

Norwich University of the Arts

Report and Consolidated Financial Statements

Year ended 31 July 2019

Norwich University of the Arts

Contents	Page
Strategic Review	1
Public Benefit Statement	7
Statement of Corporate Governance	10
Professional Advisors & Trustees of the Governing Body	14
Statement of the Responsibilities of the Governing Body – Financial Statements	15
Independent Auditor’s Report to the Governing Body of Norwich University of the Arts	17
Consolidated Statement of Comprehensive Income and Expenditure	19
University Statement of Comprehensive Income and Expenditure	20
Consolidated and University Statement of Changes in Reserves	21
Consolidated Balance Sheet as at 31 July 2019	22
University Balance Sheet as at 31 July 2019	23
Consolidated Cash Flow Statement for the year ended 31 July 2019.....	24
Notes to the Accounts	25

Norwich University of the Arts

Strategic Review Year to 31 July 2019

Status and Context

Norwich University of the Arts (NUA) is a specialist arts university providing a range of arts, 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;
4. To promote efficiency and value-for-money.

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 Home/EU undergraduate recruitment, while developing our postgraduate and international student numbers and other income streams. We regularly review our portfolio of courses to ensure we respond to shifts in demand; in 2018 we introduced new foundation year options for those studying Photography and Illustration and in 2020 we will introduce new BA awards in Acting and Fashion Marketing & Business, and a foundation year option for all the courses where this is not already offered. We continue to invest in our estate; the major capital project over the next two years will be a purpose-build facility on our campus, which will include a new lecture theatre and student accommodation. Inevitably there is a great deal of uncertainty as negotiations continue on the UK's withdrawal from the EU, and we continue to consider the potential consequences and plan accordingly.

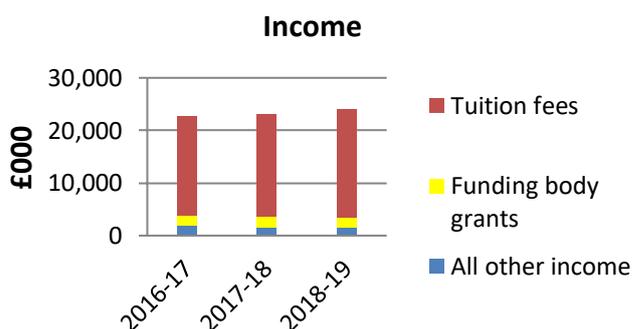
Review of Performance 2018/19

We have achieved a surplus of £4,757k in the year which was higher than that achieved in 2017/18 (£3,913). This is further explained below.

	2019	2018
	£'000	£'000
Income	24,064	23,121
Expenditure	(19,307)	(19,208)
Surplus for the year	4,757	3,913

Income

The principal income categories over the past three years are summarised below:



Income rose by £0.9m in 2018/19.

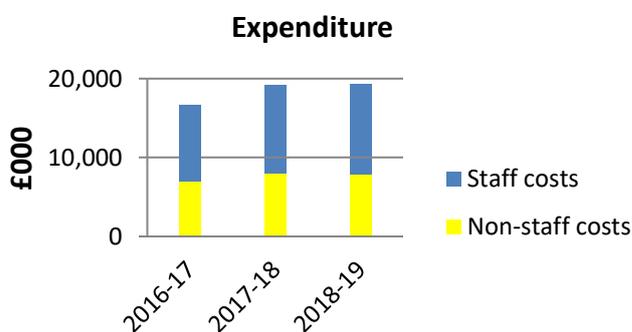
The rise in Tuition fee income of £1.0m reflected a 3% increase in overall student full-time equivalent (FTE), and higher average fee rates, with two cohorts of Home/EU undergraduate students paying £9,250 (rather than £9,000) per year. The FTE increase included students on our new foundation year options in Photography and Illustration and a larger cohort for our BSc in Games Development, in its second year of operation.

The reduction in Funding body grant income of £0.2m includes lower grants for postgraduate, retention and disability support, because of sector-wide cuts to these funding streams.

'All other income' increased by £0.1m. This included additional income for research and knowledge exchange projects, such as from the British Council to fund collaborations between students and staff at NUA and the TUMO Studios in Armenia.

Expenditure

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



Expenditure rose by £0.1m in 2018/19.

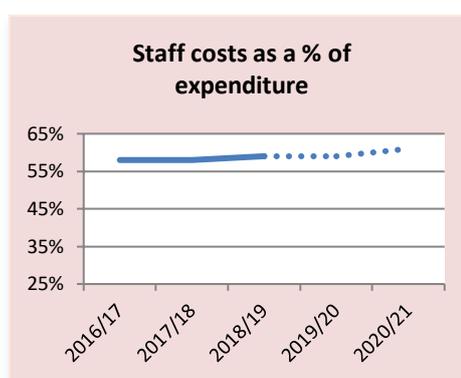
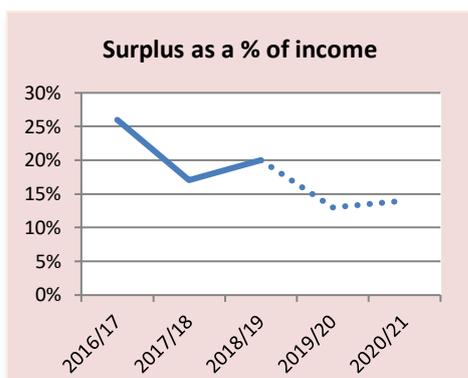
The increase in Staff costs of £0.3m reflected new academic and professional services posts, a 2% nationally agreed pay award, incremental grade point rises for those staff not at the top point within their grade and increased contributions to the Local Government Pension Scheme (LGPS). These rises were partially offset by a lower actuarial pension adjustment and a reduction in the amount of staff annual leave accrued at the year-end date of 31st July.

The reduction in non-staff costs of £0.2m is because we incurred additional non-recurring estates costs in 2017/18; these related to bringing a new teaching building up to operational standards, and in fitting this out with additional IT equipment and furniture.

Net assets as at 31 July 2019

Our net assets increased by £2.2m from £36.4m at 31 July 2018 to £38.6m at 31 July 2019. This reflected our surplus of £4.8m being partially offset by an actuarial loss on our LGPS valuation of £2.6m.

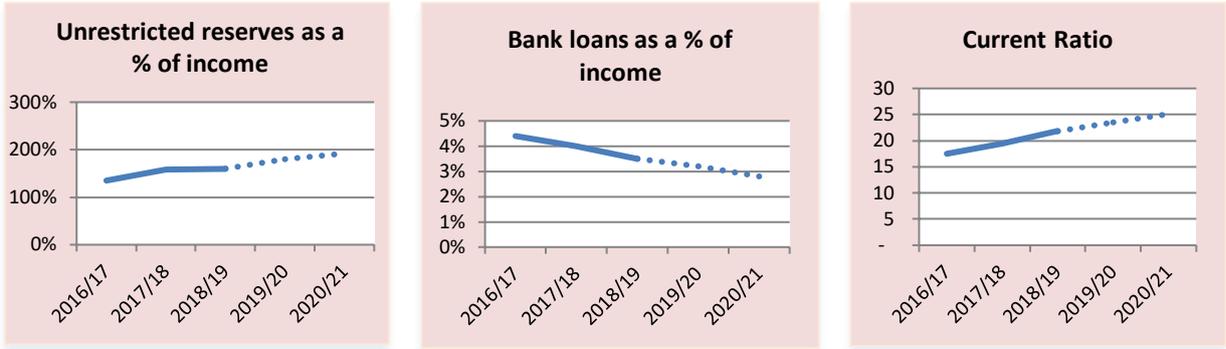
Key Performance Indicators



The surplus (as a percentage of income) achieved in 2018/19 of 20% was more than the percentage achieved in 2017/18 of 17% for the reasons described above. In later years, we are modelling lower surpluses because expenditure is modelled to rise at a greater rate than income. This reflects an increasingly more challenging recruitment environment and the assumption that the current Home/EU undergraduate fee cap of £9,250 will

not increase before 2021/22 at the earliest. Our expected surplus percentage, however, still provides the level required for financial sustainability and in all years we are forecasting a surplus which would be above the most recently published average for the sector (3.1% in 2017/18).

The percentage of our staff costs as a proportion of our total expenditure was 59% in 2018/19, 1% higher than in 2017/18, because staff costs rose by more than non-staff costs, for the reasons described above. The percentage is modelled to continue around the same level in the next two years, which would be above the current sector average (for 2017/18) of 54%.



The level of our Unrestricted Reserves as a percentage of our income has increased by 2% to 160% as at the year-end date of 31st July 2019, 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 2017/18) of 129%.

Bank loans as a percentage of income remain low when compared to the 2017/18 sector average of 37%. We are repaying 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, which was 1.6 in 2017/18. Our strong ratio reflects the high cash levels accumulated from surpluses generated in the past few years, and modelled for the next two years.

Non-financial indicators

	NUA	Sector average
Teaching Excellence Framework rating	Gold	N/A
Overall satisfaction (National Student Survey)	81%	84%
Graduate employability (DLHE survey)	94%	94%
Undergraduate student retention	93%	91%

NUA was awarded Gold in the Teaching Excellence Framework (TEF) in 2017, with the TEF Panel citing that NUA ‘delivers consistently outstanding teaching, learning and outcomes for its students. The highest quality found in the UK’. Our overall satisfaction score in the 2019 National Student Survey was 81%, which sat just below the Ipsos MORI sector mean. The percentage of our 2017 graduates finding employment or going onto further study within six months of graduation was the same level as the HESA location-adjusted benchmark, while our retention rate of 93% was 2% above the HESA benchmark.

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.

Considerable growth in student numbers in the past few years means that in order to maintain a high-quality student experience we have required more space. For this reason, during 2018 we introduced a new teaching building and over the next two years we will construct a new purpose-built facility on our campus, which will be ready for the start of the 2021/22 academic year and provide further teaching space and additional student living accommodation.

Treasury management

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 consider that this level of liquid resources will be required in the near future to finance the new building mentioned above and in the longer term to provide some financial security during a period of uncertainty.

We do not anticipate liquidity issues over the next few years, despite the potential real-terms cuts to university funding and the external threats to UK/EU recruitment. 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.

Financial 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 and other external factors result in a drop in real income. These factors include: fee rates not being permitted to increase in line with inflation (or even being significantly reduced), without a corresponding increase in teaching grant income; more funding and incentives for young people to pursue technical and vocational training instead of university in future; the proposal in the Augar review to end funding for foundation years; the focus in schools on the Progress 8 performance measure and English Baccalaureate (EBacc) which has reduced the number of pupils studying creative arts subjects at school; the declining population of 18 year olds in the UK, which will be at its lowest in 2020; and the potential negative impact of Brexit on EU student and staffing numbers. We continue to engage within the sector and in external fora on such issues. More directly, however, by focusing on ensuring that our course offer continues to be innovative and of high quality, we can maintain strong demand for places and meet our recruitment targets. We introduced new foundation year options for those studying Photography and Illustration in 2018, and in 2020 we will introduce new awards in Acting and Fashion Marketing & Business and a foundation year option for all the courses where this is not already being offered. In recent years, external recognition of our high quality offer includes the Gold award we were awarded in the Teaching Excellence Framework (TEF), being named as University of the Year for Student Retention in The Times and Sunday Times Good University Guide 2020 and being ranked in the UK's top 5 for university facilities in the WhatUni? Student Choice awards 2019.

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 less capital funding available from the government, we must now generate sufficient surpluses to fund capital investment ourselves. Whilst working to sustain our income as detailed above, the likelihood of further real-terms reductions to tuition fees and government grant funding, along with other market pressures, means that there is a real risk that staff costs and other elements of our cost base increase by more than our income. 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. We recently commissioned Capita to run a staff survey, which had a 75% response rate. The results recorded that 93% of staff agree that NUA is a good place to work, compared to a higher education sector benchmark score of 89%. The results have been disseminated to staff and an action plan to make improvements in some areas is in development.

A staff development budget provides for technical and development 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 fora 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. There were no incidents requiring RIDDOR reporting during the year.

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.

Equality, Diversity & Inclusion

The University is committed to embedding equality, diversity and inclusion in all of its practices, and aims to establish an inclusive culture that celebrates diversity and is based on the values of dignity and respect. The University's Equality, Diversity & Inclusion policy sets out our commitment to an inclusive and supportive environment for students, staff and visitors that is free from discrimination, and a place where all its members are able to participate and have the opportunity to fulfil their potential.

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

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 arts, design, architecture 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 (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 both the creative and non-creative sectors, or as freelance practitioners. Along with students, other beneficiaries include employers and businesses, particularly those within the region and in the creative industries, 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 arts, 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.

Fair access

The University welcomes students from a diverse range of backgrounds and previous educational and professional experiences, with approximately one third of students coming from low income backgrounds, and a similar proportion disclosing a disability. 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 financial support 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 success activities, to enhance the progression and achievements of under-represented groups in Higher Education. These activities are further described in our Access & Participation plan for the period 2020-25, which sets stretching targets for access, retention, attainment and progression over the next five years; this plan has recently been approved by the Office for Students, and a copy is available on our website.

NUA is a member of the Network for East Anglian Collaborative Outreach (NEACO), working with East Anglia's four other Higher Education Institutions and in close partnership with the region's Further Education Colleges and other stakeholders. NEACO is part of the national Network for Collaborative Outreach Programme (NCOP). Its aim is to help young people from East Anglia with little or no experience of university to find out more about higher education, which it does by working with students in years 9-13 who live in areas identified by the government as having low rates of progression to higher education.

Wider Community

A number of senior staff hold positions on the boards of regional and national organisations, particularly those in the creative and cultural sectors.

The ideasfactory^{NUA} creative consultancy service has worked with a number of different organisations during the past year, notably Broads Landscape Authority, Aviva and Marsh. The commissions, which we have undertaken across a diverse range of course areas, have been well received by external clients.

A number of companies have made use of university facilities as part of our Facilities Hire operation. The continued operation of the Ideas Factory Business Centre has attracted many commercial hires. The facility is widely used by creative industry groups from the region, such as Hot Source, by regional bodies such as the New Anglia Local Enterprise Partnership and by national groups such as the Creative Industries Federation. The facility also includes our User Experience (UX) Lab, which enables the testing of digital design on multiple platforms. This lab has been used by SMEs in the region, as well as larger national organisations, and is the focus for work with schools to highlight the opportunities in creative tech careers.

The University's Vice-Chancellor chairs the Creative Industries Sector Group on behalf of the New Anglia Local Enterprise Partnership. 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. A collaborative approach to sector-specific skills development has been the chief focus of the group as talent supply remains a key issue for businesses in creative industries. The Director of Innovation and Engagement sits on the New Anglia Innovation Board.

The Ideas Factory Incubation programme offers specialist support to early stage creative businesses. Since opening, 108 graduate jobs have been created through the programme, across new businesses which span the digital creative sector. The growth of these businesses is supported with a range of sector-specific talks and activities, and by facilitating collaboration with current students.

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. We continue to host public engagement events and schools workshops alongside each of our exhibitions, giving opportunities for people of all ages to engage with our programme of high quality contemporary art.

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 external 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. Donation income remains at modest levels.

Statement of Corporate Governance

Introduction

This Statement of Corporate Governance relates to the year ending 31 July 2019, and the period up to the date of approval of the financial statements.

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 University keeps its governance arrangements under regular review, including annual internal audit and periodic external reviews of effectiveness. 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.
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 remuneration 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 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 and conditions of funding between the University and the Office for Students (OfS), 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.

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 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 OfS 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 Committee meets at least once each year. The Committee considers senior post holders' pay and conditions. It has the power to make recommendations to the Governing Body on their remuneration, including pay and other benefits, as well as contractual arrangements. The Vice-Chancellor attends the Committee to present the recommendations for the remuneration of the most senior staff. The Committee considers the remuneration of the Vice-Chancellor in a closed meeting of the independent members with no executive members present, and makes its recommendation to the Governing Body.

The Personnel Committee meets at least once each year. The Personnel Committee is responsible for ensuring that the University has in place appropriate policies and procedures in respect of employment matters, including oversight of the human resources strategy, equality, inclusion and diversity, staffing profile and framework for the pay and conditions of staff.

The Nominations Committee considers nominations for independent and co-opted vacancies in the Governing Body membership in accordance with the Instrument and Articles 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 is available to view on the University's website. 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 terms and conditions of funding with the OfS.

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. No significant internal control weaknesses or failures have arisen during the financial year and after the year end up to the point at which the financial statements were signed.

Risk Management

The Governing Body is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks, including business, operational, compliance and financial ones. A risk management policy, approved by the Governing Body, has been in place for the year ended 31 July 2019 and up to the date of approval of the annual accounts. The policy identifies principal risk management responsibilities and establishes a risk management structure through which risks are 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 OfS Audit Code of Practice. 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.

Professional Advisors & Trustees of the Governing Body

Professional Advisors

External Auditors	KPMG
Internal Auditors	RSM
Bankers	Lloyds Barclays Scottish Widows
Solicitors	Howes Percival Leathes Prior

Trustees

The trustees who served on the Governing Body from 1 August 2018 to the date that the financial statements were formally approved are provided. The dates for those trustees who did not serve for the entire period are also provided.

Ms C Armor (from 1 January 2019)
Mr G Brewerton (to 30 September 2018)
Ms R Chakraborty (from 1 October 2019)
Ms C Coleman
Professor Lady R Cooper (from 1 October 2018)
Ms A Ferguson (from 1 January 2019)
Mr A Grimby
Mr J Hobbs (to 30 September 2018)
Mr M Jeffries
Ms A Johns
Professor J Last (Vice-Chancellor)
Ms H Linsdell (Students' Union President)
Mr A McMenemy (Chair from 1 October 2018)
Ms N Nannar
Mr P Norton (to 30 September 2019)
Mr J Smith (from 1 October 2018)
Dr W Thomson (to 31 July 2019)
Mr I Watson
Professor M Wayman (to 30 September 2018 - Chair to 30 September 2018)
Mr T Wood

Statement of the Responsibilities of the Governing Body – Financial Statements

The Governing Body are responsible for preparing the Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Governing Body are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Governing Body are required to:

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

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

The Governing Body are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

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

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.

Mr A McMenemy
Chair

Date: 15 November 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Norwich University of the Arts ("the University") for the year ended 31 July 2019 which comprise 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 and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students

Basis for opinion

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

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of debtors, the valuation of investments including related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors.

Going concern

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

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

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

Other information

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

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

Governing Body responsibilities

As explained more fully in their statement set out on page 16, the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

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

This report is made solely to the 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Governing Body for our audit work, for this report, or for the opinions we have formed.

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

Date: 15 November 2019

Consolidated Statement of Comprehensive Income and Expenditure
Year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
INCOME			
Tuition fees and education contracts	2	20,535	19,508
Funding body grants	3	1,909	2,075
Research grants and contracts	4	137	77
Other income	5	1,203	1,175
Investment income	6	243	163
Donations and endowments	7	37	123
Total Income		24,064	23,121
EXPENDITURE			
Staff costs	9	11,472	11,153
Other operating expenses	11	6,419	6,599
Depreciation	13	1,166	1,162
Interest and other finance costs	8	239	265
Total Expenditure		19,296	19,179
Surplus before other gains and losses		4,768	3,942
Loss on disposal of fixed assets		(11)	(29)
Surplus before tax		4,757	3,913
Taxation	12	-	-
Surplus for the year		4,757	3,913
Actuarial (loss)/gain in respect of pension schemes	24.2	(2,560)	1,939
Total Comprehensive income for the year		2,197	5,852
Represented by:			
Unrestricted Comprehensive income for the year		2,197	5,852
		2,197	5,852

The income and expenditure of the Group relates wholly to continuing operations.
The notes on pages 27 – 49 form part of these financial statements.

University Statement of Comprehensive Income and Expenditure
Year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
INCOME			
Tuition fees and education contracts	2	20,535	19,508
Funding body grants	3	1,909	2,075
Research grants and contracts	4	137	77
Other income	5	1,195	1,167
Investment income	6	243	163
Donations and endowments	7	37	123
Total Income		24,056	23,113
EXPENDITURE			
Staff costs	9	11,472	11,153
Other operating expenses	11	6,413	6,591
Depreciation	13	1,166	1,162
Interest and other finance costs	8	239	265
Total Expenditure		19,290	19,171
Surplus before other gains and losses		4,766	3,942
Loss on disposal of fixed assets		(11)	(29)
Surplus before tax		4,755	3,913
Taxation	12	-	-
Surplus for the year		4,755	3,913
Actuarial (loss)/gain in respect of pension schemes	24.2	(2,560)	1,939
Total Comprehensive income for the year		2,195	5,852
Represented by:			
Unrestricted Comprehensive income for the year		2,195	5,852
		2,195	5,852

The income and expenditure of the University relates wholly to continuing operations.
The notes on pages 27 – 49 form part of these financial statements.

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 2017	20	26,624	3,930	30,574
Surplus from the income and expenditure account	-	3,913	-	3,913
Other comprehensive income	-	1,939	-	1,939
Transfers between revaluation reserve and income and expenditure account	-	117	(117)	-
Balance at 1 August 2018	20	32,593	3,813	36,426
Surplus from the income and expenditure account	-	4,757	-	4,757
Other comprehensive income	-	(2,560)	-	(2,560)
Transfers between revaluation reserve and income and expenditure account	-	117	(117)	-
Total comprehensive income for the year	-	2,314	(117)	2,197
Balance at 31 July 2019	20	34,907	3,696	38,623

University

	Income and expenditure account		Revaluation	Total
	Endowments	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000
Balance at 1 August 2017	20	26,585	3,930	30,535
Surplus from the income and expenditure account	-	3,913	-	3,913
Other comprehensive income	-	1,939	-	1,939
Release of restricted funds	-	-	-	-
Transfers between revaluation reserve and income and expenditure account	-	117	(117)	-
Balance at 1 August 2018	20	32,554	3,813	36,387
Surplus from the income and expenditure account	-	4,755	-	4,755
Other comprehensive income	-	(2,560)	-	(2,560)
Transfers between revaluation reserve and income and expenditure account	-	117	(117)	-
Total comprehensive income for the year	-	2,312	(117)	2,195
Balance at 31 July 2019	20	34,866	3,696	38,582

Consolidated Balance Sheet as at 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Non-Current assets			
Fixed assets	13	22,932	20,336
Investment Property	14	-	-
		<u>22,932</u>	<u>20,336</u>
Current assets			
Stocks		44	48
Trade and other receivables	15	665	703
Short term investments	16	20,023	18,026
Cash at bank and in hand	23	10,282	9,424
		<u>31,014</u>	<u>28,201</u>
Creditors: amounts falling due within one year	17	<u>(1,424)</u>	<u>(1,448)</u>
Net current assets		29,590	26,753
Total assets less current liabilities		52,522	47,089
Creditors: amounts falling due after one year	18	(3,855)	(4,021)
Provisions			
Pension provision	24	(9,936)	(6,533)
Other provisions	19	<u>(108)</u>	<u>(109)</u>
TOTAL NET ASSETS		<u>38,623</u>	<u>36,426</u>
Restricted Reserves			
Income and expenditure reserve - endowments	20	20	20
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		34,907	32,593
Revaluation reserve		<u>3,696</u>	<u>3,813</u>
TOTAL FUNDS		<u>38,623</u>	<u>36,426</u>

The Financial Statements on pages 21 - 49 were approved by the Council on 15 November 2019 and were signed on its behalf by:

A McMenemy Chair

Prof. J Last OBE Vice-Chancellor

A Robson Deputy Vice-Chancellor

The notes on pages 27 to 49 form part of these financial statements.

University Balance Sheet as at 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Non-current assets			
Fixed assets	13	22,932	20,336
Investment Property	14	-	-
Investment in Subsidiary	14	-	-
		<u>22,932</u>	<u>20,336</u>
Current assets			
Stocks		44	48
Trade and other receivables	15	680	709
Short term investments	16	20,023	18,026
Cash at bank and in hand		10,218	9,375
		<u>30,965</u>	<u>28,158</u>
Creditors: amounts falling due within one year	17	<u>(1,416)</u>	<u>(1,444)</u>
Net current assets		29,549	26,714
Total assets less current liabilities		52,481	47,050
Creditors: amounts falling due after one year	18	(3,855)	(4,021)
Provisions			
Pension provision	24	(9,936)	(6,533)
Other provisions	19	<u>(108)</u>	<u>(109)</u>
TOTAL NET ASSETS		<u>38,582</u>	<u>36,387</u>
Restricted Reserves			
Income and expenditure reserve - endowments	20	20	20
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		34,866	32,554
Revaluation reserve		<u>3,696</u>	<u>3,813</u>
TOTAL FUNDS		<u>38,582</u>	<u>36,387</u>

The Financial Statements on pages 21 - 49 were approved by the Council on 15 November 2019 and were signed on its behalf by:

A McMenemy Chair

Prof. J Last OBE Vice-Chancellor

A Robson Deputy Vice-Chancellor

The notes on pages 27 to 49 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities			
Surplus for the year		4,757	3,913
Adjustments for			
Depreciation	13	1,166	1,162
Decrease in stock		4	4
Decrease / (increase) in debtors	15	67	(191)
(Decrease) / increase in creditors	17	(19)	150
(Decrease) / increase in restructuring provision	19	(1)	2
Net charge on pension scheme		843	923
Adjustment for investing or financing activities			
Investment income	6	(243)	(163)
Interest payable	8	47	51
Deferred capital grants released to income		(235)	(237)
Loss on disposal of fixed assets		11	29
Net cash flow from operating activities		6,397	5,643
Cash flows from investing activities			
Investment income		214	218
Payments made to acquire fixed assets		(3,780)	(326)
Deferred capital grants received/applied		147	284
New deposits		(1,997)	(5,016)
		(5,416)	(4,840)
Cash flows from financing activities			
Interest paid		(48)	(52)
Repayments of amounts borrowed		(75)	(70)
		(123)	(122)
Increase in cash and cash equivalents in the year			
Cash and cash equivalents at the beginning of the year	23	9,424	8,743
Cash and cash equivalents at the end of the year	23	10,282	9,424

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 at least 12 months 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). The financial statements have been prepared in British Pounds, which is the functional currency of the University.

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 2019. 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 which include Higher Education Funding Council for England/Office for Students and Research England 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.

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.

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). Both of these schemes are defined benefit schemes. Defined benefit schemes are post-employment benefit plans other than defined contribution schemes. Under defined benefit schemes, 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 University should recognise a liability for its obligations under defined benefit schemes net of scheme 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 scheme 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.

Contributions to the both the TPS and LGPS 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 a qualified actuary.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis, so the Group does not recognise a net defined benefit liability on its Balance Sheet for this scheme.

The LGPS is a funded scheme and the Group does recognise a net defined benefit liability on its Balance Sheet for this scheme. 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 published valuation having been in March 2016.

Further information on the TPS and LGPS can be found in note 24 to the financial statements.

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, are 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 3.9%. 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. Book values at implementation of FRS15 Tangible Fixed Assets have been retained in accordance with the transitional rules set out therein, and will not be updated for any future valuations.

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.

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.

1. Accounting policies continued

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

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 brought into use with a corresponding financial liability.

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

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.

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.

1. Accounting policies continued

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the University either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

1. Accounting policies continued

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost / (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest published full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Tuition fees and education contracts

	Group and University	
	Year ended	Year ended
	31 July 2019	31 July 2018
	£'000	£'000
Undergraduate fees (Home & EU)	18,798	17,766
Undergraduate fees (Overseas)	1,179	1,201
Postgraduate fees (Home & EU)	490	502
Postgraduate fees (Overseas)	68	39
	20,535	19,508

3. Funding Body grants

	Group and University	
	Year ended	Year ended
	31 July 2019	31 July 2018
	£'000	£'000
Recurrent grant – HEFCE/OfS/Research England	1,263	1,444
Other Council grants – HEFCE/OfS	421	404
Release of HEFCE/OfS Deferred Capital Grants	225	227
	1,909	2,075

4. Research grants and contracts

	Group and University	
	Year ended	Year ended
	31 July 2019	31 July 2018
	£'000	£'000
Research Charities	75	6
Government (UK and overseas)	62	71
	137	77

5. Other income

	Group		University	
	Year ended	Year ended	Year ended	Year ended
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	£000	£000	£000	£000
Catering and residence operations	538	549	538	549
Other grant income	62	9	62	9
Other student related income	408	474	408	474
Other income	195	143	187	135
	1,203	1,175	1,195	1,167

6. Investment income

	Group and University	
	Year ended	Year ended
	31 July 2019	31 July 2018
	£'000	£'000
Bank and short term investment income	243	141
Rental income	-	22
	243	163

7. Donations and endowments

	Group and University	
	Year ended	Year ended
	31 July 2019	31 July 2018
	£'000	£'000
Unrestricted Donations	37	123

8. Interest payable

	Group and University	
	Year ended	Year ended
	31 July 2019	31 July 2018
	£'000	£'000
Net charge on pension scheme (note 24)	192	214
Bank loan interest	47	51
	239	265

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	Year ended
	31 July 2019	31 July 2018
	Number	Number
Academic and Technical staff	146	144
Administrative and Other staff	125	117
	271	261

9. Staff costs (continued)

Staff costs for the above persons:

	Group and University	
	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Wages and salaries	8,507	8,179
Social security costs	804	769
Pension costs (note 24.2)	2,125	2,098
Restructuring costs	36	107
	11,472	11,153

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 the total compensation paid to key management personnel, including pension contributions.

	Group and University	
	Year ended 31 July 2019	Year ended 31 July 2018
	£	£
Key Management Personnel compensation	694,313	667,572

Key management personnel comprises the six members of the Strategic Management Group.

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 25.

Severance payments

The total amount of compensation for loss of office paid and the number of people to whom this was payable:

	Group and University Year ended 31 July 2019		Group and University Year ended 31 July 2018	
	£000	Number	£000	Number
Loss of office	22	3	92	7

None of the above payments related to the head of the provider.

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

	Year ended 31 July 2019	Year ended 31 July 2018
	Number	Number
£120,000 - £124,999	1	-
£115,000 - £119,999	-	1

10. Higher paid staff

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

	Year ended 31 July 2019	Year ended 31 July 2018
	£	£
Basic salary	185,734	181,484
Performance-related pay	13,000	-
Private Health Insurance	2,972	2,438
Sub-total excluding pension contributions	201,706	183,922
Pension contributions	-	-
Total emoluments	201,706	183,922

The University recognises the need for highly talented, competent, committed and motivated employees, to deliver its strategic plan. The University must reward and recognise employees competitively, appropriately and fairly.

The University's Remuneration Framework has the following principles:

1. Remuneration must be competitive and take account of the commercial pressures of the HE market place through relevant benchmarking, where required and necessary, using UCEA data.
2. Remuneration will be determined fairly and objectively with due consideration of remuneration throughout the University;
3. Remuneration will be linked to the imperatives of the Strategic Plan, including those who demonstrate enterprise initiatives and those who add strategic value to the organisation;
4. Remuneration is viewed as a total remuneration package comprising pay and non-pay benefits;
5. Remuneration decisions for senior post holders will be commensurate with the individual's role and level of performance as delivered against their individual annual objectives.

The salary and benefits of senior post holders are determined by taking into account their individual performance against objectives for the relevant review year, any changes in job responsibilities, internal equity and external benchmarking of compensation. Benchmarking information for comparable roles both within and outside the higher education sector will be considered as deemed appropriate by the Chair of the Remuneration Committee.

Benchmarking data from the annual UCEA Senior Salary Survey against Post-92 institutions with income £24-£70 million are utilised to inform the salary decisions of senior post holders alongside comparison data from the OfS for similar specialist universities. Other benchmarking information for comparable roles outside the higher education sector will be considered as deemed appropriate by the Chair of the Remuneration Committee. The information provided to the Remuneration Committee on an annual basis makes clear, for each senior post holder, what the current salary against benchmark is and the reasons for any difference. Such reasons will include length of service and annual and cumulative performance.

The basic salary for the Vice-Chancellor for 2018/19 was approved by the Remuneration & Personnel committee of the Governing Body in July 2018. The Vice-Chancellor was awarded a 2.3% increase to his basic salary. This decision was based on the principles above and was informed by the organisational and individual performance against objectives for the preceding 12 months, as provided by the Chair of Council.

10. Higher paid staff (continued)

The decision also took into account the external context to the payment of senior salaries in the sector, as well as the likely pay award applying to all grades of staff at the University.

The performance-related pay award of £13,000 for 2018/19 was approved by the Remuneration committee of the Governing Body in July 2019. The committee noted that the Vice-Chancellor had not previously received any bonus payments nor had the University made any additional payments in lieu of pension contributions after the Vice-Chancellor left the Teachers Pension Scheme in 2014. Given the strong performance of the University over the past two strategic planning periods the Committee agreed it was appropriate to award the Vice-Chancellor a non-consolidated payment of 7% of salary (£13,000).

Evidence considered included:

- Achievement of University status
- Consistent growth in income and student numbers
- Award to NUA of TEF Gold
- Strong metrics in WP and both student retention and achievement
- Recognition of the University in national competitions
- Consistent results in the NSS and University rankings
- A strong financial position with both surpluses and cash inflows exceeding initial budget forecasts over the past few years.
- Contributions by the Vice-Chancellor to the sector and advocacy for specialist arts universities in national debates.
- Establishing NUA's international profile

The Vice-Chancellor's basic salary was approximately 6.7 times the median pay of staff employed during the year of £27,620, where the median pay was calculated on a full-time equivalent basis for the salaries paid by the University to its staff (2017/18 – 7.3 times).

The Vice-Chancellor's total remuneration was approximately 7.2 times the median total remuneration of staff employed during the year of £27,884, where the median total remuneration was calculated on a full-time equivalent basis for the total remuneration paid by the University to its staff (2017/18 – 6.4 times).

11. Analysis of other operating expenditure by activity

	Group		University	
	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000	£'000	£'000
Academic and related expenditure	3,287	3,413	3,287	3,413
Administration and central services	868	944	868	944
Premises	1,742	1,793	1,742	1,793
Residences, catering and conferences	354	334	354	334
Research grants and contracts	89	48	89	48
Other expenses	79	67	73	59
	6,419	6,599	6,413	6,591

11. Analysis of other operating expenditure by activity (continued)

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Other operating expenses include:		
External auditor's remuneration – University		
Audit	29	24
Other services	2	2
External auditor's remuneration – Subsidiary	2	1
Internal auditor's remuneration – Group and University	16	16
Hire of equipment – operating leases	186	220
Hire of premises – operating leases	337	319

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		Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Assets under the course of construction £'000	Total £'000
	Freehold £'000	Long Leasehold £'000				
Cost or valuation						
At 1 August 2018	26,156	1,398	1,658	13	190	29,415
Additions at cost			29		3,744	3,773
Disposals	(17)		(44)			(61)
At 31 July 2019	26,139	1,398	1,643	13	3,934	33,127
Depreciation						
At 1 August 2018	7,057	499	1,519	4	-	9,079
Charge for year	1,028	58	77	3	-	1,166
Eliminated on disposals	(9)	-	(41)	-	-	(50)
At 31 July 2018	8,076	557	1,555	7	-	10,195
Net book amount						
At 31 July 2019	18,063	841	88	5	3,934	22,932
At 1 August 2018	19,099	899	139	9	190	20,336

13. Tangible fixed assets continued

Group	Freehold	Long Leasehold	Fixtures, Fittings & Equipment	Motor Vehicles	Assets under the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation is represented by						
Cost	20,333	788	1,643	13	3,934	26,711
Valuation in 1998	5,806	610	-	-	-	6,416
	26,139	1,398	1,643	13	3,934	33,127

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

Group	Freehold	Long Leasehold	Fixtures, Fittings & Equipment	Motor Vehicles	Assets under the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost	20,333	788	1,643	13	3,934	26,711
Aggregate depreciation based on cost	(5,630)	(451)	(1,555)	(7)	-	(7,643)
Net book amount based on cost	14,703	337	88	6	3,934	19,068

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, are 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.

In September 2018, we purchased a new building close to our city centre campus for £3m, which we will develop and bring into use during 2021. This property, and associated professional fees, have been included in Assets under the course of construction. Such assets will be depreciated when brought into use.

Tangible fixed assets have been acquired with the assistance of capital grants from HEFCE/OfS which are deemed to be financed from Exchequer funds. Were these assets to be sold, the University, under the terms and conditions of funding of the Office for Students, may be required to surrender 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

Investment Property – Group and University

£000

At 1 August 2018 & 31 July 2019

-

The investment property related to a building which was transferred to Tangible fixed assets at the end of August 2017, when the tenant surrendered the lease and the University brought it into its estate for the delivery of education.

14. Investments continued

Investment in subsidiary - University	2019	2018
	£	£
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 related commercial activities. Its result for the year as a profit of £2,006 with net liabilities of £106,217.

15. Trade and other receivables

	Group		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade and other receivables	37	171	24	171
Amounts due from subsidiary	-	-	28	7
Other receivables	2	5	2	4
Prepayments and accrued income	626	527	626	527
	665	703	680	709

All the amounts above fall due within one year (Group and University).

16. Short term investments

	Group		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Short term deposits	20,023	18,026	20,023	18,026

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with between one and eleven 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 2019 the weighted average interest rate of these fixed rate deposits was 1.14% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 228 days. The fair value of these deposits was not materially different from the book value.

17. Creditors: amounts falling due within one year

	Group		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loan	79	74	79	74
Payments received in advance	50	46	50	46
Trade payables	421	587	421	586
Other taxes and social security	14	7	12	7
Deferred capital grants	232	234	232	234
Accruals and deferred income	628	500	622	497
	1,424	1,448	1,416	1,444

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

	2019	2018
Group and University	£'000	£'000
Bank loan	772	852
Deferred capital grants	3,083	3,169
Balance at 31 July	3,855	4,021

Analysis of the bank loan:

	Group		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Falling due within 1 year	79	74	79	74
Falling due between 1 and 2 years	83	79	83	79
Falling due between 2 and 5 years	277	263	277	263
Falling due outside 5 years	412	510	412	510
	851	926	851	926

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 2018	109
Increase in the year	7
Utilised during the year	(8)
At 31 July 2019	108

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 2018 and 31 July 2019	9	11	20
Represented by:			£'000
Nic Hughes Memorial Award			9
Noel Spencer Fund			5
Other			6
Balance at 31 July 2019			20

21. Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings	Other	Total	Total
	2019	2019	2019	2018
	£'000	£'000	£'000	£'000
Group and University				
Payable during the year	337	204	541	580
Future minimum lease payments due				
Not later than 1 year	368	36	404	534
Later than 1 year and not later than 5 years	1,483	24	1,507	942
Later than 5 years	2,431	-	2,431	1,357
	4,282	60	4,342	2,833

22. Capital commitments

At 31 July 2019 the Group had no authorised and contracted commitments for capital expenditure (2018: £nil).

23. Cash at bank and in hand

	At 1 August 2018	Cash Flows	At 31 July 2019
	£'000	£'000	£'000
Group			
Cash at bank and in hand	9,424	858	10,282
	9,424	858	10,282

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 or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). 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.

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 Public Service Pensions Act (2013) 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 – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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 valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

A copy of the latest valuation report can be found by following this link

<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

Scheme changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The pension costs paid to TPS in the year amounted to £507,336 (2018: £485,461).

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 published valuation having been in March 2016. 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 2019	31 July 2018
	% per annum	% per annum
Rate of increase in salaries	2.7	2.7
Rate of increases in pensions in payment (in line with CPI)	2.4	2.4
Discount rate	2.1	2.8

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% for post-April 2008 service.

The assumed life expectations on retirement age 65 are:

	31 July 2019	31 July 2018
<i>Current pensioners:</i>		
Males	21.1 years	22.1 years
Females	23.5 years	24.4 years
<i>Future pensioners:</i>		
Males	22.4 years	24.1 years
Females	25.0 years	26.4 years

The assets and liabilities in the scheme were:

Employer Assets	31 July 2019	31 July 2018	31 July 2017
	£'000	£'000	£'000
Equities	10,022	9,553	9,958
Bonds	7,015	5,948	4,015
Property	2,205	2,163	1,767
Cash	802	360	321
Total fair value of assets	20,044	18,024	16,061
Present value of scheme liabilities			
- Funded	(29,879)	(24,461)	(23,510)
- Unfunded	(101)	(96)	(100)
Deficit in the scheme	(9,936)	(6,533)	(7,549)

24.2 LGPS continued

	31 July 2019	31 July 2018	31 July 2017
The expected rates of return were	2.1%	2.8%	2.7%

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 2019 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 2019 £'000	Year ended 31 July 2018 £'000
Analysis of the amount shown in the Balance Sheet		
Scheme assets	20,044	18,024
Scheme liabilities	(29,980)	(24,557)
Deficit in the scheme	<u>(9,936)</u>	<u>(6,533)</u>
Operating charge		
Current service cost	1,542	1,619
Past service cost	80	-
Total operating charge	<u>1,622</u>	<u>1,619</u>
Analysis of the amount charged to interest payable		
Interest cost	707	657
Expected return on assets	(515)	(443)
Net charge	<u>192</u>	<u>214</u>
Analysis of Other Comprehensive income		
Gain on assets	724	768
Experience loss on liabilities	(8)	(1)
(Loss)/gain on liabilities	<u>(3,276)</u>	<u>1,172</u>
	<u>(2,560)</u>	<u>1,939</u>

24.2 LGPS continued

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

	31 July 2019	31 July 2018
	£'000	£'000
Deficit at 1 August	(6,533)	(7,549)
Current service cost	(1,542)	(1,619)
Past service cost	(80)	-
Employer Contributions	965	904
Other finance costs	(192)	(214)
Contributions in respect of unfunded benefits	6	6
Actuarial (losses) / gains	(2,560)	1,939
Deficit at end of year	(9,936)	(6,533)

Reconciliation of liabilities

	31 July 2019	31 July 2018
	£'000	£'000
Liabilities at start of year	24,557	23,610
Current service cost	1,542	1,619
Past service cost	80	-
Interest cost	707	657
Contributions by members	289	286
Actuarial (losses) / gains	3,284	(1,171)
Estimated unfunded benefits paid	(6)	(6)
Estimated benefits paid	(473)	(438)
Liabilities at end of year	29,980	24,557

Reconciliation of assets

	31 July 2019	31 July 2018
	£'000	£'000
Assets at start of year	18,024	16,061
Expected return on assets	515	443
Contributions by members	289	286
Contributions by the employer	965	904
Contributions in respect of unfunded benefits	6	6
Actuarial gains	724	768
Estimated unfunded benefits paid	(6)	(6)
Estimated benefits paid	(473)	(438)
Assets at end of year	20,044	18,024

24.2 LGPS continued

History of Experience gains and losses

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Difference between the expected and actual return on assets £'000	2,552	(1,940)	247	1,239	655
% of assets at end of the year	12.7%	(10.8)%	1.5%	8.2%	5.2%
Experience gains and losses on scheme liabilities £'000	(8)	(1)	135	220	111
% of liabilities at end of the year	(0.0)%	(0.0)%	0.6%	1.0%	0.6%

Sensitivity Analysis

Change in assumptions at year ended 31 July 2019	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	13%	3,874
0.5% increase in the Salary Increase Rate	2%	518
0.5% increase in the Pension Increase Rate	11%	3,287

The pension cost of £966,234 (2018: £904,757) is assessed in accordance with the advice of an independent qualified actuary, and is based on a current contribution rate of 19.5% (from April 2017) and a deficit contribution rate of £132,333 per annum. Such actuarial advice indicates that the employer contributions for the year ended 31 July 2020 are expected to be around £990,000.

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

	2019 £'000	2018 £'000
Contributions to TPS	508	485
Contributions to LGPS	966	904
LGPS FRS102.28 charge to the Income & Expenditure account	651	709
Total pension cost (Note 9)	2,125	2,098

25. 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	Income	Expenditure
The Forum Trust Ltd	Professor Last is a trustee	Room hire, exhibition space and event advertising	-	£5,588
Higher Education Statistics Agency	Professor Last is a trustee	Institutional subscription, graduate outcomes survey and staff training events	-	£12,806
GuildHE	Professor Last is a trustee/director	Institutional subscription, research repository, online training series and conference fee	-	£27,702
Assembly House Trust	Mr P Norton is a trustee	Room hire	-	£1,282
NUA Students' Union	Ms H Linsdell - Students' Union President	Recharge of costs and annual grant	£173	£43,401
Norwich School	Professor Last is a trustee	Room Hire and refreshments	-	£99
East Anglia Art Fund	Professor Last is a trustee	Exhibition grant	£6,689	-
Advance HE	Ms A Johns is Chief Executive	Institutional subscriptions and conference fees	-	£22,949
Foolproof Ltd	Mr T Wood is a managing partner	Internship scheme	£1,800	-
Norfolk County Council	Dr W Thomson is Managing Director	Income for training session. Expenditure was payroll services, planning advice and DBS checks	£1,068	£13,216

25. Related party transactions continued

Related Party	Relationship	Description of transactions	Income	Expenditure
Norse Group Limited (including subsidiaries)	Norse Group Limited is owned by Norfolk County Council. Dr W Thomson is Managing Director of Norfolk County Council	Catering services (£73,351 income, £89,573 expenditure) and waste collection services (£27,210 expenditure)	£73,351	£116,783
PriceWaterhouse Coopers (PWC)	Mr A Grimbly is a partner	Corporation tax fee in NUA Business Limited	-	£1,900

The following balances were outstanding at the year end:

Related Party	Relationship	Description of balances	Debtor	Creditor
HESA Services Limited	Professor Last is a trustee	Credit note for staff training events	£168	-
GuildHE	Professor Last is a trustee/director	Research repository alterations	-	£2,100
Assembly House Trust	Mr P Norton is a trustee	Room hire	-	£184
Norse Group Limited (including subsidiaries)	Norse Group Limited is owned by Norfolk County Council. Dr W Thomson is Managing Director of Norfolk County Council	Catering services and waste collection services	£1,743	£14,153
PriceWaterhouse Cooper (PWC)	Mr A Grimbly is a partner	Corporation tax fee in NUA Business Limited	-	£3,750