

University of Wales

Charity number: **1146516**

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

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OPERATING AND FINANCIAL REVIEW

The Trustees of the University who served in the year and up to the date of the signing of these financial statements are listed below:

Member Ex Officio

The Vice-Chancellor

Independent Members

The Venerable A. J. Randolph Thomas (*Chair*)

Anthony Ball

Margaret Evans (Vice Chair)

Arwel Ellis Owen

Dr Elizabeth Siberry

Pamela Berry

Andrew Curl

Eifion Griffiths

Maria Stedman

Gareth O Jones (passed away 12 Nov 2019)

Nigel Roberts

Deris Davies Williams

Staff Member

Dr Stuart Robb

Clerk and Secretary: Sarah Clark

OPERATING AND FINANCIAL REVIEW

Legal Status

Established by Royal Charter in 1893 (RC000676) the University is a registered charity (number 1146516). The principal office is the University Registry, King Edward VII Avenue, Cathays Park, Cardiff CF10 3NS. The names of the members of the University Council (who also act as charity trustees) are stated and disclosed in the previous page.

Professional Advisors

Independent Auditor

External	KPMG, 3, Assembly Square, Britannia Quay, Cardiff CF10 4AX
Internal	Mazars, One Caspian Point, Pierhead Street, Cardiff CF10 4DQ

Banker	HSBC Bank plc, 56 Queen Street, Cardiff. CF10 2PX
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Insurance Adviser	University Mutual Association Ltd, 4th Floor, 5 St. Helen's Place, London. EC3A 6AB
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Pensions Adviser	Mercer Ltd, 1 Whitehall Quay, Whitehall Road, Leeds. LS14HR
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Investment Adviser	Jaggers & Associates, Exchange Quay, Salford. M5 3EQ
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Solicitor	Blake Morgan, Bradley Court, Park Place, Cardiff. CF10 3DP Eversheds LLP, 1 Callaghan Square, Cardiff CF10 5BT
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Preparation of the consolidated financial statements

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

The consolidated financial statements for the year to 31 July 2020 have been prepared on a going concern basis as detailed on page 26.

Basis of Consolidation

The consolidated financial statements comprise of the University and its subsidiary companies; Awen Wales Limited, for the year to 31 July 2020 and UW Centre for Batch Manufacture Limited, from 1 August 19 to 1 July 2020, with control being passed to UWTSO on 1 July 2020. The Centre for Advanced Welsh and Celtic Studies subsidiary company was consolidated into the 2018-19 financial statements but was dissolved in 2019-20.

Background

It is now ten years since the University of Wales issued its formal Wales Pledge as it reaffirmed its commitment, as part of the formal integration of the University of Wales with UWTSO, to safeguard some of the cultural and heritage assets associated with the University. Over the last decade the University has systematically engaged in a series of structural initiatives which have safeguarded the legacy of the University. An imperative for the Governing Body has been to systematically deal with a number of legacy issues as it secured integration with UWTSO. In doing so it has, through good governance, due process and structured execution managed to successfully deliver upon a number of the key pledges articulated over a decade ago. The nature of such implementation has called upon the University to invest and disinvest in an appropriate manner, always mindful of safeguarding the cultural assets associated with the University of Wales. This has included a detailed engagement with regard to securing the future of Gregynog and allowing a new Trust to develop a future

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strategic plan. It also has included the continual investment in the intellectual capital capacity of the University of Wales Press which has served Higher Education well. In the same context, the University's commitment to Celtic Scholarship has been further promoted with the University of Oxford and UWTSD. The further integration of CBM with UWTSD has also allowed the University to continue to play a role in the context of innovation and applied research as it serves the economic resilience and reconstruction mission of the Government of Wales. The University of Wales has over the last decade successfully delivered upon its core pledges and has systematically facilitated significant transformational change within the context of Welsh Government policy.

University Strategy

Since 2012, the strategy of the University has been to prepare for academic and administrative integration and merger with the University of Wales Trinity Saint David (UWTSD). In July 2017 the University Council was satisfied that the University could move to the next phase of the formal merger. Pursuant to this decision, the academic and administrative functions of the University of Wales and UWTSD were integrated on 1 August 2017 with a formal Deed of Union to enable this being signed in October 2017. The next phase will be a formal constitutional merger.

Further information regarding the background to the merger can be found in previous annual reports or on the University website: www.wales.ac.uk/en/AboutUs/Developments/Developments-Merger-and-Reconfiguration.aspx

The priorities of the University throughout the pre constitutional merger period have been to manage the resources of the institution to:

- Maintain the high quality and standards of a University of Wales degree;
- Maintain the University's traditional contribution to the economic, social, cultural and intellectual wellbeing of a sustainable Wales;
- Prepare for constitutional merger with UWTSD; and
- Ensure that the University is financially sustainable and able to meet its obligations to students and to enable constitutional merger with UWTSD.

The way in which the University has continued to safeguard its legacy for future generations, remain faithful to its core values, and ensure that assets are used their intended purpose are set out in Adduned Cymru (the Wales Pledge). For more information please see the University website: www.wales.ac.uk/Resources/Documents/Merger/Adduned-Cymru-English.pdf.

Public benefit statement

The University is a registered charity and its charity number is 1146516.

Delivery of the above-described strategic objectives has also met the charitable objects of the University, which are for the advancement of education, learning and research and to serve Wales and its people.

In setting and reviewing the University's objectives and activities, University Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The operational review below sets out the University's activities in support of its strategic and charitable objectives.

OPERATING AND FINANCIAL REVIEW

Ethical investment and banking policies

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

Equal opportunities

On 1 August 2017, the University adopted the equal opportunities systems and practices of UWTSD, whose commitment to equality and diversity is set out in its *Strategic Equality Plan 2016-20*. The University aims to create a culture of openness and respect in which barriers for those with protected characteristics are identified and removed. It wants its people to feel safe and valued, and to achieve their full potential for the benefit of the individual, the organisation and wider communities. It wishes to promote equality of opportunity, fair working practices, and good interpersonal relations throughout its staff and student bodies.

Environmental sustainability policy

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

Health and Safety

There were no reportable safety incidents in 2019-20 or significant near miss events. On 1 August 2017, the University adopted the health and safety systems and practices of UWTSD, which was a smooth transition as the two institutions had previously worked closely to align arrangements during the pre-merger period.

Welsh Language

The University's Welsh Language Scheme treats the Welsh and English languages equally – with both enjoying the same status and validity in all areas of service and student, staff and public engagement. On 1 August 2017, the University adopted the Welsh language policy and practices of UWTSD, which was a smooth transition as the two institutions had previously worked closely to align arrangements during the pre-merger period. New members of staff receive Welsh language awareness training as part of induction and the training requirements of all staff are reviewed as part of the annual staff appraisal process.

Principal risks and uncertainties

The principal risks and uncertainties faced by the University are as follows:

- The continued impact of Covid-19 on the University's ongoing activities at the date of signing the accounts;
- Managing in year cash-flows, particularly in light of the impact of the timing of income receipts upon cash balances held within the University at any one point in time;
- Recruitment of collaborative partners across the international stage served by the University;
- Home/EU student recruitment and retention given uncertain economic environment and demographic trends; and
- Developing a sustainable financial strategy for discreet units that form part of the Wales Pledge.

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Covid-19

The University, as is common across the Higher Education sector, is faced with a wide reaching range of risks that have arisen purely as a result of the Covid-19 pandemic and associated lockdown measures. The impact of these risks are reflected in the results for 2019/20 and remain throughout 2020/21. It is unclear at this time as to whether the pandemic will remain as an influencing factor in 2021/22 and beyond and the University's strategy for the medium term recognises that the risk may still remain but is one of readiness to successfully operate in a post pandemic environment.

The University is working towards managing the risks posed by Covid-19 to ensure that the teaching, operations and support of the University continue and allow it to deliver on the immediate future as well as its longer term strategic developments.

Declaration of information to auditor

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

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

Operating Review for the year

Collaborative Provision

The University's managed exit from collaborative provision is based on three principles. These affirm that during the exit process the University will: (i) take whatever additional steps are necessary to assure the quality of provision and ensure the academic standards of its awards; (ii) fulfil its responsibility to enable students to complete their studies leading to an award in a way that is consistent with the relevant University regulations; and (iii) honour the contracts which are in place for each collaborative centre which remains in good standing.

During the reporting period, the University has seen a reduction of 40% of its student population under the validated services model and has exited from a further three collaborative centres. At the end of 2019-20, the number of students studying at collaborative centres had fallen to around 2,000 (down from over 28,000 when the withdrawal from collaborative provision was announced).

At the beginning of the 2019-20 academic year, the University reviewed its academic governance structures to better reflect the University's operations. As part of this process, the University strengthened its deliberative structures in relation to quality oversight through the elevation of the body previously responsible for oversight of the quality, audit, and review functions to a sub-board of Academic Board. During the period, the University has received and considered 139 reports from external examiners, moderators, and University Officers considering the quality assurance and academic standards of the University's awards. The University continues to embed its systematic approach to addressing any actions arising from the reports. The University has also undertaken a review of moderator appointments to strengthen the oversight of remaining provision.

The Collaborative Partnerships Office (CPO) continues to work to support both UW collaborative centre and UWTSD Partnerships. This has included continuing to support arrangements for the transfer of specifically identified collaborative centres to develop provision with UWTSD. The University, with the support of UWTSD, has also taken direct action to ensure that students are able to complete their awards in instances where collaborative centres have been placed into administration.

The collaborative provision team has taken action to provide both general and individual support to collaborative centres and partners in the context of the COVID-19 pandemic. This has included the support of modifications to the delivery of validated programmes, as well as individually tailored support to manage risk in relation to quality assurance, academic standards, and business continuity.

OPERATING AND FINANCIAL REVIEW

University of Wales Press (UWP)

The University of Wales Press team, authors and partners have gone above and beyond to weather the uncertainties that all organisations have faced during the 2019/20 financial year. Whilst prioritising the safety and well-being of our colleagues, who continue to work from home, the Press have continued to meet our goals of publishing all of our new titles on time, and we are hugely grateful to all of our Press family for this considerable achievement.

This financial year, UWP have proudly published 41 new books and eight new journal issues across Welsh history, literature, language and culture, and new titles in key humanities subjects internationally.

UWP's new Welsh language publications this year include; *Diwinyddiaeth Paul* by John Tudno Williams; 'Iaith Oleulawn': *Geirfa Dafydd ap Gwilym* by Dafydd Johnston; *Creu Dinasyddiaeth i Gymru* by Gwennan Higham; and *Cyfri'n Cewri* by Gareth Ffowc Roberts.

The Press was delighted to publish its first fully Open Access book; *Medieval Welsh Medical Texts* by Diana Luft, and funded by Wellcome Trust. The Press continue to engage with and contribute to Open Access policy developments, including responding to UKRI OA consultations, JISC consultation on Transformative Agreements and COPIM workshops.

We also published the first fully Open Access issue of the *Wales Journal of Education* – a special issue on Initial Teacher Education. This marked a new departure for the Journal, which is now fully bilingual and platinum Open Access thanks to support from Welsh Government. We introduced a new Journal Editor team, updated our Editorial Board and created a new Advisory Board. Further developments, in particular engagement with practitioners, are underway and will be announced during 2020-21.

We were delighted that UWP titles received recognition by the following awards this year; *Masks in Horror Cinema* by Alexandra Heller-Nicholas was nominated for the Rondo Hatton Classic Horror awards; *Horror and Religion* edited by Eleanor Beal and Jon Greenaway and *Videogames and Horror* by Dawn Stobbart were both finalists for the Bram Stoker non-fiction award; and *Darwinian Feminism and Early Science Fiction* by Patrick B. Sharp was included in Choice's annual Outstanding Academic titles for 2019.

The Press launched two new series this year: *Medieval Animals* with Series Editors Dr Diane Heath and Dr Victoria Blud; and *International Law* with Series Editors Professor Diane Marie Amann and Professor Yvonne McDermott. Our first published titles in both series have already received a hugely positive reception and Series Editors remain busy soliciting new proposals.

In addition to continuing to work closely with our international network of sales and distribution partners, the Press advanced its strategic digital approach to marketing and promotion this year, driven further by Covid-19 conditions. From an inevitable low in March/April, we have been pleased to see sales recover towards the end of the summer. Press colleagues participated in virtual conferences including the International Medieval Congress and the National Eisteddfod via Am-Gen, and significantly increased social media activity and digital media promotion. From this, UWP has seen a record increase in social media engagement and sales through our website.

The Press was re-accredited the BIC Product Data Excellence Award (PDEA) for the period, April 2020 – March 2021. We were delighted to note that the PDEA Panel commended the Press Sales and Marketing team for its good BIC Basic statistics.

The Press continue to plan for our forthcoming Centenary in 2022, together with business diversification plans to be announced during 2020/21.

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Centre for Advanced Welsh and Celtic Studies ('CAWCS')

CAWCS is an internationally recognised research centre of excellence in Celtic Studies. Its activities had previously been undertaken through a subsidiary company but this company was dissolved in 2019/20. In line with the strategic plans the activities of CAWCS were transferred to UWTSO on 1 July 2020.

Good progress was made on all research projects at CAWCS throughout 2019-20, despite the restrictions on face-to-face collaboration and public events caused by Covid-19 in the latter half of the year.

The EU-funded project on travel between Wales and Ireland, 'Ports Past and Present', in collaboration with the universities of Cork and Aberystwyth and County Wexford, completed its first full year of activity, and has established strong partnerships with port communities in the two countries.

Work on the AHRC-funded 'Sacred Landscapes of Medieval Monasteries' project continues in partnership with UW Trinity Saint David and Leeds University, focusing in particular on Welsh poetry and manuscripts relating to Strata Florida and Valle Crucis. And Professor John Koch continues to work with the team based at Gothenburg University in Sweden exploring connections between Scandinavia and the Iberian Peninsula in the Bronze Age. Geiriadur Prifysgol Cymru – The Dictionary of the Welsh Language has further expanded its coverage with the addition of two hundred and fifty-nine new articles online this year, and the team also took advantage of the lockdown period to make minor revisions to almost a quarter of the existing articles. We are grateful once again to the Welsh Government for substantial funding which is essential to the sustainability of the Dictionary Unit.

Wales Centre for Advanced Batch Manufacture ('CBM')

CBM is an industry facing research centre jointly owned by the University and the University of Wales Trinity Saint David offering a broad range of advanced manufacturing and reverse engineering services, including cutting edge digital production, Patient specific medical device design and in house production, 3D printing and 3D scanning.

During 2019-20 CBM has engaged with over 80 companies covering a wide range of industry sectors both nationally and internationally. CBM is also a key partner in three European grant projects led by the University of Wales Trinity St David being : Advanced Design Engineering (a £2.8m project); International Innovation Masters (a £4.3m project) and Upskilling for Industry 4.0 (a £3.6m project) which has enabled CBM to offset some of its staffing costs in support of these projects in 2019-20.

Control of this entity was transferred from the University to UWTSO on 1 July 2020. CBM is in the process of integrating into the wider UWTSO Wales Institute of Science and Art team, relocating towards the end of 2020 into the state of the art IQ facility. Operating within the engineering department CBM will be a key element in commercialising the collective technology base, driving industry engagement and world leading research opportunities for the University.

Dylan Thomas Centre

Located near UWTSO's SA1 Development, the Centre is home to a permanent exhibition to Dylan Thomas, which makes it a key part of Swansea's literary and cultural quarter. University investment in the building over the past few years has also transformed it into a multi-purpose and multi occupancy venue open to host a range of events and functions. The Centre is home to a 110 seat theatre and popular 1825 Coffee Shop.

During 2019-20 the Centre continues to be an integral part of the new UWTSO SA1 Campus which opened in September 2018. It also now hosts students and academic staff as part of the wider campus and its operating costs are funded by UWTSO.

OPERATING AND FINANCIAL REVIEW**Financial Review**

The consolidated results recorded a total comprehensive expense for the year of £607k (2019: expense £5.628 million).

The reduction in the deficit of £5m has largely been achieved through an improvement in the operations of the University. Whilst income decreased by £2m, total expenditure reduced by £4.6m combined with one off other net movements of £2.4m.

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

Statement of Comprehensive Income summary

	Year ended 31 July 2020	Year ended 31 July 2019	Movement
	£'000	£'000	£'000
Income	3,818	5,817	(1,999)
Expenditure	(3,597)	(8,194)	4,597
Impairments	(97)	(224)	127
Loss on disposal of CBM Ltd	(343)	-	(343)
Loss on disposal of the Gregynog Estate	-	(1,425)	1,425
Surplus/(Deficit) before other gains/(losses)	(219)	(4,026)	3,807
(Loss)/gain in respect of investments	(466)	6	(472)
Surplus/(Deficit) for the year	(685)	(4,020)	3,335
Actuarial gain/(loss) in respect of pension schemes	78	(1,608)	1,686
Total comprehensive income/(expense) for the year	(607)	(5,628)	5,021

Income

Total consolidated income for the University decreased by £2m (34%) to a total of £3.8m (£5.8m in 2018-19).

Collaborative provision income of £1.6m (£1.3m in 2018-19) continued to be the largest source of funding to the University accounting for 42.8% of total income (23% in 2018-19).

Income generated in respect of the residences, catering and conferences function at Gregynog Hall and the associated estate and woodlands was the next greatest source of income at £1.0m in 2018-19, however this was discontinued in 2019-20. Research grant income secured by the Centre for Advanced Welsh and Celtic Studies was £0.4m for the year (£0.5m in 2018-19), and the Centre was also in receipt of £0.2m of grant from the Higher Education Funding Council for Wales (£0.2m in 2018-19), albeit this was discontinued from July 2020.

Other income decreased by £1.1m which was in the main attributable to one off income in relation to settlement fees of £0.5m received in 2018-19.

Investment income for the year was £132k (£183k in 2018-19).

OPERATING AND FINANCIAL REVIEW**Financial Review (continued)****Income analysis**

	Year ended 31 July 2020		Year ended 31 July 2019	
	£'000	%	£'000	%
Funding Council Grants	189	5.0	168	2.9
Research Grants and Other Contracts	442	11.6	542	9.3
Residencies, Catering and Conferences	-	-	1,031	17.7
Collaborative Provision	1,633	42.8	1,337	23.0
Other income	1,422	37.2	2,553	43.9
Investment income	132	3.5	183	3.1
	3,818	100.0	5,814	100.0
Total Consolidated Income	3,818		5,814	

Expenditure

Total consolidated expenditure for the University decreased by £4.8m (57%) to a total of £3.6m (£8.4m in 2018-19) excluding one off disposals.

Staff costs decreased by £1.0m (28%) to £2.6m (£3.6m in 2018-19) together with a decrease in pension service costs of £0.7m (an increase of £1.0m in 2018-19). The reduction in staff costs is in line with planned savings for the year and includes the full year savings of staff cost reductions from 2018-19.

Operating Expenses costs decreased by £2m (62%) to £1.2m (£3.2m in 2018-19) and is in line with reduced activity and planned savings for the year together with full year savings of operating cost reductions from 2018-19.

Depreciation costs were £0.3m (£0.4m in 2018-19) and impairment costs were £0.1m (£0.2m in 2018-19)

Pension interest costs were £0.1m (£0.06m in 2018-19)

Expenditure analysis

	Year ended 31 July 2020		Year ended 31 July 2019	
	£'000	%	£'000	%
Staff costs	2,631	71.2	3,586	42.6
Pension Service costs	(676)	(18.3)	961	11.4
Restructuring costs	12	0.3	2	0.0
	1,967	53.2	4,549	46.2
Residencies, Catering and Conferences	-	-	616	7.3
Academic and related expenditure	423	11.5	775	9.2
Premises and central services	366	9.9	682	8.1
Other services and expenses	449	12.2	1,128	13.4
	1,238	33.5	3,201	38.0
Depreciation	296	8.0	386	4.6
Impairment	97	2.6	224	2.7
Interest payable	96	2.6	58	0.7
	489	13.3	668	7.9
	3,694	100.0	8,418	100.0
Loss on disposal of CBM Ltd	343	-	-	-
Loss on disposal of the Gregynog Estate	-	-	1,425	-
Total Consolidated Expenditure	4,037		9,843	

OPERATING AND FINANCIAL REVIEW

Financial Review (continued)

Balance Sheet

The consolidated Balance Sheet discloses a net assets position of £2.3m as at 31 July 2020 (2019: £2.2m). When Pension liabilities are excluded the net asset position is £6.3m at 31 July 2020 (2019: £6.8m).

Total debtors were £0.7m at 31 July 2020 (2019: £1.6m). A decrease from 2019 attributable to the realisation of significant amounts of trade receivables.

Cash and cash equivalent balances were £1.7m at 31 July 2020 (2019: £0.5 m). An increase from 2019 due to the realisation of significant amounts of trade receivables.

Total creditors (due within one year) were £2.4m at the year-end (2019: £2.2m). An increase from 2019 due to a slight increase in trade payables.

Total creditors (due after one year) were £Nil at the year-end (2019: £0.8m). A decrease due to transfer of a lease liability associated with a discontinued operation.

Pension provisions and obligations were £4m at 31 July 2020 (2019: £4.6m). A decrease related to actuarial valuations.

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

	£'000
Tangible Fixed Assets (Equipment)	259
Stock	14
Other Debtors	28
Other creditors (amounts due within 1 year)	(92)
Other creditors (amounts due after 1 year)	(702)
Net Liabilities	(493)
Reversal of Non-controlling interest reserve	834
Loss on disposal	(343)

Cash Flow

The consolidated net cash inflow from operating activities was £0.2m for the year (2019: £2.3m outflow) and the overall cash inflow was £1.2m (2019: £0.2m outflow).

Treasury Management and investments

In accordance with the University's Treasury Management Policy, the investment objective is to achieve the best possible returns while minimising risk. During the year the University sold fixed asset and endowment asset investments valued at £0.4m in line with a planned disinvestment. As at 31 July 2020 the value of fixed asset investments by the University Group was £1.5m (2019: £1.8m) and the value of the endowment investments was £3.0m (2018: £3.7m) of which £2.6m is still due for transfer to the UW Restricted Endowment Trust.

The University investment in the International University Malaya-Wales of £224k was impaired in 2018-19.

OPERATING AND FINANCIAL REVIEW

Liquidity

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

Pensions

The net liability in the local in-house final salary pension scheme has increased during the year, from £3.5m to £3.8m.

Accounting standards require the University to recognise its obligations to contribute to the deficit of the University Superannuation Scheme (USS) and this liability is included in the pension provision and additional costs are processed through staff costs in the consolidated statement of income and expenditure. During the year the liability on the USS decreased by £0.9m to £0.2m (2019: £1.1m).

Financial Health

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

- managing a change in the nature of core business with reduced reliance on historical collaborative activity and increased development of new and innovative delivery programmes in partnership with the University of Wales Trinity St David;
- maintaining a sufficient level of cash reserves to support ongoing operations ;
- managing cash flows, including the timely collection of receipts from collaborative partners to ensure sufficient working capital;
- responding to the changing political context of Higher Education in Wales;
- securing commitments made in the Wales Pledge and
- robustly managing increases in pension costs.

During 2019-20 the University experienced continued reductions in some income streams but has been taking proactive action to build upon innovative areas of activity with key partners with an emphasis on recruitment to local skills based courses in 2020-21 in partnership with the University of Wales Trinity St David.

Sustainability

The University considers sustainability on of the key risks that it faces, and maintaining financial security.

The primary metric of the University's sustainability is its cash position and projections. Along with a requirement to have sufficient cash reserves to meet its obligations.

The University considers income generation and realisation of this income in cash as the most appropriate method of maintaining sustainability.

Cashflow management involves close management of the monthly cashflow, with regular updates provided to the University Council on performance, including visible risks or opportunities. At both the balance sheet date and the date of signing the accounts the University has no plans to enter into any material additional financial obligations.

The University expects to build upon the cash generation in 2019/20, despite the anticipated relatively short term impact of Covid-19 in 2020/21. It is also felt that the University has sufficient cash reserves at 31 July 2020 and a sensible budget for 2020/21 and 2021/22 that allows it to look at the medium term with confidence that any additional financial impact from Covid-19 that is not within the budget assumptions, can be managed.

OPERATING AND FINANCIAL REVIEW

Going Concern

As outlined in the introduction, in October 2017 both the University of Wales and the University of Wales Trinity Saint David (UWTSD) approved a Deed which delivered on the original policy objective of integrating the two Universities, thus creating a new University for Wales.

The University is confident that continuing progress will be made in the next twelve months to see further integration with UWTSD. In addition new funding streams for the University of Wales Press will be explored to build upon its brand identity and opportunities for integration into UWTSD will be taken forward. Under the above plans the University of Wales would remain as a separate legal entity with reduced powers to see out its obligations to registered students.

Reserves of the University will continue to be applied appropriately to help finance the costs of its current obligations to students and to further invest in forward looking strategies that have already embedded the heritage and services of the University of Wales in the transformed post-merger university. Further work on historical debts will be expedited to maximise cash reserves available to the University moving forward. Appropriate measures will continue to be taken during 2020/21 and 2021/22 to ensure the University balances its budget prior to full constitutional merger. This will include further reviewing the pay and non-pay structures of the University.

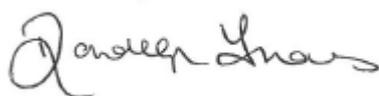
The University has prepared cash flow forecasts to the end of July 2022 that indicate it is able to operate within its currently available financial resources and meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. The forecasts includes new income streams and further cost savings across each area of the University's operations.

Accordingly the Council have deemed it appropriate to use the going concern basis of preparation within these financial statements.

Risk Management / Risk Register

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

Comprehensive procedures are in place and risk registers are updated on a regular basis and monitored by senior management. A report is presented to each meeting of the Audit and Risk Committee.



The Venerable Randolph Thomas

Chair of University Council

University Registry,
King Edward VII Avenue,
Cathays Park,
Cardiff CF10 3NS

STATEMENT OF CORPORATE GOVERNANCE

Governance arrangements

In accordance with the University's Royal Charter, the Council is the governing body of the University and is responsible, through Statute, for approving the strategic plans for the University and for governing and regulating its finances, accounts, investments, property, business and affairs. Its Powers are set out in the University's Statutes and Ordinances. Since 1 August 2017, the administration of governance arrangements has been with UWTSU and there is a common practice across the two universities.

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

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

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

- **Academic Committee**
Established in 2019/20, the Academic Committee provides advice to Council on its determination of the educational character of the University. Amongst other matters, it considers reports on the student experience, the learning environment, international activities and quality assurance.
- **Audit and Risk Committee**
The Audit and Risk Committee oversees audit across the UWTSU Group, with terms of reference that are based on the model terms of reference set out in the *Higher Education Audit Committees Code of Practice* published by the Committee of University Chairs (CUC). The Internal and External Auditors are present at each meeting. The Committee considers audit plans, discusses audit findings and recommendations, and reviews the University's financial statements and accounting policies.
- **Group Scrutiny Committee**
The Group Scrutiny Committee maintains oversight of the subsidiary companies of the University.
- **Nominations and Governance Committee**
The Nominations and Governance Committee is responsible for monitoring Council's corporate governance capability and governance arrangements for the University and the wider UWTSU Group. It monitors the composition and membership needs of the Council and makes recommendations for appointments to committees and other bodies.
- **Remuneration Committee**
The Remuneration Committee determines on an annual basis the salaries, terms and conditions and, where appropriate, the severance conditions of the Vice-Chancellor, Deputy Vice-Chancellors, the Pro Vice-Chancellors and the Clerk to the Council. As part of this process the Committee considers a range of external contextual and comparative measures in determining pay awards as set out in the annual Pay Policy Statement.
- **Resources and Performance Committee**
The Resources and Performance Committee maintains oversight of strategic planning and the financial affairs of the University. It monitors institutional performance in relation to key performance indicators, and reviews financial performance against forecasts, budgets and longer term plans. It also oversees estates, information management and human resources matters for the wider UWTSU Group.

STATEMENT OF CORPORATE GOVERNANCE

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

CUC Higher Education Code of Governance

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

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

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

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

Camm Review of Governance of the Universities in Wales

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

STATEMENT OF INTERNAL CONTROL

As the governing body of the University, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of the strategic plans, aims and objectives of the institution, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Charter and Statutes.

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

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

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

The University has established a robust methodology for evaluating and managing risk on a continuing basis, linked explicitly to the achievement of institutional objectives. The University risk register, which rates the likelihood and impact of identified risks, is maintained and regularly reviewed by the Senior Directorate. Registers are also maintained for discrete major projects and activities. The corporate risk register are considered at each meeting of the Audit and Risk Committee and changes are reported to the Council. The Risk Management Policy and the construction of the risk register were comprehensively reviewed in 2019/20 and proposed revisions were approved by the Council in July 2020. An internal audit of the Group's approach to Risk Management was undertaken in summer 2020 and provided substantial assurance on the adequacy of the control environment and the effectiveness of internal controls.

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

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

STATEMENT OF CORPORATE GOVERNANCE

COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Council is responsible for preparing the consolidated financial statements.

In accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, *the Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the HEFCW. The Council must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the University and of the incoming resources and application of resources, including the income and expenditure of the University for that period.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

In preparing the consolidated financial statements, the Council has confirmed that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- it has carried out a robust assessment of the principal risks and uncertainties facing the institution; and
- the financial statements have been prepared on a going concern basis.

The Council has taken reasonable steps to:

- ensure that there are appropriate financial management controls in place to safeguard public funds as well as funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF UNIVERSITY OF WALES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Going concern

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

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

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

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF UNIVERSITY OF WALES

Other information

The Council is responsible for the other information, which comprises the Operating and Financial Review and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

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

Council's responsibilities

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

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

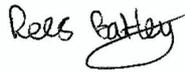
In our opinion, in all material respects:

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

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF UNIVERSITY OF WALES

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

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



Rees Batley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

26 March 2021

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Funding body grants	1	189	189	168	-
Research grants and contracts	2	442	442	542	-
Other income	3	3,055	2,695	4,921	4,545
Investment income	4	132	132	183	183
Total Income before donations		3,818	3,458	5,814	4,728
Donations	5	-	-	3	-
Total Income		3,818	3,458	5,817	4,728
Expenditure					
Staff costs	6	1,955	1,634	4,547	3,228
Fundamental restructuring costs	6	12	12	2	2
Other operating expenses	8	1,238	926	3,201	2,584
Loss on disposal	8a	343	-	1,425	1,425
Depreciation and impairments	9/10	393	255	610	206
Interest and other finance costs	7	96	96	58	58
Total expenditure	8a	4,037	2,923	9,843	7,503
Surplus/(deficit) before other gains(losses)		(219)	535	(4,026)	(2,775)
(Loss)/gain on fixed assets investments	10	(150)	(150)	2	2
(Loss)/gain on endowment investments	10	(316)	(316)	4	2
Surplus/(deficit) for the year		(685)	69	(4,020)	(2,771)
Actuarial gain/(loss) in respect of pension schemes	23	78	78	(1,608)	(1,608)
Total comprehensive income/(expense) for the year		(607)	147	(5,628)	(4,379)
Total comprehensive income/(expense) for the year from					
Continuing operations		192	584	(4,515)	(3,579)
Discontinued operations	8a	(799)	(437)	(1,113)	(800)
		(607)	147	(5,628)	(4,379)
Represented by:					
Endowment comprehensive income/(expense) for the year		(226)	(226)	(964)	(274)
Unrestricted comprehensive income/(expense) for the year		(381)	373	(4,664)	(4,105)
		(607)	147	(5,628)	(4,379)
Surplus/(deficit) for the year attributable to					
University		(38)	535	(3,869)	(2,775)
Non-controlling interest		(181)	-	(157)	-
		(219)	535	(4,026)	(2,775)
Total comprehensive income for the year attributable to					
University		(426)	147	(5,471)	(4,379)
Non-controlling interest		(181)	-	(157)	-
		(607)	147	(5,628)	(4,379)

The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

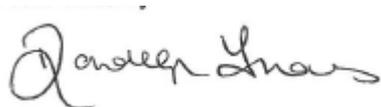
Consolidated	Income and Expenditure Account			Investment Revaluation Reserve £'000	Total Excluding Non- Controlling Interest £'000	Non- Controlling Interest £'000	Total £'000
	Endowment	Restricted	Unrestricted				
	£'000	£'000	£'000				
Balance at 1 August 2018	6,400	570	(481)	1,866	8,355	(497)	7,858
Surplus/(deficit) from the income and expenditure statement	(964)	-	(2,908)	2	(3,870)	(157)	(4,027)
Other comprehensive income	-	-	(1,602)	-	(1,602)	-	(1,602)
Transfers between revaluation reserve and I&E Account	-	-	503	(503)	-	-	-
Release of restricted funds spent in year	-	(570)	570	-	-	-	-
Total comprehensive income for the year	(964)	(570)	(3,437)	(501)	(5,472)	(157)	(5,629)
Balance at 1 August 2019	5,436	-	(3,918)	1,366	2,884	(654)	2,231
Surplus/(deficit) from the income and expenditure statement	(226)	-	(128)	(150)	(504)	(181)	(685)
Other comprehensive income	-	-	78	-	78	-	78
Transfers between revaluation reserve and I&E Account	-	-	75	(75)	-	-	-
Release of endowment funds in year	(350)	-	350	-	-	-	-
Total comprehensive income/(expense) for the year	(576)	-	375	(225)	(426)	(181)	(607)
Movements in relation to subsidiary disposal	-	-	(181)	-	(181)	834	653
Balance at 31 July 2020	4,860	-	(3,724)	1,141	2,277	-	2,277

University	Income and Expenditure Account			Investment Revaluation Reserve £'000	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000		
Balance at 1 August 2018	4,732	570	(979)	1,831	6,154
Surplus/(deficit) from the income and expenditure statement	(274)	-	(2,503)	2	(2,775)
Other comprehensive income	-	-	(1,604)	-	(1,604)
Transfers between revaluation reserve and I&E Account	-	-	494	(494)	-
Release of restricted funds spent in year	-	(570)	570	-	-
Impairment of subsidiary investments	-	-	(724)	-	(724)
Total comprehensive income for the year	(274)	(570)	(3,767)	(492)	(5,103)
Balance at 1 August 2019	4,458	-	(4,746)	1,340	1,052
Surplus/(deficit) from the income and expenditure statement	(226)	-	445	(150)	69
Other comprehensive income	-	-	78	-	78
Transfers between revaluation reserve and I&E Account	-	-	75	(75)	-
Release of endowment funds in year	(350)	-	350	-	-
Total comprehensive income/(expense) for the year	(576)	-	948	(225)	147
Group transfer	978	-	77	26	1,081
Balance at 31 July 2020	4,860	-	(3,721)	1,141	2,281

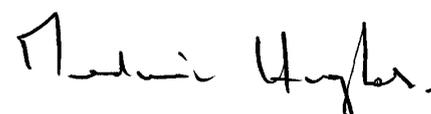
CONSOLIDATED AND UNIVERSITY STATEMENTS OF FINANCIAL POSITION (Charity Number: 1146516)

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Tangible Fixed assets	9	1,649	1,649	2,205	1,294
Investments	10	4,497	4,497	5,485	4,562
		6,146	6,146	7,690	5,856
Current assets					
Stock	12	115	115	121	106
Trade and other receivables	13	712	712	1,607	1,324
Cash and cash equivalents	19	1,696	1,696	505	505
		2,523	2,523	2,233	1,935
Less: Creditors: amounts falling due within one year	14	(2,416)	(2,412)	(2,238)	(2,072)
Net current assets/(liabilities)		107	111	(5)	(137)
Creditors: amounts falling due after more than one year	15	-	-	(786)	-
Provisions					
Pension provisions	23	(222)	(222)	(1,137)	(1,137)
Pension obligation to defined pension scheme	23	(3,754)	(3,754)	(3,496)	(3,496)
Other provisions	16	-	-	(34)	(34)
Net assets		2,277	2,281	2,232	1,052
Restricted Reserves					
Income and expenditure reserve - endowment reserve	17	4,860	4,860	5,436	4,458
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(3,724)	(3,720)	(3,917)	(4,746)
Revaluation reserve	18	1,141	1,141	1,366	1,340
Non-controlling interest	11	-	-	(654)	-
Total Reserves		2,277	2,281	2,232	1,052

The financial statements were approved by the Governing Body on 24 March 2021 and were signed on its behalf on that date by



The Venerable Randolph Thomas (Chair)



Prof Medwin Hughes (Vice-Chancellor)

Registered Charity No: 1146516

The notes on page 26 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Cash flow from operating activities			
Deficit for the year		(685)	(4,020)
Adjustment for non-cash items			
Depreciation	9	296	386
Investment income	4	(132)	(183)
Increase/(decrease) in stock	12	(8)	23
Decrease/(increase) in debtors	13	866	(390)
Increase/(decrease) in creditors	14	270	(154)
Decrease) in other provisions	16	(34)	-
USS Pension costs	6	(934)	708
UWSS Pension costs	6	258	253
Profit on sale of fixed asset		-	163
Transfer of Gregynog Assets and liabilities		-	673
Loss on disposal of CBM Ltd	8a	343	-
Interest payable	7	96	58
Adjustment for NCI result		(181)	-
Net cash inflow/(outflow) from operating activities		155	(2,483)
Cash flows from investing activities			
Disposal of non-current asset investments	10	75	923
Disposal of endowment asset investments	10	350	1,016
Investment income	4	42	80
Endowment income	4	90	103
Fair value decrease/(increase) in investments	10	466	(6)
Impairment of investment assets	10	97	224
Net cash inflow from investing activities		1,120	2,340
Cash flows from financing activities			
Repayment of finance lease		(85)	(85)
		1,191	(228)
Increase/(decrease) in cash and cash equivalents in the year	19	1,191	(228)
Cash and cash equivalents at beginning of the year		505	733
Cash and cash equivalents at end of the year		1,696	505

STATEMENT OF ACCOUNTING POLICIES

a. **Basis of preparation**

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

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

b. **Basis of consolidation**

The consolidated financial statements consists of the financial statements of the University and its subsidiary companies, Awen Wales Limited for the financial year 31 July 2020 and UW Centre for Advanced Batch Manufacture Limited for the period 1 August to 1 July 2020. Intra-group transactions have been eliminated fully on consolidation. The subsidiary company, The Centre for Advanced Welsh and Celtic Studies, was dissolved in 2019/20.

c. **Going Concern**

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

With net current assets of £107k as at 31 July 2020, a deficit for the year then ended of £685k and operating cash inflows for the year of £1.2m the financial statements are prepared on a going concern basis which the senior management and Council believe to be appropriate for the following reasons.

The University has a clear strategic financial plan to deliver cash surpluses from operations and are implementing this. The strategic financial plan has 3 key components. These are:

1. Securing further integration of activities with the University of Wales Trinity Saint David which will generate cash efficiencies moving forward.
2. Acknowledging the needs and demand for more flexible learning models and of those adults not currently in Higher and Further education noted in the Augar review and developing local delivery models with established partners to address these.
3. Recognising the growing demand of international educational institutions for a presence in the UK higher education market and developing strategic alliances and partnerships to grow income in this area.

The University has developed plans to continue to deliver surpluses and positive cash inflows in future years. The University's budget for the next financial year to 31 July 2021, set in July 2020 and revised in November 2020, targeted a surplus before other gains of £260K and an increase in cash and cash equivalents of £165K for the year.

The Council has also prepared cashflow forecasts to the end of July 2022, taking account of reasonably possible downsides, the University and its subsidiaries will have sufficient funds to meet their liabilities as they fall due for that period.

The overall cash position of the University is positive at 31 July 2020 at £1.7m and its forecast for 2020/21 and 2021/22 shows sufficient cash resources to meet its obligations as they fall due.

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

STATEMENT OF ACCOUNTING POLICIES

d. **Income recognition**

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

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

Grant Funding

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

Donations and Endowments

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

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

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

There are two types of donations and endowments within reserves:

1. 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.
2. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital Grants

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

e. **Accounting for retirement benefits**

The two principal pension schemes for the University's staff, are the Universities Superannuation Scheme (USS) and the University of Wales Superannuation Scheme (UWSS). The schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

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

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk

STATEMENT OF ACCOUNTING POLICIES

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

f. **Employment benefits**

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

g. **Finance Leases**

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

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

h. **Operating Leases**

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

i. **Foreign Currency**

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

j. **Fixed Assets**

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

Land and Buildings

Costs (including irrecoverable VAT costs) incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives up to a maximum of 50 years.

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

STATEMENT OF ACCOUNTING POLICIES

Equipment

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

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

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

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

Borrowing costs

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

k. **Investments**

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

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

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

Investments are shown at market value. It is the University's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising relating to previous years. As a result the Statement of Comprehensive Income does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are treated as changes in the valuation of the investment portfolio throughout the year.

l. **Stock**

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

Stocks of books held by the University of Wales Press are valued at the lower of cost and net realisable value and are written down after two or five years from the date of publication as determined by UW Press management. The cost of journal is written off in the year of publication.

m. **Financial Instruments**

Trade and other debtors/creditors

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

Interest bearing borrowings

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

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

Cash and cash equivalents

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

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

STATEMENT OF ACCOUNTING POLICIES

n. **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

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

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

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

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

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

o. **Accounting for joint ventures and associates**

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

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

p. **Taxation**

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

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

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

q. **Reserves**

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

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

r. **Accounting estimates and judgements – key sources of estimation uncertainty**

Defined benefit pension scheme assumptions

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

NOTES TO THE ACCOUNTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
6 Staff costs				
Salaries	1,993	1,744	2,882	1,859
Social security costs	211	186	246	138
Movement on USS provision	(934)	(934)	708	708
Movement on UWSS obligation	258	258	253	253
Other pension costs	427	380	458	270
	1,955	1,634	4,547	3,228

Emoluments of the Vice-Chancellor

The post of Vice Chancellor and Chief Executive is held by the Vice Chancellor of University of Wales: Trinity St. David who is employed by that institution and not by the University of Wales. In recognition of the services provided by the Vice-Chancellor and Chief Executive the University reimbursed University of Wales: Trinity St. David the sum of £59,600 in 2019-20 towards the basic salary and associated pension costs of the post. (2018-19 contribution: 58,400). This amount represented 20% of the Vice-Chancellor's salary. These costs are recognised in other operating expenses and not within staff costs.

Emoluments of the Vice-Chancellor paid by the University of Wales : Trinity St David

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

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

	Year ended 31 July 2020 No.	Year ended 31 July 2019 No.
£150,000 to £154,999	1	1
	1	1

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

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

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Key management personnel remuneration	505	473
	No.	No.
Key management personnel	5	5

NOTES TO THE ACCOUNTS

6 Staff costs (continued)

	Year ended 31 July 2020	Year ended 31 July 2019
	No.	No.
Average staff numbers by:		
Academic departments	16.1	17.3
Non-academic departments	37.6	62.1
	53.7	79.4

Restructuring Costs

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Paid to employees on termination of employment	12	12	2	2

Trustees

The University's Council members are the trustees for charitable law purposes. The trustees who served in the year, and up to the signing date of these financial statements are listed on page 3.

Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. Other than the expenses paid in the year referenced below there were no transactions in the year with any members.

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

The total expenses paid to or on behalf of 15 council members was £1k (2019: £2k to 15 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity

NOTES TO THE ACCOUNTS

6 Staff costs (continued)

Vice-Chancellor Remuneration Statement

The ratio of the salary of the Vice Chancellor compared to the median average of the University is 6.9:1 (6.5:1 for the University of Wales : Trinity St David) and the ratio of the total remuneration of the Vice Chancellor compared to the median average of the University is 7.5:1 (6.5:1 for the University of Wales : Trinity St David).

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

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

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

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

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

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

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Interest and other finance costs				
Net charge on USS pension scheme	18	18	11	11
Net charge on UWSS pension scheme	78	78	47	47
	96	96	58	58

NOTES TO THE ACCOUNTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Analysis of other operating expenses by activity				
Academic and related expenditure	423	423	775	570
Administration and central services	201	199	227	221
Premises	166	166	455	324
Residences, catering and conferences	-	-	616	616
Other services and expenses	449	138	1,128	853
	1,238	926	3,201	2,584

Other operating expenses include:

External auditor's remuneration in respect of audit services:

Audit related assurance services –	Consolidated	£26,000	University	£24,000
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	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8a Discontinued operations				
Fixed assets disposal	260	-	585	585
Investments transfer	-	-	782	782
Stock transfer	14	-	26	26
Debtors transfer	29	-	90	90
Cash transfer	-	-	2	2
Creditors transfer	(92)	-	-	-
LT Creditors transfer	(702)	-	(60)	(60)
Reversal of Non-Controlling Interest Reserve	834	-	-	-
(Gain)/loss on disposal	343	-	1,425	1,425
Funding Council grants	189	189	1,170	1,170
Research grants and contracts	442	442	541	541
Other income	390	30	451	79
Less				
Staff costs	(1,302)	(980)	(1,888)	(1,677)
Operating expenses	(353)	(91)	(1,176)	(853)
Depreciation	(165)	(27)	(211)	(60)
Deficit for the year	(799)	(437)	(1,113)	(800)

In 2019-20 control of CBM Ltd was transferred to UWTSO on 1 July 2020. The loss on the disposal amounted to £343k as detailed above. The income and expenditure attributable to this discontinued operation is also detailed above. The figures for 2019-20 are for the 11 months to 30 June 2020 whilst the prior year comparators are for the full year.

In 2019-20 the activities at CAWCS was transferred to UWTSO on 1 July 2020. The income and expenditure attributable to this discontinued operation is also detailed above. The figures for 2019-20 are for the 11 months to 30 June 2020 while the prior year comparators are for the full year.

In 2018-19 The Gregynog Estate was transferred to an independent charitable trust being The Gregynog Trust (Charity No 1180943) under a Business Transfer Agreement signed on 21 June 2019. The loss on the disposal of the estate amounted to £1,425k as detailed above. The income and expenditure attributable to this discontinued operation is also detailed above. The figures for 2018-19 are for the period 1 August 2018 to 21 June 2019.

NOTES TO THE ACCOUNTS

	Fixed Asset Investments £'000	Endowment Investments £'000	Other investments £'000	Total £'000
10 Non-current investments				
Consolidated				
At 1 August 2019	1,774	3,711	-	5,485
Additions	-	-	-	-
(Decrease)/increase in market value	(150)	(316)	-	(466)
Disposals	(75)	(350)	-	(425)
Impairments	(31)	(66)	-	(97)
At 31 July 2020	1,518	2,979	-	4,497

	Fixed Asset Investments £'000	Endowment Investments £'000	Other investments £'000	Total £'000
University				
At 1 August 2019	1,745	2,817	-	4,562
Additions	-	-	-	-
(Decrease)/increase in market value	(150)	(316)	-	(466)
Group transfer	29	894	-	923
Disposals	(75)	(350)	-	(425)
Impairments	(31)	(66)	-	(97)
At 31 July 2020	1,518	2,979	-	4,497

11 Other Investments**Consolidated – International University Malaya-Wales**

The University owns 100% of the issued share capital of £1 ordinary shares of Awen Wales Limited, a company, registered in England and Wales and operating in the U.K. Through the company, as at 31 July 2020, the University had taken up 7% of a maximum 40% investment in the International University Malaya-Wales, a joint venture initiative between the University of Malaya and the University of Wales. This investment amount is £224,000 but has been fully impaired in a prior year.

University – UW Centre for Advanced Batch Manufacture Ltd

At the 31st July 2019 the University had a 51% holding in the UW Centre for Advance Batch Manufacturing Ltd, the company undertakes research and consultancy to develop industrial specific solutions for SMEs. On the 1st July 2020 the University disposed 200,000 A shares to University of Wales Trinity St David for nil consideration and acquired of 200,000 B shares from University of Wales Trinity St David for nil consideration. The increase in A shares, which have voting rights, give the University of Wales Trinity St David the controlling interest in the company and at which point its assets and liabilities were removed from the University of Wales' group balance sheet. At the date of disposal the University held an investment in this company to the value of £1.327m which has been fully impaired in a prior year.

NOTES TO THE ACCOUNTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
12 Stock				
Books for resale	110	110	102	101
Other	5	5	19	5
	115	115	121	106

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
13 Trade and other receivables				
Amounts falling due within one year:				
Research grants receivable	41	41	29	-
Trade debtors	621	621	1,515	1,262
Prepayments and accrued income	-	-	10	9
Icelandic bank deposits	50	50	53	53
	712	712	1,607	1,324

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
14 Creditors: amounts falling due within one year				
Obligations under finance leases (note 15)	-	-	85	-
Trade creditors	933	929	606	578
Social security and other taxation payable	86	86	97	97
Receipts in advance	184	184	171	171
Accruals and deferred income	215	215	281	228
Welsh Church Act balances	998	998	998	998
	2,416	2,412	2,238	2,072

The Welsh Church Act balances represent those amounts held on the Capital and Revenue Accounts of the Beneficiaries Funds. These balances are distributed in arrears to the beneficiaries under the Welsh Church Acts; namely the university institutions at Aberystwyth, Bangor, Cardiff and Swansea (3/16ths each), the University of Wales itself and the National Library of Wales (1/8th each). The balance due to the University itself is shown as deferred income. The funds are also held to cover the current and future administration costs and are distributed to the benefactors at the discretion of the Trustees and are therefore disclosed as a short term creditor.

NOTES TO THE ACCOUNTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Creditors: amounts falling due after more than one year				
Obligations under finance leases	-	-	222	-
Unsecured loans	-	-	564	-
	-	-	786	-

The unsecured loan was held in UW Centre for Advanced Batch Manufacture and was due to University of Wales; Trinity St David. This was eliminated with the disposal of controlling interest in 2019/20 (see note 11).

	Consolidated £'000	University £'000	2019 Total £'000
16 Provision for liabilities			
At 1 August 2019	34	34	34
Utilised in year	(34)	(34)	-
At 31 July 2020	-	-	34

The provision at 1 August 2019 recognised a contracted redundancy payment.

	Restricted permanent endowment £'000	Unrestricted permanent endowment £'000	2020 Total £'000	2019 Total £'000
17 Endowment funds				
Consolidated				
Restricted net assets relating to endowments are as follows:				
Balance at 1 August				
Capital	2,728	114	2,842	3,851
Accumulated income	2,594	-	2,594	2,549
	5,322	114	5,436	6,400
New endowments	-	-	-	-
Investment income	87	3	90	103
Expenditure	-	-	-	(55)
Disposals	(350)	-	(350)	(1,016)
Increase/(decrease) in market value of investments	(307)	(9)	(316)	4
Total endowment comprehensive income for the year	(570)	(6)	(576)	(964)
Balance at 31 July	4,752	108	4,860	5,436

NOTES TO THE ACCOUNTS

	Restricted permanent endowment £'000	Unrestricted permanent endowment £'000	2020 Total £'000	2019 Total £'000
17 Endowment Funds (continued)				
University				
Restricted net assets relating to endowments are as follows:				
Balance at 1 August				
Capital	1,878	114	1,992	2,303
Accumulated income	2,466	-	2,466	2,429
	4,344	114	4,458	4,732
New endowments	-	-	-	-
Group transfer	978	-	978	-
Investment income	87	3	90	67
Expenditure	-	-	-	(27)
Disposals	(350)	-	(350)	(316)
Increase/(decrease) in market value of investments	(307)	(9)	(316)	2
Total endowment comprehensive income for the year	(570)	(6)	402	(274)
Balance at 31 July	4,752	108	4,860	4,458

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
18 Fixed asset investments				
Balances at 1 August	1,366	1,340	1,866	1,831
New endowments	-	-	-	-
Group transfer	-	26	-	-
Investment income	-	-	-	-
Expenditure	-	-	-	-
Disposals	(75)	(75)	(503)	(494)
Increase/(decrease) in market value of investments	(150)	(150)	3	3
Total fixed asset comprehensive income for the year	(225)	(199)	(500)	(491)
Balance at 31 July	1,141	1,141	1,366	1,340

	At 31 July 2020 £'000	Cashflow £'000	At 1 August 2019 £'000
19 Cash and cash equivalents			
Current assets	(29)	1,191	(1,220)
Endowment reserves	1,725	-	1,725
Consolidated	1,696	1,191	505
University	1,696	1,191	505

NOTES TO THE ACCOUNTS

20 Intercompany Transactions

The company has taken advantage of the disclosure exemptions of 100% owned related party transactions under FRS102.

The transactions with related parties that are not 100% owned by the group are disclosed below:

University of Wales Trinity St David is deemed a related party in that it has key management personnel in common with the University - Balances : £12,923 receivable (2019: £181,394), £131,930 payable (2019: £314,973) Total income £1,467,682 (2019: £412,987) Total expenditure £750 (2019: £932)

University of Wales Trinity St David's utilises the DTC and CAWCS buildings, which are owned by the University of Wales. No consideration is received by the University for the use of these buildings.

UW Centre for Advanced Batch Manufacture Limited is a related party in that it is a subsidiary company that the University had a controlling interest in until 1 July 2020. During the year the University provided further financing of £Nil (2019: £156,000) into the subsidiary, bringing the total investment by the University to £1,374,000, as disclosed in note 11 to the accounts.

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

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

21 Contingent Liabilities

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

The University is a member of UMAL, a company limited by guarantee, formed to provide a mutual association for insurance risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their prorated share, spread using an internal loan facility over seven years.

22 Non adjusting Post Balance Sheet Events

There have been no material events in the period between 31st July 2020 and the signing of the accounts on the 24 March 2021.

NOTES TO THE ACCOUNTS

23 Pension schemes**University of Wales Superannuation Scheme (UWSS)**

The University sponsors the University of Wales Superannuation Scheme, a funded defined benefit pension scheme in the UK. The scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by independent trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

The Scheme is a registered scheme under UK legislation and is subject to the scheme funding requirements.

The Scheme was established from 1 August 1978 under trust and is governed by the Scheme's trust deed and rules dated 12 March 1999.

Active members of the Scheme paid contributions at the rate of 8% of pensionable salary and the University pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates. The University also makes contributions in respect of death-in-service costs and administration expenses.

The Scheme exposes the University to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Scheme does not expose the University to any unusual Scheme-specific or Sponsor-specific risks.

The most recent formal actuarial valuation of the Scheme was as at 31 July 2019. The liabilities at the reporting date have been calculated by updating the results of the formal actuarial valuation of the Scheme for the assumptions as detailed in these disclosures. Allowance has been made for expected mortality over the period, as well as actual movement in financial conditions since the valuation date.

Such an approach is normal for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Scheme at the accounting date and those included in the disclosures.

The valuation as at 31 July 2019 revealed a funding deficit of £609,000. In the Recovery Plan dated 29 October 2020 the University agreed to pay contributions of £50,000 per annum. These contributions are payable in equal annual instalments and are due to be paid by each 31 July with the first payment made on or before 31 July 2021 and the final payment to be made on or before 31 July 2026. This recovery plan makes allowances for a contribution of £50,000 which was made in October 2019.

The University also pays contributions of 27.60% per annum (reducing to 20.0% with effect from 1 December 2020) of Pensionable Salaries to meet the cost of future accrual of benefits for active members of the Scheme, in line with the Schedule of Contributions dated October 2020. The expenses of running the scheme will be paid directly by the University from 1 December 2020.

The contributions paid by the University are reviewed every 3 years as part of each formal actuarial valuation. The Scheme's next actuarial valuation is due at 31 July 2022.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members approximately over the next 85 years. The average duration of the liabilities is approximately 22 years.

An actuarial valuation was carried out as at 31 July 2019. The preliminary results of that valuation have been projected to 31 July 2020 with allowance for payroll and benefit information and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

NOTES TO THE ACCOUNTS

University of Wales Superannuation Scheme (UWSS) (continued)

The amounts recognised in the statement of financial position are as follows:

	31 Jul 2020	31 Jul 2019
	£'000	£'000
Defined benefit obligation	(12,949)	(13,062)
Fair value of plan assets	9,195	9,566
Net defined benefit liability	(3,754)	(3,496)
Restriction on asset recognised	-	-
Net amount recognised at year end (before adjustment for deferred tax)	(3,754)	(3,496)

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in profit or loss. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	31 Jul 2020	31 Jul 2019
	£'000	£'000
Service cost:		
Current service cost (net of employee contributions)	189	295
Administration expenses	254	123
Loss/(gain) on scheme introductions, changes, curtailments and settlements – GMP equalisations	-	67
Net interest expense/(credit)	78	47
Charge/(credit) recognised in the profit or loss	521	532
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in net interest expense)	147	(139)
Actuarial (gains)/losses	(225)	1,747
Adjustment for restrictions on the asset recognised	-	-
Charge/(credit) recorded in other comprehensive income	-	1,608
Total defined benefit cost/(credit)	443	2,140

NOTES TO THE ACCOUNTS

University of Wales Superannuation Scheme (UWSS) (continued)

The principal actuarial assumptions were:

	31 July 2020	31 July 2019
Liability discount rate	1.35%	2.15%
Inflation assumption – RPI	2.80%	3.35%
Inflation assumption – CPI	2.00%	2.45%
Rate of increase in salaries	3.25%	3.70%
Revaluation of deferred pensions:		
All pension	2.00%	2.45%
Increases in pension payment:		
Post 88 GMP	1.90%	2.20%
Pre 6 April 1997 in excess of GMP	2.00%	2.45%
Post 6 April 1997	2.80%	3.30%
Proportion of employees commuting maximum tax free cash	50.00%	50.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end	85.8	87.1
Female aged 65 at year end	88.2	89.3
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end	86.7	88.2
Female aged 45 at year end	89.4	90.5

	Assets £'000	Liabilities £'000	Total £'000
Reconciliation of scheme assets and liabilities:			
At start of period	9,566	(13,062)	(3,496)
Benefits paid	(395)	395	-
Administrative expenses	(254)	-	(254)
Current service cost	-	(189)	(189)
Contributions from employer	185	-	185
Contributions from employees	39	(39)	-
Interest income/(expense)	201	(279)	(78)
Return on assets (excluding amount included in net interest expense)	(147)	-	(147)
Actuarial gain/(losses)	-	225	225
Gain/(loss) on plan introductions and changes – GMP equalisation	-	-	-
Gain/(loss) on curtailments	-	-	-
Assets distributed/liabilities extinguished on settlements	-	-	-
Assets acquired/liabilities assumed in a business combination	-	-	-
At end of period	9,195	(12,949)	(3,754)

NOTES TO THE ACCOUNTS

University of Wales Superannuation Scheme (UWSS) (continued)

	31 July 2020 £'000	31 July 2019 £'000
The major categories of scheme assets:		
Interest income	201	251
Return on scheme assets	(147)	139
Total return on scheme assets	<u>54</u>	<u>390</u>

	31 July 2020 £'000	31 July 2019 £'000
The major categories of scheme assets are as follows:		
UK Equities	161	1,380
Overseas Equities	3,578	2,987
Corporates	-	379
Gilts	-	1,138
Index Linked	1,741	16
Property	-	92
Alternative Assets	-	3,162
Diversified growth fund	3,655	-
Cash	50	412
Total market value of assets	<u>9,195</u>	<u>9,566</u>

The Scheme has no investments in the University or in property occupied by the University.

If the discount rate was 0.1 percent higher (lower), the Scheme liabilities would decrease by £283k (increase by £293k) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the Scheme liabilities would increase by £277k (decrease by £253k). In this calculation all assumptions related to the inflation assumptions have been appropriately adjusted, that is the salary growth, deferred pension increases and pension in payment increases. The other assumptions remained unchanged.

If the rate of salary increases was 0.1 percent higher (lower), the Scheme liabilities would increase by £27k (decrease by £27k) if all the other assumptions remained unchanged.

If life expectancies were to increase by 1 year, the Scheme liabilities would increase by £656k, if all the other assumptions remained unchanged.

NOTES TO THE ACCOUNTS

USS

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

The total cost charged to the Consolidated Statement of Comprehensive Income is £934k (2019: cost £708k) including PensionChoice, but excluding the impact of the change in the deficit recovery plan.

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

USS (continued)

The current life expectancies on retirement at age 65 are:

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

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

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

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

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

2020 Valuation

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

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

Consolidated and University	31 July 2020	31 July 2019
	£'000	£'000
Opening deficit	(1,138)	(418)
Current service cost	(278)	(291)
Change in deficit reduction plan assumptions	910	(732)
USS Pension cost in the Consolidated and University Statements of Comprehensive Income	(632)	(1,023)
Net interest cost	(18)	(11)
Contribution by the university	302	314
Closing deficit	(222)	(1,138)