 Other income | | | | |
| Residences, catering and conferences | 4,178 | 3,266 | 4,889 | 3,940 |
| Other revenue grants | 11,544 | 7,601 | 10,603 | 6,806 |
| Other capital grants | 750 | 750 | - | - |
| Other income generating activities | 3,973 | 3,909 | 6,707 | 4,940 |
| Other income | 6,043 | 3,103 | 4,574 | 4,573 |
| | 26,488 | 18,629 | 26,773 | 20,259 |
| | | | | |
| | | | | |
| | | | | |
| 6 Investment income | | | | |
| Investment income on endowments | 161 | 161 | 364 | 341 |
| Other investment income | 120 | 91 | 27 | 26 |
| | 281 | 252 | 391 | 367 |

NOTES TO THE ACCOUNTS

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 7 Staff costs | | | | |
| Salaries | 57,252 | 36,595 | 58,035 | 37,561 |
| Social security costs | 5,563 | 3,687 | 5,816 | 3,913 |
| Movement on USS provision | (4,844) | (4,844) | 9,496 | 9,496 |
| Other pension costs | 14,033 | 8,161 | 13,764 | 8,384 |
| | 72,004 | 43,599 | 87,111 | 59,354 |

| | Year ended 31 July 2020 £'000 | Year ended 31 July 2019 £'000 |
|--|-------------------------------------|-------------------------------------|
| Emoluments of the Vice-Chancellor | | |
| Salary | 232 | 232 |
| Monetary value of benefits: Health Insurance | 3 | 3 |
| Monetary value of benefits: Accommodation | 11 | 11 |
| | 246 | 246 |
| Pension contributions to USS | 52 | 46 |
| | 298 | 292 |

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to the relevant HEFCW accounts direction) all shown before any salary sacrifice:

| | Year ended 31 July 2020 No. | Year ended 31 July 2019 No. |
|----------------------|-----------------------------------|-----------------------------------|
| £100,000 to £104,999 | 0 | 1 |
| £105,000 to £109,999 | 0 | 0 |
| £110,000 to £114,999 | 0 | 0 |
| £115,000 to £119,999 | 0 | 1 |
| £120,000 to £124,999 | 0 | 0 |
| £125,000 to £129,999 | 0 | 0 |
| £130,000 to £134,999 | 0 | 0 |
| £135,000 to £139,999 | 0 | 0 |
| £140,000 to £144,999 | 1 | 1 |
| £145,000 to £149,999 | 1 | 2 |
| | 2 | 5 |

There was no compensation payable to higher paid staff in the year (2019: £nil)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes pension contributions and compensation paid to key management personnel. Remuneration consists of salary and benefits including any employer's pension contributions.

| | Year ended 31 July 2020 £'000 | Year ended 31 July 2019 £'000 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Key management personnel remuneration | 1,313 | 1,243 |
| | No. | No. |
| Key management personnel | 9 | 8 |

NOTES TO THE ACCOUNTS

7 Staff costs (continued)

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---------------------------|------------------------------------|----------------------------|
| Average staff numbers by: | No. | No. |
| Academic departments | 694 | 760 |
| Non-academic departments | 933 | 994 |
| | 1,627 | 1,754 |

The above staff costs for key management personnel do not include the cost of key management that are employed by the University of Wales, but working across both institutions. These costs totalling £55k (2019: £55k) are included in other operating expenses as they are recharged by invoice from the University of Wales.

Restructuring Costs

The University accounts for restructuring costs in the period that the cost is incurred, where a restructuring plan has been communicated but not fully concluded at the Balance Sheet date and amounts due to be paid are recognised on the Balance Sheet and within the Statement of Comprehensive Income in the year that the plan was communicated.

The University accounts for restructuring costs in the period that the cost is incurred, where a restructuring plan has been communicated but not fully concluded at the Balance Sheet date and amounts due to be paid are recognised on the Balance Sheet and within the Statement of Comprehensive Income in the year that the plan was communicated.

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|--------------------------------|-------------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Paid to employees on termination of employment | 298 | 298 | 2,192 | 1,236 |

Trustees

The University's Council members are the trustees for charitable law purposes. The trustees who served in the year, and up to the signing date of these financial statements are listed on page 1.

Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private 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 are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. Other than the expenses paid in the year referenced below there were no transactions in the year with any members.

No Council member has received any remuneration/waived payments from the group during the year (2019 - £nil).

The total expenses paid to or on behalf of 23 council members was £9K (2019: £14K to 23 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity

NOTES TO THE ACCOUNTS

7 Staff costs (continued)

Vice-Chancellor Remuneration Statement

The ratio of the salary of the Vice Chancellor compared to the median average of the University is 6.48:1 and the ratio of the total remuneration of the Vice Chancellor compared to the median average of the University is 6.48:1

The Remuneration Committee noted the Vice Chancellor's current salary was the lowest in the HEFCW comparator group.

The Vice Chancellor is also Vice Chancellor of the University of Wales. 20% of the Vice Chancellor's emoluments are recharged to the University of Wales. The emoluments and ratios disclosed above represent 100% of the Vice Chancellor's emoluments.

The Vice Chancellor has a significant breadth of responsibility spanning Higher Education and Further Education. This includes the University of Wales Trinity St David, The University of Wales, Coleg Sir Gar and Coleg Ceredigion. Within UWTSd, there has been an expansion of responsibility in Birmingham and London. In recognition of the financial context of the University and the restructuring programme, no change to the Vice Chancellor's salary was made for 2019/2020. 100% of the Vice Chancellor's emoluments are disclosed in these accounts and do not take into account any recharge to the University of Wales

The University Council is responsible for establishing a Standing Committee of the Council, known as the Remuneration Committee, to determine fair and appropriate remuneration for the Vice Chancellor, the Deputy Vice Chancellors, the Pro Vice Chancellors and the Clerk to the Council.

The Remuneration Committee is responsible for reviewing and determining on an annual basis the salaries, terms and conditions and, where appropriate the severance conditions of the above senior post-holders. The terms of reference are published on the University website ensuring these are available to staff, students and all stakeholders in an open and transparent manner: <https://www.uwtsd.ac.uk/media/uwtsd-website/content-assets/documents/governance/Committee-Terms-of-Reference-202021-FINAL>. The Committee membership includes a staff member of Council and a student member of Council. The Vice Chancellor is not a member.

The Remuneration Committee adheres to the Higher Education Senior Staff Remuneration Code, published by the CUC. Its deliberations take account of the context in which the institution operates. It considers the value delivered by an individual acting within a role based on relevant components for the UWTSd context. The Committee considers appropriate comparative information of other Universities to inform its decisions including the annual rate of increase of the average remuneration of all other staff. It also considers the Corporate Risk Register and a report on complaints made to the University by students, staff and external persons. The Committee makes every effort to ensure that all recommendations are fair and consider the institutional interest, key stakeholders and partners including the student community and wider society. The safeguarding of public funds also forms part of its deliberations.

The Chair of the Remuneration Committee is responsible for presenting the recommendations of the Remuneration Committee to the University's Council.

NOTES TO THE ACCOUNTS

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 8 Interest and other finance costs | | | | |
| Finance leases | 73 | 28 | 81 | 43 |
| Loan interest | 1,636 | 1,636 | 1,203 | 1,203 |
| Net charge on pension schemes | 1,203 | 780 | 766 | 535 |
| Decrease in fair value of derivative | 480 | 480 | 1,341 | 1,341 |
| Other | 133 | 133 | 13 | 13 |
| | 3,525 | 3,056 | 3,404 | 3,135 |

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 9 Analysis of other operating expenses by activity | | | | |
| Academic and related expenditure | 26,353 | 12,584 | 21,296 | 8,760 |
| Administration and central services | 20,008 | 15,089 | 17,636 | 10,964 |
| Premises | 6,931 | 5,038 | 7,429 | 5,255 |
| Residences, catering and conferences | 1,679 | 1,098 | 1,552 | 804 |
| Other expenses | 5,388 | 1,479 | 5,328 | 1,403 |
| | 60,359 | 35,288 | 53,241 | 27,186 |

Other operating expenses include:

External auditor's remuneration in respect of audit services:

| | | | | |
|----------------------------------|----|----|-----|-----|
| These financial statements | 67 | 67 | 109 | 109 |
| Other group financial statements | 72 | - | 37 | - |

External auditor's remuneration in respect of non-audit services

| | | | | |
|----------------------------------|-------|-------|-------|-------|
| Audit related assurance services | 22 | 17 | 30 | 25 |
| Tax compliance services | - | - | 8 | - |
| Tax advisory services | 9 | 9 | 7 | 7 |
| Operating lease rentals | 1,924 | 1,889 | 1,449 | 1,195 |

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 10 Taxation | | | | |
| Recognised in the statement of comprehensive income | | | | |
| Current tax | | | | |
| Current tax expense | - | - | 21 | - |
| Prior year adjustment | 8 | - | (13) | - |
| Current tax expense | 8 | - | 8 | - |
| Deferred tax | | | | |
| Origination and reversal of timing differences | - | - | - | - |
| Reduction in tax rate | - | - | - | - |
| Recognition of previously unrecognised tax losses | - | - | - | - |
| Deferred tax expense | - | - | - | - |
| Total tax expense | 8 | - | 8 | - |

NOTES TO THE ACCOUNTS

10 Taxation (continued)**Factors affecting the total tax charge for the current period**

The tax assessed for the period relates to Eclectica Drindod Limited and Y Ganolfan Dysgu Cymraeg Genedlaethol and is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained as follows:

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|-------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| (Deficit)/Surplus before tax | (422) | 2,235 | (19,411) | (16,156) |
| Amounts not subject to tax | 359 | (2,235) | 19,522 | 16,156 |
| Taxable Profits | (63) | - | 111 | - |
| Tax at 19% (2018: 19%) | - | - | 21 | - |
| Effects of: | | | | |
| Prior year adjustment | 8 | - | (13) | - |
| Total tax charged in the year | 8 | - | 8 | - |

The UK Corporation tax rate reduced from 20% to 19% on 1st April 2017. A further reduction to 17% (effective 1st April 2020) was substantially enacted on 6th September 2016. This will reduce any current tax charges in future periods accordingly.

| | Freehold Property | |
|--------------------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 |
| 11 Goodwill | | |
| Balance at 1 August 2019 | - | - |
| Additions | 21 | - |
| Impairment | (21) | - |
| Balance at 31 July 2020 | - | - |

The Goodwill arose on the transfer of a controlling interest in UW Centre for Advanced Batch Manufacture in the year. As the Company is currently loss making there it is deemed that there is no value in the goodwill and it has been impaired in full during the year.

NOTES TO THE ACCOUNTS

| | Freehold land and buildings | Assets under construction | Leasehold land and buildings | Equipment, fixtures and fittings | Motor vehicles | Livestock | Totals |
|---------------------------------|-----------------------------------|------------------------------|------------------------------------|--|-------------------|------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 12 Tangible fixed assets | | | | | | | |
| Consolidated | | | | | | | |
| Cost or valuation | | | | | | | |
| At 1 August 2019 | 205,395 | 1,073 | 18,532 | 45,845 | 302 | 324 | 271,471 |
| Additions in the year | 1,587 | 2,234 | - | 2,084 | - | - | 5,905 |
| On acquisition | | | | 249 | | | 247 |
| Revaluation | - | - | - | - | - | (29) | (29) |
| Disposals | (13,533) | (195) | - | (332) | (17) | - | (14,077) |
| At 31 July 2020 | 193,449 | 3,112 | 18,532 | 47,844 | 285 | 295 | 263,519 |
| Accumulated depreciation | | | | | | | |
| At 1 August 2019 | 65,059 | - | 3,660 | 40,259 | 263 | - | 109,241 |
| Charge for the year | 4,212 | - | 365 | 3,374 | 8 | - | 7,959 |
| Disposals | (9,383) | - | - | (44) | (3) | - | (9,430) |
| At 31 July 2020 | 59,888 | - | 4,025 | 43,589 | 268 | - | 107,770 |
| Net book value | | | | | | | |
| At 31 July 2020 | 133,561 | 3,112 | 14,507 | 4,257 | 17 | 295 | 155,749 |
| At 31 July 2019 | 140,336 | 1,073 | 14,872 | 5,586 | 39 | 324 | 162,230 |

Land and buildings owned by Coleg Sir Gar were revalued in 1998 at depreciated replacement cost by Cooke & Arkwright, a firm of independent chartered surveyors. On adoption of FRS 102, revalued properties have been treated as deemed cost. The analysis of cost or valuation of the tangible fixed assets as at 31 July 2020 is as follows:

| | Freehold land and buildings | Assets under construction | Leasehold land and buildings | Equipment, fixtures and fittings | Motor vehicles | Livestock | Totals |
|--------------------------|-----------------------------------|------------------------------|------------------------------------|--|-------------------|------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | | |
| Valuation in 1998 | 19,716 | - | - | - | - | 295 | 20,011 |
| Cost | 173,733 | 3,113 | 18,532 | 47,844 | 286 | - | 243,508 |
| | 193,449 | 3,113 | 18,532 | 47,844 | 286 | 295 | 263,519 |

NOTES TO THE ACCOUNTS

| | Freehold land and buildings | Assets under construction | Leasehold land and buildings | Equipment, fixtures and fittings | Motor vehicles | Livestock | Totals |
|---|-----------------------------------|------------------------------|------------------------------------|--|-------------------|-----------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 12 Tangible fixed assets (continued) | | | | | | | |
| University | | | | | | | |
| Cost or valuation | | | | | | | |
| At 1 August 2019 | 137,406 | 568 | 18,532 | 32,508 | 302 | - | 189,316 |
| Additions in the year | 1,539 | 2,234 | - | 856 | - | - | 4,628 |
| Revaluation | - | - | - | - | - | - | - |
| - Transfers | - | - | - | - | - | - | - |
| Disposals | (13,533) | (195) | - | (47) | (17) | - | (13,791) |
| At 31 July 2020 | 125,412 | 2,607 | 18,532 | 33,137 | 286 | - | 180,154 |
| At 1 August 2019 | 41,734 | - | 3,660 | 29,487 | 263 | - | 75,144 |
| Charge for the year | 2,789 | - | 365 | 2,024 | 8 | - | 5,187 |
| Disposals | (9,383) | - | - | (44) | (3) | - | (9,430) |
| At 31 July 2020 | 35,140 | - | 4,025 | 31,468 | 268 | - | 70,901 |
| Net book value | | | | | | | |
| At 31 July 2020 | 90,272 | 2,608 | 14,507 | 1,849 | 18 | - | 109,253 |
| At 31 July 2019 | 95,672 | 568 | 14,872 | 3,021 | 39 | - | 114,172 |

13 Heritage assets**Consolidated and University**

The heritage assets include a collection of rare manuscripts, tracts, incunabula and printed books. The assets were formally revalued at 31st July 2014 by Bernard Quaritch Ltd, resulting in an increase in value of £250k.

The University of Wales Lampeter Pension & Assurance Scheme trustees have a £2m floating charge over the University's heritage assets.

The University's heritage assets are hosted in a specialist purpose built annexe to the library on the Lampeter Campus and are managed by 2 specialist, qualified members of staff. Where the assets require any preservation or conservation work, this is carried out by the National Library of Wales

There have been no acquisitions or disposals of heritage assets within the last five years.

Details of the University's collection is available on the University's website <https://uwtsd.ac.uk/rbla/a-z-list-of-collections/>

| | Freehold Property | |
|---------------------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 |
| 14 Investment properties | | |
| Balance at 1 August 2019 | 6,688 | 5,163 |
| Additions | 31 | 31 |
| Revaluation | (433) | (258) |
| Balance at 31 July 2020 | 6,286 | 4,936 |

The Investment properties are valued by an independent RICS registered valuer on an annual basis with the latest valuation being dated 31st July 2020. The valuation basis for the investment properties is at fair value as defined under IFRS with an assumption that the properties selling value is subject to any existing leases. The revaluation amount recognised in 2020 relates to revaluing the investment properties to fair value in line with a valuation prepared by Savilles.

The University has no restriction of use on the income generated from the investment properties and at 31 July 2020 has no contractual obligations for future development or maintenance of the properties.

NOTES TO THE ACCOUNTS

| | Interest in Joint Venture (Note 14) £'000 | Interest in Associated Undertaking £'000 | Other fixed asset investments £'000 | Total £'000 |
|---|--|---|--|----------------|
| 15 Non-current investments | | | | |
| Consolidated | | | | |
| At 1 August 2019 | 971 | 1,064 | 251 | 2,286 |
| Additions | - | - | 14 | 334 |
| Disposals | (250) | - | - | (250) |
| Eliminated on acquisition of controlling interest | - | (1,064) | - | (1,384) |
| At 31 July 2020 | 721 | 0 | 265 | 986 |
| Share of post-acquisition reserves | | | | |
| At 1 August 2019 | (253) | (1,064) | - | (1,317) |
| Retained profit less losses | - | (320) | - | (320) |
| Eliminated on acquisition of controlling interest | - | 1,384 | - | 1,384 |
| At 31 July 2020 | (253) | 0 | - | (253) |
| Balance at 31 July 2020 | 468 | - | 265 | 733 |
| Balance at 31 July 2019 | 718 | - | 251 | 969 |

| | Interest in Associated Undertaking £'000 | Investment in Subsidiary £'000 | Total £'000 |
|------------------------|---|--------------------------------------|----------------|
| University | | | |
| At 1 August 2019 | - | - | - |
| Additions | - | 350 | 320 |
| Disposals | - | (350) | (320) |
| Impairment | - | - | - |
| At 31 July 2020 | - | - | - |

At the 31st July 2019 The University had a 49% holding in the UW Centre for Advance Batch Manufacturing Ltd, the company undertakes research and consultancy to develop industrial specific solutions for SMEs. On the 1st July 2020 the University acquired 200,000 A shares from University of Wales for nil consideration and disposed of 200,000 B shares to University of Wales for nil consideration. The increase in A shares, which have voting rights, give the University a controlling interest in the company and at which point its assets and liabilities were consolidated into the group balance sheet. At the date of acquisition the University acquired net liabilities, which generated goodwill of £21k and the full value of the goodwill has subsequently been impaired.

16 Investment in joint venture

One of the University's subsidiaries, UWTSI Investments Limited, holds a 50% share of OSTC TSD LLP, a limited liability partnership. This is a joint venture owned equally by UWTSI Investments Limited and OSTC, a Commercial Company. The investment in OSTC TSD LLP is partly in share capital (£300,000 (2019: £300,000)) and partly as an unsecured loan, repayable on demand, with an interest rate of 4% over base rate (£420,978 (2019: £670,978)). The reduction is in way of loan repayment received in the year of £250,000).

The arrangement is treated as a joint venture and is accounted for using the equity method, such that the investment is initially recorded at cost and is subsequently adjusted to reflect the University's 50% share of the net profit or loss of the joint venture. The Group's share of the operating loss of the joint venture within the joint venture's most recent financial statements (dated 31 December 2019) is £nil (2019: £nil). The Group's interest in the joint venture is £468,000 (2019: £718,000), consisting of the loan as disclosed above, plus capital investment in its consolidated balance sheet.

NOTES TO THE ACCOUNTS

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|----------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 17 Stock | | | | |
| Finished goods | 518 | 302 | 315 | 302 |
| Livestock for resale | 29 | 15 | 193 | 15 |
| | 547 | 317 | 508 | 317 |

Stock is valued at the lower of its cost and net realisable value on a FIFO basis

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 18 Trade and other receivables | | | | |
| Amounts falling due within one year: | | | | |
| Trade debtors | 18,600 | 17,989 | 15,291 | 14,713 |
| Prepayments and accrued income | 9,263 | 4,081 | 9,314 | 4,768 |
| Amounts due from subsidiary companies | - | 9,706 | - | 10,268 |
| | 27,863 | 31,776 | 24,605 | 29,749 |

The amounts due from subsidiaries are an aggregate of trading balances that are interest free and repayable on demand.

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 19 Investments | | | | |
| Short term investment in shares | 4,710 | 4,710 | 5,136 | 5,136 |
| Short term deposits | 15 | - | 19 | - |
| | 4,725 | 4,710 | 5,155 | 5,136 |

The University follows a conservative investment policy with an emphasis on obtaining an increase in the real capital value of each fund within the portfolio each year, a target of 5% real growth is expected, with 3.5% being income growth and 1.5% being capital growth.

The investments are held within the University and consolidated endowment funds. The movement in fair value on these investments is detailed in Note 21.

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 20 Creditors: amounts falling due within one year | | | | |
| Amounts due on land purchase | 2,907 | 2,907 | 4,177 | 4,177 |
| Secured loans (note 20) | 2,110 | 2,110 | - | - |
| Unsecured loans (note 20) | 2,955 | 2,956 | - | - |
| Obligations under finance leases (note 20) | 846 | 578 | 709 | 507 |
| Trade creditors | 3,938 | 2,556 | 2,473 | 2,227 |
| Social security and other taxation payable | 1,648 | 1,182 | 1,771 | 1,142 |
| Accruals and deferred income | 35,664 | 26,343 | 30,611 | 22,921 |
| Amounts due to subsidiary companies | - | 9,561 | - | 10,023 |
| Derivatives | 1,727 | 1,727 | 1,247 | 1,247 |
| | 51,795 | 49,919 | 40,988 | 42,244 |

The amounts due to subsidiaries are an aggregate of trading balances that are interest free and repayable on demand.

NOTES TO THE ACCOUNTS

20 Creditors: amounts falling due within one year (continued)

The amount due on the land purchase is an amount due to Welsh Government on the completion of a disposal of land to a third party the final payment on completion which at 31 July 2019. This creditor arose as a deferred payment on the initial purchase of the land. Both the completion of the land sale and subsequent payment to Welsh Government have been delayed due to Covid-19 related issues and are due to be completed in 2020/21.

The derivatives relate to an interest rate swap contract which is used to fix the rate of the University's loan at 1.435% plus bank lending margin. This is held at fair value and has been valued using mark to market.

The unsecured loan is with Carmarthenshire County Council and is due for settlement at the earlier of the final award of outstanding City Deal grant funding (£3million) or June 2021.

The secured loan consists of a capital amount of £2 million and accrued interest of £110k. The first capital payment of £500k due on the 1st August 2020 and the second payment of £500k due on the 1st November 2020 have been paid in line with the repayment schedule. Further payments of £500k are due on the 1st February 2021 and 1st April 2021.

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 21 Creditors: amounts falling due after more than one year | | | | |
| Obligations under finance leases | 402 | 115 | 818 | 546 |
| Secured loans | 36,000 | 36,000 | 38,000 | 38,000 |
| Unsecured loans | 138 | - | - | - |
| | 36,540 | 36,115 | 38,818 | 38,546 |

The unsecured loan is held in UW Centre for Advanced Batch Manufacture and is due to University of Wales

Analysis of obligations under finance leases

| | | | | |
|---|--------------|------------|--------------|--------------|
| Due within one year (note 18) | 846 | 578 | 709 | 507 |
| Due between two and five years | 402 | 115 | 818 | 546 |
| Total obligations under finance leases | 1,248 | 693 | 1,527 | 1,053 |

Analysis of unsecured loans:

| | | | | |
|--|--------------|--------------|----------|----------|
| Due within one year or on demand (note 18) | 2,955 | 2,955 | - | - |
| Due between one and two years | - | - | - | - |
| Due between two and five years | - | - | - | - |
| Due in five years or more | 138 | - | - | - |
| Total unsecured loans | 3,093 | 2,955 | - | - |

Analysis of secured loans:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Due within one year or on demand (note 18) | 2,110 | 2,110 | - | - |
| Due between one and two years | 2,000 | 2,000 | 2,000 | 2,000 |
| Due between two and five years | 34,000 | 34,000 | 36,000 | 36,000 |
| Due in five years or more | - | - | - | - |
| Total secured loans | 38,110 | 38,110 | 38,000 | 38,000 |

The borrowing at 31 July 2020 and 31 July 2019 consisted of

| Lender | Instrument | Amount £'000 | Term | Interest Rate % | Borrower |
|--------|------------|-----------------|---------|--------------------|------------|
| HSBC | Term loan | 38,000 | To 2024 | 3.785% | University |

NOTES TO THE ACCOUNTS

| | Other | Pension enhancements on termination | Pension scheme rectification | Total provisions |
|-------------------------------------|------------|---|------------------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| 22 Provision for liabilities | | | | |
| Consolidated | | | | |
| At 1 August 2019 | 219 | 2,652 | 38 | 2,909 |
| Utilised in year | - | (329) | - | (329) |
| Additions in year | - | 101 | - | 101 |
| At 31 July 2020 | 219 | 2,424 | 38 | 2,681 |

The other provision of £219K relates to a potential repayment of European Funds (ESF) in relation to one of the subsidiaries' overhead recovery methodology.

The pension enhancements provision relates to staff in both the University and its subsidiaries who have already left employment and commitments for reorganisation costs at the balance sheet date. The provision has been recalculated in accordance with the latest LSC circular.

The Pension rectification provision is a potential liability on the University's in-house pension scheme.

| | Other | Pension enhancements on termination | Pension scheme rectification | Total provisions |
|----------------------------------|----------|---|------------------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Provision for liabilities | | | | |
| University | | | | |
| At 1 August 2019 | - | 1,546 | 38 | 1,584 |
| Utilised in year | - | (241) | - | (241) |
| Additions in year | - | - | - | - |
| At 31 July 2020 | - | 1,305 | 38 | 1,343 |

The pension enhancements and the pension rectification provisions are as previously stated

NOTES TO THE ACCOUNTS

| | Unrestricted permanent endowment £'000 | Restricted permanent endowment £'000 | Restricted expendable endowment £'000 | 2020 Total £'000 | 2019 Total £'000 |
|--|---|---|--|---------------------|---------------------|
| 23 Endowment funds | | | | | |
| Consolidated | | | | | |
| Restricted net assets relating to endowments are as follows: | | | | | |
| Balance at 1 August | | | | | |
| Capital | 1,038 | 4,619 | 19 | 5,676 | 5,753 |
| Accumulated income | 40 | 1,983 | - | 2,023 | 1,838 |
| | 1,078 | 6,602 | 19 | 7,699 | 7,591 |
| New endowments | 119 | 20 | - | 139 | - |
| Investment income | 1 | 260 | - | 261 | 364 |
| Expenditure | - | (19) | - | (19) | (180) |
| Increase/(decrease) in market value of investments | - | (407) | - | (407) | (76) |
| Total endowment comprehensive income for the year | 120 | (147) | 1 | (26) | 108 |
| Balance at 31 July | 1,198 | 6,455 | 20 | 7,673 | 7,699 |
| Represented by: | | | | | |
| Capital | 1,157 | 4,232 | 20 | 5,409 | 5,676 |
| Accumulated income | 41 | 2,223 | - | 2,264 | 2,023 |
| | 1,198 | 6,455 | 20 | 7,673 | 7,699 |
| Analysis by type of purpose: | | | | | |
| Lectureships | - | 3,331 | - | 3,331 | 3,333 |
| Fellowships, scholarships and prize funds | 23 | 1,532 | 20 | 1,575 | 1,627 |
| General | 1,175 | 1,592 | - | 2,767 | 2,739 |
| | 1,198 | 6,455 | 20 | 7,673 | 7,699 |
| Analysis by asset | | | | | |
| Investments | 25 | 4,685 | 20 | 4,730 | 5,155 |
| Cash | 1,173 | 1,862 | - | 3,035 | 2,637 |
| Creditors | - | (92) | - | (92) | (93) |
| | 1,198 | 6,455 | 20 | 7,673 | 7,699 |

NOTES TO THE ACCOUNTS

| | Unrestricted permanent endowment £'000 | Restricted permanent endowment £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|---|---|---------------------|---------------------|
| 23 Endowment funds (continued) | | | | |
| University | | | | |
| Restricted net assets relating to endowments are as follows: | | | | |
| Balance at 1 August | | | | |
| Capital | 1,027 | 4,373 | 5,400 | 5,476 |
| Accumulated income | 1 | 1,978 | 1,979 | 1,818 |
| | 1,028 | 6,351 | 7,379 | 7,294 |
| New endowments | - | 20 | 20 | - |
| Investment income | 1 | 260 | 261 | 341 |
| Expenditure | - | (19) | (20) | (179) |
| Increase/(decrease) in market value of investments | - | (407) | (407) | (77) |
| Total endowment comprehensive income for the year | 1 | (146) | (145) | 85 |
| Balance at 31 July | 1,029 | 6,204 | 7,233 | 7,379 |
| Represented by: | | | | |
| Capital | 1,027 | 3,986 | 5,013 | 5,400 |
| Accumulated income | 2 | 2,218 | 2,220 | 1,979 |
| | 1,029 | 6,204 | 7,233 | 7,379 |
| Analysis by type of purpose: | | | | |
| Lectureships | - | 3,331 | 3,331 | 3,334 |
| Fellowships, scholarships and prize funds | - | 1,495 | 1,495 | 1,548 |
| General | 1,029 | 1,378 | 2,407 | 2,497 |
| | 1,029 | 6,204 | 7,233 | 7,379 |
| Analysis by asset | | | | |
| Investments | 25 | 4,684 | 4,709 | 5,136 |
| Cash | 1,004 | 1,612 | 2,616 | 2,336 |
| Creditors | - | (92) | (92) | (93) |
| | 1,029 | 6,204 | 7,233 | 7,379 |
| | | | | |
| | Year ended 31 July 2020 | Year ended 31 July 2019 | | |
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| 24 Capital and other commitments | | | | |
| Provision has not been made for the following capital commitments at 31 July 2020 | | | | |
| Commitments contracted for | 3,629 | 3,629 | 4,735 | 4,735 |
| Commitments authorised | - | - | - | - |
| | 3,629 | 3,629 | 4,735 | 4,735 |

NOTES TO THE ACCOUNTS

| | Land and buildings £'000 | At 31 July 2020 Other leases £'000 | Total £'000 | At 31 July 2019 Total £'000 |
|---|--------------------------------|--|----------------|-----------------------------------|
| 25 Lease obligations | | | | |
| Consolidated | | | | |
| Total rentals payable under operating leases: | | | | |
| Payable during the year | 1,924 | 162 | 2,086 | 1,449 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 1,885 | 76 | 1,961 | 1,384 |
| Later than 1 year and not later 5 years | 3,757 | 113 | 3,870 | 4,004 |
| Greater than 5 years | 2,984 | - | 2,984 | 2,717 |
| Total lease payments due | 8,626 | 189 | 8,815 | 8,105 |
| University | | | | |
| Total rentals payable under operating leases: | | | | |
| Payable during the year | 1,889 | 10 | 1,899 | 1,195 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 1,850 | 16 | 1,866 | 1,280 |
| Later than 1 year and not later 5 years | 3,741 | 23 | 3,764 | 3,889 |
| Greater than 5 years | 2,984 | - | 2,984 | 2,717 |
| Total lease payments due | 8,575 | 39 | 8,614 | 7,886 |

26 Subsidiary undertakings

| Company | Principal Activity | Status |
|--|------------------------------------|-------------------|
| Eclectica Drindod Limited | Deliver third mission activity | TUC sole member |
| Trinity College | Hold endowment assets | TUC sole trustee |
| Trinity University College (TUC) | Dormant | UWTSD sole member |
| UWTSD Investments Limited | Commercial activities | 100% owned |
| Y Ganolfan Dysgu Cymraeg | Delivery of Welsh for Adults | UWTSD sole member |
| Genedlaethol | programme | |
| UWTSD Learning Centres Limited | Dormant | 100% owned |
| Mentrau Creadigol Cymru | Dormant | 100% owned |
| Tidal Lagoon Academy Ltd | Dormant | 100% owned |
| Welsh American Academy Enterprises Limited | Dormant | 100% owned |
| Inspire (UWTSD) Limited | Dormant | 100% owned |
| Swansea Business School Limited | Dormant | 100% owned |
| Isustain (UWTSD) Limited | Dormant | 100% owned |
| Coleg Sir Gar | Further education | 100% owned |
| Coleg Ceredigion | Further education | 100% owned |
| UW Centre for Advance Batch Manufacture Limited* | Commercial and research activities | 51% owned |

*At 31 July 2019 The University had a 49% holding in the UW Centre for Advance Batch Manufacture Limited and was accounted for as an Associated Undertaking (Note 14). On the 1st July 2020 the University acquired 200,000 A shares from University of Wales for nil consideration and disposed of 200,000 B shares to University of Wales for nil consideration. The increase in A shares, which have voting rights, give the University a controlling interest in the company (note 27).

NOTES TO THE ACCOUNTS

27 Intercompany Transactions

The company has taken advantage of the disclosure exemptions of 100% owned related party transactions under FRS102. The transactions with related parties that are not 100% owned by the group are disclosed below:

University of Wales is deemed a related party in that it has key management personnel in common with the University

Balances: Receivables £39,433 (2019: £2,433), Payables £nil (2019: £135,991)

Total income £750 (2019: £760), Total expenditure £129,225 (2019: £229,525)

University of Wales Press is a wholly owned subsidiary of the University of Wales

Balances: Receivables £nil (2019: £nil), Payables £3,000 (2019: £7,500)

Total income £nil (2019: £nil), Total expenditure £3,000 (2019: £16,155)

OSTC Trinity St David LLP is deemed a related party in that the UWTSI Investments Limited (a wholly owned subsidiary of the University) is a partner in it and has significant influence over it. The balance below represents an unsecured loan, for which more details are provided in note 14

Balances: Receivables £420,978 (2019: £670,978), Payables £nil (2019: £nil)

Total income £nil (2019: £nil), Total expenditure £nil (2019: £nil)

University of Wales Centre for Advanced Batch Manufacturing was a related party in that it was an associate company that the University had an interest in. During the year the University invested a further £320,000 into the associate, to bring the total investment by the University to £1,384,000, as disclosed in note 13 to the accounts.

On the 1st July 2020 the University took a controlling interest in the company (note 27) at which point its assets and liabilities were consolidated into the group balance sheet

The University maintains a register of Council member interests, the scope of which includes interests of connected persons to the members. There have been no transactions in the year with any individual or company on the Register of Interests.

Payments to Council members in relation to their duties are disclosed in note 7

28 Business Combinations

The University of Wales Centre for Advanced Batch Manufacturing (CABM) is an industry focused advanced research, new product development, and batch manufacturing facility that the University held a 49% interest in. The controlling 51% interest was held by University of Wales by way of ownership of 51% of the A class shares that hold voting rights.

On the 1st July 2020 the University acquired 200,000 A shares from University of Wales for nil consideration and disposed of 200,000 B shares to University of Wales for nil consideration. The B class shares are of equal nominal value to the A class shares but have no voting rights. These transactions and subsequent share-holding give the University 51% ownership and control over the company.

Both the trustees of the University and the directors of CABM recognise the natural synergies that exist between the University and the Company and believe that bringing control under the University will enable CBM to build upon its research activities and access additional funding and income streams.

At the date of transfer the following balances were brought into the consolidated accounts:

NOTES TO THE ACCOUNTS

| | £'000 |
|---|----------------|
| Goodwill | 21 |
| Tangible Fixed Assets (Equipment) | 249 |
| Stock | 14 |
| Other Debtors | 61 |
| Other creditors (amounts due within 1 year) | (1,277) |
| Other creditors (amounts due after 1 year) | (138) |
| | (1,070) |
| Reserves | |
| Revaluation Reserve | (535) |
| Non-controlling interest | (535) |
| | (1,070) |

Subsequent to the 1st July 2020 the University has transferred an additional £30,000 of funds from the RWIF bringing the total amount of funding from this source in the year to £350,000.

Further income and expenditure in July gave a net surplus for the period of £18,000. £9,000 of this surplus has been recognised as a non-controlling interest, the non-controlling interest reserve at 31 July 2020 is (£369k).

As CABM is currently loss making the University deem that the goodwill generated on the acquisition of the controlling interest has nil value and this has been impaired in full in the year.

NOTES TO THE ACCOUNTS

29 Pension schemes

There are five pension schemes in operation via the Group for its staff: the Teachers' Pension Scheme (TPS) for academic staff and Universities Superannuation Scheme (USS) for academic and support staff and all staff appointed after 18 November 2010, the Dyfed Pension Fund (LGSS), the Swansea Pension Fund (LGPS) and the University of Wales Lampeter Pension and Assurance Scheme (UWLPS) for support staff.

The total pension costs included in the consolidated accounts are:

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Staff costs | | | | |
| TPS contributions | | | | |
| University of Wales: Trinity Saint David | 1,327 | 1,327 | 1,083 | 1,083 |
| Coleg Sir Gar | 2,049 | - | 1,743 | - |
| Coleg Ceredigion | 371 | - | 317 | - |
| USS contributions | | | | |
| University of Wales: Trinity Saint David | 4,613 | 4,613 | 4,157 | 4,157 |
| Local Government contributions | | | | |
| University of Wales Trinity Saint David | 1,868 | 1,868 | 2,832 | 2,832 |
| Coleg Sir Gar | 1,221 | - | 1,200 | - |
| Coleg Ceredigion | 207 | - | 217 | - |
| In House Scheme | | | | |
| University of Wales Trinity Saint David | 353 | 353 | 218 | 218 |
| FRS102 adjustment | | | | |
| University of Wales Trinity Saint David | | | | |
| Movement on USS provision | (4,844) | (4,844) | 9,495 | 9,495 |
| Coleg Sir Gar | 1,555 | - | 1,303 | - |
| Coleg Ceredigion | 339 | - | 485 | - |
| Restructuring Provision | | | | |
| University of Wales Trinity Saint David | - | - | 95 | 95 |
| Coleg Sir Gar | 118 | - | 109 | - |
| Coleg Ceredigion | 12 | - | 6 | - |
| Total Pension costs per note 7 | 9,189 | 3,317 | 23,260 | 17,880 |
| Interest Costs | | | | |
| Local Government – University | 453 | 453 | 304 | 304 |
| Local Government – Coleg Sir Gar | 368 | - | 212 | - |
| Local Government – Coleg Ceredigion | 55 | - | 19 | - |
| In House Scheme – University | 86 | 86 | 79 | 79 |
| USS – University | 241 | 241 | 152 | 152 |
| Total Pension interest cost per note 7 | 1,203 | 780 | 766 | 535 |

NOTES TO THE ACCOUNTS

29 Pension schemes (continued)

The pension liability disclosed in the balance sheet is summarised as follows:

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| In House Scheme | | | | |
| University of Wales: Trinity Saint David | 6,511 | 6,511 | 4,202 | 4,202 |
| USS Pension Scheme | | | | |
| University of Wales: Trinity Saint David | 10,471 | 10,471 | 15,073 | 15,073 |
| Local Government Schemes | | | | |
| University of Wales: Trinity Saint David | 23,230 | 23,230 | 14,770 | 14,770 |
| University of Wales: Trinity Saint David | 13,734 | 13,734 | 7,660 | 7,660 |
| Coleg Sir Gar | 30,087 | - | 17,433 | - |
| Coleg Ceredigion | 5,199 | - | 2,700 | - |
| Liability at 31 July | 89,232 | 53,946 | 61,838 | 41,705 |

LGPS**Dyfed Scheme**

Certain employees are members of the Dyfed Local Government Pension Scheme (LGPS). The University and employees contribute to the LGPS, which is a defined benefit scheme, and based on members final pensionable salary.

A full actuarial valuation of the scheme was carried out as at 31 March 2019 by a qualified independent actuary. The major assumptions used by the actuary were:

| | 2019 Valuation | 2016 Valuation |
|---|----------------|----------------|
| | % | % |
| Rate of increase in pensionable pay | 3.9 | 3.7 |
| Rate of increase in pensions in payment | 2.4 | 2.2 |
| Discount rate | | |
| - in service | 4.1 | 4.4 |
| - left service | 4.1 | 4.4 |
| Inflation assumptions | 2.4 | 2.2 |

The valuation states that the market value of the assets held at the valuation date amounted to £2,576 million and the present value of the scheme liabilities was £2,444 million. Representing a funding level of 105% and a surplus of £1,322 million.

The employer contribution rate is 19.4%.

NOTES TO THE ACCOUNTS

LGPS (continued)**Dyfed Scheme (continued)****FRS102 disclosure**

In accordance with the requirements of Financial Reporting Standard 102, independent qualified actuaries have updated the results of the March 2019 valuation in order to ascertain the assets and liabilities of the fund which relate to the University at 31 July 2020. The projected unit method was used

| | 2020 | 2019 | 2018 |
|------------------------------|------|------|------|
| | % | % | % |
| Rate of increase in salaries | 3.8 | 3.7 | 3.6 |
| Rate of increase in pensions | 2.4 | 2.3 | 2.2 |
| Discount rate | 1.6 | 2.2 | 2.9 |
| Rate of inflation | 2.3 | 2.2 | 2.1 |

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

| | 2020 | 2019 | 2018 |
|---|------|------|------|
| Males | | | |
| Future lifetime from age 65 (currently aged 65) | 23.0 | 23.0 | 22.9 |
| Future lifetime from age 65 (currently aged 45) | 24.5 | 25.7 | 25.6 |
| Females | | | |
| Future lifetime from age 65 (currently aged 65) | 24.9 | 25.2 | 25.1 |
| Future lifetime from age 65 (currently aged 45) | 27.1 | 28.1 | 27.9 |

| | Split at 31 July 2020 | Split at 31 July 2019 | Split at 31 July 2018 |
|-------------------------------|--------------------------|--------------------------|--------------------------|
| | % | % | % |
| Split of scheme assets | | | |
| Equities | 71.7 | 71.4 | 70.6 |
| Government Bonds | 4.4 | 4.8 | 8.7 |
| Other Bonds | 9.6 | 10.2 | 9.4 |
| Property | 11.9 | 12.3 | 10.9 |
| Cash/liquidity | 2.4 | 1.3 | 0.4 |
| | 100 | 100 | 100 |

LGPS Dyfed Scheme – University of Wales: Trinity Saint David

The following amounts at 31 July 2020, 31 July 2019 and at 31 July 2018 were measured in accordance with the requirements of FRS102

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|-------------------------------------|---------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| Fair value of assets | 22,760 | 23,808 | 22,372 |
| Present value of scheme liabilities | (36,494) | (31,468) | (25,536) |
| Deficit in the scheme | 13,734 | (7,660) | (3,164) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|--------------|----------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of amount charged in Statement of Comprehensive Income | | | |
| Current service cost | (836) | (666) | (731) |
| Past service cost | (36) | (382) | - |
| Administration expenses | (9) | (14) | (14) |
| Curtailment | - | (67) | (41) |
| Total operating charge | (881) | (1,129) | (786) |

NOTES TO THE ACCOUNTS

LGPS Dyfed Scheme – University of Wales: Trinity Saint David (continued)

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|---|-----------------------|-----------------------|-----------------------|
| Analysis of finance income and charges | | | |
| Expected return on assets | 524 | - | 530 |
| Interest on pension liabilities | (687) | (84) | (674) |
| Net finance cost | <u>(163)</u> | <u>(84)</u> | <u>(144)</u> |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|--|-----------------------|-----------------------|-----------------------|
| Amount recognised in other comprehensive income | | | |
| Difference between actual and expected return on scheme assets | (1,599) | 713 | 1,378 |
| Effects of changes in assumptions underlying the present value of scheme liabilities | (3,912) | (4,508) | 1,690 |
| | <u>(5,551)</u> | <u>(3,795)</u> | <u>3,068</u> |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|--|------------------------|-----------------------|-----------------------|
| Movement in scheme at beginning of the year | | | |
| Deficit in scheme at beginning of the year | (7,660) | (3,164) | (5,805) |
| Current service cost | (881) | (1,129) | (786) |
| Contributions paid by the employer | 481 | 512 | 503 |
| Net finance cost | (163) | (84) | (144) |
| Actuarial gain/(loss) | (5,511) | (3,795) | 3,068 |
| Deficit in scheme at the end of the year | <u>(13,734)</u> | <u>(7,660)</u> | <u>(3,164)</u> |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|--|------------------------|------------------------|-----------------------|
| Analysis of the movement in the present value of the scheme liabilities | | | |
| At 1 August | (31,468) | (25,536) | (26,111) |
| Current service cost | (836) | (666) | (731) |
| Past service cost | (36) | (382) | 0 |
| Interest cost | (687) | (734) | (674) |
| Member contributions | (147) | (157) | (156) |
| Actuarial gain/(losses) | (3,912) | (4,508) | 1,690 |
| Curtailment | - | (67) | (41) |
| Benefits paid | 592 | 582 | 487 |
| At 31 July | <u>(36,494)</u> | <u>(31,468)</u> | <u>(25,536)</u> |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|---|-----------------------|-----------------------|-----------------------|
| Analysis of the movement in the present value of the scheme assets | | | |
| At 1 August | 23,808 | 22,372 | 20,306 |
| Expected rate of return on scheme assets | 524 | 650 | 530 |
| Re measurement gains on assets | (1,599) | 713 | 1,378 |
| Administration expenses | (9) | (14) | (14) |
| Employer contributions | 481 | 512 | 503 |
| Members contributions | 147 | 157 | 156 |
| Benefits paid | (592) | (582) | (487) |
| At 31 July | <u>22,760</u> | <u>23,808</u> | <u>22,372</u> |

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a £3.4m increase in the Fund's liabilities since the prior year end

NOTES TO THE ACCOUNTS**LGPS Dyfed Scheme – Coleg Sir Gar**

The following amounts at 31 July 2020, 31 July 2019 and at 31 July 2018 were measured in accordance with the requirements of FRS102

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|-------------------------------------|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Fair value of assets | 45,194 | 45,193 | 41,981 |
| Present value of scheme liabilities | (75,281) | (62,626) | (49,900) |
| Deficit in the scheme | (30,087) | (17,433) | (7,919) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of amount charged in Statement of Comprehensive Income | | | |
| Current service cost | (2,648) | (1,979) | (2,046) |
| Past service cost | | | |
| Administration expenses | (27) | (40) | (38) |
| Curtailement | (160) | (543) | (6) |
| Total operating charge | (2,835) | (2,562) | (2,090) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|---|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of finance income and charges | | | |
| Expected return on assets | 1,003 | 1,227 | 991 |
| Interest on pension liabilities | (1,371) | (1,439) | (1,305) |
| Net finance cost | (368) | (212) | (314) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Amount recognised in other comprehensive income | | | |
| Difference between actual and expected return on scheme assets | (1,753) | 1,346 | 2,577 |
| Effects of changes in assumptions underlying the present value of scheme liabilities | (8,978) | (9,345) | 3,415 |
| | (10,731) | (7,999) | 5,992 |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Movement in scheme at beginning of the year | | | |
| Deficit in scheme at beginning of the year | (17,433) | (7,918) | (12,639) |
| Operating cost | (2,835) | (2,562) | (2,090) |
| Contributions paid by the employer | 1,280 | 1,258 | 1,133 |
| Net finance cost | (368) | (212) | (314) |
| Actuarial gain/(loss) | (10,731) | (7,999) | 5,992 |
| Deficit in scheme at the end of the year | (30,087) | (17,433) | (7,918) |

NOTES TO THE ACCOUNTS

LGPS Dyfed Scheme – Coleg Sir Gar (continued)

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of the movement in the present value of the scheme liabilities | | | |
| At 1 August | (62,626) | (49,900) | (50,447) |
| Current service cost | (2,648) | (1,979) | (2,046) |
| Past service cost | | | |
| Interest cost | (1,371) | (1,439) | (1,305) |
| Member contributions | (429) | (416) | (384) |
| Actuarial gain/(losses) | (8,978) | (9,345) | 3,415 |
| Curtailment | (160) | (543) | (6) |
| Benefits paid | 931 | 996 | 873 |
| At 31 July | (75,281) | (62,626) | (49,900) |
| Analysis of the movement in the present value of the scheme assets | | | |
| At 1 August | 45,193 | 41,981 | 37,808 |
| Expected rate of return on scheme assets | 1,003 | 1,227 | 991 |
| Re measurement gains on assets | (1,753) | 1,346 | 2,577 |
| Administration expenses | (27) | (40) | (39) |
| Employer contributions | 1,280 | 1,258 | 1,133 |
| Members contributions | 429 | 416 | 384 |
| Benefits paid | (931) | (995) | (873) |
| At 31 July | 45,194 | 45,193 | 41,981 |

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a £7.0m increase in the Fund's liabilities since the prior year end

NOTES TO THE ACCOUNTS**LGPS Dyfed Scheme – Coleg Ceredigion**

The following amounts at 31 July 2020, 31 July 2019 and at 31 July 2018 were measured in accordance with the requirements of FRS102

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|-------------------------------------|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Fair value of assets | 10,464 | 11,105 | 10,492 |
| Present value of scheme liabilities | (15,663) | (13,805) | (11,222) |
| Deficit in the scheme | (5,199) | (2,700) | (730) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of amount charged in Statement of Comprehensive Income | | | |
| Current service cost | (477) | (406) | (419) |
| Past service cost | (63) | (106) | (7) |
| Administration expenses | - | - | - |
| Curtailement | - | (171) | - |
| Total operating charge | (540) | (683) | (426) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|---|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of finance income and charges | | | |
| Expected return on assets | 230 | 304 | 241 |
| Interest on pension liabilities | (285) | (323) | (284) |
| Net finance cost | (55) | (19) | (43) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Amount recognised in other comprehensive income | | | |
| Difference between actual and expected return on scheme assets | 230 | 334 | 662 |
| Effects of changes in assumptions underlying the present value of scheme liabilities | (2,335) | (1,819) | 692 |
| | (2,105) | (1,485) | 1,354 |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Movement in scheme at beginning of the year | | | |
| Deficit in scheme at beginning of the year | (2,700) | (730) | (1,810) |
| Operating cost | (540) | (683) | (426) |
| Contributions paid by the employer | 201 | 217 | 195 |
| Net finance cost | (55) | (19) | (43) |
| Actuarial gain/(loss) | (2,105) | (1,485) | 1,354 |
| Deficit in scheme at the end of the year | (5,199) | (2,700) | (730) |

NOTES TO THE ACCOUNTS

LGPS Dyfed Scheme – Coleg Ceredigion (continued)

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of the movement in the present value of the scheme liabilities | | | |
| At 1 August | (13,805) | (11,222) | (11,512) |
| Current service cost | (477) | (406) | (419) |
| Past service cost | (58) | (269) | - |
| Interest cost | (285) | (323) | (284) |
| Member contributions | (73) | (80) | (76) |
| Actuarial gain/(losses) | (1,590) | (1,819) | 692 |
| Curtailment | - | - | - |
| Benefits paid | 625 | 314 | 377 |
| At 31 July | (15,663) | (13,805) | (11,222) |
| Analysis of the movement in the present value of the scheme assets | | | |
| At 1 August | 11,105 | 10,492 | 9,702 |
| Expected rate of return on scheme assets | 230 | 304 | 241 |
| Re measurement gains on assets | (515) | 334 | 662 |
| Administration expenses | (5) | (8) | (7) |
| Employer contributions | 201 | 217 | 195 |
| Members contributions | 73 | 80 | 76 |
| Benefits paid | (625) | (314) | (377) |
| At 31 July | 10,464 | 11,105 | 10,492 |

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a £1.3m increase in the Fund's liabilities since the prior year end

NOTES TO THE ACCOUNTS**LGPS****Swansea Scheme**

Certain employees are members of the City and County of Swansea Local Government Pension Scheme (LGPS). The University and employees contribute to the LGPS, which is a defined benefit scheme, and based on members final pensionable salary. The latest actuarial valuation was undertaken at 31 March 2019 by independent actuaries.

The actuarial valuation of the scheme is based on the projected unit method and the principal assumptions made by the actuaries were:

| | 2019 Valuation | 2016 Valuation |
|---|-----------------------|----------------|
| | % | % |
| Rate of increase in pensionable pay | 3.6 | 3.5 |
| Rate of increase in pensions in payment | 2.1 | 2.0 |
| Discount rate: | | |
| - in service | 4.25 | 4.6 |
| - left service | 1.6 | 4.6 |
| Inflation assumptions | 2.1 | 2.0 |

The valuation states that the market value of the assets held at the valuation date amounted to £2,044 million and the present value of the scheme liabilities was £2,103 million. Representing a funding level of 98% and a deficit of £59 million.

The employer contribution rate is 37.1% plus £533,400, rising to 37.1% and £640,800 in 2022

FRS102 disclosure

In accordance with the requirements of Financial Reporting Standard 102, independent qualified actuaries have updated the results of the March 2019 valuation in order to ascertain the assets and liabilities of the fund which relate to the University at 31 July 2020. The projected unit method was used.

| | 2020 | 2019 | 2018 |
|------------------------------|-------------|------|------|
| | % | % | % |
| Rate of increase in salaries | 3.8 | 3.7 | 3.6 |
| Rate of increase in pensions | 2.3 | 2.2 | 2.1 |
| Discount rate | 1.4 | 2.1 | 2.8 |
| Rate of inflation | 2.3 | 2.2 | 2.1 |

The mortality assumptions are based on the recent actual mortality experience of members in the Fund and allow for future expected mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

| | 2020 | 2019 | 2018 |
|---|-------------|------|------|
| Males | | | |
| Future lifetime from age 65 (currently aged 65) | 22.2 | 23.0 | 22.9 |
| Future lifetime from age 65 (currently aged 45) | 23.2 | 24.7 | 24.6 |
| Females | | | |
| Future lifetime from age 65 (currently aged 65) | 24.2 | 24.6 | 24.5 |
| Future lifetime from age 65 (currently aged 45) | 25.7 | 26.4 | 26.2 |

NOTES TO THE ACCOUNTS

LGPS Swansea Scheme – University of Wales: Trinity Saint David (continued)

| | Split at 31 July 2020 % | Split at 31 July 2019 % | Split at 31 July 2018 % |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Split of scheme assets | | | |
| Equities | 74.8 | 77.4 | 76.5 |
| Government Bonds | 5.3 | 10.6 | 11.0 |
| Other Bonds | 1.0 | 0.8 | 0.8 |
| Property | 5.0 | 4.4 | 4.5 |
| Cash/liquidity | 2.2 | 3.2 | 4.3 |
| Other* | 11.7 | 3.6 | 2.9 |
| | 100 | 100 | 100 |

*Other holdings include hedge funds, currency holdings, asset allocation futures and other. The actuary has assumed this year that these will get a return in line with equities.

The following amounts at 31 July 2020, 31 July 2019 and at 31 July 2018 were measured in accordance with the requirements of FRS102

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Fair value of assets | 35,790 | 36,150 | 33,190 |
| Present value of scheme liabilities | (59,020) | (50,920) | (41,810) |
| Deficit in the scheme | (23,230) | (14,770) | (8,620) |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|--|-----------------------|-----------------------|-----------------------|
| Analysis of amount charged in Statement of Comprehensive Income | | | |
| Current service cost | (1,270) | (1,060) | (1,130) |
| Past service cost | (170) | (500) | (120) |
| Administration expenses | - | - | - |
| Curtailement | - | - | - |
| Total operating charge | (1,440) | (1,560) | (1,250) |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|---|-----------------------|-----------------------|-----------------------|
| Analysis of finance income and charges | | | |
| Expected return on assets | 770 | - | 780 |
| Interest on pension liabilities | (1,060) | (220) | (1,050) |
| Net finance cost | (290) | (220) | (270) |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|--|-----------------------|-----------------------|-----------------------|
| Amount recognised in other comprehensive income | | | |
| Difference between actual and expected return on scheme assets | (1,780) | 1,290 | 1,980 |
| Effects of changes in assumptions underlying the present value of scheme liabilities | (6,520) | (7,120) | 620 |
| | (8,300) | (5,830) | 2,600 |

NOTES TO THE ACCOUNTS

LGPS Swansea Scheme – University of Wales: Trinity Saint David (continued)

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Movement in scheme at beginning of the year | | | |
| Deficit in scheme at beginning of the year | (14,770) | (8,620) | (11,150) |
| Current service cost | (1,440) | (1,560) | (1,250) |
| Contributions paid by the employer | 1,570 | 1,460 | 1,450 |
| Net finance cost | (290) | (220) | (270) |
| Actuarial gain/(loss) | (8,300) | (5,830) | 2,600 |
| Deficit in scheme at the end of the year | (23,230) | (14,770) | (8,620) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of the movement in the present value of the scheme liabilities | | | |
| At 1 August | (50,920) | (41,180) | (40,860) |
| Current service cost | (1,270) | (1,060) | (1,130) |
| Past service cost | (170) | (500) | (120) |
| Interest cost | (1,060) | (1,160) | (1,050) |
| Member contributions | (180) | (200) | (200) |
| Actuarial gain/(losses) | (6,520) | (7,120) | 620 |
| Curtailement | - | - | - |
| Benefits paid | 1,100 | 930 | 930 |
| At 31 July | (59,020) | (50,920) | (41,810) |

Analysis of the movement in the present value of the scheme assets

| | | | |
|--|----------------|--------|--------|
| At 1 August | 36,150 | 33,190 | 29,710 |
| Expected rate of return on scheme assets | 770 | 940 | 780 |
| Re measurement gains on assets | (1,780) | 1,290 | 1,980 |
| Administration expenses | - | - | - |
| Employer contributions | 1,570 | 1,460 | 1,450 |
| Members contributions | 180 | 200 | 200 |
| Benefits paid | (1,100) | (930) | (930) |
| At 31 July | 35,790 | 36,150 | 33,190 |

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a £5.0m increase in the Fund's liabilities since the prior year end

NOTES TO THE ACCOUNTS**University of Wales Lampeter Pension and Assurance Scheme (UWLPS)**

The University sponsors the University of Wales, Lampeter Pension & Assurance Scheme which is a defined benefit arrangement. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities.

The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the trustees is determined by the scheme's trust documentation. One-third of the trustees are nominated by the members of the scheme, at least one of the member nominated trustees must be a pensioner member.

A full actuarial valuation was carried out as at 31 July 2017, the results have been updated to 31 July 2020 by a qualified actuary, independent of the plan's sponsoring employer.

The results of the 31 July 2017 valuation showed a deficit of £1,981,000. The University has agreed with the trustees that it would aim to eliminate the deficit over a period of 10 years from 1 August 2017 by the payment of monthly contributions of £10,017 from 1st August 2018 to 31st July 2019 and then £20,583 from 1st August 2019, increasing at 3% per annum in respect of the deficit. In addition and in accordance with the actuarial valuation, the University has agreed with the trustees that it will pay 25.3% of pensionable earnings in respect of the cost of accruing benefits. The University will also meet expenses of the scheme and levies to the Pension Protection Fund, insurance premiums for death in service and all management and administration expenses. Member contributions are payable at the rate of 6.25% of pensionable service.

The material assumptions used by the actuary as at 31 July 2020, and for the comparative period, were as follows:

| | 2020 | 2019 | 2018 |
|---|------------------------|-----------------|-----------------|
| | % | % | % |
| Rate of increase in salaries | 4.1 | 4.4 | 4.4 |
| Rate of increase in pensions in payment | 2.6 | 2.3 | 3.3 |
| Revaluation rate for deferred pensions | 2.5 | 2.5 | 2.5 |
| Discount rate | 1.5 | 2.1 | 2.7 |
| Rate of inflation | 2.2 | 2.5 | 2.5 |
| Allowance for commutation of pension for cash at retirement | Maximum allowed | Maximum allowed | Maximum allowed |

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

| | 2020 |
|------------------------------------|-------------|
| Males retiring at age 65 in 2020 | 20.9 years |
| Females retiring at age 65 in 2020 | 22.8 years |
| Males retiring at age 65 in 2040 | 22.3 years |
| Females retiring at age 65 in 2040 | 24.3 years |

NOTES TO THE ACCOUNTS

University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

| | Split at 31 July 2020 % | Split at 31 July 2019 % | Split at 31 July 2018 % |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Split of scheme assets | | | |
| Equities | 35.1 | 38.8 | 41.6 |
| Bonds | 55.7 | 50.3 | 49.6 |
| Other | 9.2 | 10.9 | 8.8 |
| | 100 | 100 | 100 |

The following amounts at 31 July 2020, 31 July 2019 and at 31 July 2018 were measured in accordance with the requirements of FRS102

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Fair value of assets | 21,946 | 21,918 | 19,754 |
| Present value of scheme liabilities | (28,457) | (26,120) | (22,988) |
| Deficit in the scheme | (6,511) | (4,202) | (3,234) |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|--|-----------------------|-----------------------|-----------------------|
| Analysis of amount charged in Statement of Comprehensive Income | | | |
| Current service cost | (100) | (123) | (126) |
| Past service cost | - | - | - |
| Administration expenses | - | - | - |
| Curtailment | - | - | - |
| Total operating charge | (100) | (123) | (126) |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|---|-----------------------|-----------------------|-----------------------|
| Analysis of finance income and charges | | | |
| Expected rate of return on scheme assets | 455 | 539 | 482 |
| Interest on pension liabilities | (541) | (618) | (558) |
| Net finance cost | (86) | (79) | (76) |

| | 31 July 2020 £'000 | 31 July 2019 £'000 | 31 July 2018 £'000 |
|---|-----------------------|-----------------------|-----------------------|
| Amount recognised in other comprehensive income | | | |
| Return on plan assets – gain | 81 | 1,192 | 973 |
| Experienced gains/(losses) arising on plan liabilities | 57 | 4 | (1,844) |
| Change in financial and demographic assumptions underlying the plan | (2,612) | (2,708) | 594 |
| Total loss recognised in the other comprehensive income statement | (2,474) | (1,512) | (277) |

NOTES TO THE ACCOUNTS

University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Movement in scheme at beginning of the year | | | |
| Deficit in scheme at beginning of the year | (4,202) | (3,234) | (2,960) |
| Current service cost | (100) | (123) | |
| Contributions paid by the employer | 351 | 912 | |
| Net finance cost | (86) | (79) | |
| Expenses | - | - | (1) |
| Losses due to benefit changes | - | (166) | - |
| Actuarial gain/(loss) | (2,474) | (1,512) | (277) |
| Deficit in scheme at the end of the year | (6,511) | (4,202) | (3,234) |

| | 31 July 2020 | 31 July 2019 | 31 July 2018 |
|--|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of the movement in the present value of the scheme liabilities | | | |
| At 1 August | (26,120) | (22,988) | (21,707) |
| Current service cost | (100) | (123) | (125) |
| Past service cost | | | |
| Interest cost | (541) | (618) | (558) |
| Member contributions | (20) | (27) | (26) |
| Actuarial gain/(losses) | (2,555) | (2,704) | (1,250) |
| Curtailement | - | | |
| Benefits paid | 879 | 506 | 679 |
| Expenses | - | - | (1) |
| Losses due to benefit changes | - | (166) | - |
| At 31 July | (28,457) | (26,120) | (22,988) |

Analysis of the movement in the present value of the scheme assets

| | | | |
|--|---------------|--------|--------|
| At 1 August | 21,918 | 19,754 | 18,747 |
| Expected rate of return on scheme assets | 455 | 539 | 482 |
| Re measurement gains on assets | 81 | 1,192 | 973 |
| Administration expenses | - | - | - |
| Employer contributions | 351 | 912 | 205 |
| Members contributions | 20 | 27 | 26 |
| Benefits paid | (879) | (506) | (679) |
| At 31 July | 21,946 | 21,918 | 19,754 |

NOTES TO THE ACCOUNTS**Teachers' Pension Scheme**

This report sets out the results of the actuarial valuation of the combination of the Teachers' Pension Scheme ('pre 2015 Scheme') 6 and the 2015 Teachers' Pension Scheme ('2015 Scheme') 7 (Teachers' Pension Scheme or 'the Scheme'). The Scheme provides pensions and other benefits to teachers who have worked in schools or other educational establishments in England and Wales. The Scheme is an unfunded statutory public service pension scheme with the benefits underwritten by the Government. The Scheme is financed by payments from the employer and from those current employees who are members of the Scheme, who pay contributions at different rates based on pay and as specified in the regulations

The latest actuarial valuation of the scheme was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employers Cost Cap) Directions 2014. The Government Actuary (GA) reported on the valuation of the Teachers' Pension Scheme on 9 June 2014. The GA concluded that:

- at the date of the valuation, the liabilities in the scheme were £196.1 bn and the value of the assets was £218.1 bn giving a notional past service deficit of £22 bn;
- the total recommended rate of contribution payable by employers from 1 September 2019 is 23.6 % (previously 16.4%) of salary; and

The financial assumptions adopted for the current valuation and, for comparison, those adopted for the 2012 valuation, are shown below:

| Last actuarial valuation | 31 March 2016 | 31 March 2012 |
|--------------------------|----------------------|----------------------|
| Actuarial method | Prospective benefits | Prospective benefits |
| Discount rate | | |
| - Real | 2.40% | 3.00% |
| - Nominal | 4.45% | 5.06% |
| Pensions increases | 2.00% | 2.00% |
| Long term salary growth | 4.20% | 4.75% |
| - In excess of assumed | 2.20% | 2.75% |

Under the definitions set out in FRS102, the TPS is a multi-employer pension scheme.

The TPS is unable to provide for the University an identification of its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption of FRS102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out above the information on the scheme and the implication for the University in terms of the anticipated contribution rates.

NOTES TO THE ACCOUNTS

USS

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is 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 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 Consolidated Statement of Comprehensive Income 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) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

The total cost charged to the Consolidated Statement of Comprehensive Income is £4,613k (2019: £4,157k) including PensionChoice, but excluding the impact of the change in the deficit recovery plan.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 ("the valuation date"), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth and latest valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

| | | |
|-------------------------------|---|--|
| Discount Rate (forward rates) | Years 1-10 | CPI + 0.14% reducing linearly to CPI – 0.73% |
| | Years 11-20 | CPI + 2.52% reducing linearly to CPI – 1.55% |
| | Years 21+ | CPI + 1.55% |
| Pension increase (CPI) | Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a. | |

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

| | |
|----------------------------------|---|
| Mortality base table | <u>Pre-retirement</u> |
| | 71% of AMC00 (duration 0) for males and 112% of AC00 (duration 0) for females |
| | <u>Post-retirement</u> |
| | 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females |
| Future improvements to mortality | CMI_2017 with a smoothing parameter of 8.5 and an long term improvement rate of 1.8% p.a for males and 1.6% p.a for females |

NOTES TO THE ACCOUNTS**USS (continued)**

The current life expectancies on retirement at age 65 are:

| | 2018 Valuation | 2017 Valuation |
|---------------------------------|-----------------------|----------------|
| Males currently aged 65 years | 24.4 | 24.6 |
| Females currently aged 65 years | 25.9 | 26.1 |
| Males currently aged 45 years | 26.3 | 26.6 |
| Females currently aged 45 years | 27.7 | 27.9 |

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%, until 31 March 2028. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

| | 2020 | 2019 | 2018 |
|----------------------|--------------|-------|-------|
| Discount rate | 0.73% | 2.44% | 2.64% |
| Pension growth (CPI) | 2.08% | 2.11% | 2.02% |

In the year ended 31 July 2019, the liability was based on the previous deficit recovery plan, which required payment of 5% of salaries over the period 1 April 2020 to 30 June 2034.

The reduction in the term of the deficit recovery plan has given rise to a substantial reduction in the deficit provision which has decreased from £15,073 million to £10,471 million. £4,468 million of this decrease is attributable to the change in the deficit contributions contractual commitment. See also Staff costs note 6 in respect of significant one-off pension costs / gains.

2020 Valuation

A further full valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However it is generally anticipated that there will be a significant increase in deficit provision at 31 July 2021 (assuming the valuation is complete by then)

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employers support as well as uncertainties for the higher education sector and financial markets in general. Based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn. At this stage the outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation.

30 Accounting estimates and judgements – key sources of estimation uncertainty**Defined benefit pension scheme assumptions**

The University has a number of defined benefit pension schemes. The valuation of the liabilities on each defined benefit scheme is calculated using a financial and demographic model to present a single scenario from a wide range of possibilities. The schemes' actual experience will inevitably differ from the assumptions underlying the financial and demographic model. The differences may be material because the valuation is very sensitive to the assumptions made over a long period of time. Please see note 26 for assumptions used in the valuation of pension assets and liabilities

31 Non adjusting Post Balance Sheet Events

There have been no material events in the period between 31st July 2020 and the signing of the accounts on the 15th December 2020.