



UNIVERSITY OF
GLOUCESTERSHIRE

at Cheltenham and Gloucester

University of Gloucestershire

FINANCIAL STATEMENTS

2015/16



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MEMBERS OF COUNCIL AND MAJOR COMMITTEES

MEMBERS OF COUNCIL FOR THE PERIOD 1 AUGUST 2015 TO 22 NOVEMBER 2016

Ms J Anderson (appointed 22 November 2016)
Ms E Andrews (appointed 29 June 2016)
Mr P Bungard
Mr M Burgess
Mr F Chambers
Prof J Crampton (appointed Chair from 1 January 2016)
Mr P Davies
Dr F Harsent
Mr S Harvey
Ms B Hodson OBE
Mr D Jones (appointed 4 October 2016)
Mr M Jones
Mr S Marston
Mr A Mawby
Mrs K Morgan OBE DL (appointed Vice-Chair from 1 October 2015)
Ms A Noble (resigned 30 November 2015)
Rt Revd M Perham (appointed Chair on an interim basis from 1 October 2015, resigned 31 December 2015)
Mr L Sandford (resigned 28 June 2016)
Prof Sir P Scott (Chair, resigned 30 September 2015)
Mrs P Sissons (appointed 29 June 2016)
The Venerable R Springett (appointed 29 June 2016)
Mr A Taylor
Mrs P Taylor
Mr S Treble (resigned 28 July 2016)
Ms R Ward (appointed 29 June 2016)

MEMBERSHIP OF MAJOR COUNCIL COMMITTEES AS AT 31 JULY 2016

Audit Committee

Mr P Bungard *
Mr M Burgess
Mr P Davies
Mr M Jones
Mrs K Morgan OBE DL
Mr J Hunt (co-opted member)

Council and Foundation Standing Group

Mrs P Taylor *
Dr C Baker
Mr I Davies
Revd B Goodwin
Revd Canon M Herbert
Ms R Hillas
Mr S Hyde-White
Mr S Marston
Prof A Parker
The Venerable R Springett
Mr M Wagstaff
Mr J Walford

Employment Policy Committee

Mr S Harvey *
Mr P Davies
Mr M Jones
Mrs P Sissons
Mrs P Taylor

Finance and General Purposes Committee

Dr F Harsent *
Ms B Hodson OBE
Mr S Marston
Mr A Mawby
Mr A Taylor
Revd D Munro (co-opted member)

Governance and Nominations Committee

Prof J Crampton *
Mr S Harvey
Mr S Marston
Mrs K Morgan OBE DL
Mrs P Sissons

Remuneration Committee

Mrs K Morgan OBE DL *
Mr P Bungard
Prof J Crampton
Dr F Harsent
Mr S Harvey
Mrs P Taylor

* denotes Chair

HONORARY POSTS, OFFICERS AND ADVISERS

HONORARY POSTS

Chancellor

Baroness Rennie Fritchie DBE

Pro Chancellors

Sir Henry Elwes
Rt Revd R Treweek

OFFICERS

Executive Managers

Vice-Chancellor
Mr S Marston

Deputy Vice-Chancellor
Dr R O'Doherty

Pro Vice-Chancellor (Operations)
Ms M Melling

Director Finance and Planning
Mrs C Stallard

University Secretary and Registrar
Dr M Andrews

Director Human Resources
Mrs R Davies

Director Estates Strategy
Mr D White

Deans of Faculty

Faculty of Arts and Technology
Prof T Barker

Faculty of Business, Computing and Applied Sciences
Dr G Jones

Company Secretary

Dr M Andrews (appointed 5 April 2016)
Mrs P Gravestock (resigned 4 April 2016)

REGISTERED OFFICE

Fullwood House
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The Park
CHELTENHAM
Gloucestershire
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The university is an exempt charity, a company limited by guarantee, registered in England and Wales:
Registration Number 06023243

ADVISERS

Solicitors

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3 Colmore Circus
BIRMINGHAM
B4 6BH

Registered External Auditors

Grant Thornton UK LLP
3140 Rowan Place
John Smith Drive
Oxford Business Park South
OXFORD
OX4 2WB

Registered Internal Auditors

RSM Risk Assurance Services LLP
St Philips Point
Temple Row
BIRMINGHAM
B2 5AF

Bankers

The Royal Bank of Scotland plc
PO Box 9
31 The Promenade
CHELTENHAM
Gloucestershire
GL50 1LH



OPERATING AND FINANCIAL REVIEW

EXECUTIVE SUMMARY

This report reviews the University's activities in the year 2015-16 in the context of the challenges and risks within which the University operates, and comprises the following sections:

Section 1: Summary of the Year

Section 2: Strategic Priorities

- 2.1 Summary
- 2.2 Learning and Teaching
- 2.3 Enterprise, Employability and Wider Economic Benefit
- 2.4 Research and Scholarship
- 2.5 Partnerships
- 2.6 A Successful Organisation

Section 3: Financial Performance

- 3.1 Key Financial Highlights
- 3.2 Review of the Year
- 3.3 Financial Sustainability and Key Performance Indicators
- 3.4 Payment of Creditors
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- 3.6 Accounting Systems
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Section 6: Corporate Governance

- 6.1 Introduction
- 6.2 Summary of the University's Structure of Corporate Governance
- 6.3 Financial Responsibilities of the University's Council
- 6.4 Disclosure of Information to Auditor
- 6.5 Statement of Internal Control

OPERATING AND FINANCIAL REVIEW

SECTION 1: SUMMARY OF THE YEAR

- 1.1 During the academic and reporting year 2015-16, the University achieved significant progress in all major areas of the current strategy.
- 1.2 Our first core objective as a University is to **provide an outstanding experience of teaching and learning for our students**. Following our successful QAA review in summer 2015, the University has undertaken a major review of our Academic Strategy. With effect from the start of the Academic Year 2016-17, we are putting in place a new framework which will maintain robust management of quality and standards while putting more emphasis and resource into continuous improvement and innovation.
- 1.3 In the Autumn of 2015, the University's programmes of initial teacher education were inspected by the Office for Standards in Education. Ofsted rated as Outstanding the University's programmes for both primary and secondary teaching. Our Early Years and Further Education programmes were rated Good. That is an excellent result, confirming the University's position as a leading provider of teacher education, which has been central to our mission since the foundation of the Cheltenham Training College in 1847.
- 1.4 In Summer 2016, the latest National Student Survey results indicated significant progress for the University. Overall student satisfaction rose 3 percentage points to 86%, which is ahead of the average for higher education providers in England and the University's benchmark. On all of the NSS domains which are expected to feature in the Government's proposed Teaching Excellence Framework (namely, the teaching on my course, assessment and feedback, and academic support), the University was ahead of the sector average. This reflects continuing investment in staff development, learning resources, and review of the academic portfolio. The University has worked closely with the Students Union to continue to build active student engagement in teaching and learning, particularly through the appointment of a Student Representative for each of our 26 subject communities, trained and supported by the Students Union and working with academic staff and SU course representatives on the continuing improvement of programmes.
- 1.5 The University's second core objective is to **promote the employability of our students and to contribute to the economic, social and cultural wellbeing of the county**. This year's survey of the Destinations of Leavers from Higher Education showed that we had improved to 95% the proportion of our first degree graduates going into a job or further study within six months of leaving. That puts us in the top third of Universities. 2015-16 was the first year of full implementation for "Your Future Plan", which is the University's framework for providing structured support for all students to broaden their experience and gain employability skills. The University is committed to helping all our students to prepare themselves for a good career once they graduate, and we will continue to refine and develop Your Future Plan as a comprehensive programme of support. We have introduced a new structure for the Academic Year to create space for opportunities going beyond the formal curriculum such as work experience, study trips and professional networking.
- 1.6 Supporting business success, enterprise and economic growth in Gloucestershire is an important part of the University's role as an anchor institution for the county. During the year, the University continued to expand the support we provide for businesses through the Growth Hub at the Oxstalls campus in Gloucester. Since it opened in 2014, with support from HEFCE's Catalyst Fund, the Hub has met all of its targets for business visitors, and is increasingly focusing on the support provided for those companies with high growth/high value potential. The University is on track to co-locate the Business School and the Growth Hub in a new, purpose built building at the Oxstalls campus opening in 2018. Within this goal, the University is also developing plans to expand our portfolio of higher and degree apprenticeships.
- 1.7 The University's third objective is to **achieve excellence in our selected areas of research**. Following our improved results in the 2014 Research Excellence Framework (REF), we have continued to build up our six selected Research Priority Areas. Those six areas are: Applied Business Research; Being Human; Environmental Dynamics and Governance; Education and Professional Contexts; Innovation, Design and Technology; and Sport, Exercise, Health and Wellbeing. All RPAs have identified the Units of Assessment to which they expect to submit in the next REF exercise, and are working to build a strong set of research outputs and impact studies for those 12 Units.
- 1.8 Within our fourth objective of **forming strong partnerships for mutual benefit**, we have maintained excellent relations with Gloucestershire College and South Gloucestershire and Stroud College through our Strategic Alliance. We continue to extend the range of our partnerships with Further Education Colleges, to promote progression to higher education and to broaden the availability of HE programmes across the region. Following the Government's announcement of new arrangements for nursing programmes, the University is developing proposals with our NHS partners in Gloucestershire to introduce pre-registration nursing programmes, and also to sponsor the formation of a University Technical College specialising in health. During the year, we agreed a new international collaborative partnership with the University of Economics and Law in Vietnam. Given the continuing challenges of international competition and UK Government constraints on international student recruitment, we have agreed a new, reduced business plan for the joint venture partnership with INTO for international pathway programmes.
- 1.9 Our fifth and final goal is to be a **successful and sustainable University**. Central to this is student recruitment. As detailed elsewhere in this report, total student enrolments for 2015-16 were slightly higher than the previous year, reflecting increased new student recruitment in Autumn 2015. That trend has continued. Applications during the 2015-16 recruitment cycle were significantly up on the previous year, and ahead of the sector average, such that we expect to increase intakes for Autumn 2016. As these accounts show, we have achieved another healthy operating surplus for the seventh year running, with outturn ahead of the original budget, reflecting in particular growth in student fees.

OPERATING AND FINANCIAL REVIEW

- 1.10 During the year, the University received the results of our latest Staff Satisfaction Survey, independently administered by Capita. Overall, it showed significant improvement over the 2013 survey. On 55 out of 118 questions, the survey showed improvements in satisfaction of 5% or more, whereas on none of the questions was there a decline of more than 5%. Out of the 18 questions which can be benchmarked, our results were the same as or better than other universities on 14.
- 1.11 An ambitious programme of estate development is in progress. The University's development of a new 800-bed student village at Pittville received planning permission in Summer 2015. Building is well under way to create an exceptional living environment for students opening in Autumn 2017. The Masterplan for the Oxstalls Campus received outline planning permission in March 2016, to create a new Business School and Growth Hub, new sports facilities, and new student accommodation which in combination will transform facilities for teaching and learning, recreation and living in Gloucester.



OPERATING AND FINANCIAL REVIEW

SECTION 2: STRATEGIC PRIORITIES

2.1 Summary

The University's Strategic Plan for 2012-2017, approved by Council in February 2012, sets out the key strategic priorities, values and future vision of the University, and provides a framework for deriving annual operating plans including annual priorities and targets. Five main themes have been developed to deliver the vision, and progress against each of the actions identified in the annual operating plan and is regularly reported to Council and the University Executive Committee.

The five strategic themes of the plan, established after consultation with stakeholders, are:

- Learning and teaching
- Enterprise, employability and wider economic benefit
- Research
- Partnerships
- Successful organisation

2.2 Learning and teaching

“Our goal is to provide students with excellent learning experiences through outstanding learning and teaching support.”

Teaching students is the University's primary activity and in 2015-16 there were 10,828 students actively engaged on courses leading to an award from the University, including those being taught through the Joint Venture with INTO University Partnerships Limited. 8,712 of these students were registered students of the University and 2,116 were registered with partner institutions on a course validated by the University.

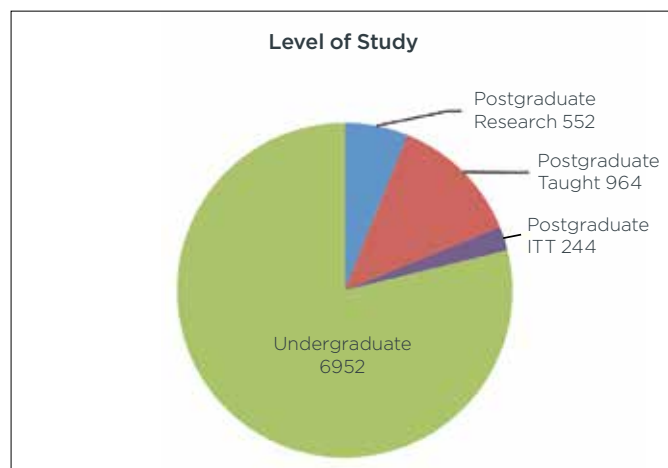
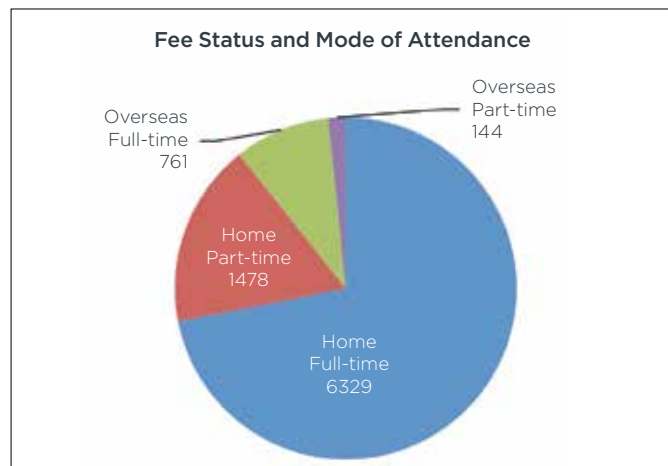
Of the 8,712 students registered at the University, 8,409 were based at our campuses in Gloucestershire or taught through distance learning and 303 students were taught by collaborative partners in the UK on courses franchised by the University. The number of new entrants to undergraduate courses taught at the University increased by 6% in 2015-16 with particularly strong growth in the Schools of Media, Art and Design and Natural and Social Sciences.

The average tariff for students starting undergraduate courses in 2015 increased slightly from 2014 indicating we are holding our position, in an increasingly competitive market. Our strategy over recent years has been to attract high achieving BTEC students and students that hold mixed qualifications such as A levels with BTEC. Indeed, fewer than half of all new students hold only A level qualifications on enrolment.

The overall total of 1,760 postgraduate students remained broadly unchanged from 2014-15, with an increase in the number of students undertaking taught courses and research. This is counterbalanced by a decrease in the number of students undertaking postgraduate initial teacher training in a rapidly changing market, with active promotion by the Government of school-based teacher training programmes.

Of the 2,116 students registered with partner institutions 1,667 were taught by collaborative partners in the UK on courses validated by the University and 449 were taught by collaborative partners overseas on courses franchised or validated by the University.

A breakdown by mode of attendance and level of study of the 8,712 registered students based at our campuses in Gloucestershire or taught by distance learning is shown in the charts below.



• Academic Performance

Our approach to the admission of students ensures we recruit students who can benefit from our provision. Our advertised entry tariffs, and the qualification of all students who enrol, have been rising over the past four years. This approach positions the University well in relation to the sector as a whole and competitors, and this is demonstrated by our improving National Student Survey (NSS) results. It is also noteworthy that our retention of students is good, and better than benchmark competitors.

As a whole, we have a good balance between entry requirements and providing access to students who can benefit from our provision and succeed in their studies. Our students perform well in terms of the proportion gaining first and upper second degree classifications. The proportions vary according to subject studied, but these variations broadly mirror variations across the sector. We carefully monitor the performance of students, and we are introducing new progression regulations in 2016-17 to ensure students are entering their next year of study with the best possible chance of succeeding.

• Academic Strategy

The University's successful QAA Higher Education Review in July 2015 included a commended outcome for enhancement which confirms our institutional commitment to the improvement of student learning opportunities. During 2015-16 we have further developed our existing processes and the Academic Strategy,

OPERATING AND FINANCIAL REVIEW

commissioning a highly respected external consultant in the HE sector to undertake a review leading to a report to help us further transform our approach to quality assurance. Out of this came the Rethinking Enhancement project, a new quality framework, a review of academic governance and a significant restructuring of Academic Registry to enable the work of our professional administrators based in Schools and centrally to be reimagined to ensure a more direct focus upon the quality of course provision.

The Rethinking Enhancement project has been a major development in 2015-16, aiming to ensure an appropriate balance between quality assurance and enhancement. The principles include an empowering approach, where responsibility for quality resides with those delivering provision; a risk-based approach, ensuring resources and effort are focused on areas presenting the greatest risk, and moving away from a 'one-size-fits-all' approach. This approach reflects the context in which the University is operating and allows for much quicker identification and responses to quality issues, drawing on a new simplified quality framework and redesigned underpinning processes. The implementation of the new arrangements will take place in 2016-17, including a significantly reduced committee structure, and greater flexibility afforded to Schools as the principal delivery units.

Following on from the review of the Academic Strategy, Academic Schools have been rationalised down from ten to eight from September 2016 to enable us to develop bigger subject based delivery units that can be more competitive and attractive to students and staff. Work is continuing to ensure subject communities benefit from co-location of staff and students, with social space for learning and specific teaching space and facilities.

Development of the Academic Subject Leaders for each subject community has continued in 2015-16, with further leadership development for all the respective course leaders. Student representatives at the subject and course level are working closely with academic colleagues to ensure students are fully involved in the design and development of the course and teaching for the course. This approach to student representation has been successful and will be built upon further in 2016-17.

• Postgraduate Strategy

As a component of the broader Academic Strategy, a specific Postgraduate Strategy was developed in 2015-16, with priorities to:

- o enhance the portfolio for postgraduate taught (PGT) courses;
- o focus marketing and promotion on designated PGT courses;
- o develop new courses in existing subjects where there is evidence of market demand;
- o build a stronger postgraduate research (PGR) community through alignment with Research Priority Areas;
- o provide an environment to improve the experience for PGT and PGR.

Good progress has been made, with significant rationalisation of the PGT portfolio. This has enabled the University to focus marketing effort on fewer, stronger courses and consider the development of new courses. In addition, the strategic alignment of PGR with the broader Research Priority Area plans is taking place. The promotion of the Research Priority Areas will help prospective research degree students to focus their applications on those priority topics, ensuring we build a greater sense of PGR community at the subject/topic level. PGR is recognised as a key enabling aspect of broader research development, so the success of the alignment of PGR with the Research Priority Area plans is a key aspect of our wider research ambition.

• Academic portfolio

A review of the work of the Academic Portfolio Committee (APC) took place in 2014-15 and resulted in improvements this year to the Annual Strategic Review of the Academic Portfolio to assist us in strengthening our academic portfolio. The more active management of the portfolio has involved careful consideration of how we could improve the process of developing new courses to ensure a higher percentage are launched successfully and the way we close courses to enable our academic portfolio to be refreshed through investment in new courses.

A cycle of development for new provision has been introduced to enable a greater focus on the initial proposal and to ensure that there is a market for a proposed course. We have also taken the opportunity to align this cycle of academic development with our business planning cycle to ensure that courses are well resourced. New information and data is being generated to help us make informed and transparent decisions about the viability of provision and to make fully informed decisions on whether recruitment to a course should be suspended, being mindful of the student experience.

As noted above, the University has also developed a new Quality Framework to include streamlined academic processes. A revised validation process is designed to be enhancement-led by focusing resources and support on the academic development phase of the process. A new course portal now supports the Course Enhancement Review (CER) which annually confirms the academic standards of a course and the quality of learning opportunity offered to students. This is visible to all staff across the University, ensuring transparency and the possibility of additional targeted enhancement interventions. There is a periodic review of the Schools on a risk managed basis within a six yearly cycle with the scope of the review being informed by the outcomes of the annual School Strategy discussions and chaired by a senior member of University staff and external membership for every subject community. The approval process for new collaborative partners has also been revisited and further details are provided later in the review.

• Effective use of learning technologies

The student-centred teaching and learning developments are wide ranging, and a key consideration has been how to better ensure technology enhanced learning. A core aim is to ensure a greater use of technology to support learning in every module, allowing students to prepare better for contact time with their tutors and other students. Developments in 2015-16 have ranged from the underpinning platform, licencing arrangements and technology, to the support for innovative projects generated by staff.

The Electronic Management of Assessment (EMA) project has now concluded a second year of operation, with students submitting all relevant coursework for assessment electronically. Student opinion continues to be positive, with the vast majority of students very satisfied or satisfied with the submission system and also the electronic access to their feedback. Developments in year have included staff development activities to ensure assessment principles and good practice are adopted, and the range of possible feedback approaches are deployed.

• Student satisfaction

The University is committed to an enhancement-led approach to quality and this is exemplified by a systematic and deliberate approach to improving student learning opportunities thereby increasing their engagement and consequently their satisfaction with their experience of their course and the wider university.

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The intelligent interpretation of, and timely response to, key information and data about a course is fundamental to improvement and it is essential to involve students in this process.

The University has achieved a significant increase in National Student Survey outcomes in 2015-16. The University's overall satisfaction rate is 86% (excluding students at partner FE colleges), an increase of 3% since last year. This is the same as the UK sector average of 86% but better than the England average (which is 85%) and the new Universities average of 84%.

The University now ranks 74th out of 157 higher education institutes, up from 109th position last year and in the most recent survey scored higher than the sector average in six key areas:

- o course teaching;
- o assessment and feedback;
- o academic support;
- o organisation and management;
- o learning resources;
- o personal development.

• Professional development of our staff

Professional development of our staff to ensure excellent teaching standards remains a key priority and the latest HESA data shows that 58% of our academic staff have at least one teaching qualification (33% of academic staff hold a Higher Education Academy (HEA) Fellowship).

The new internal HEA Fellowship scheme has to date recognised 6 staff at HEA Fellowship level, and has 38 members of staff registered. A further 23 members of staff gained HEA Fellowship as part of the Postgraduate Certificate in Academic Practice (PGCAP), which forms part of the University's Academic Staff Development Framework (ASDF).

Development programmes for Academic Subject Leaders and Academic Course Leaders continue and workshops for academic staff have been well attended with over 240 members of staff participating in 2015-16. To develop teaching skills further, 'Preparing to Teach' workshops for postgraduate research students have been developed. Three University Teaching Fellowships were awarded in June 2016.

Members of Executive and the University Management Group now receive onboarding coaching, and participate in 360 degree feedback and coaching and 22 people benefitted from this during 2015-16. Leadership and management development for all people managers continues and this year included training on change management and workshops on managing staff probation, performance and absence.

2.3 Enterprise, employability and wider economic benefit

"Our goal is to promote enterprise, employability and wider economic, social and cultural benefit for the community."

• Student employability

This year's survey of the Destinations of Leavers from Higher Education (DLHE) showed that 95% (94.3% in 2014-15) of our first degree students go into a job or further study within six months of leaving which puts us in the top third of universities. The University is committed to further improving the numbers of students entering graduate/professional level jobs and this will be a major focus throughout 2016-17. The annual National

Student Survey (NSS) results outlined that students rated the careers support within the University at 80.8%, which was 3.3% above the sector average, whilst the Support for Work Placements was rated at 82.8%, in line with the sector average.

During the year, a new 'Student Employability & Employment Strategy' for the University has been developed. This document outlines how the University will work to support students to enhance their career prospects, and gives clear targets for Student Services and Academic Schools across a 5 year period.

"Your Future Plan" is the umbrella name for a broad range of opportunities, experiences and support designed to transform our students' employability skills, inspire ambitious career planning and equip our students to thrive in whatever they choose to do next. The concept, which became operational for new level 4 students from September 2015, has led to over 750 students completing a tailored self-assessment exercise, and having further discussion/engagement about their future employability and how they can develop their skills and capabilities whilst at University. This initiative has been complemented by the full launch of the CareerHub software to support and enhance the offer to students across the employability suite of services. This has seen large student numbers utilising the software to enhance their employability through accessing resources, vacancies and booking on to specialist events.

• Growth Hub

Opened in October 2014 with an initial Higher Education Funding Council (HEFCE) Catalyst award of £2.7m, the Growth Hub is a unique partnership between the University and the GFirst Local Enterprise Partnership (GFirst LEP). The Growth Hub's key objectives are to help Gloucestershire businesses to grow and to strengthen the links between the University and Gloucestershire's business community and since opening has welcomed over 6,400 unique visitors. To date over 5,000 of these have received business support interventions and the Hub is currently supporting 432 high growth businesses through personalised growth plans. Building on this success, the Growth Hub is now embarking on ambitious development plans which will see the service both expanding on the site at Oxstalls as well as at various sites in the county.

Developments at the Growth Hub during 2015-16 included the following:

- o The University is delivering a £3m Regional Growth Fund programme which runs until spring 2017. The fund provides business grants of up to £200k to be awarded to local entrepreneurial and high growth businesses, supporting economic growth and job creation. We have allocated 95% of the grant money to date.
- o The European Regional Development Fund supporting start-up business incubation was completed during 2015-16. Over 100 start-ups and early stage SMEs were provided with 12+ hours of dedicated business mentoring. The legacy of the programme includes a strong business mentor network involving over 40 local business leaders who continue to be active in providing much valued support to both start-up and high growth businesses in the county.
- o The Growth Hub has connected with the LEP Sector Groups to identify business support needs and gaps; including businesses in the energy, computing and banking sectors, working with them to develop innovative solutions and consultancy offers in response to business demand.

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• Growth Hub links with the Business School and faculties

The Growth Hub continues to work in partnership with the University Faculties and Business School to source business opportunities, including short courses and direct intervention, to enhance the local workforce, the local business offer and leverage financial support. In particular, work with employers on behalf of the Business School has resulted in more than 30 business leaders being involved in delivery into the classroom with these individuals coming from some of Gloucestershire's top 100 companies, SMEs, Growth Hub Start Ups and entrepreneurs.

The Growth Hub has also worked with the Business School this year to pilot a project on their behalf which provides Business School students with direct work experience via links to corporates and entrepreneurs, providing opportunities to deliver live business projects. 105 live projects have been created in the Growth Hub for students in areas such as consultancy, entrepreneurship and direct employer engagement. As a result of working on these projects, employers have offered students graduate level jobs, internships and paid summer placements. A recent showcase attracted 35 businesses into the Hub to hear more about opportunities to work with students and more than 100 have offered projects for the next Academic Year.

• Apprenticeships

The University has successfully applied to become a provider of apprenticeships through the Register of Training Organisations (ROTO) with the Skills Funding Agency (SFA). Under this Register the University has also secured a £3.5M procurement contract over a 5 year period to deliver four Level 5 apprenticeships in Care Leadership and Management (End of Life and Dementia), Health Assistant Practitioner, Information Security and Management.

The first cohort of learners from Great Western Hospital has completed their first year on the higher apprenticeship in Health (Assistant Practitioner) and a second cohort is planned to start in September 2016. During 2016-17 the remaining apprenticeship courses will start, in addition to a new apprenticeship in Para-Planning in conjunction with St James Place.

The University's move into delivering Higher Apprenticeships coincides with the Government's pledge to create 3 million new apprenticeships in England by 2020. As a registered provider of apprenticeship training, the University will expand its provision to include the new degree level apprenticeships. To support developments in this area the University has recently won a funding contract with HEFCE to develop 4 degree apprenticeships for delivery in 2017-18.

• Community engagement

The University continues to be widely involved in the local community through sponsorship, hosting events and volunteering.

o Festivals

The University is located in Gloucestershire where, on average, one festival is held every week. Not only does the University provide support to key festivals in the county calendar, but an increasing number of students are engaging with these high profile events through placements, internships and volunteering.

As part of the University's sponsorship of the Cheltenham Jazz Festival, students delivered several pop up events and there were cameo appearances from some University clubs. We once again sponsored the 2000 Trees festival and this year's University Festival saw academics travelling to local schools to work with schoolchildren on Bioblitz.

o Public events

The University continues to offer opportunities for the public to attend free lectures through the public lecture programme. This year, a series of six high profile lectures were delivered by academic staff with subjects ranging from "cheating in sport" and "natural flood management systems" to "stalking and homicide". We also welcomed Michelin-starred chef Tom Kerridge for 'An Evening with Tom Kerridge', and hosted a lively panel discussion ahead of the EU referendum. Both of these events were streamed live online by Media School students.

o Sports volunteering

Students with a passion for sport, from courses across the University, make a huge contribution to local communities through volunteering and the charitable activities of sports clubs. They donate their time and expertise to community activity through a variety of organisations including the primary and secondary school partnerships, Active Gloucestershire and other voluntary sports clubs. Internationally the University engages in the ground breaking Sport Malawi initiative, which has now trained over 3,000 coaches and leaders in Malawi. The reach of our voluntary activity is also manifested in the success of more local schemes like the Gloucester Wheelchair Rugby initiative, which has helped hundreds of young people in the county enjoy a new sport and become more aware of issues relating to disability. Other disability sport programmes in trampolining, deaf cricket, wheelchair basketball, VI cricket, goalball and boccia all enjoy support from individual students and staff. The University of Gloucestershire All Golds, the only professional rugby league club owned by a university, also enjoys considerable volunteer support, both in its community programme in local schools and on a match day - when students contribute their skills as therapists, sports journalists, photographers, TV camera operators, coaches and administrators in order to bring this unique project to life.

2.4 Research and scholarship

"Our goal is to embed research, scholarship, practice and consultancy in all our activities."

The research ambition in the Academic Strategy makes it clear that the University will develop research through a focus on six priority areas. During 2015-16 the Research Priority Areas (RPAs) have been reviewed and slightly adjusted to ensure they continue to provide a focus for the areas we want to be known for in research terms, but also align well with our academic subject communities and the underpinning Units of Assessment (UoA) for the post-2014 Research Excellence Framework (REF). The alignment with academic subject communities is important to ensure that academic staff are able to engage in research themselves, and also find ways to ensure their students are involved in research and research informed learning. This interface between teaching and research will be increasingly important in defining high quality intellectually stimulating teaching in Teaching Excellence Framework (TEF) terms, and will remain a focus in 2016-17.

We plan to enter the post-2014 REF exercise, and have identified twelve potential UoAs across our portfolio. Plans are in place to ensure resources are targeted at those staff who are delivering, and have the potential to deliver, 3* (internationally excellent) and 4* (world leading) research outputs and impact case studies. Those judgements have been informed by an appointed external advisor for each UoA. The REF (QR) funding is allocated via RPAs in a highly targeted way against these plans, ensuring greatest return on investment. The recently

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announced recommendations in the Stern Review are important considerations for 2016-17 once we know whether they have been accepted in full.

Through the Staff Review and Development (SRD) round in 2015-16, we have seen improvements in the quality of discussions about the research targets for academic staff, but we also see variability in quality of those discussions and the specific nature of the targets. Increasingly, we are looking to ensure that SRDs are informed by feedback and inputs from the formal research leadership in each subject, and that the agreed targets reflect the broader goals of the related RPA and underpinning UoA. In addition to targets for outputs and impact case studies, it is expected that targets are set for the individual contribution to external funding targets for each School.

2.5 Partnerships

“Our goal is to build strong relationships with selected partners for mutual benefit.”

• Students' Union

The Students' Union works in partnership with the University to ensure the student voice is heard, to improve the student experience, and to inform decisions about changes to students' learning opportunities. The Students' Union is involved in key discussions about the development of the University and its priorities, including the Student Charter, increasing student representation and engagement. The University is also committed to supporting the development of the Students' Union, and to help them wherever possible to enhance the services provided to students.

The elected full time officers of the Students' Union meet with the Vice-Chancellor and other senior staff members on a monthly basis at the Students' Union Liaison Group. This meeting enables the Students' Union officers to give feedback and raise concerns in an informal and effective way.

To enhance the student experience in both academic and non-academic areas, the Students' Union coordinate a two tier student representation scheme that includes course representatives and subject representatives. The scheme, which was mentioned as an item of good practice in the recent QAA report, has expanded in year from having one school representative per school to one subject representative per academic subject community and our first evaluation of this new development has indicated that this has been beneficial.

The Students' Union continues to work in partnership with the University's Student Services Department to establish a number of joint information and educational campaigns focused on student wellbeing and welfare. This joint work has led to a number of high profile campaigns including mental health awareness, staying safe and secure, and anti-stress which have been well received by the student community.

The Students' Union once again organised the Student Led Teaching Awards, which invited students to vote for outstanding teaching and support staff. The awards attracted a record number of nominations from students, and the ceremony was held jointly with the University's own staff excellence awards at the Cheltenham Town Hall in June 2016 during the University Festival Period. The Union also organised the annual Sports Awards and the Student Participation Awards events for students, both of which were well supported by students and the University.

• Strategic Alliance

The University's strategic alliance with Gloucestershire College (GC) and South Gloucestershire and Stroud College (SGS), continues to grow successfully. In 2015-16 higher education provision at both colleges increased on the previous year, whilst at the same time, the number of students progressing from the colleges to programmes at the University also increased. Allied to this provision, the partners collaborated further to provide integrated information, advice and guidance support for students and joint staff development activities.

The University and SGS have secured Growth Deal funding to invest in a Cyber Security and Conference Centre at the Gloucestershire Science and Technology Park which is being developed at the Berkeley GREEN site in South Gloucestershire. They are also co-sponsors of a University Technical College at the site. There is a strong demand from employers in the engineering and digital sectors in Gloucestershire for young people with relevant industry workplace skills and the Berkeley investment responds to that demand.

• Partnership with schools

The University continues to strengthen the teacher education provision through partnership with Gloucestershire Early Years settings, Primary and Secondary schools. The University's Initial Teacher Education (ITE) partnership was graded Outstanding by Ofsted, 2015. The University also validates the Gloucestershire Initial Teacher Education Partnership (GITEP) Secondary phase provision and this was graded Outstanding by Ofsted, 2015.

The School of Education is currently collaborating with Gloucestershire County Council to define a school improvement strategy that attends to primary teacher supply and retention, and educational under-achievement by primary school pupils. Firstly, the School has established new primary school clusters to support teacher supply through the School Direct pathway. This initiative will reach across the early years and primary phase. Secondly, a joint University/County research project, 'Closing the Gap' has been established to address one aspect of the school improvement challenge: educational under achievement. Thirdly, the School is also leading on an Early Years research project with local settings, the Department for Education and the Eden Project, Cornwall. This project is exploring children's experiences of the outdoors and how they impact on the child as a learner. Finally, the School's postgraduate portfolio has been realigned to focus on Gloucestershire's school improvement agenda.

The Teacher Education Partnership (TEP) is a successful aspect of our early years and primary ITE provision. We have established a network of Ofsted Outstanding Early Years settings as a consultative group to support curriculum development in the undergraduate and postgraduate portfolio. The TEP partnership conference series provides the opportunity to develop long-standing relationships with training partners.

In Secondary ITE we liaise regularly with collaborative partners in order to maintain high-quality provision and enhance the student experience. We are currently establishing a Subject Knowledge Enhancement programme to support new STEM teachers into our ITE programmes.

• Joint Venture with INTO University Partnerships Ltd

The International Pathway Joint Venture with INTO continued into its third full year of operation. Student numbers and turnover continue to increase, albeit at a lower level than planned. Pass rates are excellent at 93%, with all of those

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students also being eligible to progress onto the University. Results of the September 2015 arrivals survey report a 96% net promoter score, which was top out of all UK and US INTO centres. High levels of satisfaction were also reported in the summer 2016 exit survey, with 100% student satisfaction, also top out of all UK and US Centres.

The profile of students on pathway courses is one of the most diverse for this type of provision, with no one country or academic subject area being overly dominant. 26 nationalities were represented in the end of year cohort, with a broadly even gender mix.

Following the revision to the Business Plan last year, the Joint Venture Board has again had to reconsider projections and the Business Model for the JV. The US and Australia are highly competitive in the international student market and visa regulations continue to make recruitment challenging within the UK. The JV is also reviewing its course portfolio and marketing strategy.

• Collaborative partnerships

The University remains committed to developing strong collaborative partnerships both internationally and in the UK. Following a period of consolidation over the last few years, in 2015-16 the focus has been on implementing and embedding the enhanced Quality Assurance processes and developing long-term sustainable partnerships with the potential for growth. We have implemented an improved risk based due diligence process and we have significantly changed our approach to the management of collaborative partnerships by providing the support of a Collaborative Partnerships Manager to oversee each partnership. This has been implemented within a new Academic Registry structure and the establishment of the Collaborative Partnership Service.

We are looking to identify suitable new international partners in priority markets both for progression of students to the UK and for the delivery of our courses locally. We have recently entered into a new partnership arrangement with the University of Economics and Law (part of the National University of Vietnam) where we are franchising three programmes for delivery in Vietnam.

2.6 A successful organisation

“Our goal is to be a successful and sustainable organisation.”

• Student recruitment

In spite of higher levels of competition the University was able to grow its overall new student undergraduate enrolments in 2015-16 by 6% compared to 2014-15.

The applications and firm choices for entrants in 2016-17 are strong with a significant increase in undergraduate offer holders who have selected the University as their “firm choice”. It is anticipated that this will lead to another increase in entrants for 2016-17 compared to 2015-16 resulting in an overall increase in our undergraduate student numbers.

Postgraduate recruitment has not enjoyed such strong growth, but the impact of new postgraduate student loans for 2016-17 entrants is expected to support an increase in demand for postgraduate taught study.

International student recruitment remains challenging in the light of tightening immigration regulations and increasing competition from external markets such as Australia and the USA. The University succeeded in maintaining a consistent level of international recruitment in 2015-16 compared with

2014-15. Currency fluctuations have continued to impact on some markets, such as Malaysia and Nigeria, this year but we anticipate that similar levels of recruitment can be maintained for 2016-17. Perceptions of the UK in the light of the EU referendum and the potential for further changes to the immigration regulations will undoubtedly affect the market.

• University reputation

The University continues to be recognised for the quality of student support and teaching, with strong performances in league tables such as WhatUni and the Times Higher Education student experience survey.

Our research shows prospective students (and parents) increasingly value the distinctiveness of the “Your Future Plan” programme. The associated “Make It” campaign for the Business School whereby all undergraduates are offered an international placement is enjoying similar success. The University's investment in the Business School has seen large increases in student recruitment and a new Business School building is due to open at the Oxstalls campus in 2018. Similarly the investment in new facilities and a marketing campaign for the School of Computing and Technology has seen impressive growth, particularly in games and cyber.

The University's new website is delivering high volumes of traffic and has been recognized as one of the best higher education websites at the national HEIST marketing awards.

• Support for our students

The University was rated in the Top 20 of Universities for Student Support in the 'WhatUni' Student Choice Awards rating process, whilst in the Autumn run of the International Barometer Survey, the University was rated as 1st in the UK and 3rd in the World for Student Support. In addition, the annual National Student Survey (NSS) results indicated that students rated the Welfare Support within the University at 81.8%, which was 3.7% above the sector average.

To enhance existing services further, during 2015-16 the University's Student Services Department significantly developed the Wellbeing Advice Service and since September 2015 has had in place an increased staff resource, which has enabled speedier access to support for students, swifter response to offer advice to staff across the institution, and seen the development of further partnerships with local NHS colleagues.

A cross-University steering group has developed responses to ensure that the new Government guidelines related to Disabled Students' Allowances (DSA) will be implemented within the University from September 2016. This work has ensured that students will receive strong levels of support whilst at the University, and have every chance of being successful.

• Our people and culture

In our June 2015 staff survey, 87% of respondents were positive about the University being a good place to work. This year's audit of the Staff Review and Development Scheme introduced in July 2014 shows improvements in the effectiveness of the scheme. We introduced the WOW! Awards Scheme to acknowledge great customer service in our professional service teams last year and won the national award for 'engaging your [professional service] employees'. This year's professional services staff survey shows improvements in customer service delivery as judged by service users.

We recognise that good leadership is a critical part of achieving culture change and are maintaining our focus on attracting talented people to these roles and developing people in these

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posts. The Executive development continues with team health days and coaching sessions. A comprehensive development programme for Academic Subject Leader and Academic Course Leader roles has been delivered, in partnership with the Higher Education Academy and leadership coaches.

• Equality and diversity

Under the Equality Act 2010 the University developed objectives to support individuals and groups with protected characteristics. During 2015-16, the Equality Policy was revised and the Equality Objectives were reviewed and updated, covering the period 2015-2018. The objectives, which are set out below, have been subject to consultation to ensure they are specific to the needs of the University and target the areas of greatest impact, and the areas which give us a solid foundation for future progress.

- o Improve the monitoring and disclosure of protected characteristics so that we can better understand and meet the needs of different groups of students and staff.
- o Raise awareness of equality and diversity across University life through targeted activities and interventions, including training, communication and campaigns.
- o Review, develop and deliver supportive and inclusive policies, procedures and projects, including inclusive curricula and the physical environment to embed equality and diversity.
- o Implement engagement (internally and externally) to foster good relations, promote partnerships, widening participation and effective marketing of the University.

The University's ambitions for equality and diversity were supported by the appointment this year of an Equality and Diversity Manager who carries responsibility for leadership in this area, relating to both staff and students. An Equality and Diversity Committee has been established, reporting directly to University Executive Committee, and this is chaired by the Pro-Vice Chancellor, who carries executive level responsibility for equality and diversity.

The University has become a "Stonewall Diversity Champion" joining Britain's best-practice employers' forum for sexual orientation and gender identity equality, diversity and inclusion. As part of its commitment to equality and diversity the University is also working towards becoming a "Two Tick Symbol" user, recognising that it is "Positive about Disability".

The University staff gender balance as at 31 July 2016 was 59% female and 41% male. This compares with the latest reported information on the HE sector level (in England) for all staff of 54% female and 46% male for the year ended 31 July 2014.

• Effective use of information

The University's Information Strategy covers digital skills, re-development of the intranet and clear data ownership for all our systems. To ensure that we continue to communicate effectively with our students in a rapidly changing digital environment, a "Student First" digital project was initiated at the start of the Academic Year with the objective of creating for students a unified digital environment providing personalisable access to their major systems and information. The aim is to provide a significant improvement in the student online experience as well as providing a single communication channel to support the provision of consistent communications to students.

During the year, there has also been focus on the quality of data held in the University Business Information Systems and a Data Structure project plan has been agreed. The University is working with Jisc to adopt their Learning Analytic solution; a centrally funded project to support UK HEIs in looking at the benefits to students of using the data they give to universities by virtue of how they interact with the various IT systems. Jisc are maturing an algorithmic approach to determining students who appear to be struggling to engage with their chosen study and providing feedback in such a way that personal tutors could intervene and support students earlier and more effectively. Consultation has been undertaken across the University this year looking at the need for, and ethical questions around, the use of learning analytics. Staff are working with student representatives to ensure that our students have informed consent with regard to the use of the system and pilot work is due to start in 2016-17.

• Anglican identity

As a University our goal is to provide an environment which is respectful of faith and in which people of all faiths, and none, feel supported and can express their convictions, within the law.

Historically the University has links to the Anglican church through the formation in 1847 of the Cheltenham Training College and these links continue today. During 2015-16, a highlight of the partnership work between the University and local Diocese was the 2nd annual University of Gloucestershire Cathedral Lecture staged during University Festival Fortnight, which was led by Baroness Julia Neuberger. In June 2016 the Venerable Robert Springett, the recently appointed Bishop of Tewkesbury, was also appointed to the University Council. Works to significantly improve the Oxstalls Campus Faith Space have now been completed and this was launched in readiness for the start of the Academic Year.

• Sustainability

The University is proud of its established commitment to sustainability. In 2015-16 a comprehensive review and consultation exercise was conducted to define and approve the direction and priorities for its Sustainability Strategy 2017-22.

Performance highlights during 2015-16 included:

Student experiences:

- o Launch of the Sustainability Internships Programme (SIP) providing students with professional experience in sustainability, working with University teams and partners of our RCE Severn sustainability outreach platform.
- o Successful NUS 'switch off' energy project in student accommodation.
- o Students were engaged in activities to develop sustainability practice at the University, including pledges and campaigns for the Paris COP21 Climate Conference, workshops for student representatives and influencing curriculum development through a 'co-creation' initiative with the Photography course team.

Academic innovation:

- o Conclusion of the University Educators for Sustainable Development project led by the University and funded by the EU, working with 53 partners in 33 countries.
- o A new EU funded project began, led by the Education Department and focused on sustainability competences in teacher education.

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Engagement and partnerships:

- o Launch of Regeneration, the new monthly university-community repair café, led by Product Design in collaboration with the RCE Severn, Gloucestershire County Council Waste Team and local sustainability charity Vision 21.
- o Creation of our new sustainability web portal and social media platforms to share activities with students, staff and the wider community and the launch of a new community arts competition.

The University continues to maintain its profile in the sector for sustainability, having won a United Nations University Outstanding Flagship Project award for Youth capacity-building for the SIP. The SIP and the Design group academic collaboration across four course teams have both been shortlisted for the competitive UK Green Gown Awards in 2016.



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SECTION 3: FINANCIAL PERFORMANCE

Financial performance is key to ensuring that the University continues to be a successful and sustainable organisation.

For the first time this year, the University has prepared its financial statements (and comparatives) in accordance with FRS 102 and some of the recognition, measurement, presentation and disclosure requirements differ from previous UK GAAP. However, the underlying economic position of the University remains unchanged and, as can be seen from the financial highlights below, has shown a considerable improvement on last year.

3.1 Key financial highlights

- improved net asset position before pension provisions to £69.9m (2015: £63.0m);
- further reduction in borrowings to £15.7m (2015: £17.4m);
- maintained strong year end liquidity position with net liquidity of 119 days (2015: 79);
- a strong performance achieving a surplus for the year of 6.8% of income (after the results of the JV and gain on disposal of fixed assets);
- additional investment in the Estate and infrastructure.

3.2 Review of the year

• Operating performance

On core operations, the University reports a consolidated surplus for the year of £0.7m (2015: £1m) before gains and losses and share of the operating loss in the joint venture, with an improved net asset position of £69.9m before pension liability (2015: £63m). This includes non cash pension adjustments of £1.8m (2015: £1.3m) in line with the requirements of FRS 102 and was a good performance in line with our finance strategy targets building on strong operating performance over the last six years. The cash generated in year has enabled the University to continue to reduce borrowings, with a decrease in borrowings of £1.7m, and an investment in capital this year of £4.9m.

This is the first year of reporting in accordance with FRS 102 which has required a different accounting treatment in several key areas. This has resulted in additional charges reducing the reported surplus with the greatest financial impact for the University resulting from changes in the accounting treatment of defined benefit pension schemes, derivatives and accrued holiday pay.

The surplus for the year of £5.2m (2015: loss of £0.1m) was generated after the gain on the disposal of the Pittville campus (£5.3m) and the University's share of the loss (£0.7m) in the joint venture. In January, the University concluded negotiations to lease the existing land and buildings at Pittville to Uliving on a long term lease for 46 years. The additional cash resources generated from the sale will be re-invested in our Estate. The University is investing its cash resources and additional borrowings in a substantial development at Oxstalls.

The joint venture (JV) with INTO University Partnerships Ltd has now completed its third full year of operation. As outlined earlier in the operating and financial review, the Joint Venture Board is continuing to consider projections and the business model in a highly challenging market. As the JV does not have sufficient cash resources currently to settle all its debts, the University has taken a prudent approach at the year end and provided against the recovery of historic trade debt due from the JV. The JV partner is also considering the recoverability of debt due to themselves.

• Capital investment

Capital investment in the year has focussed on delivering additional and upgraded space and facilities for new and expanding courses as well as the maintenance of our Estate. A particular focus in the year has been our investment in computing and cyber security.

o Estates

As well as the planned maintenance and investment programme for teaching facilities and student accommodation, some major building works have been completed in year to enhance the Estate.

At the Park campus, we have developed sound proof spaces for music practice and additional IT suites for editing to meet the growth in student numbers within the School of Media. Additional facilities have also been developed for the Schools of Natural and Social Sciences, and Art and Design to accommodate the increase in student numbers. Existing spaces have been re-planned and refitted to maximise room capacities at both the FCH campus and Hardwick. For Natural and Social Sciences we have also refitted a number of spaces in the Quad building at Francis Close Hall to form specialist science laboratory spaces and technician rooms. Student facilities have been further enhanced through the development at Park of a Multi Use Games Area (MUGA).

The planned maintenance programme for the Estate has continued in year with a particular focus on the mechanical and electrical infrastructure at the Park campus and investment in the upkeep of the Quad building at Francis Close Hall. We have continued to invest in our student residences with focus this year on upgrading the student halls at Hardwick and Oxstalls.

o Information technology (IT)

The IT capital investment is targeted to improve the student and staff experience and to ensure the continued running of the major systems and infrastructure of the University. Highlights have included an upgrade of over 300 student and staff workstations and change to the way that students interact with the student record system providing a mobile-friendly and modern interface. IT Services have also overseen the prioritisation of investment into schools for essential facilities to support individual courses.

IT Services have delivered some significant projects this year. The Managed Print Service contract has been renewed, following a full OJEU process, and will enable much greater flexibility in printing for staff and students with savings of over £500k in running costs to be generated over the next five years. This has also enabled us to reduce the print costs for students.

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Important changes have also been made to the way that students and staff log on to the key systems, putting in place a robust authentication service that moves students from 'same sign-on' to a greatly improved 'single sign-on' experience. Work to ensure the resilience of our systems continues and there has also been a continued improvement focus on the operational service to staff and students with extended helpdesk opening hours and an out of hours emergency service available.

o Investment in cyber

Investment at the Cyber Security and Conference Centre at Berkeley and cyber security facilities at the University Park campus has been financed by the GFirst LEP Gloucestershire Growth Deal 2015 to 2021, with HM Government providing Local Growth Capital Funding. GFirst LEP has worked with the University as a strategic lead organisation, in conjunction with Gloucestershire County Council as the accountable body, to support the development with funding of £3m of which £1.137m was received during 2015-16. The University and SGS have continued to work closely to allocate the funding to prepare the site to deliver the required facilities and services.



• Long-term debt, including finance leases

At year end, long term borrowings had reduced by £1.7m and all covenants were complied with. The gearing ratio further reduced this year, from 24% (2014-15) to 20% (2015-16).

• Liquidity and treasury management

Cash deposits are invested in accordance with the University's Treasury Management Policy. The prime requirement of the policy is for capital sums to be distributed between approved financial institutions to ensure minimal risk exposure.

Deposits held with any one bank should not exceed £6m. At the balance sheet date £20.2m was placed on deposit with a number of banks; average monthly balances held by deposit takers over the year were £15.3m (2015: £13.7m).

The year-end liquidity position has continued to exceed the target of 75 days set out in the Strategic Plan and at the year-end was 119 days (2015: 79 days).

• Pensions and pension liability

Retirement benefits for employees of the University are provided by a number of defined benefit schemes. The financial results include the impact of FRS 102.

Under the Gloucestershire County Council Superannuation Scheme the net pension liability (LGPS) as at 31 July 2016 has decreased marginally to £29.3m (2015: £29.4m; 2014: £25.2m). The movement in the liability this year is due to greater than expected asset returns partially offset by a reduction in the discount rate applied to the liability as a result of the reduction in yields on corporate bonds on which the discount rate is based.

The Universities Superannuation Scheme (USS) and Church of England Funded Pension Scheme (CEFPS) are multi-employer schemes for which it is not possible to identify the assets and liabilities to the University for members and are therefore accounted for as defined contribution retirement benefit schemes.

The net pension liabilities for any contractual commitment to fund past deficits have been identified within provisions. USS: £365k (2015: £358k) CEFPS: £28k (2015: £28k).

The Teachers' Pension Scheme (TPS) is a multi-employer unfunded scheme and the University's share of assets and liabilities cannot be separately identified. This scheme is therefore accounted for as a defined contribution retirement benefit scheme. As the Scheme is unfunded there is no deficit recovery plan.

Employer contributions to pension schemes were as follows:

3.3 Financial sustainability and key performance indicators

Pension Scheme	Current Contribution Rate	2015-16 £000	2014-15 £000
LGPS	15.3% plus £1.1m pa	3,318	3,214
USS	18.0%	187	180
TPS	16.48%	2,471	2,198
Others including Church of England Scheme	39.9% (CEFPS)	14	14
Total		5,990	5,606

Management actions in 2015-16 have further strengthened the financial position of the University, ensuring the continuation of a stable platform to enable it to face the current and future challenges in the HE sector.

This was the first year of the 2015-2018 finance strategy which focuses on delivering a successful and financially sustainable academic institution with a sound financial base that is properly resourced to enable the University to pursue strategic opportunities. A more commercial approach is being embedded to reflect the changing external environment in which we operate; our partnerships and the growing volume of Business Development income. The key performance indicators in this Strategy are actively monitored to support delivery of the University's financial goals. Regular business review planning meetings are also held through the year to monitor progress against departmental and faculty key performance indicators supporting the University's operational and business plans.

The key objectives of the current Strategy are to:

- provide continued financial sustainability to enable the University to deliver its strategic objectives;
- promote a culture of commercial awareness across the University;
- increase and diversify income, in the face of potentially static fees and an uncertain external environment;
- provide resources to support our corporate priorities;
- provide a framework for improving profitability;
- provide a basis for improved investment in infrastructure, balancing recurrent and capital spend;
- manage risk effectively with robust policies and practices.

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Performance against the targets included in the Finance Strategy is set out below:

Key Financial Indicator	Performance 2014-15 to 2015-16	Finance Strategy Target 2015 to 2018
Surplus before gains on fixed assets and investments and share of results of JV and FRS 102 pension movements	3.2% consistent with prior year	3-5% of income
Reported surplus before FRS 102 pension movements	1.7% increasing to 9.1%	1.5% of income
EBITDA as a % of total income	7.8% increasing to 8.9%	10% of income
Net liquidity days	79 days increasing to 119 days	75 days
Cash generation from operating activities	11% decreasing to 8%	10% of income by 2018
Long term liabilities (mortgages and leases)	21% improving to 18%	Less than 35% of income
Pay as a % of total income	56% improving to 55%	Not to exceed 55% of income
Annual growth in total income	5% increase over the year	To average 3% over the 3 year period
Diversification of the income base (percentage of income represented by non-regulated fees and other income, excluding residences)	1% increasing to 4%	5% of non regulatory fees and grant income
Investment in capital and maintenance	8.7% decreasing to 6.4%	Investment as a % of income: 5%
- capital	2%	2.5%
- recurrent maintenance	increasing to 2.6%	

3.4 Payment of creditors

It is the University's policy to obtain the best terms for all its business activities and therefore terms are negotiated with individual suppliers. The University aims to pay creditors in line with its terms and conditions set out on individual purchase orders; these terms may vary by agreement or contract, or by statutory or regulatory conditions. The University paid 95.14% of the 10,167 invoices received within 30 days of them being determined as valid and undisputed. The average (median) payment time for invoices was 15 days. The University did not make any payments in respect of the late payment of invoices.

3.5 Value for Money

An annual report on Value for Money is presented to Audit Committee to provide assurance that the University is delivering value for money from public funds, in line with HEFCE's audit code of practice. The University is committed to make the best use of the resources that it has available, to deliver intended services and maximise the benefit achieved from those services, and the report recognises that the higher education sector remains under pressure to evidence that it is delivering value for money to students.

The primary aim for the Value for Money Plan 2015-16 was to ensure departmental activity supported strategic developments to improve value for money and the generation of savings. A newly formed Strategic Planning and Projects Team will allow the University to approach long term planning and project management in a more cohesive way and support the realisation of value for money for the University. Project frameworks are being used to standardise approaches to project management and provide portals to consolidate data for academic staff leaders so they can better lead their courses, subject communities, and schools.

3.6 Accounting systems

The University continues with the development of the Agresso accounting software and related systems. The new forecasting tool "Corporate Planner" is now being used for pay forecasting and modelling and a student number planning model is in development with roll out planned for 2016-17.

3.7 Post balance sheet events

No significant post balance sheet events occurred during the period after the end of the year 2015-16 and the publication of the Financial Statements.

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SECTION 4: FUTURE PLANS, RISKS AND DEVELOPMENTS

The higher education sector continues to enjoy opportunities, such as increasing demand particularly for undergraduate places, the availability of new postgraduate student loans and the introduction of inflationary fee increases from 2016-17. A new Teaching Excellence Framework (TEF) is being phased in which aims to recognise and reward excellent learning and teaching. The different levels of the TEF will allow universities to increase their tuition fees up to the level of inflation, based on rating levels linked to the quality of teaching. To enable us to maximise the opportunities available, we will continue to focus on the key TEF metrics in 2016-17: aiming to improve our performance in the substantive areas of widening participation, student satisfaction, student retention, and graduate employment outcomes.

• New Strategic Plan

A new corporate Strategic Plan is being developed. It is scheduled for consideration by University Council in November 2016 and for publication and implementation in February 2017. The Plan, which will be informed by consultation with staff, students, key external stakeholders and University Council members, will operate over a period of considerable change and challenge in the sector. It will address the role played by the University in supporting students to reach their full potential, our approach to transformational learning and teaching, the impact achieved through research-informed scholarship and practice and the role played by strategic partnerships in creating opportunity and innovation. The Strategic Plan covers a period of anticipated growth, achieved through additional student numbers in areas of strength as well as the development of new initiatives and subject disciplines.

• Developments in Health

There has been significant progress in 2015-16 to develop health provision to support the local health economy and prepare for major developments in 2016-17. The School of Health and Social Care is currently proceeding to validation and Nursing and Midwifery Council approval for a BSc (Hons) in Nursing with a view to commencing delivery of Pre-Registration Nursing and associated programmes in 2017-18. This has been developed in collaboration with the Gloucestershire NHS Hospitals Foundation Trust, Gloucestershire Care Services, the 2gether Trust and Gloucestershire Clinical Commissioning Group. This development is part of a wider goal to increase the support for the local health and care economy from the University with the proposed development of a University Technical College for Health planned for 2019.

The School is also expanding its Higher Apprenticeship provision to support the Health and Care workforce. To support growth in this area the School has become an endorsed centre by Skills for Care and is working closely with Gloucestershire County Council to support their workforce development.

• The University's Estate

The University's Estate is a key component in providing a high quality student experience. A new Estates Strategy for the next period from 2016-17 is being developed to ensure that we can deliver our ambitions for growth and respond to the aims of the new Strategic Plan. A capital plan has been developed focusing on the type and number of spaces required to meet the teaching and learning requirements based on anticipated growth

in student numbers. In addition, the condition of the existing Estate is being assessed to enable us to make greater use of our existing space through repurposing and improved utilisation. The key elements of the residential strategy have been put in place in the form of our commitment to the Pittville Student Village and the residential elements linked to the developments at Oxstalls campus and in central Gloucester.

Planned strategic developments over the next few years include some major projects which will enable us to meet our ambitions for growth and improve our teaching and learning provision together with the student experience.

o Oxstalls campus

Substantial development of the Oxstalls campus is planned to commence in 2016-17 with new facilities due to open for students in September 2018. Outline planning permission has already been received and full planning consent is anticipated in December 2016. Costs are being met through a combination of existing cash resources, additional bank financing and grants.

A new Business School and expanded Growth Hub will be co-located in a new £20m building providing purpose built modern facilities and enabling students and staff to mingle and interact with businesses and business people on a daily basis, both formally and informally.

Sports facilities are also being developed and a new sports hall is being built including multiple indoor pitches to enable a wide range of sports to meet national and, in some cases, potentially international standards. In addition to new all-weather outdoor pitches there will also be a new cricket pavilion and improved cricket pitch. A dual use agreement is being developed to enable the effective sharing of the facilities between the University and Gloucester City Council to support wider community use.

To enhance our accommodation offering in Gloucester, new student residences are also planned on campus. A number of refurbishment works will ensure facilities are appropriate for the increased student numbers on the campus, including improvements to the existing refectory space and relocation and expansion of the SU bar facilities.

o Pittville Student Village

The University was granted planning permission in July 2015 to build new accommodation and facilities in partnership with Uliving for an additional 577 students at the existing Pittville site. Existing student residences have already been refurbished in time for the September 2016 entrants and the new residences and facilities are due for completion by summer 2017. These new residences will provide more options for the expanding student body with many different room types on offer and an improved residential experience through the provision of high quality and easily accessible facilities in a purpose built environment. The additional office accommodation will help to alleviate some of the pressure on the existing Estate and enable office space to be repurposed for teaching and learning to fulfil the ambitions of the new Strategic Plan.

OPERATING AND FINANCIAL REVIEW

SECTION 5: PUBLIC BENEFIT STATEMENT

The University of Gloucestershire is an exempt charity under the terms of the Charities Act 2011. As an exempt charity it is not required to be registered with the Charity Commission, but is however subject to the Charity Commission's regulatory powers which are monitored by HEFCE. The University Council have due regard to the Charity Commission's public benefit guidance. The Council have taken into account the Charity Commission's guidance on public benefit and are satisfied that the activities of the University as described in these financial statements fully meet the public benefit requirements.

The objectives of the University are the advancement of the Higher and Further Education of men and women by the provision, conduct and development of a university for the advancement of education, teaching, advice and research. The preceding sections, particularly sections two and three, more fully describe the activities of the University and should be considered alongside this statement, to gain a full understanding of the extent to which the activities of the University deliver a benefit to society.

The prime beneficiaries are the students of the University of Gloucestershire who are engaged in learning and research activities. Other beneficiaries include employers, businesses, school children and the general public. Staff and students also engage in voluntary action in the local community and overseas, for example in Malawi where the University has led a sport-based project for several years. The University also supports access to arts, musical and other cultural events. This includes long standing support for the internationally acclaimed Cheltenham Festivals. In 2015-16 the University played an active role in the Cheltenham festivals, such as the Literature Festival and Jazz Festival. The University has a formal Memorandum of Agreement with the Cheltenham Trust and is an active contributor to its work.

Education at the University of Gloucestershire reaches far beyond the classroom. Our Teaching and Learning Strategy has four priorities: independent and collaborative learning; learning for life and employment; learning for the future; research/practice-informed learning and teaching.

Of the 8,889 students registered at the University 16.3% identified themselves as having a disability, 13% identified themselves as part of the black and minority ethnic (BME) communities resident in the UK and 13.8% were from countries other than the UK. The University is committed to extending the diversity of its student body and runs a programme of outreach and financial support to ensure that there is fair and equal access to all.

The Outreach unit provides a link between the University and the wider community supporting schools, colleges, local groups and other regional and national networks in promoting progression to higher education. The team provides support sessions for school and college students to brief them on higher education options, how to apply to university and the financial support available. In 2015-16 the outreach team undertook 250 activities with schools and colleges, ranging from primary school children to lifelong learners, just over 10,000 students engaged in outreach activities over the year. Activities take place on and off campus.

The University works predominantly with schools and colleges, including 50 institutions in its 'compact' network in Gloucestershire and neighbouring counties and the two colleges within the strategic alliance (Gloucestershire College and South Gloucestershire and Stroud College). It organises a wide range of activities for both young people and mature learners which aim to raise awareness of higher education, providing activities that inform students of their options. Interventions are in place to work with a wide range of students to ensure our intake reflects all areas of society. Such projects include residential summer schools and providing mentors within Gloucestershire schools to work with learners on a one-to-one basis, as well as five recent graduates who are employed to deliver subject activities to students.

In 2015-16 the University provided around £3.3m in financial support to students; through fee discounts, fee waivers and bursary awards. The University supports students from under-represented groups by offering financial support and a large financial assistance fund. Scholarships and bursaries are available to those who progress onto a course at the University having previously studied at a partner college, whilst fee discounts are provided to alumni who wish to progress to postgraduate study. Examples include the University Bursary of up to £1,000 for students studying at a local partnership school or college and up to £9,000 per year for care leavers'. A Disabled Sports Scholarship is also available to encourage diversity in our sporting community.

OPERATING AND FINANCIAL REVIEW

SECTION 6: CORPORATE GOVERNANCE

6.1 Introduction

The University is incorporated as a private company limited by guarantee, and is an exempt charity under the terms of the Charities Act 2011. Its objects, powers and framework of governance are set out in the Articles of Association, with the amended and latest set of Articles approved by the Privy Council on 4 May 2016. The principal changes to the Articles were:

- to increase the membership of Council by two: a member of Academic Board elected by the Academic Board, and a second student representative;
- to define the Executive Group as that group of staff established by the Vice-Chancellor to assist them in discharging their role; and to grant authority to Council to establish a committee to determine or advise on the remuneration of the members of the Executive Group;
- to amend the requirement that the University Secretary must also be the Company Secretary, to give Council the discretion to uncouple the two roles if appropriate in exceptional circumstances;
- to clarify procedures for the establishment of committees, their membership, and the delegation of powers to them; and
- to clarify procedures for the appointment of Pro-Chancellors.

The University conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and is committed to best practice in all aspects of corporate governance. The University's Council has adopted, and ensured compliance with, the Committee of University Chairs' (CUC) Higher Education Code of Governance, and has conducted its business in accordance with CUC good practice and principles. The Council has ensured that it has discharged its responsibilities in full compliance with the requirements of the Higher Education Funding Council for England (HEFCE)'s Memorandum of Accountability and Assurance.

6.2 Summary of the University's structure of corporate governance

Council is the governing body of the University, responsible for setting the general strategic direction of the institution, for ensuring proper accountability, and for the strategic oversight of its finances, property and investments and the general business of the University. Following the amendments to the Articles of Associations approved in May 2016, Council has a membership of 20: a majority of whom are non-executive and independent, together with student and staff representatives (both academic and non-academic) and the Vice-Chancellor.

The roles of Chair and Vice-Chair of Council are separated from the role of the University's Chief Executive, the Vice-Chancellor. The responsibilities specifically reserved to the Council are set out in the Articles of Association of the University.

In the conduct of its formal business, in addition to a strategic away day held each year, the Council meets six times a year. It has a number of formally constituted committees which are: Audit Committee, Finance and General Purposes Committee, Governance and Nominations Committee, Employment Policy Committee, Remuneration Committee, and the Council and Foundation Standing Group. All of these committees are constituted with formal terms of reference and membership, which are reviewed on an annual basis. A Scheme of Delegations further details the specific delegated powers of these committees.

The **Academic Board** is the academic authority of the University and draws its membership from the staff and students of the University. Its principal role is to direct and regulate the teaching and learning and research work of the University and to advise Council accordingly.

The **Audit Committee** has responsibility for monitoring the effectiveness of the University's risk management, control and governance arrangements, along with the arrangements to promote economy, efficiency and effectiveness throughout the institution, and advises the Council accordingly. The Committee exercises oversight over internal audit arrangements, including recommending the appointment of internal auditors. It considers internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans. The Committee also exercises oversight over external audit arrangements, such as the nature, scope and effectiveness of the process, and considers the audit aspects of the institution's financial statements. It also advises the Council on the appointment of external auditors. In accordance with recommended practice, the Committee, which met four times during the year, provides the opportunity at each meeting for members to meet with the internal and external auditors without officers of the University present.

The **Finance and General Purposes Committee** (FGPC) is responsible for monitoring and advising Council on the financial health of the University, including the financial strategy, budget setting, annual accounts, investment activity, and consideration of capital expenditure. The Committee also has responsibility for monitoring institutional level Key Performance Indicators (KPIs) in order to measure and monitor University performance against agreed strategies and targets. The Estates Working Group, a sub-committee of FGPC, was dissolved during the year with its responsibilities transferred to FGPC itself. This was in recognition of the duplication of business caused by the sub-committee structure, the overlap in membership, and the strategic importance of the matters given to it for discussions. FGPC also agreed that the Executive Director (Estates Strategy) should replace the Pro Vice-Chancellor (Operations) in attendance. FGPC agreed revised Terms of Reference to reflect these changes at its meeting held on 14 June 2016. These revised Terms of Reference were approved by Council at its meeting on 28 June 2016.

The **Governance and Nominations Committee** is responsible for a range of governance related issues including recommendations to Council on the appointment of new independent members. The Committee monitors and reviews the development and implementation of good governance practice.

The **Employment Policy Committee** is responsible for the oversight of human resource strategy, policies and associated procedures including the use of performance and development systems, indicators and benchmarks. This includes consideration of legal requirements, advice and guidance from statutory authorities and reports issued by Government or Funding Authorities.

The **Remuneration Committee** is responsible for making recommendations to Council on the pay and conditions of service and severance arrangements of the Vice-Chancellor, and to agree pay and conditions for all other members of University Executive Committee. In considering these matters the Committee considers quality of performance and reviews independent sources of comparator information on pay and conditions of service. The Remuneration Committee is also responsible for reviewing and approving, as necessary, the

OPERATING AND FINANCIAL REVIEW

remuneration framework at an institutional level for all staff. During 2015-16, it was agreed that the Vice-Chair of Council should become the chair of Remuneration Committee to meet current guidance to avoid any conflict of interest.

The **Council and Foundation Standing Group** oversee those aspects of the University's mission and objects relating to its Anglican identity.

The Council recognises that, in accordance with best practice recommended in the CUC Higher Education Code of Governance, regular reviews of the effectiveness of the Governing Body should be undertaken. Accordingly, a comprehensive review was undertaken in 2010-11, and an internal audit of governance arrangements was held in 2013-14. During 2015-16 a detailed, comprehensive, and externally-led review was undertaken by the Leadership Foundation for Higher Education (LFHE). The review combined a desk-based study with interviews with members of Council and its officers, observations of Council and its committees, a detailed questionnaire and other activities. The University's governance structures and arrangements were evaluated against the CUC Higher Education Code of Governance and other benchmarks and comparisons made against the practices employed elsewhere in the higher education and other sectors.

The reviewers concluded that: "The corporate governance arrangements are sound and compare well against the CUC Code and Council discharges its legal and regulatory obligations. The Council and its members have clearly played a key part in the University's progress in recent years." A number of recommendations for further improvement were also provided in the report and considered by Council. These included, inter alia, the development of minute writing to give a more complete flavour of the discussion at meetings; how Council could develop as a team, engage more with the Executive, and connect with the life of the University; opportunities for Council to consider the diversity of its membership; and developments to enable Council members to achieve the necessary levels of knowledge and confidence about the University's academic assurance mechanisms in order to make the new statement in relation to academic standards and the student experience as required by the HEFCE in the 2016 Annual Accountability Return. The University Secretary has implemented a number of changes since the meeting, and the Governance and Nominations Committee has been remitted to address the recommendations made in the report, with input from the Student Members of Council.

6.3 Financial responsibilities of the University's Council

In accordance with the University's Articles of Association, the Council is responsible for the oversight of the University's affairs, and is required to present audited financial statements for each financial year, which include a statement on corporate governance and internal control.

Working through its established sub-committees, the Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to ensure that the financial statements are prepared in accordance with the University's Articles of Association, the 2015 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Accountability and

Assurance agreed between the Higher Education Funding Council for England and the University's Council, the Council, through its Accounting Officer, is required to prepare financial statements for each financial year. Under those terms and conditions, the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the University for that year. In preparing these financial statements, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting and financial reporting 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 Council has taken all reasonable steps, through its senior officers and Audit Committee, to:

- ensure that funds from the Higher Education Funding Council for England, the National College for Teaching and Leadership, and other sources are used only for the purposes for which they have been given;
- 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.

6.4 Disclosure of information to Auditor

At the date of making this report, the Council confirms the following:

- so far as each Member of Council is aware, there is no relevant information needed by the University's auditor in connection with preparing their report of which the University's auditor is unaware;
- each Member of Council has taken all the steps that he/she ought to have taken as a Member of Council in order to make himself/herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditor is aware of that information.

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6.5 Statement of Internal Control

As the governing body of the University of Gloucestershire, the Council recognises that it has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Articles of Association and the Memorandum of Accountability and Assurance with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2016 and up to the date of approval of the financial statements.

During the year the University has continued to develop and strengthen its Risk Management Policy and Procedures in order to better recognise and manage the risks it faces in the delivery of its strategic aims. The risk framework is aligned with the University Strategic Plan and reflects the importance of the five institutional goals in the Plan. It has been designed to cover all risks including governance, management, quality, reputational and financial, whilst focusing on the most important risks. The risk register provides an appraisal of the pre-mitigation and post-mitigation position for each risk, including a likelihood/impact matrix. The post-mitigated residual risk is a composite judgement by the risk owner of the position following the application of mitigating actions and the extent to which those actions have been progressed. A detailed reporting schedule is in place to ensure that the relevant information is reviewed and reported in a timely manner to appropriate audiences. An internal audit conducted in May 2014 concluded that the Council can take substantial assurance that the controls upon which the organisation relies to manage risk are suitably designed, consistently applied and effective.

Risk management is fully incorporated into the corporate planning and decision-making processes of the institution, and informs the work undertaken by Internal Audit. The University Executive Committee has a standing agenda item to review all key risks, to report on progress of mitigation and residual risk, as well as to identify new and emerging risks. It has been embedded at faculty/department level by ensuring that the annual planning cycle includes a review of the risks facing each unit, together with clear mitigation plans, closely aligned with institutional level risks. Each Faculty and central Department has revised its own risk register to align with the institutional framework so that there is a clear link between the risks reported at an institutional level and at a faculty/departmental level. Detailed business continuity and disaster recovery plans, both at an institutional and a faculty/departmental level, are also in place. In addition, risk management is included as a core element of the University's Higher Education Leadership and Management programme for managers.

In addition to this, Council oversees the University's performance in meeting its strategic objectives through the planning and monitoring of the annual Operating Plan. Regular updates on performance are presented to Council during the year, with a full year-end report considered in November. The Operating Plan for the following year is approved by Council every June. An internal audit of Strategic Planning and Management Information was undertaken as part of the approved internal audit periodic plan for 2014-15. The audit included an assessment of the effectiveness of links between the Strategic Plan, the Annual Operating report, departmental business plans and Key Performance Indicators. It concluded that Council could take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The Council has responsibility for reviewing the effectiveness of the institution's systems of internal control and, via the Audit Committee, conducts an annual review of these. Council considers the plans and strategic direction of the University and receives reports from the Chair of Audit Committee concerning internal control and has access to the minutes of Audit Committee meetings. The Audit Committee receives regular reports from the internal audit, which includes an independent opinion on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement. The internal auditors' annual opinion on the internal control environment is taken into account by Audit Committee in preparing its own opinion on internal control. The review of the effectiveness of the system of internal control is also informed by the work of the Executive team within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The last assurance review conducted by The Higher Education Funding Council for England (HEFCE) to examine how the University exercises accountability for the public funding it receives concluded that HEFCE could place reliance on the University's accountability information and that the University therefore demonstrated that it has effective systems for risk management, control and governance. That conclusion represents the highest level of assurance rating that can be achieved on HEFCE's four-point rating scale.

Council is of the view that the University has an appropriate framework for delivering assurance to the governing body on key aspects of governance, risk management and internal control, and that there is clarity in terms of the respective roles of the Audit Committee, Finance and General Purposes Committee and Council and how internal audit interfaces with these bodies.

The Operating and Financial Review set out on pages 6-23 was approved by the Council of the University of Gloucestershire on 22 November 2016, and was signed on its behalf by:

Professor Julian Crampton
Chair of Council

Stephen Marston
Vice-Chancellor

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF THE UNIVERSITY OF GLOUCESTERSHIRE

We have audited the financial statements of The University of Gloucestershire (the 'University') for the year ended 31 July 2016 which comprise the Statement of principal accounting policies, the Consolidated and University statement of comprehensive income and expenditure, the Consolidated and University statement of changes in reserves, the Consolidated and University balance sheet, the Consolidated and University cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the University's Governing Body, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's Governing Body those matters we are required to state to it 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 University's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditor

As explained more fully in the Statement of Responsibilities of the Governing Body set out on pages 4-31, the Governing Body (who are also the directors of the charitable company for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

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 2016** and of the group's surplus, and its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Executive Summary, incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2016 and the funding agreement with the National College for Teaching and Leadership

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE and the National College for Teaching and Leadership have been applied in accordance with the Memorandum of assurance and accountability, the funding agreement with the National College for Teaching and Leadership and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the University, or returns adequate for our audit have not been received from branches not visited by us; or
- the University financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Governing Body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MARK BISHOP Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
OXFORD

The maintenance and integrity of the University's website is the responsibility of the Council; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and in accordance with the Statement of Recommended Practice - Accounting in Further and Higher Education Institutions (2015 SORP). These financial statements are prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under the 2015 SORP and FRS 102. The University consequently has applied the first time adoption requirements. Application of first time adoption grants certain exceptions from the full 2015 SORP in the transition period. On the date of transition to this FRS the University has elected to use the fair value of certain land within freehold land and buildings as its deemed cost at that date. An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in note 34.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of the University of Gloucestershire and all its subsidiary undertakings drawn up to 31 July each year.

2 Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgments that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relate to the following:

Provisions

In recognising provisions, the company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgments used to recognise provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates.

3 Going concern

The Council has reviewed the budget for the year to 31 July 2016 and the financial forecasts for the following two years and has adopted the guidance provided by the Financial Reporting Council (FRC) under *Going Concern Basis of Accounting and Reporting on Solvency & Liquidity Risks: Guidance for Directors of UK Companies 2016*.

Under the FRC guidance the University has employed a self-assessment questionnaire that provides a framework to assist the Council in determining whether it is appropriate to adopt the going concern basis for preparing financial statements, and, in making balanced, proportionate and clear disclosure. The assessment included a review of forecasts and budgets, borrowing requirements, timing of cash flows, contingent liabilities, markets, risk management and financial adaptability, including sensitivity analysis and risk register.

Based on information and knowledge available to the Council in carrying out this review the Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason the Council continues to adopt the going concern basis for preparing the accounts.

4 Basis of consolidation

The results of the University's subsidiary undertakings, and undertakings in which it has a controlling interest, have been consolidated in the financial statements and details of these are provided in note 14 to the accounts.

The University's share of the results in its joint venture has been consolidated in the financial statements and accounted for under the gross equity method. The University accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated and University Statement of Comprehensive Income and Expenditure. Details of this and the basis for consolidation are provided in note 15 to the accounts.

The consolidated financial statements do not include the results of the University of Gloucestershire Students' Union as it is a separate company limited by guarantee in which the University has no financial interest, control or significant influence over policy decisions.

5 Grants

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

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

Government capital equipment grants are capitalised and released to the income and expenditure account over the expected useful lives of the assets in line with the depreciation policy.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Government capital building grants are capitalised and released as follows:

- building maintenance - against expenditure in the year it is incurred;
- building development or improvement - over the expected useful life of the asset.

Deferred income, in respect of HEFCE capital grants, which are attributable to subsequent financial years, is included in creditors as a deferred credit.

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

6 Recognition of income

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

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

Investment income is credited to the Consolidated and University Statement of Income and Expenditure on a receivable basis.

Income due to third parties, under contractual arrangements where the University is acting as agent, is held on the balance sheet as a current liability.

7 Donations and endowments

Non exchange transactions where we receive value from a donor without providing equal value in return are donations or endowments.

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

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

Endowment 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 of the restriction applied to the individual endowment fund.

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

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

8 Tangible fixed assets

Fixed Assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Freehold Land and Buildings

Certain freehold land and buildings that had been revalued to fair value on or prior to the date of transition to the 2015 HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Short Leasehold Land and Buildings

Short leasehold land and buildings are included at cost. Additions to freehold and leasehold land and buildings are capitalised at cost.

Plant and Equipment

Expenditure on all plant and equipment is capitalised where the individual cost of items exceeds £5,000, or if an item is a component of a larger asset or programme.

9 Depreciation

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned.

In calculating depreciation, buildings acquired before 1 August 2006 are considered to have a residual value of 50% of cost to reflect an ongoing maintenance and repair programme.

New buildings commissioned post 1 August 2006 are considered to have a nil residual value with the full cost written off in accordance with the component life cycle methodology for depreciation.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

The lives used for this purpose are:

		Pre July 2006 Acquisitions	Post July 2006 Acquisitions
<i>Freehold and Leasehold Land and Buildings:</i>			
Freehold land		NIL	NIL
Buildings	Listed	100 years	100 years
Buildings	Other and unlisted	50 years	Component life 10-50 years
Buildings	Major adaptations	10-25 years	Component life 5-40 years
Plant	Up to 1994-1995	10 years	
Plant	From 1994-1995	20 years	Component life 10-30 years
<i>Equipment:</i>			
Apparatus and equipment		5 years	5 years
Computer equipment		3 years	Component life 3-10 years
Motor vehicles		5 years	5 years
Furniture, fixtures and fittings		10 years	Component life 10-15 years

10 Impairments of assets and assets held for disposal

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower.

Recoverable amount is defined as the higher of fair value less costs to sell and the estimated value in use at the date the impairment review is undertaken.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, as defined above. Assets are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year.

No depreciation is charged on assets classified as held for sale.

11 Stocks

Stocks are stated at the lower of cost and net realisable value.

12 Taxation

Effective from 1 August 2007, the University became a Company Limited by Guarantee and an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is therefore potentially exempt from taxation in respect of income and capital gains received within categories covered by Section 478-488 of the Corporation Tax Act 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.

Value Added Tax on purchases exceeds Value Added Tax on sales. However, because of the VAT status of education, the University's principal supply, the difference is generally not reclaimable and is, therefore, a cost of the University.

Fullwood Park Limited and Gloucestershire ISC Limited are liable for UK Corporation Tax. The companies have agreed to pay the lower of their accounting and tax profits to the University of Gloucestershire, which is an exempt charity, under corporate gift aid regulations introduced in April 2000.

Fullwood Park Limited is registered for VAT.

13 Investments

Fixed and endowment asset investments are included in the balance sheet at market value. Where no market value for an investment asset can be readily ascertained, the investment is stated at cost except where a permanent diminution of value has taken place.

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

Current asset investments are held at fair value with movements recognised in the surplus or deficit.

14 Finance and 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.

Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright, and classified as finance leases.

Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

15 Interest payable and financial instruments

The University uses derivative financial instruments such as interest rate swaps to reduce exposure to interest rate movements on its loans. Such derivative financial instruments are not held for speculative purposes and relate to actual liabilities, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Any derivative financial instruments are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

16 Pension scheme arrangements

Retirement benefits to employees of the University are provided by Defined Benefit Schemes, which are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme, the Universities Superannuation Scheme (USS) for academic staff, The Church of England Funded Pensions Scheme (CEFPS) for Clerical staff and to the Gloucestershire Local Government Pension Scheme for non-academic staff. These are independently administered schemes.

Contributions to the Schemes are recognised as an expense in the year so as to spread the cost of the pensions over the employees' working lives with the University.

Changes to the funding of the Schemes arising from changes in legislation or from fund performance, or from changes in membership or other composition of the Schemes, are recognised at each Scheme actuarial valuation. Adjustments to Scheme funding, if any, and employers' contributions to the Schemes which follow actuarial valuations, will address any shortfall or surplus arising from that valuation.

The University has adopted in full the requirements of FRS 102 for the Local Government Pension Scheme.

The USS and CEFPS are multi-employer schemes for which it is not possible to identify the assets and liabilities to the University for members due to the mutual nature of the schemes and therefore these are accounted for as defined contribution retirement benefit schemes. A liability is recorded within provisions for any contractual commitment to fund past deficits in accordance with the latest agreed deficit funding plan.

The TPS is a multi-employer unfunded scheme for which it is not possible to identify the assets and liabilities to the University for members due to the mutual nature of the scheme and therefore this is also accounted for as a defined contribution retirement benefit scheme. As the scheme is unfunded there is no deficit recovery plan.

17 Employment benefits

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

18 Repairs and maintenance costs

Expenditure on routine corrective maintenance is charged to the income and expenditure account as it is incurred.

19 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determinations of income and expenditure for the financial year.

20 Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

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.

21 Capitalisation of finance costs and interest

Interest and finance charges for capitalised projects are written off to the income and expenditure account during the period of construction and thereafter.

22 Bad and doubtful debts

The University regularly considers its debt book for recoverability of debtors by means of review of internal data and from information provided by its collecting agent. Arising from this review, the University makes provision for bad and doubtful debts based on both specific cases and a formula basis related to the age of outstanding debt including the related assets on the balance sheet and estimated recoverable amount.

23 Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

24 Reserves

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2016

	Notes	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Income					
Funding body grants	1	7,121	7,550	7,121	7,550
Tuition fees and education contracts	2	55,842	51,851	55,842	51,851
Research grants and contracts	3	1,091	913	1,091	913
Other income	4	12,259	12,404	12,259	12,404
Investment income	5	310	167	260	167
Donations and endowments	6	64	164	65	169
Total income		76,687	73,049	76,638	73,054
Expenditure					
Staff costs	7	42,290	40,909	42,290	40,909
Fundamental restructuring costs	11	411	1,028	411	1,028
Depreciation of tangible fixed assets	12	4,784	4,540	4,784	4,540
Other operating expenses	8	26,069	23,200	26,031	23,198
Interest and other finance costs	9	2,456	2,343	2,456	2,343
Total expenditure		76,010	72,020	75,972	72,018
Surplus before other gains/(losses) and share of operating deficit of joint venture		677	1,029	666	1,036
Gain/(loss) on disposal of fixed assets	13	5,276	(152)	5,276	(152)
Share of operating deficit in joint venture		(745)	(1,067)	-	-
Gain on investments		37	58	15	35
Surplus/(Deficit) before tax		5,245	(132)	5,957	919
Taxation		-	-	-	-
Surplus/(deficit) for the year		5,245	(132)	5,957	919
Actuarial gain/(loss) in respect of pension schemes		1,879	(3,024)	1,879	(3,024)
Currency translation differences		2	(82)	2	(82)
Total comprehensive income/(loss) for the year		7,126	(3,238)	7,838	(2,187)
Represented by:					
Endowment comprehensive income for the year		65	59	40	39
Restricted income/(loss) for the year		(27)	4	(27)	4
Unrestricted comprehensive income/(loss) for the year		7,088	(3,301)	7,825	(2,230)
		7,126	(3,238)	7,838	(2,187)
Surplus/(deficit) for the year attributable to the University		5,245	(132)	5,957	919

All items of income and expenditure related to continuing activities.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2016

Consolidated	Income and expenditure account				Total £000
	Endowment £000	Restricted £000	Unrestricted £000	Revaluation Reserve £000	
Balance at 1 August 2014	2,668	43	23,539	8,524	34,774
Surplus/(deficit) from the statement of comprehensive income	59	4	(195)	-	(132)
Other comprehensive loss	-	-	(3,106)	-	(3,106)
Transfers between revaluation and income and expenditure reserve	-	-	1,547	(1,547)	-
Total comprehensive income for the year	59	4	(1,754)	(1,547)	(3,238)
Balance at 1 August 2015	2,727	47	21,785	6,977	31,536
Surplus/(deficit) from the statement of comprehensive income	65	(27)	5,207	-	5,245
Other comprehensive income	-	-	1,881	-	1,881
Transfers between revaluation and income and expenditure reserve	-	-	1,607	(1,607)	-
Total comprehensive income for the year	65	(27)	8,695	(1,607)	7,126
Balance at 31 July 2016	2,792	20	30,480	5,370	38,662

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2016

University	Income and expenditure account				Total £000
	Endowment £000	Restricted £000	Unrestricted £000	Revaluation Reserve £000	
Balance at 1 August 2014	2,274	43	25,169	8,524	36,010
Surplus/(deficit) from the statement of comprehensive income	39	4	876	-	919
Other comprehensive loss	-	-	(3,106)	-	(3,106)
Transfers between revaluation and income and expenditure reserve	-	-	1,547	(1,547)	-
Total comprehensive income for the year	39	4	(683)	(1,547)	(2,187)
Balance at 1 August 2015	2,313	47	24,486	6,977	33,823
Surplus/(deficit) from the statement of comprehensive income	40	(27)	5,944	-	5,957
Other comprehensive income	-	-	1,881	-	1,881
Transfers between revaluation and income and expenditure reserve	-	-	1,607	(1,607)	-
Total comprehensive income for the year	40	(27)	9,432	(1,607)	7,838
Balance at 31 July 2016	2,353	20	33,918	5,370	41,661

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

CONSOLIDATED AND UNIVERSITY BALANCE SHEET AS AT 31 JULY 2016

	Notes	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Non-current assets					
Fixed assets	12	88,408	92,332	88,408	92,332
Investments	14	2,324	2,175	1,936	1,809
		90,732	94,507	90,344	94,141
Current assets					
Stocks		60	74	60	74
Debtors	16	6,037	4,147	6,363	4,478
Investments	17	20,202	13,227	20,202	13,199
Cash and cash equivalents	29	3,033	1,426	2,970	1,390
		29,332	18,874	29,595	19,141
Creditors: amounts falling due within one year	18	(16,228)	(15,813)	(16,225)	(15,803)
Net current assets		13,104	3,061	13,370	3,338
Total assets less current liabilities		103,836	97,568	103,714	97,479
Creditors: amounts falling due after more than one year	19	(29,496)	(30,904)	(29,496)	(30,904)
Provisions	21				
Pension provisions		(31,215)	(31,410)	(31,215)	(31,410)
Other provisions		(4,463)	(3,718)	(1,342)	(1,342)
Total net assets		38,662	31,536	41,661	33,823
Restricted reserves					
Income and expenditure reserve - endowment fund	22	2,792	2,727	2,353	2,313
Income and expenditure reserve - restricted reserve	24	20	47	20	47
Unrestricted reserves					
Income and expenditure reserve - unrestricted		30,480	21,785	33,918	24,486
Revaluation reserve	23	5,370	6,977	5,370	6,977
Total reserves		38,662	31,536	41,661	33,823

The Financial Statements on pages 25-53 were approved by the Council of the University of Gloucestershire on 22 November 2016, and were signed on its behalf by:

Julian M. Crampton

Professor Julian Crampton
Chair of Council

Stephen Marston

Stephen Marston
Vice-Chancellor

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

CONSOLIDATED AND UNIVERSITY CASH FLOW YEAR ENDED 31 JULY 2016

	Notes	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Cash flow from operating activities					
Surplus for the year		5,245	(132)	5,958	919
Adjustment for non-cash items					
Depreciation	12	4,784	4,540	4,784	4,540
(Loss) on investments		(37)	(58)	(15)	(35)
Decrease/(increase) in stock		14	(5)	14	(5)
Decrease in debtors	16	268	493	274	496
(Decrease)/increase in creditors	18	(925)	1,042	(921)	1,040
Increase in pension provisions	21	1,681	1,283	1,681	1,283
Increase in other provisions	21	2	-	1	-
Share of operating deficit in joint venture		745	1,067	-	-
Adjustment for investing or financing activities					
Investment income	5	(310)	(167)	(260)	(167)
Interest payable	9	1,375	1,324	1,375	1,324
Endowment income		(64)	(164)	(65)	(169)
(Profit)/loss on the sale of fixed assets		(5,276)	152	(5,276)	152
Capital grant release to income		(1,083)	(1,182)	(1,083)	(1,184)
Exchange gain/(loss)		2	(82)	2	(82)
Net cash inflow from operating activities		6,421	8,111	6,469	8,112
Cash flows from investing activities					
Proceeds from sales of fixed assets		9,307	59	9,307	59
Capital grant receipts		1,395	778	1,395	778
Withdrawal of deposits		-	488	-	480
Investments		595	307	595	307
Investment income		192	155	144	155
Payments made to acquire fixed assets		(4,893)	(6,320)	(4,893)	(6,320)
New non-current assets		(1,662)	(319)	(1,662)	(319)
New deposits		(6,977)	-	(7,005)	-
		(2,043)	(4,852)	(2,119)	(4,860)
Cash flows from financing activities					
Interest paid		(646)	(695)	(646)	(695)
Interest element of finance lease payments		(457)	(491)	(457)	(491)
Endowment cash received		64	164	65	169
Repayments of amounts borrowed		(1,345)	(1,359)	(1,345)	(1,359)
Capital element of finance lease rental payments		(387)	(344)	(387)	(344)
		(2,771)	(2,725)	(2,770)	(2,720)
Increase in cash and cash equivalents in the year		1,607	534	1,580	532
Cash and cash equivalents at beginning of the year	29	1,426	892	1,390	858
Cash and cash equivalents at the end of the year	29	3,033	1,426	2,970	1,390

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

	Notes	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
1 Funding body grants					
<i>Recurrent grant</i>					
Higher Education Funding Council		5,653	6,123	5,653	6,123
National College for Teaching and Leadership		342	262	342	262
Skills Funding Agency		59	-	59	-
<i>Specific grants</i>					
Higher Education Funding Council redundancy compensation		48	47	48	47
<i>Deferred capital grants</i>					
Buildings	20	529	516	529	516
Equipment	20	490	602	490	602
		7,121	7,550	7,121	7,550
2 Tuition fees and education contracts					
Full-time Home and EU students		49,807	45,201	49,807	45,201
Full-time International students		3,222	3,246	3,222	3,246
Part-time students		2,667	3,167	2,667	3,167
Other (short course) fees		146	237	146	237
		55,842	51,851	55,842	51,851
3 Research grants and contracts					
Research Councils		3	51	3	51
UK based charities		68	8	68	8
European Commission grants		801	531	801	531
Other grants and contracts		219	323	219	323
		1,091	913	1,091	913
4 Other income					
Residencies, catering and conferences		7,848	7,875	7,848	7,875
Release from deferred capital gains		64	64	64	64
Other services rendered		1,981	2,305	1,981	2,305
Other income		2,366	2,160	2,366	2,160
		12,259	12,404	12,259	12,404
5 Investment income					
Investment income on endowments	22	154	75	140	71
Other investment income		156	92	120	96
		310	167	260	167
6 Donations and endowments					
New endowments	22	25	17	16	17
Donations with restrictions	24	38	56	38	56
Unrestricted donations		1	91	11	96
		64	164	65	169

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

7 Staff

	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
<i>Staff costs</i>				
Wages and salaries	32,814	32,430	32,814	32,430
Social security costs	2,812	2,551	2,812	2,551
Pension costs	6,664	5,928	6,664	5,928
	42,290	40,909	42,290	40,909

Staff numbers by department

	2016	2015
Academic departments	400	400
Central administrative	458	452
Other including manual	15	16
Total staff numbers	873	868

The staff numbers above relate to full-time equivalents (including senior post holders)

Emoluments of the Vice-Chancellor

	2016 £000	2015 £000
Salary	165	163
Pension contributions	25	25
	190	188

Out of the additional pay award for the year ended 31 July 2016 of £10,600 offered to the Vice-Chancellor by Council in recognition of his excellent performance, the Vice-Chancellor accepted a 1% inflationary increase of £1,632 in line with the inflationary increase awarded to staff. The remainder of the sum (£8,968) has been donated by Council to The Janet Trotter Trust to support students through scholarships and bursaries.

Emoluments of members of Executive (including the Vice-Chancellor)

The remuneration paid to members of the University Executive Group who served during the year including salary, non-consolidated performance pay, pension contributions and any pay in lieu of notice:

	2016 £000	2015 £000
Salary and non-consolidated performance pay	958	924
Pension contributions	148	132
	1,106	1,056

	Numbers	Numbers
Members of Executive whose emoluments are included above:	11	9

The above numbers includes all members who were employed during the year. There were nine members of the Executive team at the year end.

The number of higher paid employees who received emoluments during the year (excluding pension contributions and payment in lieu of notice) in the following ranges was:

	Numbers	Numbers
£100,001 - £110,000	2	1
£120,001 - £130,000	1	1
£160,001 - £170,000	1	1
	4	3

The Chair and non-executive members of Council receive no emoluments with the exception of the staff appointed non-executive members.

The above summaries should be read in conjunction with the Council statement on corporate governance.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

8 Other operating expenses

	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Consumable and non-capital items	1,795	1,512	1,795	1,512
Academic administration	590	608	590	608
Books and periodicals	646	481	646	481
Rents and premises	4,367	3,560	4,366	3,559
Heat, light, water and power	908	979	908	979
Repairs and general maintenance	2,311	1,773	2,311	1,773
Staff development and training	433	320	433	320
Staff travel and subsistence	1,229	1,295	1,229	1,295
Student travel and subsistence	1,087	968	1,087	968
Student bursaries	2,060	3,076	2,055	3,080
Marketing, agent commission	1,413	1,468	1,413	1,468
Postage, telephone, printing and reprographics	709	686	709	686
Insurance and finance	1,851	322	1,823	322
Professional fees	3,195	2,364	3,191	2,367
Course franchising and partnerships	1,317	1,597	1,317	1,597
Purchases for resale	1,232	1,205	1,232	1,205
Equipment operating lease rentals	352	407	352	407
Students' Union grant	373	353	373	353
Other expenses	201	226	201	218
	26,069	23,200	26,031	23,198
Included within professional fees				
External auditor's remuneration - University	51	50	51	50
External auditor's remuneration - other group	2	1	-	-
External auditor's remuneration - non-audit services	47	7	47	7

9 Interest and other finance costs

	2016	2015	2016	2015
Finance lease	457	491	457	491
Loan interest	646	695	646	696
Movement in the fair value of derivatives	272	138	272	138
Net charge on pension schemes	1,081	1,019	1,081	1,018
	2,456	2,343	2,456	2,343

10 Analysis of total expenditure by activity

	2016	2015	2016	2015
Academic departments	31,021	30,994	31,021	30,994
Academic services	9,071	8,494	9,071	8,494
Research grants and contracts	1,164	1,010	1,164	1,010
Residences, catering and conferences	7,281	6,386	7,281	6,386
Premises	7,319	6,572	7,319	6,572
Administration	17,006	17,070	16,997	17,070
Other expenses	3,148	1,494	3,119	1,492
	76,010	72,020	75,972	72,018

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

11 Fundamental restructuring costs

Although the formal Voluntary Severance and Early Retirement Programme was closed during the year ended 31 July 2012, if staff reductions are proposed during any restructuring process, voluntary severance is still considered dependent on opportunities for redeployment. Reorganisation costs for the current year for the Group and University are £411,000 (2015: £1,028,000).

	Freehold land and buildings	Short leasehold land and buildings	Equipment	Assets under construction	Total
	£000	£000	£000	£000	£000
12 Tangible fixed assets					
a) Consolidated					
Cost/valuation					
At beginning of year	104,952	9,397	24,299	2,646	141,294
Additions at cost	849	851	1,770	1,423	4,893
Transfers at cost	2,150	114	263	(2,527)	-
Disposals	(5,519)	-	(2,074)	(6)	(7,599)
At year end	102,432	10,362	24,258	1,536	138,588
Depreciation					
At beginning of year	28,018	2,778	18,166	-	48,962
Charge for the year	2,479	247	2,058	-	4,784
Disposals	(1,501)	-	(2,065)	-	(3,566)
At year end	28,996	3,025	18,159	-	50,180
Net book value					
At year end	73,436	7,337	6,099	1,536	88,408
At beginning of Year	76,934	6,619	6,133	2,646	92,332
b) University					
Cost/valuation					
At beginning of year	104,952	9,397	24,299	2,646	141,294
Additions of cost	849	851	1,770	1,423	4,893
Transfers at cost	2,150	114	263	(2,527)	-
Disposals	(5,519)	-	(2,074)	(6)	(7,599)
At year end	102,432	10,362	24,258	1,536	138,588
Depreciation					
At beginning of year	28,018	2,778	18,166	-	48,962
Charge for the year	2,479	247	2,058	-	4,784
Disposals	(1,501)	-	(2,065)	-	(3,566)
At year end	28,996	3,025	18,159	-	50,180
Net book value					
At year end	73,436	7,337	6,099	1,536	88,408
At beginning of year	76,934	6,619	6,133	2,646	92,332

Short leasehold land and buildings with a carrying value of £5,317k (2015: £5,396k) are held under finance leases.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

c) Revaluation of land and buildings

Land and buildings were revalued at 31 July 1997 by Bayley Donaldsons, Chartered Surveyors. Certain properties, included in freehold land and building costs and earmarked for disposal under the building programme, were valued on an estimated open market value basis. The remaining land and buildings to be retained for use and occupation by the University have principally been valued at depreciated replacement cost in existing use. The likely replacement cost of buildings, which are listed as being of special architectural and historic interest has been calculated on the basis of reinstating the buildings, as originally designed and constructed. Those buildings, which due to their special nature, are rarely, if ever, sold on the open market, have been valued at depreciated replacement cost. This basis is considered appropriate as it reflects the fact that listed buildings and buildings of this specialised nature cannot be replaced with simpler and less expensive buildings.

In the opinion of the valuers at the time of the valuation, depreciated replacement cost valuations for buildings on the above described basis are higher than an open market value for alternative use rather than existing use.

Under the terms of the financial memorandum with the HEFCE, the proportion of the proceeds on sale of assets attributed to the publicly funded assets is retained by the University only with the approval of the HEFCE. All proceeds of sale retained by the University are required under Charities law to be re-invested in full in new capital assets.

Freehold land at Oxstalls, The Folley and Hardwick was revalued as at 1 August 2014 by Bruton Knowles, Chartered Surveyors.

If both freehold and leasehold land and buildings had not been revalued before being deemed as cost on transition, and on the assumption that the assets transferred from the Gloucestershire County Council were at nil cost, they would have been included at the following historical cost amounts:

	University Land and buildings	
	2016 £000	2015 £000
Cost	90,289	93,449
Aggregate depreciation based on cost	27,500	27,281

13 Service concession arrangements

The University has one service concession arrangement where service delivery has commenced. On 21 January 2016 the University entered into a 46 year contract with a third party provider for the creation of a student village at Pittville to include the refurbishment of existing student accommodation to house 215 students and the construction of new accommodation for an additional 577 students. The gain on the disposal of £5.276m has been recognised in the financial statements.

The University nominates rooms in the student village on an annual basis. As at 31 July 2016 the new accommodation was under construction and all the existing accommodation was being refurbished for the start of the 2016-17 Academic Year. During the year ended 31 July 2016 the University nominated all of the refurbished accommodation available for the 2016-17 Academic Year.

Movement in service concession arrangement assets:

The asset value of the service concession is included in debtors as at 31 July 2016 is £1,084k (2015: £nil).

Movement in service concession arrangement liabilities:

The total liabilities relating to the service concession is included in creditors; amounts falling due within one year as at 31 July 2016 were £1,084k (2015: £nil).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

14 Non-current investments

	Endowment asset investments £000	Other fixed asset investments £000	Total £000
Consolidated			
At beginning of year - restated	2,175	-	2,175
Additions at cost	626	5	631
Impairment	120	-	120
Disposals	(602)	-	(602)
	2,319	5	2,324
University			
At beginning of year	1,809	-	1,809
Additions at cost	625	5	630
Impairment	99	-	99
Disposals	(602)	-	(602)
At year end	1,931	5	1,936

The non-current investments have been valued at market value.

a) Investment in subsidiary companies

Details of the companies, all registered in England and Wales, in which the University holds an interest, are as follows:

Name of company	Percentage holding of ordinary shares	Shareholding	Principle business activity
Fullwood Park Limited	100%	100 Ordinary £1 shares	Provision of conference and catering services and property development
Gloucestershire ISC Limited	100%	One Ordinary £1 share	Holding interests in joint venture activities

Urban Learning Foundation Limited is a dormant subsidiary company which is limited by guarantee and controlled by directors acting as nominees of the Council of the University. The consolidated financial accounts do not include those of Urban Learning Foundation as it is considered that the scale of the amounts involved are not material to the financial statements.

b) The Janet Trotter Trust

The activities of The Janet Trotter Trust, a registered charity, are consolidated within endowment reserves on the grounds that the University has a controlling influence over its activities. The accounts of The Janet Trotter Trust for the year to 31 July 2016 show total net assets of £438,441 (2015: £414,272) and net income and movement in funds for the year of £2,591 (2015: £32,625).

c) Other fixed asset investments

Other fixed asset investments include the share capital held by the University in Uliving@Gloucestershire Holdco Limited. The University holds 5,030 £1 ordinary shares in the company, which comprises 10% of the issued share capital. The company was set up to manage the contract for the construction and running of the Pittville student village. (See note 13).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

15 Investment in Joint Venture

On 20 February 2013 the University entered into a Limited Liability Partnership Agreement, INTO Gloucestershire LLP, with INTO University Partnerships Limited. Gloucestershire ISC Limited invested £150,000 into INTO Gloucestershire LLP and has a 50% share of the joint venture. The remaining 50% share of INTO Gloucestershire LLP is owned by INTO UOG Limited, a wholly owned subsidiary of INTO University Partnerships Limited. The University also entered into an Admission Agreement with Gloucestershire County Council and INTO Gloucestershire Limited, relating to the admission of INTO Gloucestershire LLP to the Gloucestershire County Council Local Government Pension Scheme, to enable two employees transferred to the joint venture to be members of the Pension Scheme.

On 20 February 2013, Gloucestershire ISC Limited entered into a revolving loan facility agreement to lend up to £600,000 to INTO Gloucestershire LLP, at an interest rate of 2% above the Bank of England base rate. At 31 July 2016 a capital balance of £600,000 (2015: £200,000) was outstanding under this agreement.

INTO Gloucestershire LLP operates from the University of Gloucestershire campus. Its principal activity is the provision of English language courses and foundation, diploma and pre masters programmes. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account.

16 Debtors

	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Trade debtors	1,681	1,986	1,681	1,986
Other debtors	1,118	30	1,117	29
Service concession arrangements (note 13)	1,084	-	1,084	-
Amounts owed by subsidiary companies	-	-	928	554
Amounts due from joint ventures	600	739	-	523
Prepayments and accrued income	1,554	1,392	1,553	1,386
	6,037	4,147	6,363	4,478

Included within other debtors is £1,074,000 in respect of an interest bearing loan due from Uliving@Gloucestershire Finco Limited; the balance comprises capital of £1,032,000 and interest of £42,000. The loan to Uliving@Gloucestershire Finco Limited was used by the company as part of the overall financing of the Pittville student village project. (See note 13). The loan is for a period of 46 years with capital repayments to be made over the last 11 years.

17 Current investments

	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Short term deposits	20,202	13,227	20,202	13,199

18 Creditors: amounts falling due within one year

Secured loans	1,319	1,319	1,319	1,319
Unsecured loans	22	25	22	25
Obligations under finance leases	442	387	442	387
Service concession arrangements (note 13)	1,084	-	1,084	-
Payment received on account	875	1,117	875	1,117
Trade creditors	1,333	1,094	1,333	1,094
Social security and other taxation payable	848	877	848	877
Pensions	718	670	718	670
Deferred capital grants	1,284	1,077	1,284	1,077
Accruals and deferred income	8,303	9,247	8,300	9,237
	16,228	15,813	16,225	15,803

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

19 Creditors: amounts falling due after more than one year	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Secured loans	9,855	11,175	9,855	11,175
Unsecured loans	9	31	9	31
Other creditors	100	100	100	100
Derivatives	1,685	1,413	1,685	1,413
Deferred capital grants	13,802	13,698	13,802	13,698
	25,451	26,417	25,451	26,417
Obligations under finance lease	4,045	4,487	4,045	4,487
	29,496	30,904	29,496	30,904
Analysis of secured and unsecured loans				
Due within one year	1,341	1,344	1,341	1,344
Due between one and two years	1,329	1,341	1,329	1,341
Due between two and five years	3,710	3,820	3,710	3,820
Due in five years or more	4,825	6,045	4,825	6,045
	11,205	12,550	11,205	12,550
Analysis of finance leases				
Due within one year	442	387	442	387
Due between one and two years	502	442	502	442
Due between two and five years	1,927	1,695	1,927	1,695
Due in five years or more	1,616	2,350	1,616	2,350
	4,487	4,874	4,487	4,874

The University's main loan is with the Royal Bank of Scotland and is secured on some University property. The loan runs to July 2025 and is managed using a series of short term contracts at LIBOR +2.00%. To reduce uncertainty, the University has a swap contract in place for the full loan period to fix a proportion of the loan interest at 4.56%. This has been included in the balance sheet at the year-end valuation.

There are two loans with the Bank of Scotland, one of which is at a variable rate of LIBOR + 1.5% ending in December 2018 and one at a variable rate of LIBOR +1.25% ending in November 2023. Both loans are secured on some University property.

There are also interest free loans with SALIX Finance under the SALIX Energy Efficiency loan scheme, repayable in half yearly instalments to September 2017. The current outstanding balance on these loans is £31,000.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

20 Deferred capital grants	Consolidated and University Funding Councils £000	Consolidated and University Other grants and benefactions £000	Consolidated and University Total £000
At beginning of year			
Buildings	9,719	2,085	11,804
Equipment	2,948	23	2,971
	12,667	2,108	14,775
Cash received			
Buildings	86	568	654
Equipment	630	110	740
	716	678	1,394
Released to income and expenditure			
Buildings	(529)	(58)	(587)
Equipment	(490)	(6)	(496)
	(1,019)	(64)	(1,083)
At end of year			
Buildings	9,276	2,595	11,871
Equipment	3,088	127	3,215
	12,364	2,722	15,086

21 Provisions	INTO Gloucestershire LLP (Restated) £000	Defined benefit obligations £000	Obligation to fund deficit on USS and CEFPS £000	Pensions £000	Other £000	Total £000
Consolidated						
At beginning of year	2,376	29,423	386	1,601	1,342	35,128
Utilised during the year	-	(1,879)	-	(261)	-	(2,140)
Transfer from income and expenditure	-	1,744	7	194	-	1,945
Share of gross assets	(7)	-	-	-	-	(7)
Share of gross liabilities	752	-	-	-	-	752
At end of year	3,121	29,288	393	1,534	1,342	35,678
University						
At beginning of year		29,423	386	1,601	1,342	32,752
Utilised during the year		(1,879)	-	(261)	-	(2,140)
Transfer from income and expenditure account		1,744	7	194	-	1,945
At end of year		29,288	393	1,534	1,342	32,557

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

22 Endowment reserves	Restricted permanent endowments £000	Expendable endowments £000	Total 2016 £000	Total 2015 £000
Consolidated				
At beginning of year				
Capital	1,841	1,372	3,213	3,138
Accumulated income	65	(551)	(486)	(469)
	1,906	821	2,727	2,669
New Endowments	-	25	25	17
Investment income	137	17	154	74
Expenditure	(111)	(42)	(153)	(91)
	26	-	26	-
Increase in market value of investments	15	24	39	58
At year end	1,947	845	2,792	2,727
Analysis by type of purpose				
Fellowships and scholarship prizes	-	2	2	22
Prize funds	13	109	122	92
Other funds	1,934	734	2,668	2,613
	1,947	845	2,792	2,727
Analysis by asset				
Current and non-current asset investments			2,319	2,175
Cash and cash equivalents			473	552
			2,792	2,727
University				
At beginning of year				
Capital	1,841	889	2,730	2,670
Accumulated income	65	(482)	(417)	(396)
	1,906	407	2,313	2,274
New Endowments	-	16	16	18
Investment income	137	3	140	61
Expenditure	(111)	(21)	(132)	(83)
	26	(2)	24	(4)
Increase in market value of investments	14	2	16	43
At year end	1,946	407	2,353	2,313
Analysis by type of purpose				
Fellowships and scholarship prizes	-	2	2	2
Prize funds	13	109	122	113
Other funds	1,933	296	2,229	2,198
	1,946	407	2,353	2,313
Analysis by asset				
Current and non-current asset investments			1,930	1,774
Cash and cash equivalents			423	539
			2,353	2,313

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

23 Revaluation reserve	Consolidated 2016 £000	Consolidated Restated 2015 £000	University 2016 £000	University Restated 2015 £000
Revaluations				
At beginning of year	27,815	27,815	27,815	27,815
At end of year	27,815	27,815	27,815	27,815
Contributions to depreciation				
At the beginning of the year	(20,838)	(19,291)	(20,838)	(19,291)
Released in year	(1,607)	(1,547)	(1,607)	(1,547)
At end of year	(22,445)	(20,838)	(22,445)	(20,838)
Revaluation reserve				
At end of year	5,370	6,977	5,370	6,977
At beginning of year	6,977	8,524	6,977	8,524
24 Restricted reserve				
At beginning of year	47	43	47	43
New endowments and donations	38	56	38	56
Expenditure	(65)	(52)	(65)	(52)
At end of year	20	47	20	47
Analysis by type of purpose				
Scholarships and bursaries	10	31	10	31
Other funds	10	16	10	16
	20	47	20	47
25 Lease obligations				
Future minimum lease payments under non-cancellable operating leases are as follows:				
Within 1 year	3,678	2,685	3,678	2,685
Between 2 and 5 years	8,911	5,897	8,911	5,897
Over 5 years	10,631	10,987	10,631	10,987
	23,220	19,569	23,220	19,569
Representing:				
Land and buildings	22,956	19,410	22,956	19,410
Other operating leases	264	159	264	159
	23,220	19,569	23,220	19,569
26 Capital commitments				
Authorised but not contracted				
At end of year	48480	2193	48480	2193
Authorised and contracted				
At end of year	2260	1375	2260	1375

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

27 Contingent Liabilities

The University has received a grant of £250,000 (2015: £250,000) from the Church of England Central Board of Finance, which becomes payable in the event of the University withdrawing teacher training facilities.

28 Events after the reporting period

No significant post balance sheet events occurred during the period after the end of the year 2015-16 and the publication of the Financial Statements.

29 Cash and cash equivalents

	At beginning of year £000	Cash flows £000	At end of year £000
Consolidated			
Cash at bank and in hand	1,426	1,607	3,033
Short term deposits	13,227	6,975	20,202
	14,653	8,582	23,235
University			
Cash at bank and in hand	1,390	1,580	2,970
Short term deposits	13,199	7,003	20,202
	14,589	8,583	23,172

30 Access to Learning Fund

With effect from 1 August 2014 the Access to Learning Fund was transferred to the Higher Education Funding Council (HEFCE) and financial assistance is now offered to students through the Student Opportunity Funding received from HEFCE. The Access to Learning funds were available solely for students and the University acted as the paying agent. Unspent funds at 31 July 2014 were, therefore, transferred to the University for distribution to students in financial hardship.

	Consolidated and University 2016 £000	Consolidated and University 2015 £000
Balance unspent at beginning of year	-	60
Balance transferred to the University	-	(60)
Balance unspent at end of year	-	-

31 Related party transactions

To capture information on related party transactions, the University has written to members of Council. Due to the nature of the University's operations and the composition of Council, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of Council has a connection. All such connections are declared annually in the Register of Council Members Interests. All such transactions are conducted at arm's length and in accordance with the University's Financial Regulations with regards to procurement.

Relevant significant relationships held by members of Council who served in the year are:

- Mr Peter Bungard is Chief Executive of Gloucestershire County Council
- Mr Matthew Burgess is Principal of Gloucestershire College and a board member of GFirst LEP
- Dr Frank Harsent was Chief Executive of Gloucestershire Hospitals NHS Foundation Trust until May 2016
- Mr Martin Jones is Governor and Vice-Chair of South Gloucestershire and Stroud College
- Ms Antonia Noble is owner and director of Carter-Noble Independent Safeguarding Limited
- Ms Raphaella Ward is President of the Gloucestershire Students' Union with effect from 1 July 2016
- Ms Emily Andrews is Education Officer of the Gloucestershire Students' Union with effect from 1 July 2016
- Mr Angus Taylor is a Partner in Bruton Knowles

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

For the year ended 31 July 2016 expenses totalling £2,127 (2015: £344) were claimed by 5 Directors and Trustees (2015: 2) in respect of their responsibilities as Directors and Trustees. The University does not remunerate its external Directors and Trustees. The salaries of members of staff who serve on Council do not include any element specific to this role.

During the year the University supplied INTO Gloucestershire LLP with goods and services to the value of £1,085,268 (2015: £1,120,993). The balance outstanding at 31 July 2016 of £1,403,539 (2015: £522,598) has been fully provided against. The interest of £27,246 (2015: £16,123) due from INTO Gloucestershire LLP to Gloucestershire ISC Limited on the revolving loan detailed in note 15 has also been fully provided against. The University also received services from INTO Gloucestershire LLP to the value of £68,869 (2015: £53,299). At 31 July 2016 the balance outstanding was £nil (2015: £nil).

32 The National College for Teaching and Leadership

The University, acting as agent for the National College for Teaching and Leadership, disbursed £694,300 (2015: £867,300) training bursaries to students undergoing Initial Teacher Training for the year ended 31 July 2016. The training bursaries have not been included in the income and expenditure of the University.

33 Pension Schemes

a) Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. Under the definitions set out in FRS 102, the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The University has set out below the information available on the plan and the implications for the University in terms of the anticipated contribution rates.

The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pensions Regulations 2014 (as amended). These regulations apply inter alia to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a "pay as you go" basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.0%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

Following the Hutton report in March 2011 and subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The total consolidated pension costs under the Teachers' Pension Scheme for the University were:

	2016 £000	2015 £000
Contributions to Teachers' Pensions	2,471	2,198

b) Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "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. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

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

The total cost charged to the statement of comprehensive income and expenditure is £187,939 (2015: £180,572).

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

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

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in first year then 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

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

Male members' mortality	98% of SAPS SINA ("light") YoB tables - No age rating
Female members' mortality	99% of SAPS SINA ("light") YoB tables - rates down 1 year

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

c) Gloucestershire County Council Superannuation Scheme

Non-academic staff belong to the Gloucestershire County Council Superannuation Scheme. The scheme is a defined benefits scheme in the UK and is externally funded. The total contributions made for the year ended 31 July 2016 were £4.34m, of which employer's contributions totalled £3.318m and employees' contributions totalled £1.022m. The agreed contribution rates for future years are 15.3% for employers plus a contribution of £1.1m towards the deficit and range from 5.5% to 12.5% for employees, depending on salary.

The following information is based on the last full actuarial valuation carried out at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary, Hymans Robertson.

	31 March 2013
Latest actuarial valuations	31 March 2013
Market value of assets at date of last valuation	£1,385m
Investment returns per annum	4.60%
Salary scale increases per annum	3.80%
Pension increases per annum	2.50%
Price Inflation	2.50%

The estimate of contributions expected to be paid in the next year (year ending 31 July 2017) are £3.313m at a contribution rate of 15.3% until the next actuarial valuation change in April 2017.

The major assumptions used by the Actuary were:

	31 July 2016 %	31 July 2015 %	31 July 2014 %
Pension increase rate	1.90	2.60	2.70
Salary increase rate	2.20	4.00	4.00
Expected return on assets	2.40	3.60	5.80
Discount rate	2.40	3.60	4.00
Inflation assumption	1.90	2.60	2.70

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

The mortality assumptions assume that the current rate of improvements have peaked and will converge to a long term rate of 1.25%. Based on these assumptions, the average life expectancies at age 65 are:

	31 July 2016 and 2015
<i>Current pensioners</i>	
Males	22.5
Females	24.6
<i>Future pensioners (at age 45)</i>	
Males	24.4
Females	27.0

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of the investment organisations. The assets in the scheme were:

	Value 31 July 2016 £000	Value 31 July 2015 £000	Value 31 July 2014 £000
Equities (UK & Overseas)	1,294,440	1,173,110	1,110,579
Bonds	375,200	343,770	313,612
Property	131,320	122,055	97,839
Cash	75,040	19,020	11,456
	1,876,000	1,657,955	1,533,486

The amounts recognised in the Consolidated and University statement of income and expenditure, in accordance with the requirements of FRS 102 are:

	2016 £000	2015 £000
<i>Amounts included in staff costs</i>		
Current service cost	3,921	3,367
Past service cost (including curtailments)	70	-
	3,991	3,367
<i>Amounts included in interest and other finance costs</i>		
Interest income on plan assets	(2,268)	(2,196)
Interest on pension scheme liabilities	3,339	3,208
Net charge to other finance costs	1,071	1,012
<i>Amount recognised in other comprehensive income</i>		
Return on pension plan assets	(4,048)	(3,262)
Changes in assumptions underlying the present value of plan liabilities	3,102	6,803
Experience losses arising on defined benefit obligations	(933)	(517)
	(1,879)	3,024

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

An analysis of the amount shown in the balance sheets at 31 July 2016 and 31 July 2015 is:

	31 July 2016 £000	31 July 2015 £000
Total market value of assets	70,678	61,665
Actuarial value of scheme liabilities	(99,966)	(91,088)
Deficit in the scheme - Net pension liability recorded within pension provisions	(29,288)	(29,423)
The movements in the net liability are as follows:		
<i>Movement in net defined (liability) during the year</i>		
Net defined liability in scheme at 1 August	(29,423)	(25,235)
Current service cost	(3,921)	(3,367)
Employer contributions	3,318	3,215
Impact of settlement and curtailment	(70)	-
Net interest on the defined (liability)	(1,071)	(1,012)
Actuarial gain/(loss)	1,879	(3,024)
Net defined (liability) in scheme at 31 July	(29,288)	(29,423)
<i>Movement in present value of the pension scheme during the year</i>		
Present value at 1 August	91,088	78,924
Current service cost (net of member contributions)	3,921	3,367
Past service costs (including curtailments)	70	-
Net interest	3,339	3,208
Plan participants' contributions	1,022	1,021
Actuarial gain/(loss)	2,169	6,286
Actual benefit payments	(1,643)	(1,718)
Present value at 31 July	99,966	91,088
<i>Movement in the fair value of the scheme assets</i>		
Fair value at 1 August	61,665	53,689
Expected return on assets	4,048	3,262
Interest income on plan assets	2,268	2,196
Actual contributions paid by University	3,318	3,215
Plan participants' contributions	1,022	1,021
Actual benefit payments	(1,643)	(1,718)
Fair value at 31 July	70,678	61,665

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

History of experience gains and losses:

	Year to July 2016	Year to July 2015	Year to July 2014	Year to July 2013	Year to July 2012
<i>Difference between the expected and actual return on assets</i>					
Amount	4,048	3,262	489	5,859	(1,502)
Percentage of assets at year end	5.7%	5.3%	0.91%	12.14%	(3.88%)
<i>Experience gains/(losses) on liabilities</i>					
Amount	933	517	(1,532)	-	(531)
Percentage of liabilities at year end	(0.93)%	(0.57)%	1.94%	0.00%	0.90%

d) Church of England Funded Pensions Scheme

The University of Gloucestershire participates in the Church of England Funded Pensions Scheme for stipendiary clergy and employs one member of the scheme out of a total membership of approximately 8,400 active members. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the scheme's assets and liabilities to specific employers and that contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the Consolidated and University statement of comprehensive income and expenditure in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out at 31 December 2012. Though work has commenced on the 31 December 2015 valuation, the final report and recovery plan is not expected to be finalised until late 2016 and is not formally required to be finalised until 31 March 2017. The 2012 valuation revealed a deficit of £293m, based on assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

- an investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two thirds by 31 December 2029, with the balance in return-seeking assets; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- investment returns of 3.2% pa on gilts and 5.2% pa on equities;
- RPI inflation of 3.2% pa (and pension increases consistent with this);
- increase in pensionable stipends of 3.2% pa; and
- post-retirement mortality in accordance with 80% of the SINMA and SINFA tables, with allowance for future improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for males and females.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

Following the 31 December 2012 valuation, a recovery plan was put in place until 31 December 2025 and the contribution rates (as a percentage of pensionable stipends) were set as follows:

	1 January 2014 to 31 December 2014	1 January 2015 to 31 December 2025
<i>% of pensionable stipends</i>		
Accrual of future service benefits (including expenses)	25.8%	25.8%
Deficit repair contributions	12.4%	14.1%
Total contribution rate	38.2%	39.9%

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision for the year ended 31 December 2015 is set out in the table below. The liability reported at 31 July 2016 is based on the latest information available to 31 December 2015. As the University only has one member in the pension fund and the level of contributions after 31 December 2015 is consistent with the prior year, there will not be a material movement in the liability between 31 December 2015 and 31 July 2016.

	2015 £	2014 £
Balance Sheet liability at 1 January 2015	31,000	36,000
Deficit contributions paid	(3,000)	(3,000)
Interest cost	1,000	1,000
Remaining change to the balance sheet liability*	(1,000)	(3,000)
Balance Sheet liability at 31 December 2015	28,000	31,000

*comprises change in agreed deficit recovery plan and change in discount rate between year-ends

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2015	December 2014	December 2013
Discount rate	2.5%	2.3%	3.5%
Price inflation	2.4%	2.7%	3.2%
Increase to total pensionable payroll	0.9%	1.2%	1.7%

e) Other pension schemes

Contributions to other schemes	2016 £5,000	2015 £5,000
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

34 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 HE SORP. The accounting policies have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the 2015 HE SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	1 August 2014		31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Total reserves under 2007 HE SORP	48,933	50,160	45,691	47,970
USS pension provision (a)	(212)	(212)	(386)	(386)
Employee leave accrual (b)	(1,243)	(1,234)	(1,295)	(1,287)
Grant income (c)	56	56	19	19
Derivatives (d)	(1,275)	(1,275)	(1,413)	(1,413)
Land revaluation (note 12)	3,695	3,695	3,695	3,695
Deferred capital grants (e)	(15,180)	(15,180)	(14,775)	(14,775)
Total effect of transition to FRS 102	(14,159)	(14,150)	(14,155)	(14,147)
Total reserves under 2015 HE SORP	34,774	36,010	31,536	33,823
Financial performance				
Surplus for the year after tax under previous HE SORP			1,210	2,277
USS pension provision (a)			(173)	(173)
Defined benefit plan finance costs (f)			(1,004)	(1,004)
Employee leave accrual (b)			(52)	(49)
Grant income (c)			(37)	(37)
Derivatives (d)			(138)	(138)
Endowments (g)			62	43
Total effect of transition to FRS 102			(1,342)	(1,358)
Total comprehensive income for the year under 2015 HE SORP			(132)	919

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

(a) USS pension provision

FRS 102 requires the recognition of a liability in the balance sheet in relation to any contractual commitment to fund past deficits of a multi-employer defined benefit pension scheme, in accordance with the latest agreed deficit funding plan. Movement in the deficit between balance sheet dates is recognised in the surplus or deficit for the year.

(b) Employee leave accrual

Under FRS 102 the costs of short-term employee benefits such as holiday pay need to be recognised as a liability and an expense. The annual leave year runs to 31st August each year meaning that, at the reporting date, there is an amount of holiday entitlement unused. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

(c) Grant income

The University has previously been in receipt of some grants from sources other than those classified as "government". Under the previous UK GAAP, these were able to be deferred and released to income as the expenditure was incurred. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to comprehensive income immediately that the performance conditions have been met.

(d) Derivatives

FRS 102 requires derivative financial instruments to be recognised as a financial asset or liability at fair value at the balance sheet date. In accordance with the accounting policy the movement in the fair value between balance sheet dates is recognised in the surplus or deficit for the year.

(e) Deferred capital grants

Under FRS 102, deferred capital grants are no longer shown at the bottom of the balance sheet but are held as deferred income within creditors and net assets.

(f) Defined benefit plan finance costs

The net pension finance cost recognised in the income and expenditure account under the previous UK GAAP was net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition of a net interest costs calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate). This change has had no effect on the defined benefit liability recognised on the balance sheet. Instead the surplus for the year has been mirrored by a reduction in the actuarial losses presented within other comprehensive income.

(g) Endowments

Under the previous UK GAAP, new endowments were recognised in the statement of total recognised gains and losses. Under FRS 102 annual movement in the value of endowments and donations is recognised under donations and endowments in the statement of comprehensive income on entitlement to the income, with appropriate movements to restricted reserves.

(h) Fee discounts and waivers

Fee discounts and waivers are now netted off gross fee income and no longer treated as an expense. There is no impact on the surplus or deficit from this change; however, the effect on reported income and other operating expenses for the year ended 31 July 2015 is a reanalysis of £1.4m.

(i) Cash flows

The only impact of the transition to FRS 102 on the cashflows of the University and the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.



FINANCIAL STATEMENTS **2015/2016**
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