


INTEGRATED REPORT 2018

Financial Statements for
the year ended 31 July 2018



University of
Salford
MANCHESTER





Welcome to our second Integrated Annual Report. This report summarises the activity of the University of Salford for the year ended 31 July 2018. It provides an overview of our business model and strategic objectives as well as the key factors that influence our performance. There is detail on our leadership and governance structures and an insight in to the decisions that are made in order to meet our commercial and wider responsibilities.

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OUR VISION AND MISSION

**“ BY PIONEERING EXCEPTIONAL
INDUSTRY PARTNERSHIPS WE
WILL LEAD THE WAY IN REAL
WORLD EXPERIENCES PREPARING
STUDENTS FOR LIFE. ”**

In a political environment dominated by talk of the ‘value’ of a university education, our industry collaborations are what give our students that value – it gives them an edge, as they go out into the world better equipped to become unstoppable.

Here at the University of Salford, gaining work-placed skills and experiences is fundamental to the education we provide. We work with industry in rising to the needs and demands of the 21st century and help the community that we are a part of rise to the public policy challenges.



OUR PURPOSE

Ever since we began life in 1896 as Salford Royal Technical Institute, serving industry and advancing the skills of working people have been at the heart of our purpose.

We have over 20,000 students and over 2,000 staff from across the world. We offer undergraduate degrees and postgraduate taught and research degrees in 40 subject areas. We have a main campus in Salford, on the border with Manchester City Centre, and a significant presence in the heart of MediaCityUK.

Whilst our students come from a variety of backgrounds, we have a range of schemes to encourage students from underrepresented socioeconomic groups and those from low income households, particularly those here in Salford.

Collaboration and co-creation between industry partners, students and staff come to life across campus, to give our students a range of experiences outside of the lecture theatre. Work placements, live briefs, community and practice-based projects provide real-life experience that puts academic theory into practice.

We've always played a major role in improving the lives of our local communities, and today we take this challenge more seriously than ever. Our research is focused on meeting the four grand challenges of the Industrial Strategy: Data and AI; Clean Growth; Future of Mobility; and Ageing Society.

To support the charitable work of the University, we received £1.6m in philanthropic donations during 2017–18. We receive funding from a wide range of benefactors including many of our alumni and we are grateful for their support.

This year the National Student Survey (NSS) showed that we achieved the highest overall student satisfaction in Greater Manchester, demonstrating our commitment to providing our students with a range of positive experiences throughout their time with us.

REVIEW OF THE YEAR

August 2017

Clock (Salford Business School)

Law students are helping people who don't have representation in court while developing their own legal skills and experience. Having worked on more than 50 cases, our students have had over 90% success rate.

September

Our Conference Office supports Association Conferences which deliver on reputation, research and revenue into the region. The 2017 TaPRA (The Theatre and Performance Research Association) Conference delivered an estimated impact of £671,919.

October

Our free, annual 'GameLab' weekend (part of Manchester Science Festival) attracted around 2,000 visitors from across the region.

AquAIRium at GameLab



December

Carebots to help the frail and vulnerable in their homes have been developed by our engineers. 'Carrie' helped Linda Bowles, from Essex with basic household chores in a trial filmed for the BBC's Six Robots and Me, while Professor Samia Nefti-Meziani's 'Guardian Angel' project is testing automated intelligence sensors to alert medics at Salford Royal NHS Trust to day-to-day problems faced by outpatients.

January

Social Policy – Dr Lisa Scullion's research into the increasing private rent sector found growing problems in a report for the Salford Anti-Poverty Taskforce, a collaboration with Salford City Council.

February

Between February and July, 66 pupils from Salford schools were introduced to a community of Greater Manchester artists, curators, academics, printers and designers (including Stan Chow) via the Encounters Creative Engagement programme.



March

During February, March and April we welcomed over 2,000 applicants and their parents and supporters to Applicant Visit Days on campus, an increase of 13% on the previous year. Visitors experienced



Open Day

a range of hands-on activities aiming to show our prospective students what it's really like to be a student at Salford. 77% of attendees said the events made them more likely to accept their offer.

April

In April, staff, students and 2018 offer holders from three of our Schools came together to launch Salford's first STEMInists event. Sponsored by the Morson Maker Space, the event sought to bring together our STEM community, and recognise and celebrate the work of our female staff and students.

Guests heard a range of speakers share their experiences, including Dr Francine Morris, Head of Athena SWAN at the University, Helen Wollaston, Chief Executive of WISE (Women in Science & Engineering) and Prof Haifa Tahruri-Rizk MBE, Associate Dean Engagement in the School of Computing, Science & Engineering.

June

In June, our School of the Built Environment held its first Masters in Architecture (MArch) Summer School in collaboration with leading universities in the USA. Students experienced 10 days in Boston and New York at some of the world's most exciting centres of architectural thinking under a scheme funded by banking group, and partner, Santander.

During the trip, students engaged with academics and students at MIT, Harvard, the PRATT Institute, Columbia and Northeastern Universities. They also visited Utile Architecture & Planning and innovative start-up space, the Cambridge Innovation Centre.



July

Our Knowledge Transfer Partnership (KTP) with Six Degrees Social Enterprise came to a conclusion having developed an innovative communication course for those caring for people with dementia. This partnership led to Six Degrees, in collaboration with ourselves, securing £350k Big Lottery funding to extend the course, which has been delivered for free to dozens of family carers across the region.

May

More than 400 people across Greater Manchester benefited from dementia communication training developed by Salford social enterprise Six Degrees and the University of Salford's Institute for Dementia. The milestone was hit during this year's Dementia Action Week (May 21-27).



SALFORD SETS US APART

Salford is part of Greater Manchester; a thriving, diverse city region in the North West of England. It's also a city that is reinventing itself to meet the challenges of the future.

As we move forward from our 50th anniversary year, we're looking to play a major role in the redevelopment of our home city. In conjunction with Salford City Council, we've outlined an £800m new city district centred on Salford Crescent.

Our ambition is to build a new district where we can attract businesses from key industries including digital, creative, engineering and health and wellbeing, and ensure that these firms are linked in to our student population and the education and employment opportunities on offer. It's a hugely transformative project for the area and for us; it creates a blueprint for the next ten years of investment into our physical and digital infrastructure.

This masterplan will see a new digital environment for the University, a health village, a centre of excellence for the Industrial Strategy and the cultural heritage of the University revitalised through a new concert hall and much more.

What we now have is an ambitious plan for what the future will look like, but more importantly what it will enable in terms of the teaching, research and innovation that will take place within the new buildings.

The development will continue across five zones and encompasses; 2,500 new apartments and houses; 2,000 space multi-storey car parks; and 700 new student accommodation flats.

New footpaths and cycle routes through the campus would link up to The Meadow, Peel Park and a new park running behind The Crescent along the route of the Manchester Bolton and Bury canal to the vast Middlewood Locks urban village development.

This masterplan will transform the A6 corridor and the surrounding area for decades to come and we're excited to be at the heart of it.



SALFORD MAYOR, PAUL DENNETT

“ This is an ambitious masterplan that combines the resources of both university and city to create a truly integrated new city district that will open up new education and training opportunities and provide a host of spin-off benefits to the adjoining neighbourhoods and city region. ”



1 OPERATING CONTEXT AND OUTLOOK

In setting our strategy, we pay attention to changes in the sector and the wider policy landscape. As well as keeping a close watch on developments, each year we undertake a comprehensive environmental scanning exercise to understand what is changing, what might happen and, critically, what that means for us and how we should respond. Our key current areas of focus are:

1.1 Demographic change and the impact upon demand

According to Office for National Statistics (ONS) principal projections, the English 18-20 year old age group is in decline until 2021 which means that, at current participation rates, there will be a drop in total full time undergraduate students. The population is also ageing with the number and proportion of older people continuing to rise in the UK and projected to grow to 20.5% by 2026. Whilst the decline in the school leaver age group has increased the competitive pressures on the sector, we must also be prepared for a return to growth from 2022/23 and be in a position to deal with the increased demand for higher education from this demographic cohort.

1.2 The international student market

The challenging international market will continue owing to economic difficulties in key markets for Salford (Middle East and parts of Africa). This challenge is coupled with increasing competition from foreign markets, in particular Canada and Australia who continue to grow their overseas students reflecting their countries' migrant friendly approach when compared to the UK. Overseas Higher Education provision, notably in China and India, is also becoming more mature meaning that students from these countries are increasingly electing to study in their home country.

With the Migration Advisory Committee's recommendation to keep overseas students in net migration figures, there will be continued pressure from UK Visas and Immigration (UKVI) in terms of applying

visa regulations and testing compliance. This, alongside limited ability to stay and work after graduation, makes the UK a less attractive place for international students. When added to requirements around academic contact time making some blended courses unviable, recruiting overseas students will continue to be a challenge to the University.

In terms of size however, UN projections see the global population continuing to grow and reaching over 8.6bn by 2030, up from 7.6bn in 2017, meaning the size of the market is not diminishing. A continued weak pound post Brexit may also mitigate some of the downward pressures on attracting international students which we remain alive to.

1.3 Skills gap & the UK Government's Industrial Strategy

In November 2017 the Government published its Industrial Strategy White Paper that aims to improve economic growth post-Brexit. The Strategy, based around 4 Grand Challenges, places a clear importance upon the potential contribution of universities in collaboration with business to boost economic performance. Encouragingly, the four Grand Challenges – Data and AI; Clean Growth; Future of Mobility; and Ageing Society – are well aligned to our own priorities and 'beacons' for research. It also confirmed that an additional £4.7 billion will be invested in R&D by 2020/21, with the goal of reaching 2.4% of GDP spending by 2027 (an increase of up to £80 billion) which will clearly support research activity in the HE sector. The proposal to introduce a Knowledge Exchange Framework (along the lines of the Research Excellence Framework

(REF) and the Teaching Excellence Framework (TEF)) is intended to benchmark and compare how well universities are doing at fostering knowledge sharing with business and research commercialisation.

1.4 Pensions

During 2017/18 the cost of providing final salary pensions for members of the Universities Superannuation Scheme (USS) scheme was a major sector issue. Staff at Salford and other universities took industrial action to highlight their opposition to the change that service after April 2019 would effectively be on a defined contribution basis. Following the strikes a Joint Expert Panel was created made up of members of the University and College Union (UCU) and Universities UK (UUK) and this is currently looking at the valuation and sustainability of the USS. In the meantime, USS have informed members and universities that in order to reduce the pension deficit and maintain benefits at the current level pension costs will rise as follows:

| | CURRENT RATE | FROM 1 APRIL 19 | FROM 1 OCT 19 | FROM 1 APRIL 20 |
|---------------|--------------|-----------------|---------------|-----------------|
| Member rate | 8% | 8.8% | 10.4% | 11.7% |
| Employer rate | 18% | 19.5% | 22.5% | 24.9% |

This may re-ignite strike action from the UCU and would also result in significant additional costs - adding a recurrent £4.5m to payroll costs from 2020/21 onwards.

1.5 Brexit

The UK Government is underway with negotiations for leaving the European Union in March 2019 although it is by no means a straightforward process



and there are still many uncertainties about what this will mean for the following key areas for our University:

Student recruitment: EU students will continue to receive the same financial support and fee status as UK students at English universities up to a 2019/20 start (and for the duration of their course). Nothing is certain beyond this and unless similar provision is made it is expected that applications will fall much further than the 5% drop seen after the referendum. Any lack of clarity around onward right to residency and work post study may further deter students from applying. Some institutions are looking at establishing EU based campuses with EU educational delivery partners to offset this expected reduction. Whilst Salford is not heavily exposed to EU student numbers we have seen successive declines in applications in each recruitment cycle since the referendum.

Research opportunities: Research grant capture and international collaboration opportunities could be restricted if UK universities are excluded from the large, stable and long term EU research funds (e.g. European Research Council (ERC); European Regional Development Fund; Horizon Europe). The Government is however making it clear that it wants to remain part of these and is willing to make the necessary “appropriate financial contribution” to Horizon Europe (for the period 2021-27) and to underwrite any EU awards agreed before the end of 2020 in the case of a ‘no deal’ Brexit.

EU staff: Currently EU staff represent 23% of all academics at UK universities (7% at Salford) and whilst this figure showed a drop in the wake of Brexit

(2,300 EU staff left UK universities in 2017, a 19% jump on pre referendum rates), it has since stabilised since rules around qualifying for settled status were declared.

1.6 New regulatory body – Office for Students

The new regulator for Higher Education in England, the Office for Students (OfS), formally assumed the teaching and learning responsibilities of HEFCE on 1 April 2018 and we have successfully completed our registration. This changed the emphasis from HEFCE, which was the body designed to fund and monitor the health of the university sector, to that of putting the interests and rights of all students first and promoting access, quality, wellbeing, attainment, choice, competition and value for money in the sector. The OfS will be able to set conditions of registration upon providers in order to meet these priorities, increasing the scrutiny to which the HE sector is subject in the interests of protecting students. Whilst the OfS has regulatory powers, it is as yet unclear whether there will be any regulatory changes associated with these priorities that will have an impact on university operations and how funding is allocated.

1.7 Funding of Higher Education (HE)

As indicated in their election manifesto the Government announced, in February 2018, a wide-ranging review of the whole of post-18 (Higher and Further) education and funding, including the divide between vocational and academic qualifications and the decline in lifelong and part-time study. The review is mandated not to increase overall costs (i.e. there will be no additional investment) and could

recommend cutting or freezing fees in Higher Education and rebalancing funds to Further Education. One of the most controversial options open for debate is the introduction of variable fees for different courses, depending on the cost of putting on a course, potential graduate earnings and the economic value (measured by labour market need) to the country. Preliminary findings are due in November 2018 with any changes likely to impact recruitment in 2020/21. The expected demographic upturn in school leavers from 2022 and consequent additional demand for places at university will also put strain on the current government- subsidised student loan system which could lead to some form of recruitment cap or reduction in the level of fees chargeable.

In accordance with the ‘Spending Review and Autumn Statement 2015’, the Government’s annual grant letter to the OfS showed an expected further drop in the teaching grant for 2018/19 of over 4.7% in cash terms. It is expected that there will be a further baseline cut applied for 2019/20 (when the additional areas of funding consequent on the health education reforms are taken into account). The recurrent grant for research funding will however increase by 2% ,in line with the Government’s stated support for research.

1.8 Teaching Excellence and Student Outcomes Framework (TEF)

TEF is one of the key components of the new Higher Education & Research Act which passed into law in April 2017 and is a way of assessing the quality of teaching in Higher Education. Whilst the proposed link between student fee setting and TEF rating has been postponed subject to the outcome of an independent review due to

report in 2019, we must be prepared for the possibility that future tuition fee levels may become dependent on a University's TEF rating, potentially from 2020/21. This would force a market through price (student fee) differentiation and, added to the perceived distinction of quality through the TEF rating system (Gold, Silver and Bronze), have a disadvantaging effect upon any institution rated as Bronze which is our current rating. Even without a link to fees, it is still critical to consider the ongoing reputational consequences as TEF ratings will have a bearing on applicant decision making, including those from overseas.

There is currently a subject-level TEF pilot underway as part of the Government's wider quest to ensure value for money and high-quality HE teaching. If the outcome of the pilot's test metrics are confirmed, subject assessments will be phased in, once an existing institutional award expires, extending the reach of competitive ratings to this level.

1.9 Research and the Research Excellence Framework (REF)

The approach of the research councils in recent years has been to narrow the type and number of institutions awarded major research grants, resulting in the concentration of funding in fewer, mainly research-intensive, universities. The Industrial Strategy does however make more money available and will focus investment upon four Grand Challenges, identified as those areas that will drive productivity in the UK post-Brexit, bringing together universities and industry to address these challenges. The next REF will take place in 2021 with all staff that have significant responsibility for research being submitted alongside staff that have been previously employed at an institution where an eligible output was first made publicly available.

1.10 DevoManc and importance to the region

Devolution to the Greater Manchester city-region has revolutionised the way that decisions are taken across the 10 boroughs of Greater Manchester. It has led to a step change in the way in which investment and economic growth can be achieved.

We are well positioned to be a key delivery partner for the city region in reaching its goals. The Greater Manchester Strategy, which outlines 10 priorities for the city region from children starting school well, to providing high quality jobs and housing, and ageing well, is aligned to a number of areas of research strength across our University. This includes housing and homelessness, ageing and dementia, green growth and digitalisation of industry and jobs. We are also able to help the city region meet its ambitions for skills development, apprenticeships and getting young people into good jobs in businesses across Greater Manchester.

Moreover, the Greater Manchester Combined Authority (GMCA) is currently developing its own Local Industrial Strategy (GM LIS) which will mirror the national Industrial Strategy but put an emphasis on the unique assets and strengths within the industrial base in Greater Manchester. Clearly universities are critical to the Industrial Strategy at both the national and regional level – being the pivot between academia, business and local policy in their places – and we will be looking to play a meaningful role in the development and delivery of the GM LIS.

On a broader regional level the Northern Powerhouse remains an investable brand, particularly to overseas investors, and the Government has sought to re-invigorate the project through the creation of an advisory board consisting of the leaders of the 11 Local Enterprise Boards across the north known as NP11. The private sector in the north of England is steadfastly committed to driving investment in the Northern Powerhouse, with the focus being on the four prime economic capabilities of the north – Advanced Manufacturing, Digital, Energy and Health Innovation – as well as in key drivers such as transport and skills.







TACKLING GLOBAL CHALLENGES THROUGH EXCEPTIONAL RESEARCH

In January 2018, our researchers won a £1.4m grant to look into ways of providing better upper limb prostheses for people in lower and middle income countries.

The funding has come from the Engineering and Physical Sciences Research Council (EPSRC) and the National Institute for Health Research (NIHR) who are committing £16m to a range of projects to tackle international health challenges. EPSRC funding is through the Global Challenges Research Fund (GCRF), a £1.5bn government fund to support cutting-edge technology that addresses challenges faced by low and middle income countries.

The team are partnering with Makerere University in Uganda and the University of Jordan, as well as University College

“WE ARE ONE OF ONLY TWO INSTITUTIONS IN THE UK THAT TEACH PROSTHETICS AND ORTHOTICS.”

London (UCL), and the Universities of Southampton and Greenwich. Engineering and clinical researchers across the three countries will collaborate to develop new designs, as well as novel ways of creating, fitting and evaluating how well the prosthetic limbs work, enabling more people to benefit from them.

In many poorer countries, there is a huge demand for prosthetic limbs, because

of problems with conflict or road traffic accidents, but there are very few hospitals and medical centres able to provide this specialist work, and few clinicians able to help patients maintain the limbs once fitted.

Researchers believe simple 'body powered prostheses', which work by using cables to link the movement of the body with the artificial limb, could be the answer as they are easy to manufacture and maintain.

Amputees in Africa and the Middle East often have very poor access to prosthetic services and the devices they are offered are often not fit for purpose, being expensive, providing limited function and being uncomfortable to use. Researchers working on the project now hope to address these problems.

Professor Laurence Kenney, research co-lead for Rehabilitation Technologies and Biomedical Engineering at the University of Salford said: "Losing an arm is always a horrific and life changing experience, but in many lower or middle income countries it can have a truly devastating effect. It can deprive people already existing at a subsistence level of any ability to support themselves or their families.

"Sadly, it is these countries where there is a greater need for prostheses, but for a whole host of reasons it is incredibly difficult for anyone who needs an artificial limb to be able to get one.

"This much-needed research project will enable us to bring together an experienced team in the UK, Uganda and Jordan who can create better prostheses, designed for use in lower and middle income countries across the world, which I hope will have a long term impact on millions of people."

2 OUR STRATEGY

We have formulated our strategy to take account of the operating context as well as determining the strategic priorities that will enable us to achieve our vision, become more distinctive within the Higher Education (HE) marketplace and remain a sustainable institution.

Within the new HE environment, our sustainability can no longer be reliant on grants from government and policies that increase university participation. Like the industries with whom we collaborate, our future success is dependent on the value we can create. At the University of Salford, we have committed ourselves to an industry led agenda. This is a distinctive niche that plays to our traditional strengths and opens opportunities through both the national Industrial Strategy and regional needs to drive productivity.

Our university-wide plans, have ambitious goals to implement the step change necessary to take advantage of the opportunities afforded by industry to create a university known for the positive impact it delivers for both its students and the industries with which we collaborate.

2.1 Industry Collaboration

The purpose enshrined in the Vision of 'preparing students for life' through 'real world experiences' is underpinned chiefly by the creation of four Industry Collaboration Zones (ICZs) which act as a focus for collaboration:

- / Creative & Digital
- / Engineering & Environments
- / Health, Wellbeing & Society
- / Sport

We have been identifying and developing a series of exceptional industry partnerships, the characteristics of which include the ability to enrich the student experience and employability prospects and to be a curriculum co-creator through design, delivery and integrated work-based learning. These partnerships also offer staff development opportunities through experience of industry best

practice and enterprise and research opportunities. Delivery of the industry collaboration strategy will position us as the first choice for students wanting an experience characterised by integrated work-based learning, a flexible, industry-informed and research informed curriculum, underpinned by a commitment to a creative pedagogy and aligned to contemporary business models.

Course readiness in terms of industry connectedness, opportunity for work-based learning, internships and flexibility of delivery has been audited and changes have been made to implement this. Industry collaborations cut across our research and enterprise activities which will be increasingly interdisciplinary and tailored to the needs of industry.

Regional Development: We have responded to a consultation by the Greater Manchester Combined Authority (GMCA) on a range of powers to control services in the region including (with most relevance to the University) education, skills and employment support. Our response emphasises the need to ensure that regional adult education and skills provision supports the vibrant HE community in Greater Manchester, one of the largest student populations in an urban conurbation in the UK, including aligning this provision to the higher level skills opportunities offered by the region's HE providers. The Government's recent Industrial Strategy signalled further ways in which we can leverage its strengths in research and innovation and skills development to contribute to the Northern Powerhouse.

Senior leaders are in ongoing discussions with the New Economy,

which works on behalf of the GMCA and Greater Manchester Local Enterprise Partnership, to ensure that we are well placed to contribute to the regional education, skills and growth agendas.

2.2 Academic Growth & Diversification

Given the changing UK demographics and the fall in the school leaver population, we are developing a larger UK-wide student base utilising market intelligence to target key areas and products. We are also diversifying our provision through new delivery models (e.g. expansion of distance learning and technology enhanced learning) and curriculum as well as delivering in new subject areas. This is especially important as our University Strategy includes growth in total student numbers.

Portfolio Review: To ensure that our academic portfolio remains relevant and compelling, this strand includes the initiatives to improve on our courses along with their positioning and marketing. It also identifies new courses and subject areas that can be developed. New courses for 2018/19 include BSc Interior Architecture, BSc Digital Business, BSc Marine Biology, BEng Automotive and Autonomous Vehicle Technology.

Degree Apprenticeships: These are already underway and are expected to have an increasing share of total student numbers as their growth is now supported by the introduction of the Employment Levy (from April 2017). However, the current funding band review may put at risk the viability of delivery of some degree apprenticeships, although recent demand to the University remains buoyant. Key industry demand so

far is in Construction, Engineering, Business and Health – areas we are well positioned to capitalise on. We are directly involved in a number of Trailblazer groups that will establish national standards for awards in these subjects. A further strength of the Salford offer is our partnership with our partner FE Colleges to have a single provider solution from levels 2 to 8.

Foundation Years: All Schools have been recruiting for Foundation Years from at least 2017/18 to support access to university. Some of these are existing courses and many new ones have been developed to promote access to our degree courses after successful completion of a Foundation Year.

International Recruitment: Given the increasing difficulties experienced with recruiting international students, we are continuing to develop international partners for Trans National Education (TNE). We are proceeding in this through an assessment of our current territorial presence to define regions of primary and secondary importance determined by linking our capabilities and specialisms to overseas market need. This has resulted in being a partner in the new British University of Bahrain which consists solely of University of Salford franchise courses that are recruiting from September 2018.

2.3 Student Experience and Outcomes

To enhance our students' experience, including both their academic and career gains, this strategy includes projects and policies to enhance the quality of teaching and to provide a curriculum and complementary opportunities that prepare students for employment. Retention remains a primary focus within this strategy as the proportion of first degree students leaving us and not transferring to another institution remains above our benchmark. Tackling this involves: reviewing assessment practices and ensuring alignment to the required learning outcomes of the curriculum; increased liaison with students who are not engaging; piloting of student learning analytics and improvement of the personal tutoring and peer mentoring support system.

2.4 Research and Knowledge Exchange Strategy

The reforms outlined in the Stern Review present a long term strategy for REF, with the impacts going beyond REF2021. It is likely that some

benefits for the University of Salford, in particular those around increasing interdisciplinary research and proposals aimed at increasing the weighting of impact in the REF, will be intensified in REF 2027/8.

In the light of this and other structural changes, including the creation of UK Research & Innovation, and internally with the impetus brought by the creation of the Industry Collaboration Zones, we have recently undertaken a strategic review of research at Salford, focussing on our areas of excellence that will produce internationally excellent research and develop new talent. This has identified the following interdisciplinary Beacons, which will act as focal points for funding and activity:

- / Industry 4.0
- / Ageing and bio-health
- / Energy, housing & infrastructure
- / Environmental Quality
- / Resilience & Leadership

Progress in these areas will be delivered by working more closely with industry and wider society, to establish local, national and international partnerships combined with utilising the transformative power of state of the art technologies (including AI and robotics, big data, virtual reality) to provide solutions to a range of challenges presented by innovation, productivity, sustainability and resilience. We aim to deliver an integrated, two-way knowledge exchange pathway, from excellent discovery research, through to applied research in partnership with industry, on to exploitation, impact, and research-informed teaching. In achieving this we will consolidate investment and resource to the highest performing research staff, and those with the best potential and we are examining how we can continue to access research funding, in particular, how we map onto the Industrial Strategy and are best positioned to access the Industrial Strategy Challenge Fund. We are following the developments for the post-Brexit status of Horizon Europe to which the Government have declared (May 2018) a commitment to remaining part of.

Responding to the Industrial

Strategy: We have good reason to be optimistic about the Government's Industrial Strategy given the emphasis on the contribution of universities, in collaboration with industry, to its implementation and success.

Specifically to Salford there are several links to our ICZs through the stated 'Grand Challenges' and the support for investment in research via the Industrial Strategy Challenge Fund.

For us, there is a particularly positive message around the emphasis on place and nuanced approaches to meet regional needs rather than a one-size-fits-all strategy. Universities have a central role to play in creating regional economic growth and productivity; for example support for increased commercialisation of activity, attracting employers and growing highly-skilled local populations. Consequently we have begun to engage with the Greater Manchester Combined Authority (GMCA) on the forthcoming Greater Manchester Local Industrial Strategy (GM LIS). We continue to maintain a dialogue with Salford City Council in order to align our engagement efforts with those of the City, which has already prepared its own city-wide Industrial Strategy.




2.5 Campus Development

This encompasses our physical and digital estate, launching a 10 year programme creating a sustainable campus in terms of energy use; space utilisation; being fit for purpose to provide for the needs of our students and being responsive to developing trends in educational delivery. Work here will also improve the campus as an amenity through investment in sport, social, cultural, recreational and commercial facilities. In more than just an upgrade to our physical estate, we are working with the City Council with a view to the regeneration of this area of Salford and enhancing a sense of identifiable place that our community of staff, students and residents can enjoy and feel part of. Engendering the right culture and promoting a set of values on which to build and deliver the results expected from our ICZ aspirations is also a key component of this strategy.

2.6 Our Plan

This summary table details the key priority areas for 2018/19, along with progress made against priorities that were declared for 2017/18:

Key:

-  Priority achieved
-  Substantial progress made
-  Priority not fully achieved

| STRATEGIC PRIORITY AREA | PRIORITIES DECLARED FOR 2017/18 | ACHIEVED? | OPERATING PRIORITIES FOR THE YEAR 2018/19 |
|-----------------------------------|--|---|--|
| Industry Collaboration | ICZs have penetrated University culture and all academic activity is driven by ICZ principles. |  | Exceptional partnerships, evaluated through the Impact Framework, are working for the whole University with key account management in place. |
| | Exceptional partnerships are working for the whole University with key account management in place. |  | Raise the profile of our industry collaborations among targeted industry and influencers in key strategic areas. |
| | Bespoke physical and virtual spaces in place to promote collaborative working and showcase events of work are underway. |  | Delivery of a series of high profile public lectures and commercial conferences orientated around the key industry collaboration focus areas. |
| Academic Growth & Diversification | Expanded numbers of Degree Apprenticeships with expected 100% year on year increase in registered numbers for 18/19. |  | Continuous portfolio review that takes account of demand, quality and financial factors and is also responsive to the growing and emerging demands for skills. |
| | Recruitment Strategy in place to grow numbers from outside the region; reduce the reliance on clearing and increase PGT. |  | Increasing flexibility of entry through multiple entry points and expansion of trimester system. Expanded numbers of Degree Apprenticeships (growth of 50%). Increase in the choice of Foundation Year courses with clear progression routes onto main degrees. Develop strategic and sustainable partnerships that deliver both trans-national education (TNE) provision and direct inward student recruitment. |
| Student Experience and Outcomes | Consolidation of the improvements that will enable us to reach our TEF related targets. |  | NSS improvements made in Teaching, Assessment and Feedback and Academic Support. |
| | Achieving benchmark for student non-continuation. |  | Achieving benchmark for student non-continuation. |
| | DLHE results at or above target. |  | DLHE results at or above target. |
| Research & Knowledge Exchange | New section for 2018/19 | | Develop training and implement a University-wide mentoring scheme to widen bid submissions and increase number of three and four star papers for REF submission. The establishment of interdisciplinary and cross-sector Research and Knowledge Exchange Beacons, built around our world leading and internationally excellent research strengths and aligned to the ICZs. Establish a Doctoral School to create a single identity, which offers a clear profile and status for doctoral candidates, improving recruitment and student experience along with better cross-disciplinary integration and networking opportunities. |
| Campus Development | New section for 2018/19 | | Agree 10 year investment (including external) for the transformation of the estate. Deliver a digital experience for students with technology that replicates the very best in industry. All Schools submitting applications for Athena Swan silver award. Introduction of the Academic Career Pathways programme. Operational process re-engineering to remove waste and drive efficiencies. BI & Analytics platform to enable more agile and effective business decisions. |



COMMUNITY PARTNERSHIPS DELIVERED THROUGH A WORLD-CLASS INSTITUTION

Thanks to our partnership with the Manchester Institute of Health and Performance (MIHP) our students now have the opportunity to treat patients within an elite facility.

We have set up a public physiotherapy clinic at the Institute where students on our BSc (Hons) Physiotherapy course conduct sessions whilst being mentored and supported by highly experienced physiotherapists. The public benefits from discounted rates and the ability to be treated at this world class facility.

This clinic builds on our research partnership with MIHP which covers many areas of health and physical activity, including osteoarthritis and footwear interventions for patients who have had treatments to the knee.

For Rachael Dawe, Performance Lead at MIHP this is a fantastic opportunity to provide public benefit. At the launch she stated:

“We are delighted to be able to combine both student engagement and elite care under one roof, and offer this accessible service to the wider Manchester community.”

Dr Steve Atkins, Director of Sport, Exercise and Physiotherapy at the University of Salford added:

“The Manchester Institute of Health & Performance is a world-class facility and it’s wonderful to see our partnership providing real benefits.

“Not only will our students be given unparalleled opportunities to work in a unique environment, but also members of the public from Manchester and further afield will have further access to quality private physiotherapy.

“But this is just the start of exploring the potential for what we will be able to deliver in partnership with MIHP and we look forward to announcing other exciting projects over the next few years.”



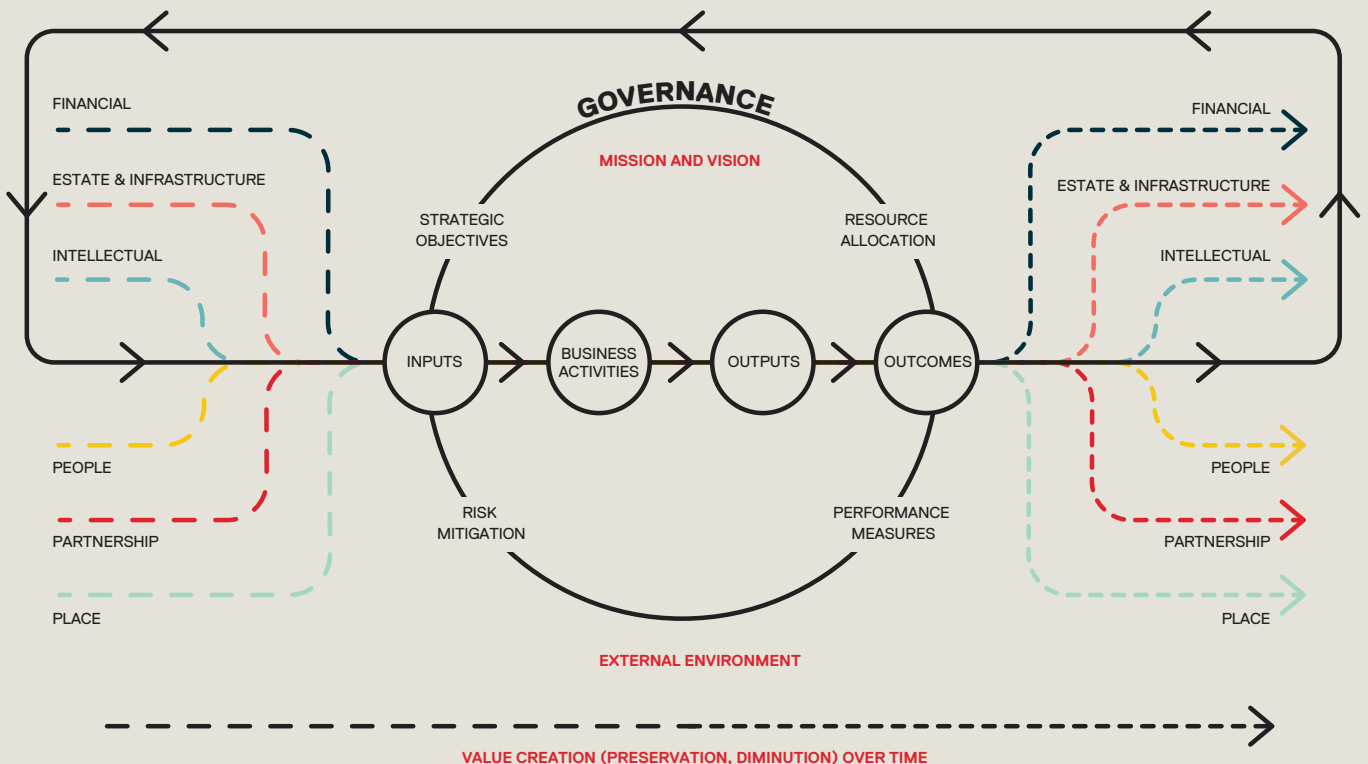
3 ORGANISATIONAL OVERVIEW

Our Business Model and Value Creation Process

Our business model and value creation process is described in terms of taking a range of inputs – the resources and relationships that we rely and impact upon – and adding value through our business activities to secure beneficial outputs for stakeholders. Our stakeholders are clearly our students and staff but they also extend to members of the community who can benefit from the regenerative influence of our University on the locality, and employers who have a stake in the success of our students to provide them with work ready

graduates. Industry partners will also partake in collaborative research and enterprise projects with us. All our business activities are secured by our governance procedures and directed by our strategic objectives, resource allocation, risk mitigation and their success is measured through our key performance indicators and ultimately through the achievement of our mission and movement towards our vision. This forms our business model as illustrated within the value creation model in figure 1. The way we transform our inputs into outputs that will benefit our stakeholders is described in table 1.

Figure 1 Value creation model (adapted from the International <IR> Framework (2013) The International Integrated Reporting Council).



| INPUT | HOW WE CREATE VALUE (BUSINESS ACTIVITIES AND OUTPUTS) | OUTCOMES | MEASURES OF SUCCESS |
|-------|--|----------|---------------------|
|-------|--|----------|---------------------|

People

| | | | |
|---|--|---|---|
| Staff – their knowledge, experience, leadership qualities, motivation, loyalty and values | <p>Belief in a shared set of values.</p> <p>Promotion of diversity and inclusivity.</p> <p>Continuing professional development; personal development review; staff awards.</p> <p>Vibrant staff/student interface in class, online, in the field.</p> <p>Attracting the best talent.</p> <p>Retain high-quality staff.</p> | <p>High staff engagement.</p> <p>Enhanced student employability particularly in graduate level professions.</p> <p>Enhanced student satisfaction.</p> | <p>Staff engagement survey</p> <p>Graduates in highly skilled employment or higher level study</p> <p>NSS – questions relating to academic quality</p> <p>Entry tariff</p> <p>Overall student recruitment rates</p> <p>Non-continuation</p> |
|---|--|---|---|

Financial

| | | | |
|--|--|--|--|
| Cash; equity; borrowings and investments | <p>Our annual planning process delivers annual surpluses that are used for investment.</p> <p>Active management of assets and investments.</p> | Maintaining a sustainable organisation able to reinvest for future growth. | <p>Pay to income ratio</p> <p>% operating surplus cashflow</p> |
|--|--|--|--|

Estate & Infrastructure

| | | | |
|--------------------------------------|--|--|---|
| Buildings, equipment and IT services | <p>Improvements to the fabric, quality and environmental impact of buildings keeping them fit for purpose.</p> <p>Progressive approach to the development and deployment of new technologies.</p> <p>Improve information quality and ease of access.</p> | <p>Optimise the student learning experience.</p> <p>Create vibrant social spaces.</p> <p>Minimum industry standard and some cutting edge learning spaces.</p> <p>Minimise environmental impact.</p> <p>Improved decision making.</p> | <p>NSS – Learning Resources</p> <p>Building quality</p> |
|--------------------------------------|--|--|---|

Intellectual

| | | | |
|--|---|---|---|
| Intellectual property; systems; procedures and policies. | <p>Delivering excellent teaching informed by real-world research, industry collaboration and professional practice opportunities.</p> <p>Support areas of world leading, high impact research that address current and future global challenges.</p> <p>Encourage entrepreneurship and create start-up companies.</p> | <p>Enhanced global reputation for education, research and enterprise.</p> <p>Enhanced student satisfaction.</p> | <p>REF outcome</p> <p>Research grant awards</p> <p>Research Income</p> <p>Citations Impact</p> <p>Enterprise Income</p> <p>NSS – questions relating to academic quality</p> <p>Advertising value equivalent</p> |
|--|---|---|---|

Partnerships

| | | | |
|--|--|---|--|
| Our students, local residents, alumni and partners nationwide and internationally form the broad community of the University | <p>We are reaching out into the local community through a range of projects and research and enterprise activities that have a regenerative impact.</p> <p>Our alumni and industry partners are a key asset in progressing our industry led strategy as we can use their experience and industry expertise to collaborate with on research projects and for the benefit of our students through collaborative curriculum design.</p> <p>Industry placements; live briefs; work opportunities; internships; mentoring scheme.</p> | <p>Regenerative impact on locality and community.</p> <p>Enhanced student employability particularly in graduate level professions.</p> <p>Enhanced student satisfaction.</p> | <p>Gross Value Added (GVA)</p> <p>Graduates in highly skilled employment or higher level study</p> |
|--|--|---|--|

Place

| | | | |
|------------------------------|---|---|-----|
| Our environment and location | <p>Working with Salford City Council in the development of the Estates Masterplan bringing regeneration to this area of Salford.</p> <p>Providing employment opportunities in the region.</p> | Regenerative impact on locality and community | GVA |
|------------------------------|---|---|-----|

DEMENTIA ACTION WEEK MAY 2018

ANDY BURNHAM, MAYOR OF GREATER MANCHESTER

“ Devolution gives Greater Manchester a unique opportunity to do things differently. We can chart a path to a new integrated health and social care service that is fit for purpose, and capable of meeting the needs of a rapidly growing older population. Research centres like this one are vital to the success of these ambitions and will see Greater Manchester become a hub for dementia research. ”



In May, Mayor Andy Burnham visited the Dementia Hub at the Salford Institute for Dementia accompanied by a number of leading figures from national dementia charities: Kathryn Smith, Chief Operating Officer at the Alzheimer's Society, Helen Davies, Head of Public Affairs at Alzheimer's Research UK, and David Croisdale-Appleby, Chairman of Dementia UK.

During the visit the Mayor had the opportunity to meet people with dementia and their carers and to hear about research being carried out to improve quality of life.

Speaking about how visiting the Dementia Hub on a regular basis has transformed her life, one of the Hub's Dementia Associates – people living with dementia or carers who work with the Institute on community work and research – said: "I feel that because I've had this input, my dementia isn't deteriorating as if I had been sat in the house on my own watching the telly."

The Mayor's visit to the Hub was one of a host of activities held on our campus to mark Dementia Action Week, which included a panel debate with Salford actor Christopher Eccleston on perceptions of dementia in the media and society, a public engagement event with Alzheimer's Research UK around dementia research and various fundraising activities in support of the donor-funded Dementia Hub.

The Dementia Hub here at the University of Salford was opened in May 2017 and is a physical place for those living with dementia and their carers to come, socialise and take part in a range of stimulating activities. 90 activity sessions



per month are put on for people living with dementia and their carers at the Hub – including everything from craft, gardening and music sessions to demonstrations of the latest dementia-friendly design and face-to-face discussions with researchers. The Hub has been designed to be dementia-friendly and is entirely funded by philanthropic donations and fundraising.

The Salford Institute for Dementia was established in 2014 and undertakes research across a number of interdisciplinary themes: user involvement and service improvement; the environment; creativity; technology; and robotics and artificial intelligence. People living with dementia are at the heart of the Institute's work and a panel of Dementia Associates, people with dementia and those caring for someone living with the condition, advises the Institute across all of its activities and research, a truly unique approach.

4 PERFORMANCE

This can be demonstrated across a series of performance measures of which those relating to teaching quality from the National Student Survey (NSS) and employability from the Destination of Leavers from Higher Education survey (DLHE) form a particular focus for us.

4.1 NSS Results (TEF related and Overall Satisfaction)

The NSS measures student satisfaction across a range of teaching quality and student experience criteria. The measures extracted here are those that are included in the TEF and we have also shown the overall satisfaction which, whilst not taken into account in the TEF, shows the level of overall satisfaction that the students have expressed. The figures show the percentage of students that agree with a range of statements within each category. See Table 1.

4.2 Employability

The Destinations of Leavers in Higher Education (DLHE) survey results for the 2016/17 graduating cohort (results published in 2018) continue to build upon the significant improvement seen over the last three years. Work to support students with their employability prospects continues to be a main area of focus through such initiatives as the Student Success Awards which draws upon extracurricular activity and the gaining of transferable skills. The table shows the results for UK first degree graduates in work and / or further study six months after graduating as well as those in highly skilled

employment or study which counts those students in graduate level jobs or higher (postgraduate) level study. See Table 2.

4.3 University Key Performance Indicators (KPIs)

Our KPIs are categorised according to the corresponding strategic priority area. Industry Collaboration does not have a separate set of KPIs as the impact of activity in this area is designed to apply across all measures of success.

- ✓ For overall recruitment, we are pursuing a strategy of growth. This is supported through diversification of the portfolio and national marketing initiatives based upon industry collaboration and taking into account the current market context of declining demographics in the school leaver age population. We are also underway with a re-balancing of recruitment activity towards higher tariff students to maintain quality and a positive impact on TEF related metrics.
- ✓ The outlook for growth, reflected in the target set, for inward international recruitment has had to be tempered in response to the continuing difficulties experienced

in overseas markets as earlier described. Recruitment to TNE has however been more positive and is set to continue which reflects the changing nature of the opportunity in the overseas market, although real growth in this market will materialise beyond 2018/19. Targets are however not intended to be a limit upon recruitment as we are still aiming for overall student number growth in international students over the course of the Strategic Plan.

- ✓ Within the Student Experience & Outcomes category, targets had been set to continue the upward three year trajectory in performance and have been exceeded already for two of the measures.
- ✓ Targets for Research & Knowledge exchange have been increased to reflect the re-invigorated research activity taking place and the opportunities presented by the Industrial Strategy.
- ✓ The decrease in the performance under campus development is a reflection of the increased cost pressures facing the institution, but is also a function of the increased investment taking place to realise our strategic ambitions.

Table 1















| NSS MEASURE | THE TEACHING ON MY COURSE | | | | TREND | ASSESSMENT AND FEEDBACK | | | TREND | ACADEMIC SUPPORT | | | TREND |
|---------------------|---------------------------|------|------|---|-------|-------------------------|------|--|-------|------------------|------|---|-------|
| | 2016 | 2017 | 2018 | | | 2016 | 2017 | 2018 | | 2016 | 2017 | 2018 | |
| YEAR OF PUBLICATION | | | | | | | | | | | | | |
| UOS % AGREE | 85 | 85 | 86 ✓ |  | 76 | 75 | 81 ✓ |  | 80 | 81 | 82 ✓ |  | |
| SECTOR % AGREE | 87 | 85 | 84 |  | 74 | 73 | 73 |  | 82 | 80 | 80 |  | |

Table 2

DLHE (Destinations of leavers in Higher Education) UK full time 1st Degree Graduates, six months after graduating

Key:

-  Met or exceeded target
-  Within 5% of target
-  Missed target

| DLHE MEASURE | IN WORK AND/OR FURTHER STUDY | | | TREND | IN HIGHLY SKILLED EMPLOYMENT OR HIGHER LEVEL STUDY | | | TREND | |
|-----------------|------------------------------|------|------|-------|---|------|------|--|---|
| | YEAR OF PUBLICATION | 2016 | 2017 | | 2018 | 2016 | 2017 | | 2018 |
| UOS % | | 87 | 92 | 93 |  | 60 | 70 | 73  |  |
| SECTOR MEDIAN % | | 94 | 95 | 95 |  | 72 | 73 | 75 |  |

University Key Performance Indicators – 2018/19 targets and 3 year trend

| STRATEGIC PRIORITY AREA | CORE INDICATOR | ACTUALS | | | TREND | TARGETS |
|-----------------------------------|-----------------------------------|---------|---------|--|---|---------|
| | | 2015/16 | 2016/17 | 2017/18 (ON TARGET) | | 18/19 |
| Academic Growth & Diversification | Overall recruitment (FTE) | 19,589 | 19,866 | 20,359  |  | 21,179 |
| | Inward international (FTE) | 1,962 | 1,565 | 1,398  |  | 1,310 |
| | TNE recruitment (FTE) | 1,567 | 1,697 | 1,829  |  | 1,546 |
| Student Experience & Outcomes | Teaching on my course (%) | 85 | 85 | 85  |  | 89 |
| | Assessment & Feedback (%) | 76 | 75 | 77  |  | 78 |
| | Academic Support (%) | 80 | 81 | 80  |  | 84 |
| | Highly Skilled Graduates (%) | 60.1 | 70.7 | 73.1  |  | 72 |
| | Non-Continuation (%) | 13.9 | 11.8% | 11.4 ¹  |  | 8.0% |
| Research & Knowledge Exchange | Grant Awards (£ '000s) | 7,950 | 7,108 | 9,153  |  | 8,750 |
| | Citations Impact (Field Weighted) | 1.23 | 1.47 | Available 2019 | | 1.27 |
| | Research Income (£ '000s) | 6,203 | 5,504 | 6,739  |  | 7,400 |
| | Enterprise Income (£ '000s) | 15,500 | 13,399 | 9,152 ²  |  | 12,101 |
| Campus Development | Surplus % of Income | 5.2 | 3.4 | 3.6  |  | 2.3 |
| | Pay to income ratio % | 54 | 54 | 55.7  |  | 56.5 |
| | Building Quality – A+B (%) | 85 | 98 | 89  |  | 89 |

¹ To ensure that we continue to improve performance, and achieve the desired step change, we are delivering a range of tactical and strategic change projects and initiatives. These aim to both increase our overall capability to retain students (through developing how we teach and assess, and how we support individual students), and also to target weak areas and provide additional support to particular student cohorts/groups

² Target under review with new leadership in place in Salford Professional Development Ltd to reinvigorate activity and grow income.

RESEARCH IN THE COMMUNITY

In September 2017, we were awarded a £770,000 grant to evaluate a pioneering programme aimed at combating the growing number of people who drink excessive amounts of alcohol across Greater Manchester.

The Communities In Charge of Alcohol programme was launched on September 21st 2017 by the Greater Manchester Combined Authority and is led by community volunteers called 'Community Alcohol Champions' who are trained to help family, friends and colleagues rethink their drinking habits.

Our evaluation, funded by the National Institute of Health Research (NIHR), will assess the impact of the scheme and whether it can later go on to be introduced in other parts of the UK.

The latest statistics from Public Health England show that residents from across all ten boroughs in Greater Manchester are consuming more alcohol than the national average. This is both a danger to themselves and puts emergency services under greater strain.

Our School of Health & Society is leading the NIHR-funded evaluation, together with the University of Bristol, the University of York and Public Health England.

The project is being run in partnership with Greater Manchester Combined Authority, Greater Manchester Health and Social Care Partnership, all ten Greater Manchester Local Authorities, the Royal Society for Public Health, the University of Salford and Public Health England North West.

An aerial photograph of Greater Manchester, UK, taken during sunset. The sky is a mix of orange, pink, and purple. The city below is illuminated with streetlights and building lights, creating a warm glow. A major road with light trails from traffic winds through the city. Various buildings, including residential blocks and commercial structures, are visible across the urban landscape.

LEAD RESEARCHER, PROFESSOR PENNY COOK

“ This is the first time that Greater Manchester has co-ordinated an approach to building health champion capacity across the entire city region. It is a unique opportunity to carry out a robust, independent evaluation to find out whether the programme reduces the harm caused by alcohol. The results will be used to help other areas that want to set up similar programmes. ”

5 RISK

We maintain a corporate register of the key risks across our institution and their associated mitigating actions. This is reviewed and reported on in accordance with our Risk Management Policy.

5.1 Top five risks

As described under Operating Context and Outlook, we are conscious of the turbulence in the sector and the wider policy environment. The main mitigation to this uncertainty is in the strategic response that we make as an organisation. Alongside the external risks there are also a number of internal factors to which we could become vulnerable if they not closely managed. The following risks are extracted from the full Risk Register and show the most concerning risks and those upon which we are particularly focused.

5.2 Risk Appetite

Whilst the external environment contains risks, it also presents opportunities and we have chosen to take on a level of risk on a small number of high-risk, high-return projects that will need to be carefully and closely managed. An example of this is the opportunity that has come to fruition to create a joint academic enterprise in Bahrain. Whilst the top five risks represent areas that are of particular concern to us and demand close attention, we do not employ a single fixed risk appetite (e.g. intolerance of any 'high' rated

risks). Rather, we take a case by case approach to risk that assesses the extent to which the risk would impact upon the achievement of our strategic objectives and the capacity and resources available to treat it. It is expected that the external environment will continue to remain turbulent and there are still plenty of unknowns (e.g. with regard to Brexit, HE funding and the long term implications of the HE and Research Act) which means that it is likely that the risk profile will shift and maintaining an active understanding of risk appetite will be critical.



1. Pay and pension costs

| RISK DESCRIPTION | MITIGATING ACTIONS | RISK STATUS | MOVEMENT YEAR ON YEAR |
|--|---|---|-----------------------|
| Upward pressure on pay and pension costs as a result of: the apprenticeship levy; annual pay awards; annual incremental pay increases; increased pension liabilities requiring increased employer contributions. | <p>Mitigation has begun through factoring in anticipated increases into plans and budgets and will continue through the following:</p> <ul style="list-style-type: none"> ✓ Careful management of the staffing base. ✓ Mutual agreement to leave scheme. ✓ Schools to identify resourcing plans that align with anticipated income/ contribution levels and Student Staff Ratios. ✓ Hold a central contingency. ✓ Undertake a strategic sustainability plan across the University. | High and likely to impact in the next 1-2 years | Increasing |

2. Government policy changes

| RISK DESCRIPTION | MITIGATING ACTIONS | RISK STATUS | MOVEMENT YEAR ON YEAR |
|--|---|---|-----------------------|
| Changes in Government policy in matters related directly or indirectly to Higher Education can impact the University's activities. | <ul style="list-style-type: none"> ✓ Proactively monitor political and economic situation, actively engage with local and national policy and lobby Government via UUK and University Alliance. ✓ Continue to build strong partnerships with overseas institutions to support exchanges and research collaborations. ✓ Public Affairs Plan to be developed and implemented to proactively scan and keep track of changes in local and national policy and inform and influence regional and national policy makers as appropriate. ✓ Reduce reliance on EU research grants through diversifying research income to include more contract research aligned to ICZs. ✓ Regular meetings of the Brexit task group to assess potential impact and ways to mitigate risk. ✓ The University Research Delivery Plan will focus on areas of excellence with Schools which can also align with and exploit opportunities arising from the Industrial Strategy. | High and likely to impact in the next quarter | Static |

3. Industrial action

| RISK DESCRIPTION | MITIGATING ACTIONS | RISK STATUS | MOVEMENT YEAR ON YEAR |
|--|--|---|-----------------------|
| Industrial action can affect operational delivery and the student experience | <ul style="list-style-type: none"> ✓ Working group set up for planning in the event of strike action. ✓ Adoption of standard notification process and communication with management teams on identified impact in the event of a strike. ✓ Monitoring changes in the law as a result of the Trade Union Act | High and likely to impact in the next quarter | Increasing |

4. Retention, progression and course quality

| RISK DESCRIPTION | MITIGATING ACTIONS | RISK STATUS | MOVEMENT YEAR ON YEAR |
|---|---|---|-----------------------|
| Failure to meet and maintain targeted improvements in course quality and retention leads to lost opportunities for students and undermines performance in the TEF | <p>Work is currently being led by the PVC (Student Experience) to protect and improve performance in this area. Major initiatives include:</p> <ul style="list-style-type: none"> ✓ Review of assessments and module performance monitoring to aid progression. ✓ Development of services, facilities and enhancement of the student experience via Campus Development. ✓ Enhanced participation monitoring supported by new School retention officers. ✓ Engagement with the Students' Union and further development of student voice mechanisms via AskUS (student advice and support). | Medium and likely to impact in the next quarter | Static |

5. Student recruitment

| RISK DESCRIPTION | MITIGATING ACTIONS | RISK STATUS | MOVEMENT YEAR ON YEAR |
|---|---|---|-----------------------|
| Failure to meet planned student recruitment targets (Home/EU and Inward International) limits opportunities for investment in strategic priorities. | <p>Mitigation is directed at improved product, choice, delivery and quality through:</p> <ul style="list-style-type: none"> ✓ Active management of portfolio through identifying new opportunities along with broadening delivery options. ✓ Ensure that there is a well-articulated and communicated brand. ✓ Broaden geographic reach for recruitment outside of Greater Manchester and the North West. ✓ Articulate value of post-graduate courses in promotional activities such as the effect on future salaries. ✓ Effective communication to international partner agents and other representatives to dispel myths of the actual and perceived impact of UK immigration policy. ✓ Employ a proactive PR strategy to highlight successes and research excellence to overseas markets. ✓ Leverage the influence and connections of alumni in specific targeted overseas markets. | Medium and likely to impact in the next 1-2 years | Static |

6 FINANCIAL PERFORMANCE

KEY FINANCIAL HIGHLIGHTS

2017/18

£7.2m

Surplus for the Year

£28.0m

Comprehensive
Income for Year

£26.9m

Cash flow from
operating activities

£97.0m

Net assets

2016/17

£6.5m

Surplus for the Year

£33.4m

Comprehensive
Income for Year

£24.4m

Cash flow from
operating activities

£69.1m

Net assets

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Surplus after tax

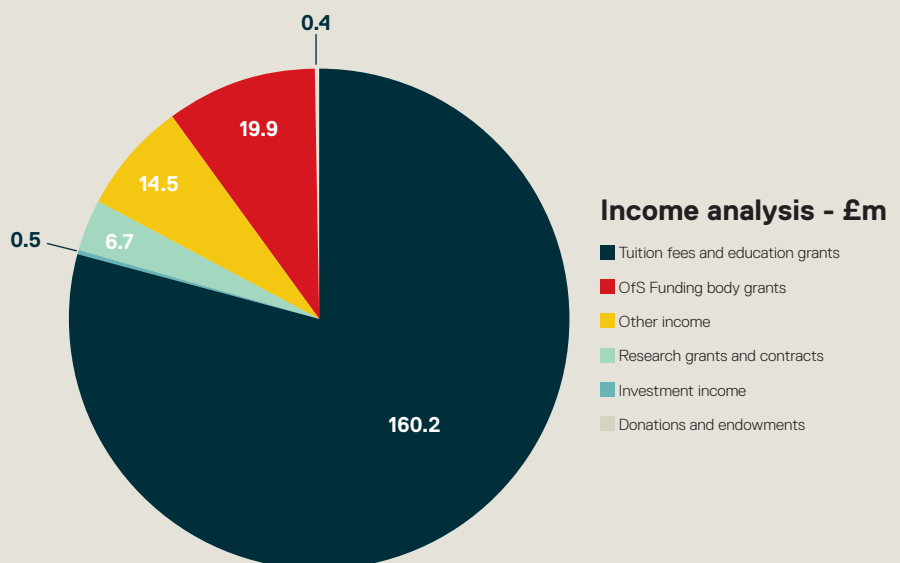
In 2017-18 we made a surplus after tax of £7.2m which represents 3.6% (2016-17: 3.3%) of total income.

Total Comprehensive Income

The total Comprehensive income was £28.0m after favourable actuarial movements of £18.6m on the Greater Manchester Pension Fund (GMPF) and favourable hedge movements on loans of £2.1m. This is the second year of positive movements on both the pension fund and loan hedges.

Income

In 2017-18 total income increased by £7.0m (3.6%) to £202.2m.



Total tuition fees and education contracts increased by £7.8m (5.1%) to £160.2m. Home and EU students increased by £14.3m of which £6.0m was due to a switch from education contracts to home and EU tuition fees following a change in the funding for nursing and allied health courses with the remainder due to increased recruitment relative to earlier years and the impact of increasing

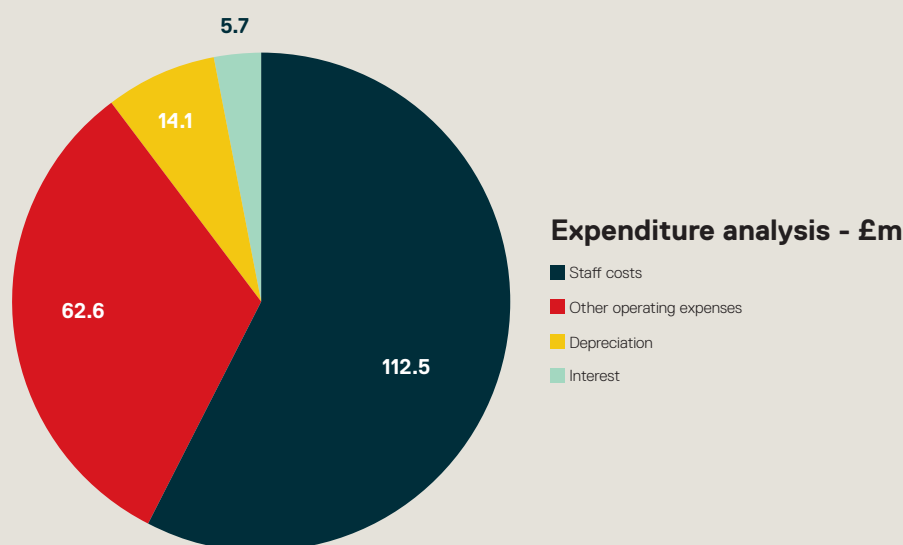
undergraduate fees for all students from £9,000 to £9,250. International activity fell by £1.7m (10.8%) to £14.3m due to worsening economic conditions in the University's key markets.

Movements in other income areas were relatively small – the OfS funding body grants increased by £0.2m (0.82%) to £19.9m and research grants and contracts

increased by £1.2m (22.3%) to £6.7m while Other income decreased by £1.8m (10.9%) to £14.5m. Within Other income the residencies income has decreased by £1.5m which was due to the onsite provider Campus Living Villages (CLV) taking more of the nominations risk in 17-18. Corresponding expenditure has decreased by £1.5m to £3.5m within operating expenditure.

Expenditure

Total expenditure increased by £6.5m (3.4%) to £194.9m.



Staff costs increased by £7.2m (6.9%) to £112.5m. This reflects a number of factors including an annual pay rise of 1.7%, staff grading increments, the increased current costs of local government pensions, increased severance costs following the running of a "Leaving by mutual consent scheme" and the impact of introducing Unitemps which provides job opportunities for students both within the University and in local business. Prior to the introduction of Unitemps, which is run by the University subsidiary Salford Professional Development Ltd, the University group had a higher use of non pay agency staff. Staff costs now accounts for 55.7% of income compared to 54.0% in 2016-17 and this KPI continues to be closely monitored.

Other operating expenses decreased by £1.2m (1.8%) to £62.6m with the largest single fall being the reduction in the CLV nominations expenditure of £1.5m.

Depreciation has increased by £0.9m to £14.1m which is mainly due to accelerated depreciation on the Newton Science, Computing and Engineering building following the decision to build a new replacement building. Interest has fallen by £0.5m to £5.7m due to a fall in the notional interest charged on the Greater Manchester Pension Fund deficit and reduction in loan interest as the capital sums are paid off.

Balance Sheet

At the 31 July 2018 our net assets had increased by £28.0m to £97.0m due to an actuarial gain on the local government scheme of £18.6m, an underlying trading surplus of £7.2m and a gain on the loan hedges of £2.1m.

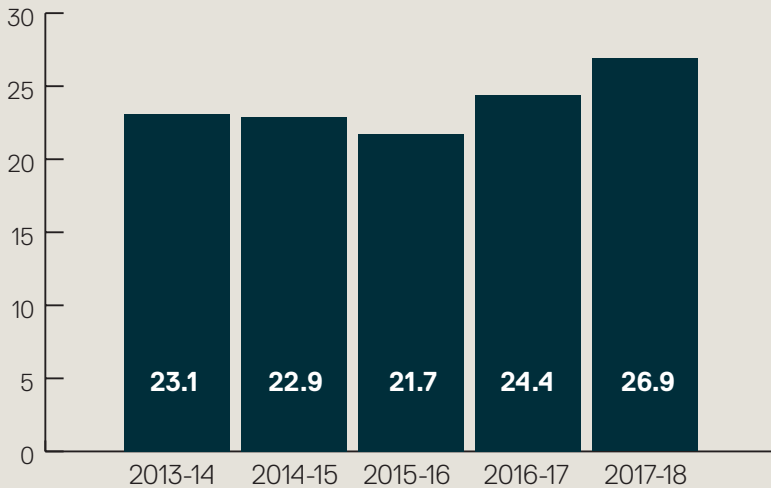
We continue to have healthy net current assets of £65.6m (£51.1m at 31 July 2017), with cash and short term net investments

of £96.5m (£79.9m at 31 July 2017) which is enough to cover 195 (2017: 166) days of expenditure.

We have secured borrowing including derivatives and finance leases of £76.0m (£82.1m at 31 July 2017) which represents 38% (42% at 31 July 2017) of income. This is still a higher level of gearing than the sector average and we will be looking to finance future capital expenditure through our current cash holdings, internally generated resources and grants rather than additional borrowing.

We have pension provisions totalling £64.9m (£79.4m at 31 July 2017) which includes a deficit in the GMPF scheme of £37.7m (£51.1m at 31 July 2017), obligation to fund deficit on USS pension of £15.7m (£16.5m at 31 July 2017) and enhanced Teachers' Pension Scheme liabilities of £11.1m (£11.3m at 31 July 2017).

Cash Flow - £m



Cash Flow

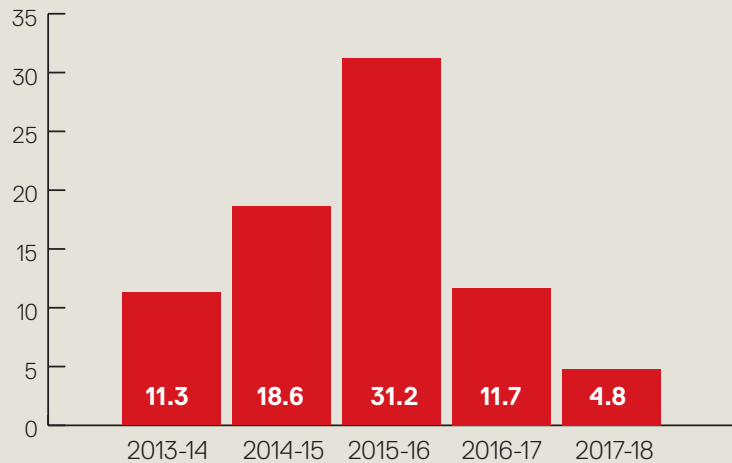
Cash flow from operating activities is £26.9m (2016-17 £24.4m) which is 13.3% of income.

Cash flow generation continues to be the key financial metric for us. We recognise that we need to continue to generate above the sector average in order to service our loans and to continue to invest in our students' experience.

Capital Expenditure

We continue to invest in our estate and equipment spending £4.8m. Schemes in 2017-18 included a major refurbishment of the Library facilities, the development of a new Energy House and a number of smaller projects such as boiler replacements and the purchase of an autonomous shuttle. However the campus masterplan approved by Council in February 2018 is currently in implementation stage resulting in the lower expenditure in year. This will increase in future years.

Capital Expenditure - £m



Payment of Creditors

The Late Payment of Commercial Debts (Interest) Act 1998 and Late Payment of Commercial Debts Regulations 2002 and 2013 requires institutions, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. We endeavoured to adhere to this policy during the year except where there were genuine reasons for dispute. Subject to the terms of individual contracts, where there are disputes on invoices, we only withhold payment on the disputed element of the invoice.

During 2017-18 the University paid 99% (2016-17: 99%) of invoices received within 30 days under Public Contract Regulation 113. Under the new legislation the University is required to report the value

of notional interest due on invoices that are paid late and for 2017-18 this is £4,032. (2016-17 £64)

Professional Advisors

| | |
|----------------------------|--|
| Bankers | Lloyds Bank plc and Barclays Bank plc |
| Investment advisors | KW Wealth |
| Internal Auditor | RSM Risk Assurance Services LLP |
| External Auditor | KPMG LLP |

Conclusion and Future Prospects

2017-18 is the fifth successive year of generating over £20m of cash from our core operating activities. Recruitment for 2018-19 has been positive particularly for undergraduates, with total recruitment

ahead of last year. The University is again targeting a surplus with generation of at least £20m cash from our core operating activities during 18-19. The University's financial position is strengthening year on year and we will look to continue to invest in our staff and facilities in a challenging environment.

Professor H Marshall
Vice Chancellor

Rt Hon. Lord Bradley
Chair of Council

23 November 2018

7 GOVERNANCE

MEMBERSHIP OF THE COUNCIL 2017/18

| | | TERM | ARC | FRC | GNEC | HDC | REM | SEC | LEAD MEMBER | |
|---------------------------------------|---|------------|----------------|-------------------------|-------------------------|-------------------------|------------|-------------------------|-------------|---------------|
| COUNCIL MEMBERS | Rt Hon. Lord Bradley (Chair) <i>from Jan 2018</i> | 1st | | Ex-officio | Ex-officio | Ex-officio | Ex-officio | | | |
| | Dr Mike Burrows (Deputy Chair) <i>Acting Chair - June 2017 to Dec 2017 *</i> | 3rd | ✓ ¹ | Ex-officio ² | Ex-officio ⁴ | Ex-officio ⁴ | Ex-officio | | Finance | |
| | Geoff Bean | 1st | ✓ | | | | | ✓ | | |
| | Dr Tony Coombs <i>from Jan 2018</i> | 1st | ✓ | | | | | | | |
| | Phil Cusack | 1st | | | | | ✓ | | | |
| | Garry Dowdle | 2nd | | ✓ | | | | | IT | |
| | Andrea Dunstan <i>from Jan 2018</i> | 1st | | | | | ✓ | | | |
| | Julia Fawcett <i>until Oct 2017</i> | 3rd | ✓ | | | | ✓ | | | |
| | Ben Gallop | 2nd | | | | | | ✓ | | |
| | Paul Longshaw <i>until Sep 2017</i> | 1st | ✓ | | | | | | | |
| | Cllr John Merry <i>from Nov 2017</i> | 1st | | | Co-opted | | | | | |
| | Ian Moston | 1st | | | ✓ | | | | | |
| | Dr Priscilla Nkwenti <i>From Jan 2018</i> | 1st | | | | | | ✓ | | |
| | Sean O'Hara <i>Acting Deputy Chair - June 2017 to Dec 2017</i> | 2nd | | | ✓ | ✓ | ✓ | | | International |
| | Sam Plant | 2nd | | | | ✓ | ✓ | | | |
| | Prof Susan Price | 1st | | | | ✓ | ✓ | | ✓ | |
| | Joyce Redfearn | 2nd | | | | | | ✓ | | |
| | Tom Russell | 2nd | | | ✓ | | | | | Estates |
| | Helen Taylor <i>from Jan 2018</i> | 1st | | | | | | ✓ | | |
| | Professor Helen Marshall (Vice-Chancellor) | Ex-officio | | | Ex-officio | Ex-officio | Ex-officio | Ex-officio ³ | | |
| | Amina Helal | 2nd | | | | | | | ✓ | |
| | Prof Sheila Pankhurst | 1st | | | | | | | | |
| Margaret Rowe | 1st | | | | ✓ | | | | | |
| Zamzam Ibrahim <i>Until June 2018</i> | 1st | | | | | ✓ | | Ex-officio | | |
| Emily Voss-Bevan | 1st/2nd ² | | | | | | | Ex-officio | | |
| Kobby Ofori <i>from July 2018</i> | 1st | | | | | | | Ex-officio | | |
| STANDING COMMITTEE MEMBERS | Carl Acton <i>Until Feb 2018</i> | 2nd | Co-opted | | | | | | | |
| | Professor Dame Susan Bailey <i>from Jan 2018</i> | 1st | | | | | | Co-opted | | |
| | Merlyn Lowther <i>from Jan 2018</i> | 1st | Co-opted | | | | | | | |
| | Brent Wilkinson | 2nd | Co-opted | | | | | | | |
| | Alan Roff | 1st/2nd | | Co-opted | | | | | | |
| | Professor Richard Stephenson | | | | Co-opted | Ex-officio | | Ex-officio | | |
| | Professor Sunil Vadera | | | | | Ex-officio Senate | | | | |
| | Professor Nigel Linge | | | | | Senate | | | | |
| | Prof Neil Fowler | | | | | | | Ex-officio | | |
| | Dr Janice Alan | | | | | | | Senate | | |
| | Professor Mike Rogan | | | | | | | Senate | | |

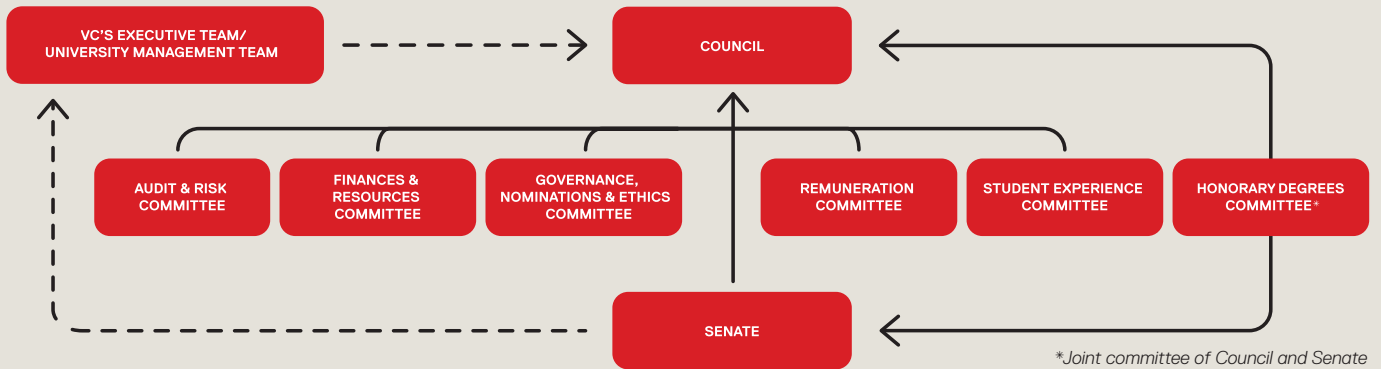
* During the period of acting Chair, Dr Burrows took up membership of the Chair
¹ May 2018 - July 2018

² January 2018 - May 2018

³ Until March 2018

⁴ January 2018 - July 2018

UNIVERSITY GOVERNANCE AT A GLANCE



Corporate Governance Statement

The University is committed to observing the highest standards of governance. Governance is the means by which the University is formally organised and directed. Properly enacted it will ensure integrity and objectivity in the transaction of business, and wherever possible demonstrate openness and transparency.

The University is an independent corporation, whose legal status derives from a Royal Charter granted in 1967. The Royal Charter and statutes sets out the University's objectives, powers and framework of governance and the Charter was last approved by the Privy Council in 2016. The Charter requires the University to have two separate bodies, Council and Senate both with clearly defined functions and responsibilities.

In developing its good practice in relation to corporate governance the University has adopted the Higher Education Code of Governance published by the Committee of University Chairs (CUC) in 2014 (revised 2018). The Code adopts and builds on the Principles of Public Life (the 'Nolan Principles') which provide an ethical framework for the personal and collective behaviours of governors (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

To give practical effect to the principles the University has refreshed a number of policies which apply to all staff, with the exception of the first one listed below.

Management of the Conflicts of Interest Policy (applies to members of the Council and senior officers)

Interests, pecuniary or otherwise, that could give rise to a conflict are declared

and logged on a Register of Interests published annually on the University website.

Whistleblowing Policy

The process by which an employee can raise a concern which he or she believes to be in the public interest.

Counter Fraud Policy & Response Plan/Anti-Bribery Policy

The processes by which suspicion of theft, fraud, bribery, corruption or financial irregularity can be reported, and how these reports are dealt with.

The Inclusive University

The range of policies and values framework that recognises the University's commitment to equality, fairness, autonomy and safety. This includes the Modern Slavery Act Statement.

Dignity at Work and Study Policy

The protection and promotion of an individual's right to respect and dignity in the work or learning environment that is free from harassment or bullying.

Public Benefit

The University was granted the status of an exempt charity by statutory instrument in 1967. Under the terms of the Charities Act 2006, the University has due regard to the Charity Commission's guidance on the reporting of public benefit and particularly its supplementary guidance on the advancement of education, in accordance with the requirements of the Office for Students (OfS) as the principal regulator of English higher education institutions under the Higher Education and Research Act 2017.

The University's Charter reflects institutional commitment to public benefit;

'The objects of the University shall be to advance education and knowledge by teaching and research, and in doing so to foster an academic environment which is enterprising and applied to business and the professions, and for the benefit of society at large'.

Examples of the University's commitment to public benefit are detailed in the earlier Strategic Review.

Council

Chair: Rt Hon.Lord Bradley, met eight times during 2017/18

The Charter establishes Council as the supreme governing body of the University. It has ultimate responsibility for the affairs of the institution, overseeing effective management and administration and determining its mission and future direction. It is responsible for ensuring that there is a robust system of risk management and control in place and it manages the institution's activities to ensure it remains sustainable and financially viable. Council devolves management of the University to the Vice-Chancellor and the Vice-Chancellor's Executive Team. Council devolves oversight and governance of all academic matters to the University's Senate.

The constitution and powers of the Council are laid down in, and limited by, the University's Charter and associated Statutes. The Ordinances, Standing Orders, Scheme of Delegation and Code of Conduct for Council Members and Senior Officers are further instruments of governance that support the effectiveness of decision-making processes and set out the principal roles and responsibilities for governance and management. These are approved by the Council.

There are a maximum of twenty four members of the Council, the majority of whom are independent. There are also student and staff members. The Registrar acts as Secretary to the Council.

None of the members receive payment, except for reimbursement for expenses (i.e. travel costs). The role of Chair is offered on a remunerated basis, however the current incumbent has waived this right from February 2018.

Members of the Council are trustees for charitable law purposes.

The Council exercises its responsibilities in a corporate manner, that is to say, decisions are taken collectively by the members acting as a single body.

The Council publishes a Statement of Primary Responsibilities on its website. This comprises eleven key duties:

1. Strategic development and planning

Shaping the development of and approving the University's vision, mission and strategic plan.

2. Monitoring effectiveness and performance

Ensuring effective and proactive monitoring of the strategic plan, monitoring its own effectiveness and ensuring there are appropriate arrangements for the management of the University.

3. Academic affairs

Supporting Senate's role as the academic authority and ensuring the general welfare of the students.

4. Legal and regulatory commitments and obligations

Ensuring the University meets its diverse legal and regulatory obligations.

5. Finance

Ensuring the solvency of the University and safeguarding its assets and shaping the financial strategy and overall budget.

6. Audit and risk

Ensuring an effective approach to risk management, control and governance.

7. Estate management

Shaping, the development of and approval of the estates strategy that identifies the property, infrastructure and IT requirements needed to fulfil the Strategic plan.

8. Human resources management

Shaping, the development of and approval of the human resources strategy and policies including the remuneration policy.

9. Ethics and values

Conducting its business in accordance with best practice in corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

10. Public benefit

Ensuring the University's obligations to demonstrate public benefit are met.

11. Students' Union

Ensuring that it operates in a fair and democratic manner and is accountable for its finances.

There are five standing Committees of Council: Audit and Risk; Finance and Resources; Governance, Nominations and Ethics; Remuneration; and Student Experience. In addition, there is one committee established jointly with the Senate: Honorary Degrees.

Members of the Council may be appointed to serve on one or more of the Committees of Council.

Other special or ad hoc working groups may be established from time to time and will meet as appropriate.

Each has a written terms of reference and dates of meetings are fixed and published in advance.

The areas considered by the relevant committees are listed below:

Audit and Risk Committee (ARC)

Chair: Geoff Bean, met five times during 2017/18.

- / Internal audit
- / External audit
- / Institutional risk
- / Health and safety
- / Regulatory compliance

Finance and Resources Committee (FRC)

Chair: Sean O'Hara, met six times during 2017/18

- / Financial performance and solvency
- / Estate management
- / Human resources

Governance, Nominations and Ethics Committee (GNEC)

Chair: Sam Plant, met four times during 2017/18

- / Ethical framework (non-academic)
- / Corporate governance arrangements including assurances that the University has in place the primary elements required in the adoption of the HE Code of Governance
- / Council membership and succession planning
- / Council and committee effectiveness and review

Remuneration Committee (REM)

Chair: Joyce Redfearn, met five times during 2017/18

- / Senior management remuneration and reward

Student Experience Committee (SEC)

Chair: Professor Susan Price, met four times during 2017/18

- / Inclusion and diversity
- / Student satisfaction
- / Academic connectivity

Honorary Degrees Committee (HDC)

Chair: Professor Helen Marshall, met twice during 2017/18

- / Award of honorary degrees
- / Award of honorary fellowships

Vice-Chancellor's Executive Team (VCET)

Chair: Professor Helen Marshall; meets fortnightly on a rolling basis

As Chief Executive Officer of the University, the Vice-Chancellor is appointed by, and accountable to, the Council. Under the terms of the Financial Memorandum between the University and the Office for Students (OfS) the Vice-Chancellor is the Designated Officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Office for Students (OfS) was set up by the Higher Education and Research Act of 2017 (HERA) as the new independent regulator of higher education in England. Providers are funded and regulated by OfS for the transition period of 1 April 2018 to 31 July 2019 through a combination of powers and duties "carried forward" from the previous legislation and the new HERA powers and duties. OfS will work closely with UK Research and Innovation (UKRI) which has taken on responsibility for research activities previously regulated under Hefce. All references to Hefce throughout the Integrated Report can now be deemed to refer to OfS and UKRI as appropriate. The Executive team comprises of the:

- / Deputy Vice-Chancellor
- / Pro Vice-Chancellor International and Regional Partnerships
- / Pro Vice-Chancellor Student Experience
- / Chief Operating Officer (position vacant during 2017/18)
- / Executive Director of Finance (acting COO)
- / Director of HR and Organisational Development
- / University Registrar and Secretary

Senate

Chair: Professor Helen Marshall, met five times during 2017/18

The Charter establishes the Senate as the 'academic authority' of the University, with responsibility for overseeing teaching, learning, education and research, and maintaining the academic quality and standards of the University. The Senate draws its membership from the staff and student bodies of the University.

- / Assurance of the quality of learning opportunities, academic practices and the student experience, and promote their enhancement
- / Development and promotion of research and innovation
- / Authorisation of the University's Academic Regulations and accompanying policies and procedures

Statement of Internal Control

As the Council of the University of Salford, we are responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible.

This is in accordance with the responsibilities assigned to the Council in the Charter and its accompanying Statutes and the updated regulatory framework with the Office for Students (OfS).

The key elements of the Group's system of internal financial controls, which are designed to discharge the responsibilities include the following:-

- a) clear definitions of the responsibilities of, and the authority delegated to, heads of academic and professional support service departments;
- b) a medium or short term planning process supplemented by annual budgets;

- c) regular reviews of academic and professional support service performance;
- d) clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- e) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the University Council.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently and economically. These procedures have been in operation throughout the year ended 31 July 2018 and up to the date of the approval of the financial report and accounts.

We have undertaken the following actions in respect of our risk management strategy: -

- a) In accordance with the approved Risk Management Policy, a Corporate Risk Register is maintained and reviewed. The Corporate Risk Register looks at all risks including financial, business, operational (Schools, Professional Support and subsidiaries), projects and compliance and considers the likelihood of a risk occurring, the impact and threat and also mitigating action that is being taken to manage the risk.
- b) Charged the Vice Chancellor's Executive Team with overseeing the management of risk.
- c) The VC's Executive Team receive quarterly risk management and internal control updates and risk management is embedded in day to day operations at both School and Professional Support levels.

We have ensured that our meeting calendar and agendas enable risk management and internal control to be considered on a regular basis during the

year. Risk management is incorporated into the corporate planning and decision making processes of the institution.

We receive periodic reports from the Audit and Risk Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

In the academic year 2017/18, the University's internal audit service was provided by RSM Risk Assurance Services LLP which operates to standards defined in the OfS Audit Code of Practice. The internal auditors submit regular reports which include an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. Based on the reviews undertaken during 2017/18, RSM Risk Assurances Services LLP concluded that the University had adequate and effective arrangements in place, to provide assurance to the Council over the effectiveness and adequacy of internal control.

Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors in their management letter and other reports.



STATEMENT OF COUNCIL RESPONSIBILITIES

in respect of the Integrated Report and Financial Statements

We are responsible for preparing the Strategic Report and the financial statements in accordance with the requirements of the Office for Students' terms and conditions of funding for Higher Education institutions and Research England's terms and conditions of Research England grant and applicable law and regulations.

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

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

- / select suitable accounting policies and then apply them consistently;
- / make judgements and estimates that are reasonable and prudent;
- / state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- / assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- / use the going concern basis of accounting unless we either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

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

We are also responsible for ensuring that:

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

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

Rt Hon. Lord Bradley
Chair of Council

23 November 2018



INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF SALFORD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The University of Salford ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated Changes in Reserves, Consolidated and University Balance Sheet, Consolidated Cash Flow Statement and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

Council responsibilities

As explained more fully in their statement set out on page 39, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in



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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- / funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- / income has been applied in accordance with the University's Statutes;

- / funds provided by the Office for Students and Research England have been applied in accordance with (these conditions and) the terms and conditions attached to them; and
- / funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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

Timothy Cutler

For and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants

1 St Peter's Square, Manchester, M2 3AE

Date:

27 NOVEMBER 2018

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2018

| | Notes | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|---|-------|-------------------------|---------------------|-------------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 160,176 | 155,411 | 152,371 | 147,774 |
| Funding body grants | 2 | 19,885 | 19,885 | 19,724 | 19,724 |
| Research grants and contracts | 3 | 6,729 | 6,729 | 5,504 | 5,504 |
| Other income | 4 | 14,468 | 14,420 | 16,237 | 16,125 |
| Investment income | 5 | 530 | 530 | 479 | 477 |
| Donations and endowments | 6 | 395 | 1,387 | 825 | 1,518 |
| Total income | | 202,183 | 198,362 | 195,140 | 191,122 |
| Expenditure | | | | | |
| Staff costs | 7 | 112,537 | 108,352 | 105,310 | 102,951 |
| Other operating expenses | 9 | 62,621 | 62,382 | 63,780 | 62,428 |
| Depreciation | 11 | 14,128 | 14,128 | 13,197 | 13,197 |
| Interest and other finance costs | 8 | 5,652 | 5,665 | 6,181 | 6,195 |
| Total expenditure | | 194,938 | 190,527 | 188,468 | 184,771 |
| Surplus before other gains | | 7,245 | 7,835 | 6,672 | 6,351 |
| Loss on disposal of fixed assets | | - | - | (197) | (197) |
| Gain on disposal of investments | | - | - | 52 | 52 |
| Surplus before tax | | 7,245 | 7,835 | 6,527 | 6,206 |
| Taxation | 10 | - | - | (3) | (3) |
| Surplus for the year | | 7,245 | 7,835 | 6,524 | 6,203 |
| Actuarial gain in respect of pension schemes | 28 | 18,613 | 18,613 | 23,390 | 23,390 |
| Change in fair value of hedging financial instruments | 29 | 2,125 | 2,125 | 3,479 | 3,479 |
| Total comprehensive income for the year | | 27,983 | 28,573 | 33,393 | 33,072 |

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2018 (CONTINUED)

| | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Represented by: | | | | |
| Endowment comprehensive income for the year | 66 | 66 | 111 | 111 |
| Restricted comprehensive (expenditure) / income for the year | (270) | (270) | 344 | 344 |
| Unrestricted comprehensive income for the year | 28,187 | 28,777 | 32,938 | 32,617 |
| | <u>27,983</u> | <u>28,573</u> | <u>33,393</u> | <u>33,072</u> |
| Surplus for the year attributable to: | | | | |
| University | 7,245 | 7,835 | 6,524 | 6,203 |

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

INCOME AND EXPENDITURE ACCOUNT

| | Endowment | Restricted | Unrestricted | Hedge reserve | Revaluation reserve | Total |
|--|-----------|------------|--------------|---------------|---------------------|--------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2016 | 461 | 814 | (7,633) | (14,873) | 56,898 | 35,667 |
| Surplus from the income and expenditure statement | 111 | 344 | 6,069 | - | - | 6,524 |
| Other comprehensive income | - | - | 23,390 | 3,479 | - | 26,869 |
| Transfers between revaluation and income and expenditure reserve | - | - | 3,998 | - | (3,998) | - |
| Total comprehensive income for the year | 111 | 344 | 33,457 | 3,479 | (3,998) | 33,393 |
| Balance at 1 August 2017 | 572 | 1,158 | 25,824 | (11,394) | 52,900 | 69,060 |
| Surplus/(deficit) from the income and expenditure statement | 66 | (270) | 7,449 | - | - | 7,245 |
| Other comprehensive income | - | - | 18,613 | 2,125 | - | 20,738 |
| Transfers between revaluation and income and expenditure reserve | - | - | 4,584 | - | (4,584) | - |
| Total comprehensive income for the year | 66 | (270) | 30,646 | 2,125 | (4,584) | 27,983 |
| Balance at 31 July 2018 | 638 | 888 | 56,470 | (9,269) | 48,316 | 97,043 |

The accompanying notes form part of the financial statements.

UNIVERSITY STATEMENT OF CHANGES IN RESERVES

INCOME AND EXPENDITURE ACCOUNT

| | Endowment | Restricted | Unrestricted | Hedge reserve | Revaluation reserve | Total |
|--|-----------|------------|--------------|---------------|---------------------|--------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2016 | 461 | 814 | (9,498) | (14,873) | 56,898 | 33,802 |
| Surplus/(deficit) from the income and expenditure statement | 111 | 344 | 5,748 | - | - | 6,203 |
| Other comprehensive income | - | - | 23,390 | 3,479 | - | 26,869 |
| Transfers between revaluation and income and expenditure reserve | - | - | 3,998 | - | (3,998) | - |
| Total comprehensive income for the year | 111 | 344 | 33,136 | 3,479 | (3,998) | 33,072 |
| Balance at 1 August 2017 | 572 | 1,158 | 23,638 | (11,394) | 52,900 | 66,874 |
| Surplus/(deficit) from the income and expenditure statement | 66 | (270) | 8,039 | - | - | 7,835 |
| Other comprehensive income | - | - | 18,613 | 2,125 | - | 20,738 |
| Transfers between revaluation and income and expenditure reserve | - | - | 4,584 | - | (4,584) | - |
| Total comprehensive income for the year | 66 | (270) | 31,236 | 2,125 | (4,584) | 28,573 |
| Balance at 31 July 2018 | 638 | 888 | 54,874 | (9,269) | 48,316 | 95,447 |

The accompanying notes form part of the financial statements.

CONSOLIDATED AND UNIVERSITY BALANCE SHEET

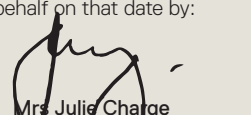
| | Notes | AS AT 31 JULY 2018 | | AS AT 31 JULY 2017 | |
|---|-------|-----------------------|---------------------|-----------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Non-current assets | | | | | |
| Fixed assets | 11 | 183,501 | 183,501 | 192,842 | 192,842 |
| Investments | 13 | 128 | 5 | 194 | 5 |
| | | 183,629 | 183,506 | 193,036 | 192,847 |
| Current assets | | | | | |
| Stock | 14 | 91 | 91 | 89 | 89 |
| Trade and other receivables | 15 | 19,178 | 18,835 | 14,054 | 13,652 |
| Investments | 16 | 72,217 | 72,207 | 56,630 | 56,620 |
| Cash and cash equivalents | 23 | 24,277 | 23,814 | 23,290 | 22,856 |
| | | 115,763 | 114,947 | 94,063 | 93,217 |
| Less: Creditors: amounts falling due within one year | 17 | (50,129) | (50,786) | (42,965) | (44,116) |
| Net current assets | | 65,634 | 64,161 | 51,098 | 49,101 |
| Total assets less current liabilities | | 249,263 | 247,667 | 244,134 | 241,948 |
| Creditors: amounts falling due after more than one year | 18 | (85,154) | (85,154) | (91,736) | (91,736) |
| Provisions for liabilities | | | | | |
| Pension provisions | 19 | (64,858) | (64,858) | (79,373) | (79,373) |
| Other provisions | 19 | (2,208) | (2,208) | (3,965) | (3,965) |
| Total net assets | | 97,043 | 95,447 | 69,060 | 66,874 |
| Restricted reserves | | | | | |
| Income and expenditure reserve - endowment reserve | 21 | 638 | 638 | 572 | 572 |
| Income and expenditure reserve - restricted reserve | 22 | 888 | 888 | 1,158 | 1,158 |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve - unrestricted | | 56,470 | 54,874 | 25,824 | 23,638 |
| Revaluation reserve | | 48,316 | 48,316 | 52,900 | 52,900 |
| Hedge reserve | 29 | (9,269) | (9,269) | (11,394) | (11,394) |
| Total Reserves | | 97,043 | 95,447 | 69,060 | 66,874 |

The accompanying notes form part of the financial statements.

The financial statements were approved by the Council on 23 November 2018 and were signed on its behalf on that date by:


Rt Hon. Lord Bradley
Chair of Council


Professor Helen Marshall
Vice- Chancellor


Mrs Julie Charge
Executive Director Finance

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2018

| | | YEAR ENDED 31 JULY 2018 | YEAR ENDED 31 JULY 2017 |
|--|-------|----------------------------|----------------------------|
| | Notes | £'000 | £'000 |
| Cash flow from operating activities | | | |
| Surplus for the year | | 7,245 | 6,524 |
| Adjustment for non-cash items | | | |
| Depreciation | 11 | 14,128 | 13,197 |
| Amortisation of investments | | 66 | - |
| Increase in stock | | (2) | (7) |
| (Increase)/ decrease in debtors | | (1,364) | 1,401 |
| Increase in creditors | | 3,296 | 1,162 |
| Increase/ (decrease) in pension provision | | 2,362 | (744) |
| (Decrease) in other provisions | | (1,757) | (975) |
| Adjustment for investing or financing activities | | | |
| Investment income | 5 | (530) | (479) |
| Interest payable | 8 | 5,652 | 6,181 |
| Endowment Income | | (50) | (50) |
| Loss on disposal of fixed assets | | - | 35 |
| Deferred capital grant release | | (2,125) | (1,881) |
| Net cash inflow from operating activities | | 26,921 | 24,364 |
| Cash flows from investing activities | | | |
| Placement of deposits | | (15,526) | (8,845) |
| Investment income | | 530 | 479 |
| Payments made to acquire fixed assets | | (5,299) | (11,704) |
| New non-current asset investments | | - | 5 |
| Deferred capital grants received | | 2,194 | 928 |
| | | (18,101) | (19,137) |
| Cash flows from financing activities | | | |
| Interest paid | | (3,833) | (4,044) |
| Endowment cash received | | 50 | 50 |
| Repayments of amounts borrowed | | (4,050) | (4,066) |
| | | (7,833) | (8,060) |
| Increase/ (decrease) in cash and cash equivalents in the year | | 987 | (2,833) |
| Cash and cash equivalents at beginning of the year | 23 | 23,290 | 26,123 |
| Cash and cash equivalents at end of the year | 23 | 24,277 | 23,290 |

The accompanying notes form part of the financial statements.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 JULY 2018

1. Basis of preparation

These financial statements 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 Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102.

2. Basis of accounting

The Financial Statements continue to be prepared on a going concern basis in accordance with the historic cost convention modified by the revaluation of certain fixed assets and derivative financial instruments.

3. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

4. 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 for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal

risk or enjoys minimal economic benefit related to the transaction.

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

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

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 applied to the individual endowment fund.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

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.

Capital grants

Capital government grants in respect of buildings and equipment are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the Consolidated Statement of Comprehensive Income and Expenditure over the useful life of the asset, at the same rate as the depreciation charge on the asset for which the grant is awarded. Government research grants are also treated as deferred capital grants with the grants credited to deferred capital grants with an annual transfer made to the Consolidated Statement of Comprehensive Income and Expenditure over the life of the grant, at the same rate as the depreciation charge on the asset for which the grant is awarded. Where part of a capital grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Capital government grants in respect of land and other capital grants and donations from non-government sources are recorded in income when the University is entitled to income subject to any performance related conditions being met.

5. Accounting for retirement benefits

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Greater Manchester Pension Fund (GMPF) and the Teachers' Pension Scheme (TPS). These schemes are defined benefit schemes, which are

externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The USS and TPS are multi-employer schemes for which it is not possible to identify the assets and liabilities to the University due to the mutual nature of the scheme and therefore these schemes are accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined contribution plan

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

Defined benefit plan

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

6. 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.

7. 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 leases 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.

8. Service concession arrangements

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

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

9. 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.

10. 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 the Surplus or Deficit (except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive Income). 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.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, (Sterling), at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income and Expenditure.

11. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued at 31 July 2014, the date of transition to 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and post the 31 July 2014 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 up to 60 years on the amount at which the tangible fixed asset is included in the balance sheet less their estimated residual value.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 JULY 2018 (CONTINUED)

Refurbishment costs are depreciated over 10 years.

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

Equipment

Equipment, including computers and software, costing less than £50,000 (prior to 31 July 2013: £20,000) per individual item is written off in the year of acquisition. All other equipment including groups of related items costing more than £50,000 and equipment in respect of the fit out of new buildings is capitalised.

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

Computer Equipment 3 years

Equipment acquired for specific research projects 2-5 years according to the period of the grant.

Other Equipment up to 20 years

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

Borrowing costs

Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

12. Investments

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

Investments in associates and subsidiaries are carried at cost less impairment in the University's accounts. Investments in associates are also carried at cost in the consolidated accounts as the University group does not participate in the day to day management of such companies and the value of the holding is not material to the consolidated accounts. Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

13. Financial Instruments

The provisions of section 11 & 12 of FRS102 are applied in full. Basic financial instruments are held at amortised cost using the effective interest rate method or cost and are subject to an annual impairment review.

14. Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

15. Cash and cash equivalents

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

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

16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

A contingent asset arises where an event has taken place that gives the University a 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.

17. 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.

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 more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

18. Derivatives

Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other comprehensive income.

19. Reserves

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

The following accounting judgements are considered critical in applying the university's accounting policies:

(a) Accounting for car parking at the Peel Park accommodation

In autumn 2015 the University entered into a 45 year arrangement with Standard Life Investments for the provision of car parking at the Peel Park accommodation. As the University assumes the risks and rewards of ownership this has been accounted for as a finance lease with a fixed asset net of depreciation to date of £4,428,000 (2016-17 £4,534,000) and liability of £5,001,000 (2016-17 £4,917,000) recognised on the balance sheet which is then accounted for in accordance with the finance lease accounting policies.

(b) Accounting for service concession arrangements

The University has an annual nominations arrangement with Campus Living Villages where it nominates rooms for students on the Peel Park accommodation within the University campus. As detailed in Note 12 the University accounted for this under the service concession arrangement reflecting the value of these nominations within the Balance sheet with the annual nominations then unwound in the Statement of Comprehensive Income and Expenditure the following financial year.

(c) Recoverability of debtors

The University has bad debt provisions in respect of both student and commercial and research debt.

The student bad debt provision is calculated on a specific basis according to where the student or the student sponsor is in the debt collection cycle with most debt over 12 months old provided for in full.

The commercial and research debt is also calculated on a specific basis according to where the debt is in the debt collection cycle with most debt over 12 months old provided for in full except for EU funded research grants where the recovery period is longer.

(d) Accounting for retirement benefits

Pensions - USS

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of

entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the income and expenditure account in accordance with section 28 of FRS102. The University Council are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and in accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the USS. The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.16% as at 31 July 2018, are included in note 19 to the financial statements.

The 2017 actuarial valuation of USS has been undertaken but this has not been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgment of the Council, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, to the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However there is a significant risk that the year end provision will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending on what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £15.7m which is calculated using a discount rate after 2.16%: - See Table 1

Pensions – Enhancement on termination

The University has a provision for enhanced pensions for former employees who were members of the Teacher's Pension Scheme. Details of this liability are disclosed in note 19. This provision is based on management's estimate of the prevailing discount rate and life expectancy at the year end.

Table 1

| DEFICIT CONTRIBUTION RATE | DEFICIT RECOVERY PERIOD TO | USS BALANCE SHEET DEFICIT | INCREASE IN DEFICIT RELATIVE TO POSITION AT 31 JULY 2018 |
|---------------------------|----------------------------|---------------------------|--|
| | | £'000 | £'000 |
| 2.10% | March 2031 | 15,700 | - |
| 3.10% | March 2031 | 22,800 | 7,100 |
| 6.00% | March 2031 | 41,900 | 26,200 |
| 3.10% | March 2034 | 28,500 | 12,800 |
| 6.00% | March 2034 | 52,500 | 36,800 |
| 3.10% | March 2037 | 34,500 | 18,800 |
| 6.00% | March 2037 | 63,400 | 47,700 |

All of these are calculated using the discount rate applicable at 31 July 2018 - 2.16%.

Pensions – Greater Manchester Pension Fund

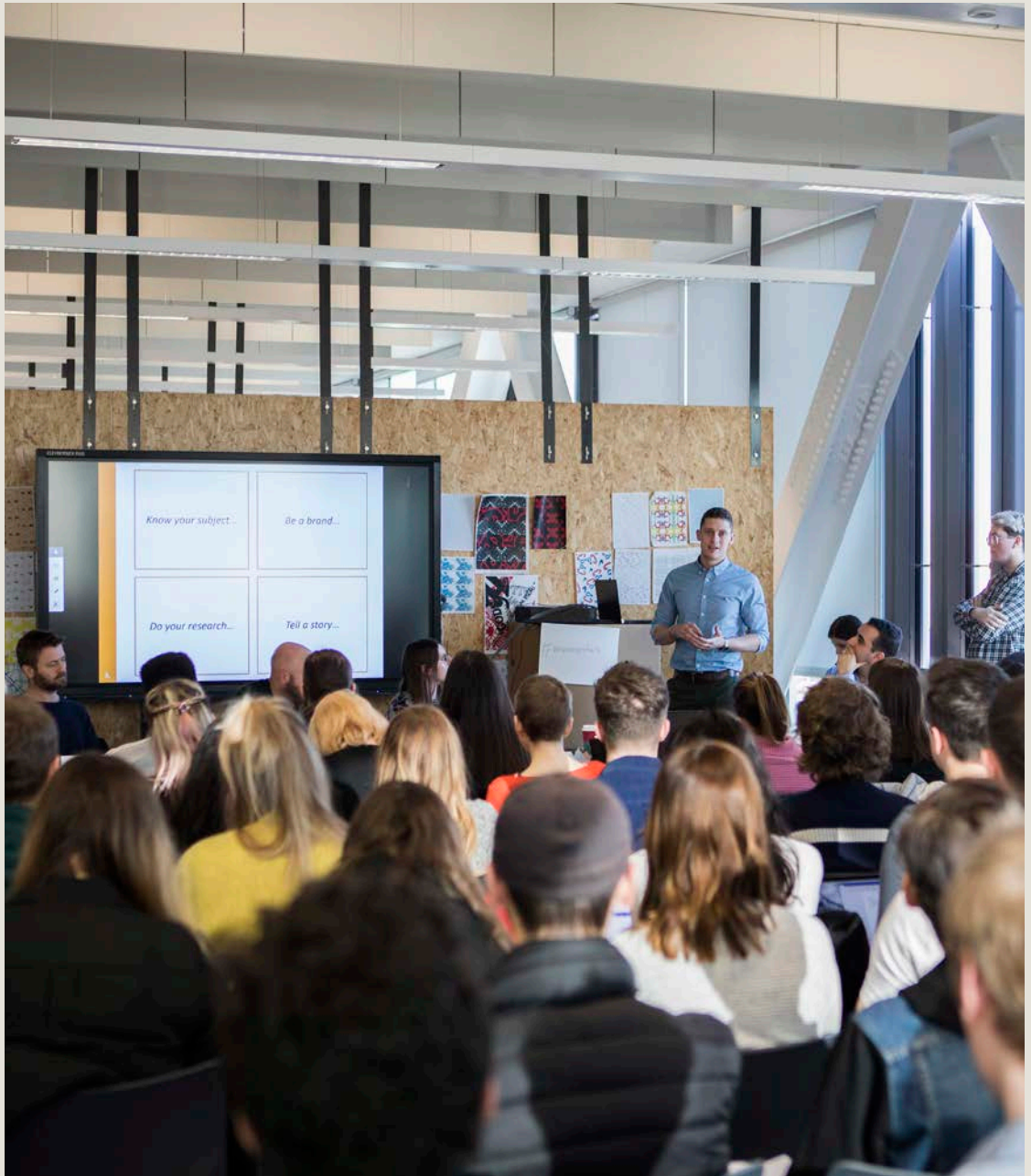
The GMPF deficit is disclosed in Note 28. The assumptions are the responsibility of management and are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the assumptions used to measure the scheme liabilities.

(e) Accounting for hedge arrangements

The University has derivatives in place on some of its loans in order to fix the interest rate for the period of the loan. The University Council is satisfied that the conditions are met to account for this under hedge accounting so that movements are separately disclosed after surplus after

tax within the Consolidated Statement of Comprehensive Income and Expenditure and a separate hedge reserve is created within reserves in the balance sheet.

| CHANGE IN ASSUMPTIONS AT 31 JULY 2018 | APPROXIMATE % INCREASE TO DEFINED BENEFIT OBLIGATION | APPROXIMATE MONETARY AMOUNT (£'000) |
|--|--|-------------------------------------|
| 0.5% decrease in Real Discount Rate | 11% | 23,040 |
| 0.5% increase in the Salary Increase Rate | 1% | 3,067 |
| 0.5% increase in the Pension Increase Rate | 9% | 19,710 |
| 1 year increase in member life expectancy | 3% to 5% | 6,389 to 10,648 |



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2018

| | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|---|-------------------------|------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| 1. Tuition fees and education contracts | | | | |
| Full-time home and EU students | 110,935 | 110,935 | 96,626 | 96,626 |
| Full-time international students | 14,329 | 14,329 | 16,066 | 16,066 |
| Part-time students | 6,081 | 6,081 | 5,163 | 5,163 |
| Other teaching contracts | 23,272 | 23,272 | 29,085 | 29,085 |
| Short courses | 5,148 | 383 | 4,962 | 365 |
| Research Training Support Grant | 411 | 411 | 469 | 469 |
| | 160,176 | 155,411 | 152,371 | 147,774 |
| 2. Funding body grants | | | | |
| Office for Students and Higher Education Funding Council recurrent grant | | | | |
| Teaching | 11,569 | 11,569 | 11,272 | 11,272 |
| Research | 3,970 | 3,970 | 4,096 | 4,096 |
| Specific grants | | | | |
| Office for Students and Higher Education Special Initiatives | 156 | 156 | 425 | 425 |
| Office for Students and Higher Education Innovation Fund | 2,148 | 2,148 | 1,612 | 1,612 |
| Learning and Teaching Capital Investment Fund and Research Capital Investment Fund | 132 | 132 | 621 | 621 |
| Deferred capital grants released in year: | | | | |
| Buildings | 1,196 | 1,196 | 831 | 831 |
| Equipment | 714 | 714 | 867 | 867 |
| | 19,885 | 19,885 | 19,724 | 19,724 |
| 3. Research grants and contracts | | | | |
| Research councils (UK) | 1,678 | 1,678 | 1,138 | 1,138 |
| Research charities (UK) | 853 | 853 | 893 | 893 |
| Government (UK and EU) | 2,075 | 2,075 | 2,134 | 2,134 |
| Industry and commerce (UK) | 399 | 399 | 269 | 269 |
| Knowledge Transfer Partnerships | 564 | 564 | 495 | 495 |
| Other | 1,160 | 1,160 | 575 | 575 |
| | 6,729 | 6,729 | 5,504 | 5,504 |

| | Notes | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|--|-------|-------------------------|------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £'000 | £'000 | £'000 | £'000 |
| 4. Other income | | | | | |
| Residences, catering and conferences | | 5,834 | 5,834 | 7,608 | 7,608 |
| Other income | | 8,419 | 8,371 | 8,446 | 8,334 |
| Deferred capital grants released in year: | | | | | |
| Buildings | | 141 | 141 | 109 | 109 |
| Equipment | | 74 | 74 | 74 | 74 |
| | | 14,468 | 14,420 | 16,237 | 16,125 |

Other income includes provision of products (including tenant and leisure facilities), consultancy, nursery services and various grants including those for funding of student placements.

5. Investment income

| | | | | | |
|---------------------------------|----|-----|-----|-----|-----|
| Investment income on endowments | 21 | 10 | 10 | 15 | 15 |
| Other investment income | | 520 | 520 | 464 | 462 |
| | | 530 | 530 | 479 | 477 |

6. Donations and endowments

| | | | | | |
|--|----|-----|-------|-----|-------|
| Donations with restrictions | 22 | 110 | 110 | 603 | 603 |
| Endowments with restrictions | | 50 | 50 | 50 | 50 |
| Unrestricted donations/donations with performance criteria | | 235 | 1,227 | 172 | 865 |
| | | 395 | 1,387 | 825 | 1,518 |

7. Staff costs

| | | | | | |
|---|----|---------|---------|---------|---------|
| Salaries | | 80,501 | 76,741 | 78,992 | 76,832 |
| Social security costs | | 8,693 | 8,337 | 8,133 | 7,938 |
| Movement on USS provision | | (1,104) | (1,104) | (1,698) | (1,698) |
| Enhanced Pension on Termination charge | | 261 | 261 | 229 | 229 |
| Other pension costs | 28 | 22,631 | 22,603 | 19,800 | 19,796 |
| Early Retirement, Voluntary Severance, Redundancy and Mutual Consent Initiative | | 1,555 | 1,514 | (146) | (146) |
| **** | | | | | |
| | | 112,537 | 108,352 | 105,310 | 102,951 |

**** The category Early Retirement, Voluntary Severance, Redundancy and Mutual Consent Initiative includes £1,119,000 (2017; £903,000) payable or paid to 71 (2017; 55) University of Salford staff, £227,000 (2017; £106,000) in respect of the additional future pension cost of taking early retirement for 5 (2017; 4) University of staff who were members of the Local Government Pension Scheme, £190,000 charge for the anticipated additional cost of paying previously agreed pension enhancements on termination in respect of former staff who were members of the Teacher's Pension Scheme (2017; £41,000 credit for anticipated saving), a £22,000 saving on the actual cost of previous year retirements (2017; £14,000 saving and £1,100,000 saving on earlier years USS costs) and £41,000 redundancy costs paid to 3 staff who were employed by the University of Salford Enterprises Limited (2017; Nil).

7. Staff costs (continued)

| | 2017-18 | 2016-17 |
|--------------------------------|------------|------------|
| | £'000 | £'000 |
| Salary of Vice Chancellor (VC) | 208 | 204 |
| Performance related pay bonus | 10 | 10 |
| Benefits in kind | 3 | 3 |
| Total | 221 | 217 |
| Pension Contributions | - | - |
| Total Emoluments | 221 | 217 |

As Head of Provider, the Vice-Chancellor is the Chief Executive Officer of the University and is appointed by, and accountable to, the Council. The reward and recognition framework for the Vice-Chancellor is underpinned by the core values contained within The Higher Education Code of Governance 2014. In applying the framework, the University's Remuneration Committee has been mindful of The Higher Education Senior Staff Remuneration Code (June 2018).

The University of Salford employs over 2,100 people with a total income of £202.2m. The Council have outlined "Our strategy" in Section 2 of the Integrated Report and in Section 4 "Performance", have reported the demonstrable progress across a series of Key Performance Indicators aligned to the strategic priority areas.

In setting the base salary for the Vice-Chancellor the Remuneration Committee has taken into consideration the depth, breadth and complexity of the role. The Remuneration Committee has undertaken benchmarking across the Higher Education sector, including comparative information relating to the relevant contribution and income groups. The University of Salford subscribes to the UCEA Senior Staff Remuneration Survey and this data is used to provide the primary benchmarking data as it represents the most comprehensive and reliable source of data within the sector, enabling cross institutional comparisons to be made. The University also participates in the Committee of University Chairs' Vice-Chancellors Salary Survey and this data has been reviewed.

Other elements of the total remuneration package for the Vice-Chancellor are reviewed by the Remuneration Committee alongside the annual individual performance review. The Remuneration Committee agreed with the Vice-

Chancellor a series of performance objectives for the 2016-17 academic year, covering the organisational, professional and personal areas of focus necessary to achieve the University's strategic objectives. In the performance review, which took place in December 2017, the Interim Chair of Council reflected on the objectives agreed and the associated performance indicators. The review also took into account the performance of the University and the University's financial position.

As reported above, the Vice-Chancellor received a Performance Related Pay bonus equivalent to 5% of salary in 2017-18. This was based on a review of performance in 2016-17 in particular but also across the three previous years as it was acknowledged that the stretch objectives that had been set were not achievable within a single academic cycle. In determining this particular element of the 2017-18 total remuneration package, the Council considered the University of Salford to be on a clear upwards trajectory, evidenced by the significant improvement across a broad range of measures, including:

- ✓ National Student Survey [NSS] improved by 2% on the previous year and now above the sector median.
- ✓ Movement up 10 places in The Sunday Times Complete University Guide
- ✓ At or above the sector benchmarks for all NSS and TEF metrics
- ✓ Improved student continuation by 1.8%
- ✓ Improved DLHE outcomes by 11%
- ✓ Four successive years of growth in University turnover

The Council concluded that the leadership of the Vice-Chancellor has been instrumental in this significantly improved position over the broad range of measures

and as reflected in the achievement of her performance objectives.

Further information in relation to the Total Remuneration package of the Vice-Chancellor is available in the Annual Remuneration Report.

The VC's basic salary is 6.6 times the median pay of staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the University and its subsidiaries to its staff.

The VC's total remuneration is 6.2 times the median total remuneration of staff, where the median total remuneration is calculated on a full time equivalent basis for the total remuneration by the University and its subsidiaries to its staff. Total remuneration includes basis pay plus employer pensions, bonuses, merit awards and redundancy and retirement benefits.

The median calculations do not include one-off staff payments where staff are paid for a specific piece of work which is not paid for on an hourly basis, staff on long term sick where they are no longer on full pay or agency staff who are not employees of the University or its subsidiaries where the cost is accounted for within Other Operating Expenses. The reasons for non inclusion of these groups in the median calculation are ; the University does not currently require the recording of the number of hours taken for individuals who are paid in accordance with the delivery of a piece of work ; the University does not currently receive from the agents employer or record sufficiently detailed information to allow inclusion of agency workers and the University considers that inclusion of staff on long term sick who receive reduced pay would distort the calculation.

7. Staff costs (continued)

Remuneration of other higher paid staff, excluding any bonus payments, pension contributions are all shown before any salary sacrifice arrangements. The bandings do not include staff who joined or left part way through the year but would have received salary in these bands in a full year. (The prior year figure has been revised to comply with the OfS requirement to not include bonuses) :

| | 2018 | 2017 |
|----------------------|-----------|----------|
| | No. | No. |
| £100,000 to £104,999 | 1 | 4 |
| £105,000 to £109,999 | 4 | - |
| £110,000 to £114,999 | 2 | 1 |
| £115,000 to £119,999 | 1 | - |
| £120,000 to £124,999 | - | 1 |
| £125,000 to £129,999 | 1 | - |
| £130,000 to £134,999 | 1 | - |
| £135,000 to £139,999 | - | - |
| £140,000 to £144,999 | - | - |
| £145,000 to £149,999 | - | 1 |
| £150,000 to £154,999 | 1 | - |
| | <u>11</u> | <u>7</u> |



Compensation for loss of office payable to a senior post-holder:
Compensation payable recorded within staff costs

| | YEAR ENDED 31 JULY 2018 | YEAR ENDED 31 JULY 2017 |
|--|----------------------------|----------------------------|
| | £'000 | £'000 |
| | - | 87 |

Average staff numbers by major category:

Academic including technicians

Administrative, including clerical and manual

| | No. | No. |
|---|--------------|--------------|
| Academic including technicians | 969 | 957 |
| Administrative, including clerical and manual | 1,152 | 1,149 |
| | <u>2,121</u> | <u>2,106</u> |

Key management personnel

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

| | £ | £ |
|--|------------------|------------------|
| | <u>1,200,658</u> | <u>1,141,769</u> |

From 1 August 2016 the team responsible for the strategic and operational leadership of the University consisted of Vice Chancellor, Deputy Vice Chancellor, Chief Operating Officer, PVC for Education and Students, PVC Research and Enterprise, Executive Director of Finance and Executive Director of Human Resources. From 1st September 2016 the PVC Research & Enterprise was no longer a member of the senior team. In April 2017 the team was revised and since then has been made up of the Vice Chancellor, Deputy Vice Chancellor, Registrar, Pro Vice Chancellor (PVC) Student Experience, PVC International & Regional Partnerships, Executive Director of Finance and Executive Director of Human Resources.

Council Members

In 2017 -18 the Chair of Council and Interim Chair of Council were paid £9,937 (2017; £20,422 former Chair of Council and Interim Chair of Council) for serving as a Council member. From February 2018 the new Chair of Council has waived his remuneration in respect of this role. No other payments were made to Council members for serving as Council members (2017 £Nil).

No council member, other than the Chair of Council, has received any remuneration/waived payments from the group during the year (2017 - none). The total expenses paid to or on behalf of council members was £5,913 in respect of 16 council members (2017 – 11 council members - £4,041). This represents travel, subsistence and course costs incurred in their role as Council member.

| | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|--|-------------------------|--------------|-------------------------|--------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| 8. Interest and other finance costs | | | | |
| Loan interest | 3,578 | 3,578 | 3,801 | 3,801 |
| Other | - | 13 | 1 | 15 |
| Finance lease interest | 338 | 338 | 331 | 331 |
| Net charge on pension scheme | 1,736 | 1,736 | 2,048 | 2,048 |
| | <u>5,652</u> | <u>5,665</u> | <u>6,181</u> | <u>6,195</u> |

9. Other operating expenses

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Scholarships, bursaries and other student expenses | 7,495 | 7,490 | 6,805 | 6,804 |
| Catering | 2,888 | 2,888 | 2,977 | 2,973 |
| Student Union Grant | 997 | 997 | 995 | 995 |
| IT supplies and lease costs | 5,541 | 5,487 | 6,347 | 6,308 |
| Books and periodicals including online access | 3,257 | 3,254 | 3,276 | 3,276 |
| Printing, stationery and office expenses | 1,352 | 1,304 | 1,305 | 1,239 |
| Licences/ Insurance/ Subscriptions | 1,908 | 1,847 | 1,770 | 1,740 |
| Telephones | 340 | 332 | 237 | 227 |
| Equipment and furniture including hire and maintenance | 4,709 | 4,699 | 3,977 | 3,975 |
| Financial charges | 552 | 437 | (437) | (587) |
| Consumables | 1,145 | 1,145 | 1,172 | 1,159 |
| Vehicles and transport costs | 647 | 618 | 697 | 654 |
| Professional and other fees | 8,956 | 8,132 | 7,804 | 7,270 |
| Agency and contract staff | 1,952 | 1,951 | 2,327 | 2,316 |
| Staff travel and subsistence costs | 2,663 | 2,554 | 2,623 | 2,526 |
| Marketing | 2,067 | 1,917 | 2,019 | 1,942 |
| Staff recruitment and welfare | 332 | 253 | 541 | 526 |
| Premises, maintenance and repairs | 6,071 | 6,071 | 7,007 | 7,004 |
| Rates, rents and utilities | 6,016 | 5,628 | 7,200 | 6,803 |
| Security | 245 | 245 | 182 | 182 |
| Concession – Residents, Right to UK assets | 3,488 | 3,488 | 4,956 | 4,956 |
| Trading with subsidiary companies | - | 1,645 | - | 140 |
| | <u>62,621</u> | <u>62,382</u> | <u>63,780</u> | <u>62,428</u> |

9. Other operating expenses (continued)

Analysis of total expenditure by activity

| | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Academic and related expenditure | 22,938 | 23,538 | 21,346 | 21,286 |
| Administration and central services | 17,943 | 17,488 | 18,688 | 17,628 |
| Premises | 11,833 | 11,833 | 12,909 | 12,909 |
| Residences, catering and conferences (including service concession cost) | 6,291 | 6,291 | 8,235 | 8,235 |
| Research grants and contracts | 1,675 | 1,675 | 1,356 | 1,356 |
| Other expenses | 1,941 | 1,557 | 1,246 | 1,014 |
| | 62,621 | 62,382 | 63,780 | 62,428 |
| Other operating expenses include: | £'000 | £'000 | £'000 | £'000 |
| External auditors remuneration in respect of statutory audit services | 59 | 49 | 62 | 53 |
| External auditors remuneration in respect of non statutory audit services: | | | | |
| Grant and other audit related services | 17 | 17 | 21 | 21 |
| Taxation including advice | 51 | 51 | 46 | 40 |
| Commission in respect of recovery of reverse charge VAT on overseas agents | 2 | 2 | 26 | 26 |
| Operating lease rentals: | | | | |
| Land and buildings | 2,651 | 2,627 | 3,696 | 3,657 |
| Other | 310 | 310 | 306 | 306 |



**YEAR ENDED
31 JULY 2018**

**YEAR ENDED
31 JULY 2017**

Consolidated and University Consolidated and University

10. Taxation

**Recognised in the statement of
comprehensive income**

Current tax

| | | |
|--------------------------|----------|----------|
| Current tax expense | - | 3 |
| Total tax expense | - | 3 |

The 2017 tax charge is in respect of the Research and Development Expenditure tax credit income.

11. Fixed assets

| Consolidated and University | Freehold Land and Buildings £'000 | Leasehold Land and Buildings £'000 | Leased Assets £'000 | Equipment £'000 | Assets in the Course of Construction £'000 | Total £'000 |
|---|--|---|---------------------------|--------------------|---|----------------|
| Cost or valuation | | | | | | |
| At 1 August 2017 | 194,316 | 20,822 | 4,745 | 50,073 | 702 | 270,658 |
| Additions | 1,908 | - | - | 1,424 | 1,455 | 4,787 |
| Transfers | 665 | - | - | - | (665) | - |
| Disposals | - | - | - | - | - | - |
| At 31 July 2018 | 196,889 | 20,822 | 4,745 | 51,497 | 1,492 | 275,445 |
| Consisting of valuation as at: | | | | | | |
| Cost | 196,889 | 20,822 | 4,745 | 51,497 | 1,492 | 275,445 |
| Depreciation | | | | | | |
| At 1 August 2017 | 34,282 | 4,800 | 211 | 38,523 | - | 77,816 |
| Charge for the year | 10,163 | 878 | 105 | 2,982 | - | 14,128 |
| Disposals | - | - | - | - | - | - |
| At 31 July 2018 | 44,445 | 5,678 | 316 | 41,505 | - | 91,944 |
| Net book value | | | | | | |
| At 31 July 2018 | 152,444 | 15,144 | 4,429 | 9,992 | 1,492 | 183,501 |
| At 31 July 2017 | 160,034 | 16,022 | 4,534 | 11,550 | 702 | 192,842 |

A full valuation of University estate excluding Media City, Centenary Building, Adelphi Building and Allerton Arts studio was carried out on 31 July 2014 by DTZ (Independent Consultant surveyors). The Centenary Building, Adelphi Building & Allerton Arts Studio were excluded from the July 2014 valuation following the decision taken to no longer use these buildings for teaching and research from August 2016 and these have been depreciated down to their market value. No further depreciation has taken place on these buildings during 2017-18 whilst the buildings have not been in use as their market value has not been impacted.

12. Service concession arrangements

The University has one On Balance Sheet arrangement where service delivery has commenced.

In December 2013 the University entered into an agreement with Salford Village Limited which comprises of Equitix, Graham Construction, Kier Project Investment and student accommodation operator Campus Living Villages Limited to build and run a 1,367 student accommodation village on the Peel Park Campus with the accommodation being open to students from Autumn 2015. The finance for this £85m development is being provided by Standard Life Investments and under the terms of the agreement the University has entered into an annual nominations agreement with Campus Living Village Limited. Following a review of the transaction this is to be accounted for in accordance with a service concession arrangement.

In December 2016 the University nominated 1,367 rooms in respect of academic year 2017-18 at a cost of £3,488,000. In line with concession accounting a notional current asset (right to use asset) of £3,488,000 and a notional concession liability of £3,488,000 has been created at 31 July 2017.

In January 2018 the University nominated 1,367 rooms in respect of academic year 2018-19 at a cost of £7,248,000. In line with concession accounting a notional current asset (right to use asset) of £7,248,000 and a notional concession liability of £7,248,000 has been created at 31 July 2018.

As it is an annual occupancy guarantee at the 31 July 2018 the University has no future commitments other than those detailed above.

13. Non-current investments

| | Subsidiary companies £'000 | Investment in spin outs £'000 | Other fixed assets investments £'000 | Total £'000 |
|-------------------------|----------------------------------|-------------------------------------|--|----------------|
| Consolidated | | | | |
| At 1 August 2017 | - | 194 | - | 194 |
| Disposals | - | - | - | - |
| Impairment | - | (66) | - | (66) |
| At 31 July 2018 | - | 128 | - | 128 |
| University | | | | |
| At 1 August 2017 | - | 5 | - | 5 |
| Disposals | - | - | - | - |
| Impairment | - | - | - | - |
| At 31 July 2018 | - | 5 | - | 5 |

The investment in the subsidiary company relates to the introduction of additional share capital to enable it to fund an extension to facilities.

Other non-current investments consist of:

| | £'000 | % Owned |
|--|------------|-----------------|
| Carbon Air Limited | 103 | 20.59% |
| Optimum Imaging Limited | - | 32.67% |
| Lacerta Rehabilitation Limited | - | 15.00% |
| The Protocol Lab Limited | - | 17.24% |
| PIDHC Limited (formally ProofID Limited) | - | 4.35% |
| Incanthera Limited | 20 | 1.97% |
| Salford Valve Company Limited | - | 1.83% |
| University Loan to Health & Education Co-operative Limited | 5 | No Shareholding |
| DLAB Companies | - | No Shareholding |
| | <u>128</u> | |

14. Stock

| | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|---------------------------------|-------------------------|------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Building and Engineering Stores | 91 | 91 | 89 | 89 |

15. Trade and other receivables

| | £'000 | £'000 | £'000 | £'000 |
|--|--------|--------|--------|--------|
| Amounts falling due within one year: | | | | |
| Research grants receivables | 987 | 987 | 708 | 708 |
| Other trade receivables | 4,314 | 3,828 | 3,938 | 3,384 |
| Other receivables | 3 | 3 | - | - |
| Prepayments and accrued income | 6,626 | 6,514 | 5,920 | 5,820 |
| Right to use an Asset- concession accounting | 7,248 | 7,248 | 3,488 | 3,488 |
| Amounts due from subsidiary undertaking | - | 255 | - | 252 |
| | 19,178 | 18,835 | 14,054 | 13,652 |

16. Current investments

| | £'000 | £'000 | £'000 | £'000 |
|---|--------|--------|--------|--------|
| Short term investment in shares & Corporate bonds | 496 | 496 | 572 | 572 |
| Certificates of deposit and corporate bonds | 49,136 | 49,136 | 24,997 | 24,997 |
| Short term deposits | 22,585 | 22,575 | 31,061 | 31,051 |
| | 72,217 | 72,207 | 56,630 | 56,620 |

The short term investment in shares and corporate bonds are investments in a number of ethical funds administered by our advisors KW Wealth. Short term deposits are held with banks and building societies operating in the London market and regulated by the Prudential Regulation Authority with more than three months maturity at the transaction date. Certificates of deposit and corporate bonds are in banks for a maturity of up to

12 months at maturity date. The interest rates for £56,136,000 (2017: £40,997,000) of these deposits are fixed for the duration of the deposit at time of placement. The remaining £15,575,000 (2017: £15,051,000) interest rates vary. Within the group accounts there is an additional £10,000 deposited in a locked down capital account for the USE Rep Office which does not attract any interest.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits including certificates of deposit and corporate bonds was 0.75% (2017 : 0.6%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 188 (2017 158 days). The fair value of these deposits including certificates of deposit and corporate bonds was not materially different from the book value.

17. Creditors : amounts falling due within one year

| | YEAR ENDED 31 JULY 2018 | | YEAR ENDED 31 JULY 2017 | |
|---|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Secured loans | 4,050 | 4,050 | 4,050 | 4,050 |
| Unsecured HEFCE loan | 300 | 300 | - | - |
| Service concession rights to use an asset (note 12) | 7,248 | 7,248 | 3,488 | 3,488 |
| Trade payables | 6,773 | 6,716 | 5,926 | 5,910 |
| Social security and other taxation payable | 2,697 | 2,697 | 2,758 | 2,758 |
| Other payroll creditors | 1,746 | 1,746 | 1,705 | 1,705 |
| Accruals and deferred income | 25,001 | 23,519 | 23,044 | 21,760 |
| Deferred capital grant | 2,140 | 2,140 | 1,881 | 1,881 |
| Student Union Deposit | 174 | 174 | 113 | 113 |
| Amounts due to subsidiary undertakings | - | 2,196 | - | 2,451 |
| | 50,129 | 50,786 | 42,965 | 44,116 |

Deferred income

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

| | £'000 | £'000 | £'000 | £'000 |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Donations | 231 | 231 | 280 | 280 |
| Research grants received on account | 515 | 515 | 591 | 591 |
| | 746 | 746 | 871 | 871 |

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

| | £'000 | £'000 | £'000 | £'000 |
|---------------------------------|---------------|---------------|---------------|---------------|
| Deferred capital grant | 13,167 | 13,167 | 13,357 | 13,357 |
| Obligations under finance lease | 5,001 | 5,001 | 4,917 | 4,917 |
| Derivatives | 9,269 | 9,269 | 11,394 | 11,394 |
| Secured loans banks | 57,717 | 57,717 | 61,768 | 61,768 |
| Unsecured HEFCE loan | - | - | 300 | 300 |
| | 85,154 | 85,154 | 91,736 | 91,736 |

Analysis of secured and unsecured loans:

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Due within one year or on demand (Note 17) | 4,050 | 4,050 | 4,050 | 4,050 |
| Due between one and two years | 4,050 | 4,050 | 4,050 | 4,050 |
| Due between two and five years | 12,150 | 12,150 | 12,150 | 12,150 |
| Due in five years or more | 41,517 | 41,517 | 45,568 | 45,568 |
| Due after more than one year | 57,717 | 57,717 | 61,768 | 61,768 |
| Total secured loans | 61,767 | 61,767 | 65,818 | 65,818 |
| Secured loans repayable (overleaf) | 61,767 | 61,767 | 65,818 | 65,818 |
| Unsecured HEFCE loans repayable | 300 | 300 | 300 | 300 |
| | 62,067 | 62,067 | 66,118 | 66,118 |

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

Included in loans are the following:

| Lender | Amount | Term | Interest rate | Borrower |
|----------|---------------|------|---------------|------------|
| | £'000 | | % | |
| Barclays | 8,330 | 2030 | 5.80 | University |
| Barclays | 3,360 | 2032 | 5.18 | University |
| Barclays | 13,800 | 2035 | 5.18 | University |
| Lloyds | 6,166 | 2027 | 4.45 | University |
| Lloyds | 30,111 | 2036 | 6.02 | University |
| | <u>61,767</u> | | | |

19. Provisions for liabilities

| Consolidated & University | (A) Obligation to fund deficit on USS Pension | (B) Pension enhancement on termination | (C) Standardisation of Pension benefits of former University of College Salford Staff Benefit Obligations | (D) Deficit in the Scheme- Net pension liability GMPF | Total Pensions Provisions | Other | Total Other |
|--------------------------------------|---|--|---|---|---------------------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2017 | 16,515 | 11,323 | 418 | 51,117 | 79,373 | 3,965 | 3,965 |
| Interest on funds | 306 | 260 | - | 1,430 | 1,996 | - | - |
| Utilised in year | (1,104) | (668) | - | (4,590) | (6,362) | - | - |
| Transferred to creditors | - | - | - | - | - | (1,769) | (1,769) |
| Additions in year | - | 190 | 2 | 8,377 | 8,569 | 750 | 750 |
| Unutilised amounts reversed in 17-18 | - | - | (105) | (18,613) | (18,718) | (738) | (738) |
| At 31 July 2018 | <u>15,717</u> | <u>11,105</u> | <u>315</u> | <u>37,721</u> | <u>64,858</u> | <u>2,208</u> | <u>2,208</u> |

(A) USS deficit

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

The assumptions for calculating the past deficit on USS are as follows:

Consolidated and University

| | |
|-----------------------------------|------------------------|
| USS Discount rate | 2.16% (2016-17: 1.85%) |
| Pensionable payroll growth: | |
| Salary inflation of USS employees | 3% (2016-17: 3.0%) |
| Staff changes of USS employees | 2% 2018-19 (0.7%) |
| | 2.9% 2019-2020 (0%) |
| | 0% 2020-21 (0%) |

19. Provisions for liabilities (continued)

The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

Consolidated and University

| | |
|-------------------|-----------------------|
| Net Interest Rate | 1.3 % (2016-17: 1.3%) |
| Interest Rate | 2.3% (2016-17: 2.3%) |

(B) Pension enhancement

The provision is for the enhanced pension benefits payable to retired staff who were members of the Teacher's pension scheme. The provision for the enhanced pension benefits payable to retired staff has been calculated using a net interest rate of 1.3% (2016-17 1.3%.) The interest on funds has been calculated using an interest rate of 2.3% (2016-17: 2.3%).

(C) The provision is for the standardisation of pension benefits for former University College Salford Staff so that current members of the TPS pension scheme receive the same ill health and death in service benefits as USS members.

(D) Deficit in the scheme- net pension liability Greater Manchester Pension Fund GMPF. See note 28 for further details.

20. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Examples of financial instruments include: cash; bank; debtors and creditors; investment and hedging instruments and loans.

(a) The University's activities expose it to a variety of financial risks. The main risks to the University's treasury activities are:

(i) Credit and counterparty risk (security of investments);

Credit risk arises as the University debt is primarily with the Student Loan Company as well as a large number of students and organisations across diverse sectors and geographical areas. This is managed through collecting student debt in instalments and regular communications with customers over outstanding debt.

Counterparty risk is managed through

a Treasury Management Policy which has prudence as its primary goal and Finance review the long term rating of the counterparty by independent credit rating agencies before investing any monies with a bank or building society.

(ii) Liquidity risk/ refinancing risk (inadequate cash resources/ impact of debt maturing in future years)

As part of its budget process a detailed three year cash flow projection is produced to ensure that the University has adequate resources to meet future commitments. Finance then monitors actual performance against budget on a monthly basis.

(iii) Market or interest rate risk

The University is exposed to risk in terms of exposure to interest rate movements on borrowings and investments. Movements in interest rates have a complex impact on the University. For instance, a rise in interest rates would mean that for

borrowing at variable rates the interest expense charged to the surplus or deficit would rise.

In order to mitigate this risk the University "hedges" its interest risk using swaps which provide stability against interest rate fluctuations. The total balance below comprises hedging of the Lloyds Bank plc and Barclays Bank plc loan facilities through an interest rate swap.

| Consolidated & University | 2018 | 2017 |
|--------------------------------------|---------|---------|
| | £'000 | £'000 |
| Fair value of derivative at 1 August | 11,394 | 14,873 |
| Change in fair value | (2,125) | (3,479) |
| Fair value of derivative at 31 July | 9,269 | 11,394 |

20. Financial Instruments (continued)

For investments at variable rates the interest income credited to the surplus or deficit will rise so the University invests cash for a variety of different periods up until 12 months.

(iv) Inflation risk (exposure to inflation)

The University is exposed to general economic inflation which then results in pay pressures. The University's ability to control this is limited but it manages this through prudent budget setting and inclusion of contingencies on capital projects.

(v) Foreign exchange risk.

The university manages this by keeping the holdings of foreign currency to a minimum with holdings just sufficient to meet known liabilities.

(b) The carrying value of the Group and University's financial assets and liabilities are summarised by category below:

| Financial Assets | Consolidated | University |
|---|---------------------|-------------------|
| | £'000 | £'000 |
| Measured at undiscounted amount receivable | | |
| <i>Trade and other receivables</i> | 11,930 | 11,587 |
| Measured at amortised cost | | |
| <i>Investments</i> | 71,721 | 71,711 |
| <i>Cash and cash equivalents</i> | 24,277 | 23,814 |
| <i>Stock</i> | 91 | 91 |
| <i>Obligations under service concession arrangements</i> | 7,248 | 7,248 |
| Measured fair value through income & expenditure | | |
| <i>Investment in investment funds</i> | 496 | 496 |
| Equity investments measured at cost less impairment | | |
| <i>Non-current asset investments in unlisted equity instruments</i> | 128 | 5 |
| | 115,891 | 114,952 |
| | 115,891 | 114,952 |

| Financial Liabilities | Consolidated | University |
|--|---------------------|-------------------|
| | £'000 | £'000 |
| Measured at undiscounted amount receivable | | |
| <i>Trade and other creditors</i> | 36,691 | 37,348 |
| Measured at amortised cost | | |
| <i>Loans and finance leases payable</i> | 62,067 | 62,067 |
| <i>Obligations under finance lease</i> | 5,001 | 5,001 |
| <i>Obligations under service concession agreements</i> | 7,248 | 7,248 |
| <i>Deferred capital grants</i> | 15,307 | 15,307 |
| Measured at fair value through income and expenditure | | |
| <i>Derivative financial liabilities</i> | 9,269 | 9,269 |
| | 135,583 | 136,240 |
| | 135,583 | 136,240 |

20. Financial instruments (continued)

The derivative balance shown above relates to a “receive floating, pay fixed” interest rate swap measured at fair value through income and expenditure. The floating rate swap is three month’s LIBOR, with the fixed rate 6.02% and 5.8%. The Group settles the swaps quarterly, with the difference between the fixed and floating interest rates settled on a net basis.

The Group’s income, expense, gains and losses in respect of financial instruments are summarised below:

| Interest income and (expense) | Consolidated £'000 | University £'000 |
|--|-------------------------------|-----------------------------|
| Total interest income for financial assets at amortised cost | 530 | 530 |
| Total interest expense for financial liabilities at amortised cost | (3,916) | (3,929) |
| | <u>(3,386)</u> | <u>(3,399)</u> |

| Fair value gains and (losses) | Consolidated £'000 | University £'000 |
|---|-------------------------------|-----------------------------|
| On investments assets measured at fair value through income and expenditure | 22 | 22 |
| On hedging financial instruments | 2,125 | 2,125 |
| | <u>2,147</u> | <u>2,147</u> |

21. Endowment reserves

Restricted net assets relating to endowments are as follows:

| | Restricted permanent endowments | Expendable endowments | 2018 | 2017 |
|---|--|----------------------------------|------------------------|------------------------|
| | £'000 | £'000 | Total £'000 | Total £'000 |
| Balances 1 August 2017 | | | | |
| Capital | 3 | 328 | 331 | 282 |
| Accumulated income | 13 | 228 | 241 | 179 |
| | <u>16</u> | <u>556</u> | <u>572</u> | <u>461</u> |
| Transfer between categories | | | | |
| New endowments | - | 50 | 50 | 50 |
| Investment income | - | 10 | 10 | 15 |
| Expenditure | - | (16) | (16) | (3) |
| | <u>-</u> | <u>44</u> | <u>44</u> | <u>62</u> |
| Increase in market value of investments | 1 | 21 | 22 | 49 |
| At 31 July 2018 | <u>17</u> | <u>621</u> | <u>638</u> | <u>572</u> |
| Represented by: | | | | |
| Capital | 3 | 377 | 380 | 331 |
| Accumulated income | 14 | 244 | 258 | 241 |
| | <u>17</u> | <u>621</u> | <u>638</u> | <u>572</u> |

| | Restricted permanent endowments | Expendable endowments | 2018 | 2017 |
|------------------------------|---------------------------------|-----------------------|-------|-------|
| | | | Total | Total |
| Analysis by type of purpose: | £'000 | £'000 | £'000 | £'000 |
| Scholarships and bursaries | - | 383 | 383 | 327 |
| Research support | - | 9 | 9 | 11 |
| Prize funds | 13 | - | 13 | 13 |
| General | 4 | 229 | 233 | 221 |
| | 17 | 621 | 638 | 572 |

| | | | | |
|---------------------------|--|--|-----|-----|
| Analysis by asset | | | | |
| Current asset investments | | | 638 | 572 |

22. Restricted reserves

| | 2018 | 2017 |
|--|------------|--------------|
| | Total | Total |
| Reserves with restrictions are as follows: | £'000 | £'000 |
| Balances at 1 August 2017 | 1,158 | 814 |
| New grants/ research grants | 10 | 288 |
| New donations | 110 | 603 |
| Income | - | - |
| Expenditure | (390) | (547) |
| | (270) | 344 |
| At 31 July 2018 | 888 | 1,158 |

| | 2018 | 2017 |
|---|-------|-------|
| | Total | Total |
| Analysis of other restricted funds/ donations by type of purpose: | £'000 | £'000 |
| Scholarships and bursaries | 246 | 335 |
| Research support | 74 | 290 |
| General | 568 | 533 |
| | 888 | 1,158 |

23. Cash and cash equivalents

| | At 31 July | Cash | At 31 July |
|---------------------------|------------|-------|------------|
| | 2017 | Flows | 2018 |
| Consolidated | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 23,290 | 987 | 24,277 |

24. Capital and other commitments

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

| | 31 JULY 2018 | | 31 JULY 2017 | |
|----------------------------|--------------|------------|--------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Commitments contracted for | 1,043 | 1,043 | 1,555 | 1,555 |

25. Lease obligations

Total rentals payable under operating leases:

| | Land and Buildings | Plant and Machinery | 31 JULY 2018 | 31 JULY 2017 |
|--|--------------------|---------------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Payable during the year | 2,652 | 310 | 2,962 | 4,002 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 3,228 | 309 | 3,537 | 3,777 |
| Later than 1 year and not later than 5 years | 12,868 | 217 | 13,085 | 14,282 |
| Later than 5 years | 39,677 | - | 39,677 | 46,361 |
| Total lease payments due | 55,773 | 526 | 56,299 | 64,420 |

26. Events after the reporting periods

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. For the University's defined benefit scheme, the USS provision included within the financial statements at note 19 will only be impacted to the extent the change in benefits increases cash financing.

27. Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

| Company | Principal Activity | Status |
|--|---|------------|
| University of Salford Enterprises Limited | Business Development, Consultancy and Investment management | 100% owned |
| Salford Professional Development Limited | Delivery of training | 100% owned |
| Salsa Sound Limited | Commercialisation of audio technology | 100% owned |
| Salford Consultancy LLC | Dormant at 31 July 2018 | 100% owned |
| Skyscope Limited | Dormant at 31 July 2018 | 100% owned |
| Salford University Purchasing Services Limited | Purchasing Services - Dormant | 100% owned |
| University of Salford (Health Services Training) | Training - Dormant | 100% owned |
| Salford Digital Futures Limited | Commercialisation of digital technology - Dormant | 100% owned |

28. Pension schemes

Three schemes are currently in operation:

- / Universities' Superannuation Scheme (USS)
- / Greater Manchester Pension Fund (GMPF)
- / Teachers Pension Scheme (TPS)

The two main schemes, being USS and GMPF, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

The table below analyses expenditure on "Other pension costs" detailed in Note 7 by pension fund:

| | Year Ended 31 July 2018 Consolidated £'000 | Year Ended 31 July 2018 University £'000 | Year Ended 31 July 2017 Consolidated £'000 | Year Ended 31 July 2017 University £'000 |
|-------|---|---|---|---|
| USS | 14,226 | 14,226 | 13,783 | 13,783 |
| GMPF | 8,106 | 8,106 | 5,694 | 5,694 |
| TPS | 271 | 271 | 319 | 319 |
| Other | 28 | - | 4 | - |
| | 22,631 | 22,603 | 19,800 | 19,796 |

(i) Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University

therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date) which was carried out using the projected unit method. The valuation

as at 31 March 2017 is underway but not yet completed. Since the institution cannot identify its share of scheme assets and liabilities the following disclosure reflects those relevant for the scheme as a whole. The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

| | 2018 | 2017 |
|---------------------------|-------------|-------------|
| Discount rate | 2.64% | 2.57% |
| Pensionable salary growth | n/a | n/a |
| Pension increase (CPI) | 2.02% | 2.41% |

28. Pension schemes (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

| | 2018 | 2017 |
|---|---|--|
| Mortality base table | Pre- retirement | |
| | 71% of AMCO (duration 0) for males and 112% of AFC00 (duration 0) for females | 98% of SAPS S1NA "light" YOB unadjusted for males. |
| | Post retirement | |
| | 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females. | 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females |
| Future improvements to mortality | CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females. | CMI_2014 with a long term rate of 1.5% pa. |

The current life expectancies on retirement at age 65 are:

| | 2018 | 2017 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 24.5 | 24.4 |
| Females currently aged 65 (years) | 26.0 | 26.6 |
| Males currently aged 45 (years) | 26.5 | 26.5 |
| Females currently aged 45 (years) | 27.8 | 29.0 |

| | 2018 | 2017 |
|-----------------------------|---------|---------|
| Scheme assets | £63.6bn | £60.0bn |
| Total scheme liabilities | £72.0bn | £77.5bn |
| FRS102 total scheme deficit | £8.4bn | £17.5bn |
| FRS102 total funding level | 88% | 77% |

(ii) Greater Manchester Pension Fund (GMPF)

The University participates in the GMPF, which is an externally funded defined benefit pension scheme, which is contracted out of the State Second Pension, where contributions payable are held in a trust separately from the University.

The 31 July 2018 and 31 July 2017 information is based upon a full actuarial valuation of the fund as at 31 March 2016 updated to 31 July 2017 and 31 July 2018 respectively. Under the definitions set out in FRS 17, the GMPF is a multi-employer defined benefit pension scheme. In the case of the GMPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2018 and 31 July 2017.

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

During the accounting period, the University paid contributions to the pension scheme at the rate of 20.7% from August 2016 to March 2017 and then 21.1% from April 2017 to date.

28. Pension schemes (continued)

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

| | At 31 July 2018 | At 31 July 2017 |
|---|--------------------|--------------------|
| | %pa | %pa |
| Rate of increase in salaries | 3.2% | 3.3% |
| Rate of increase of pensions in payment for members | 2.4% | 2.5% |
| Discount rate | 2.8% | 2.7% |

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

| | Pensioner (male) | Non-pensioner (male) currently aged 45 | Pensioner (female) | Non-pensioner (female) currently aged 45 |
|-----------------|------------------|--|--------------------|--|
| At 31 July 2017 | 21.5 | 23.7 | 24.1 | 26.2 |
| At 31 July 2018 | 21.5 | 23.7 | 24.1 | 26.2 |

Scheme assets and expected rate of return for GMPF

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the scheme were:

| | 31 July 2018 | 31 July 2017 | Fair value as at 31 July 2016 |
|------------------|--------------|--------------|----------------------------------|
| | £'000 | £'000 | £'000 |
| Equities | 119,168 | 115,638 | 103,108 |
| Government bonds | 28,040 | 25,697 | 24,011 |
| Property | 12,267 | 9,636 | 7,062 |
| Cash | 15,772 | 9,636 | 7,062 |
| Total | 175,247 | 160,607 | 141,243 |

The tables below include, where applicable, disclosures for GMPF and ex-gratia pension combined to enable clear presentation. The ex-gratia pensions account for £3,751,000 of the total liabilities of £212,968,000.

| | Year Ended 31 July 2018 | Year Ended 31 July 2017 |
|---|----------------------------|----------------------------|
| | £'000 | £'000 |
| Analysis of the amount shown in the balance sheet for GMPF | | |
| Scheme assets | 175,247 | 160,607 |
| Scheme liabilities | (212,968) | (211,724) |
| Deficit in the scheme – net pension liability recorded within pension provisions (Note 19) | (37,721) | (51,117) |

28. Pension schemes (continued)

| | Year Ended 31 July 2018 | Year Ended 31 July 2017 |
|---|-----------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Current service cost | 8,110 | 5,694 |
| Past service costs | 267 | 106 |
| Total operating charge: | 8,377 | 5,800 |
| Analysis of the amount charged to interest (payable)/credited to other finance income for GMPF and ex-gratia pensions | | |
| Interest cost | (5,773) | (5,122) |
| Expected return on assets | 4,343 | 3,393 |
| Net charge to other finance income | (1,430) | (1,729) |
| Analysis of other comprehensive income for GMPF and ex-gratia pensions: | | |
| Return on assets excluding assets including in net interest | 9,559 | 15,474 |
| Experience | 11 | 17,474 |
| Changes in financial assumptions | 9,043 | (9,441) |
| Changes in demographic assumptions | - | (117) |
| Total other comprehensive income before deduction for tax | 18,613 | 23,390 |

History of experience gains and losses – GMPF

| | 31-Jul 2018 | 31-Jul 2017 | 31-Jul 2016 | 31-Jul 2015 | 31-Jul 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Difference between actual and expected return on scheme assets: | | | | | |
| Amount (£m) | 9,559 | 15,474 | 10,539 | 3,379 | (5,699) |
| % of assets at end of year | 5.5 | 9.6 | 7.5 | 2.67 | (4.80) |
| Experience gains/(losses) on scheme liabilities: | | | | | |
| Amount (£m) | 11 | 17,474 | 2,654 | 1,455 | 1,788 |
| % of liabilities at end of year | 0.0 | 8.3 | 1.25 | 0.78 | 1.06 |

28. Pension schemes (continued)

| | At 31 July 2018 £'000 | At 31 July 2017 £'000 |
|---|---|---|
| Cumulative actuarial loss recognised as other comprehensive income for GMPF | | |
| Cumulative actuarial losses recognised at the start of the year | (7,866) | (31,256) |
| Cumulative actuarial gains/ (losses) recognised at the end of the year | 10,747 | (7,866) |
| Analysis of movement in (deficit)/surplus for GMPF | | |
| Deficit at beginning of year | (51,117) | (71,379) |
| Contributions or benefits paid by the University | 4,590 | 4,401 |
| Current service cost | (8,110) | (5,694) |
| Past service cost | (267) | (106) |
| Other finance charge | (1,430) | (1,729) |
| Gain recognised in other comprehensive income | 18,613 | 23,390 |
| Deficit at end of year | (37,721) | (51,117) |
| | Year to 31 July 2018 £'000 | Year to 31 July 2017 £'000 |
| Analysis of movement in the present value of GMPF | | |
| Present value of GMPF at the start of the year | (211,724) | (212,622) |
| Current service cost | (8,110) | (5,694) |
| Past service cost | (267) | (106) |
| Interest cost on defined benefit obligation | (5,773) | (5,122) |
| Actual member contributions (including notional contributions) | (1,293) | (1,240) |
| Actuarial loss/(gain) | 9,054 | 7,916 |
| Actual benefit payments | 5,145 | 5,144 |
| Present value of GMPF liabilities at the end of the year | (212,968) | (211,724) |
| During 2017-18 the difference between current service costs and employer contributions in respect of funded contributions was £3,777,000 (2016-17; £1,573,000). | | |
| | Year to 31 July 2018 £'000 | Year to 31 July 2017 £'000 |
| Analysis of movement in the fair value of scheme assets | | |
| Fair value of assets at the start of the year | 160,607 | 141,243 |
| Expected return on assets | 4,343 | 3,393 |
| Actuarial gain on assets | 9,559 | 15,474 |
| Actual contributions paid by University in respect of funded benefits | 4,333 | 4,121 |
| Actual contributions paid by University in respect of unfunded benefits | 257 | 280 |
| Actual member contributions (including notional contributions) | 1,293 | 1,240 |
| Actual benefit payments | (5,145) | (5,144) |
| Fair value of scheme assets at the end of the year | 175,247 | 160,607 |

28. Pension schemes (continued)

GMPF's assets do not include any of the University's own financial instruments, or any property occupied by the University.

| | Year to 31 July 2018 | Year to 31 July 2017 |
|---------------------------------------|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Actual return on scheme assets | | |
| Expected return on scheme assets | 4,343 | 3,393 |
| Asset gain | 9,559 | 15,474 |
| | 13,902 | 18,867 |

Estimated contributions for GMPF in the Financial Year 2017–2018 is £4,332,000 (2016-17 £4,100,000).

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pensions Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of Further and Higher Education. 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS,

teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.0%), 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

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service.

Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in

future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2004 - 31 March 2012. The GA's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The assumed rate of return is 3.0% in excess of prices. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

As from 1 April 2015, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 20.4%, and the supplementary contribution rate was assessed to be 5.6% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 26.0%, which translated into an average employee contribution rate of 9.6% and employer contribution rate of 16.4% payable. The cost-sharing agreement also introduced a 10.9% cap on employer contributions payable. It has been agreed that these revised contributions will be implemented from 1 September 2015.

Scheme changes

From 1 September 2015, the employer contribution rate increased to 16.48% from 14.1%.

The pension costs paid to TPS in the year amounted to £271,000 (2016-17: £319,000).

29. Hedge reserve movements

Consolidated and University

£'000

| | |
|---|--------------|
| At 1 August 2017 | 11,394 |
| Change in fair value of hedging financial instruments | (2,125) |
| At 31 July 2018 | 9,269 |

30. Related party transactions

The University Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will

take place with organisations in which a member of the Council may have an interest. All transactions involving organisations, in which a member of Council may have an interest, are conducted at arm's length and in accordance with the University's

Financial Regulations and usual Procurement procedures.

The University undertook transactions with the following public sector bodies, charities and not for profit organisations to which Council members had connections.

2017/18

| ORGANISATION | INDIVIDUAL BOARD MEMBER | INCOME £'000 | EXPENDITURE £'000 | DEBTOR £'000 | CREDITOR £'000 |
|---|---------------------------------|-----------------|----------------------|-----------------|-------------------|
| BBC Sport | Ben Gallop | 31 | - | 21 | - |
| British Council | Professor Helen Marshall | 39 | 47 | - | - |
| East Cheshire NHS Trust | Dr Tony Coombs | - | 5 | - | - |
| Greater Manchester Chamber of Commerce | Phil Cusack, Brent Wilkinson | - | 21 | - | 1 |
| Greater Manchester Mental Health NHS Foundation Trust | Margaret Rowe | - | 27 | - | 3 |
| Health Education England | Professor Dame Sue Bailey | - | 18 | - | - |
| House of Lords | Rt Hon. Lord Bradley | - | 2 | - | - |
| Leeds Beckett University | Carl Acton | - | 2 | - | - |
| The Lowry Centre Ltd | Julia Fawcett | - | 134 | - | 109 |
| The Lowry Centre Development Company Ltd | Julia Fawcett | | | | |
| The Lowry Centre Trust | Tom Russell Cllr John Merry | | | | |
| Manchester Airport City Enterprise Zone | Phil Cusack | - | - | - | - |
| Manchester High School for Girls | Merlyn Lowther | 1 | - | 1 | - |
| Manchester University NHS | Professor Dame Sue Bailey | - | 11 | - | - |
| Pennine Acute Hospitals NHS Trust | Ian Moston | - | 6 | - | 2 |
| PZ Cussons Plc | Sam Plant | 1 | - | 1 | - |
| Quality Assurance Agency | Professor Helen Marshall | 1 | - | - | - |
| Salford City Council | Phil Cusack | 89 | 69 | 3 | 13 |
| | Cllr John Merry | | | | |
| | Margaret Rowe | | | | |
| Salford Royal Foundation Trust | Ian Moston | 142 | 98 | 65 | 19 |
| University of Central Lancashire | Professor Dame Sue Bailey | - | 11 | - | 10 |
| | Alan Roff | | | | |
| University of Manchester | Rt Hon. Lord Bradley | 134 | - | 29 | - |
| University Alliance | Professor Helen Marshall | - | 36 | - | - |

30. Related party transactions (continued)**2016/17**

| ORGANISATION | INDIVIDUAL BOARD MEMBER | INCOME £'000 | EXPENDITURE £'000 | DEBTOR £'000 | CREDITOR £'000 |
|--|---|-------------------------|------------------------------|-------------------------|---------------------------|
| British Council | Helen Marshall | 1 | 78 | - | - |
| Greater Manchester Chamber of Commerce | Baroness Beverley Hughes Phil Cusack | - | 14 | - | - |
| Greater Manchester Mental Health NHS Foundation Trust | Margaret Rowe | - | 5 | - | - |
| Radio & Digital BBC sport | Ben Gallop | 58 | - | - | - |
| House of Lords, UK Parliament | Baroness Beverley Hughes | - | 6 | - | - |
| QAA- Quality Assurance Agency | Helen Marshall | - | 33 | - | - |
| Salford City Council | Margaret Rowe Phil Cusack Councillor Paul Longshaw | 176 | 90 | - | 9 |
| Salford Royal NHS Trust | Ian Moston | 152 | 99 | 61 | - |
| The Lowry Centre Ltd The Lowry Centre Development Company Ltd | Julia Fawcett | - | 225 | - | 103 |
| The Lowry Centre Trust | Baroness Beverley Hughes Tom Russell | - | - | - | - |
| Pennine Acute Hospital NHS Trust | Ian Moston | - | 12 | - | 2 |
| Wrightington, Wigan & Leigh NHS Foundation | Tony Warne | 2 | - | - | - |

Other related parties have been identified however there have been no transactions with these parties in the year.

In addition to the above The Salford University Students' Union is an independent organisation largely funded by the University. The financial transactions between the two organisations can be summarised as:-

| | 2017-18 £'000 | 2016-17 £'000 |
|--|--------------------------|--------------------------|
| Annual grant paid to Students' Union from University | 984 | 984 |
| Grant to Students' Union for various student experience enhancement projects | 9 | 11 |
| Payments made to the Students' Union from the University for services provided | 59 | 99 |
| Payments made to the University from Students' Union for services provided | (48) | (47) |

At the 31 July 2018 Students' Union had £174,000 (2017: £113,000) invested with the University of Salford as detailed in Note 17. At the 31 July 2018, the University had a creditor with the Students' Union of £13,780 (2017: £4,007) and a debtor with the Students' Union of £Nil (2017: £21,030).

In June 2018 the Committee of University Chairs issued “The Higher Education Senior Staff Remuneration Code” which requires Universities to publish a remuneration annual statement. The report below is the Annual Remuneration Report to the University Council in respect of financial year 2018.

ANNUAL REMUNERATION REPORT 2017-18

The University has used as a basis for this report the Office for Students (OfS) Regulatory Advice www.officeforstudents.org.uk/media/b846fd9c-211a-43ec-8e60-d14bb0ea31b1/ofs2018_26_amended.pdf and the Committee of University Chairs (CUC) Higher Education Remuneration Code www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code.pdf.

The University is reporting on the senior post holders prescribed in the remit of the Remuneration Committee, where they are either decision makers on behalf of Council or are required to ratify decisions on behalf of VCET. This report will focus on the Vice-Chancellor and the senior post holders but will also reference remuneration approaches for the wider staff population as required.

1. The Overview of the Remuneration Committee

The Terms of Reference for Remuneration Committee are detailed in Appendix 1 and are reviewed on an annual basis.

At the last review in October 2017, the Terms of Reference were significantly revised to take into consideration prevailing good practice within the sector. This included embedding;

- / The requirements of the CUC Higher Education Code of Governance 2014 (<https://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf>) for the consideration of pay for the Vice-Chancellor and this has been achieved through the implementation of the Vice-Chancellor’s Reward and Recognition Framework.
- / The framework explicitly requires the Remuneration Committee to act in accordance with the Nolan principles (<https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>) and clearly sets out the rationale and justification for the determination of the remuneration and associated costs of the office of the Vice Chancellor. The framework is a matter of public record and can be openly accessed using the following link: <https://www.salford.ac.uk/about-us/corporate-information/governance/the-council/council-committees/remuneration-committee>.
- / The use of relevant benchmarking data for the purpose of comparative analysis in the determination of the Vice-Chancellor’s remuneration.
- / The requirement for the Remuneration Committee to agree to the application of the nationally agreed uplift to those staff outside of national pay bargaining New Joint Negotiating Committee for Higher Education Staff (New JNCHES) pay spine, including the Vice-Chancellor, to ensure that reward and recognition is considered holistically.
- / Inclusivity and diversity, with consideration of the annual Gender Pay Gap and the Equal Pay Audits (https://www.salford.ac.uk/__data/assets/pdf_file/0008/1465388/ONLINE-VERSION-Gender-Pay-Gap-Reporting-and-Equal-Pay-Audit-2017-REMCO.pdf)
- / Responsibility for the oversight of settlement agreements in line with the HEFCE letter of June 15 2017, including the requirement

for the Chair of Council’s approval for all severance payments made to staff earning more than £100,000.

The proposed revisions to the Terms of Reference were then agreed by the University Governance Nominations and Ethics Committee (GNEC) and subsequently approved by Council on 6 July 2018 and a further change was made on 12 October 2018.

The Remuneration Committee members are as follows, for the period covered by this report:

- / Andrea Dunstan (Committee member from 1st January 2018, Chair of the Remuneration Committee from 1st August 2018)
- / Joyce Redfearn (Chair of the Remuneration Committee until 31st July 2018)
- / Mike Burrows (Interim Chair of Council and ex officio Committee Member until 31st December 2017; Deputy Chair of Council and ex officio member from 1st January until 31st July 2018)
- / Lord Keith Bradley (Chair of Council and ex officio Committee Member from 1st January 2018)
- / Julia Fawcett (Committee member until October 2017)
- / Phil Cusack (Committee Member)
- / Sean O’Hara (Deputy Chair of Council and ex officio Committee Member from 1st August 2018)
- / Helen Taylor (Committee Member from 1st January 2018)
- / Helen Marshall (Vice-Chancellor, Committee Member until 8th March 2018)

The appointment of the Remuneration Committee lies with Council as stated in Statute 5.2.3 and under advisement of the Governance, Nominations and Ethics Committee (GNEC) who advise Council on the establishment, terms of reference, composition, membership and disestablishment of its standing committees.

The schedule of meetings and attendees for the 2017-18 year were as follows: 29 September 2017; 18 December; 8 March 2018; 9 March (extraordinary meeting); 8 June and 6 July (extraordinary meeting). 29 September 2017 - Joyce Redfearn (Chair), Mike Burrows, Helen Marshall, 18 December 2017 - Joyce Redfearn (Chair), Mike Burrows, Phil Cusack, Helen Marshall, 8 March 2018 - Phil Cusack (Chair on behalf of Joyce Redfearn), Joyce Redfearn (by telephone conference), Lord Keith Bradley, Andrea Dunstan, Professor Helen Marshall, Helen Taylor, 9 March 2018 - Joyce Redfearn (Chair), Lord Keith Bradley (the Committee had authorised its Chair and the Chair of Council to hold an extraordinary meeting to complete business which could not be completed at the meeting on 8 March), 8 June 2018 - Joyce Redfearn (Chair), Lord Keith Bradley, Andrea Dunstan, Helen Taylor and 6 July 2018 - Andrea Dunstan (Chair), Lord Keith Bradley, Phil Cusack, Helen Taylor.

As of the 8 March 2018, the Remuneration Committee was amended to remove University staff from the committee membership, to ensure that there was no potential for a conflict of

interest (prior to this Vice-Chancellor pay was considered under a closed agenda item and the Vice-Chancellor was not present for this item). The University has therefore sought to strengthen its position by ensuring that University staff are only in attendance as deemed appropriate by the Chair of the Remuneration Committee.

For the avoidance of doubt, no member of University staff is present for the discussion or determination of their own remuneration and as such there is no conflict of interest. Similar provision is in place for the Chair of Council, however, it should be noted that although there is the potential for this post to be remunerated, the current incumbent has relinquished their right to remuneration, therefore removing any requirement to implement this approach.

2. The competitive environment and market that the University operates within.

The University operates within Greater Manchester, which has 17 Higher Education (HE) providers (some of which are colleges), and a base for the private provider BPP. Slightly further afield, there are an additional 28 HEs in the Northwest (<https://www.ucas.com/file/129971/download%3Ftoken%3DmGS-b3F1>). Specialist HE staff have a wide choice of places to work within easy reach. As a region, the density of providers is only surpassed by Greater London and the South East.

With this competitive environment, we are not only competing for staff, but crucially we are competing for our students, therefore ensuring we are able to attract, retain and develop the best talent is essential. The University is therefore mindful of developing approaches to remuneration that enable us to deliver the expected student experience along with the strategic priorities of the University.

3. The principles agreed by Remuneration Committee that guide decisions related to remuneration.

The Vice-Chancellor Reward and Recognition Framework is underpinned by the values of the CUC Higher Education Code of Governance 2014 (<https://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf>). In particular, the values of full and transparent accounting for public funding and publishing accurate and clear information for the public. When the Remuneration Committee apply the framework, they act in accordance with the Nolan Principles.

These principles ensure that, whilst the University needs to attract and retain excellent staff, the Committee is also mindful that holders of public office should act in terms of the public interest. That is, there is a balance to be created between recruiting high quality staff at the market rate, and the work that could be achieved by investing those funds elsewhere.

4. The overall approach to setting remuneration.

The Remuneration Committee takes into consideration the following when setting remuneration:

- ✓ The overall performance of the University of Salford as measured by the institutional KPIs and taking into consideration organisational benchmarking against recognised measures including Research Excellence Framework (REF), Teaching Excellence Framework (TEF), and the National Students Survey (NSS).

- ✓ Individual performance measured against predetermined objectives.
- ✓ Benchmarking against appropriate and comparable institutions and determinants including the Alliance group of Universities, pre-92 group, institutional income and regional variation.
- ✓ The business context in which the University is operating and any associated trends.
- ✓ The recommendations made in the annual Gender Pay Gap and Equal Pay Audit Report.
- ✓ Benchmarking against the annual UCEA Senior Staff Remuneration Survey and the annual Committee of University Chairs' Vice-Chancellor's Salary Survey.

5. The factors used in considering reward proposals for senior post holders.

The University has a total income of £202.2m and employs over 2,100 people. The Council have outlined "Our Strategy" in Section 2 of the Integrated Report and, in Section 4 "Performance", which demonstrates the progress across a series of Key Performance Indicators aligned to the strategic priority areas.

In setting salary and other considerations, the Remuneration Committee has taken into consideration the depth, breadth and complexity of the roles. The Remuneration Committee has undertaken benchmarking across the Higher Education sector, including comparative information relating to the relevant contribution and income groups. The Remuneration Committee also takes into consideration the challenges faced for attraction and retention in a competitive market as set out in section 2 of this report.

Other elements of the total remuneration package for the Vice-Chancellor and senior post holders, including members of VCET, the Deans and ICZ Directors have been reviewed by the Remuneration Committee alongside the annual individual performance review process.

As part of this a series of performance objectives, covering the organisational, professional and personal areas of focus necessary to achieve the University's strategic objectives were identified for the Vice-Chancellor. In the performance review, which took place in December 2017, the Interim Chair of Council reflected on the objectives agreed and the associated performance indicators. The review also took into account the performance of the University and the University's financial position.

In determining this particular element of the 2017-18 total remuneration package, consideration was given to the University of Salford delivering its strategic aims and being on a clear upwards trajectory in line with the vision. The evidence of significant improvement taken into consideration across a broad range of measures, included;

- ✓ Overall improvement of student satisfaction as evidence by a 2% increase in the National Student Survey [NSS] results which now places Salford University above the sector median
- ✓ An increase of 10 places in The Sunday Times Complete University Guide, improving our market position
- ✓ At or above the sector benchmarks for all NSS and TEF metrics, demonstrating that we are working toward the silver TEF rating for teaching quality

- / Improved student continuation by 1.8% in a widening participation University is significant
- / Improved DLHE outcomes(graduate level employment/further study) by 11%, demonstrating value for money for our students
- / Four successive years of financial growth in University turnover
- / Progress against the University strategy and aims

6. The approach to benchmarking, job evaluation, pay awards and pension schemes applicable to the rest of the workforce.

The University considers benchmarking against appropriate and comparable institutions and determinants including the Alliance group of Universities, pre-92 group, institutional income and regional variation. The University also benchmarks against the University and Colleges Employer Association (UCEA) Annual Senior Staff Remuneration Survey. All this data is used to provide primary benchmarking as it represents the most comprehensive and reliable source of data within the sector, enabling cross institutional comparisons to be made. The University also participates in the Committee of University Chairs' Vice-Chancellors Salary Survey and this data has been reviewed.

The University also uses the Higher Education Role Analysis Scheme (HERA) to assess all posts that are part of the national pay bargaining (New JNCHES) pay scales. This process identifies the relevant grade which then identifies the appropriate pay scale for the post.

For all those covered by New JNCHES, pay agreements are negotiated nationally and then are implemented at a local level. In addition to this, the University is accredited as a Living Wage Employer and therefore where pay scales were below the published rate, then the Living Wage rate has been applied.

The University sees pension provision as an important and integral part of the total remuneration package for all staff and has four schemes available for different groups to access, these are:

- / Universities Superannuation Scheme (USS)
- / Teachers' Pension Scheme (TPS)
- / Greater Manchester Pension Fund (GMPF)
- / National Employment Savings Trust (NEST)

7. Approaches for pay progression and pay for performance.

There are processes in place at the University whereby staff can receive an uplift on base pay or one-off payments.

The University currently has a Merit Award process in place which is predicated upon a business case being made that identifies exceptional performance or behaviours, for an award to be made of up to a maximum of £1,000.

There is also currently incremental progression through the pay scales on an annual basis for staff on grades 1 – 10 of the HERA scheme. Where an increment acceleration is recommended, a business case would be required to demonstrate exceptional performance.

8. The pay multiple of the Vice-Chancellor's earnings against the median of all staff.

The Vice-Chancellor's basic salary is 6.6 times the median pay of staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the University and its subsidiaries to its staff.

The Vice-Chancellor's total remuneration is 6.2 times the median total remuneration of staff, where the median total remuneration is calculated on a full time equivalent basis for the total remuneration by the University and its subsidiaries to its staff.

This requirement to monitor the Vice-Chancellor's earnings against the median of all staff is a new OfS requirement.

9. Institutional performance.

In determining the remuneration package, the Remuneration Committee and Council (for the Vice-Chancellor) considered the clear upwards trajectory of the University, evidenced by the significant improvement across a broad range of measures, as outlined in section 5 of this report.

The University is developing clearer approaches for senior leaders that will move to grouping performance by contribution, considering individual and departmental impact on the performance measures. This will be underpinned by the principles for remuneration as determined by the Remuneration Committee.

During 2017-18 a total of £23,900 was paid in one-off payments for performance related pay for four of the senior post holders, in the remit of the Remuneration Committee. For this same period the Vice-Chancellor received £10,000.

10. Assessing the Vice-Chancellor's performance and remuneration.

In the performance review of the Vice-Chancellor, which took place in December 2017, the Interim Chair of Council reflected on the objectives agreed and the associated performance indicators.

The review also took into account the performance of the University and the University's financial position. The Vice-Chancellor received a Performance Related Pay bonus equivalent to 5% of salary in 2017-18. This was based on a review of performance particularly across the three previous years, as it was acknowledged that the stretch objectives that had been set were not achievable within a single academic cycle.

The year on year change of the Vice-Chancellor's emoluments are noted below:

| | 2017-18 £'000 | 2016-17 £'000 |
|--------------------------------|------------------|------------------|
| Salary of Vice Chancellor (VC) | 208 | 204 |
| Performance related pay bonus | 10 | 10 |
| Benefits in kind | 3 | 3 |
| Total | 221 | 217 |
| Pension Contributions | - | - |
| Total Emoluments | 221 | 217 |

11 External appointments and expenses

The University will develop a policy with regards to the retention of income generated from external bodies, as this has not previously been a requirement. Currently, any additional external roles held by the Vice-Chancellor require the agreement of the Chair of Council.

The University has a Travel and Expenses Policy in place, which is applicable to all staff and is available here <https://www.salford.ac.uk/finance/support-files/files/pay-and-pensions/travel/Staff-Travel-and-Expenses-Policy.pdf>.

Appendix 1- Remuneration Committee Terms of Reference

Regulations relating to the quorum and frequency of meetings for this committee are determined by the University's Standing Orders.

Purpose

To determine and review the remuneration of the Vice-Chancellor's Executive Team in accordance with section 2 below.

To review and ratify the remuneration of senior staff of the University above point 51 of the New JNCHES Pay spine.

To ensure that the University has clear policies and procedures in place, approved by the governing body to ensure that the University can demonstrate the highest levels of integrity, probity and transparency in the reward and recognition of senior staff.

The pay determination of the Vice-Chancellor will be considered in accordance with the Vice-Chancellor Reward and Recognition Framework that is predicated upon The Higher Education Code of Governance 2014.

Terms of Reference

1.0 Policy and Strategy

- I. To ensure that the University has a clear policy on senior remuneration, which aligns to the University and associated strategies.
- II. To ensure that the policy and strategies are underpinned by a firm commitment to equality, inclusion and diversity and that the effectiveness of this is kept under regular review in accordance with section 5 below.
- III. To have oversight on the University's framework in relation to termination in accordance with section 4 below.
- IV. To have oversight of the University's framework for reward and recognition for all staff and to delegate decisions regarding reward for exceptional contribution to the Vice-Chancellor and the Executive for all staff, except those for whom Remuneration Committee retains direct responsibility as detailed in section 2 below.

2.0 Executive pay determination

- 2.1. To determine and review, on behalf of Council, the salary and payments associated with the holding of the office of the Vice-Chancellor including performance pay, pension and any other emoluments.

- 2.2 To determine and review, on behalf of Council, the salary and payments associated with being a member of the University Executive as set out in the Scheme of Delegation, including performance pay, pension and any other emoluments.

For the under noted roles and such other roles as may be identified:

- I. Vice-Chancellor
- II. Deputy Vice-Chancellor
- III. Registrar and Secretary
- IV. Pro Vice-Chancellors
- V. Executive Director of Finance
- VI. Executive Director of Human Resources
- VII. Chief Operating Officer

- 2.3 To determine whether the nationally agreed annual pay settlement will apply to members of the University Executive.

- 2.4 To determine and review on behalf of Council any salary and associated payments made to the Chair of Council.

3.0 Monitoring and Benchmarking

- 3.1 To take into account the following in determining all matters detailed in sections 1 and 2 above:

- / The overall performance of the University of Salford as measured by the institutional KPI's and taking into consideration organisational benchmarking against recognised measures including REF, TEF, NSS.
- / Individual performance measured against predetermined objectives.
- / Benchmarking against appropriate and comparable institutions and determinants including the Alliance group of Universities, pre-92 group, institutional income, regional variation.
- / The business context in which the University is operating and any associated trends.
- / The recommendations made in the annual Gender Pay Gap Report and the Equal Pay Audit.
- / Benchmarking against the UCEA annual Senior Staff Remuneration Survey.
- / The Chair of University Council Annual Vice-Chancellor's Salary Survey.

4.0 Termination

- 4.1 To have oversight of and ensure the appropriate operation of the University Guidance on Settlement agreements including settlement payments and the augmentation of pension benefits.
- 4.2 To keep under review the implementation of the aforementioned guidance and review all settlement agreements on an annual basis.

5.0 Governance

- 5.1 To report on its activities to University Council on at least an annual basis, to ensure that it is providing the necessary level of assurance that all processes and associated decisions have been rigorous, equitable and fair and as transparent as reasonably practicable.
- 5.2 To undertake a regular review of its own performance and effectiveness on a regular basis.

6.0 Risk Management

- 6.1 To keep under regular review the risks associated with those matters considered to be the responsibility of the Committee.
- 6.2 To consider the public interest and the safeguarding of the use of public funds alongside the sustainability and interests of the University when considering all forms of payment, reward and recognition and severance within its remit.

Composition and Membership

2 Ex-officio members

Lord Keith Bradley (Chair of Council)

Mr S O'Hara (Deputy Chair of Council)

3+ Appointed Independent Council members, one of whom will be appointed as Chair

Mr P Cusack

Ms A Dunstan (Chair)

Ms H Taylor

2 Co-opted members

2 Vacancies

(The Vice-Chancellor, Registrar/Secretary and Director of HR will be in attendance by invitation of the Committee).

Any member of the Committee, or University staff member, whose pay or associated payments, terms and conditions are to be discussed is excluded from those discussions and this will be clearly indicated on the respective agenda prior to the meeting taking place.



University of
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