



Cardiff
Metropolitan
University

Prifysgol
Metropolitan
Caerdydd

2019 - 2020 ANNUAL REPORT & FINANCIAL STATEMENTS



THE TIMES
THE SUNDAY TIMES
**GOOD
UNIVERSITY
GUIDE
2021**
WELSH
UNIVERSITY
OF THE YEAR

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Report of the Board of Governors

Public Benefit Statement

Cardiff Metropolitan University seeks to advance higher education and research within South East Wales, Wales, the UK and internationally. Its charitable objective is to inspire and enable individuals, organisations and communities to succeed through innovation in high quality learning, research and enterprise. The benefit of this charitable objective is derived through the intellectual development of individuals and by providing the opportunity for them to enter professional life in many fields of public and private provision. The beneficiaries are the public at large to whom education is open. The University's provision has been aligned with the Welsh Government's strategy for higher education and serves the public benefit by contributing to regional regeneration, preservation of the environment and promotion of social justice.

The University offers courses in a range of subjects including health and social care, teacher education and environmental management with over 50 professional bodies accrediting its courses. It also engages with partners in business, the public sector and communities in a variety of ways. Specifically, during 2019/20 the University:

- (a) Undertook Sport Development for Cardiff City Council. The University, through Cardiff Met Sport, is working with the Council, Cardiff City FC, Sport Wales and Disability Sport Wales to increase sports participation and the quality of the experience across the city. The project, which places particular emphasis upon addressing key themes including disability, gender, and disadvantaged groups, is also contributing to the strengthening of Cardiff Met's relationships with all of the city's primary and secondary schools and supports thousands of hours of student work placement and volunteering opportunities.
- (b) Participated as a part of its widening access programme, in the First Campus Initiative which encourages the importance of learning amongst community first areas and schools in SE Wales.
- (c) Administered and supported a £12m pan Wales advisory and implementation service in food technology related initiatives, including areas such as technical, microbiological, hygiene and product development to help clients (SMEs) achieve measurable outputs and clear financial, environmental and skill-based benefits and to maximise business performance.
- (d) Worked with Welsh Government to provide Knowledge Transfer Centres as an effective interface between academia and Welsh business - providing access to research, development, expertise, facilities and knowledge to a wide range of technology led businesses.
- (e) Used its sports facilities to provide junior academies for local children and training facilities for all levels of athlete, thereby supporting world class participants in a range of national and international sports.
- (f) Operated a Community Borrower Scheme which provides the public with direct access to the University's library collections, enabling them to borrow books or other audio-visual education materials.
- (g) Actively promoted the National Young Ambassador programme which aims to inspire young people to become leaders through sport and physical activity.
- (h) Ran Repair Cafes, monthly pop-up events on campus where volunteers fixed household items, textiles, bicycles etc, free of charge and, in-order to reduce waste, teach skills and bring the local community together.
- (i) Launched a Civic Engagement strategy that is an outward demonstration of our values driven approach to empower our staff and students to engage in our community. The aspiration is that our community should be able to recognise our efforts in championing creativity, diversity, freedom and innovation and have confidence that, through the creation of trusted partnerships, we will work hard to effect educational transformation, research with impact, sustainable economic growth, social cohesion, and health and wellbeing.

During the year, Welsh domiciled students of the University were able to access the Assembly Learning Grant and English domiciled students the Maintenance Grant; the University also offered its own bursaries. Various other schemes were also available to assist students to access higher education and the University administered a discretionary contingency fund for those who required

Report of the board of Governors (continued)

financial support to continue their studies. The University offered a wide range of accredited taster sessions at outreach centres and bespoke projects designed to raise the aspirations amongst disadvantaged/under-represented communities.

In common with other charitable higher education corporations in the UK, the University is overseen by a Board of Governors, the majority of whom are non-remunerated and otherwise independent of the University. The Board of Governors includes staff and student representation.

Responsibilities of the Board of Governors

In accordance with the Education Reform Act 1988 the Board of Governors of Cardiff Metropolitan University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (effective from 1 January 2015) and in accordance with applicable Accounting Standards. In addition, within the terms and conditions of Financial Management Code issued by the Higher Education Funding Council for Wales, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University, of the surplus or deficit and cash flows for that year.

In preparing these financial statements, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors has taken reasonable steps to:

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

By order of the Board

Professor C Carmichael Aitchison
President & Vice-Chancellor
12 November 2020

Report of the board of Governors (continued)

Operating and Financial Review

Scope of the Financial Statements

These financial statements relate to the year ended 31 July 2020 and represent the twenty eighth Annual Report of the University since its incorporation in 1992. The financial statements consolidate the main activity of the University with that of its subsidiary companies and have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102.

Principal Activities

The principal activity of the University is the provision of higher education from campuses in Cardiff and through collaborative activities elsewhere in the UK and overseas. The University's portfolio extends across undergraduate, postgraduate and research activities and is complemented by training, consultancy and other commercial spin offs which are provided to local, national and international organisations. The University also provides conferencing and residential services, together with sports and catering facilities, for students and external users. Many of these commercial activities are carried out through a subsidiary company Cardiff Met Company Ltd, which gifts the taxable profit back to the University through the Gift Aid scheme.

Financial and Investment Strategy

The University last reviewed and updated its Financial Strategy during July 2018. This Strategy has the key objectives of growing and diversifying income; promoting long-term sustainability; and operating efficiently and effectively. The Strategy includes challenging performance objectives in support of the University's aspirations for the future.

Results for the Year

The strength of the financial performance for the year, which saw the generation of an operational cash surplus of £8.6m (2019: £13m), continues to be presentationally obscured by the published financial performance which shows a deficit of £1.286m (2019:£178k). This is consistent with the financial reporting of recent years which has seen a divergence between the strength of the University's operational cash generation and its accounting result. This distortion of the financial results has resulted from the continuing need to account for pension deficit charges in relation to two of the university's three staff pension schemes, namely, the Cardiff & Vale of Glamorgan Pension Scheme (CVGPS), and the University Superannuation Scheme (USS). The combined impact of the pension deficit charges arising from these two schemes amounted to £4.6m (2019: £8.397) during the year. Irrespective of these charges operational cash generation was strong and delivered the funding for the 2019-2020 capital programme whilst maintaining liquidity at a comparable level to the previous year.

| Summary of Results | 2019/20 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| Income | 107,124 | 106,845 |
| Expenditure | 108,410 | 106,248 |
| (Deficit)/Surplus before exceptional costs | (1,286) | 597 |
| Exceptional Severance costs | - | (419) |
| (Deficit)/Surplus for the year | (1,286) | 178 |

Report of the board of Governors (continued)

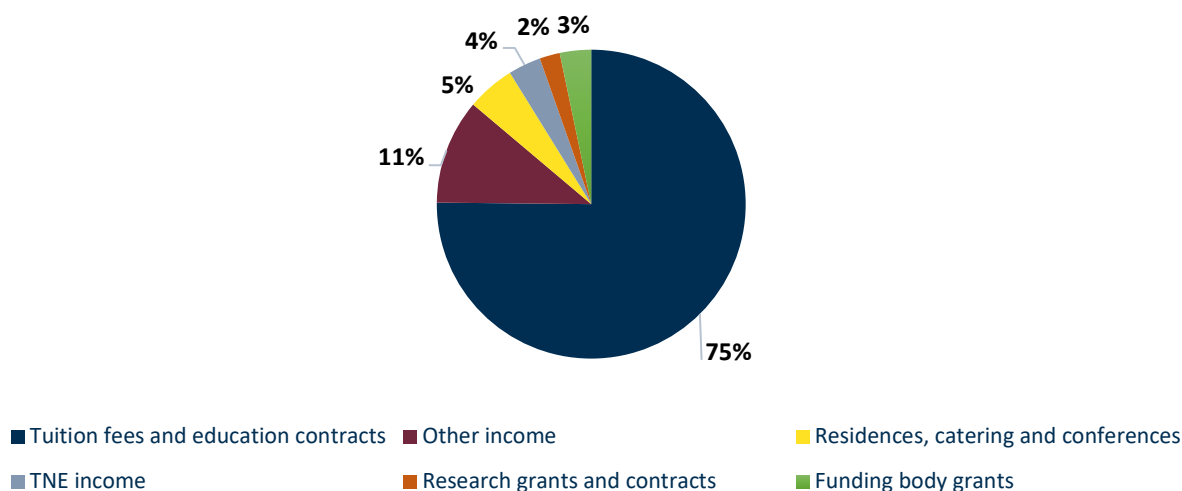
Operating and Financial Review (Continued)

Results for the Year (Continued)

The group's income increased by a modest £279k during the year to £107.1m. This is considered to be a credible result when viewed from the perspective of the coronavirus pandemic. The nation went into lock-down during March 2020 and this had a serious impact on several of the group's income streams including residences, catering, conferencing, the hire of sports facilities and parking. Virtually no income was received from these areas of activity in the period between March and July, resulting in an estimated loss of income of circa £2.3m. This constituted the major loss of income arising from the pandemic with most other areas delivering a year-end outcome in line with the pre-pandemic expectation.

The group's main income stream is derived from tuition fees from UK and EU undergraduate and postgraduate students that together amounted to £61.9m and account for 57% of total income. When international fees and educational contracts are included this rises to 75% of turnover. This is consistent with the previous year both in terms of value and the % of income. Full time undergraduate tuition fees for UK and EU students remained capped at £9k during the year and as a result of this there was no inflationary uplift to the value of the fee.

Income Analysis 2019-20



The group invested £6.2m in its infrastructure during 2019-2020. Of this £4.3m was invested in the estate, of which circa £2m was invested in the first phase of the development of the School of Technologies. Three further phases are planned. Expenditure amounting to £1.9m was also invested in equipment, including circa £1m in IT infrastructure and corporate systems and circa £900k in the academic and professional service departments.

The asset base of the balance sheet was strengthened by the aforementioned fixed asset investments, but this was offset by the need to increase the pension deficit provisions in relation to the university's staff pension schemes. Additional pension deficit provisions amounting to £57.6m were required, increasing the pension provisions to £126.7m. As a result of these increases, total net assets reduced by £54.6m to £31.1m.

Liquidity & Cash

The group's cash and short-term investment resources at the year-end amounted to £30m (2019: £31.4m). Investments in the estate and infrastructure during the year were funded entirely by cash generated from operating activities. The current ratio was broadly consistent with the prior year at 1.87 (2019: 1.93). Loan repayments during the year totalled £1.8m thereby reducing the group's long-term debt from £26.5m to £24.7m. At 31 July 2020 long term debt as a % of turnover amounted to 23%.

Report of the board of Governors (continued)

Operating and Financial Review (Continued)

The Financial Outlook

During 2019-2020 the university charged FT home and EU undergraduate students an annual tuition fee of £9,000, as compared to the fee of £9,250 being charged in English institutions. The FT home and EU undergraduate tuition fee remains capped for 2020-2021 at £9,000 in Wales for the ninth consecutive year and at £9,250 in England.

Given that the real value of the FT undergraduate fee has eroded significantly during the past nine years, the continuing lack of indexation on one of the University's main income streams poses funding challenges for both the University and the HE sector in general. These challenges have been exacerbated by the coronavirus pandemic which has also made it more difficult and therefore more unlikely that central government will remove the fee cap in the short term. The pandemic has also increased the uncertainty with regard to the University's other income streams.

In order to generate development funding and as a counter to the uncertainty arising from the current fee arrangements and the coronavirus pandemic, the University continues to develop and implement ambitious plans to grow and diversify its income base through the development of new academic programmes and investment in research and innovation activity, both to be provided through new and rejuvenated estate and infrastructure.

Charitable Status

The University became a Registered Charity (No. 1140762) on 10 March 2011.

Membership of the Board of Governors

The membership of the Board for the year 1 August 2019 to 31 July 2020 is set out on Page 9 of this report.

Independent Auditors

The external auditors for the year were PricewaterhouseCoopers LLP. The internal auditors for the year were Deloitte LLP.

Equality of Opportunity

The University works to ensure compliance with equality legislation and is committed to proactively integrating the principles of equality into all its activities. A Strategic Equality Plan has been agreed and implemented. The University is active in widening access to education, and in providing an inclusive approach to learning, teaching, and research.

Health and Safety at Work

The health, safety and wellbeing of staff and students are essential to the success of the University. The University's Health & Safety Committee considers all relevant aspects of health, safety and welfare. The Committee receives regular monitoring reports of periodic audits of schools/units health & safety management arrangements and of initiatives and/or issues emanating from school/unit health & safety meetings. Additionally, the Committee disseminates updates on legislation and guidance on good practice and monitors accident levels and staff attendance. The Minutes of the Committee are presented to the Resources Committee and health & safety reports also feature at the University's Audit Committee. An Annual Health & Safety Report is provided to the Board of Governors to enable it to meet its statutory obligation to ensure compliance with health & safety legislation.

In the lead up to the national lock-down that resulted from the coronavirus pandemic during March 2020, and in the period that has followed, the University has placed an increased emphasis on health and safety in the workplace. Measures were quickly put in place to ensure full compliance with all government coronavirus regulations and associated guidance to ensure that those staff who were required to work on-campus could continue to do so in a safe and socially distanced environment; and that those staff who could work from home were properly supported to do so.

Dealing with the future challenges can only be achieved through the continuing work and support of the University's staff and the Board of Governors wish to thank all staff for their efforts and commitment to the University throughout the year.

Report of the board of Governors (continued)

Operating and Financial Review (Continued)

Modern Slavery and Human Trafficking Statement

Cardiff Metropolitan University is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The University's policies and procedures demonstrate its commitment to acting ethically and with integrity in all its business activities, ensuring compliance with the requirements of the Modern Slavery Act. The procurement function has had an 'Ethical Supply Chains' Policy in place since 2011. The Policy was reviewed and updated in 2019 to ensure it continues to reflect relevant good practice.

The University's workplace policies and procedures, which have been reviewed and amended to ensure they reflect the intent of the Welsh Government 'Ethical Employment in Supply Chain' Code of Practice. These policies and procedures demonstrate the University's commitment to acting ethically and with integrity in all its business relationships by ensuring that modern slavery and human trafficking do not occur within its UK and international workforces or business activities. During the year covered by this report, the University committed to ensure that all staff pay grades are at or above the National Living Wage. This change became effective on 1 August 2019.

Criminal Finance Act Statement

Cardiff Metropolitan University and its subsidiary companies commit to ensuring that its employees, agents and other associated persons acting on its behalf are not facilitating tax evasion by another party.

The University regularly reviews its risks and associated processes and procedures to ensure that all steps are taken to prevent tax evasion. The University includes the risk of tax evasion on its Risk Register. The risk is reviewed and updated (at least twice) each year). This includes the review of controls to mitigate risks.

The University reviews its policies and guidance in relation to the Criminal Finance Act on a regular basis, in line with similar policies (Anti-Bribery, Counter Fraud and Corruption, Anti-Money Laundering policies and Financial Regulations).

Professor C Carmichael Aitchison
President & Vice-Chancellor
12 November 2020

Corporate Governance Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code both during the year and up to the date of approval of the financial statements. Its purpose is to help the reader of the financial statements to understand how the principles have been applied.

The University's Governing Body is responsible for the University's system of internal control and for reviewing its effectiveness. This 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.

The University has through 2019-20 made permanent appointments to a number of key posts that support effective corporate governance and the management of risk across the organisation. This included a University Secretary and Clerk to the Board of Governors; a Head of Compliance; a Head of Strategy, Planning and Performance; and a Risk and Compliance Analyst.

Divisional Risk Registers were extensively reviewed during 2019-20 and risk governance enhancements were made with the introduction of in-depth risk reviews. The Risk Management Policy and Strategic Risk Register will be reviewed in 2020-21 to ensure that they fully align with the University's refreshed Strategic Plan and related key performance indicators.

The Governing Body has also received regular reports since the start of the pandemic on the implementation of specific measures to manage Covid-19 related risks.

Whilst the University's Internal Auditors have identified areas for improving the University's risk management framework and the processes in place for the management of risk, the Governing Body is of the view that an effective and continuing process for identifying, evaluating and managing the University's significant risks has been in place for the period of the financial statements. Plans are in place to implement Internal Audit's recommendations for improvement and the Governing Body regularly reviews the risk management process in accordance with the guidance for directors on internal control contained in the UK Corporate Governance Code, as deemed appropriate for higher education.

In response to the challenges of the Covid-19 pandemic the Governing Body revised its governance arrangements for Board and committee meetings. At its meeting in May 2020 the Governing Body agreed to suspend the University's standing orders for the remainder of the 2019-20 academic year to enable monthly Board meetings and enhanced delegation to committees as permitted within the University's Articles of Government. As part of these revised arrangements the Governing Body agreed to streamline its committee structure so that it had an Audit Committee, a Nominations and Governance Committee, a Remuneration Committee and a Resources Committee. Responsibilities/functions from three suspended committees were transferred either directly to Board or one of the committees within the revised structure.

All Committees within the revised arrangements were formally constituted with terms of reference and membership comprised exclusively or mainly of independent members of the Governing Body.

Separately the Governing Body agreed to combine the University's Academic Board with the University's Management Board on a temporary basis to support agile decision making in meeting the challenges of the pandemic.

All meetings of the Governing Body and the University's Combined Academic Board have been held virtually (on-line) since the start of the pandemic. At its meeting in July 2020 the Governing Body agreed to continue with the revised arrangements for the 2020-21 academic year.

The University has through 2019-20 recruited six new independent Governors on to its Governing Body. This has enabled the University to draw on the experience and knowledge of an enhanced and augmented Governing Body in meeting the challenges of the pandemic. This in turn has proved invaluable in supporting effective corporate governance and strategic oversight of risk across the organisation.

Towards the end of 2019-20 academic year the Governing Body initiated an external periodic review of Board and Committee Effectiveness to ensure that its governance and supporting arrangements were efficient, effective and fit for purpose. The review will be completed during 2020-21 academic year and will draw on the report and recommendations of the Review of Governance of the Universities in Wales and related Charter that was published in December 2019. This review will be complemented by a separate evaluation of the revised committee arrangements referred to above.

Membership of the Audit Committee included two independent members through the course of 2019-20 who were not members of the Governing Body and who thus provided additional externality to the Committee's deliberations. The University's senior

Corporate Governance Statement (continued)

executives attended meetings of the Audit Committee as necessary but were not members of it. The Audit Committee met three times during 2019-20 with attendance by the University's internal and external auditors as appropriate. The Committee considered detailed internal audit reports, which, as appropriate made recommendations for the University's systems of internal control and included management responses and implementation plans. The Committee also monitored adherence to regulatory requirements and considered reports from external auditors, the Higher Education Funding Council for Wales and other sources as they affected the University's business. The Committee met privately with the University's Internal Auditors before meetings and also met with the External Auditors as required.

The responsibility for embedding risk management across the institution and maintaining an overview of the key high level institutional risks rested with the University's Combined Academic Board (or Management Board prior to the changes referred to above). The Board of Governors and the Combined Academic Board received reports setting out key performance indicators, identified risks, and related control measures. The Audit Committee received and examined regular Risk Management reports that helped to inform the future direction of the rolling internal audit programme. The executive received regular reports from the University's internal and external auditors which included recommendations for improvement. The Audit Committee provided review and scrutiny of the arrangements for internal financial control. The Governing Body's Board agenda included regular items for the consideration of risk (including Covid-19 related risks); regular reports thereon were received from the executive and the Audit Committee. The management of risk and implementation of appropriate risk management measures has been a significant priority for the University since the start of the pandemic. The Governing Body has played a key role in ensuring that these arrangements were reviewed and scrutinised to achieve assurance.

The University's Governing Body has throughout 2019-20 academic year adhered to the provisions of the Higher Education Code of Governance issued during the Spring Term of 2015.

Governors and Directorate

Governors and Designated Senior Postholders 2019/20

Governors

| | <u>Period of Office</u> |
|--|----------------------------------|
| The Baroness Finlay of Llandaff FRCP, FRCG, FHEA, FLSW, FMedSci (Chair) | 1 August 2018 to date |
| Ms N Amery (Vice-Chair) | 1 April 2014 to 30 June 2020 |
| Professor C C Aitchison, President and Vice-Chancellor (ex officio) | 1 October 2016 to date |
| Mr N Capaldi | 28 November 2018 to date |
| Mr W G Davies | 1 December 2015 to date |
| Mrs S Goodson | 1 August 2017 to 31 July 2020 |
| Mr U Hussain MBE | 1 August 2015 to date |
| Dr M James | 1 August 2017 to date |
| Dr K Nnoaham | 1 August 2017 to 31 July 2020 |
| Dr K Thirlaway | 1 October 2018 to date |
| Dr C Turner | 1 August 2017 to 31 July 2020 |
| Mr S Waddington | 28 November 2018 to date |
| Mr D Warrender | 28 November 2018 to date |
| Mr S Jackson | 1 September 2016 to 31 July 2020 |
| Ms K Davies | 1 August 2019 to date |
| Ms A Fox | 1 August 2019 to 31 July 2020 |
| Mr D Yearwood | 28 November 2019 to date |
| Mr P Matthews | 1 May 2020 to date |
| Professor M Nimmo | 8 June 2020 to date |
| Ms S Hendrickson-Brown | 1 May 2020 to date |
| Ms R Marks MBE | 1 May 2020 to date |
| Mr M Fishwick | 1 May 2020 to date |
| Ms M Owen-Jones | 1 May 2020 to date |

Secretary & Clerk to the Governors

| | |
|-------------|-------------------------|
| Ms C Fraser | 27 January 2020 to date |
|-------------|-------------------------|

Interim Secretary & Clerk to the Governors

| | |
|-----------|-------------------------------------|
| Dr J Rees | 16 January 2019 to 31 December 2019 |
|-----------|-------------------------------------|

Designated Senior Postholders

| | | |
|----------------------|--|---------------------------|
| Professor S Hanton | PVC Research & Innovation | 23 April 2012 to date |
| Dr J Boddington | PVC Student Engagement | 18 September 2017 to date |
| Professor L Robinson | PVC Partnerships and External Engagement | 2 October 2017 to date |
| Mr D Llewellyn | Chief Officer (Resources) | 1 January 2020 to date |

Key Performance Indicators

The University utilises a number of Key Performance Indicators (KPIs) to assist in the monitoring of the University against its objectives. The University's Key Performance Indicators are shown below.

| Students | |
|--|---|
| Numbers | Outcomes |
| <ul style="list-style-type: none"> • 8,442 applications • 7,956 total undergraduates • 2,821 total postgraduates • 16% overseas students | <ul style="list-style-type: none"> • 85% of students are satisfied (NSS 2020) • 80% achieved a First or 2:1 degree (19-20) • 72.2% of graduates are in professional level work or further study 15 months after completion of course (17-18) • Cardiff Metropolitan University is placed 87th out of 130 universities in the Complete University Guide 2021 |

| Staffing | |
|-----------------------------------|------------------------------------|
| Total Staff (FTE) 1,305 | Academic Staff (FTE) 501 |

Key Performance Indicators (continued)

Student Key Performance Indicators

| | | |
|------------------|--|----------------|
| KPI | Undergraduate degree success – Proportion obtaining 1st/2:1 class degree | |
| Measuring | Success in supporting students in their learning experience | |
| Year | 2019-20 | 2018-19 |
| | 80.0% | 70.6% |

| | | |
|------------------|-----------------------------|----------------|
| KPI | Student Satisfaction | |
| Measuring | Student Satisfaction | |
| Year | 2019-20 | 2018-19 |
| | 85% | 85% |

| | | |
|------------------|--|----------------|
| KPI | Staff / Student Ratio | |
| Measuring | Number of Students per academic staff member | |
| Year | 2019-20 | 2018-19 |
| | 21.5 | 21.7 |

Key Performance Indicators (continued)**Diversity - Students**

| KPI | Percentage of students from disadvantaged backgrounds | |
|------------------|--|----------------------------|
| Measuring | Success at attracting under-represented groups into higher education, through Welsh Index of Multiple Deprivation (WIMD) | |
| Year | From WIMD Areas | Not from WIMD Areas |
| 19/20 | 40% | 60% |
| 18/19 | 39% | 61% |

| KPI | Percentage of Male and Female Students | |
|------------------|---|---------------|
| Measuring | Gender balance | |
| Year | Male | Female |
| 19/20 | 46% | 54% |
| 18/19 | 43% | 57% |

| KPI | Proportion of students who are BME | |
|------------------|---|--------------|
| Measuring | Participation rates of BME students at the University | |
| Year | BME | White |
| 19/20 | 24% | 76% |
| 18/19 | 16% | 84% |

| KPI | International Students | |
|------------------|---|-----------------|
| Measuring | Ability to attract international students / promote student diversity | |
| Year | Home/EU | Overseas |
| 19/20 | 84% | 16% |
| 18/19 | 90% | 10% |

Key Performance Indicators (continued)**Diversity - Staff**

| KPI | Gender | |
|------------------|-------------------------------------|---------------|
| Measuring | Gender balance of Staff (Headcount) | |
| Year | Male | Female |
| 2020 | 42% | 58% |
| 2019 | 42% | 58% |

| KPI | Females in senior roles | |
|------------------|--------------------------------------|-------------|
| Measuring | Female staff members in senior roles | |
| Year | 2020 | 2019 |
| | 26 (33.8%) | 20 (29.4%) |

Student Numbers – 2019-20

| All Students | | Home/EU | Home/EU FTE | Overseas | Overseas FTE | Total | Total FTE |
|------------------------------|--------------|----------------|--------------------|-----------------|---------------------|---------------|------------------|
| Undergraduate | Full-time | 6,897 | 6,679 | 505 | 470 | 7,402 | 7,149 |
| | Part Time | 553 | 123 | 2 | 1 | 555 | 124 |
| | Total | 7,450 | 6,802 | 507 | 471 | 7,957 | 7,273 |
| Postgraduate Taught | Full-time | 945 | 785 | 1133 | 797 | 2,078 | 1,582 |
| | Part Time | 477 | 158 | 10 | 3 | 487 | 161 |
| | Total | 1,422 | 943 | 1,143 | 800 | 2,565 | 1,743 |
| Postgraduate Research | Full-time | 70 | 61 | 29 | 24 | 99 | 85 |
| | Part Time | 146 | 56 | 10 | 2 | 156 | 58 |
| | Total | 216 | 117 | 39 | 26 | 255 | 143 |
| Total | | 9,088 | 7,862 | 1,689 | 1,297 | 10,777 | 9,159 |

Independent auditors' report to the Governing Body of Cardiff Metropolitan University (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, Cardiff Metropolitan University's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2020, and of the group's and parent institution's income and expenditure, gains and losses, and changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the Consolidated & University Statements of Financial Position as at 31 July 2020; the Consolidated & University Statements of Comprehensive Income & Expenditure for the year then ended; the Consolidated & University Statements of Changes in Reserves for the year then ended; the Consolidated Cash Flow Statement for the year then ended; the Statement of Principal Accounting Policies; and the Notes to the Financial Statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Governing Body is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Board of Governors

Under the Charities Act 2011 we are required to report to you if, in our opinion, the information given in the Report of the Board of Governors is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements

As explained more fully in the Responsibilities of the Board of Governors set out on page 3, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the group and parent institution'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 the Governing Body either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We are eligible to act and have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the institution's Governing Body as a body in accordance with section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992 and section 151 of the Charities Act 2011 and regulations made under section 154 of that Act (Part 4 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on other matters prescribed in the Higher Education Funding Council for Wales ('HEFCW') Audit Code of Practice issued under the Further and Higher Education Act 1992 and the Financial Management Code issued under the Higher Education (Wales) Act 2015

In our opinion, in all material respects:

- the requirements of HEFCW's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- funds provided by HEFCW have been used for the purposes for which they were received.

Sufficiency of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

23 November 2020

Statement of Principal Accounting Policies

1 Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102; the Accounts Direction issued by the Higher Education Funding Council for Wales and the Charities Act 2011. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets). The principal accounting policies have been applied consistently except as where described otherwise and are set out below.

2 Basis of Consolidation

The consolidated financial statements include Cardiff Metropolitan University and its wholly owned subsidiary undertakings, Cardiff Met Company Ltd and Cardiff Metropolitan Education Services (Beijing) Ltd. In addition, the University holds a majority (55%) share interest in a spin out company Fovo Technology Ltd, the balance of the shares being held by two of the University's academics. This company's activity is also consolidated into these financial statements. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or significant influence over policy decisions. Intra-group sales and profits are eliminated fully on consolidation.

3 Income Recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount, income receivable is shown net of the discount. Fee scholarships are treated as a discount and are deducted from income.

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

a) Grant Funding

Grant funding including funding council grants; 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.

b) Donations and Endowments

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

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

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

Statement of Principal Accounting Policies (Continued)

3 Income Recognition (Continued)

b) Donations and Endowments (continued)

There may be 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.

c) Capital Grants

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

4 Accounting for Retirement Benefits

The University operates three pension schemes for University staff; the Cardiff and Vale of Glamorgan Pension Fund (CVGPF), the Teachers' Pension Scheme (TPS) and the Universities Superannuation Scheme (USS). The CVGPF and USS are funded schemes.

The CVGPF is valued every three years by a professionally qualified actuary using the projected unit method, the rate of contribution payable being determined by the Administering Authority on the advice of the actuary.

The TPS is subject to an actuarial valuation every five years by the Government Actuarial Department using the age entry method. The rate of contribution for the TPS is determined by the Teachers' Pension Agency on the advice of the actuary.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the University at member level due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

However, in accordance with FRS102, a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

a) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees. Given the nature of the TPS, contributions to that scheme are accounted for on this basis.

b) Defined Benefit Plan

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

Statement of Principal Accounting Policies (Continued)**5. 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.

6. Finance Leases

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

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

7. Operating Leases

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

8. Foreign Currency

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

9. Fixed Assets**a) Land and Buildings**

Certain items of land and buildings 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, less accumulated depreciation and accumulated impairment losses.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of between 20 and 75 years.

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

b) Equipment

Equipment costing less than £5,000 per individual item is written off to the statement of comprehensive income and expenditure in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated on a straight-line basis over its useful economic life of between 3 and 10 years. Equipment purchased for research projects is treated and depreciated on the same basis as other equipment expenditure.

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

Statement of Principal Accounting Policies (Continued)**9. Fixed Assets (continued)****c) Borrowing costs**

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

10. Intangible Assets

Software development costs are capitalised and amortised on the straight-line basis over an estimated useful life of between five and ten years. Amortisation of such developments commences when brought into use.

Intellectual property: The Group is developing software technology relating to new ways of creating and interacting with digital images. Costs that are directly attributable to the design and testing of the technology are recognised as an intangible asset when the following criteria are met;

- It is technically feasible to complete the underlying software so that the technology will be available for use,
- Management intends to complete the development and to sell or licence the use of the technology,
- It can be demonstrated that the technology will generate probable future economic benefits at least equal in value to the balance sheet carrying value,
- Adequate technical and financial resources to complete the development and to sell or licence the technology are available, and
- The expenditure attributable to the development of the technology can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intellectual property is amortised over its estimated useful life commencing at the date that development is complete, and the technology is available for sale or licensing.

11. Investments

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

Investments in subsidiaries are carried at cost less impairment in the University's financial statements.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit. The University holds £10m of its cash balances with Kingswood Institutional investment group who manage the investments on the University's behalf.

12. Stock

Stocks are stated at the lower of cost or net realisable value and is measured using an average cost formula.

13. 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, with a notice period of 3 months or less, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

14. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

Statement of Principal Accounting Policies (Continued)

14 Provisions, Contingent Liabilities and Contingent Assets (Continued)

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

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

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

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

15 Taxation

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

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation. No charge for taxation has been included in respect of the Subsidiary Companies' activities since the entire taxable profit of these companies is transferred to the University under the Gift Aid scheme.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

16 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.

Statement of Principal Accounting Policies (Continued)**17 Critical accounting judgements and estimation uncertainty**

Pension schemes: assumptions used in the calculation of the USS and C&VPF pension deficit provisions represent a source of material uncertainty based on the sensitivity of assumptions (note 17 and note 22).

Employee Leave Accrual: under FRS102 the University recognises a liability for employee holiday pay at the financial year end. A number of departments and schools within the University have been sampled to derive typical holiday usage, this has then been applied to the University as a whole. There is a level of uncertainty when applying the sample to the whole. The leave accrual is contained within creditors less than 1 year (note 14).

Intangible assets, critical judgements: The Group is developing software technology relating to new ways of creating and interacting with digital images. The criteria used for the recognition of development and other costs as an intangible asset requires an assessment of future events including the technical feasibility that the technology will be available for use such that future economic benefits will be generated. The Group considers that the testing performed to date and the initial feedback from potential users of the technology supports the recognition of the intangible asset.

Intangible assets, key accounting estimates and assumptions: The Group considers whether its intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the future cash flows and the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Consolidated & University Statements of Comprehensive Income & Expenditure Year Ended 31 July 2020

| | Note | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|------|-------------------------|---------------------|-------------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 84,179 | 84,128 | 81,024 | 80,996 |
| Funding body grants | 2 | 3,512 | 3,512 | 3,580 | 3,580 |
| Research grants and contracts | 3 | 2,272 | 1,750 | 2,631 | 1,812 |
| Other income | 4 | 16,986 | 14,936 | 19,383 | 16,765 |
| Investment income | 5 | 148 | 148 | 175 | 175 |
| Donations | 6 | 27 | 14 | 52 | 40 |
| Total income | | 107,124 | 104,488 | 106,845 | 103,368 |
| Expenditure | | | | | |
| Staff costs | 7 | 70,922 | 68,676 | 68,982 | 66,921 |
| Exceptional severance costs | 7 | - | - | 419 | 419 |
| Other operating expenses | | 29,919 | 28,653 | 30,108 | 28,564 |
| Depreciation | 10 | 4,770 | 4,742 | 4,480 | 4,452 |
| Interest and other finance costs | 8 | 2,799 | 2,799 | 2,678 | 2,678 |
| Total expenditure | 9 | 108,410 | 104,870 | 106,667 | 103,034 |
| (Deficit)/Surplus before exceptional costs | | (1,286) | (382) | 597 | 753 |
| Exceptional severance costs | 7 | - | - | (419) | (419) |
| (Deficit)/Surplus for the year | | (1,286) | (382) | 178 | 334 |
| Actuarial loss in respect of pension schemes | 22 | (53,330) | (53,330) | (13,860) | (13,860) |
| Total comprehensive expense for the year | | (54,616) | (53,712) | (13,682) | (13,526) |
| Represented by: | | | | | |
| Unrestricted total comprehensive expense for the year attributable to the Group and University | | (54,616) | (53,712) | (13,682) | (13,526) |
| | | (54,616) | (53,712) | (13,682) | (13,526) |

All items of income & expenditure relate to continuing activities.

Consolidated & University Statements of Changes in Reserves

Year Ended 31 July 2020

| <u>Consolidated</u> | Total Reserves £'000 |
|---|-------------------------------------|
| Balance at 1 August 2018 | 99,398 |
| Surplus for the year | 178 |
| Other comprehensive expense | (13,860) |
| Total comprehensive expense for the year | (13,682) |
| Balance at 31 July and 1 August 2019 | 85,716 |
| Deficit for the year | (1,286) |
| Other comprehensive expense | (53,330) |
| Total comprehensive expense for the year | (54,616) |
| Balance at 31 July 2020 | 31,100 |
| <u>University</u> | |
| Balance at 1 August 2018 | 100,219 |
| Surplus for the year | 334 |
| Other comprehensive expense | (13,860) |
| Total comprehensive expense for the year | (13,526) |
| Balance at 31 July and 1 August 2019 | 86,693 |
| Deficit for the year | (382) |
| Other comprehensive expense | (53,330) |
| Total comprehensive expense for the year | (53,712) |
| Balance at 31 July 2020 | 32,981 |

All reserves are unrestricted.

Consolidated & University Statements of Financial Position

As at 31 July 2020

| | Note | As at 31 July 2020 | | As at 31 July 2019 | |
|---|------|-----------------------|---------------------|-----------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Non-current assets | | | | | |
| Tangible assets | 10 | 162,298 | 162,242 | 160,838 | 160,754 |
| Intangible assets | 11 | 912 | - | 348 | - |
| Investment in subsidiaries | 12 | - | 2,150 | - | 1,650 |
| Current assets | | | | | |
| Stock | 13 | 214 | 80 | 280 | 59 |
| Trade and other receivables | 14 | 7,016 | 9,216 | 6,133 | 5,846 |
| Investments | 15 | 14,023 | 14,023 | 13,054 | 13,054 |
| Cash and cash equivalents | 20 | 16,003 | 13,780 | 18,392 | 17,627 |
| | | <u>37,256</u> | <u>37,099</u> | <u>37,859</u> | <u>36,586</u> |
| Less: Creditors: amounts falling due within one year | 16 | (19,853) | (18,997) | (19,621) | (18,589) |
| Net current assets | | <u>17,403</u> | <u>18,102</u> | <u>18,238</u> | <u>17,997</u> |
| Total assets less current liabilities | | <u>180,613</u> | <u>182,494</u> | <u>179,424</u> | <u>180,401</u> |
| Creditors: amounts falling due after more than one year | 17 | (22,850) | (22,850) | (24,679) | (24,679) |
| Provisions | | | | | |
| Pension provisions | 19 | (126,663) | (126,663) | (69,029) | (69,029) |
| Total net assets | | <u>31,100</u> | <u>32,981</u> | <u>85,716</u> | <u>86,693</u> |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve | | <u>31,100</u> | <u>32,981</u> | <u>85,716</u> | <u>86,693</u> |
| Total reserves | | <u>31,100</u> | <u>32,981</u> | <u>85,716</u> | <u>86,693</u> |

The Financial Statements on pages 17 to 39 were approved by the Board of Governors on 12 November 2020 and signed on its behalf by

.....
The Baroness Finlay of Llandaff

.....
Professor C Carmichael Aitchison
(President & Vice-Chancellor)

Consolidated Cash Flow Statement

Year ended 31 July 2020

| | Year ended 31 July 2020 £'000 | Year ended 31 July 2019 £'000 |
|---|-------------------------------------|-------------------------------------|
| Cash flow from operating activities | | |
| (Deficit)/Surplus for the year | (1,286) | 178 |
| Adjustment for non-cash items | | |
| Depreciation | 4,770 | 4,480 |
| Decrease/(Increase) in stock | 66 | (133) |
| (Increase)/Decrease in debtors | (1,001) | 119 |
| Increase in creditors | 1,516 | 4,014 |
| Difference between pension charge and cash contributions | 3,129 | 7,136 |
| Adjustment for investing or financing activities | | |
| Investment income | (148) | (175) |
| Interest payable | 1,330 | 1,418 |
| Net cash inflow generated from operating activities | <u>8,376</u> | <u>17,037</u> |
| Cash flows from investing activities | | |
| Redemption of investments | 13,053 | 13,025 |
| Investment income | 148 | 175 |
| Payments made to acquire fixed assets | (6,794) | (8,099) |
| Purchase of investments | (14,022) | (13,054) |
| Net cash outflow from investing activities | <u>(7,615)</u> | <u>(7,953)</u> |
| Cash flows from financing activities | | |
| Interest paid | (1,330) | (1,418) |
| New unsecured loans | - | 277 |
| Repayments of amounts borrowed | (1,820) | (1,831) |
| Net cash outflow from financing activities | <u>(3,150)</u> | <u>(2,972)</u> |
| (Decrease)/Increase in cash and cash equivalents in the year | <u>(2,389)</u> | <u>6,112</u> |
| Cash and cash equivalents at beginning of the year | 18,392 | 12,280 |
| Cash and cash equivalents at end of the year | 16,003 | 18,392 |
| (Decrease)/Increase in cash and cash equivalents in the year | <u>(2,389)</u> | <u>6,112</u> |
| Reconciliation of net cash flow to movement in net debt | | |
| (Decrease)/Increase in cash in the year | (2,389) | 6,112 |
| Increase in short term deposits | 969 | 28 |
| Net cash outflow from financing | 1,820 | 1,787 |
| Movement in net debt in the year | <u>400</u> | <u>7,927</u> |
| Net (debt)/funds at 1 August | 5,388 | (2,539) |
| Net (debt) at 31 July | <u>5,788</u> | <u>5,388</u> |

Notes to the Financial Statements

Year Ended 31 July 2020

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 1 Tuition fees and education contracts | | | | |
| Full-time home and EU students | 60,805 | 60,805 | 61,188 | 61,188 |
| Full-time & part time international students | 14,107 | 14,107 | 10,377 | 10,377 |
| Part-time home and EU students | 1,077 | 1,077 | 962 | 962 |
| Transnational education income | 3,668 | 3,668 | 4,181 | 4,181 |
| Education contracts with NHS & Coleg Cymraeg | 3,700 | 3,700 | 3,838 | 3,838 |
| Research training support grants | 822 | 771 | 478 | 450 |
| | 84,179 | 84,128 | 81,024 | 80,996 |

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 2 Funding body grants | | | | |
| Recurrent grant | | | | |
| Higher Education Funding Council for Wales | 2,194 | 2,194 | 1,787 | 1,787 |
| Specific grants | | | | |
| Specific initiative grants | 1,318 | 1,318 | 762 | 762 |
| Mitigation funding | - | - | 1,031 | 1,031 |
| | 3,512 | 3,512 | 3,580 | 3,580 |

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 3 Research grants and contracts | | | | |
| Research councils | 214 | 214 | 201 | 201 |
| Research charities (UK and overseas) | 119 | 100 | 133 | 119 |
| Government (UK and overseas) | 1,454 | 1,311 | 1,554 | 1,299 |
| Industry and commerce (UK and overseas) | 485 | 125 | 743 | 193 |
| | 2,272 | 1,750 | 2,631 | 1,812 |

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|--------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 4 Other income | | | | |
| Other services rendered | 9,160 | 7,904 | 8,541 | 7,281 |
| Residences operations | 3,729 | 3,729 | 4,321 | 4,321 |
| Catering and conferencing operations | 1,654 | 1,378 | 2,451 | 1,973 |
| Other EU grant income | 346 | 346 | 501 | 501 |
| Other operating income | 2,097 | 1,579 | 3,569 | 2,688 |
| | 16,986 | 14,936 | 19,383 | 16,765 |

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|----------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 5 Investment income | | | | |
| Other investment income | 148 | 148 | 175 | 175 |
| | 148 | 148 | 175 | 175 |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|--------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 6 Donations | | | | |
| Donations | 27 | 14 | 52 | 40 |
| | 27 | 14 | 52 | 40 |

| | Year Ended 31 July 2020 | | Year Ended 31 July 2019 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 7 Staff costs | | | | |
| Salaries | 52,654 | 50,832 | 49,087 | 47,395 |
| Social security costs | 5,269 | 5,107 | 4,939 | 4,788 |
| Other pension costs | 9,870 | 9,608 | 7,819 | 7,601 |
| Movement on USS provision | (1,394) | (1,394) | 2,017 | 2,017 |
| CVGPF costs in excess of contributions | 4,523 | 4,523 | 5,120 | 5,120 |
| Staff costs excluding exceptional severance costs | 70,922 | 68,676 | 68,982 | 66,921 |

Exceptional severance costs

| | Year Ended 31 July 2020 £'000 | Year Ended 31 July 2019 £'000 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Exceptional severance costs | - | 419 |

| | Year Ended 31 July 2020 No. | Year Ended 31 July 2019 No. |
|---|-----------------------------------|-----------------------------------|
| Average staff numbers by major category: | | |
| Academic | 501 | 483 |
| Administrative, support and projects | 691 | 632 |
| Technicians | 36 | 35 |
| Ancillary | 77 | 83 |
| | 1,305 | 1,233 |

| | Year Ended 31 July 2020 £ | Year Ended 31 July 2019 £ |
|---|---------------------------------|---------------------------------|
| Emoluments of the Vice-Chancellor | | |
| Salary | 242,879 | 248,584 |
| Payments in lieu of pension contributions | 33,930 | 33,330 |
| | 276,809 | 281,914 |

Vice-Chancellor remuneration as a multiple of the median

| | Year Ended 31 July 2020 University | | Year Ended 31 July 2019 University | |
|-----------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| | Basic salary | Total remuneration | Basic salary | Total remuneration |
| Vice-Chancellor | £242,879 | £276,809 | £248,584 | £281,914 |
| Median salary | £39,152 | £39,774 | £38,460 | £39,106 |
| Pay multiple | 6.2 | 7.0 | 6.5 | 7.2 |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

7 Staff Costs (Continued)

The President & Vice-Chancellor's basic salary is 6.2 times (2018/19 6.5 times) the median pay of staff. The median pay is calculated on a full-time equivalent basis of the salaries paid by the University to its staff. The President & Vice-Chancellor's total remuneration is 7.0 times (2018/19 7.2 times) the median total remuneration of staff. The median total remuneration is calculated on a full time equivalent basis for the total remuneration paid by the University to its staff. Agency and atypical staff have been excluded from the above calculations, as full-time equivalent data is not available.

| Higher Paid Staff | Year Ended 31 July 2020 University No. | Year Ended 31 July 2019 University No. |
|--------------------------|---|---|
| £100,000 to £104,999 | 1 | 2 |
| £105,000 to £109,999 | 1 | 1 |
| £120,000 to £124,999 | 1 | 1 |
| £125,000 to £129,999 | 2 | 2 |
| £130,000 to £134,999 | - | - |
| £135,000 to £139,999 | 1 | - |
| £140,000 to £144,999 | - | 1 |
| | 6 | 7 |

Payment of compensation for loss of office to higher paid staff was as follows;

| Higher paid staff: loss of office | Year Ended 31 July 2020 University £'000 | Year Ended 31 July 2020 University Number of staff | Year Ended 31 July 2019 University £'000 | Year Ended 31 July 2019 University Number of staff |
|--|---|---|---|---|
| | - | - | 249 | 2 |

The Key Management Personnel are the University Vice Chancellor's Executive Group. It comprised; the Vice Chancellor, PVC (Research and Innovation), PVC (Student Engagement), PVC (Partnerships & External Engagement), Chief Officer (Resources), and the Secretary & Clerk to the Board of Governors.

| Key management personnel remuneration (excludes pension costs) | Year Ended 31 July 2020 University £'000 | Year Ended 31 July 2019 University £'000 |
|---|---|---|
| | 876 | 778 |

Due to the nature of the University's operations and the composition of the Board, it is inevitable that transactions will take place with organisations in which a Member of the Board or a senior member of staff may have an interest. All transactions in which they may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The financial regulations require an individual to declare an interest and to withdraw from discussions should a conflict of interest potentially arise. Written assurances are obtained annually from all Governors and key personnel in respect of themselves and their close family. For the financial year to 31 July 2020 the returns state that there has been no undue influence between the University and related parties (as defined by FRS102).

In the 2019/20 financial year there were no declarations of interest from a related party under FRS102. In the 2018/19 financial year there was no declaration of interest from a related party under FRS102.

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

| | Year Ended 31 July 2020 Consolidated £'000 | Year Ended 31 July 2020 University £'000 | Year Ended 31 July 2019 Consolidated £'000 | Year Ended 31 July 2019 University £'000 |
|--|---|---|---|---|
| 8 Interest and other finance costs | | | | |
| Loan interest | 1,330 | 1,330 | 1,418 | 1,418 |
| Net charge on pension scheme | 1,469 | 1,469 | 1,260 | 1,260 |
| | 2,799 | 2,799 | 2,678 | 2,678 |
| | | | | |
| | Year Ended 31 July 2020 Consolidated £'000 | Year Ended 31 July 2020 University £'000 | Year Ended 31 July 2019 Consolidated £'000 | Year Ended 31 July 2019 University £'000 |
| 9 Analysis of total expenditure by activity | | | | |
| Academic and related expenditure | 57,188 | 57,188 | 52,316 | 52,316 |
| Administration and central services | 23,912 | 22,425 | 22,137 | 20,777 |
| Premises (including service concession cost) | 9,247 | 9,219 | 9,397 | 9,369 |
| Residences, catering and conferences | 3,530 | 3,283 | 3,907 | 3,593 |
| Research grants and contracts | 1,734 | 1,295 | 1,977 | 1,568 |
| Other expenses | 12,799 | 11,460 | 16,514 | 14,992 |
| Exceptional severance costs | - | - | 419 | 419 |
| | 108,410 | 104,870 | 106,667 | 103,034 |
| | | | | |
| Other operating expenses include: | | | | |
| External auditors' remuneration in respect of audit services | 55 | 39 | 46 | 32 |
| External auditors' remuneration in respect of non-audit services | 59 | 50 | 11 | 4 |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

10 Tangible Fixed Assets 2019/2020

| | | Freehold Land and Buildings £'000 | Fixtures, Fittings and Equipment £'000 | Total £'000 |
|------------------------------------|------------------------|---|---|----------------|
| Consolidated | | | | |
| Cost or valuation | At 1 August 2019 | 179,523 | 17,954 | 197,477 |
| | Additions | 4,360 | 1,870 | 6,230 |
| | At 31 July 2020 | 183,883 | 19,824 | 203,707 |
| Consisting of valuation at: | 1 August 2014 | 72,268 | - | 72,268 |
| | Cost | 111,615 | 19,824 | 131,439 |
| | | 183,883 | 19,824 | 203,707 |
| Accumulated Depreciation | At 1 August 2019 | 24,818 | 11,821 | 36,639 |
| | Charge for the year | 2,900 | 1,870 | 4,770 |
| | At 31 July 2020 | 27,718 | 13,691 | 41,409 |
| Net book value | At 31 July 2020 | 156,164 | 6,133 | 162,298 |
| | At 31 July 2019 | 154,705 | 6,133 | 160,838 |
| University | | | | |
| Cost or valuation | At 1 August 2019 | 179,523 | 17,666 | 197,189 |
| | Additions | 4,360 | 1,870 | 6,230 |
| | Transfers | - | - | - |
| | At 31 July 2020 | 183,883 | 19,536 | 203,419 |
| Consisting of valuation at: | 1 August 2014 | 72,268 | - | 72,268 |
| | Cost | 111,615 | 19,536 | 131,151 |
| | | 183,883 | 19,536 | 203,419 |
| Accumulated Depreciation | At 1 August 2019 | 24,818 | 11,617 | 36,435 |
| | Charge for the year | 2,900 | 1,842 | 4,742 |
| | At 31 July 2020 | 27,718 | 13,459 | 41,177 |
| Net book value | At 31 July 2020 | 156,165 | 6,077 | 162,242 |
| | At 31 July 2019 | 154,705 | 6,049 | 160,754 |

As at 31 July 2020, freehold land and buildings included £52.598m (2019: £52.598) in respect of freehold land and is not depreciated. Included in the depreciation charge is an impairment charge of £708k relating to 2 buildings on the Cyncoed Campus.

Notes to the Financial Statements (continued)

Notes to the Financial Statements (continued) Year Ended 31 July 2020

| | At 31 July 2020 | |
|--------------------------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 |
| 11 Intangible Assets | | |
| Cost of Intellectual Property | | |
| At 1 August 2019 | 348 | - |
| Additions | 564 | - |
| At 31 July 2020 | <u>912</u> | - |
| Net book value | | |
| At 31 July 2020 | <u>912</u> | - |
| Net book value At 31 July 2019 | <u>348</u> | - |

No amortisation has been charged in the period ended 31 July 2020. The additional intangible asset of £564k in 2019/20 represents the capitalisation of the intellectual property developed in Fovo Technology Ltd.

| | At 31 July 2020 |
|------------------------------------|---------------------|
| | University £'000 |
| 12 Investment in Subsidiary | |
| Cost or valuation | |
| At 1 August 2019 | 1,650 |
| Additions | <u>500</u> |
| At 31 July 2020 | <u>2,150</u> |

The investments represent shares in group undertakings (note 23). During the financial year 2019/20 The University bought 500,000 shares in Cardiff Met Company Ltd for £500k

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

| 18 | Lender | | Amount | Amount | Repayable by | Interest Rate | Borrower |
|----|-----------------------------|----------------|---------------|---------------|--------------|---------------|------------|
| | Secured and unsecured loans | | As at July | As at July | | % | |
| | | | 2019 | 2020 | | | |
| | | | £'000 | £'000 | | | |
| | RBS | Secured loan | 817 | 714 | 2023 | 7.69 | University |
| | RBS | Secured loan | 1,555 | 1,210 | 2027 | Variable | University |
| | Santander | Unsecured loan | 12,350 | 10,800 | 2038 | 5.10 | University |
| | Barclays | Unsecured loan | 11,400 | 11,700 | 2038 | 5.10 | University |
| | Salix | Unsecured loan | 57 | 19 | 2020 | 0.00 | University |
| | Salix | Unsecured loan | 88 | 63 | 2022 | 0.00 | University |
| | Salix | Unsecured loan | 63 | 38 | 2021 | 0.00 | University |
| | Salix | Unsecured loan | 169 | 135 | 2024 | 0.00 | University |
| | | | 26,499 | 24,679 | | | |

The RBS loans are secured against the University's Plas Gwyn Campus and a part of the Cyncoed Campus

19 Pension Provisions

| | Obligation to fund deficit on USS Pension | Pension enhancement on termination | Defined Benefit Obligations (Note 24) | Total Pensions Provisions |
|------------------------------------|---|------------------------------------|---------------------------------------|---------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Consolidated and University | | | | |
| At 1 August 2019 | (3,139) | (3,380) | (62,510) | (69,029) |
| Utilised in year | - | 290 | - | 290 |
| (Addition)/release in year | 1,326 | (70) | (5,850) | (4,594) |
| Actuarial gain/(loss) in year | - | (210) | (53,120) | (53,330) |
| At 31 July 2020 | (1,813) | (3,370) | (121,480) | (126,663) |

USS deficit

The obligation to fund the past service deficit of the University's Superannuation Scheme (USS) arises from a contractual obligation to fund benefits arising from past performance. This obligation is reassessed every three years using the scheduled triennial valuation of the scheme. In reassessing the value of the required provision during the current year management has used the March 2018 valuation of the scheme. The resultant provision release amounted to £1.326m.

The latest available actuarial valuation of the scheme at 31 July 2020 was the March 2018 valuation. A valuation of the scheme at 31 March 2020 is currently being undertaken. It is anticipated that this valuation will place a materially higher value on the scheme deficit.

| | At 1 August 2019 | Cash Flows | At 31 July 2020 |
|-------------------------------------|------------------|----------------|-----------------|
| | £'000 | £'000 | £'000 |
| 20 Cash and cash equivalents | | | |
| Consolidated | | | |
| Cash and cash equivalents | 18,392 | (2,389) | 16,003 |
| | 18,392 | (2,389) | 16,003 |

| | For the year ended 31 July 2020 | | For the year ended 31 July 2019 | |
|-------------------------------|---------------------------------|--------------|---------------------------------|--------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| 21 Capital commitments | | | | |
| Commitments contracted for | 1,850 | 1,850 | 1,463 | 1,463 |
| | 1,850 | 1,850 | 1,463 | 1,463 |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

22 Commitments under operating leases

At 31 July Cardiff Metropolitan University had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Not later than 1 year | 217 | 217 |
| Later than 1 year and not later than 5 | 589 | 806 |
| Later than 5 years | - | - |
| | 806 | 1,023 |

23 Subsidiary undertakings

| Company | Principal Activity | Status |
|---|---|------------|
| Cardiff Metropolitan Company Ltd | Undertakes non primary purpose trading activities which are non-charitable. | 100% owned |
| Cardiff Metropolitan Education Services (Beijing) Ltd | Holding company for China Wholly Foreign-Owned Enterprise. | 100% owned |
| Cardiff Metropolitan Education Consulting Service (Beijing) Ltd | Develop strategic partnerships with Chinese institutions. | 100% owned |
| Fovo Technology Ltd | Developing a new technology that improves the nature of visual experience. | 55% owned |

24 Pension Obligations

The University participates in three separate pension schemes, each of which has its own membership eligibility criteria. The three schemes are; the Cardiff & Vale of Glamorgan Pension Fund (CVGPF) (principally administration and support staff); the Teachers' Pension Scheme (TPS) (principally academic staff); and the Universities Superannuation Scheme (USS) (a mixture of administrative and academic staff). All three schemes are defined-benefit schemes.

The contributions payable to the scheme were

| | Year ended 31 July 2020 £'000 | Year ended 31 July 2019 £'000 |
|------------------------|-------------------------------------|-------------------------------------|
| Contribution for TPS | 4,777 | 3,215 |
| Contribution for CVGPF | 4,207 | 3,853 |
| Contribution for USS | 886 | 751 |
| | 9,870 | 7,819 |

The costs recognised within the University's staff costs for the year were

| | Year ended 31 July 2020 £'000 | Year ended 31 July 2019 £'000 |
|----------------|-------------------------------------|-------------------------------------|
| Cost for TPS | 4,777 | 3,215 |
| Cost for CVGPF | 8,730 | 8,973 |
| Cost for USS | (509) | 2,768 |
| | 12,998 | 14,956 |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

24 Pension Obligations (continued)

Cardiff & Vale of Glamorgan Pension Fund (CVGPF)

CVGPF is a local government superannuation scheme. The most recent full actuarial valuation was carried out as at 31 March 2019, and has been updated by independent actuaries to the Cardiff & Vale of Glamorgan Pension Fund to take account of the requirements of FRS 102 in order to assess the liabilities of the Fund as at 31 July 2020. The next triennial valuation of the fund will be reported during December 2022.

The principal assumptions used for the purposes of FRS 102 are as follows

| | Year ended 31 July 2020 | Year ended 31 July 2019 | Year ended 31 July 2018 |
|---|----------------------------|----------------------------|----------------------------|
| Discount rate | 1.4% | 2.2% | 2.8% |
| CPI inflation | 2.2% | 2.2% | 2.1% |
| Rate of increase to pensions in payment | 2.2% | 2.2% | 2.1% |
| Rate of revaluation of pension accounts | 2.2% | 2.2% | 2.1% |
| Rate of increase in deferred pensions | 2.2% | 2.2% | 2.1% |
| Rate of general increase in salaries | 3.2% | 3.2% | 3.1% |

Mortality assumption

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

| | Year ended 31 July 2020 | Year ended 31 July 2019 | Year ended 31 July 2018 |
|--------------------------------------|----------------------------|----------------------------|----------------------------|
| Assumed life expectancy at 65 years | | | |
| - retiring today male/(female) | 22.2 (24.6) | 22.1 (24.5) | 23.1 (25.8) |
| - retiring in 20 years male/(female) | 23.2 (26.0) | 22.7 (25.6) | 24.2 (27.2) |

| Asset Allocation | Value at 31 July 2020 | Value at 31 July 2019 |
|------------------|--------------------------|--------------------------|
| Equities | 61.1% | 64.9% |
| Property | 8.2% | 7.2% |
| Government bonds | 12.0% | 9.9% |
| Corporate bonds | 17.1% | 11.0% |
| Cash | 1.4% | 1.9% |
| Other | 0.2% | 5.1% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

24 Pension Obligations (continued)

Amounts recognised in income statement

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|-----------|-------------------------|------------|
| | £'000 | | £'000 | |
| | Funded | Unfunded | Funded | Unfunded |
| Operating cost | | | | |
| - current service cost | 8,780 | - | 6,060 | - |
| - past service cost | - | - | 2,940 | - |
| Financing Cost | | | | |
| - interest on net defined benefit liability | 1,330 | 70 | 1,130 | 100 |
| Pension expense recognised in income statement | 10,110 | 70 | 10,130 | 100 |

Amounts recognised in other comprehensive income

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|---|-------------------------|--------------|-------------------------|------------|
| | £'000 | | £'000 | |
| | Funded | Unfunded | Funded | Unfunded |
| Asset (losses)/gains arising during the year | (3,400) | - | 3,290 | - |
| Liability (losses)/gains arising during the year | (49,720) | (210) | (17,320) | 170 |
| Total recognised in other comprehensive (expense)/income | (53,120) | (210) | (14,030) | 170 |

Changes to the fair value of assets

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|-------------------------|----------|-------------------------|----------|
| | £'000 | | £'000 | |
| | Funded | Unfunded | Funded | Unfunded |
| Opening value | 114,590 | - | 105,020 | - |
| Interest income on assets | 2,560 | - | 3,047 | - |
| Remeasurement (losses)/gains on assets | (3,400) | - | 3,290 | - |
| Contributions by the employer | 4,260 | 290 | 3853 | 260 |
| Contributions by participants | 1,660 | - | 1,500 | - |
| Net benefits paid out | (2,450) | (290) | (2,120) | (260) |
| Closing value | 117,220 | - | 114,590 | - |

Changes to the present value of the defined benefit obligation

| | Year ended 31 July 2020 | | Year ended 31 July 2019 | |
|--|-------------------------|--------------|-------------------------|--------------|
| | £'000 | | £'000 | |
| | Funded | Unfunded | Funded | Unfunded |
| Opening value | 177,100 | 3,380 | 147,280 | 3,710 |
| Current service cost | 8,780 | - | 6,060 | - |
| Interest expense on defined benefit obligation | 3,890 | 70 | 4,120 | 100 |
| Contributions by participants | 1,660 | - | 1,500 | - |
| Actuarial losses/(gains) on liabilities | 49,720 | 210 | 17,320 | (170) |
| Net benefits paid out | (2,450) | (290) | (2,120) | (260) |
| Past service cost | - | - | 2,940 | - |
| Closing value | 238,700 | 3,370 | 177,100 | 3,380 |

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

24 Pension Obligations (continued)

Reconciliation of funded status to balance sheet

| | At 31 July 2020 | | At 31 July 2019 | |
|---|------------------|----------------|-----------------|----------------|
| | £'000 | | £'000 | |
| | Funded | Unfunded | Funded | Unfunded |
| Fair value of assets | 117,220 | - | 114,590 | - |
| Present value of defined benefit obligation | (238,700) | (3,370) | (177,100) | (3,380) |
| Liability | (121,480) | (3,370) | (62,510) | (3,380) |

Teachers' Pension Scheme (TPS)

Introduction

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

The Teachers' Pension budgeting and valuation account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

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

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme took place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers have paid a contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The contribution rate prior to this was 16.48%.

Scheme Changes

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

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

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

Notes to the Financial Statements (continued)

Year Ended 31 July 2020

24 Pension Obligations (continued)

Universities Superannuation Scheme

The University participates in the Universities' Superannuation Scheme. The Scheme is a hybrid pension scheme which provides benefits based on final pensionable salary for Final Salary members until 2016 (closed to new entrants in 2011); Career Revalued Benefits (CRB) up to an indexed salary threshold for new entrants since 2011 and for Final Salary members since 2016; and defined contribution benefits above the same salary threshold and for members wishing to make additional contributions. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. As a result the University is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a wholly defined-contribution scheme. The amount charged to the statement of comprehensive income and expenditure represents the contributions payable to the scheme for the year. A liability is also recorded within provisions for any contractual commitment to fund past deficits within the scheme. Movements in this provision can also give rise to charges to the statement of comprehensive income and expenditure as shown in note 19 above.

The appointment of directors to the board of trustees is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The scheme is valued triennially with the latest available complete actuarial valuation having been finalised during September 2019 as at 31 March 2018 (the valuation date). The 2018 valuation was the fifth valuation 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 2018 valuation date, the value of the assets of the scheme was £63.7 billion and the valuation of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion, down from £7.5 billion at the 2017 valuation date and £5.3 billion at the 2014 valuation date. The assets were therefore sufficient to cover 95% of the benefits which had accrued to members after allowing for expected future increases in earnings, as compared to 89% at the 2017 valuation date. A valuation as at 31 March 2020 is currently being undertaken, it is anticipated that this will result in a material increase in the value of the scheme deficit.

Creditor Balances

Cardiff Metropolitan University's balances as at 31 July for each scheme are as follows:

| | 2020 | 2019 |
|-------|--------------|-------------------|
| | £'000 | £'000 |
| TPS | - | 440 |
| CVGPF | - | 405 |
| USS | - | 95 |
| | <u>-</u> | <u>940</u> |



Cardiff
Metropolitan
University

Prifysgol
Metropolitan
Caerdydd