

Norwich University of the Arts

Report and Consolidated Financial Statements

Year ended 31 July 2016

Norwich University of the Arts

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Strategic Review Year to 31 July 2016

Status and Context

Norwich University of the Arts (NUA) is a specialist arts University providing a range of art, design, architecture and media courses at both undergraduate and postgraduate level from its city centre campus in the heart of Norwich.

The University is an independent specialist institution, sharing this status with a number of other Higher Education institutions in England and Scotland that specialise in arts, design and media.

Our Vision and Core Values

Our Vision is to be the best specialist university for Arts, Design and Media in Europe, producing graduates of the highest quality.

Central to our Vision are the following Core Values. We are committed to:

1. Achieving excellence in learning, teaching and the wider student experience, to give our students the best possible preparation for their future lives and careers.
2. The continuous development of our curriculum and our academic portfolio, to meet the changing needs of students, the creative and cultural sectors, and society.
3. Excellence in research, consultancy and other forms of professional and business engagement, to promote innovation, enterprise and the development of knowledge and skills.
4. The development of our staff, estate and physical resources, as the bedrock of a professional and supportive academic community, and with equality, diversity and environmental sustainability to the fore.
5. Growth and development of the University, to build the organisation's long-term sustainability and strengthen our impact.

We will fulfill our Vision through the Strategic Priorities detailed in our Strategic Plan, which covers the period 2014-19. These are:

1. Strengthening our Academic Community
2. Consolidating our Curriculum at all Levels
3. Stimulating New Creative Businesses
4. Establishing our International Profile
5. Building Partnerships and Collaborations

Finance Strategy

The Finance Strategy sets out the financial aims and objectives required to support the achievement of the overall Vision, Core Values and Strategic Priorities, taking into account the current financial position and the fundamental changes occurring in the sector.

The four overarching aims are:

1. To ensure continued financial sustainability;
2. To maintain effective and appropriate governance and internal controls;
3. To ensure that NUA's financial resources and assets are effectively managed;

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4. To promote efficiency and value-for-money.

Financial Sustainability

The University is financially sustainable and has a healthy current level of cash reserves. These levels are necessary for us to operate within the uncertain climate for the sector and its funding in the future. The University must ensure that, as we grow our student numbers and the breadth of our activity, we invest in the quality of our student experience and the scale and quality of our estate and our resources. This will require further substantial investment in buildings, staff and equipment and therefore that we ensure that the liquid reserves are available in order to meet these requirements.

Progress and future outlook

Progress towards achieving our Strategic Priorities and Finance Strategy aims is monitored against milestones, and we report on progress against these milestones to the Governing Body on a regular basis. Overall, our primary focus will continue to be on maintaining our strong Home/EU undergraduate recruitment while increasing our other income streams. Applications through UCAS for the 2016 cycle increased by 8% compared to 2015, with the 2015 figure also being an 8% increase on the previous year. This compares to sector-wide increases of 0.1% in 2016 and 2% in 2015. Meanwhile, applications from international students for 2016 remained steady, against a sector wide drop of 2%. We have introduced new undergraduate courses for 2016 in Interior Design and additional Year 0 pathways in Film & Moving Image Production and Games Art & Design, while our curriculum has been enhanced with the introduction of a new Award and Credit Scheme. Meanwhile, our estate has undergone significant improvement over the past year with new spaces provided for courses, additional student accommodation and the opening of our Ideas Factory^{NUA} Incubation Centre. The latter, which includes a User Experience (UX) Laboratory, funded in partnership with the New Anglia Local Enterprise Partnership (LEP), is a significant step in our development of the digital creative economy and new digital creative businesses within greater Norwich.

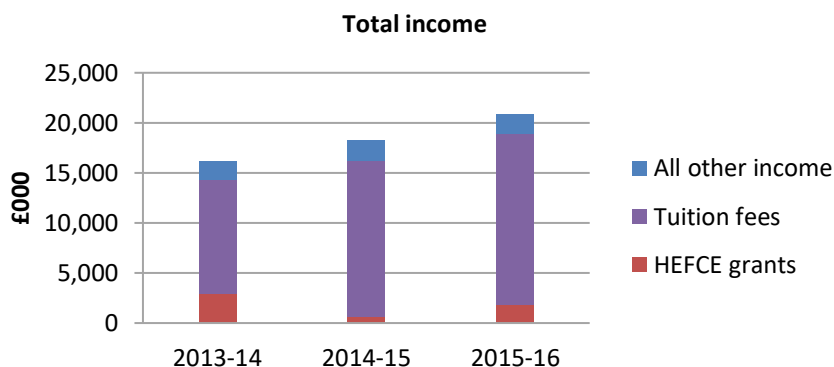
Review of Performance 2015/16

We have recorded a higher surplus than in 2014/15. Income has increased by 14%, year-on-year, and expenditure by 13%.

	2016 £'000	¹ 2015 £'000
Income	20,844	18,231
Expenditure	(16,020)	(14,157)
Surplus for the year	4,824	4,074

Income

The movements within income over the past three years are summarised below:



¹ Restated under FRS102

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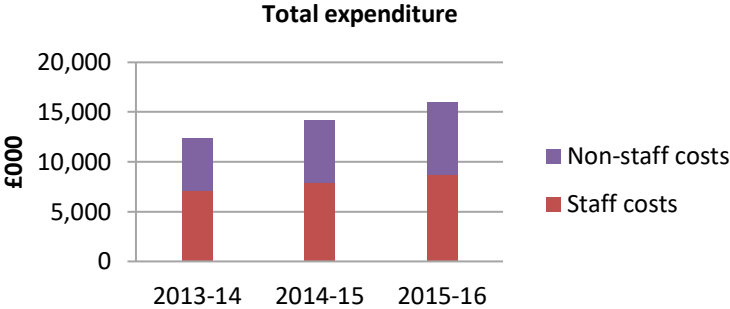
The rise in Tuition fee income in 2015/16 reflected a 6% increase in our total student cohort, with most of this increase at undergraduate level.

Our HEFCE grant income rose because we did not incur any penalties for over-recruitment in this year. In 2014/15, the last year in which the Student Number Control applied, we accrued a penalty for over-recruitment of £1,167k.

'All other income' fell slightly because we no longer offered rooms at one of our smaller student residences, now that we have a new 228 room accommodation (All Saints Green). This accommodation is owner-managed with an exclusive nominations agreement. This reduction in income is partially offset by an increase in research grant funding, including the final year of funding from a three year EU Horizon 2020 funded project.

Expenditure

The movements within expenditure over the past three years are summarised below:



The 11% increase in Staff costs in 2015/16 reflected new substantive posts, both within academic and professional services departments to support our growing undergraduate cohort, along with inflationary and incremental rises in salary costs and increases in our employer pension contributions.

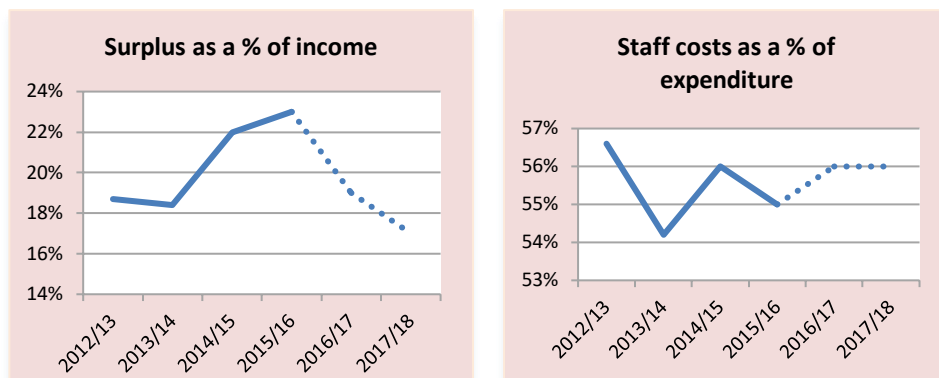
Non-staff costs rose by 16% compared to 2014/15, most significantly because of additional estates costs, notably the non-capital fit-out costs for our newly refurbished Cavendish House and Boardman House buildings, and alterations to the entrance to our St Georges building. We also incurred additional running costs and a higher depreciation charge from autumn 2015 as we started to use Cavendish House and Boardman House.

Net assets as at 31 July 2016

Our net assets increased by £3.8m to £24.7m at 31 July 2016. This reflected our operating surplus of £4.8m being partially offset by an actuarial loss on our LGPS valuation of £1.0m.

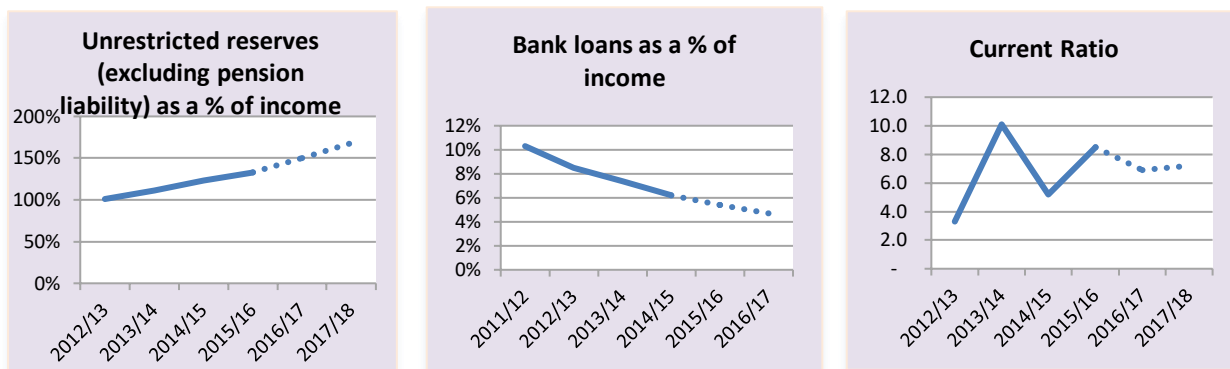
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Key Performance Indicators



The surplus (as a percentage of income) achieved in 2015/16 of 23% was slightly above the percentage achieved in 2014/15 of 22%, because income rose at a higher rate than expenditure, for the reasons described above. In later years, as modelled expenditure increases at a greater rate than income, our surpluses are forecast to fall. However, in all years, we are forecasting a surplus above the average for the sector of 5.8% (2014/15).

The percentage of our staff costs as a proportion of our total expenditure was 55% in 2015/16, which was lower than in 2014/15 because our non-staff expenditure rose at a greater rate than staffing costs, for the reasons described above. The % is modelled to rise again in 2016/17 to 56% and stay at that level in the following year, remaining close to the sector average (for 2014/15) of 55%.



The level of our Unrestricted reserves (excluding our pension liability) as a percentage of our income has increased to 133%, because of the surplus achieved during the year; we have forecast further increases in the next two years because of our modelled surpluses. All years compare favourably to the sector average (for 2014/15) of 67%.

Bank loans as a percentage of income remain low when compared to the 2014/15 sector average of 28%. We are paying off the current loan of £1.5m over 20 years and are not forecasting a requirement for any further loan financing at present.

In all of the past few years our Current ratio has remained consistently above the sector average, with the latter being 1.6 in 2014/15. The lower ratios at the end of 2012/13 and 2014/15 were because of unusually high capital expenditure around the year-end which temporarily increased our creditor balance within Current Liabilities.

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Non-financial indicators

	Performance	Benchmark
Overall satisfaction (National Student Survey)	79%	82%
Graduate employability (DLHE)	95%	93%
Undergraduate student retention	94%	91%

Our overall satisfaction score in the 2016 National Student Survey was 79%, which was at a lower level than the previous three years, when our performance was above the benchmark figure and we were the highest rated specialist arts institution in the UK in all three years. The potential reasons for the lower percentage in 2016 are under review. The percentage of our 2015 graduates finding employment or going onto further study within six months of graduation was above the benchmark, as was our retention rate of 94%.

Physical infrastructure and capital developments

Our Estates Strategy for the period 2010-2020 sets out our aim to maintain an attractive, cohesive and financially sustainable environment to support the provision of high quality teaching, learning and research. We deliver this through an integrated approach to capital investment, maintenance and space utilisation. The specialist nature of our art, design, architecture and media courses require a high level of costly resource, with digital technology, in particular, fast changing and requiring considerable investment to remain at professional, industry standards.

During the last year we have completed the refurbishment of our Boardman House building, which provides additional space for our Architecture and media courses, particularly in Film & Moving Image Production, VFX and Games Art & Design.

The renovation of our Cavendish House building to create our Ideas Factory^{NUA} Incubation Centre was completed in autumn 2015. The aim of the centre is to create an environment where early stage digital creative business can flourish, with the support of the NUA infrastructure and community. The project was substantially funded through a capital grant of £1.56m from the HEFCE Catalyst Fund, with a further £200k contributed by the New Anglia LEP. The building also houses a UX (User Experience) lab, designed to research digital creative work with consumers, which was also part funded by the HEFCE Catalyst Fund and the New Anglia LEP.

Since the start of 2015/16, we have had exclusive nomination rights to a brand new 228 room purpose-built student accommodation building in the city centre. This has helped to ensure that we meet growing demand for high quality accommodation from our increasing student population.

Treasury management and Reserves

The University's Treasury Management Policy supports the establishment of appropriate cash resources, investment of surplus funds for best return and the management of investment risk.

Our Balance Sheet and the related Key Performance Indicators show that we have built up an acceptable level of liquid resources over recent years. We have a strong level of reserves and relatively modest bank borrowing when compared to the rest of the sector. We believe that this level of liquid reserves is required in future in order that we continue to enhance the quality and scale of our estate and maintain our specialist resources at a high level of specification.

We do not anticipate liquidity issues over the next few years, despite the year end weighted payment profile of tuition fee income from the Student Loans Company, and we do not anticipate the need for any further bank borrowing. Nevertheless, our cash flows will continue to be closely monitored. It is the University's policy to pay invoices promptly once they have been appropriately authorised - payment runs are scheduled every fortnight in order to achieve this.

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Risks

Our approach to risk management is outlined in the Statement of Corporate Governance.

Our most significant financial risks relate to changes in government policy and threats to our long-term financial sustainability:

Firstly there is a risk that changes in government policy on funding and tuition fee levels result in a drop in real income. In order to sustain our recruitment we ensure that our course offer continues to be innovative and of high quality. We are pleased to see that recruitment data for 2016 is again positive and includes students enrolling on our new BA in Interior Design and new Year 0 pathways in Film & Moving Image Production and Games Art & Design. We are gradually increasing our international student community and continue to build our non-teaching income through externally funded research grants and our Ideas Factory^{NUA}.

Secondly, there is a risk that we are not sustainable in the long-term if we fail to generate adequate surpluses to sustain reserves and meet required continued capital investment. With minimal capital funding available from HEFCE, we must now generate sufficient surpluses to fund capital investment ourselves. Whilst working to sustain our income as detailed above, the likelihood of further cuts to our HEFCE grant, in particular for widening access and retention funding, along with other market pressures, means that there is a real risk that staff costs and other elements of our cost base increase at higher rates than fee and other income inflation. In that regard, we welcome the proposals to allow fees to be increased by inflation under the Teaching Excellence Framework from 2017/18 for those institutions demonstrating high quality teaching. We continue to monitor our staffing levels closely, however, some aspects of staffing costs, such as the nationally negotiated pay award and changes to employer pension contribution rates, are largely out with our control.

Employee and Student Involvement

The University places considerable value on the involvement of its employees and on good communication with them. Staff are encouraged to participate in formal and informal consultation at university and course level, often through the membership of formal committees.

A staff development budget provides for technical and general training for all staff.

Academic staff are encouraged to acquire professional recognition for their teaching by attaining fellowship status of the Higher Education Academy (HEA). This is done through two routes; more experienced staff are supported in their application to become an Associate Fellow, Fellow or Senior Fellow of the HEA, while those staff who are at an earlier stage of their career are encouraged to study for our in-house Postgraduate Certificate in Higher Education Art, Design, Architecture & Media (PGCert HE ADAM), which when completed also provides them with either Associate Fellowship or Fellowship status of the HEA.

Student involvement is encouraged via membership of student forums and the Student Representatives structure; there are regular meetings held with members of the Senior Management Team. The Students' Union President is a member of Senate and of the Governing Body.

Health and Safety

We take the health and safety of our students and staff very seriously. During the year there were 5 incidents involving students and 1 involving a member of staff. All of these were minor in nature and none required RIDDOR reporting.

Health and safety risks are mitigated with training and induction for staff and students, risk assessments for all buildings and activities, the provision of guidance on good practice and on-going review at management and senior management levels.

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Equality & Diversity

The University is committed to promoting diversity and equality of opportunity for all staff and students. This commitment informs the University's Single Equality Scheme, the purpose of which is to ensure no unlawful discrimination and harassment, promote equality of opportunity, provide a working and learning environment founded on equality and dignity and to communicate and engage across the equality strands with the university community.

Environmental sustainability

The University is committed to ensuring that all our operations and activities are conducted with regard for the environment and with a view to reducing our impact on it. We seek to make the most effective and efficient use of resources, encouraging all University staff and students to develop sustainable practices.

Our aims are to:

- Reduce the environmental impact of the University
- Integrate environmental and sustainable principles into operational procedures and teaching and learning activities
- Monitor and regularly review our environmental performance

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Public Benefit Statement

Norwich University of the Arts is a Higher Education Corporation with Exempt Charitable status under the Charities Act 2011. In setting out this Public Benefit Statement and in exercising its powers or duties, the Governing Body has referred to the Charity Commission's guidance on public benefit and particularly to its supplementary public benefit guidance on the advancement of education, through promoting, sustaining and increasing individual and collective knowledge and understanding in the study, skills acquisition and expertise in creative art, design and media subject areas.

Charitable Objects

The University is a Higher Education Institution established under Section 121 of the Education Reform Act 1988, with powers to provide higher and further education and to carry out and publish results of research. Under the provisions of this Act, the University is governed by the Norwich University of the Arts Council (the Governing Body) which is responsible for the determination of the educational character and mission of the institution.

The aims and objectives of the University are set out in the Strategic Plan 2014-19 (available on the University's website).

Beneficiaries

The students of the University are the primary beneficiaries and the University is committed to the advancement of their education through the delivery of high quality courses that equip our students with specialist knowledge, skills, attributes and expertise to prepare them for employment in the creative industries, as professional practitioners, or for further study. Along with students, other beneficiaries include employers and businesses in the creative industries sector as well as school children and alumni of the University who are able to attend educational events organised by the University or use its academic facilities; the general public are also able to attend various events at the University such as the exhibitions in our EAST Gallery ^{NUA} and the end-of-year degree shows.

Advancement of Teaching and Research

The University delivered a range of undergraduate and taught postgraduate courses in art, design, architecture and media subjects during the year. Employability and business skills acquisition are integrated throughout the curriculum. The Ideas Factory ^{NUA} offers opportunities for students to engage with businesses, charities or other organisations in providing creative solutions for use in the real world. These live projects enable students to gain valuable experience of professional practice before they graduate.

The University also supported postgraduate research degree students during the year. These students undertake a research training programme to develop their generic and subject-based professional skills in areas such as publication, intellectual property and career planning.

Widening participation

The University welcomes students from a diverse range of backgrounds and previous educational and professional experiences, with approximately 40% of students coming from low income backgrounds, and around 30% of our students registered as having a disability requiring some form of additional support. We encourage applications from all those who wish to develop their creative practice in the context of the University. Applicants are assessed on their potential to succeed on their chosen course based on their portfolio of work and interview. Details of the application process and course requirements are published in our prospectus and can be accessed from the University website. We aim to ensure that no talented student be prevented from applying to the University, or from completing the course while they are with us. This includes the provision of a generous bursary package, a hardship fund which provides grants and emergency loans for those students suffering financial hardship, and the co-ordination of a number of widening access and student

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success activities, to enhance the progression and achievements of under-represented groups in Higher Education.

Wider Community

The Ideas Factory^{NUA} creative consultancy service has worked with a number of different organisations during the past year, notably Norfolk Museum Service, Baxter Healthcare and Aviva. The commissions which we have undertaken across a diverse range of course areas have been well received by external clients. The consultancy service is also extended to charities and this year we have worked with Norfolk Lowland Rescue Service to create a short documentary film which has formed the centrepiece of their fundraising campaign through social media.

We have extended our commercial Art for Hire scheme to new professional clients this year, and more companies have made use of University facilities as part of our Facilities Hire operation. The opening of the Ideas Factory Business Centre has attracted several commercial hires, and the facility has been widely used since opening in November by creative industry groups from the region, national groups, such as Creative Industries Federation and blue chip organisations who have partnered with us on CSR initiatives such as Deutsche Bank.

The University's Vice-Chancellor chairs the Digital Creative Industries Development Group on behalf of the LEP. This is a partnership between Norfolk & Suffolk for the development of the infrastructure to support the growth in digital creative businesses in the region and provide strategic direction for their development. In the past year we have opened the Ideas Factory Incubation programme which offers specialist support to early stage creative businesses. In the year 2015-16, 27 graduate jobs were created through the programme across 23 new businesses. The centre also houses a UX lab which enables the testing of digital design on multiple platforms. The facility has already been used by SMEs in the region, and is being promoted through a series of free training sessions for regional organisations.

The University hosts and supports regional creative industry collaboration groups such as 'Hot Source' and SyncNorwich, both of which provide essential networking opportunities for the digital creative industries.

The East Gallery^{NUA} at Norwich University of the Arts has a highly regarded reputation for its annual programme of exhibitions and events. It is at the heart of the cultural life of the University and the city, and attracts a wide national and international audience, hosting an exciting range of exhibitions of national and international standing, including 'Extra Terrestrial: Tess Jaray and Alison Wilding', 'Fierce Light' with the Norfolk and Norwich Festival and British Art Show 8. The British Art Show is the biggest touring exhibition of contemporary art in the UK. It was the first time that this important exhibition had shown in the East and the University was the lead partner. At NUA the exhibition was shown at East Gallery^{NUA} and St Georges building, and over the 11 week run of the exhibition these 2 venues welcomed thousands of visitors and offered a wide range of related events for the general public and a special programme of activities for community groups with low engagement with the arts.

Fundraising

The University keeps in regular contact with its alumni, and will sometimes ask for donations to support the charitable aims of the University. This fundraising activity is undertaken by university staff only, and is not sub-contracted to professional fundraising companies. Fundraising staff receive appropriate training and are required to adhere to the highest ethical standards, as detailed in the University's fundraising code of practice, to ensure that no one is put under undue pressure to donate to the University, or is subject to an unreasonable intrusion of their privacy. The University has not received any complaints about its fundraising activities.

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Statement of Corporate Governance

Introduction

The University is an independent Higher Education Corporation established under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government, the current version of which was approved by the Privy Council in December 2012, when the University changed its name to Norwich University of the Arts.

The University endeavours to conduct its business in accordance with the seven Principles identified by the Nolan Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

The University complies with the Higher Education Code of Governance, as issued by the Committee of University Chairs. This compliance includes full disclosure of the Register of Interests of pecuniary, family or other personal interests of members of the Governing Body.

The University is committed to exhibiting best practice in all aspects of corporate governance. The following summary is provided to enable readers of the Financial Statements of the Norwich University of the Arts to obtain a better understanding of the governance and legal structure of the institution.

The Governing Body

The Articles of Government require the University to have a Council (referred to as the Governing Body) and a Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Governing Body is responsible for the finance, property and staffing of the institution. It is specifically required to determine the University's educational character and mission and to set its general strategic direction.

The principal responsibilities of the Governing Body are set out in its Statement of Primary Responsibilities as follows:

1. To determine the mission, educational character and strategic vision of the institution, the long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the Governing Body itself.

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6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Clerk to the Governing Body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution with direct responsibility for Strategic Management Group appointments and to be responsible for establishing a human resources strategy upon which the University relies to inform HR practice and procedure.
11. To be the principal financial and business authority of the institution, to ensure that proper books of accounts are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

The Governing Body has a majority of independent members, chosen in line with strict criteria contained in the legislation. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and provision for representatives of the staff and of the student body. No members of the Governing Body will receive any reimbursement for the work which they do for the Council.

Subject to the overall responsibility of the Governing Body, the Senate has oversight of the academic affairs of the University and is composed mainly of staff and students of the institution. It is particularly concerned with the maintenance of academic standards, the planning and management of academic policy and resource planning.

The Vice-Chancellor has a general responsibility to the Governing Body for the organisation, direction and management of the University. Under the terms of the formal Memorandum of Assurance & Accountability between the University and the Higher Education Funding Council, the Head of the institution (the Vice-Chancellor) is its accountable officer, and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

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Although the entire Governing Body meets four times each academic year much of its detailed work is initially handled by sub committees, in particular those described below. The minutes of the meetings of these Committees are formally reported to the Governing Body.

The Finance and Resources Committee meets at least three times a year. It recommends to the Governing Body the University's annual revenue and capital budgets, and monitors performance in relation to the approved budgets.

The Audit Committee meets at least three times a year, with the University's internal auditors in attendance. In addition, external auditors normally attend at least two of those meetings. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings as necessary, they are not members of the Committee. The Committee meets the internal and external auditors on their own for independent discussions.

The Remuneration and Personnel Committee meets at least once each year. The Committee recommends to the Governing Body policies and procedures relating to the remuneration of staff, including the setting of the remuneration of the most senior staff, and other pertinent matters including the consideration of strategic human resources strategy, employee relations matters affecting the University and equality and diversity.

The Nominations Committee considers nominations for independent and co-opted vacancies in the Governing Body membership in accordance with the Instrument and Articles and of Government. The Committee advises the Governing Body on the balance of membership and period of tenure in accordance with the needs of the University. The Committee makes recommendations to the Governing Body on the renewal of membership following the expiry of a term of office and for each variable membership category for the determination of numbers for the forthcoming year.

A significant proportion of the membership of these committees consists of independent and co-opted members of the Governing Body. The Chair is selected from the co-opted and independent members serving on the committees.

As chief executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The members of the Strategic Management Group contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

The University maintains a Register of Interests of members of the Governing Body, which may be consulted by arrangement with the Clerk to the Governing Body. During the year, an external consultant acted as Clerk to the Governing Body, and in that capacity provided independent advice on matters of governance to all the Governing Body members.

Internal Control

The University's Governing Body is responsible for maintaining a sound system of internal control which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Body in the Articles of Government and the Memorandum of Assurance & Accountability with the Higher Education Funding Council of England.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

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Risk Management

The Governing Body is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks. A risk management framework and procedures, approved by the Governing Body, has been in place for the year ended 31 July 2016 and up to the date of approval of the annual accounts. The policy and procedures identify principal risk management responsibilities and the risk management structure through which risks have been identified, monitored, managed and mitigated.

This process is regularly reviewed by the Governing Body via the Audit Committee, and accords with the internal control guidance for directors in the UK Corporate Governance Code as deemed appropriate for higher education.

The Governing Body has ensured that its meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year.

Risk management has been fully incorporated into the corporate planning and decision making processes of the University. The Strategic Management Group receives regular reports from area managers setting out key performance and risk indicators, and including progress reports on existing projects.

Review of controls

The University has retained internal auditors who operate to standards defined in the HEFCE Audit Code of Practice, and whose work was last reviewed for effectiveness by the HEFCE Assurance Review in March 2010. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Charitable and Taxation Status

Norwich University of the Arts is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is not liable to Corporation Tax.

NUA Business Limited is subject to Corporation tax in the same way as any commercial organisation.

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Professional Advisors & Trustees of the Governing Body

Professional Advisors

External Auditors	KPMG LLP
Internal Auditors	RSM
Bankers	Lloyds Bank Barclays Bank Scottish Widows
Solicitors	Howes Percival Leathes Prior Mills & Reeve

Trustees

The trustees who served on the Governing Body during the year were as follows. The dates for those trustees who did not serve for the entire period between the start of the financial year and the date that the financial statements were formally approved are provided.

Mr S Bartram (to 31 October 2016)
Ms R Bird (from 1 November 2016)
Mr G Brewerton (from 1 November 2016)
Mr R Ellis
Mr P Fieldsend-Danks (to 31 July 2016)
Mr A Grimbley
Mr J Hobbs
Mr Mark Jeffries (from 1 January 2016)
Ms N Jenkins
Professor J Last (Vice-Chancellor)
Mrs L McGillivray
Mr A McMenemy
Ms N Nannar
Mr P Norton
Ms V Trevelyan
Ms F Wall (to 31 October 2016)
Professor M Wayman (Chair)
Professor A Westwood (from 1 October 2015)
Ms H Cook (Students' Union President from 1 August 2015 to 31 July 2016)
Ms X Levantis (Students' Union President from 1 August 2016)

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Statement of the Responsibilities of the Governing Body – Financial Statements

In accordance with the University's Articles of Government, the Governing Body is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice 2015 – 'Accounting for Further and Higher Education' and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance & Accountability agreed between the Higher Education Funding Council for England and the Governing Body, the Governing Body, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Governing Body is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

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

Norwich University of the Arts

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, senior staff of academic and professional services areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- termly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Resources Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and whose head provides the Governing Body with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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

Professor M Wayman
Chair

Date: 18 November 2016

Norwich University of the Arts

Independent Auditor's Report to the Governing Body of Norwich University of the Arts

We have audited the financial statements of Norwich University of the Arts for the year ended 31 July 2016 consisting of the Consolidated Statement of Comprehensive Income and Expenditure, the University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated Balance Sheet, the University Balance Sheet, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including *FRS 102*, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Governing Body, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of Responsibilities of the Governing Body set out on pages 15 and 16, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Norwich University of the Arts

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Articles of Government
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

Stephanie Beavis
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Dragonfly House
2 Gilders Way
Norwich
NR3 1UB

Date: 18 November 2016

Norwich University of the Arts

Consolidated Statement of Comprehensive Income and Expenditure Year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	(Restated) Year ended 31 July 2015 £'000
INCOME			
Tuition fees and education contracts	2	17,095	15,588
Funding body grants	3	1,800	630
Research grants and contracts	4	137	76
Other income	5	1,389	1,555
Investment income	6	412	375
Donations and endowments	7	11	7
Total Income		20,844	18,231
EXPENDITURE			
Staff costs	9	8,721	7,885
Other operating expenses	11	5,813	5,252
Depreciation	13	1,053	761
Interest and other finance costs	8	261	251
Total Expenditure		15,848	14,149
Surplus before other gains and losses		4,996	4,082
Gain/(loss) on disposal of fixed assets		(172)	(8)
Surplus before tax		4,824	4,074
Taxation	12	-	-
Surplus for the year		4,824	4,074
Actuarial gain/(loss) in respect of pension schemes	24.2	(1,019)	(544)
Total Comprehensive income for the year		3,805	3,530
Represented by:			
Endowment Comprehensive income for the year		-	-
Restricted Comprehensive income for the year		-	-
Unrestricted Comprehensive income for the year		3,805	3,530
		3,805	3,530

The income and expenditure of the Group relates wholly to continuing operations.
The notes on pages 25 – 45 form part of these financial statements.

Norwich University of the Arts

University Statement of Comprehensive Income and Expenditure Year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	(Restated) Year ended 31 July 2015 £'000
INCOME			
Tuition fees and education contracts	2	17,095	15,588
Funding body grants	3	1,800	630
Research grants and contracts	4	137	76
Other income	5	1,381	1,533
Investment income	6	412	375
Donations and endowments	7	11	7
Total Income		20,836	18,209
EXPENDITURE			
Staff costs	9	8,721	7,885
Other operating expenses	11	5,806	5,230
Depreciation	13	1,053	761
Interest and other finance costs	8	261	251
Total Expenditure		15,841	14,127
Surplus before other gains and losses		4,995	4,082
Gain/(loss) on disposal of fixed assets		(172)	(8)
Surplus before tax		4,823	4,074
Taxation	12	-	-
Surplus for the year		4,823	4,074
Actuarial gain/(loss) in respect of pension schemes	24.2	(1,019)	(544)
Total Comprehensive income for the year		3,804	3,530
Represented by:			
Endowment Comprehensive income for the year		-	-
Restricted Comprehensive income for the year		-	-
Unrestricted Comprehensive income for the year		3,804	3,530
		3,804	3,530

The income and expenditure of the University relates wholly to continuing operations.
The notes on pages 25 – 45 form part of these financial statements.

Norwich University of the Arts

Consolidated and University Statement of Changes in Reserves

Group

	Income and expenditure account		Revaluation	Total
	Endowments	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000
Balance at 1 August 2014 (restated)	21	13,070	4,314	17,405
Surplus/(deficit) from the income and expenditure account	-	4,074	-	4,074
Other comprehensive income	-	(544)	-	(544)
Transfers between revaluation reserve and Income and expenditure account	-	120	(120)	-
Balance at 1 August 2015 (restated)	21	16,720	4,194	20,935
Surplus/(deficit) from the income and expenditure account	-	4,824	-	4,824
Other comprehensive income	-	(1,019)	-	(1,019)
Release of restricted funds	(1)	1	-	-
Transfers between revaluation reserve and Income and expenditure account	-	147	(147)	-
Total comprehensive income for the year	(1)	3,953	(147)	3,805
Balance at 31 July 2016	20	20,673	4,047	24,740

University

	Income and expenditure account		Revaluation	Total
	Endowments	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000
Balance at 1 August 2014 (restated)	21	13,179	4,314	17,514
Surplus/(deficit) from the income and expenditure account	-	4,074	-	4,074
Other comprehensive income	-	(544)	-	(544)
Transfers between revaluation reserve and Income and expenditure account	-	120	(120)	-
Balance at 1 August 2015 (restated)	21	16,829	4,194	21,044
Surplus/(deficit) from the income and expenditure account	-	4,823	-	4,823
Other comprehensive income	-	(1,019)	-	(1,019)
Release of restricted funds	(1)	1	-	-
Transfers between revaluation reserve and Income and expenditure account	-	147	(147)	-
Total comprehensive income for the year	(1)	3,952	(147)	3,804
Balance at 31 July 2016	20	20,781	4,047	24,848

Norwich University of the Arts

Consolidated Balance Sheet as at 31 July 2016

	Notes	Year ended 31 July 2016 £'000	(Restated) Year ended 31 July 2015 £'000
Non-Current assets			
Fixed assets	13	19,437	17,663
Investment Property	14	2,830	2,830
		<u>22,267</u>	<u>20,493</u>
Current assets			
Stocks		47	52
Trade and other receivables	15	776	479
Short term investments	16	10,021	7,000
Cash at bank and in hand	23	4,942	5,424
		<u>15,786</u>	<u>12,955</u>
Creditors: amounts falling due within one year	17	<u>(1,871)</u>	<u>(2,540)</u>
Net current assets		13,915	10,415
Total assets less current liabilities		36,182	30,908
Creditors: amounts falling due after one year	18	(4,393)	(4,314)
Provisions			
Pension provision	24	(6,937)	(5,548)
Other provisions	19	(112)	(111)
		<u>(7,049)</u>	<u>(5,659)</u>
TOTAL NET ASSETS		<u>24,740</u>	<u>20,935</u>
Restricted Reserves			
Income and expenditure reserve - endowments	20	20	21
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		20,673	16,720
Revaluation reserve		4,047	4,194
		<u>24,720</u>	<u>16,914</u>
TOTAL FUNDS		<u>24,740</u>	<u>20,935</u>

The Financial Statements on pages 19 - 45 were approved by the Council on 18 November 2016 and were signed on its behalf by:

Prof. M Wayman Chair

Prof. J Last Vice-Chancellor

A Robson Deputy Vice-Chancellor

The notes on pages 25 to 45 form part of these financial statements.

Norwich University of the Arts

University Balance Sheet as at 31 July 2016

	Notes	Year ended 31 July 2016 £'000	(Restated) Year ended 31 July 2015 £'000
Non-current assets			
Fixed assets	13	19,437	17,663
Investment Property	14	2,830	2,830
Investment in Subsidiaries	14	-	-
		<u>22,267</u>	<u>20,493</u>
Current assets			
Stocks		47	52
Trade and other receivables	15	907	610
Short term investments	16	10,021	7,000
Cash at bank and in hand		4,916	5,391
		<u>15,891</u>	<u>13,053</u>
Creditors: amounts falling due within one year	17	<u>(1,868)</u>	<u>(2,529)</u>
Net current assets		14,023	10,524
Total assets less current liabilities		36,290	31,017
Creditors: amounts falling due after one year	18	(4,393)	(4,314)
Provisions			
Pension provision	24	(6,937)	(5,548)
Other provisions	19	<u>(112)</u>	<u>(111)</u>
TOTAL NET ASSETS		<u>24,848</u>	<u>21,044</u>
Restricted Reserves			
Income and expenditure reserve - endowments	20	20	21
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		20,781	16,829
Revaluation reserve		<u>4,047</u>	<u>4,194</u>
TOTAL FUNDS		<u>24,848</u>	<u>21,044</u>

The Financial Statements on pages 19 - 45 were approved by the Council on 18 November 2016 and were signed on its behalf by:

Prof. M Wayman Chair

Prof. J Last Vice-Chancellor

A Robson Deputy Vice-Chancellor

The notes on pages 25 to 45 form part of these financial statements.

Norwich University of the Arts

Consolidated Cash Flow Statement for the year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	(Restated) Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		4,824	4,074
Adjustments for			
Depreciation	13	1,053	761
Decrease / (increase) in stock		5	(5)
(Increase) / decrease in debtors	15	(297)	(65)
(Decrease) / increase in creditors	17	(387)	811
Increase/(decrease) in restructuring provision	19	1	(2)
Net charge on pension scheme		370	285
Adjustment for investing or financing activities			
Investment income		(361)	(352)
Interest payable		59	60
Deferred capital grants released to income		(189)	(98)
Loss on disposal of fixed assets		172	8
Net cash flow from operating activities		5,250	5,477
Cash flows from investing activities			
Investment income		361	352
Payments made to acquire fixed assets		(3,473)	(4,341)
Deferred capital grants received/applied		524	1,788
New deposits		(3,021)	9
		(5,609)	(2,192)
Cash flows from financing activities			
Interest paid		(59)	(60)
Repayments of amounts borrowed		(64)	(60)
		(123)	(120)
(Decrease) / increase in cash and cash equivalents in the year		(482)	3,165
Cash and cash equivalents at the beginning of the year	23	5,424	2,259
Cash and cash equivalents at the end of the year	23	4,942	5,424

Norwich University of the Arts

Notes to the Accounts

1. Accounting policies

Going Concern

The Governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of Norwich University of the Arts to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval of the financial statements. The Governors have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future and believe that the University is well placed to manage its activities successfully and is able to meet its liabilities as and when they fall due. Thus they continue to adopt the going concern basis of accounting in preparing annual financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the 2015 Statement of Recommended Practice (SORP): 'Accounting for Further and Higher Education' and in accordance with Financial Reporting Standards (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets).

Basis of consolidation

The consolidated financial statements include the University and its subsidiary company, NUA Business Limited. All financial statements are made up to 31 July 2016. Intra-group transactions and balances are eliminated fully on consolidation.

The consolidated financial statements do not include the results of the University's Students' Union as it is a separate entity over which the University has no significant control or influence.

Recognition of income

Tuition fees represent student fees received and receivable attributable to the current accounting period. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

Income from research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Endowment and Investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred to Restricted Reserves, Income and expenditure reserve - endowments.

Norwich University of the Arts

1. Accounting policies continued

Capital grants

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

Donations and Endowments

Unrestricted donations

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

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

- 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 institution
- 2) Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income
- 3) 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

Pension schemes

Retirement benefits to employees of the University are provided by the Local Government Pension Scheme (LGPS) and the Teachers Pensions Scheme (TPS). These are defined benefit schemes which are externally funded.

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries. Further information can be found in note 24 to the financial statements.

Defined Benefit schemes

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

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Norwich University of the Arts

1. Accounting policies continued

Fixed assets

a) Land and buildings

All land and buildings owned at 31 July 1998 were revalued at that date by a firm of independent chartered surveyors. Premises on the main Norwich site, inherited from the local education authority, were valued at depreciated replacement cost. Other premises acquired before 31 July 1998 were valued at open market value. Any buildings purchased after that date have been included at cost.

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

Freehold land is not depreciated. Freehold and leasehold buildings at 31 July 1998 are depreciated in accordance with specific advice given by professional chartered surveyors. The average annual rate of depreciation currently applied to buildings is 3.6%. Enhancement to buildings is depreciated on a straight line basis over estimated life as follows:

Freehold buildings	40 years
Enhancements to buildings (Freehold)	20 years
Enhancements to buildings (Leasehold)	the lesser of 20 years or remaining period of the lease

Any impairment in value caused by a clear consumption of economic benefits are charged to the income and expenditure account as are any other impairments of revalued fixed assets to the extent that they are not covered by surpluses arising on prior valuations.

b) Fixtures, Fittings and Equipment

Fixtures, fittings and equipment costing less than £1,000 per item or group of items are written off to the income and expenditure account in the period of acquisition. Other equipment with an expected life of more than one year is capitalised at cost.

Fixtures, fittings and equipment are depreciated on a straight line basis over their useful economic life as follows:

Cabling/ducting, boilers	15 years
Computer (IT) equipment	3 years
Other fixtures, fittings and equipment	5 years

c) Motor Vehicles

Motor vehicles are capitalised and depreciated on a straight line basis over their useful economic life. This is considered to be 4 years.

d) Assets in the course of construction

Assets in the course of construction are accounted for at cost based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Norwich University of the Arts

1. Accounting policies continued

Maintenance of premises

The University has a rolling maintenance programme which is reviewed on an annual basis. The cost of all maintenance is charged to the income and expenditure account as incurred. Expenditure which extends the useful life of an asset or enhances an asset is capitalised.

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.

Investments

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are included in the balance sheet at fair value.

Fixed asset investments which are not listed on a recognised stock exchange are carried at market value. Current asset investments are carried at the lower of cost and net realisable value.

Finance leases

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

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

Operating leases

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

Service concession arrangements

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

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete or slow-moving items. Consumable items are charged directly to the income and expenditure account.

Foreign currency translation

Monetary assets denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period.

Norwich University of the Arts

1. Accounting policies continued

Taxation status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 is partially exempt in respect of Value Added Tax, as its main activity is the supply of education which is an exempt supply for the purposes of VAT. Accordingly, it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on supplies and services received is included in the related costs in the financial statements. It is also added to the cost of tangible fixed assets as appropriate.

NUA Business Limited is subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred taxation is accounted for at expected tax rates on all timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is not discounted.

Provisions

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

Related party transactions

In accordance with the exemption available in section 33.1A, details of intra group transactions are not disclosed where the subsidiary is 100% owned.

Cash and cash equivalents

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

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

Reserves

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

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

Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 27.

Norwich University of the Arts

2. Tuition fees and education contracts

	Group and University	
	Year ended	Year ended
	31 July 2016	31 July 2015
	£'000	£'000
Undergraduate fees (Home & EU)	16,093	14,937
Undergraduate fees (Overseas)	748	425
Postgraduate fees (Home & EU)	202	176
Postgraduate fees (Overseas)	52	50
	17,095	15,588

3. Funding Body grants

	Group and University	
	Year ended	Year ended
	31 July 2016	31 July 2015
	£'000	£'000
Recurrent grant - HEFCE	1,458	507
Other Council grants - HEFCE	166	25
Release of HEFCE Deferred Capital Grants	176	98
	1,800	630

4. Research grants and contracts

	Group and University	
	Year ended	Year ended
	31 July 2016	31 July 2015
	£'000	£'000
Research Charities	15	16
Government (UK and overseas)	122	58
Other	-	2
	137	76

5. Other income

	Group		University	
	Year ended	Year ended	Year ended	Year ended
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	£000	£000	£000	£000
Catering and residence operations	619	851	619	851
Other grant income	40	32	40	32
Other student related income	470	538	470	538
Other income	260	134	252	112
	1,389	1,555	1,381	1,533

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6. Investment income

	Group and University (Restated)	
	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Bank and short term investment income	108	71
Rental income	304	304
	412	375

7. Donations and endowments

	Group and University (Restated)	
	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Unrestricted Donations	11	7

8. Interest payable

	Group and University (Restated)	
	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Net charge on pension scheme (note 24)	203	191
Bank loan interest	58	60
	261	251

9. Staff costs

The average monthly number of persons employed by the Group and the University during the year, expressed as full-time equivalents was:

	Group and University	
	Year ended 31 July 2016	Year ended 31 July 2015
	Number	Number
Academic and Technical staff	125	118
Administrative and Other staff	95	86
	220	204

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9. Staff costs (continued)

Staff costs for the above persons:

	Group and University (Restated)	
	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Wages and salaries	6,845	6,291
Social security costs	563	481
Pension costs (note 24.2)	1,220	986
Restructuring costs	93	127
	8,721	7,885

Key Management Personnel

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

	Group and University	
	Year ended 31 July 2016	Year ended 31 July 2015
	£	£
Key Management Personnel compensation	396,232	381,522

Trustees

Other than the Vice-Chancellor and other members of staff, the members of the Council who act as trustees did not receive any payment from the University other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year ended 31 July 2016 this amounted to £3,414 (4 trustees) (2015: £3,597, 5 trustees).

Due to the nature of the University's operations and the compositions of the Trustees, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a trustee may have an interest. All transactions involving organisations in which a trustee may have an interest are conducted at arms' length and in accordance with the University's Financial Regulations and usual procurement procedures. Details of these transactions can be found in note 26.

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10. Higher paid staff

Remuneration of higher paid staff, other than the Vice-Chancellor, excluding employer's pension contributions:

	Year ended 31 July 2016 Number	Year ended 31 July 2015 Number
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-

The emoluments of the Vice-Chancellor during the year were:

	Year ended 31 July 2016 £	Year ended 31 July 2015 £
Salaries	172,680	167,000
Benefits in kind	1,514	1,468
Sub-total excluding pension contributions	174,194	168,468
Pension contributions	-	-
Total emoluments	174,194	168,468

11. Analysis of total expenditure by activity

	Group		University	
	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Academic and related expenditure	2,997	2,806	2,997	2,806
Administration and central services	597	673	597	673
Premises	1,539	865	1,539	865
Residences, catering and conferences	536	794	536	794
Research grants and contracts	71	35	71	35
Other expenses	73	79	66	57
	5,813	5,252	5,806	5,230

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Other operating expenses include:		
External auditor's remuneration – University		
Audit	21	20
Other services	2	2
External auditor's remuneration – Subsidiary	1	1
Internal auditor's remuneration – Group and University	18	18
Hire of equipment – operating leases	189	129
Hire of premises – operating leases	551	806

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12. Taxation

As stated in note 1 no corporation tax is payable by the University due to its tax status. No corporation tax is payable for the year in respect of NUA Business Ltd.

13. Tangible fixed assets

Group and University	Land and buildings		Equipment	Motor Vehicles	Assets in the course of construction	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2015	15,982	1,398	1,699	5	4,766	23,850
Additions at cost	2,928	-	71	-	-	2,999
Transfers	4,766	-	-	-	(4,766)	-
Disposals	(323)	-	(18)	-	-	(341)
At 31 July 2016	23,353	1,398	1,752	5	-	26,508
Depreciation						
At 1 August 2015	4,439	325	1,418	5	-	6,187
Charge for year	835	58	160	-	-	1,053
Eliminated on disposals	(151)	-	(18)	-	-	(169)
At 31 July 2016	5,123	383	1,560	5	-	7,071
Net book amount						
At 31 July 2016	18,230	1,015	192	-	-	19,437
At 1 August 2015	11,543	1,073	281	-	4,766	17,663

Group	Freehold	Long Leasehold	Equipment	Motor Vehicles	Assets in the course of construction	Total
Cost or valuation is represented by						
Cost	17,547	788	1,752	5	-	20,092
Valuation in 1998	5,806	610	-	-	-	6,416
	23,353	1,398	1,752	5	-	26,508

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13. Tangible fixed assets continued

If tangible fixed assets had not been revalued they would have been included at the following amounts:

Group	Freehold	Long Leasehold	Equipment	Motor Vehicles	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost	17,547	788	1,752	5	-	20,092
Aggregate depreciation based on cost	(3,027)	(292)	(1,560)	(5)	-	(4,884)
Net book amount based on cost	14,520	496	192	-	-	15,208

All land and buildings owned at 31 July 1998 were revalued at that date by a firm of independent chartered surveyors. Premises on the main Norwich site, inherited from the local education authority, were valued at depreciated replacement cost. Other premises acquired before 31 July 1998 were valued at open market value. Any buildings purchased after that date have been included at cost.

Tangible fixed assets have been acquired with the assistance of capital grants from HEFCE which are deemed to be financed from Exchequer funds. Were these assets to be sold, the University, under the terms of the Memorandum of Assurance & Accountability with HEFCE, may be required to surrender £2,851,418 (2014/15: £2,604,568), being the balance of these funds from the sales proceeds.

The East and West Garth buildings in Norwich are the long leasehold premises in the 1998 valuation shown above. The University has user rights in perpetuity as long as the buildings are used for educational purposes. The buildings are being depreciated according to recommendations by a firm of independent chartered surveyors.

14. Investments

Group and University	2016 £'000	2015 £'000
At 1 August and 31 July	2,830	2,830

The carrying value of our investment property is based on purchase price and is considered appropriate given the timeframe and particular circumstances.

University	2016 £	2015 £
Investment in Subsidiary Company at cost	2	2

The University owns 100% of the issued share capital of 2 £1 ordinary shares of NUA Business Limited, a company registered in England and Wales. The principal business of NUA Business Limited is the provision of educational services and associated facilities, and other sundry commercial activities. Its result for the year was a profit of £1,060 with net liabilities of £108,317.

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15. Trade and other receivables

	Group		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Research grants receivable	135	58	135	58
Trade and other receivables	178	93	167	84
Amounts due from subsidiary	-	-	151	140
Other receivables	26	25	20	25
Prepayments and accrued income	437	303	434	303
	776	479	907	610

Included within Other receivables (Group and University) is approximately £9,600 (2015: £9,600) falling due outside one year.

16. Current investments

	Group		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Short term deposits	10,021	7,000	10,021	7,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with between one and ten months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.16% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 180 days. The fair value of these deposits was not materially different from the book value.

17. Creditors: amounts falling due within one year

	Group (Restated)		University (Restated)	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank loan	67	64	67	64
Payments received in advance	51	256	51	256
Trade payables	705	1,226	705	1,221
Other taxes and social security	5	11	5	9
Accruals and deferred income	1,043	983	1,040	979
	1,871	2,540	1,868	2,529

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

	(Restated)	
	2016	2015
Group and University	£'000	£'000
Bank loan	997	1,064
Deferred capital grants	3,396	2,939
Accruals	-	311
Balance at 31 July	4,393	4,314

Analysis of the bank loan:

	Group		University	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Falling due within 1 year	67	64	67	64
Falling due between 1 and 2 years	71	67	71	67
Falling due between 2 and 5 years	236	224	236	224
Falling due outside 5 years	690	773	690	773
	1,064	1,128	1,064	1,128

The unsecured bank loan with Lloyds Bank is repayable in quarterly instalments over 20 years until March 2028, at a fixed rate of 5.33%.

19. Other provisions

Group and University – Restructuring	£'000
As at 1 August 2015	111
Increase in the year	9
Utilised during the year	(8)
At 31 July 2016	112

The restructuring provision relates to an enhanced pension payable to a former Head of the Institution.

20. Income and expenditure Reserve - Endowments

Group and University	Restricted Permanent	Restricted Expendable	Total
	£'000	£'000	£'000
Balance at 1 August 2015			
- Capital	9	12	21
Prizes issued in the year	-	(1)	(1)
Balance at 31 July 2016	9	11	20
Represented by:			£'000
Nic Hughes Memorial Award			10
Noel Spencer Fund			5
Other			5
Balance at 31 July 2016			20

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21. Financial commitments

Rentals payable under operating leases:

	Land and Buildings	Other	Total	Total
	2016	2016	2016	2015
	£'000	£'000	£'000	£'000
Group and University				
Payable during the year ended 31 July 2016	551	189	740	935
Future minimum lease payments due				
Not later than 1 year	551	161	712	687
Later than 1 year and not later than 5 years	1,123	187	1,310	1,532
Later than 5 years	1,809	-	1,809	2,035
	3,483	348	3,831	4,254

22. Capital commitments

At 31 July 2016 the Group had authorised and contracted for commitments for capital expenditure of £nil (2015: £1,518,610).

23. Cash and cash equivalents

	At 1 August 2015	Cash Flows	At 31 July 2016
	£'000	£'000	£'000
Cash at Bank and in Hand	5,424	(482)	4,942
	5,424	(482)	4,942

24. Pension commitments

The University's employees belong to two principal pension schemes, the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme England and Wales (TPS). Both schemes are defined benefit schemes. NUA Business Limited has no employees.

24.1 Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

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24.1 Teachers' Pension Scheme continued

The Teachers' Pensions budgeting and valuation account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with *The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014*.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location: <https://www.teacherspensions>.

Scheme changes

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

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

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

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012.

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24.1 Teachers' Pension Scheme continued

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

The pension costs paid to TPS in the year amounted to £411,051 (2015: £322,251).

24.2 LGPS

The LGPS is a funded scheme, with the assets held in separate trustee administered funds.

The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary using the projected unit method, the last valuation having been in March 2013. The financial assumptions used by the actuary for the purposes of the calculations as required by reporting standard FRS102.28 are as follows:

Assumptions as at	31 July 2016	31 July 2015
	% per annum	% per annum
Rate of increase in salaries	2.9	3.5
Rate of increases in pensions in payment	1.9	2.6
Discount rate	2.4	3.6
Commutation of pension to tax free lump sums	75.0	75.0

*50% for pre-April 2008 service and 75% for post-April 2008 service.

The assumed life expectations on retirement age 65 are:

	31 July 2016	31 July 2015
<i>Current pensioners:</i>		
Males	22.1 years	22.1 years
Females	24.3 years	24.3 years
<i>Future pensioners:</i>		
Males	24.5 years	24.5 years
Females	26.9 years	26.9 years

The assets and liabilities in the scheme were:

Employer Assets	31 July 2016	31 July 2015	31 July 2014
	£'000	£'000	£'000
Equities	8,609	7,392	7,094
Bonds	3,940	3,258	2,327
Property	1,751	1,504	1,330
Cash	292	376	332
Total fair value of assets	14,592	12,530	11,083
Present value of scheme liabilities			
- Funded	(21,426)	(17,965)	(15,695)
- Unfunded	(103)	(113)	(107)
Deficit in the scheme	(6,937)	(5,548)	(4,719)

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24.2 LGPS continued

	31 July 2016	31 July 2015	31 July 2014
The expected rates of return were	2.4%	3.6%	5.7%

The Actuarial Valuation Report states that:

- (i) There is a range of actuarial assumptions which are acceptable under the requirements of FRS102.28, particularly in respect of the expected return on equities. The Actuary considers that these assumptions are within the acceptable range and are thus consistent with the requirements of FRS102.28. The assumed returns are net of administration and investment expenses. No allowance has been included in the cost of accruing benefits for expenses.
- (ii) The Actuary is satisfied that the rolling forward of previous valuation data to 31 July 2016 does not introduce any material distortion in the results provided that the actual experience of the Fund has been broadly in line with the actuarial assumptions.

The following amounts were measured in accordance with the requirements of FRS102.28:

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Analysis of the amount shown in the SOFP		
Scheme assets	14,592	12,530
Scheme liabilities	(21,529)	(18,078)
Deficit in the scheme	<u>(6,937)</u>	<u>(5,548)</u>
Operating charge		
Current service cost	814	665
Past service cost	-	-
Total operating charge	<u>814</u>	<u>665</u>
Analysis of the amount charged to interest payable		
Interest cost	662	642
Expected return on assets	(459)	(451)
Net charge	<u>203</u>	<u>191</u>
Analysis of Other Comprehensive income		
Gain on assets	1,135	578
Experience loss on liabilities	220	111
Loss on liabilities	(2,374)	(1,233)
	<u>(1,019)</u>	<u>(544)</u>

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24.2 LGPS continued

Movement in the University's share of the Scheme's deficit during the year

	31 July 2016	(restated) 31 July 2015
	£'000	£'000
Deficit at 1 August	(5,548)	(4,719)
Current service cost	(814)	(665)
Employer Contributions	641	565
Other finance costs	(203)	(191)
Contributions in respect of unfunded benefits	6	6
Actuarial losses	(1,019)	(544)
Deficit at end of year	(6,937)	(5,548)

Reconciliation of liabilities

	31 July 2016	31 July 2015
	£'000	£'000
Liabilities at start of year	18,078	15,802
Current service cost	814	665
Interest cost	662	642
Contributions by members	220	202
Actuarial losses	2,154	1,122
Estimated unfunded benefits paid	(6)	(6)
Estimated benefits paid	(393)	(349)
Liabilities at end of year	21,529	18,078

Reconciliation of assets

	31 July 2016	(restated) 31 July 2015
	£'000	£'000
Assets at start of year	12,530	11,083
Expected return on assets	459	451
Contributions by members	220	202
Contributions by the employer	641	565
Contributions in respect of unfunded benefits	6	6
Actuarial gains	1,135	578
Estimated unfunded benefits paid	(6)	(6)
Estimated benefits paid	(393)	(349)
Assets at end of year	14,592	12,530

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24.2 LGPS continued

History of Experience gains and losses

	(Restated)				
	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets					
£'000	1,239	655	427	938	(333)
% of assets at end of the year	8.2%	5.2%	3.8%	9.5%	(4.0)%
Experience gains and losses on scheme liabilities					
£'000	220	111	(1,430)	(1)	(115)
% of liabilities at end of the year	1.0%	0.6%	(9.0)%	(0)%	(1.0)%

Sensitivity Analysis

Change in assumptions at year ended 31 July 2016	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	12%	2,559
1 year increase in member life expectancy	3%	646
0.5% increase in the Salary Increase Rate	4%	782
0.5% increase in the Pension Increase Rate	8%	1,722

The pension cost of £642,556 (2015: £565,928) is assessed in accordance with the advice of an independent qualified actuary, and is based on a current contribution rate of 13.5% and a deficit contribution rate of £236,000 per annum. Such actuarial advice indicates that the employer contributions for the year ended 31 July 2017 are expected to be around £667,000.

The total pension cost for the University in the year was:

	2016	2015
	£'000	£'000
Contributions to TPS	411	324
Contributions to LGPS	642	568
LGPS FRS102.28 charge to the Income & Expenditure account	167	94
Total pension cost (Note 9)	1,220	986

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25. Access funds

	2016 £'000	2015 £'000
Funds received in the year	-	-
Funds at 1 August	-	10
Total funds available	-	10
Disbursed to students	-	(10)
Transferred for administration costs	-	-
Balance unspent at 31 July	-	-

Access funds were available solely for students; the University acted only as paying agent. The grants and disbursements were therefore excluded from the Income and Expenditure Accounts.

26. Related party transactions

Subsidiary undertaking

Company	Principal Activity	Status
NUA Business Limited	Education services and other related commercial activities	100% owned

Connected Charitable Institutions

There are no connected charitable institutions requiring disclosure.

Transactions with related parties

The following arms' length transactions took place during the year:

Related Party	Relationship	Description of transactions	Cost
The Forum Trust Ltd	Professor Last and Mr R Ellis are trustees	Room hire and exhibition space	£13,545
Higher Education Statistics Agency	Professor Last is a trustee	Institutional subscription and staff training events	£6,636
GuildHE	Professor Last is a trustee/director	Institutional subscription and conference fee	£23,284
Higher Education Academy	Professor Last is a trustee	Institutional subscription and consultancy	£22,755
University of East Anglia	Mrs L McGillivray is a member of Council	Admission tickets for the Sainsbury Centre for Visual Arts	£420
Norwich Theatre Royal	Mrs A Robson (a member of NUA Key Management Personnel) is a trustee	Brochure advertising	£5,000
Mills and Reeve	Mr M Jeffries is a consultant	Professional advice and online training	£6,203
NUA Students' Union	Ms H Cook / Ms X Levantis Students' Union President	Annual grant	£37,890

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26. Related party transactions continued

Related Party	Relationship	Description of transactions	Income
Mills and Reeve	Mr M Jeffries is a consultant	Sponsorship of the British Art Show 8	£10,000

27. Transition to FRS102 and the 2015 SORP

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

Financial Position

	1 August 2014		31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000
Net assets under 2007 SORP	19,106	19,215	24,225	24,334
Deferred capital grants	(1,585)	(1,585)	(3,140)	(3,140)
Employee annual leave accrual	(116)	(116)	(150)	(150)
Total effect of transition to FRS 102	(1,701)	(1,701)	(3,290)	(3,290)
Net assets under 2015 SORP	17,405	17,514	20,935	21,044

The accruals method has been used for accounting for government grants, which means that the unreleased balance of capital grants has moved from the bottom half of the Balance Sheet to the top half, thereby reducing net assets by the amount above. Under FRS102, an employee annual leave accrual is required. This has been calculated and included within current liabilities.

Financial Performance

	Year ended 31 July 2015	
	Group £'000	University £'000
Surplus for the year under 2007 SORP	4,302	4,302
Employee annual leave accrual	(34)	(34)
Actuarial pension interest charge	(194)	(194)
Total effect of transition to FRS 102	(228)	(228)
Surplus for the year under 2015 SORP	4,074	4,074

The increase in the employee annual leave accrual for the year has been calculated and included above. The actuarial pension interest charge is higher under the new SORP, and the actuarial loss on the LGPS is now included in the Statement of Comprehensive income.