

The logo of the University of South Wales, featuring the text "University of South Wales" and "Prifysgol De Cymru" in white on a red background.

University of  
South Wales  
Prifysgol  
De Cymru

**Financial Statements and Annual Review**  
for the year ended 31 July 2020

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

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# The University of South Wales Group

## The University of South Wales

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

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

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

## The Royal Welsh College of Music & Drama

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

## The College Merthyr Tydfil

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

Tŷ Crawshay, Pontypridd Campus



Pontypridd Campus, Glyntaff



ATRIUM Building, Cardiff Campus



# Working for better tomorrows

As a University, our mission is to keep the learning community going whatever the challenge. For the first time in our history, we closed our campuses and converted to remote learning, teaching and working overnight in response to Covid-19 and the national lockdown measures in March 2020. Throughout the pandemic the health, wellbeing and safety of our students, staff and community has been our main priority.

Looking back over the last year we have seen so many examples of excellence across our University of which to be proud - with the University starting to reap the rewards from years of hard work and good financial management.

While elements of our student's university experience have undoubtedly been different, it was vital that we kept offering a continuous level of learning and teaching. University staff approached the challenge with great flexibility and positivity, and we are enormously proud of them all.

At the start of the pandemic we made our facilities available for vital NHS workforce training, microbiologist researchers refocused efforts from E.coli to develop a new rapid test to identify coronavirus, and our engineers developed devices that monitor oxygen saturation in the blood. These are just a few examples of how our expertise, research and innovation is making a difference. Our role within our communities has never been more important.

As soon as the severity of the outbreak became clear we took immediate measures to protect our financial position. This helped us off-set some of the unexpected costs of moving to remote working and loss of income from student residences, conferencing and catering. We have utilised Government support, continued our recruitment freeze, paused our major capital investment projects and actively reviewed large expenditure. The impact of Covid-19 on the University and all of our operations has meant that we have had to take some tough decisions. USW's presence in Dubai was based on aviation and international students, which were both fundamentally changed by Covid-19, and therefore we took the difficult decision not to continue our initiative there.

We have always been a University who has been able and determined to stand on its own two feet and whilst there have been plenty of challenges this year, there have also been opportunities. In January we launched our 2030 strategy which sets out our vision and roadmap for the next ten years. It builds on our proven track record and reputation for developing strong partnerships, remaining agile in the marketplace and constantly innovating. Our vision is clear, we want to change lives and our world for the better.



**Professor Julie Lydon OBE**  
Vice-Chancellor

Our world is changing at an intense pace and it is our job to equip our students with the skills, knowledge and experience required to maximise their potential and future opportunities. USW had already actively embedded blended learning into many of our courses, and building on our experiences this year we will continue to further enhance our digitally enabled active learning to ensure our students have the best possible experience of studying with us.

Collaboration is at the heart of our 2030 strategy and our new partnership with the University of Wales Trinity Saint David (UWTSD), announced in July, is a significant strategic development for the higher education sector in Wales. It will assist in developing a sustainable future for the communities we serve, renewing our learning communities and developing their wellbeing and resilience.

In these extraordinary times it can be easy to overlook our achievements. This year we were named Cyber University of Year for the second year running, received University of Sanctuary status, ranked best university in Wales for entrepreneurial graduates and one of our academic colleagues was awarded a share of £22m from Royal Academy of Engineering to fund their research into emerging technologies. USW has once again been recognised for our strong commitment to equality by achieving the Athena SWAN Bronze award for commitment to gender equality and as a top Trans Employer by Stonewall.

As ever, we are proud and inspired by the many achievements of our staff and students over the past year, and all of this hard work has seen USW rise up the University League tables – moving up 24 places in the Times Good University Guide (to 90th) and 32 places (to 66th) in the Guardian league table. We remain committed to providing our students with the best experience and support, to ensure that they keep receiving a high-quality education, and, importantly, enabling them to achieve their chosen qualifications.



**Louise Evans**  
Chair of the Board of Governors



Academics developed a new rapid diagnostic test for Covid-19, allowing results to be available in just 20-30 minutes.





# Strategic Statement

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

## Our Vision

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

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

### Our Students

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

### Our Applied Research and Innovation

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

### Our Engagement

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

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

Over the next few pages, we outline a cross section of our endeavours to highlight our achievements and significant progress, including those that will come to fruition in the current or future academic years.

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

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

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

### Notable achievements and progress in 2019-20 included:

- The University's commitment to the communities and businesses across the region was praised by Minister for Education, Kirsty Williams MS, during an event at the Senedd to celebrate USW's impact in research, innovation and civic engagement.
- The Governing Body of the University of South Wales and the Council of the University of Wales Trinity Saint David (UWTSD) agreed to a strategic alliance which will enable the two largest Post-92 universities in Wales to collaborate in order to respond to the economic and societal challenges facing the country.
- The University worked with the Welsh Government to develop a pilot placement scheme for Logistics, Procurement and Supply Chain students at USW, in order to provide career opportunities in procurement departments of various departments in the Welsh public sector.
- A team of chemists from the Faculty of Computing, Engineering and Science worked together to make hand sanitiser during the coronavirus pandemic. Emily Wood, Gareth Williams, David Noakes, and Stacey Huish made 30 litres of hand sanitiser which was distributed to key workers at local hospitals, police stations, schools and care homes.
- Professor Ruth Northway, professor in Learning Disability Nursing at USW, worked with Public Health Wales to create the Once for Wales health profile, which aims to help people with a learning disability receive consistent, safe and person-centred healthcare.
- Students and graduates from our Film and TV School Wales worked in a wide range of roles on the production of the second season of acclaimed Netflix drama, *Sex Education* as well as the first and second seasons of the award winning BBC drama, *His Dark Materials*. Paid work placements included costume, art, camera, sound, production running, locations, post-production and visual effects, as well as a number of minor on-screen acting roles.
- USW became the Wales's first institution to have two of its Masters cyber security courses recognised for their high standards. The MSc in Cyber Security has achieved provisional certification from the National Cyber Security Centre (NCSC).
- Professor Howard Williamson, professor in European Youth Policy, was given an Outstanding Contribution to Youth Work award for his contribution to youth work in Wales over his long and varied career. First Minister Rt. Hon Mark Drakeford MS presented Prof Williamson with the accolade at the annual Youth Work Excellence Awards, run by Welsh Government.
- BA (Hons) Popular & Commercial Music student Hollie Singer won the Welsh Music Prize 2019 with her band, Adwaith, in recognition of their debut Welsh-language album, Melyn.
- During Autumn 2019 the Royal Welsh College of Music and Drama marked its 70th anniversary with a series of events including a special Gala performance by musicians of the David Seligman Opera School and WNO Orchestra conducted by Carlo Rizzi. Prior to the closure of performance venues in March the College had already attracted audience attendances of almost 40,000 from more than 330 performances.

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

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

This year's National Student Survey (NSS) results have matched the change across the HE sector in Wales. Now at 82%, the Overall Satisfaction score rates USW as the sixth best university in Wales, which is above Cardiff University and Glyndwr University in Wrexham. USW has improved on or equalled many of the 2019 scores and is above the sector average on all classroom-based ratings.

During the year, USW was also named Cyber University of the Year at the National Cyber Awards for the second year running, in recognition of our commitment to cyber innovation, cyber-crime reduction and protecting the citizen online.

Other awards included: the BA (Hons) Journalism course being voted best in the UK for its students' production of live television news, at the British Journalism Training Council (BJTC) annual awards; the University's Legal Advice Clinic being recognised at the LawWorks annual Pro Bono awards for the commitment of Law students to provide free legal advice and assistance; the recognition of our commitment to gender equality by achieving the Athena SWAN Bronze award; and the retainment of the HR Excellence in Research Award, for the support that USW offers researchers in their career development.

### A university with impact

USW is proud of how it is maximising positive impact for our partners and communities in the region and further afield. We put into practise what it means to be a 'civic university', one that creates impact through its activities and is an economic, social and cultural powerhouse of our region. We see that impact in many ways and this is important because we have become distinctive through our achievements across teaching, research, and our impact in the world.

As a university committed to, and with a significant record of, achievement in widening access to HE, USW has long been rooted within its communities, making a major difference to the people who live and work within our hinterland and beyond.

Not only are a great number of our students the first from their families to go to university we are a major employer in the region where we are training the workforce of the future. Our student nurses, midwives, teachers and police officers spend time on placement in our communities, working for the benefit of those communities, and in the majority of cases returning to those communities when they graduate.

Through individual and collective action USW is committed to improving the futures of the communities it serves. We wholeheartedly support the Welsh Government's well-being goals. Our collaborative project work with our partners across all our campuses are making a real difference across the region. We are a force for change.

## Our Research and Innovation

As an institution, we focus our resources in areas identified as strategic priorities. We believe in meritocracy and invest in specialist and interdisciplinary growth areas that can evidence sustainable trajectories to our world-class aspirations.

From sustainable technology to health, and culture to crime, USW continues to face up to the world's biggest challenges and opportunities. We bring our research insights and innovations into the lives of the communities and businesses we serve across the globe.

The industrial connections that shape our research culture make it genuinely international, multilingual and outward-looking. Our research is directly affecting people and cultures in all parts of the world.

For example, Dr Jeroen Nieuwland and Dr Emma Hayhurst led a group of researchers to develop a new rapid diagnostic test for Covid-19, to detect whether people are actively infected with the underlying SARS-CoV-2 virus. The test, which is low cost and quick, uses a different method and chemicals to the current accredited tests, avoiding any supply bottlenecks for the components.

PhD student Tom Owens, research assistant at USW's Neurovascular Research Laboratory, found that suffering repeated concussions while playing rugby can lead to accelerated cognitive decline and increase the risk of developing neurodegenerative disease such as Alzheimer's and Parkinson's.

A team of USW researchers worked with the Welsh Government to develop an innovative blood oxygen monitor after supplies of the key device became limited as a result of the Covid-19 pandemic. The pulse oximeter was designed to be manufactured in Wales and break away from the standard oximeter supply chains, effectively eliminating future sourcing bottlenecks.

Dr Carmel Conn, course leader for the MA in SEN/ALN (Autism), found that for autistic pupils in mainstream schools, educational values and teacher judgements were more important than specialist interventions.

Professor Katy Holloway, professor of Criminology, engaged with service providers and drinkers across Wales to better understand awareness, preparation and expectations about the minimum pricing for alcohol legislation and price changes.

Professor Gary Higgs, Director of the Geographical Information Systems Research Centre at USW, and PhD student Richard Williams worked with Tenovus Cancer Care to improve their mobile cancer services. They developed detailed GIS models to examine spatial

inequalities in access to services and in doing so, optimise the location and delivery of mobile health services.

Research conducted by mathematician Dr James Kent helped improve the accuracy and stability of NASA's GEOS-5 global atmospheric model, used by weather and climate centres around the world.

Knowledge Economy Skills Scholarships 2 (KESS 2), a pan-Wales higher-level skills programme part-funded by the Welsh Government's European Social Fund (ESF) Convergence programme, is enabling 99 USW postgraduate research students to address external challenges with our partners. For example, Dr Kirstie Goggin has recently completed her PhD on research into the development of new chemical and genetic technologies for the authentication of palm oils. Kirstie's project was in partnership with Imspex Ltd., and she was supervised by KESS 1 graduate Dr Emma Broderick. Dr Rhiannon Chalmers-Brown recently completed her PhD researching the bio-refining of steel manufacturing co-production gases; she is the first completer of 15 KESS 2 projects in partnership with Tata Steel.

Dr Sebastian Haigh recently completed his PhD researching a 3-D anatomical landmark localisation device for the clinical assessment of individuals with complex postural needs, completed in partnership with Cardiff and Vale University Local Health Board.

## Our Engagement

USW has a defining mission towards the prosperity and well-being of the communities that we live among and serve. We are committed to engaging with the problems that affect society and the economy in our region and beyond, through our research, teaching and external engagement.

External engagement is key to the on-going success of USW; we engage in a wide range of activities to promote the University and to meet the needs of our employer partners and stakeholders.

Our 'Creating Connections – Action Plan for Engagement' outlines our commitment to external engagement, which focuses on the integration of our education and research offer with collaborative partner needs. We work together to develop and deliver innovative solutions to shared social and economic needs. Together we strengthen local economies and communities by developing and mobilising their collective talents and knowledge, to create better futures for all.

Our USW Exchange business hub support industry to connect and grow their networks, and benefit from shared academic insights and innovations from across the University. USW Exchange signposts to the wide range of USW engagement opportunities, which include research collaboration, student projects and placements, CPD and work-based learning, and facility hire. Key to all external relationships is a partnership approach focused on mutual trust and benefit, professionalism and integrity, impact and vision.



## A changing landscape for Higher Education

It has been a year of considerable change for HE in the UK, but despite some unprecedented challenges, USW remains confident about its future. Our confidence partly stems from our financial resilience as a university with resources to support our long-term sustainability. This positive sentiment is reinforced by our foothold in the region, where there is a strong demand for skills and innovation to drive business development and jobs.

Student recruitment remains stable; competition however is intensifying between institutions in all areas of recruitment. Funding for teaching and the fees paid by undergraduate students changed from September 2018, with a loan based system now in place for Welsh and English undergraduates, whilst all Welsh undergraduates also benefit from a means tested Maintenance Grant of a minimum of £1,000.

Key challenges for USW in the coming years include:

- Brexit impacts on levels of research funding, collaboration projects and student and staff recruitment
- Maintaining student recruitment levels in light of the reforms in student funding and changes in the national demographic.
- Ensuring continued maintenance of a high-quality student experience.
- Managing the considerable uncertainty resulting from the Covid-19 pandemic on our learning and teaching environments, student recruitment and financial performance.

To address these and other challenges, USW has developed a new University Strategy – USW 2030 – which came into effect on 1st January 2020. We will focus on the delivery of this strategy three years at a time. The Strategy Implementation Plan for 2020-22 focuses on achieving the first three years of this plan. It provides a clear sense of pace for delivery, connecting strategy (the outcomes we want to achieve) and activity (what we need to deliver) with resources and capacity aligned to our financial forecasting and investment.



## A Year at the University



Facilities at USW's Clinical Simulation Centre were used to train intensive care nurses at the start of the Covid-19 pandemic.



Researchers developed an innovative blood oxygen monitor, after supplies became limited during the Covid-19 pandemic.



Staff in the School of Engineering made thousands of protective visors to donate to front line workers.



A team of chemists produced hand sanitiser for front line workers.





Trainee police officers in Dyfed Powys, Dorset, Devon and Cornwall, Gloucestershire and Wiltshire began the Police Constable Degree Apprenticeship (PCDA) in partnership with USW.



Researchers found that suffering repeated concussions while playing rugby can increase the risk of developing diseases such as Alzheimer's.



USW was named as one of Britain's most LGBT-inclusive employers by equality charity Stonewall.



Richard Ashcroft, Tom Grennan and Bad Sounds headlined the Immersed! Festival, organised by USW Music students in aid of the Teenage Cancer Trust.





The University became the first institution in Wales to have two of its Masters cyber security courses recognised for their high standards.



The Smart Energy Storage Solutions hub was launched to help businesses develop new products, technologies and processes for the commercial market.



The University partnered with The Celtic Collection to deliver the BA (Hons) International Events Management degree course.



USW graduate Joao Sacramento was appointed Assistant Manager of Tottenham Hotspur Football Club – the youngest ever in the Premier League.



# Members of the Board of Governors

## Independent Governors

Louise Evans (Chair)  
Chris Freegard OBE (Joint Deputy Chair)  
Hélène Mansfield OBE (Joint Deputy Chair)  
Professor Michael Gunn  
John Derrick  
Graham Edwards  
Debbie Jones  
Alison Phillips  
Chris Sutton  
Michael Stevens  
Jemma Terry  
Professor Philip Gummatt (from 9 March 2020)

## Vice-Chancellor

Professor Julie Lydon

## Student Governor

Mishan Wickremasinghe (until 30 June 2020)  
Ayesha Robinson (until 30 June 2020)  
Shannon Lee (from 6 July 2020)

## Members of the Finance and Resources Committee

Louise Evans (Chair)  
Hélène Mansfield (Deputy Chair of Board ex officio)  
Professor Julie Lydon (Vice-Chancellor)  
Chris Sutton  
Michael Stevens

## Elected Staff Governor

Angela Lewis

## Academic Board Nominees

Dr Louise Bright

## Co-opted members of the Executive

Dr Ben Calvert  
Mark Milton (from 9 March 2020)

## Clerk to Board of Governors

William Callaway

Members who have completed their term of office:

Chris Freegard  
Helene Mansfield  
Mishan Wickremasinghe  
Ayesha Robinson

## Members of the Audit Committee

Alison Phillips (Chair)  
Professor Michael Gunn  
Tony Jenkins (until 17 March 2020)  
Professor Philip Gummatt (from 9 March 2020)

# Financial Review

## Principal Objectives

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

## Financial Strategy

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

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

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

Key financial ratios as a % of Income	2019/20 %	2018/19 %	2017/18 %
Operating Deficit/Surplus	(0.3)	1.2	4.3
Deficit/Surplus	(0.6)	2.6	2.6
EBITDA	11.7	11.5	14.4
Staff Cost	59.6	59.0	58.9

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

## Financial Prospects

In the immediate future our income in the 2020/21 financial year will be materially impacted by the effects of the Covid-19 pandemic in the UK. This has meant that we will receive fewer students onto our campuses in this year along with attendant impacts on ancillary income streams such as accommodation, catering and conference income. As part of our budget planning we estimated this impact to be c.£19m for the Group and following the first intake of students into the Group in September we expect this to be materially accurate for the year. However there do remain risks around student withdrawals, January student intake and to ancillary income streams in accommodation and catering. We have made adjustments to our cost base, principally through reductions in non-staff expenditure and delaying capital programmes, to mitigate the impact of these

expected income losses and will continue to monitor the situation carefully taking any action as required to ensure the ongoing financial sustainability of the Group.

In the medium to longer terms we anticipate that realising student growth in the highly competitive home and international markets will be challenging. It is essential that we are able to continue to attract and retain talented students from both the UK and overseas to support our scholarly activities across a diverse range of academic disciplines. In order to do so, we will offer distinctive programmes that students truly want to study, differentiated from our competitors in content and mode of delivery where appropriate. The emphasis on active participation and simulation based learning for 21st Century employment that is underpinned by focused, high quality research will direct our decision making in relation to our academic programmes, our strategic partnerships, our staffing and our learning environments.

Full time home and EU undergraduate fees remain capped at £9,000 with no increase to reflect inflation. This presents challenges as we have a potentially flat income stream but are still subject to significant inflationary pressures from staff pay awards, additional pension scheme costs, and general inflation. Recommendations from the Diamond Review, will result in additional funding in relation to expensive subjects but mainly impacts the RWCMD.

## Annual Financial Statements

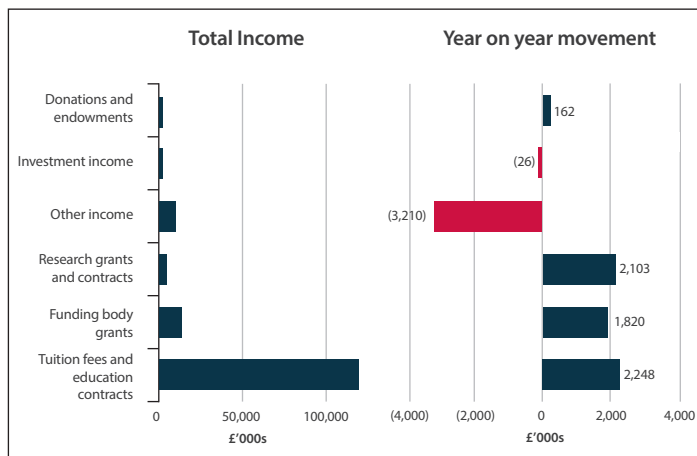
The annual financial statements comprise the results for the University consolidated with the results of its subsidiaries. Details of the principal components of the group have been detailed on page 3.

### Financial Performance 2019/20

- ▲ Income has increased by 1.6% to £198.8m.
- ▲ Total expenditure pre-exceptional items has increased by 3.0% to £199.3m.
- ▼ Operating surplus had reduced by £2.8m to £0.5m deficit.
- ▼ Cash generated from operations decreased by £3.7m to £22.8m.
- ▼ Net assets have decreased by £20.9m to £54.7m.



## Income



- Tuition fees have increased by £2.2m to £138.1m mainly as a result of the increase in market share of overseas students in MBA courses.
- Recurrent funding body grants have increased by £1.8m which is mainly due to an increase in Department for Children, Education, Lifelong Learning and Skills of the Welsh Assembly Government (DCELLS) funding by £1.4m to support the increase in pension contributions and pay rises at the College, Merthyr Tydfil.
- Research grants and contracts have increased by £2.1m. The large increase from last year is mainly due to a number of EU structural funded projects. These projects, which include Beacons +, Ser Cymru and Smart Expertise – ICORE, make up 58% of the research income reported within the financial year. Some of these projects are in their infancy and have end dates in 2022 and 2023 where other existing projects have been extended.
- Other income has decreased by £3.2m. Residences, catering and conferencing has fallen by £2m due to the coronavirus pandemic. This forced the closure of the catering and conferencing facilities and the decision to refund student accommodation fees for the final term. The pandemic has also restricted the ability to generate other income by hiring of facilities, car parking and commercial activity.
- In May 2020, a fire caused damage to the building and equipment used for specialist automotive testing in the Centre for Automotive & Power System Engineering (CAPSE) building and resulted in a period of business interruption.

## Expenditure

Staff costs as a percentage of income have risen slightly year on year largely as a result of the unplanned challenges to income resulting from the Covid-19 pandemic and increased pensions costs largely arising from reductions in interest rates driven by Government responses to the Covid-19 pandemic. Staff costs increased in absolute terms by £3.0m of which £2.2m relates to the pension service cost for the Local Government Pension Fund. We will continue to manage our cost base prudently given the income challenges that fixed tuition fees represent for the Group.

Other operating costs of £57.0m have decreased during the year by £0.6m. As part of our response to the Covid-19 pandemic our general spend was reduced by £1.4m. Of this travel accounted for a reduction of £0.8m which would normally be spent on travel & subsistence and funding of field trips; saving in utilities accounted for £0.4m following effective closures of campuses to students and staff in line with

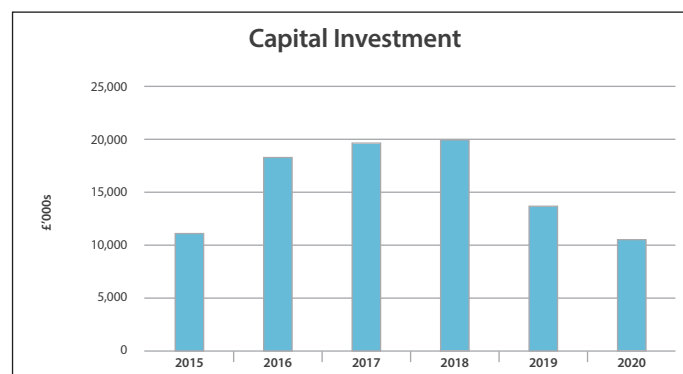
Government policy; The closure of catering facilities also meant consumables expenditure reduced by £0.4m; A recruitment freeze has also brought a reduction in recruitment costs of £0.2m. HEFCW funds a bursary for Post Graduate Taught degrees, the amount recognised in operating costs, which is matched by funding, is £1.5m lower than 2018/19. This is due to the reduction in the funds received and a different allocation method in place for 2019/20. These savings have been offset by increased fees paid to Overseas agents for commission (which is linked to higher tuition fees from overseas students noted above) and provisions principally covering dilapidations and Dubai closure costs, an increase in the holiday pay accrual and bad debt amounting to £5.0m.

In March 2020, an interest rate restructure review of the fixed rate loans was undertaken resulting in an amendment to our current Lloyds plc loan taking advantage of historically low rates of interest being locked in for seven years at an a rate of 1.04% compared to previous fixed rate of 4.99%. This triggered a break costs of £1.2m from the current loan facility which was subsequently rolled into the revised loan and is repayable over the seven years to September 2027. This breakage cost has been recognised in full in this financial year as an interest charge.

## Capital Investment

We have continued to invest year on year in our capital infrastructure and equipment. During this academic year we have spent £10.3m on facilities to ensure the best possible experience for our students and their academic success. As part of our response to the Covid-19 pandemic we did however defer capital expenditure that was not critical to future years in order to comply with Government guidance. The key areas of investment during the year include:

- £1.7m on the sport centre roof at the Treforest campus installing solar paneling.
- £1m on a replacement 3G pitch at the Tyn-y-wern training facility.
- Continued investment in CAPSE and replacement of damaged equipment of £3.4m on testing chambers for long term thermal and electrical cycling of batteries.
- £0.4m has been spent on energy and sustainability projects.
- £1.0m on upgrading equipment and facilities in Cyber, Sports Laboratories, Clinics and Studios across campuses.
- Equipment and computers for Student use has been upgraded to a value of £0.4m.



### Fixed assets

Impairment tests were undertaken on the buildings within the Group in line with the University's 2030 Strategy. As a result, impairment charges amounting to £2.2m against certain fixed assets were made.

A review of the useful economic life of the University assets was undertaken and it was determined that computers were being used beyond the 3 year policy. These assets were given a revised useful economic life of 5 years which resulted in a credit of £0.6m.

### Cash flow and financing

The Group has generated cash flow from operating activities of £22.8m (2019 £26.5m)

The net funds position (cash and invested balances less bank loans) has increased from £47.7m to £59.5m. This includes long term bank loans of £57.8m (2019 £60.7m). The loans are subject to financial covenants, all of which have been complied with during the year.

The Group holds £117.3m (2019 £108.4m) of cash and short term investment balances. These balances are invested with a range of UK and overseas banks and building societies, UK government securities, corporate bonds and investment products.

Earlier this year the USW board agreed to divest University funds from fossil fuels. We have subsequently transferred a portion of University funds into an environmentally aware investment product and plan to transfer remaining investment funds as they reach maturity. This product prohibits investment in issuers which derive a significant part of their income from the production or supply of products such as fossil fuels. In addition the Fund manager seeks to take into account environmental social and governance factors (ESG) when selecting the Fund's investments, as a non-financial objective, and will aim to exclude direct investment in issuers of money market instruments that do not meet their ESG criteria. At the balance sheet date such investments accounted for £40m of our total investment balances.

### Pensions

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

The deficit of the RCTPF attributable to the Group on an FRS102 basis has increased from £153m to £182m. This increase is mainly due to interest rates falling resulting in a lower discount rate which increases the present value of the pension obligation.

It has not been possible to identify the institution's share of the underlying assets and liabilities in relation to the TSS and USS scheme and as such they are accounted for as if they were defined contribution schemes. As part of the USS deficit recovery plan, the agreed deficit contribution rate was reduced to 2% and as a result the deficit liability identified was £225k.

### Vice-Chancellor's Emoluments

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

At its review in 2019, the Board of Governors, on the advice of its Remuneration Committee, the salary of the Vice-Chancellor has been set at £229,000.

### Principal risks and uncertainties

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

**Financial sustainability** – The impact of the coronavirus pandemic has created significant uncertainty and disruption in the economy and especially to the HE Sector. It has brought many financial and operational challenges and continues to disrupt the ability to recruit both home and overseas students. Operating in a highly competitive market where tuition fee levels are restricted and expenditure is subject to inflationary price rises, it is more important than ever to be able generate sufficient cash surpluses to allow strategic investment in the student experience, infrastructure and staff.

In line with our financial strategy the Group mitigates this risk through a focus on fundamentals of financial management ensuring sound cost management and a thorough analysis of contribution and value drivers.

**Reputation** – The Group's league tables positions continue to strengthen and has the potential to positively impact on both recruitment of students, as well as high calibre research and teaching staff.

**Student recruitment and retention** – The Group has a stated ambition to be the University of choice in Wales and beyond for students who value vocationally-focused education and applied research. COVID 19 has resulted in a global reduction in the numbers of students willing and able to travel overseas which has meant that the competition for home students has intensified in 2020 bringing with it uncertainty and significant risk to student recruitment.

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

The Governing Body have concluded, with regards to the most recent projections available, that both the Group and University have in place sufficient funding to operate on a going concern basis. This will allow the continual trading and the ability to meet its liabilities to third parties as they fall due for the foreseeable future.





More than 40 students and graduates from the Film and TV School Wales worked on the BBC's His Dark Materials.



# Public Benefit Statement

## Introduction

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

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

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

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

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

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

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

## University Strategy

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

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

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

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

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

### Professional

*We will:*

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

### Creative

*We will:*

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

### Inspiring

*We will:*

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

### Responsive

*We will:*

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



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

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

The University is also committed to enhancing the student experience. The Student Experience Plan continues to be effective in driving strategic and operational change across the University. We have also continued our significant investment to meet the academic and social needs of our students, including upgraded facilities for our Cyber Academy, new IT equipment and computers for student use, Sports Laboratories, Clinics and Lecture Theatres across campuses. We have also continued our significant investment in our estate to meet the academic and social needs of our students, including enhanced facilities at our Cardiff campus for our creative industries students and at our Pontypridd campus for engineering students.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Startup Stiwdio, the first standalone university-based business incubator in Wales, was opened at USW's Cardiff Campus.









## An environmentally-aware and sustainable University

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

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

As part of the USW 2030 Strategy, we will continue to embed environmental and corporate social responsibility principles into our practice, to support our environmental mission:

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

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

## Financial Sustainability

Our 2030 strategy which sets out our vision and roadmap for the next ten years will ensure that the University remains sustainable. The University has a solid financial underpinning with sufficient liquidity and resources to enable it to invest for the future – whether in the quality of our teaching and research, or our physical and digital estates. We will continue to develop our distinctive portfolio to ensure it supports the type of institution we aim to be by 2030.

Over the longer term with the support of our funding body we plan to modernise and rationalise our Pontypridd campus to maintain our competitive market position, reduce cost and improve our carbon footprint. Our debt is all long term and does not require re-

financing, whilst interest rates are largely fixed for the medium to long term. The University's lease commitments are not significant in the context of the overall financial position of the University. In common with other Higher Education Institutions we are participants in defined benefit pension schemes which are significant financial commitments. We work with other stakeholders to manage the affordability of these schemes for the University now and into the future. We regularly scan the horizon for risks to this sustainability and take actions as necessary to ensure that the University will continue to thrive. We maintain significant reserves which are accessible at short notice to ensure that we can manage risks associated with timings of cashflows.

## Civic role of the University

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

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

The University regards the enhancement of the Welsh language and culture as a priority, with a key objective being the growth of Welsh medium provision, both in focused academic disciplines and broader within the context of employability. In accordance with the Welsh Language Standards (No. 6) Regulations 2017 we will treat Welsh and English equally when conducting public business in Wales. The University has in place a Welsh Language Standards Action Plan which demonstrates how the University complies within each area covered by the Standards and details the monitoring and evaluation process. We also participate in the Coleg Cymraeg Cenedlaethol's student ambassador scheme which seeks to promote the benefits of Welsh language higher education to school pupils.

# Corporate Governance

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

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

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

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

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

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

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











The Board is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2020 and in place up to the date of approval of the Financial Statements and Annual Review, that it is regularly reviewed by the Board and that it accords with the internal control guidance for directors on the UK Corporate Governance Code as amended by the British Universities Finance Directors Group.

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

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

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

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

### **Statement of internal control**

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

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

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

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

### **Camm Report and Welsh Charter**

The University's Nominations Committee received positively the newly published Camm Report and Welsh Charter on 10 February 2020. The Committee agreed an action plan towards compliance would be developed.

The Board at its meeting in March received and endorsed the newly published report from Gillian Camm regarding the Review of Governance in the Welsh Higher Education sector, including a Welsh Charter.

At its meeting in June 2020 the Nominations Committee also noted that the actions arising from the Camm Review were being taken forward by the University Secretaries Group and had recently been endorsed by the Chair's Group. A further update on progress against the Camm Report and Welsh Charter will be received by the Board on 30 November 2020. The report confirmed partial compliance and progress towards full compliance with the Camm Call to Action.

# Responsibilities of the Board of Governors

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

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

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

- suitable accounting policies are selected and applied consistently;
- the methods and principles in relation to the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions are observed;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

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

The Board has taken reasonable steps to:

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

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

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

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





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

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of the University of South Wales ("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 1.

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 section 124B of the Education Reform Act 1988 of the Articles, Charters, Statutes or Ordinances 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 Board of Governors 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 Board of Governors' 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.

### Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Review and the Report of the Governors 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.

### **Board of Governors' responsibilities**

As explained more fully in their statement set out on page 28, the Board of Governors 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](http://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.

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Board of Governors, in accordance with section 124B of the Education Reform Act 1988 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 Board of Governors 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

1 December 2020

**Rees Batley**

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX



# Consolidated and University Statement of Comprehensive Income

Income	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Tuition fees and education contracts	1	138,119	126,801	135,871	124,497
Funding body grants	2	29,380	13,859	27,560	13,584
Research grants and contracts	3	8,475	6,345	6,371	5,457
Other income	4	19,753	17,639	22,963	19,059
Investment income	5	1,260	1,175	1,286	1,192
Donations and endowments	6	1,845	-	1,683	-
<b>Total income</b>		<b>198,832</b>	<b>165,819</b>	<b>195,734</b>	<b>163,789</b>
<b>Expenditure</b>					
Staff costs	7	118,460	98,770	115,476	96,750
Other operating expenses		57,126	48,327	57,720	47,879
Depreciation and amortisation	12,14	16,356	13,466	14,430	11,939
Interest and other finance costs	8	7,435	6,771	5,829	5,189
<b>Total expenditure</b>	<b>9</b>	<b>199,377</b>	<b>167,334</b>	<b>193,455</b>	<b>161,757</b>
<b>(Deficit)/Surplus before other gains and losses</b>		<b>(545)</b>	<b>(1,515)</b>	<b>2,279</b>	<b>2,032</b>
Profit on sale of Caerleon Campus	10	-	-	3,210	3,210
Loss on disposal of fixed assets		(688)	(219)	(442)	(462)
<b>(Deficit)/Surplus before tax</b>		<b>(1,233)</b>	<b>(1,734)</b>	<b>5,047</b>	<b>4,780</b>
Taxation	11	4	-	10	-
<b>(Deficit)/Surplus for the year</b>		<b>(1,229)</b>	<b>(1,734)</b>	<b>5,057</b>	<b>4,780</b>
Actuarial loss in respect of funded pension scheme	29	(19,578)	(18,706)	(23,469)	(21,042)
Actuarial gain/(loss) in respect of unfunded pension scheme	22	87	-	(144)	-
(Decrease)/Increase in market value of Endowment Asset Investments		(182)	(35)	41	14
<b>Total comprehensive expense for the year</b>		<b>(20,902)</b>	<b>(20,475)</b>	<b>(18,515)</b>	<b>(16,248)</b>
Represented by:					
Endowment comprehensive income/(expense) for the year		(186)	(33)	83	(3)
Restricted comprehensive income for the year		626	-	225	-
Unrestricted comprehensive expense for the year		(21,342)	(20,442)	(18,823)	(16,245)
		<b>(20,902)</b>	<b>(20,475)</b>	<b>(18,515)</b>	<b>(16,248)</b>

# Consolidated and University Statement of Changes in Reserves

Consolidated	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2019	3,393	1,114	71,095	75,602
Surplus from the income and expenditure statement	(4)	626	(1,851)	(1,229)
Other comprehensive expense	(182)	-	(19,491)	(19,673)
<b>Total comprehensive income/(expense) for the year</b>	<b>(186)</b>	<b>626</b>	<b>(21,342)</b>	<b>(20,902)</b>
Balance at 31 July 2020	3,207	1,740	49,753	54,700
University	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2018	3,310	889	89,918	94,117
Surplus from the income and expenditure statement	42	225	4,790	5,057
Other comprehensive income/(expense)	41	-	(23,613)	(23,572)
<b>Total comprehensive income/(expense) for the year</b>	<b>83</b>	<b>225</b>	<b>(18,823)</b>	<b>(18,515)</b>
Balance at 31 July 2019	3,393	1,114	71,095	75,602
University	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2019	765	-	69,025	69,790
(Deficit)/surplus from the income and expenditure statement	2	-	(1,736)	(1,734)
Other comprehensive expense	(35)	-	(18,706)	(18,741)
<b>Total comprehensive expense for the year</b>	<b>(33)</b>	<b>-</b>	<b>(20,442)</b>	<b>(20,475)</b>
Balance at 31 July 2020	732	-	48,583	49,315
University	Income and Expenditure Reserve			Total Reserves
	Endowment £'000s	Restricted £'000s	Unrestricted £'000s	£'000s
Balance at 1 August 2018	768	-	85,270	86,038
(Deficit)/surplus from the income and expenditure statement	(17)	-	4,797	4,780
Other comprehensive income/(expense)	14	-	(21,042)	(21,028)
<b>Total comprehensive expense for the year</b>	<b>(3)</b>	<b>-</b>	<b>(16,245)</b>	<b>(16,248)</b>
Balance at 31 July 2019	765	-	69,025	69,790

# Consolidated and University Balance Sheet

		At 31 July 2020		At 31 July 2019	
	Notes	Consolidated £'000s	University £'000s	*Restated Consolidated £'000s	*Restated University £'000s
Non-current assets					
Intangible assets	12	956	886	1,080	1,036
Negative goodwill arising on acquisition	13	(594)	-	(627)	-
Tangible Fixed assets	14	250,101	190,096	256,711	197,782
Heritage assets	15	500	-	500	-
Investments	16	-	2,056	-	2,056
Other assets		135	-	-	-
		251,098	193,038	257,664	200,874
Current assets					
Inventory	17	249	78	151	74
Trade and other receivables	18	17,548	23,009	16,890	18,933
Investments	19	103,443	92,907	94,303	83,391
Cash and cash equivalents	25	13,870	4,747	14,072	9,302
		135,110	120,741	125,416	111,700
Less: Creditors: amounts falling due within one year	20	(43,998)	(34,989)	(43,555)	(36,809)
Net current assets		91,112	85,752	81,861	74,891
Total assets less current liabilities		342,210	278,790	339,525	275,765
Creditors: amounts falling due after more than one year	21	(101,178)	(61,555)	(104,536)	(63,082)
Provisions					
Pension provisions	22	(181,762)	(163,638)	(152,674)	(136,575)
Other provisions	22	(4,570)	(4,282)	(6,713)	(6,318)
Total net assets		54,700	49,315	75,602	69,790
Restricted Reserves					
Income and expenditure reserve - endowment reserve	23	3,207	732	3,393	765
Income and expenditure reserve - restricted reserve	24	1,740	-	1,114	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		49,753	48,583	71,095	69,025
Total Reserves		54,700	49,315	75,602	69,790

The financial statements were approved by the Governing Body on 30 November 2020 and were signed on its behalf on that date by:



Chair of the Board of Governors



The Vice-Chancellor

\*The 2018/19 balance has been restated and further information can be found in Note 31.



# Consolidated Statement of Cash Flows

		Year to 31 July 2020	*Restated Year to 31 July 2019
	Notes	£'000s	£'000s
<b>Cash flow from operating activities</b>			
Surplus for the year		(1,229)	5,057
<b>Adjustment for non-cash items</b>			
Depreciation	14	13,943	13,505
Amortisation of intangibles	12	174	175
Negative goodwill on acquisition of TTC	13	(33)	(33)
Impairment of Fixed assets	14	2,239	750
Increase in stock	17	(98)	(7)
Increase in debtors	18	(658)	(4,075)
(Decrease)/Increase in creditors	20, 21	(434)	5,741
Increase/(Release) of deferred income	20	455	(916)
Increase in pension provisions		9,598	11,097
Decrease in other provisions	22	(2,143)	(1,617)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(1,260)	(1,286)
Interest payable	8	4,150	3,120
Endowment income	23	-	(8)
(Decrease)/Increase in market value of endowment investments	23	(182)	41
Loss/(Gain) on disposal of fixed assets		710	(2,744)
Capital grant income		(2,427)	(2,274)
<b>Net cash inflow from operating activities</b>		<b>22,805</b>	<b>26,526</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(9,140)	(23,513)
Capital grants receipts		2,427	2,274
Disposal of Subsidiary		-	171
Investment income	5	1,260	1,286
Payment to acquire other assets		(135)	-
Payments made to acquire fixed assets	14	(10,282)	(13,658)
Payments made to acquire intangible assets	12	(50)	-
Sale of fixed assets		-	3,100
		(15,920)	(30,340)
<b>Cash flows from financing activities</b>			
Interest payable	8	(4,150)	(3,120)
Endowment cash received		-	8
Repayments of amounts borrowed		(2,937)	(4,393)
		(7,087)	(7,505)
<b>Decrease in cash and cash equivalents in the year</b>		<b>(202)</b>	<b>(11,318)</b>
Cash and cash equivalents at beginning of the year	25	14,072	25,390
<b>Analysis of cash and cash equivalents at end of the year:</b>			
Short term bonds	25	1,865	-
Short term deposits	25	142	4,502
Cash at Bank and in hand	25	11,863	9,570
<b>Total</b>		<b>13,870</b>	<b>14,072</b>

\*The 2018/19 balance has been restated and further information can be found in Note 31.

## Statement of Accounting Policies

### a) Basis of Preparation

These Financial Statements have been prepared in accordance with the Higher Education Statement of Recommended Practice (SORP 2019): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The Group and the University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

### b) Going Concern

The Group and parent University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors consider to be appropriate for the following reasons.

The Board of Governors have prepared cash flow forecasts for a period of 20 months from the date of approval of these financial statements. After reviewing these forecasts the Board of Governors 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).

We modelled five different income scenarios as part of our financial planning for 2020/21 and 2021/22 in arriving at this conclusion. We looked at different levels of student recruitment on Home/EU (with assumed reductions of between 15 and 50%) & Overseas recruitment (with assumed reductions of between 50 and 100%) as well as returning students (with assumed reductions of between 4 and 20%). We also considered scenarios for lower ancillary income in accommodation, catering, conferencing and car parking but these income streams are much less significant for the University than tuition fee income. Mitigation options have been considered which include deferring capital expenditure programmes and reducing non-staff expenditure costs. Our actual performance is expected at this stage to be in line with the least pessimistic scenarios at the date of approval of these financial statements. At the balance sheet date the Group had £47m of outstanding bank debt. Investments, cash and cash equivalents totalled £117m at the same date.

Consequently, the Board of Governors 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.

### c) Basis of Consolidation

The consolidated Financial Statements include the University and all its subsidiaries for the year ended 31 July 2020. Intra-group transactions are eliminated on consolidation.

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

### d) Income Recognition

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

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

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

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

Other grants including research grants and donations from non government sources, are recognised within the Consolidated Statement of Comprehensive Income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Income in line with such conditions being met.

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



# Statement of Accounting Policies

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

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

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

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

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

## e) Capital Grants

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

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

## f) Accounting for Retirement Benefits

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

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

RCTPF – The Group's net obligation in respect of defined benefit pension plans (and other post employment benefits) is calculated

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

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

## g) Employee Benefits

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

## h) Finance Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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

## i) 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.

## Statement of Accounting Policies

### j) Foreign Currency

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

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

### k) Fixed Assets

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

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

Expenditure incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Expenditure which does not either enhance an asset beyond its original condition or increase its expected economic life is charged to the Income and Expenditure Account.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Freehold Buildings – Up to 50 years  
Plant and Machinery – 3 to 5 years  
Fixtures and Fittings – 3 to 25 years

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

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

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

Fixed assets are reviewed for indicators of impairment at each balance sheet date, where an indicator of impairment a full impairment review is carried out.

### l) Heritage Assets

Heritage assets are tangible assets with an historical, artistic, scientific, technological, geophysical or environmental quality that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations.

Heritage assets have been capitalised to the balance sheet at initial cost. Donated heritage assets are recorded at estimated valuation at the date of donation unless this is not practicable, in which case the appropriate disclosures are made of the nature and the extent of these donations.

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

Heritage assets are reviewed for indicators of impairment at each balance sheet date, where an indicator of impairment a full impairment review is carried out.

### m) Borrowing costs

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

### n) Intangible assets

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

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

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

### Negative Goodwill

Negative Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Negative Goodwill is amortised over 20 years representing the remaining estimated economic life to which it relates. It is recognised in the Statement of Comprehensive Income in the periods expected to benefit.

Intangible assets are reviewed for indicators of impairment at each balance sheet date, where an indicator of impairment a full impairment review is carried out.



# Statement of Accounting Policies

## o) 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.

Non current investments are reviewed for indicators of impairment at each balance sheet date, where an indicator of impairment a full impairment review is carried out.

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

## p) Inventory

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

## q) Financial instruments

Financial assets consist of trade and other receivables, current asset investments, cash and cash equivalents.

Trade and other receivable are initially recognised at transaction value, they are subsequently measured at amortised cost using the effective interest method. Where there is doubt over the recoverability of a debtor the amount is provided for the difference between the carrying amount and the present value of estimated future cash flows.

Current asset investments consist of corporate bonds and certificates of deposit which have a maturity greater than 3 months from acquisition. These are initially recognised at cost and subsequently measured at fair value with any gains or losses recognised in the income statement.

Financial liabilities includes trade and other payables, bank loans and public benefit concessionary loans.

Trade and other payables and bank loans are recognised at transaction value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest rate method.

Loans received that either do not accrue interest or where interest is charged at less than a market rate are considered public benefit entity concessionary loans. These loans are recognised initially at the amount of cash received and are subsequently adjusted to reflect accrued interest payable.

## r) Cash and cash equivalents

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

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

## s) Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

## t) Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

## u) Reserves

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

## Use of estimates and judgements

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

### 1. Pension

The University participates in three defined benefit pension schemes, the Teachers' Superannuation Scheme (TSS), The Rhondda Cynon Taf County Borough Council Pension Fund (RCTPF) and the Universities' Superannuation Scheme (USS). The assumptions made are detailed within Note 29.

During the year, there have been two court cases that effect the LGPS defined benefit scheme. They relate to the guaranteed minimum pensions equalisation (GMPs) and age discrimination (McCloud). The impact of these cases are still uncertain, but following actuarial advice, a provision has been included as part of the assumptions on Note 29.

### 2. Enhanced pension provision

The provision for enhanced pensions remains at £7.0m but has increased for the University from £6.0m to £6.1m. This provision relates to the obligation to enhance previous employees' pensions under early retirement arrangements.

The liability has been calculated by the scheme actuary and accounted for in accordance with FRS102 as prescribed by the SORP: Accounting for further and higher education 2019.

### 3. Dilapidations.

A review of our leased properties was undertaken to estimate the costs associated with dilapidations on these buildings. A cost per square foot was used in arising at a provision, which has been included during the year.

### 4. Consolidation – Students' Union

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





# Notes to the Financial Statements

## 1. Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Full-time home and EU students	108,211	100,680	110,993	103,770
Full-time international students	19,933	18,225	14,915	13,009
Part-time students	9,975	7,896	9,963	7,718
<b>Total</b>	<b>138,119</b>	<b>126,801</b>	<b>135,871</b>	<b>124,497</b>

## 2. Funding body grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
<b>Recurrent grant</b>				
Higher Education Funding Council	14,340	10,855	14,303	10,851
DCELLS	10,744	-	9,347	-
<b>Specific grants</b>				
Other	2,384	2,004	2,135	1,766
Capital grant	1,912	1,000	1,775	967
<b>Total</b>	<b>29,380</b>	<b>13,859</b>	<b>27,560</b>	<b>13,584</b>

## 3. Research grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Research councils	682	682	570	570
Research charities	169	145	359	359
Government (UK and overseas)	1,994	1,659	952	952
Industry and commerce	2,156	405	247	247
Other	3,474	3,454	4,243	3,329
<b>Total</b>	<b>8,475</b>	<b>6,345</b>	<b>6,371</b>	<b>5,457</b>

## Notes to the Financial Statements

### 4. Other income

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Residences, catering and conferences		5,915	5,554	7,941	7,364
Other capital grants		515	467	499	460
Other income		13,290	11,618	14,490	11,235
Release of negative goodwill arising from acquisitions		33	-	33	-
<b>Total</b>		<b>19,753</b>	<b>17,639</b>	<b>22,963</b>	<b>19,059</b>

### 5. Investment income

		Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Investment income on endowments	23	81	17	86	16
Other investment income		1,179	1,158	1,200	1,176
<b>Total</b>		<b>1,260</b>	<b>1,175</b>	<b>1,286</b>	<b>1,192</b>

### 6. Donations and endowments

		Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
New endowments	23	-	-	8	-
Donations with restrictions	24	1,287	-	1,333	-
Unrestricted donations		558	-	342	-
<b>Total</b>		<b>1,845</b>	<b>-</b>	<b>1,683</b>	<b>-</b>

### 7. Staff costs

		Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Salaries		85,881	71,079	84,274	69,844
Social security costs		8,477	7,208	8,290	7,044
Movement on USS provision		(290)	(290)	338	338
Other pension costs		24,392	20,773	22,574	19,524
<b>Total</b>		<b>118,460</b>	<b>98,770</b>	<b>115,476</b>	<b>96,750</b>



# Notes to the Financial Statements

## 7. Staff costs (continued)

	Year ended 31 July 2020 £'000s	Year ended 31 July 2019 £'000s
<b>Emoluments of the Vice-Chancellor:</b>		
Salary	229	225
Benefits	4	3
	<b>233</b>	<b>228</b>

### Remuneration of the Vice-Chancellor expressed as:

Basic salary as a ratio of the median basic salary of all staff	6.58	6.57
Total remuneration as a ratio of the total remuneration of all staff	6.69	6.66

The University Board in agreeing the Vice-Chancellor's remuneration considers through its Remuneration Committee a wide range of competitor information and bench marking relating Welsh institutions, UK institutions, institutions of a comparable size and institutions with similar missions. The Board is also cognisant of wider institutional financial and academic performance, specifically annual reports of CPIs. The Remuneration Committee is also informed by the Chair of their appraisal of individual performance as it relates to institutional performance.

Remuneration of other higher paid staff, excluding employer's pension contributions:	Number	Number
£100,000 to £104,999	5	3
£105,000 to £109,999	1	1
£110,000 to £114,999	1	1
£115,000 to £119,999	2	1
£120,000 to £124,999	-	-
£125,000 to £129,999	1	1
£130,000 to £134,999	-	-
£135,000 to £139,999	1	1
£140,000 to £144,999	-	-
£145,000 to £149,999	-	-
£150,000 to £154,999	1	-
	<b>12</b>	<b>8</b>

### Key management personnel

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

	Year ended 31 July 2020 £'000s	Year ended 31 July 2019 £'000s
<b>Key management personnel compensation</b>	<b>1,145</b>	<b>1,093</b>
<b>Compensation for loss of office payable to a senior post-holder</b>	<b>-</b>	<b>43</b>

### Atypical Staff

	Year ended 31 July 2020 £'000s	Year ended 31 July 2019 £'000s
Agency Staff	709	795
Self Employed Staff	768	667
	<b>1,477</b>	<b>1,462</b>

### Average staff numbers by major category:

	Number	Number
Academic Departments	1,217	1,191
Academic Services	296	310
Residences, Catering and Conferences	82	75
Premises	71	75
Administration and Central Services	430	442
	<b>2,096</b>	<b>2,093</b>

## Notes to the Financial Statements

### 8. Interest and other finance costs

Notes	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Loan interest	4,150	3,822	3,120	2,783
Net charge on pension schemes	3,285	2,949	2,709	2,406
<b>Total</b>	<b>7,435</b>	<b>6,771</b>	<b>5,829</b>	<b>5,189</b>

### 9. Analysis of total expenditure by activity

Consolidated	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Academic departments	84,456	69,844	82,174	67,966
Academic services	31,743	29,878	31,130	29,334
Research grants and contracts	6,551	6,551	5,604	5,604
Residences, catering and conferences	5,385	4,873	7,531	5,392
Premises	26,441	22,548	23,123	20,707
Administration and central services	21,358	16,121	22,551	17,698
Consulting, training and commercial activities	5,757	-	5,485	-
Other expenses	17,686	17,519	15,857	15,056
<b>Total</b>	<b>199,377</b>	<b>167,334</b>	<b>193,455</b>	<b>161,757</b>

#### Other operating expenses include:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
External auditors remuneration in respect of audit services	131	66	79	47
External auditors remuneration in respect of non-audit services	91	82	22	17
<b>Operating lease rentals</b>				
Land and buildings	554	444	625	518
Other	132	19	137	28

### 10. Profit on sale of Caerleon Campus

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Profit on sale of Caerleon Campus	-	-	3,210	3,210
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,210</b>	<b>3,210</b>



# Notes to the Financial Statements

## 11. Taxation

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Research and Development Expenditure Credit (RDEC)	4	-	10	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>10</b>	<b>-</b>

## 12. Intangible assets

	Consolidated		University	
	Software £'000	Total £'000s	Software £'000	Total £'000s
<b>Cost</b>				
At 1 August 2019	1,674	1,674	1,503	1,503
Additions	50	50	-	-
Transfers	-	-	-	-
<b>At 31 July 2020</b>	<b>1,724</b>	<b>1,724</b>	<b>1,503</b>	<b>1,503</b>
<b>Accumulated Amortisation</b>				
At 1 August 2019	594	594	467	467
Charge for the year	174	174	150	150
<b>At 31 July 2020</b>	<b>768</b>	<b>768</b>	<b>617</b>	<b>617</b>
<b>Net book value at 31 July 2020</b>	<b>956</b>	<b>956</b>	<b>886</b>	<b>886</b>
Net book value at 31 July 2019	1,080	1,080	1,036	1,036

## 13. Negative goodwill arising from the acquisitions

	Consolidated Total £'000s
Fair value on acquisition	660
Consideration paid	-
<b>Cost</b>	
<b>At 1 August 2019</b>	<b>660</b>
Released to statement of comprehensive income	
At 1 August 2019	(33)
Release for year	(33)
<b>At 31 July 2020</b>	<b>594</b>
<b>Carrying amount</b>	
<b>At 31 July 2020</b>	<b>594</b>
At 31 July 2019	627

On 1 August 2018, Merthyr Tydfil College Ltd acquired Tydfil Training Consortium Limited, a charitable company engaged primarily in the provision of work-based learning. The amortisation period is 20 years.

## Notes to the Financial Statements

### 14. Tangible Fixed Assets

<b>Consolidated</b>	<b>Freehold Land and Buildings £'000</b>	<b>Plant and Machinery £'000s</b>	<b>Fixtures &amp; Fittings £'000s</b>	<b>Assets in the Course of Construction £'000s</b>	<b>Total £'000s</b>
<b>Cost</b>					
At 1 August 2019	307,249	47,408	22,226	5,529	382,412
Additions	1,573	4,583	1,937	2,189	10,282
Transfers	176	3,831	733	(4,740)	-
Impairment	-	-	-	-	-
Disposals	(2,177)	(913)	(692)	-	(3,782)
<b>At 31 July 2020</b>	<b>306,821</b>	<b>54,909</b>	<b>24,204</b>	<b>2,978</b>	<b>388,912</b>
<b>Consisting of valuation as at:</b>					
31 July 2020	2,684	-	-	-	2,684
Cost	304,137	54,909	24,204	2,978	386,228
	<b>306,821</b>	<b>54,909</b>	<b>24,204</b>	<b>2,978</b>	<b>388,912</b>
<b>Depreciation</b>					
At 1 August 2019	80,380	30,117	15,204	-	125,701
Charge for the year	6,782	5,523	1,638	-	13,943
Impairment	1,457	(82)	864	-	2,239
Disposal	(2,016)	(413)	(643)	-	(3,072)
<b>At 31 July 2020</b>	<b>86,603</b>	<b>35,145</b>	<b>17,063</b>	<b>-</b>	<b>138,811</b>
<b>Net book value at 31 July 2020</b>	<b>220,218</b>	<b>19,764</b>	<b>7,141</b>	<b>2,978</b>	<b>250,101</b>
Net book value at 31 July 2019	226,869	17,291	7,022	5,529	256,711

<b>University</b>	<b>Freehold Land and Buildings £'000</b>	<b>Plant and Machinery £'000s</b>	<b>Fixtures &amp; Fittings £'000s</b>	<b>Assets in the Course of Construction £'000s</b>	<b>Total £'000s</b>
<b>Cost</b>					
At 1 August 2019	242,891	30,456	16,925	5,529	295,801
Additions	1,573	1,470	1,655	1,168	5,866
Transfers	176	3,831	733	(4,740)	-
Impairment	-	-	-	-	-
Disposals	(2,177)	(141)	(692)	-	(3,010)
<b>At 31 July 2020</b>	<b>242,463</b>	<b>35,616</b>	<b>18,621</b>	<b>1,957</b>	<b>298,657</b>
<b>Consisting of valuation as at:</b>					
Cost	242,463	35,616	18,621	1,957	298,657
	<b>242,463</b>	<b>35,616</b>	<b>18,621</b>	<b>1,957</b>	<b>298,657</b>
<b>Accumulated Depreciation</b>					
At 1 August 2019	68,014	18,925	11,080	-	98,019
Charge for the year	5,681	3,972	1,301	-	10,954
Impairment	1,457	40	864	-	2,361
Disposals	(2,016)	(114)	(643)	-	(2,773)
<b>At 31 July 2020</b>	<b>73,136</b>	<b>22,823</b>	<b>12,602</b>	<b>-</b>	<b>108,561</b>
<b>Net book value at 31 July 2020</b>	<b>169,327</b>	<b>12,793</b>	<b>6,019</b>	<b>1,957</b>	<b>190,096</b>
Net book value at 31 July 2019	174,877	11,531	5,845	5,529	197,782



# Notes to the Financial Statements

## 14. Tangible Fixed Assets (continued)

### Impairments

The University checks for indications of impairment of its assets at the balance sheet date annually. Plans to no longer use certain assets indicated potential impairment at the balance sheet date. A value in use method was used to calculate expected discounted cash inflows and outflows, which were then compared to the carrying values of the assets. The impairment charges reflect the charge needed to bring the net present values of those cashflows and the carrying values of those assets in line at the balance sheet date.

### Freehold land and buildings

Land and buildings were revalued at 31 July 1998 and this valuation is reflected in the opening balance figures, except for land which was revalued under FRS102 as at 1 August 2014. All other fixed assets are shown at cost. Apart from the revalued land, under FRS15 the University has chosen to freeze valuations at their opening values, without further revaluation and to treat this as a base point for future depreciation.

As a result of the Education Reform Act 1988, the freehold interest in land and buildings occupied by the University and the title to other assets were formally transferred to the University at the date of incorporation. The land and buildings at 31 July 1998 are included in the Balance Sheet at valuation at the date, with the exception of land revalued as at 1 August 2014. The valuation at 31 July 1998 was undertaken by Messrs Cooke & Arkwright, Chartered Surveyors, the basis of capitalisation was depreciated replacement cost, other than for local domestic premises the University acquired and converted to office space, where open market valuation was used. The valuation of land at 1 August 2014 was undertaken by Messrs Cooke & Arkwright, Chartered Surveyors, on the basis of open market valuation.

### "Exchequer funded"

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

## 15. Heritage Assets

	Consolidated Total £'000s	University Total £'000s
At 1 August 2019 and 31 July 2020	500	-

# Notes to the Financial Statements

## 16. Non-current Investments

	Subsidiary Companies £'000s	Total £'000s
<b>Consolidated</b>		
At 1 August 2019 and 31 July 2020	-	-
<b>University</b>	£'000s	£'000s
At 1 August 2019 and 31 July 2020	2,056	2,056
<b>Other non-current investments consist of:</b>		University £'000s
USW Commercial Services Limited		50
Merthyr Tydfil College Limited		2,004
RWCMD Limited		1
Springdoor Limited (dormant)		1
<b>Total</b>		<b>2,056</b>

## 17. Inventory

	At 31 July 2020		At 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Inventory	249	78	151	74
<b>Total</b>	<b>249</b>	<b>78</b>	<b>151</b>	<b>74</b>

## 18. Trade and Other Receivables

	At 31 July 2020		At 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
<b>Amounts falling due within one year:</b>				
Trade receivables	8,435	7,893	7,476	5,587
Other receivables	576	-	975	-
Prepayments and accrued income	8,537	8,067	8,439	7,839
Amounts due from subsidiary companies	-	7,049	-	5,507
<b>Total</b>	<b>17,548</b>	<b>23,009</b>	<b>16,890</b>	<b>18,933</b>

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

# Notes to the Financial Statements

## 19. Current Investments

	At 31 July 2020		At 31 July 2019	
	Consolidated £'000s	University £'000s	*Restated Consolidated £'000s	*Restated University £'000s
Short term investment in shares	2,570	436	2,677	470
Short term bonds	40,891	36,877	44,163	39,828
Short term deposits	59,982	55,594	47,463	43,093
<b>Total</b>	<b>103,443</b>	<b>92,907</b>	<b>94,303</b>	<b>83,391</b>

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

\*The 2018/19 balance has been restated and further information can be found in Note 31.

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

	At 31 July 2020		At 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Bank loans – secured	165	-	155	-
Bank loans – unsecured	4,784	3,492	3,919	3,377
Trade payables	7,447	7,102	12,483	11,911
Accruals and deferred income	31,602	24,374	26,998	21,499
Amounts owed to group undertakings	-	21	-	22
<b>Total</b>	<b>43,998</b>	<b>34,989</b>	<b>43,555</b>	<b>36,809</b>

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





## Notes to the Financial Statements

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

	At 31 July 2020		At 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Deferred income	48,339	16,762	47,884	15,392
Unsecured loans	46,918	44,793	50,566	47,690
Secured loans	5,921	-	6,086	-
<b>Total</b>	<b>101,178</b>	<b>61,555</b>	<b>104,536</b>	<b>63,082</b>

#### Analysis of secured and unsecured loans:

Due within one year or on demand	4,949	3,492	4,074	3,377
Due between one and two years	4,771	3,640	4,405	3,490
Due between two and five years	11,722	9,983	29,255	26,586
Due in five years or more	36,346	31,170	22,992	17,615
Due after more than one year	52,839	44,793	56,652	47,691
<b>Total secured and unsecured loans</b>	<b>57,788</b>	<b>48,285</b>	<b>60,726</b>	<b>51,068</b>

Included in loans are the following:

	Lender	31 July 2020 Amount £'000s	31 July 2019 Amount £'000s	Term	Interest Rate %	Borrower
<b>Unsecured Bank loans</b>						
	Lloyds plc	13,306	14,845	7	3	University
	Lloyds plc	13,163	13,394	32	5	University
	Lloyds plc	3,569	3,705	30	5	University
	Lloyds plc	3,380	3,456	33	5	University
	Santander	13,667	14,467	25	6	University
<b>Total unsecured Bank loans</b>		<b>47,085</b>	<b>49,867</b>			
<b>Bank loans secured on land and buildings</b>	Barclays Bank	6,086	6,241	33	5	Subsidiary
<b>Public benefit entity concessionary loans</b>	HEFCW	1,200	1,200	-	-	University
	HEFCW	3,417	3,418	-	-	Subsidiary
<b>Total</b>		<b>57,788</b>	<b>60,726</b>			

# Notes to the Financial Statements

## 22. Provisions for liabilities

	Obligation to Fund Deficit on USS Pension £'000s	Pension Enhancements on Termination £'000s	Defined Benefit Obligations (Note 29) £'000s	Total Pensions Provisions £'000s	Total Other Provisions £'000s
<b>Consolidated</b>					
At 1 August 2019	512	7,475	144,687	152,674	6,713
Utilised in year	3	(680)	(7,528)	(8,205)	(4,525)
Additions	(290)	563	37,020	37,293	2,382
<b>At 31 July 2020</b>	<b>225</b>	<b>7,358</b>	<b>174,179</b>	<b>181,762</b>	<b>4,570</b>

	Obligation to Fund Deficit on USS Pension £'000s	Pension Enhancements on Termination £'000s	Defined Benefit Obligations (Note 29) £'000s	Total Pensions Provisions £'000s	Total Other Provisions £'000s
<b>University</b>					
At 1 August 2019	512	6,473	129,590	136,575	6,318
Utilised in year	3	(690)	(6,615)	(7,302)	(4,414)
Additions	(290)	658	33,997	34,365	2,378
<b>At 31 July 2020</b>	<b>225</b>	<b>6,441</b>	<b>156,972</b>	<b>163,638</b>	<b>4,282</b>

### Provisions

The Provisions are primarily for deficits relating to defined benefit schemes, accounted for under FRS102. The provisions are also for ongoing costs of restructuring, and also relate to an actuarial assessment of the future pension costs that will fall upon the University in respect of those former members of staff who have opted for voluntary early retirement or voluntary redundancy. In calculating the liabilities of the unfunded scheme, the key assumptions used by the actuaries are consistent with Note 29.

Included in other provisions, are costs relating to the closure of the Dubai Campus.

### USS Deficit

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

## Notes to the Financial Statements

23. Income and Expenditure Reserve – Endowment Reserve	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000s	Year to 31 July 2020 Total £'000s	Year to 31 July 2019 Total £'000s
<b>Consolidated</b>				
<b>Balances at 1 August</b>				
Capital	715	2,004	2,719	2,668
Accumulated income	483	191	674	642
	<b>1,198</b>	<b>2,195</b>	<b>3,393</b>	<b>3,310</b>
New endowments	-	-	-	8
Investment income	27	54	81	86
Expenditure	(16)	(69)	(85)	(52)
Increase in market value of investments	(58)	(124)	(182)	41
<b>Total endowment comprehensive income for the year</b>	<b>(47)</b>	<b>(139)</b>	<b>(186)</b>	<b>83</b>
<b>At 31 July</b>	<b>1,151</b>	<b>2,056</b>	<b>3,207</b>	<b>3,393</b>
<b>Represented by:</b>				
Capital	657	1,880	2,537	2,717
Accumulated income	494	176	670	676
	<b>1,151</b>	<b>2,056</b>	<b>3,207</b>	<b>3,393</b>
<b>Analysis by type of purpose:</b>				
Lectureships	732	-	732	765
Scholarships and bursaries	419	2,056	2,475	2,628
	<b>1,151</b>	<b>2,056</b>	<b>3,207</b>	<b>3,393</b>
<b>Analysis by asset</b>				
Current asset investments			2,651	2,833
Cash and cash equivalents			556	560
			<b>3,207</b>	<b>3,393</b>

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



# Notes to the Financial Statements

## 23. Income and Expenditure Reserve – Endowment Reserve (continued)

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000s	Year to 31 July 2020 Total £'000s	Year to 31 July 2019 Total £'000s
<b>University</b>				
<b>Balances at 1 August</b>				
Capital	343	-	343	329
Accumulated income	422	-	422	439
	<b>765</b>	<b>-</b>	<b>765</b>	<b>768</b>
New endowments	-	-	-	-
Investment income	17	-	17	16
Expenditure	(15)	-	(15)	(33)
Increase in market value of investments	(35)	-	(35)	14
<b>Total endowment comprehensive (expense)/income for the year</b>	<b>(33)</b>	<b>-</b>	<b>(33)</b>	<b>(3)</b>
<b>At 31 July</b>	<b>732</b>	<b>-</b>	<b>732</b>	<b>765</b>
<b>Represented by:</b>				
Capital	308	-	308	343
Accumulated income	424	-	424	422
	<b>732</b>	<b>-</b>	<b>732</b>	<b>765</b>
<b>Analysis by type of purpose:</b>				
Lectureships	732	-	732	765
Scholarships and bursaries	-	-	-	-
	<b>732</b>	<b>-</b>	<b>732</b>	<b>765</b>
<b>Analysis by asset</b>				
Current asset investments			308	343
Cash and cash equivalents			424	422
			<b>732</b>	<b>765</b>

## 24. Income and Expenditure Reserve – Restricted Reserve

Reserves with restrictions are as follows:

	Donations £'000s	Year to 31 July 2020 Total £'000s	Year to 31 July 2019 Total £'000s
<b>Balances at 1 August</b>	1,114	1,114	889
New donations	1,287	1,287	1,450
Expenditure	(661)	(661)	(1,225)
<b>Total restricted comprehensive income for the year</b>	<b>626</b>	<b>626</b>	<b>225</b>
<b>At 31 July</b>	<b>1,740</b>	<b>1,740</b>	<b>1,114</b>

## Notes to the Financial Statements

25. Cash and Cash Equivalents	Consolidated			University		
	*Restated At 1 August 2019 £'000s	Cash Flows £'000s	At 31 July 2020 £'000s	*Restated At 1 August 2019 £'000s	Cash Flows £'000s	At 31 July 2020 £'000s
Short term bonds	-	1,865	1,865	-	1,865	1,865
Short term deposits	4,502	(4,360)	142	4,409	(4,294)	115
Cash at Bank and in hand	9,570	2,293	11,863	4,893	(2,126)	2,767
<b>Total</b>	<b>14,072</b>	<b>(202)</b>	<b>13,870</b>	<b>9,302</b>	<b>(4,555)</b>	<b>4,747</b>

\*The 2018/19 balance has been restated and further information can be found in Note 31.

## 26. Consolidated reconciliation of net debt

	Year to 31 July 2020 Total £'000s
Net debt 1 August 2019	46,654
Movement in cash and cash equivalents	202
Other non-cash changes	(2,938)
Net debt 31 July 2020	43,918
Change in net debt	(2,736)

### Analysis of net debt:

	Year to 31 July 2020 Total £'000s	Year to 31 July 2019 Total £'000s
Cash and cash equivalents	13,870	14,072
<b>Borrowings: amounts falling due within one year</b>		
Secured loans	165	155
Unsecured loans	4,784	3,919
	<b>4,949</b>	<b>4,074</b>
<b>Borrowings: amounts falling due after more than one year</b>		
Secured loans	5,921	6,086
Unsecured loans	46,918	50,566
	<b>52,839</b>	<b>56,652</b>
<b>Net debt</b>	<b>43,918</b>	<b>46,654</b>

# Notes to the Financial Statements

## 27. Capital and Other Commitments

	At 31 July 2020		At 31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Provision has not been made for the following capital commitments at 31 July 2020:				
Commitments contracted for	562	562	2,156	2,156
<b>Total</b>	<b>562</b>	<b>562</b>	<b>2,156</b>	<b>2,156</b>

## 28. Lease Obligations

	At 31 July 2020			At 31 July 2019	
	Land and Buildings £'000s	Plant and Machinery £'000s	Other Leases £'000s	Total £'000s	Total £'000s
Total rentals payable under operating leases:					
<b>Consolidated</b>					
Payable during the year	554	113	19	686	762
Future minimum lease payments due:					
Not later than 1 year	392	161	22	575	474
Later than 1 year and not later than 5 years	510	707	-	1,217	1,037
Later than 5 years	-	3,464	-	3,464	1,705
<b>Total lease payments due</b>	<b>902</b>	<b>4,332</b>	<b>22</b>	<b>5,256</b>	<b>3,216</b>

	At 31 July 2020			At 31 July 2019	
	Land and Buildings £'000s	Plant and Machinery £'000s	Other Leases £'000s	Total £'000s	Total £'000s
Total rentals payable under operating leases:					
<b>University</b>					
Payable during the year	444	-	19	463	546
Future minimum lease payments due:					
Not later than 1 year	280	-	22	302	251
Later than 1 year and not later than 5 years	279	-	-	279	211
Later than 5 years	-	-	-	-	-
<b>Total lease payments due</b>	<b>559</b>	<b>-</b>	<b>22</b>	<b>581</b>	<b>462</b>



## Notes to the Financial Statements

### 29. Pension Schemes

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

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

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

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

The TSS is a contributory "sector-wide" scheme for academic staff administered by the Teacher's Pension Agency on behalf of the Department for Education and Skills. The scheme, which does not have a fund but instead operates on a "pay-as-you-go" basis, is subject to actuarial valuation every five years for the purpose of determining the "sector-wide" contribution rates. The latest actuarial valuation of the scheme was as at 31 March 2016. The cost of pension increases is currently excluded from the valuation and neither employees nor employers contribute to this added value to the employee, which is met by the Exchequer.

The contribution rate during the year was 23.7% (2018/19 – 16.5%), and total contributions included within the Statement of Comprehensive Income was £9.8m for the Group (2018/19 - £6.7m), and £8.0m for the University (2018/19 - £5.6m).

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

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

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102(28) "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme.

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2017. This was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2018 are also included in this note.

The latest available full actuarial valuation of the scheme was at 31 March 2018 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

# Notes to the Financial Statements

## 29. Pension Schemes (continued)

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

The 2018 valuation was the fifth 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. The assets therefore were sufficient to cover 95% of the benefits which had accrued to members after allowing for expected future increases in earnings. Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2020	2019
Discount rate	2.20%	2.25%
Pension increases (CPI)	2.20%	2.50%

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

Male members' mortality 97.6% of SAP S1NMA ["light"] YoB tables – No age rating

Female members' mortality 102.7% of RFV00 ["light"] YoB tables – rated down 1 year

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

	2020	2019
Males currently aged 65 (years)	24.4	24.5
Females currently aged 65 (years)	25.9	26.0
Males currently aged 45 (years)	26.3	26.5
Females currently aged 45 (years)	27.7	27.8

	2020	2019
Scheme assets	63.7bn	63.6bn
Total scheme liabilities	67.3bn	72.0bn
FRS 102 total scheme deficit	3.6bn	8.4bn
FRS 102 total funding level	95%	88%

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

## Notes to the Financial Statements

### 29. Pension Schemes (continued)

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

##### Funding Valuation

This scheme provides benefits for non-academic staff based on final pensionable salary. The scheme is valued every three years as required under Regulation 77(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997 No. 1612). The latest valuation was undertaken by independent consulting actuaries as at 31 March 2019.

Under the definitions set out in FRS 102, the Local Government Pension Scheme is a multi employer defined benefit pension scheme. In the case of the LGSS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2020. The University employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2020.

##### FRS102

In accordance with the requirements of Financial Reporting Standard 102, the independent consulting actuaries updated the results of the March 2019 actuarial valuation in order to ascertain the valuation of the "sub-funds" in the scheme at 31 July 2020.

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

	2020 %	2019 %	2018 %
Rate of increase in salaries	3.20	3.25	3.30
Rate of increase in pensions in payment	2.20	2.25	2.30
Discount rate	1.45	2.25	2.75
CPI Inflation assumption	2.20	2.25	2.30
RPI Inflation assumption	3.00	3.35	3.40

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

	2020	2019
<b>Retiring today</b>		
Males	21.0	21.5
Females	23.5	23.4
<b>Retiring in 20 years</b>		
Males	21.8	22.8
Females	24.4	24.9

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

	Value at 31 July 2020 £'000s	Value at 31 July 2019 £'000s	Value at 31 July 2018 £'000s
Equities	185,246	175,283	164,888
Gilts	27,869	30,842	28,749
Bonds	39,071	30,071	25,422
Property	19,126	19,276	12,830
Cash	1,912	1,542	5,701
	<b>273,224</b>	<b>257,014</b>	<b>237,590</b>



# Notes to the Financial Statements

## 29. Pension Schemes (continued)

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

	Value at 31 July 2020	Value at 31 July 2019	Value at 31 July 2018
	£'000s	£'000s	£'000s
Equities	204,120	192,306	180,652
Gilts	30,708	33,837	31,497
Bonds	43,052	32,991	27,853
Property	21,074	21,148	14,056
Cash	2,108	1,692	6,247
	301,062	281,974	260,305

The following amounts at 31 July 2019 were measured in accordance with the requirements of FRS 102.

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

	31 Jul 2020 £'000s	31 Jul 2019 £'000s	31 Jul 2018 £'000s	31 Jul 2017 £'000s	31 Jul 2016 £'000s
Estimated share of assets	273,224	257,013	237,591	205,119	186,861
Present value of scheme liabilities	(430,196)	(386,602)	(336,477)	(322,808)	(290,606)
Deficit in the scheme – net pension liabilities	(156,972)	(129,589)	(98,886)	(117,689)	(103,745)

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

	31 Jul 2020 £'000s	31 Jul 2019 £'000s	31 Jul 2018 £'000s	31 Jul 2017 £'000s	31 Jul 2016 £'000s
Estimated share of assets	301,062	281,973	260,305	225,372	204,941
Present value of scheme liabilities	(475,241)	(426,659)	(370,633)	(355,685)	(319,036)
Deficit in the scheme – net pension liabilities	(174,179)	(144,686)	(110,328)	(130,313)	(114,095)

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

	31 July 2020		31 July 2019	
	Consolidated £'000s	Consolidated £'000s	Consolidated £'000s	University £'000s
Current service cost	13,846	12,048	11,097	9,679
Past service cost	148	148	4,390	4,033
	13,994	12,196	15,487	13,712

# Notes to the Financial Statements

## 29. Pension Schemes (continued)

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

	31 July 2020		31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Interest income on pension scheme assets	(6,375)	(5,807)	(7,436)	(6,805)
Interest on pension scheme liabilities	9,642	8,744	10,141	9,207
Net charge	3,267	2,937	2,705	2,402

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

	31 July 2020		31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Actual return less expected return on pension scheme assets	9,801	8,079	11,832	10,753
Experience (losses)/gains arising on scheme liabilities	(29,379)	(26,785)	(35,301)	(31,795)
Actuarial (loss)/gain	(19,578)	(18,706)	(23,469)	(21,042)

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

	31 July 2020		31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
Deficit on scheme at 1 August	(144,687)	(129,590)	(110,329)	(98,887)
Movement in year:				
- current service cost	(14,027)	(12,206)	(11,270)	(9,830)
- past service cost	(148)	(148)	(4,390)	(4,033)
- contributions	7,528	6,615	7,476	6,604
- other finance charge	(3,267)	(2,937)	(2,705)	(2,402)
- actuarial (loss)/gain	(19,578)	(18,706)	(23,469)	(21,042)
Deficit on scheme at 31 July	(174,179)	(156,972)	(144,687)	(129,590)

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

	31 July 2020		31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
At beginning of the year	426,659	386,602	370,633	336,477
Current Service Cost	13,846	12,048	11,097	9,679
Past service cost	148	148	4,390	4,033
Interest Cost	9,642	8,744	10,141	9,207
Contributions by scheme participants	2,478	2,158	2,336	2,038
Actuarial gains and losses	29,379	26,785	35,301	31,795
Benefits paid	(6,911)	(6,290)	(7,239)	(6,627)
At end of the year	475,241	430,196	426,659	386,602

# Notes to the Financial Statements

## 29. Pension Schemes (continued)

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

	31 July 2020		31 July 2019	
	Consolidated £'000s	University £'000s	Consolidated £'000s	University £'000s
At beginning of the year	281,973	257,013	260,305	237,591
Expected rate of return on scheme assets	6,375	5,807	7,436	6,805
Actuarial gains and losses	9,801	8,079	11,832	10,753
Contributions by scheme participants	2,478	2,158	2,336	2,038
Contributions by the Employer	7,528	6,615	7,476	6,604
Benefits paid	(6,911)	(6,290)	(7,239)	(6,627)
Administrative expenses	(182)	(158)	(173)	(151)
At end of the year	<b>301,062</b>	<b>273,224</b>	<b>281,973</b>	<b>257,013</b>

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

	31 Jul 2020	31 Jul 2019	31 Jul 2018	31 Jul 2017	31 Jul 2016
<b>Difference between the expected and actual return on scheme assets</b>					
Amount £'000s	8,079	10,753	25,588	12,347	14,467
Percentage of scheme assets	3.0%	4.2%	10.8%	6.0%	7.7%
<b>Experienced gains and losses on scheme liabilities</b>					
Amount £'000s	(26,785)	(31,795)	805	(19,284)	(31,794)
Percentage of present value of scheme liabilities	(6.2)%	(8.2)%	0.2%	(6.0)%	(10.9)%
<b>Total amount recognised in the statement of comprehensive income</b>					
Amount £'000s	(18,706)	(21,042)	26,393	(6,937)	(17,327)
Percentage of present value of scheme liabilities	(4.3)%	(5.4)%	7.8%	(2.1)%	(6.0)%



## Notes to the Financial Statements

### 29. Pension Schemes (continued)

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

	31 Jul 2020	31 Jul 2019	31 Jul 2018	31 Jul 2017	31 Jul 2016
<b>Difference between the expected and actual return on scheme assets</b>					
Amount £'000s	9,801	11,832	27,218	13,547	15,847
Percentage of scheme assets	3.3%	4.2%	10.5%	6.0%	7.7%
<b>Experience gains and losses on scheme liabilities</b>					
Amount £'000s	(29,379)	(35,301)	1,414	(21,797)	(34,974)
Percentage of present value of scheme liabilities	(6.2)%	(9.5)%	0.4%	(6.1)%	(11.0)%
<b>Total amount recognised in the statement of comprehensive income</b>					
Amount £'000s	(19,578)	(23,469)	28,632	(8,250)	(19,127)
Percentage of present value of scheme liabilities	(4.1)%	(5.5)%	7.7%	(2.3)%	(6.0)%

The estimate for contributions for the defined benefit scheme for the year ending 31 July 2021 is £6,164,900

The actual return on scheme assets in the year was £16,175,000 (2019 £19,269,700).

### Sensitivity to market risks

The table below shows the sensitivity of accounting disclosure items to market and demographic risks. Sensitivities are applied at the accounting date. The impacts are shown for items on the balance sheet at the accounting date, and for projected items in the net periodic pension cost recognised in profit and loss for the next accounting year.

### Sensitivity analysis of LGPS

	Consolidated				University			
	Base	+0.1% p.a. discount rate	+0.1% p.a. rate of increase in pensions	Mortality rates increased by 1 year	Base	+0.1% p.a. discount rate	+0.1% p.a. rate of increase in pensions	+0.1% p.a. rate of increase in pensions
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fair value of net assets	301.0615	301.0615	301.0615	301.0615	273.2239	273.2239	273.2239	273.2239
Present value of funded liabilities	475.2418	464.4911	484.6792	491.1723	430.1958	420.5116	438.7019	444.6354
Pension liability recognised on the balance sheet	(174.180)	(163.430)	(183.618)	(190.111)	(156.972)	(147.288)	(165.478)	(171.412)

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 £18.8m increase in the Fund's liabilities for the Group, since the prior year end.

# Notes to the Financial Statements

## 30. Related Party Transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is likely that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted in accordance with the University's financial regulations and normal procurement procedures. Other than those disclosed elsewhere in the financial statements, no transactions were identified which should be disclosed under FRS102.

Organisation	Individual Board Member	31 July 2020		31 July 2019	
		Expenditure £'000s	Creditor £'000s	Expenditure £'000s	Creditor £'000s
IRG Advisors	Jemma Terry	-	-	13	-
Agored Cymru	Dr John Graystone	-	-	16	-
University of South Wales' Students' Union	Various	1,233	-	1,233	-
Wales and West Utilities	Graham Edwards	1	-	-	-

The total expenses paid to or on behalf of 4 independent Governors was £1,328 (2018/19 - £1,360 to 2 independent governors). This represents travel and subsistence expenses incurred in attending Board of Governor, and Committee meetings.

## 31. Prior Year Adjustment

During the preparation of the 2019/20 accounts it was identified that a number of investments in short-term bonds and certificates of deposit with maturities greater than three months from the acquisition date had been classified as Cash and Cash Equivalents at 31 July 2019. A prior period adjustment has been posted to reclassify these balances as Current Investments. This adjustment also impacts the cash and cash equivalents and the purchases of investments lines in the consolidated statement of cashflows.

This adjustment does not affect the overall net figures in the accounts, with the impact noted in the tables below.

	Year ended 31 July 2019 Consolidated			Year ended 31 July 2019 University		
	As previously reported £'000s	Adjustments £'000s	As restated £'000s	As previously reported £'000s	Adjustments £'000s	As restated £'000s
<b>Current Investments</b>						
Short term investment in shares	2,677	-	2,677	470	-	470
Short term bonds	441	43,722	44,163	157	39,671	39,828
Short term deposits	5,081	42,382	47,463	5,081	38,012	43,093
	8,199	86,104	94,303	5,708	77,683	83,391
<b>Cash and cash equivalents</b>						
Short term bonds	43,722	(43,722)	-	39,671	(39,671)	-
Short term deposits	46,884	(42,382)	4,502	42,421	(38,012)	4,409
Cash at bank and in hand	9,570	-	9,570	4,893	-	4,893
	100,176	(86,104)	14,072	86,985	(77,683)	9,302
<b>Total</b>	<b>108,375</b>	<b>-</b>	<b>108,375</b>	<b>92,693</b>	<b>-</b>	<b>92,693</b>

### Balance Sheet impact:

Investments	8,199	86,104	94,303	5,708	77,683	83,391
Cash and cash equivalents	100,176	(86,104)	14,072	86,985	(77,683)	9,302

## Notes to the Financial Statements


### 32. Interests in Group Undertakings

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

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

\*Denotes dormant company during the year to 31 July 2020.





USW was awarded University of Sanctuary status, recognising our commitment to creating a culture of welcome for refugees and asylum seekers.

For further information, contact:

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

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