

University of Suffolk Ltd

**Annual report and financial statements
for the year ended 31 July 2019**

Registered number: 05078498

University of Suffolk Ltd

Annual report for the year ended 31 July 2019

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Directors and advisors

Directors	Professor W Pope (Chair) Mr C Bally Dr J C Barnes Mr K Black (appointed 1 August 2019) Ms D A Cadman OBE (resigned 31 July 2019) Mr S Clarke (appointed 1 August 2019) Professor M Dastbaz Miss G T J Downs Ms C A M Edey OBE (resigned 31 July 2019) Mr D S Edwards OBE (resigned 31 July 2019) Dr P Essah (appointed 1 August 2019) Mrs V A Gillespie Ms F C Hotston Moore Professor H Langton (Vice-Chancellor and Chief Executive Officer) Dr W Lecluyse (appointed 20 March 2019) Mrs K Livingstone (appointed 1 August 2019) Mr R Lister OBE (resigned 31 August 2018) Mr M Pendlington Rt Revd M A Seeley Mr A Smith (appointed 1 August 2019) Dr C W H Thomas (resigned 8 March 2019) Mr R Williams (resigned 31 July 2019) Mr P Winter MBE Mr A F Woodburn
Company Secretary	Mr T J Greenacre
Registered office	Waterfront Building Neptune Quay Ipswich Suffolk IP4 1QJ
Independent auditors	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Bankers	Barclays Bank plc 1 Princes Street Ipswich Suffolk IP1 1PB
Solicitors	Mills & Reeve LLP 1 St James Court Whitefriars Norwich Norfolk NR3 1RU

University of Suffolk Ltd

Strategic report for the year ended 31 July 2019

The directors present their strategic report for the University of Suffolk Ltd for the year ended 31 July 2019.

Business review and principal activities

The principal activity of the company for the year under review was that of higher education, together with such activities as are relevant for its facilitation. Additional activities include the provision of consultancy and applied research services.

The University of Suffolk is an independent university with its own teaching degree awarding powers, having gained this status in August 2016. Achieving institutional independence has allowed the institution to establish itself within an increasingly competitive higher education market.

The University's 'Vision for Change' document highlights its strategic objectives for the period 2016-2021 and in 2018/19 this was supplemented by the establishment of four lead strategies for the institution: Learning, Teaching and Assessment; Research and Scholarly Activity; Business Engagement; and International. The University's Board is committed to the delivery of the strategic plan, whilst also being mindful of the challenges and risks that the prevailing sector environment presents. The University's financial strategy aims to deliver long-term financial sustainability for the institution, whilst supporting the delivery of its overarching strategy. Significant growth in annual income over the period of the plan is expected, largely driven by student number growth, including that achieved through UK and overseas partnerships.

As the Vision for Change states, the University's purpose is to transform the lives of individuals and communities for the better, and to be a 'Community Impact' University. To fulfil this purpose the institution will remain strongly embedded within its local region, working in close partnership with its key regional stakeholders. Social mobility remains a key theme within the University's mission, which is consistent with the region's priorities for inclusive growth. It is committed to offering a broad higher education provision for the benefit of its local communities and those from outside the region to study at the University.

The measures by which the University will assess its future performance have been reviewed as part of a strategic planning round during the year and these have been refined into five core measures:

- Student population
- Student satisfaction
- Student employability
- Staff satisfaction
- Income diversification

In the upcoming planning round for 2020/21 individual school and directorate performance indicators will be updated to ensure they are fully aligned with these high level measures.

The University continues to develop its portfolio and introduce new courses in subjects to meet strong student demand. The University also plans to maintain its offer of higher and degree apprenticeships to levy paying employers in selected subjects.

The benefits to students and to the wider community that can arise from philanthropic giving to the institution will continue to be promoted. The University of Suffolk Foundation Board oversees and coordinates the fundraising efforts of the University.

Student enrolment numbers for 2018/19 were 6,209 FTEs, which represents 42% growth compared to 2017/18. In 2019/20 the University predicts its total student enrolments to be 7,200 FTEs, representing further growth of 16%. Much of this growth relates to students on courses which are validated by the University and delivered through its partner institutions. The growth is consistent with the University's strategy to engage with a small number of well-established private partners in the UK and overseas. 2018/19 saw the first full year of the implementation

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Strategic report for the year ended 31 July 2019

of this strategy which delivered a corresponding increase in income as shown in 'Financial highlights' below.

The University continues to maintain its successful track record of delivering high quality pre-registration and post-registration education and training. Maintaining quality of its delivery and increasing commissioned volumes with its NHS partners remains a high priority for the University. In accordance with its new institutional strategies, the University is actively seeking to diversify its income streams, particularly from research, enterprise and consultancy activities. Total income from these sources during the year was £492k (2018: £597k).

Financial highlights

In 2018/19, the University of Suffolk posted a deficit of £2,479k (2018: surplus of £1,272k). Excluding the movement on the USS Provision cost of £8,313k (2018: £(79)k), the University generated a surplus of £5,834k (2018: £1,193k). Post 31st July 2019 the 2018 actuarial valuation of the USS Pension scheme has been completed. Using this valuation would have reduced the current year provision cost by £6,907k, resulting in the University posting a surplus of £4,428k.

The net cash inflow in the year from operating activities was £9,238k (2018: £3,267k) and the net cash outflow from capital expenditure was £1,865k (2018: £447k). The overall increase in cash and cash equivalents in the year was £5,598k (2018: 1,229k), resulting in a year-end balance of cash and cash equivalents of £14,600k (2018: £9,002k) and bank debt of £17,801k (2018: £18,320k).

Key financial indicators

The company's key financial indicators during the year were as follows:

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Total income	56,141	40,225
Surplus / (Deficit)	(2,479)	1,272
Surplus / (Deficit) as a proportion of total income	(4.4)%	3.2%

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Proportion of income generated from:		
• Office for Students (formerly HEFCE) Grants	5%	7%
• Education Contracts	8%	17%
• Tuition Fees	80%	67%
• Research contracts	1%	1%
• Other Income	6%	8%

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Total balance sheet funds	9,253	12,942

The decrease in total balance sheet funds to £9,253k (2018: £12,942k) arises from the deficit for the year and partly as a result of an actuarial loss on Local Government Pension Scheme of £1,210k.

Financial outlook

A key focus of the University's strategic plans is to deliver sustainable growth, and the Executive Committee is committed to prioritising initiatives which enhance the experience of our students and other service users, thus increasing the attractiveness of the University within its core markets. As noted above, potential areas for development include UK and international

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Strategic report for the year ended 31 July 2019

partnerships and accessing the opportunities presented by the higher apprenticeship initiative. The successful delivery of the institution's strategies in the coming years will require a particular focus on developing areas of distinctiveness within its portfolio, alongside areas of existing strength. Competition within the higher education sector is widely expected to become ever more intense, particularly with the United Kingdom's planned exit from the European Union. Therefore aligning the institution's strategies and investments to these priorities will be a critical factor in its future success.

In order to compete effectively within the higher education market the University will need to invest in the services and facilities it offers. Following an assessment of investment needs in the coming year and available cash reserves, the Board has approved a surplus revenue budget of £4,558 for 2019/20, noting that this would produce a net cash inflow from operating activities for the year of £7,213k and provide for capital expenditure of £2,499k.

Included within the University's capital programme is a contribution to the building of 'The Hold', a partnership project between Suffolk County Council and the University which has received funding from the Heritage Lottery Fund. The Hold will offer a bespoke home for the majority of Suffolk's unique archival collections, as well as state-of-the-art public facilities and teaching spaces for the University. The Hold will facilitate a countywide programme of archives-inspired activities and events, and will transform the way the archives service reaches communities around Suffolk with its outreach work. As part of the development, the University will have dedicated access to a 200 seat lecture theatre and two seminar rooms within the new building.

Looking further ahead, the University has received approval of its Access and Participation Plan from the Office for Students (OfS). The Plan covers a five year period from 2020/21 to 2024/25. The University's tuition fees for UK and European Union full-time undergraduates for 2019/20 entry will be £8,220 for Foundation degrees and £9,250 for Bachelor degrees. Tuition fees for UK and European Union part-time undergraduates will be £8,220 (pro-rata) for Foundation degrees and £8,724 (pro-rata) for Bachelor degrees.

In 2019/20 the University plans to spend approximately £2.4m on access and retention measures, including direct financial support in the form of bursaries, and continues to undertake non-financial measures such as student outreach and access activity, and student success and progression measures including careers and employability advice.

Principal risks and uncertainties and financial risk management

The University has in place a risk register which is regularly reviewed by the Executive Committee and is overseen by the Audit and Risk Committee. Any changes to existing risks, including the impact, likelihood and mitigating actions taken, are reported to the Board. The key risks identified are informed by the University's strategic plan and are also linked to the internal audit planning process. The risk register includes a system of scoring designed to assess the likelihood and impact of the risks identified. In this way the register identifies for each risk:

- the gross risk (before any mitigating actions are undertaken);
- the mitigating actions identified and the senior manager responsible; and
- the net risk (assuming that such actions are undertaken and successful).

This method allows the Audit and Risk Committee and senior managers to monitor the mitigations required. Outlined below are the key risks together with the mitigating actions identified.

Failure to recruit sufficient students

Increased competition continues to be experienced in the local and regional market; widespread use of unconditional offers in the sector has altered recruitment patterns and heightened competition and uncertainty. Robust digitally focussed marketing is delivered to a diverse market and increasingly efficient recruitment processes are developed. Strategic plans for growth are progressed via a robust planning process including the assessment of individual subject areas and markets. Portfolio development is a priority. Improved national reputation, brand and visibility is carefully articulated through each successive marketing campaign.

Failure to adequately mitigate exposure to increased pension risk

We engage closely with employer bodies and represent the University's position in all responses to the Universities Superannuation Scheme consultations. We explore options available to mitigate exposure and formulate our response and action plan in line with the outcomes of the consultations and consider worse case scenarios in our financial planning. In relation to staff, we continue to communicate the University's position transparently with staff and unions.

Failure to generate sufficient funds for investment

The annual strategic planning approach provides a vehicle for highlighting medium to longer term investment demands. Efficient budget management will continue, ensuring efficient and effective use of scarce resources. The maintenance of strong cash balances to support future capital investment is a high priority within our financial planning. Strong strategic relationships with key funding stakeholders are maintained and opportunities for partner, commercial and philanthropic funding are explored.

Failure to achieve targets in relation to student satisfaction, retention and employability

A new strategy for Learning, Teaching and Assessment has been developed, taking forward proposals in relation to retention and progression with a model of guided independent learning, placing students at the centre of the learning experience. A Student Experience Task Group has been established to implement changes and monitor progress. Academic and business support staff work closely with external partners to ensure that curriculum design changes support good employability outcomes for graduates.

Failure to mitigate risks related to partnership activity

The institutional partnership strategy has been developed with Board engagement. The number of partners and the number of students supported through validated programmes is subject to careful scrutiny and limits established where appropriate. A robust scrutiny of all proposals is undertaken including due diligence checks, business case and financial review. Quality reviews are undertaken as part of the partnership management process in place with each partner.

Failure to manage health & safety appropriately

Executive promotion and monitoring of the health and safety culture across the institution is undertaken. The University employs a suitably qualified and experienced health and safety team with established links to all schools and departments in the University. In year monitoring of progress against targets is undertaken by the Health, Safety and Wellbeing Committee, reporting to the Executive, Audit and Risk Committee and the Board. Close engagement with external agencies including police, local authorities is maintained. A permit to work system for contractors is in place and safety checks undertaken to meet statutory requirements.

Loss of UK Visas and Immigration (UKVI) Tier 4 Sponsor License

Robust procedures are in place for the issuing of Confirmation of Acceptance for Studies (CAS) and international students' attendance and achievement is monitored. Guidance for staff is issued and training is provided on an on-going basis. Relevant staff are also subject to regular external training. On-going monitoring of control measures is undertaken including monitoring of external partners through partnership management groups.

Failure to ensure financial sustainability

Uncertainty over student recruitment in the UK, EU and internationally is likely to persist, reflecting external factors such as Brexit and a continued demographic downturn in the number of school leavers in the short term. Future government policy with respect to higher education funding following the publication of the Augar report remains unclear. With this uncertainty, a continued awareness of the higher education funding environment and the emergence of new external funding opportunities is maintained. Robust procurement processes are in place to ensure value for money is achieved and a prudent approach to financial planning is undertaken with reference to meeting the University's banking covenants. Capital spending plans are

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Strategic report for the year ended 31 July 2019

carefully balanced to ensure that competitive campus facilities and services are maintained, alongside the maintenance of strong cash balances and budget contingencies.

Brexit

The possible impacts of Brexit have been, and are continually monitored, by both the Executive Committee and the Board. The University has been in contact with key suppliers and updated staff accordingly for any possible changes in legislation.

Approved by the Board and signed by its order by



Mr T J Greenacre
Company Secretary

University of Suffolk Ltd

Directors' report for the year ended 31 July 2019

The directors present their annual report and the audited financial statements of the company for the year ended 31 July 2019.

Future developments

The directors consider the future developments affecting the company to be covered within the 'Business review and principal activities' section of the Strategic Report on page 2.

Directors

The directors who held office during the year and up to the date of signing the financial statements are listed on page 1 of the annual report.

Financial risk management

The directors consider the key business risks and uncertainties, including financial risks, affecting the company to be covered within the 'Principal risks and uncertainties and financial risk management' section of the Strategic report on pages 4 and 5.

Tangible fixed assets

The directors consider that the market value of the company's tangible fixed assets is not materially different from their book value.

Employee involvement and equal opportunities

The University is fully committed to a policy that provides all employees with equality of opportunity for employment, career development and selection on the basis of ability, qualifications and suitability for the job. Senior management, managers and employees are required to promote equality of opportunity and to take full account of the policy in their day to day work.

The University values the diversity of those studying and working at the institution and it is committed to developing policies, processes and teaching and learning practices to tackle inequality and exclusion. The University has an established Equality and Diversity Committee and has put in place monitoring mechanisms to understand the impact of our policies and procedures on students and staff. This includes collecting data on all protected characteristics as defined by the Equality Act 2010. The University publishes an annual Equality and Diversity Report on its website, alongside with annual Gender Pay Gap Reports.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned: the University is a "two ticks" employer. In the event of members of staff becoming disabled, all reasonable steps are taken to ensure that their employment with the University continues and that appropriate training and/or reasonable adjustments to their employment conditions are arranged.

Consultation with employees takes place through a number of meetings throughout the year, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the general progress of the company as a whole.

Consultative meetings include formal consultation with trade union representatives, periodic attendance by senior managers at local team meetings, all staff forums and project specific group work. The University undertakes a biennial staff survey which seeks the views of staff about a wide range of issues affecting their employment; results and subsequent action plans are published widely.

Vice Chancellor's Remuneration

The University's Remuneration Committee determines and reports to the Board on the salary of the Vice-Chancellor and other members of the Executive. No individual is present for a discussion which involves the determination of their own salary. The Committee determines that the salary of the Vice-Chancellor is appropriate to the institutional context, size, and the responsibilities of the role. In addition, the Committee considers the public interest in all forms of payment made to senior staff. The agreed salary of the Vice Chancellor allows for cost of

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Directors' report for the year ended 31 July 2019

living rises in line with national agreement on increases for the sector. Performance of the Vice-Chancellor is monitored by objectives which are reviewed by the Remuneration Committee on a regular basis.

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year, and at the date of approval of the financial statements.

Disclosure of information to auditors

Each of the directors in office confirm that, so far as they are aware, at the date of signing these financial statements there is no relevant audit information of which the company's auditors are unaware. They also confirm that they have taken all steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

KPMG LLP was appointed as auditor in 2015. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of the Board of Directors responsibilities in respect of the Annual report and the financial statements

The Board of Directors are responsible for preparing the Annual 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 grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 directors 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 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 University or to cease operations or have no realistic alternative but to do so.

The Board of Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements

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Directors' report for the year ended 31 July 2019

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 University and to prevent and detect fraud and other irregularities.

The Board of Directors are also responsible for ensuring that:

- funds from whatever source administered by 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 Board of Directors are 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.

Availability of financial statements on the web site

The annual financial statements are available on the University of Suffolk website. The maintenance and integrity of the University website is the responsibility of the Board. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed by its order by



Mr T J Greenacre
Company Secretary

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Statement of corporate governance and internal control

The following statement is given to assist readers of the financial statements in gaining an understanding of the governance structures of the University and to summarise the institution's arrangements for implementation of best practice for internal control and risk management. This statement covers the full financial year and up to the date of approval of the financial statements.

The University of Suffolk is a company limited by guarantee. The primary documents of governance are the company's Articles of Association, and the principal statutory body of the University is its Board of Directors ("the Board"). All members of the Board are directors of the company under the Companies Act 2006 and are also members of the company. The Articles of Association require that at least half of the Board shall be independent directors and provide for University staff and student representation on the Board.

Principles and ethos of the University

The University of Suffolk is committed to the highest standards of governance, which is vital to achieving the organisation's vision and strategic objectives. Throughout its governance and management, the institution subscribes to the Nolan principles which are the basis for the ethical standards expected in public life. The University also wholeheartedly subscribes to the values and primary elements of the 'Higher Education Code of Governance' which was published by the Committee of University Chairs (CUC) in December 2014.

Board structure

The Board normally meets four times a year and has three sub-committees: Nominations Committee; Remuneration Committee; and Audit and Risk Committee. The actual number of meetings of the board during the year under review was eight. Each of the Committees is formally constituted with written terms of reference, specified membership and delegated powers. Day to day management of the University is the responsibility of the Executive Committee which is headed by the Vice-Chancellor and Chief Executive Officer. The Vice-Chancellor and Chief Executive Officer is an ex-officio director of the company.

The Nominations Committee makes recommendations for the appointment of directors and external, co-opted members of the Board's sub committees (who are not directors of the company). The committee met five times during the year and oversaw a comprehensive recruitment process which led to the successful appointment of five new independent directors and one new member of Audit and Risk Committee during the year. The exercise included the engagement of an external recruitment agency and a robust shortlisting and interview process.

The Remuneration Committee determines the annual remuneration and conditions of senior staff, including the Vice-Chancellor and Chief Executive Officer. The Remuneration Committee is also responsible for recommending general changes in pay and conditions to the Board. The committee met three times during the year.

The Audit and Risk Committee met four times during the year. Its main duties include:

- To prepare an annual report for submission to the Board on the work of the Audit and Risk Committee, including an opinion on the effectiveness of internal control, the arrangements in place to promote economy, efficiency and effectiveness and value for money and assurances over the processes for risk management and data quality.
- To advise the Board on risk management through the review of the risk register and other activities.
- To advise the Board on its conclusions on whether adequate arrangements are in place to promote value for money initiatives.
- To review the effectiveness of financial and other internal control systems, including oversight of the institution's policy on fraud and irregularity and anti-bribery.
- To monitor the effectiveness of internal and external audit, and co-ordinate the activity of the internal and external auditors.
- To make recommendations to the Board on the appointment of the External Auditor and, if necessary, on their dismissal.

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Statement of corporate governance and internal control

- To approve the External Auditor's report on the nature and scope of the audit and to receive and consider the External Auditor's management letter in connection with the audit of the Financial Statements and the management response.
- To advise on the appointment of the Internal Auditor and, if necessary, on their dismissal.
- To approve the internal audit programme with reference to the risk register, and to review the work of the Internal Auditor and receive an annual report prepared by the Internal Auditor.

Academic authority for the University is controlled by the Senate. The Senate is responsible for the promotion of academic work both in teaching and research, for the regulation of educational arrangements and for the maintenance of academic discipline.

Statement of internal control

The Board is responsible for the company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

As part of the process for identifying, evaluating and managing the University's significant risks, a comprehensive review of the risk register is undertaken by the Audit and Risk Committee and the Executive Committee, and the outcomes reported to the Board for review and action where necessary.

The key elements of the University's system of internal control, which is designed to discharge the responsibilities in relation to business, operational, compliance and financial risks, include the following:

- clear definitions of the responsibilities of, and authority delegated to, heads of academic departments and administrative sections;
- a short and medium term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- regular reviews of key performance indicators and reviews of financial performance involving variance reporting and updates of financial outturns;
- integration of risk management into normal business processes with alignment to the strategic objectives of the institution;
- defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval levels set by the Board;
- a professional internal audit team whose annual programme is approved by the Audit and Risk Committee;
- a risk register which is scored according to the likelihood and impact of the key risks, which are informed by the strategic plan and also linked to the internal audit planning process.

As part of the review of the effectiveness of the system of internal controls, plans are put in place to address any weaknesses identified and ensure continuous improvement of the system of internal controls as necessary. The effectiveness of the system of internal controls is reviewed at least annually by the Audit and Risk Committee.

Proper allocation of funds

The directors of the Board have taken reasonable steps to:

- ensure that funds originating from the Office for Students are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding between the Office for Students and institutions and any other conditions that the OfS may prescribe from time to time;

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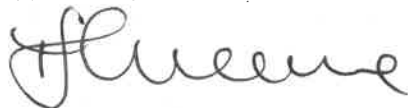
Statement of corporate governance and internal control

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

Going concern

The directors have prepared projections in support of the company's cash requirements in addition to its on-going compliance with the terms of its bank facilities. The directors have given this matter careful consideration and, cognisant of the above matters, the Board is satisfied that the University has adequate resources to continue in operation for at least twelve months from the date of this report. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Approved by the Board and signed by its order by



Mr T J Greenacre
Company Secretary

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Statement of public benefit

The University of Suffolk is a company limited by guarantee and is an exempt charity under the terms of the Charities Act 2011.

In setting and reviewing the University's objectives and activities, the Board has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. This statement recognises the reporting requirements introduced by the Office for Students as the principal regulator of English higher education institutions under the Charities Act 2011.

Vision and Mission

The University of Suffolk is a cohesive, self-critical and student-centred academic community. Over the coming years it will develop a broader base, be of higher academic standing and remain financially sustainable. It will have a significantly larger student population with growth drawn from the region, nationally and internationally. Its high quality and innovative teaching and learning is underpinned by selected nationally and internationally recognised research and scholarship in targeted areas. The University's role as a community impact university will be to have a clear, measurable, positive impact on the economic, cultural and educational lives of the communities it serves.

The company's objects include the following:

- the advancement of education, learning and research for the public benefit;
- to collaborate with other institutions in advancing, providing and delivering education and to contribute to the growth and change of learning needs in Suffolk and beyond including, without limitation, by drawing together academic, technological, pedagogic and professional expertise;
- to promote academic and applied research and all other types of research, teaching, scholarship and knowledge transfer;
- to support, aid and assist in any way the activities of other charitable institutions concerned with the advancement of education, learning and research for the public benefit.

Of the 12 specific categories of charitable purposes set out in the Charities Act 2011, the University makes a significant contribution in the following areas:

- the advancement of education
- the advancement of health or the saving of lives
- the advancement of citizenship or community development
- the advancement of the arts, culture, heritage or science
- the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity
- the advancement of environmental protection or improvement

Examples of the charitable nature of the University's activities are set out below:

- The University undertakes teaching and research under a wide range of academic subject areas;
- The University freely produces reports and publishes research findings in a range of different formats which are widely disseminated and accessible by the general public;
- Graduates of the University subsequently continue to work in government, charities and other non-governmental organisations, continuing to contribute to the broad charitable aims supported by the University;
- The iSEED research centre specifically undertakes research in relation to social mobility, online violence and digital safety, abuse survivor experience and youth engagement;

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Statement of public benefit

- The University's School of Health Sciences works with NHS Trusts on workforce development initiatives and provides graduates in Nursing, Midwifery, Paramedic Science, Radiography, ODP.

The University actively pursues its charitable objectives by means of a variety of direct and indirect routes. The University's direct beneficiaries are the students, both undergraduate and postgraduate, enrolled at the University and, ultimately, those who benefit from the research undertaken at the University.

In relation to the core teaching role fulfilled by the University, the advancement of education is promoted across a wide range of subject areas. The structure of the University is based around four schools, namely School of Engineering, Arts, Science and Technology; School of Health and Sports Sciences; School of Social Sciences and Humanities; Suffolk Business School.

Values

The values of the University of Suffolk are:

- To be a beacon for aspiration and achievement.
- To actively serve and be accountable to our communities.
- To excel in meeting the expectations of our students.
- To provide a great environment to work and study.
- To drive a spirit of exploration, innovation and creativity.
- To be enterprising and entrepreneurial.
- To consistently maintain the highest ethical standards and uphold academic freedom.
- To be inclusive; valuing the contribution of every member of the institution.
- To relish challenge and enjoy success.
- To work with strategic partners for long-term mutual benefit.

Access and widening participation

In order to demonstrate that the aims and activities of the University are for the public benefit, these benefits must be to the public in general or to a sufficiently wide and appropriately defined section of the public. It is important that the opportunity to benefit is not unreasonably restricted given the nature of the University's aims and the resources it has available. One such potential restriction is the ability to pay any fees charged by the University. In common with other similar organisations, the University does recover from students a contribution to the cost of their tuition, currently capped at the level set by government. In order to ensure that such fees do not unreasonably restrict access to the benefits of a university education, the government provides tuition loans to cover the upfront costs which are only repayable if students subsequently earn above a minimum level of income in future years. In addition, universities which charge students in this way must agree to safeguard and promote fair access to higher education. This is assessed by the Office for Students through its approval of each institutions' Access and Participation Plan. The University of Suffolk has received approval for its latest Plan covering the period to 2020/21 to 2024/25.

Demonstrating public benefit, however, extends far beyond dealing with simply the question of fees, and the University is particularly aware of the need to ensure that people from all backgrounds can participate in, and benefit from its activities. Not everyone has the same level of educational opportunity, support or information to enable them to secure university education and so the University has put in place a range of activities designed to widen participation to students that might not otherwise benefit.

To that end the University of Suffolk aims to be a beacon of excellence attracting students from Suffolk and beyond, helping to reverse the net export of graduates and the low post-16 participation rate which has adversely affected Suffolk for many years. Widening participation continues to be central to the mission of the University of Suffolk, and the profile of its student population reflects this. The University has a high proportion of under-represented students, and there is a broad mix of students across the undergraduate student body. The University has ambitious targets for student access, success and progression.

University of Suffolk Ltd

Statement of public benefit

Schools and Colleges Liaison

The student recruitment team of the University works with schools and colleges to inform students about the higher education opportunities available to them; this includes delivery of presentations and workshops, or individual student advice. A range of on-campus visits to the University as well as residential visits over the summer are also held to give potential applicants a 'taste' of university life.

We recognise that information, advice and guidance (IAG) plays a key role in supporting informed choices of young people and mature students and we will continue to focus on delivering excellent IAG support across all of our activities. We will continue to work in a structured way with schools and colleges with low progression rates, as well as with communities with low participation rates, including mature and part-time students.

National Network for Collaborative Outreach scheme (NNCO)

The NNCO delivers a nationally co-ordinated approach to working with schools, universities and colleges to help people access higher education. Local and regional providers of higher education have come together to form the networks, ensuring comprehensive coverage across England.

Thirty-five local networks cover the whole of England. Each network appoints a single point of contact to help teachers and advisers find out about higher education outreach activity in their area and to provide general advice about progression into higher education. The local networks host web-sites with information about outreach activity, and signpost other information to support schools and colleges as they prepare their students for higher education. The networks are funded by the Department for Education and managed by the Office for Students.

The University of Suffolk is a partner in the Network for East Anglian Collaborative Outreach (NEACO) alongside the University of Cambridge, Anglia Ruskin University, University of East Anglia and Norwich University of the Arts. NEACO places a network of Higher Education Champions (HECs) into target schools across Suffolk, Norfolk, Cambridgeshire and Peterborough, and ten HECs are based in Suffolk. The University of Suffolk's outreach activity work alongside the NEACO project to ensure that young people who are not NEACO priority students continue to receive aspiration-raising activity, particularly where they are in one of the University's target groups.

Student bursaries

The University of Suffolk will safeguard and promote fair access to all of its OfS-regulated full-time and part-time undergraduate programmes, recognising the need to support students throughout their whole student lifecycle. The University's Access and Participation Plan includes a package of financial and non-financial support measures to support access, student success, and progression.

Value for money

The Board has an explicit duty imposed by the terms and conditions of funding with the OfS to ensure the proper use and allocation of funding received and delivery of value for money. The institution's Audit & Risk Committee is presented with an annual report on value for money by the Executive Committee to assist it in reaching its conclusions on the adequacy and effectiveness of the University's arrangements.

The University seeks to deliver value for money across all its activities and to all of its stakeholders. A particularly high level of focus is given to the services and experience the institution offers to students and value for money received by students continues to be of highest priority at the University. In addition, the quality of teaching and learning and student lifecycle support including graduate employability and the drive towards a high level of student satisfaction is reflected in the Key Performance Indicators set by the Board.

University of Suffolk Ltd

Statement of public benefit

Remuneration Policy

In setting the remuneration policy of the institution the Board is cognisant of the guidance issued by the OfS relating to the consideration of the public interest in the reward and payment of staff.

Modern Slavery and Human Trafficking

In accordance with the Modern Slavery Act, we have published a statement on our website in relation to Modern Slavery and Human Trafficking to accompany our financial statements. The University of Suffolk has a zero-tolerance approach to modern slavery and is committed to improving our practices to combat slavery and human trafficking.

Community engagement

The University of Suffolk has at the heart of its mission a responsibility to be a model for a new type of university – embedded, influential and a focus of societal and economic change in all of the communities it serves. Its network is reaching out to communities locally, nationally and across the globe connecting with people and organisations to create relationships, collaborations and partnerships that can make a real difference.

The University's 'Vision for Change' document states:

"The University of Suffolk will be a key contributor to its local communities. We will focus on curriculum areas that are applied, transformational and closely aligned to regional economic priorities, with demonstrable market and employer demand. We will sustain, extend and embed our responsibility to widen access and raise aspiration across the region."

The University promotes research and scholarship across the institution, informing its learning and teaching and enterprise initiatives. It also promotes and disseminates the impact of its research externally through effective public engagement with business, public bodies and local communities.

Sustainability policy

The University of Suffolk's sustainability policy statement is as follows:

"At the University of Suffolk, we believe that sustainability means helping to improve the quality of life for all, whilst minimising negative impacts, and maximising positive impacts, on society, the economy and the environment.

As a new, vibrant, forward thinking higher education institution, the University supports learning, research and enterprise that benefits stakeholders in our region and around the world. Whilst the University enriches society intellectually and supports the growth of a sustainable economy, both as an employer and by enhancing graduate employability, such a large organisation inevitably has an impact on the environment.

The University therefore sets objectives and targets to ensure continuous improvement in its environmental performance. The University is also committed to the prevention of pollution and complies with, and where possible strives to exceed, all legal and other requirements relevant to its activities."

The University Sustainability Policy covers the following aspects of the organisation's work:

- Energy - reducing consumption and sourcing responsibly
- Waste - minimising waste, recycling and disposing of it carefully
- Water - saving water use and harvesting it where possible
- Purchasing - buying our supplies and equipment carefully
- Campus development - constructing and refurbishing our buildings sustainably
- Transport - helping students and staff to travel in sustainable ways
- Regulations - meeting our legal obligations related to sustainability

University of Suffolk Ltd

Statement of public benefit

The University has partnered with the Carbon Trust to develop its Carbon Management Plan which aims to realise substantial carbon and cost savings to assist in the delivery of the institution's sustainability strategy.

Approved by the Board and signed by its order by



Mr T J Greenacre
Company Secretary

**INDEPENDENT AUDITOR'S REPORT TO BOARD OF DIRECTOR'S OF
UNIVERSITY OF SUFFOLK LTD**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of University of Suffolk Ltd ("the University") for the year ended 31 July 2019 which comprise the Statement of comprehensive income and expenditure, Statement of financial position, Statement of Cash Flow and Statement of changes in reserves and related notes, including the Statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2019, and of the University's income and expenditure, gains and losses and changes in reserves, and of the 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*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction for periods beginning on or after 1 August 2019 as published on 25 October 2019; and
- have been prepared in accordance with the requirements of the Companies Act 2006

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.

The impact of uncertainties due to the UK exiting the European Union on our audit

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, 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 company'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 company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Director's conclusions,

University of Suffolk Ltd

Independent Auditor's Report

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 University will continue in operation.

Other information

The directors are responsible for the other information, which comprises the Strategic Report, Director's Report, Statement of Corporate Governance and internal control and Statement of public benefit. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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;
- in our opinion the information given in Strategic Report, Director's Report, Statement of Corporate Governance and internal control and Statement of public benefit for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board of Directors responsibilities

As explained more fully in their statement set out on page 7, the Board of Directors (who are the Directors of the University company for the purposes of company law) are 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 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 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.

University of Suffolk Ltd

Independent Auditor's Report

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 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.
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Board of Directors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and 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 Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Directors for our audit work, for this report, or for the opinions we have formed.

S Beavis

Stephanie Beavis (**Senior Statutory Auditor**)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
BotanicHouse
100 Hills Road
Cambridge
CB2 1AR
Date: 27 November 2019

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

	Notes	2019 £'000	2018 £'000
Income			
Tuition fees and education contracts	1	49,411	33,809
Funding body grants	2	3,083	2,784
Research grants and contracts	3	410	491
Other income	4	3,142	3,069
Investment income	5	58	25
Total income before endowments and donations		56,104	40,178
Donations and endowments	6	37	47
Total income		56,141	40,225
Expenditure			
Staff Costs - excluding Movement on USS provision	7	20,840	18,361
Staff Costs - Movement on USS provision ^b	7	8,313	(79)
Other operating expenses	9	25,020	16,374
Depreciation	12	3,130	2,947
Interest and other finance costs	8	1,317	1,350
Total expenditure	9	58,620	38,953
(Deficit) / surplus before other gains, losses and share of operating surplus / (deficit) of joint ventures		(2,479)	1,272
Share of operating surplus/(deficit) in associate	13	-	-
(Deficit) / surplus for the year ^a		(2,479)	1,272
Actuarial (loss) / gain in respect of pension schemes		(1,210)	1,165
Total comprehensive (expenditure) / income for the year		(3,689)	2,437
Represented by:			
Endowment comprehensive income for the year		(14)	(9)
Restricted comprehensive income for the year		21	(13)
Unrestricted comprehensive income for the year		(3,696)	2,459
		(3,689)	2,437

Isolated effect of USS Pension Provision Movement	2019	2018
	£'000	£'000
^a (Deficit)/Surplus for the year	(2,479)	1,272
^b Movement on USS provision	(8,313)	79
Surplus for the year with USS provision movement excluded	5,834	1,193

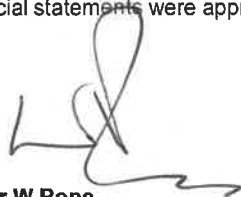
All items of income and expenditure relate to continuing activities.

The notes on pages 29 to 39 form an integral part of these financial statements

University of Suffolk Ltd
Statement of Financial Position
Year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	12	67,499	67,526
Investment in associate	13	-	-
Current assets			
Trade and other receivables	10	15,980	4,424
Cash and cash equivalents	17	14,600	9,002
		<u>30,580</u>	<u>13,426</u>
Less: Creditors: amounts falling due within one year	11	<u>(22,745)</u>	<u>(10,237)</u>
Net current assets		<u>7,835</u>	<u>3,189</u>
Total assets less current liabilities		75,334	70,715
Creditors: amounts falling due after more than one year	14	(46,919)	(48,392)
Provisions			
Universities Superannuation Scheme provision	15	(14,430)	(5,985)
Enhanced Pension provision	15	(763)	(778)
Local Government Pension Scheme provision	22	(3,969)	(2,618)
Total net assets		<u>9,253</u>	<u>12,942</u>
Restricted Reserves			
Income and expenditure reserve - endowment reserve	16	91	105
Income and expenditure reserve - restricted reserve	16	48	27
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		9,114	12,810
		<u>9,253</u>	<u>12,942</u>
Total Reserves		<u>9,253</u>	<u>12,942</u>

The financial statements were approved by the Board of Directors and were signed on its behalf by:



Professor W Pope
Chair of Board of Directors



Professor H Langton
Vice-Chancellor

Date:

Registered Number: 05078498

The notes on pages 29 to 39 form an integral part of these financial statements

University of Suffolk Ltd
Statement of Cash Flow
Year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus for the year		(2,479)	1,272
Adjustments			
Depreciation	12	3,130	2,947
Loss on loss on disposal of fixed assets		-	73
(Increase)/decrease in debtors	10	(10,838)	(2,461)
Increase/(decrease) in creditors	11/14	11,193	1,913
Decrease in pension liability	22	-	-
(Decrease)/Increase in other provisions	15	8,429	(403)
Adjustment for investing or financing activities			
Investment income	5	(58)	(25)
Interest payable	8	1,317	1,350
Capital grant income		(1,456)	(1,399)
Net cash inflow from operating activities		9,238	3,267
Cash flows from investing activities			
Capital grant receipts		582	461
Payments made to acquire fixed assets		(2,447)	(908)
Net cash outflow from investing activities		(1,865)	(447)
Cash flows from financing activities			
Interest paid		(1,315)	(1,123)
Interest received		58	25
Repayments of amounts borrowed		(518)	(493)
Net cash outflow from financing activities		(1,775)	(1,591)
Increase in cash and cash equivalents in the year		5,598	1,229
Cash and cash equivalents at beginning of the year	17	9,002	7,773
Cash and cash equivalents at end of the year	17	14,600	9,002

The notes on pages 29 to 39 form an integral part of these financial statements

University of Suffolk Ltd
Statement of Changes in Reserves
Year ended 31 July 2019

Note	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2017	114	40	10,351	10,505
Surplus from the income and expenditure statement	(9)	(13)	1,294	1,272
Other comprehensive income	-	-	1,165	1,165
Total comprehensive income for the year	(9)	(13)	2,459	2,437
Balance at 1 August 2018	105	27	12,810	12,942
Surplus/(deficit) from the income and expenditure statement	(14)	21	(2,486)	(2,479)
Other comprehensive income	-	-	(1,210)	(1,210)
Total comprehensive income for the year	(14)	21	(3,696)	(3,689)
Balance at 31 July 2019	91	48	9,114	9,253

The notes on pages 29 to 39 form an integral part of these financial statements

University of Suffolk Ltd

Statement of accounting policies for the year ended 31 July 2019

Basis of preparation

These financial statements are prepared on a going concern basis, in accordance with the historical cost convention and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102). The University of Suffolk Ltd ("the University" or "the company") is a company domiciled in the UK. The currency used in the financial statements is pound sterling and the figures have been rounded to the nearest thousand, unless otherwise stated. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS102, the company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

Format of financial statements

The financial statements contain information about the University of Suffolk Ltd as an individual company and do not include those of the students' union, as it is a separate entity in which the company has no financial interest, no control or significant influence over policy decisions. The financial statements have been prepared to conform with the Companies Act 2006, the Higher Education Funding Council for England (HEFCE) Accounts direction to higher education institutions, and also with the Statement of Recommended Accounting Practice (SORP): Accounting for Further and Higher Education 2015, the use of which has been mandated by the terms of the funding arrangements in place between the University of Suffolk, University of East Anglia, University of Essex and the Higher Education Funding Council for England.

Going concern

The directors have prepared projections in support of the company's cash requirements in addition to its on-going compliance with the terms of its bank facilities. The financial position of the company is set out in the strategic report.

The directors have given this matter careful consideration and the Board is satisfied that the University has adequate resources to continue in operation for at least twelve months from the date of this report. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Income recognition

Grant funding including funding council block grant, research grants from government sources, and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and 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.

Tuition fees and income from education contracts are stated gross and credited to the income and expenditure account over the period in which students are studying. Bursaries are accounted for gross as expenditure and not deducted from income.

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.

Investment income is credited to the income and expenditure account on a receivable basis.

University of Suffolk Ltd

Statement of accounting policies for the year ended 31 July 2019

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

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

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

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

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

Gifts in kind, including donated tangible fixed assets

Gifts in kind are reflected in 'other income' or 'deferred capital grants' as appropriate.

Agency arrangements

Funds that the University receives and disburses as a paying agent on behalf of a funding body are excluded from the income and expenditure of the University where it is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. Disclosures in relation to these arrangements are included in note 21 to the financial statements.

Long-term loans

Loans are initially recognised at transaction price including transaction costs and subsequently measured at amortised cost using the effective interest method.

Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the test 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 exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and section 471, and 478-488 CTA 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of value added tax (VAT). Irrecoverable value added tax on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition. Donated tangible fixed assets are included at deemed cost based on a valuation at the date of donation.

University of Suffolk Ltd

Statement of accounting policies for the year ended 31 July 2019

Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Under first-time adoption to FRS102, the University has elected to use this fair value as deemed cost.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, over the expected useful economic lives of the assets in equal annual instalments at the following principal rates:

Freehold buildings	2.0% - 2.5%
Building refurbishments	12.5% - 25%
Fixtures, fittings and equipment	12.5% - 25%
Computer equipment	25%

Freehold land, heritage assets, and assets in the course of construction are not depreciated.

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

Inherited fixed assets

Assets inherited from Suffolk New College are stated in the balance sheet at their fair value on transfer based on depreciated replacement cost.

Acquisition with the aid of specific grants

Where assets are acquired with the aid of specific government grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related assets.

Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previous standard of performance is recognised in the income and expenditure account in the period it is incurred. The company has a planned maintenance programme, which is reviewed on an annual basis.

Provisions

Provisions are recognised in the financial statements when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Accounting for retirement benefits

The company contributes to the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS).

USS

With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore

University of Suffolk Ltd

Statement of accounting policies for the year ended 31 July 2019

exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

LGPS

The amounts charged to the income and expenditure account are as follows. The current and past service costs and gains and losses on settlements and curtailments are included as part of staff costs. The expected return on assets, net of the impact of the unwinding of the discount on the scheme's liabilities, is shown within interest payable or other finance income. Actuarial gains and losses, including differences between expected and actual return on assets, are recognised immediately in the Statement of Comprehensive Income.

Accounting for enhanced pension obligations

Liabilities in respect of enhanced pension obligations are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the University's liabilities. The actuarial valuations are updated at each balance sheet date. Movements in the liability are recognised in the income and expenditure account in the period in which they arise.

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.

Exceptional items

Exceptional and non-recurring costs are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the University's underlying financial performance. Transactions which may give rise to exceptional and non-recurring costs are principally restructuring related costs.

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.

Investments

Investments in associates are carried at cost less impairment in the University's accounts.

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.

Notes to the Accounts for the year ended 31 July 2019

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
1 Tuition fees and education contracts		
Tuition fees		
Full-time home and EU students	41,517	23,979
Full-time international students	866	234
Part-time students	2,307	2,918
	<u>44,690</u>	<u>27,131</u>
Education contracts		
Health Education East of England	4,457	6,422
Health and Care Professions Council	136	181
Other contracts	128	75
	<u>4,721</u>	<u>6,678</u>
	<u>49,411</u>	<u>33,809</u>
2 Funding body grants	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Recurrent grant		
Office for Students (formerly HEFCE)	2,475	2,217
Government agencies		
National College of Teaching and Learning	65	23
Deferred capital grants released in the year		
Buildings	412	415
Equipment	131	129
	<u>543</u>	<u>544</u>
Total funding body grants	<u>3,083</u>	<u>2,784</u>
3 Research grants and contracts	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Other grants and contracts	410	491
4 Other income	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Deferred capital grants released in the year	913	854
Project income	1,332	1,288
Validation income	-	80
Other income	897	847
	<u>3,142</u>	<u>3,069</u>
5 Investment income	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Income from deposits	58	25
6 Donations and endowments	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Unrestricted donations	20	30
Restricted donations	17	17
	<u>37</u>	<u>47</u>

Notes to the Accounts

for the year ended 31 July 2019

	Year Ended 31 July 2019	Year Ended 31 July 2018
7 Staff costs		
Staff Costs:	£'000	£'000
Salaries	16,358	14,653
Social security costs	1,496	1,334
	17,854	15,987
Movement on USS provision	8,313	(79)
Other pension	2,986	2,374
Total	29,153	18,282
Emoluments of the Vice-Chancellor:	£'000	£'000
<i>Former Vice-Chancellor - left 31 May 2018</i>		
Salary from 1 August 2017 to 31 May 2018	-	95
Remuneration from 1 June 2018 onwards	10	19
Performance-related pay	37	-
Expense allowances charged to UK Income tax	-	-
The estimated money value of any other taxable benefits	-	1
Contribution to relocation costs	-	-
Total before pension contributions and payments in lieu of pension contributions	47	115
Pension contributions and payments in lieu of pension contributions	1	16
Total	48	131
<i>Current Vice-Chancellor - started 1 June 2018</i>		
Salary	153	28
Performance-related pay	-	-
Expense allowances charged to UK Income tax	-	-
The estimated money value of any other taxable benefits	1	-
Contribution to relocation costs	10	2
Total before payments in lieu of pension contributions	164	30
Payments in lieu of pension contributions	28	-
Total	192	30

The prior year analysis has been re-presented to disclose payments in lieu of pensions separately and to exclude national insurance contributions.

The University's Remuneration Committee determines and reports to the Board on the salary of the Vice-Chancellor and other members of the Executive. No individual is present for a discussion which involves the determination of their own salary. The Committee determines that the salary of the Vice-Chancellor is appropriate to the institutional context, size, and the responsibilities of the role. In addition, the Committee considers the public interest in all forms of payment made to senior staff. The agreed salary of the Vice Chancellor allows for cost of living rises in line with national agreement on increases for the sector. Performance of the Vice-Chancellor is monitored by objectives which are reviewed by the Remuneration Committee on a regular basis.

The Vice-Chancellor's basic salary is 4.48 times the median pay of staff (2018: former Vice-Chancellor 4.12), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's total remuneration is 4.34 times the median total remuneration of staff (2018: former Vice-Chancellor 3.73), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

No pay median statistics are reported for the former Vice-Chancellor as although he remained a legal Director of the University until 31st August 2019, he was not an active member of the Executive Committee or the Board.

The university has adopted in part the 19/20 accounts direction issued by the Office for Students with regards to the preparation of the Vice-Chancellor pay multiple

Remuneration of other higher paid staff, excluding employer's pension contributions and redundancy payments:

	No.	No.
£100,000 to £105,000	1	-
£120,000 to £125,000	1	1

The prior year analysis has been re-presented to exclude national insurance contributions.

Retirement benefits are accruing to 3 directors (2018: 3) under the Universities Superannuation Scheme ("USS"). No remuneration was paid to any of the University's Board members for their services as a Board member. A total of £4018 was paid to or on behalf of 5 Board members for expenses in relation to travel for attendance at meetings (2018: £6,911 for 5 Board members)

Average staff numbers (headcount) by major category :	No.	No.
Academic departments	226	207
Academic services	124	114
Administration and central services	96	90
Projects	46	25
Premises	19	18
	511	454

In addition to the above employee numbers, the University employed an average of 92 casual staff during the year (2018: 109).

Notes to the Accounts for the year ended 31 July 2019

7 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Key management personnel at the University of Suffolk are members of the Executive Committee and remunerated members of the Board. Compensation consists of salary and any benefits if applicable, excluding any employer's pension contribution; the amount disclosed below is included within staff costs.

The former Vice Chancellor remained a legal Director of the University until 31st August 2019, but was not an active member of the Executive Committee or the Board. His remuneration is therefore excluded from current year key management personnel compensation below.

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Key management personnel compensation	666	686

8 Interest and other finance costs

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Loan interest	1,093	1,124
Net charge on pension schemes	224	226
	1,317	1,350

9 Analysis of total expenditure by activity

	Staff costs £'000	Depreciation £'000	Other operating expenses £'000	Interest and other finance costs £'000	Year ended 31 July 2019 Total £'000	Year ended 31 July 2018 Total £'000
Academic departments	11,490	192	7,636	-	19,318	17,985
Academic services	3,715	-	2,226	-	5,941	7,239
Administration and central services	4,705	451	11,400	-	16,556	5,895
Premises	834	2,487	3,117	1,093	7,531	6,962
USS provision	8,313	-	-	132	8,445	31
Other	96	-	641	92	829	841
Year ended 31 July 2019	29,153	3,130	25,020	1,317	58,620	38,953
Year ended 31 July 2018	18,282	2,947	16,374	1,350	38,953	

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Other operating expenses include:		
External auditors remuneration in respect of audit services	44	40
External auditors remuneration in respect of non-audit services	2	2
Operating lease rentals		
Other	35	11

10 Trade and other receivables

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Trade receivables	14,445	3,725
Prepayments and accrued income	1,448	565
Amounts due from related parties	87	134
	15,980	4,424

Amounts due from related parties are unsecured, interest free and are repayable on demand (see note 23 to the financial statements for further details).

11 Creditors : amounts falling due within one year

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Secured loans (note 14)	545	518
Trade payables	719	1,302
Capital creditors	1,027	1,023
Amounts due to related parties	73	200
Social security and other taxation payable	386	372
Accruals and deferred income	18,086	4,893
Other payables	414	486
Deferred capital grants	1,495	1,443
	22,745	10,237

Notes to the Accounts for the year ended 31 July 2019

11 Creditors : amounts falling due within one year (continued)

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Research grants received on account	112	162
Other income	1,238	218
	<u>1,350</u>	<u>380</u>

12 Fixed Assets

	Freehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2018	72,610	11,806	1,212	239	85,867
Additions	484	734	1,885	-	3,103
Disposals	-	-	-	-	-
Transfers	-	26	(26)	-	-
At 31 July 2019	<u>73,094</u>	<u>12,566</u>	<u>3,071</u>	<u>239</u>	<u>88,970</u>
Depreciation					
At 1 August 2018	8,066	10,275	-	-	18,341
Charge for the year	2,487	643	-	-	3,130
Disposals	-	-	-	-	-
At 31 July 2019	<u>10,553</u>	<u>10,918</u>	<u>-</u>	<u>-</u>	<u>21,471</u>
Net book value					
At 31 July 2019	<u>62,541</u>	<u>1,648</u>	<u>3,071</u>	<u>239</u>	<u>67,499</u>
At 31 July 2018	<u>64,544</u>	<u>1,531</u>	<u>1,212</u>	<u>239</u>	<u>67,526</u>

At 31 July 2019, freehold land and buildings included £12.6m (2018 - £12.6m) in respect of freehold land that is not depreciated.

Heritage assets

The heritage asset relates to an art installation commissioned and installed by the University in 2011/12. The total cost of £239k has been capitalised and funded by £90k of grant funding. The asset is not depreciated.

13 Investment in associate

The University holds 49 £1 shares in Eastern HE Cost Sharing Limited ("EHCS"), a subsidiary of University of Essex. The University has a contract with EHCS to provide internal audit services and has been doing so with effect from the 2015/16 financial year.

14 Creditors : amounts falling due after more than one year

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Deferred capital grant	29,663	30,590
Secured loans (see below)	17,256	17,802
	<u>46,919</u>	<u>48,392</u>
Analysis of secured and unsecured loans:		
Due within one year or on demand (Note 11)	<u>545</u>	<u>518</u>
Due between one and two years	578	545
Due between two and five years	2,654	2,512
Due in five years or more	14,024	14,745
Due after more than one year	<u>17,256</u>	<u>17,802</u>
Total secured loans	<u>17,801</u>	<u>18,320</u>
Secured loans repayable by 2038	<u>17,801</u>	<u>18,320</u>

Notes to the Accounts for the year ended 31 July 2019

14 Creditors : amounts falling due after more than one year (continued)

Included in loans are the following:

Lender	Amount borrowed £'000	Term	Interest rate %	Borrower
Barclays Bank plc	12,500	30 years	5.09	University
Barclays Bank plc	8,000	30 years	4.37	University
Total	20,500			

15 Provisions for liabilities

	Obligation to fund deficit on USS Pension £'000	Pension enhancement on termination £'000	Total Provisions £'000
At 1 August 2018	5,985	778	6,763
Utilised in year	(142)	(15)	(157)
Additions in 2018/19	8,587	-	8,587
At 31 July 2019	14,430	763	15,193

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. More detail on the USS deficit is included in Note 22.

Non-adjusting events after the end of the reporting period

Since the year end, the 2018 actuarial valuation has been completed and a new deficit recovery plan agreed. With all other assumptions used to calculate the provision unchanged, the revised provision as at 31st July 2019 would have been £7,522k, a decrease of £6,907k. This would have led to the University reporting a surplus for the current year of £4,428k.

Pension enhancement

The assumptions for calculating the provision for pension enhancements on termination, are as follows:

	Year ended 31 July 2019	Year ended 31 July 2018
	%	%
Discount rate	2.00	2.30
Inflation	2.20	1.30

16 Restricted reserves

Reserves with restrictions are as follows:

	Year ended 31 July 2019	Year ended 31 July 2018
	Total £'000	Total £'000
Balances at 1 August	132	154
Donations received	38	47
Investment income	1	1
Expenditure	(32)	(70)
Total restricted comprehensive income for the year	7	(22)
At 31 July	139	132

Analysis of restricted funds/donations by type of purpose:

	Year ended 31 July 2019	Year ended 31 July 2018
	Total £'000	Total £'000
Founding supporters campaign	48	27
Legacies	91	105
	139	132

Notes to the Accounts for the year ended 31 July 2019

17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash Flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	9,002	5,598	14,600

18 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Commitments contracted for	475	950
	475	950

The capital commitment relates to The Hold capital development project. The liability has reduced during the year following the first stage payment. The second stage payment is due by the end of the next financial year.

19 Capital and reserves

The company has no share capital as it is limited by guarantee. All members of the company undertake to contribute such a sum as is required, not exceeding £1, to the assets of the company should it be wound up whilst they are a member or within one year after they cease to be a member.

20 Lease obligations

Total rentals payable under operating leases:

	Computer equipment £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Expensed in year	35	35	11
Future minimum lease payments due:			
Not later than 1 year	35	35	35
Later than 1 year and not later than 5 years	105	105	140
Later than 5 years	-	-	-
Total lease payments due	140	140	175

21 Amounts disbursed as agents

FE Initial Teacher Training Bursaries (ITT)

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Funding received from BIS	65	18
Brought forward from previous year	1	1
Amount disbursed to students	(65)	(18)
Amount repaid to BIS	-	-
Excess of income over expenditure	1	1

Notes to the Accounts

for the year ended 31 July 2019

22 Pension Schemes

University of Suffolk employees belong to two principal pension schemes: the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS), which is administered by Suffolk County Council. Both are defined-benefit schemes.

Total employer pension contributions for the year	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
USS contributions paid	2,412	2,111
Local Government Pension Scheme contributions paid	274	264
Local Government Pension Scheme Funding Strategy	140	140
	2,826	2,515

(i) The Universities Superannuation Scheme

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the Statement of Comprehensive Income and Expenditure, for employer contributions, is £2,412k (2018: £2,111k). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. In addition to these costs, provision movements of £8,313k (2018: £(79)k) were also posted to the Statement of Comprehensive Income and Expenditure following the latest complete available actuarial valuation. The disclosures below represent the position from the scheme's financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. At the year end, a valuation as at 31 March 2018 was underway but not yet complete.

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

The 2017 valuation was the fourth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2019 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 Valuation
Mortality base tables	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
	<u>Post-retirement</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2019	2018
Males current aged 65 (years)	24.6	24.5
Females current aged 65 (years)	26.1	26.0
Males current aged 45 (years)	26.9	26.5
Females current aged 45 (years)	27.9	27.8

Notes to the Accounts

for the year ended 31 July 2019

22 Pension Schemes (continued)

(i) The Universities Superannuation Scheme (continued)

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

(ii) Local Government Pension Scheme (LGPS)

The LGPS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The latest available audited triennial actuarial valuation of the scheme was at 31 March 2016 and updated to 31 July 2019 by a qualified independent actuary.

Under the definitions set out in FRS 102, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the company's share of its assets and liabilities as at 31 July 2018. The contribution payable by the employer was set at 19.5% of pensionable salaries from August 2007. This was increased with effect from April 2013 to 22.5%.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

The material assumptions used by the actuary for the purposes of FRS 102 at 31 July 2019 and 31 July 2018 were:

	2019	2018
	%	%
Future pension increases	2.4	2.4
Future salary increases	2.7	2.7
Discount rate	2.1	2.8

The assumed life expectations on retirement aged 65, based on standard mortality tables, are:

	2019	2018
	Years	Years
<i>Retiring today</i>		
Males	21.3	21.9
Females	23.5	24.4
<i>Retiring in 20 years</i>		
Males	22.3	23.9
Females	24.9	26.4

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Change in assumptions at 31st July 2019	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	12%	1,979
0.5% increase in the Salary Increase Rate	3%	469
0.5% increase in the Pension Increase Rate (CPI)	9%	1,459

Notes to the Accounts

for the year ended 31 July 2019

22 Pension Schemes (continued)

(ii) Local Government Pension Scheme (LGPS) (continued)

The value of assets in the LGPS scheme and percentage of the total plan assets were:

	31 July 2019		31 July 2018	
	%	Fund value	%	Fund value
	of total	£'000	of total	£'000
Equities*	51	6,329	62	7,058
Bonds	26	3,227	27	3,073
Properties	22	2,730	10	1,138
Cash	1	124	1	114
		<u>12,410</u>		<u>11,383</u>

* Equities also include other alternative investments including Money Market Funds, Absolute return, Infrastructure, Timber and illiquid debt investments.

	2019	2018
	£'000	£'000
Analysis of the movement in the present value of scheme liabilities		
At the beginning of the year	14,001	13,947
Current service cost	445	458
Past service cost (including curtailments)	47	-
Interest cost	396	380
Contributions by scheme participants	75	73
Changes in demographic assumptions	(863)	-
Changes in financial assumptions	2,514	(634)
Benefits paid	(236)	(223)
At the end of the year	16,379	14,001
	2019	2018
	£'000	£'000
Analysis of the movement in the fair value of scheme assets		
At the beginning of the year	11,383	10,316
Interest income on plan assets	322	282
Contributions by scheme participants	75	73
Contributions by the employer	425	404
Benefits paid	(236)	(223)
Return on assets excluding amounts included in net interest	441	531
At the end of the year	12,410	11,383
Changes in the fair value of plan assets, defined benefit obligation and net liability is:		
	2019	2018
	£'000	£'000
Opening position	(2,618)	(3,631)
Current service cost	(445)	(458)
Past service cost (including curtailments)	(47)	-
Interest income on plan assets	322	282
Interest cost on defined benefit obligation	(396)	(380)
Total defined benefit cost recognised in income (or expenditure)	(566)	(556)
Employer contributions	425	404
	<u>(2,759)</u>	<u>(3,783)</u>

Notes to the Accounts

for the year ended 31 July 2019

22 Pension Schemes (continued)

	2019	2018
	£'000	£'000
(ii) Local Government Pension Scheme (LGPS) (continued)		
Changes in demographic assumptions	863	-
Changes in financial assumptions	(2,514)	634
Return on assets excluding amounts included in net interest	441	531
Total remeasurements recognised in Other Comprehensive Income (OCI)	(1,210)	1,165
Fair value of plan assets	12,410	11,383
Present value of funded liabilities	(16,379)	(14,001)
Closing position	(3,969)	(2,618)

Defined benefit scheme assets do not include any of the University's own financial instruments or any property controlled by the University. The estimation of the employer contribution for the defined benefit scheme for the year to 31 July 2020 is £425k.

The impact of the recent high court ruling on McCloud Judgement (public service pensions age discrimination cases) has been reflected in the latest valuation of the pension scheme. The result of this is a £47k service cost related to past years.

23 Related parties

Due to the nature of the company's operations and the composition of the Board of Directors being drawn from the senior employees of the Partner Colleges and local authorities, it is inevitable that transactions will take place with organisations in which a Director may have an interest. All transactions involving organisations in which a Director may have an interest, including those identified below, are carried out at arms-length and in accordance with the company's usual procurement procedures. No balances with related parties are secured or provided for.

	Sales transactions	Receivables balance outstanding	Purchase transactions	Payables balance outstanding
	£'000	£'000	£'000	£'000
Year ending 31 July 2019				
<u>Board members - in a position of influence in other organisations</u>				
Eastern HE Cost Sharing Group Ltd	-	-	21	5
Ipswich Borough Council	483	77	275	-
St Elizabeth Hospice	-	-	11	2
Suffolk County Council	322	10	781	66
Suffolk New College	2	-	466	-
Student's Union	-	-	14	-
<u>Joint investor in Eastern HE CSG Ltd</u>				
University of Essex	1	-	15	-
	808	87	1,583	73

Year ending 31 July 2018

Board members - in a position of influence in other organisations

Eastern HE Cost Sharing Group Ltd	-	-	20	5
Ensors Chartered Accountants LLP	1	1	6	-
Ipswich Borough Council	217	126	231	2
Ipswich Central Management	1	-	-	-
Suffolk County Council	332	7	203	57
Suffolk New College	3	-	503	86
Student's Union	-	-	12	-
<u>Joint investor in Eastern HE CSG Ltd</u>				
University of Essex	-	-	69	50
	554	134	1,044	200

Notes to the Accounts

for the year ended 31 July 2019

24 Accounting estimates and judgements

Universities Superannuation Scheme (USS)

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

In addition, because the USS scheme is in deficit and a funding plan has been agreed section 28 of FRS 102 requires individual employers to recognise a liability for the contributions payable that arise from the agreement to fund the scheme (to the extent that they relate to the deficit) and the resulting expense in profit and loss. A deficit modeller was utilised to produce the provision estimate with a discount rate at the end of 31 July 2019 of 1.62%.

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 22, 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 valuations would impact on the carrying amount of the pension liability.

