

Norwich University of the Arts

Report and Consolidated Financial Statements

Year ended 31 July 2017

Norwich University of the Arts

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Strategic Review Year to 31 July 2017

Status and Context

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

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

Our Vision and Core Values

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

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

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

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

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

Finance Strategy

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

The four overarching aims are:

1. To ensure continued financial sustainability;
2. To maintain effective and appropriate governance and internal controls;
3. To ensure that NUA's financial resources and assets are effectively managed;
4. To promote efficiency and value-for-money.

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Progress and future outlook

Progress towards achieving our Strategic Priorities and Finance Strategy aims is monitored against milestones, and we report on progress against these milestones to the Governing Body on a regular basis. Overall, our primary focus will continue to be on maintaining Home/EU undergraduate recruitment while developing our postgraduate and international student numbers and other income streams. In September 2017 we enrolled a record number of students, including entrants on our three new BSc awards in Games Development, Interaction Design and User Experience Design, with these courses reflecting the demand for new skills in these areas. We regularly review our portfolio of courses to ensure we respond to shifts in demand and continue to invest in our estate, and will bring into use during 2017/18 another building for teaching to further enhance the student experience.

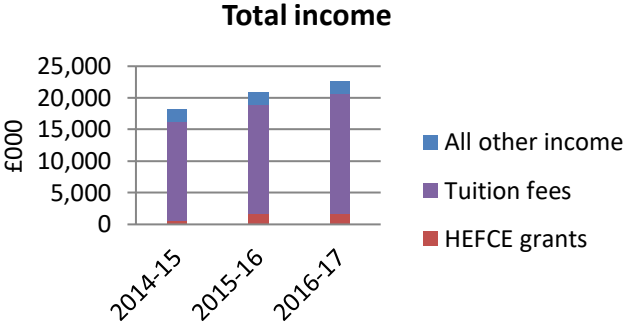
Review of Performance 2016/17

We have recorded a higher surplus than in 2015/16. Income has increased by 9%, year-on-year, and expenditure by 4%.

	2017	2016
	£'000	£'000
Income	22,665	20,844
Expenditure	(16,719)	(16,020)
Surplus for the year	5,946	4,824

Income

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



The rise in Tuition fee income in 2016/17 reflected a 9% increase in overall student full-time equivalent (FTE), with increases at both undergraduate and postgraduate level. The doubling of our postgraduate student FTE was substantially helped by the availability of government loans for the first time in 2016/17. We had increases in both UK and overseas students, including students recruited for the first year of our new Year 0 pathways in Games Art & Design and Film & Moving Image Production, and our new BA in Interior Design.

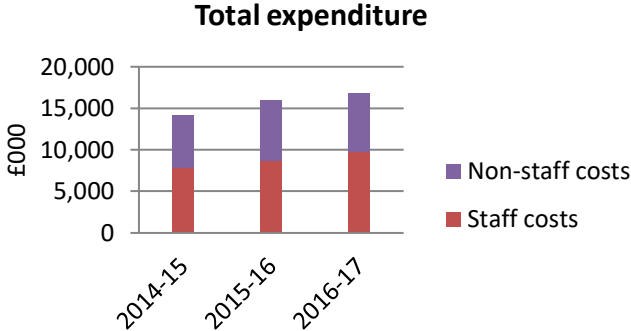
HEFCE grant income remained stable at c. £1.8m – we continued to receive high-cost subject funding for our courses along with grant income to support student retention infrastructure and activities to achieve widening access.

'All other income' rose slightly (3%), partly from our involvement in the Network for East Anglian Collaborative Outreach (NEACO) and partly from grant income we received from Creative Skillset, in support of the media resources in our Boardman House building.

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Expenditure

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



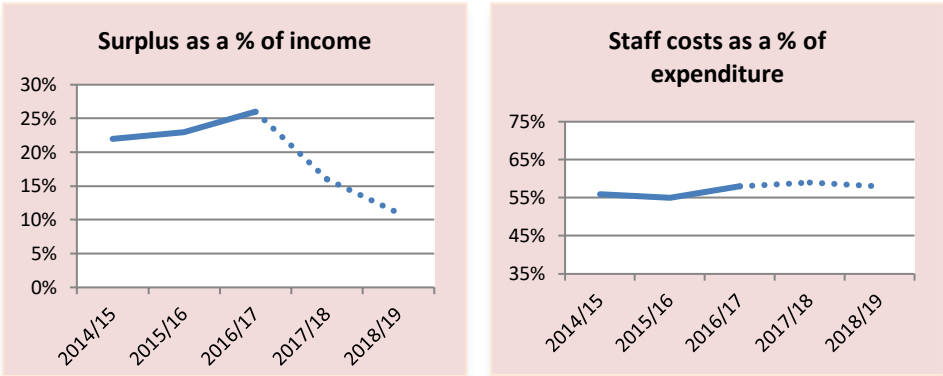
The 12% increase in Staff costs in 2016/17 reflected the introduction of a number of new staffing posts, within both our academic and professional services teams, to support our growing student FTE. There were also inflationary and incremental rises to existing posts and increases in our Local Government Pension Scheme (LGPS) employer pension service cost.

Non-staff costs were 2% less than in 2015/16. Although a number of expenditure lines increased, such as the additional running costs and depreciation charge in our first full year of using our refurbished Cavendish House and Boardman House buildings, we did not incur the same exceptionally high non-capital fit-out costs for these two buildings that were incurred in 2015/16, when these refurbishments were completed.

Net assets as at 31 July 2017

Our net assets increased by £5.8m to £30.6m at 31 July 2017. This reflected our surplus of £5.9m being partially offset by an actuarial loss on our LGPS valuation of £0.1m.

Key Performance Indicators

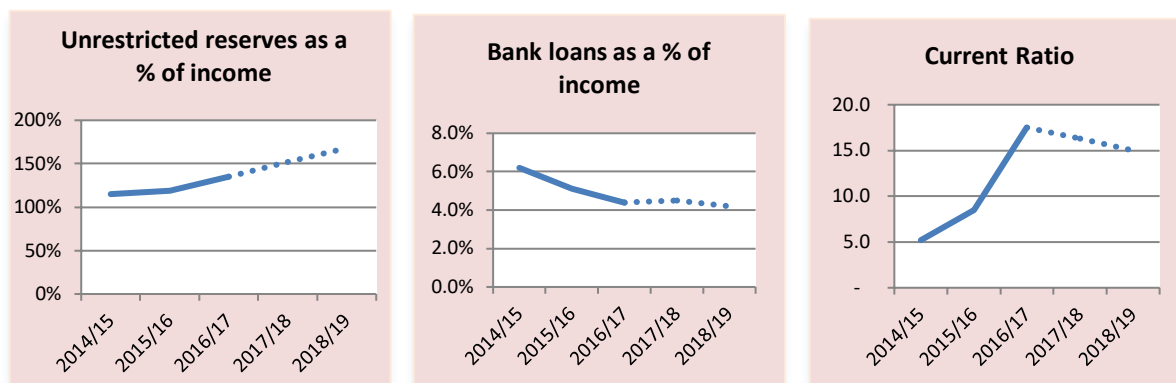


The surplus (as a percentage of income) achieved in 2016/17 of 26% was above the percentage achieved in 2015/16 of 23%, because income rose at a higher rate than expenditure, for the reasons described above. In later years, as modelled expenditure increases at a greater rate than income, our surpluses are forecast to fall, which is shown in the graph above. This reflects a more challenging recruitment environment going forward and the recently announced maintenance of the fee cap at £9,250; we do not anticipate an increase in the cap for the coming years. However, in all years, we are forecasting a surplus above the average for the sector of 5.2% (2015/16).

The percentage of our staff costs as a proportion of our total expenditure was 58% in 2016/17, which was higher than in 2015/16 because our staff expenditure rose at a greater rate than non-staffing costs, for the

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reasons described above. The % is modelled to continue around the same level in the next two years, which would be slightly above the current sector average (for 2015/16) of 54%.



The level of our Unrestricted reserves as a percentage of our income has increased to 135%, because of the surplus achieved during the year. We have forecast further increases in the next two years because of our modelled surpluses. All years compare favourably to the sector average (for 2015/16) of 82%.

Bank loans as a percentage of income remain low when compared to the 2015/16 sector average of 31%. We are paying off the current loan of £1.5m over 20 years and are not forecasting a requirement for any further loan financing at present.

In all of the past few years our Current ratio has remained consistently above the sector average, which was 1.6 in 2015/16. The ratio was particularly high for 2016/17 as we did not have any large capital projects at the year-end date of 31st July, which meant that we had a lower than usual creditor balance within Current Liabilities.

Non-financial indicators

	NUA	Sector average
Teaching Excellence Framework rating	Gold	N/A
Overall satisfaction (National Student Survey)	82%	84%
Graduate employability (DLHE survey)	95%	94%
Undergraduate student retention	95%	91%

NUA was one of only 46 higher education institutions (out of 134) to receive a Gold award in the recent Teaching Excellence Framework (TEF), with the TEF Panel citing that NUA 'delivers consistently outstanding teaching, learning and outcomes for its students. The highest quality found in the UK'. Our overall satisfaction score in the 2017 National Student Survey was 82%, which was higher than that for the previous year but sat just below the Ipsos MORI sector mean. The percentage of our 2016 graduates finding employment or going onto further study within six months of graduation was above the HESA location-adjusted benchmark, as was our retention rate of 95%.

Physical infrastructure and capital developments

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

Considerable growth in student numbers in the past few years means that in order to maintain a high-quality student experience we require more space. For this reason, during 2017/18 we will bring into academic use

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another building, which had previously been leased to a tenant, and we will source other suitable accommodation close to our city centre campus to meet our space needs.

Treasury management

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

Our Balance Sheet and the related Key Performance Indicators show that we have built up an acceptable level of liquid resources over recent years. We have a strong level of reserves and relatively modest bank borrowing when compared to the rest of the sector. As mentioned above, we consider that this level of liquid resources will be required in the near future to add further teaching accommodation to meet existing course space needs and in the longer term to provide some financial security during a period of uncertainty.

We do not anticipate liquidity issues over the next few years, despite the year end weighted payment profile of tuition fee income from the Student Loans Company, and we do not anticipate the need for any further bank borrowing. Nevertheless, our cash flows will continue to be closely monitored.

It is the University's policy to pay invoices promptly once they have been appropriately authorised - payment runs are scheduled every fortnight in order to achieve this.

Risks

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

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

Firstly there is a risk that changes in government policy on funding and tuition fee levels result in a drop in real income. This includes the risk of tuition fee rates being reduced in cash terms or even being scrapped altogether. While the latter two scenarios may be accompanied by a return to more substantial teaching grant component, there is a risk that this would not adequately cover the tuition fee income lost. We continue to engage with the sector and in external fora on such issues. More directly, however, by focusing on ensuring that our course offer continues to be innovative and of high quality, we maintain strong demand for places and meet our recruitment targets. We have introduced three new BSc awards in September 2017 in Games Development, Interaction Design and User Experience Design, reflecting the demand for new skills in these areas. Recent external recognition of our high quality offer included the Gold we were awarded in the 2017 Teaching Excellence Framework (TEF), while the recently published 2018 Sunday Times Good University guide rated NUA in the top 10 nationally for teaching quality and the 3rd most improved university.

Secondly, there is a risk that we are not sustainable in the long-term if we fail to generate adequate surpluses to sustain reserves and meet required continued capital investment. With minimal capital funding available from HEFCE, we must now generate sufficient surpluses to fund capital investment ourselves. Whilst working to sustain our income as detailed above, the likelihood of further real-terms cuts to teaching funding along with other market pressures, means that there is still a real risk that staff costs and other elements of our cost base increase at higher rates than fee and other income inflation. We continue to monitor our staffing levels closely; however, some aspects of staffing costs, such as the nationally negotiated pay award and changes to employer pension contribution rates, are largely out with our control.

Employee and Student Involvement

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

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

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

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

Health and Safety

We take the health and safety of our students and staff very seriously. There were no incidents requiring RIDDOR reporting during the year.

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

Equality & Diversity

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

Environmental sustainability

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

Our aims are to:

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

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Public Benefit Statement

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

Charitable Objects

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

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

Beneficiaries

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

Advancement of Teaching and Research

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

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

Fair access

The University welcomes students from a diverse range of backgrounds and previous educational and professional experiences, with approximately 40% of students coming from low income backgrounds, and 25% disclosing a disability. We encourage applications from all those who wish to develop their creative practice in the context of the University. Applicants are assessed on their potential to succeed on their chosen course based on their portfolio of work and interview. Details of the application process and course requirements are published in our prospectus and can be accessed from the University website.

We aim to ensure that no talented student be prevented from applying to the University, or from completing the course while they are with us. This includes the provision of a generous bursary package, a financial support fund which provides grants and emergency loans for those students suffering financial hardship, and

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the co-ordination of a number of widening access and student success activities, to enhance the progression and achievements of under-represented groups in Higher Education.

NUA is a member of the Network for East Anglian Collaborative Outreach (NEACO), working with East Anglia's four other Higher Education Institutions and in close partnership with the region's Further Education Colleges and other stakeholders. NEACO is part of the national Network for Collaborative Outreach Programme (NCOP), which aims to double the proportion of young people from disadvantaged backgrounds in Higher Education (HE) by 2020, increase by 20% the number of students in HE from ethnic minority groups and address the under-representation of young men from disadvantaged backgrounds in HE. Projects began in January 2017 and work closely with schools and colleges in the region to identify and support students in Years 9-13 from disadvantaged areas.

Wider Community

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

The commercial Art for Hire scheme has continued to offer high quality student artwork to professional clients this year, and more companies have made use of university facilities as part of our Facilities Hire operation. The continued operation of the Ideas Factory Business Centre has attracted many commercial hires. The facility is widely used by creative industry groups from the region, national groups, such as Creative Industries Federation, and blue chip organisations who have partnered with us on corporate social responsibility (CSR) initiatives such as Deutsche Bank. The facility also includes our User Experience (UX) Lab, which enables the testing of digital design on multiple platforms. This lab has already been used by SMEs in the region, and is being promoted through a series of free training sessions for regional organisations.

The University's Vice-Chancellor chairs the Digital Creative Industries Development Group on behalf of the New Anglia Local Enterprise Partnership (LEP). This is a partnership between Norfolk & Suffolk for the development of the infrastructure to support the growth in digital creative businesses in the region and provide strategic direction for their development.

In the past year we have opened the Ideas Factory Incubation programme which offers specialist support to early stage creative businesses. Since opening, 41 graduate jobs have been created through the programme, across new businesses which span the digital creative sector. The growth of these businesses is supported with a range of sector-specific talks and activities, and by facilitating collaboration with current students.

The University hosts and supports regional creative industry collaboration groups such as 'Hot Source' and SyncNorwich, both of which provide essential networking opportunities for the digital creative industries. The University has also hosted a number of public lectures during the year.

This year saw the relaunch of Royal Television Society East, of which NUA's Business Director is Vice Chair. RTS East has quickly grown membership from film, broadcast, animation and games businesses – its inaugural Awards Evening was hosted by NUA in summer 2017, attended by 150 business people from across the Eastern region.

East Gallery^{NUA} at Norwich University of the Arts has a highly regarded reputation for its annual programme of exhibitions and events. It is at the heart of the cultural life of the University and the city, and attracts a wide national and international audience, hosting an exciting range of exhibitions of national and international standing.

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Our programme for the past year has included Mutator VR, an exhibition of art in virtual reality by Prof William Latham of Goldsmiths, University of London. This show received record numbers of visitors and enabled East Gallery to launch a schools programme where local school groups came and took part in tailor made workshops in relation to the virtual reality experience. This included schools whose pupils have limited exposure to the arts. In association with this exhibition, East Gallery also organised and hosted a public symposium entitled 'Virtual Worlds' in November 2016, exploring issues around virtual reality from different angles.

The following exhibition at East Gallery was the Jerwood Painting Fellowships 2017, a touring exhibition showcasing painting by three emerging painters. We continued our programme of public events during this show, with the involvement of the artists themselves in a series of public lunchtime talks and discussions about painting and a further series of schools workshops targeted at year 12 and 13 students.

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

Fundraising

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

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Statement of Corporate Governance

Introduction

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

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

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

The University is committed to exhibiting best practice in all aspects of corporate governance. The University keeps its governance arrangements under regular review, including annual internal audit and periodic external reviews of effectiveness. The following summary is provided to enable readers of the Financial Statements of the Norwich University of the Arts to obtain a better understanding of the governance and legal structure of the institution.

The Governing Body

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

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

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

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

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

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

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

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

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

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

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

The Remuneration and Personnel Committee meets at least once each year. The Committee recommends to the Governing Body policies and procedures relating to the remuneration of staff and other pertinent matters including the consideration of strategic human resources strategy, employee relations matters affecting the University and equality and diversity. The Vice-Chancellor attends the Committee to make recommendations for the remuneration of the most senior staff. The Committee considers the remuneration of the Vice-Chancellor in a closed meeting of the Independent Members with no executive members present, and makes its recommendation to the governing Council of the University.

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

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

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

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

Internal Control

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

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

Risk Management

The Governing Body is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks. A risk management policy, approved by the Governing Body, has been in place for the year ended 31 July 2017 and up to the date of approval of the annual accounts. The policy identifies principal risk management responsibilities and establishes a risk management structure through which risks are identified, monitored, managed and mitigated.

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

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

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

Review of controls

The University has retained internal auditors who operate to standards defined in the HEFCE Audit Code of Practice, and whose work was last reviewed for effectiveness by the HEFCE Assurance Review in October 2016. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

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

Charitable and Taxation Status

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

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

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Professional Advisors & Trustees of the Governing Body

Professional Advisors

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

Trustees

The trustees who served on the Governing Body from 1 August 2016 to the date that the financial statements were formally approved are provided. The dates for those trustees who did not serve for the entire period are also provided.

Ms R Bird (from 1 November 2016 to 31 July 2017)
Mr R Ellis (to 6 October 2017)
Mr A Grimby
Mr J Hobbs
Mr M Jeffries
Ms N Jenkins
Professor J Last (Vice-Chancellor)
Mrs L McGillivray (to 14 December 2016)
Mr A McMenemy
Ms N Nannar
Mr P Norton
Mrs V Trevelyan (to 7 July 2017)
Ms F Wall (to 31 October 2016)
Professor M Wayman (Chair)
Professor A Westwood (to 30 September 2017)
Ms X Levantis (Students' Union President)
Dr W Thomson (from 1 October 2017)
Mr G Brewerton (from 1 November 2016)
Ms A Johns (from 1 August 2017)
Mr T Wood (from 1 August 2017)
Mr I Watson (from 6 October 2017)
Ms C Coleman (from 6 October 2017)

Norwich University of the Arts

Statement of the Responsibilities of the Governing Body – Financial Statements

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

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

The financial statements are published on Norwich University of the Arts website, www.nua.ac.uk, in accordance with UK legislation governing the preparation and dissemination of financial statements. The Governing Body is responsible for the maintenance and integrity of the 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

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

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

The Governing Body has taken reasonable steps to:

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

Norwich University of the Arts

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

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

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

Professor M Wayman
Chair

Date: 17 November 2017

Norwich University of the Arts

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Norwich University of the Arts ("the University") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated Balance Sheet, the University Balance Sheet, the Consolidated Cash Flow Statement and the related notes, including the 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 2017 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 HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

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 Governing Body is responsible for the other information, which comprises the Strategic Review and the Report of the Governors 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.

Governing Body responsibilities

As explained more fully in their statement set out on page 15 and 16 the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Norwich University of the Arts

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 HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government; 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 Governing Body, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Governing Body for our audit work, for this report, or for the opinions we have formed.

Stephanie Beavis

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Dragonfly House

2 Gilders Way

Norwich

NR3 1UB

Date: November 2017

Norwich University of the Arts

Consolidated Statement of Comprehensive Income and Expenditure Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
INCOME			
Tuition fees and education contracts	2	18,841	17,095
Funding body grants	3	1,813	1,800
Research grants and contracts	4	68	137
Other income	5	1,495	1,389
Investment income	6	428	412
Donations and endowments	7	20	11
Total Income		22,665	20,844
EXPENDITURE			
Staff costs	9	9,737	8,721
Other operating expenses	11	5,644	5,813
Depreciation	13	1,113	1,053
Interest and other finance costs	8	225	261
Total Expenditure		16,719	15,848
Surplus before other gains and losses		5,946	4,996
Gain/(loss) on disposal of fixed assets		-	(172)
Surplus/(Deficit) before tax		5,946	4,824
Taxation	12	-	-
Surplus/(Deficit) for the year		5,946	4,824
Actuarial gain/(loss) in respect of pension schemes	24.2	(112)	(1,019)
Total Comprehensive income for the year		5,834	3,805
Represented by:			
Unrestricted Comprehensive income for the year		5,834	3,805
		5,834	3,805

The income and expenditure of the Group relates wholly to continuing operations.
The notes on pages 25 – 44 form part of these financial statements.

Norwich University of the Arts

University Statement of Comprehensive Income and Expenditure Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
INCOME			
Tuition fees and education contracts	2	18,841	17,095
Funding body grants	3	1,813	1,800
Research grants and contracts	4	68	137
Other income	5	1,490	1,381
Investment income	6	428	412
Donations and endowments	7	20	11
Total Income		22,660	20,836
EXPENDITURE			
Staff costs	9	9,737	8,721
Other operating expenses	11	5,786	5,806
Depreciation	13	1,113	1,053
Interest and other finance costs	8	225	261
Total Expenditure		16,861	15,841
Surplus before other gains and losses		5,799	4,995
Gain/(loss) on disposal of fixed assets		-	(172)
Surplus/(Deficit) before tax		5,799	4,823
Taxation	12	-	-
Surplus/(Deficit) for the year		5,799	4,823
Actuarial gain/(loss) in respect of pension schemes	24.2	(112)	(1,019)
Total Comprehensive income for the year		5,687	3,804
Represented by:			
Unrestricted Comprehensive income for the year		5,687	3,804
		5,687	3,804

The income and expenditure of the University relates wholly to continuing operations.
The notes on pages 25 – 44 form part of these financial statements.

Norwich University of the Arts

Consolidated and University Statement of Changes in Reserves

Group

	Income and expenditure account		Revaluation	Total
	Endowments	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000
Balance at 1 August 2015	21	16,720	4,194	20,935
Surplus/(deficit) from the income and expenditure account	-	4,824	-	4,824
Other comprehensive income	-	(1,019)	-	(1,019)
Release of restricted funds	(1)	1	-	-
Transfers between revaluation reserve and Income and expenditure account	-	147	(147)	-
Balance at 1 August 2016	20	20,673	4,047	24,740
Surplus/(deficit) from the income and expenditure account	-	5,946	-	5,946
Other comprehensive income	-	(112)	-	(112)
Release of restricted funds	-	-	-	-
Transfers between revaluation reserve and Income and expenditure account	-	117	(117)	-
Total comprehensive income for the year	-	5,951	(117)	5,834
Balance at 31 July 2017	20	26,624	3,930	30,574

University

	Income and expenditure account		Revaluation	Total
	Endowments	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000
Balance at 1 August 2015	21	16,829	4,194	21,044
Surplus/(deficit) from the income and expenditure account	-	4,823	-	4,823
Other comprehensive income	-	(1,019)	-	(1,019)
Release of restricted funds	(1)	1	-	-
Transfers between revaluation reserve and Income and expenditure account	-	147	(147)	-
Balance at 1 August 2016	20	20,781	4,047	24,848
Surplus/(deficit) from the income and expenditure account	-	5,799	-	5,799
Other comprehensive income	-	(112)	-	(112)
Release of restricted funds	-	-	-	-
Transfers between revaluation reserve and Income and expenditure account	-	117	(117)	-
Total comprehensive income for the year	-	5,804	(117)	5,687
Balance at 31 July 2017	20	26,585	3,930	30,535

Norwich University of the Arts

Consolidated Balance Sheet as at 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Non-Current assets			
Fixed assets	13	18,363	19,437
Investment Property	14	2,830	2,830
		<u>21,193</u>	<u>22,267</u>
Current assets			
Stocks		52	47
Trade and other receivables	15	567	776
Short term investments	16	13,010	10,021
Cash at bank and in hand	23	8,743	4,942
		<u>22,372</u>	<u>15,786</u>
Creditors: amounts falling due within one year	17	<u>(1,281)</u>	<u>(1,871)</u>
Net current assets		21,091	13,915
Total assets less current liabilities		42,284	36,182
Creditors: amounts falling due after one year	18	(4,054)	(4,393)
Provisions			
Pension provision	24	(7,549)	(6,937)
Other provisions	19	(107)	(112)
		<u>(7,656)</u>	<u>(7,049)</u>
TOTAL NET ASSETS		<u>30,574</u>	<u>24,740</u>
Restricted Reserves			
Income and expenditure reserve - endowments	20	20	20
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		26,624	20,673
Revaluation reserve		3,930	4,047
		<u>30,574</u>	<u>24,740</u>
TOTAL FUNDS		<u>30,574</u>	<u>24,740</u>

The Financial Statements on pages 19 - 44 were approved by the Council on 17 November 2017 and were signed on its behalf by:

Prof. M Wayman Chair

Prof. J Last Vice-Chancellor

A Robson Deputy Vice-Chancellor

The notes on pages 25 to 44 form part of these financial statements.

Norwich University of the Arts

University Balance Sheet as at 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Non-current assets			
Fixed assets	13	18,363	19,437
Investment Property	14	2,830	2,830
Investment in Subsidiaries	14	-	-
		21,193	22,267
Current assets			
Stocks		52	47
Trade and other receivables	15	573	907
Short term investments	16	13,010	10,021
Cash at bank and in hand	23	8,694	4,916
		22,329	15,891
Creditors: amounts falling due within one year	17	(1,277)	(1,868)
Net current assets		21,052	14,023
Total assets less current liabilities		42,245	36,290
Creditors: amounts falling due after one year	18	(4,054)	(4,393)
Provisions			
Pension provision	24	(7,549)	(6,937)
Other provisions	19	(107)	(112)
TOTAL NET ASSETS		30,535	24,848
Restricted Reserves			
Income and expenditure reserve - endowments	20	20	20
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		26,585	20,781
Revaluation reserve		3,930	4,047
TOTAL FUNDS		30,535	24,848

The Financial Statements on pages 19 - 44 were approved by the Council on 17 November 2017 and were signed on its behalf by:

Prof. M Wayman Chair

Prof. J Last Vice-Chancellor

A Robson Deputy Vice-Chancellor

The notes on pages 25 to 44 form part of these financial statements.

Norwich University of the Arts

Consolidated Cash Flow Statement for the year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		5,946	4,824
Adjustments for			
Depreciation	13	1,113	1,053
Decrease / (increase) in stock		(5)	5
(Increase) / decrease in debtors	15	207	(271)
(Decrease) / increase in creditors	17	(583)	(387)
Increase/(decrease) in restructuring provision	19	(5)	1
Net charge on pension scheme		500	370
Adjustment for investing or financing activities			
Investment income		(428)	(412)
Interest payable		55	59
Deferred capital grants released to income		(221)	(189)
Loss on disposal of fixed assets		39	172
Net cash flow from operating activities		6,618	5,225
Cash flows from investing activities			
Investment income		405	386
Payments made to acquire fixed assets		(297)	(3,473)
Deferred capital grants received/applied		187	524
New deposits		(2,989)	(3,021)
		(2,694)	(5,584)
Cash flows from financing activities			
Interest paid		(55)	(59)
Repayments of amounts borrowed		(68)	(64)
		(123)	(123)
Increase / (decrease) in cash and cash equivalents in the year		3,801	(482)
Cash and cash equivalents at the beginning of the year	23	4,942	5,424
Cash and cash equivalents at the end of the year	23	8,743	4,942

Norwich University of the Arts

Notes to the Accounts

1. Accounting policies

Going Concern

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

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the University and its subsidiary company, NUA Business Limited. All financial statements are made up to 31 July 2017. Intra-group transactions and balances are eliminated fully on consolidation.

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

Recognition of income

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

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

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

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

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

Norwich University of the Arts

1. Accounting policies continued

Capital grants

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

Donations and Endowments

Unrestricted donations

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

Endowment funds

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

- 1) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution
- 2) Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income
- 3) Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

Pension schemes

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

Contributions to the both the TPS and LGPS schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries.

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

The LGPS is a funded scheme and the Group does recognise a net defined benefit liability on its Balance sheet for this scheme. The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary using the projected unit method, the last valuation having been in March 2016. The financial assumptions used by the actuary for the purposes of the calculations as required by reporting standard FRS102.28 are as follows.

Norwich University of the Arts

1. Accounting policies continued

Assumptions as at	31 July 2017	31 July 2016
	% per annum	% per annum
Rate of increase in salaries	2.8	2.9
Rate of increases in pensions in payment (in line with CPI)	2.5	1.9
Discount rate	2.7	2.4

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

The assumed life expectations on retirement age 65 are:

	31 July 2017	31 July 2016
<i>Current pensioners:</i>		
Males	22.1 years	22.1 years
Females	24.1 years	24.3 years
<i>Future pensioners:</i>		
Males	24.4 years	24.5 years
Females	26.4 years	26.9 years

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

Fixed assets

a) Land and buildings

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

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

Freehold land is not depreciated. Freehold and leasehold buildings at 31 July 1998 are depreciated in accordance with specific advice given by professional chartered surveyors. The average annual rate of depreciation currently applied to buildings is 4.1%. Enhancement to buildings is depreciated on a straight line basis over estimated life as follows:

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

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

b) Fixtures, Fittings and Equipment

Fixtures, fittings and equipment costing less than £1,000 per item or group of items are written off to the income and expenditure account in the period of acquisition. Other equipment with an expected life of more than one year is capitalised at cost. Book values at implementation of FRS15 Tangible Fixed Assets have been retained in accordance with the transitional rules set out therein, and will not be updated for any future valuations.

Norwich University of the Arts

1. Accounting policies continued

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

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

c) Motor Vehicles

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

d) Assets in the course of construction

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

Maintenance of premises

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

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Investments

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

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

Finance leases

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

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

Operating leases

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

Service concession arrangements

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

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

Norwich University of the Arts

1. Accounting policies continued

Stocks

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

Foreign currency translation

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

Taxation status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University is partially exempt in respect of Value Added Tax, as its main activity is the supply of education which is an exempt supply for the purposes of VAT. Accordingly, it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on supplies and services received is included in the related costs in the financial statements. It is also added to the cost of tangible fixed assets as appropriate.

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

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

Provisions

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

Related party transactions

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

Cash and cash equivalents

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

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Norwich University of the Arts

2. Tuition fees and education contracts

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	£'000	£'000
Undergraduate fees (Home & EU)	17,292	16,093
Undergraduate fees (Overseas)	971	748
Postgraduate fees (Home & EU)	502	202
Postgraduate fees (Overseas)	76	52
	18,841	17,095

3. Funding Body grants

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	£'000	£'000
Recurrent grant - HEFCE	1,526	1,458
Other Council grants - HEFCE	76	166
Release of HEFCE Deferred Capital Grants	211	176
	1,813	1,800

4. Research grants and contracts

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	£'000	£'000
Research Charities	24	15
Government (UK and overseas)	38	122
Other	6	-
	68	137

5. Other income

	Group		University	
	Year ended	Year ended	Year ended	Year ended
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	£000	£000	£000	£000
Catering and residence operations	725	619	725	619
Other grant income	152	40	152	40
Other student related income	464	470	464	470
Other income	154	260	149	252
	1,495	1,389	1,490	1,381

Norwich University of the Arts

6. Investment income

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	£'000	£'000
Bank and short term investment income	124	108
Rental income	304	304
	428	412

7. Donations and endowments

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	£'000	£'000
Unrestricted Donations	20	11

8. Interest payable

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	£'000	£'000
Net charge on pension scheme (note 24)	170	203
Bank loan interest	55	58
	225	261

9. Staff costs

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

	Group and University	
	Year ended	Year ended
	31 July 2017	31 July 2016
	Number	Number
Academic and Technical staff	137	125
Administrative and Other staff	107	95
	244	220

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9. Staff costs (continued)

Staff costs for the above persons:

	Group and University	
	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Wages and salaries	7,461	6,845
Social security costs	699	563
Pension costs (note 24.2)	1,527	1,220
Restructuring costs	50	93
	9,737	8,721

Key Management Personnel

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

	Group and University	
	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Key Management Personnel compensation	414,083	396,232

Trustees

Other than the Vice-Chancellor and other members of staff, the members of the Council who act as trustees did not receive any payment from the University other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year ended 31 July 2017 this amounted to £3,488 (4 trustees) (2016: £3,414, 4 trustees).

Due to the nature of the University's operations and the compositions of the Trustees, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a trustee may have an interest. All transactions involving organisations in which a trustee may have an interest are conducted at arms' length and in accordance with the University's Financial Regulations and usual procurement procedures. Details of these transactions can be found in note 25.

Norwich University of the Arts

10. Higher paid staff

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

	Year ended 31 July 2017 Number	Year ended 31 July 2016 Number
£110,001 - £120,000	1	1

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

	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Salaries	177,310	172,680
Benefits in kind	1,645	1,514
Sub-total excluding pension contributions	178,955	174,194
Pension contributions	-	-
Total emoluments	178,955	174,194

11. Analysis of total expenditure by activity

	Group		University	
	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Academic and related expenditure	3,087	2,997	3,087	2,997
Administration and central services	822	597	968	597
Premises	1,028	1,539	1,028	1,539
Residences, catering and conferences	579	536	579	536
Research grants and contracts	29	71	29	71
Other expenses	99	73	95	66
	5,644	5,813	5,786	5,806

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other operating expenses include:		
External auditor's remuneration – University		
Audit	23	21
Other services	2	2
External auditor's remuneration – Subsidiary	1	1
Internal auditor's remuneration – Group and University	16	18
Hire of equipment – operating leases	215	189
Hire of premises – operating leases	573	551

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12. Taxation

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

13. Tangible fixed assets

Group and University	Land and buildings		Equipment	Motor Vehicles	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	23,353	1,398	1,752	5	26,508
Additions at cost	11	-	54	13	78
Disposals	(39)	-	(95)	(5)	(139)
At 31 July 2017	23,325	1,398	1,711	13	26,447
Depreciation					
At 1 August 2016	5,123	383	1,560	5	7,071
Charge for year	958	58	96	1	1,113
Eliminated on disposals			(95)	(5)	(100)
At 31 July 2017	6,081	441	1,561	1	8,084
Net book amount					
At 31 July 2017	17,244	957	150	12	18,363
At 1 August 2016	18,230	1,015	192	-	19,437

Group	Freehold	Long Leasehold	Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation is represented by					
Cost	17,519	788	1,711	13	20,031
Valuation in 1998	5,806	610	-	-	6,416
	23,325	1,398	1,711	13	26,447

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13. Tangible fixed assets continued

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

Group	Freehold	Long Leasehold	Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost	17,519	788	1,711	13	20,031
Aggregate depreciation based on cost	(3,868)	(345)	(1,561)	(1)	(5,775)
Net book amount based on cost	13,651	443	150	12	14,256

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

Tangible fixed assets have been acquired with the assistance of capital grants from HEFCE which are deemed to be financed from Exchequer funds. Were these assets to be sold, the University, under the terms of the Memorandum of Assurance & Accountability with HEFCE, may be required to surrender £2,780,327 (2015/16: £2,851,418), being the balance of these funds from the sales proceeds

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

14. Investments

Investment Property

Group and University	2017	2016
	£'000	£'000
At 1 August and 31 July	2,830	2,830

The investment represents the fair value of a building purchased in 2013. The fair value is based on purchase price and is considered appropriate given the timeframe and particular circumstances. At the end of August 2017, the tenant surrendered the lease and the University now intends to bring the building into its estate for the delivery of education.

Investment in subsidiary

University	2017	2016
	£	£
Investment in Subsidiary Company at cost	2	2

The University owns 100% of the issued share capital of 2 £1 ordinary shares of NUA Business Limited, a company registered in England and Wales. The principal business of NUA Business Limited is the provision of educational services and associated facilities, and other sundry commercial activities. Its result for the year was a profit of £57 with net liabilities of £108,260.

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15. Trade and other receivables

	Group		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Research grants receivable	-	135	-	135
Trade and other receivables	63	178	56	167
Amounts due from subsidiary	-	-	13	151
Other receivables	20	26	20	20
Prepayments and accrued income	484	437	484	434
	567	776	573	907

Included within Other receivables (Group and University) is £nil (2016: £9,600) falling due outside one year.

16. Current investments

	Group		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Short term deposits	13,010	10,021	13,010	10,021

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

At 31 July 2017 the weighted average interest rate of these fixed rate deposits was 0.84% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 199 days. The fair value of these deposits was not materially different from the book value.

17. Creditors: amounts falling due within one year

	Group		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loan	71	67	71	67
Payments received in advance	42	51	42	51
Trade payables	529	705	528	705
Other taxes and social security	18	5	17	5
Accruals and deferred income	621	1,043	619	1,040
	1,281	1,871	1,277	1,868

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

	2017	2016
Group and University	£'000	£'000
Bank loan	925	997
Deferred capital grants	3,129	3,396
Balance at 31 July	4,054	4,393

Analysis of the bank loan:

	Group		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Falling due within 1 year	71	67	71	67
Falling due between 1 and 2 years	74	71	74	71
Falling due between 2 and 5 years	249	236	249	236
Falling due outside 5 years	602	690	602	690
	996	1,064	996	1,064

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

19. Other provisions

Group and University – Restructuring	£'000
As at 1 August 2016	112
Increase in the year	3
Utilised during the year	(8)
At 31 July 2017	107

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

20. Income and expenditure Reserve - Endowments

Group and University	Restricted Permanent £'000	Restricted Expendable £'000	Total £'000
Balance at 1 August 2016 and 31 July 2017	9	11	20
Represented by:			£'000
Nic Hughes Memorial Award			10
Noel Spencer Fund			5
Other			5
Balance at 31 July 2017			20

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21. Financial commitments

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

	Land and Buildings	Other	Total	Total
	2017	2017	2017	2016
	£'000	£'000	£'000	£'000
Group and University				
Payable during the year	335	241	576	740
Future minimum lease payments due				
Not later than 1 year	336	241	577	712
Later than 1 year and not later than 5 years	1,014	217	1,231	1,310
Later than 5 years	1,583	-	1,583	1,809
	2,933	458	3,391	3,831

22. Capital commitments

At 31 July 2017 the Group had no commitments for capital expenditure (2016: £nil).

23. Cash and cash equivalents

	At 1 August 2016	Cash Flows	At 31 July 2017
	£'000	£'000	£'000
Group			
Cash at Bank and in Hand	4,942	3,801	8,743
	4,942	2,783	8,743

24. Pension commitments

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

24.1 Teachers' Pension Scheme

Introduction

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

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24.1 Teachers' Pension Scheme continued

The Teachers' Pensions budgeting and valuation account

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

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

Valuation of the Teachers' Pension Scheme

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

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

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- a total fund long term employer cost cap of 10.9% of pensionable pay;
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme changes

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

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

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

Norwich University of the Arts

24.1 Teachers' Pension Scheme continued

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

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

The pension costs paid to TPS in the year amounted to £453,964 (2016: £411,051).

24.2 LGPS

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

The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary using the projected unit method, the last valuation having been in March 2016. The financial assumptions used by the actuary for the purposes of the calculations as required by reporting standard FRS102.28 are as follows.

Assumptions as at	31 July 2017	31 July 2016
	% per annum	% per annum
Rate of increase in salaries	2.8	2.9
Rate of increases in pensions in payment (in line with CPI)	2.5	1.9
Discount rate	2.7	2.4

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

The assumed life expectations on retirement age 65 are:

	31 July 2017	31 July 2016
<i>Current pensioners:</i>		
Males	22.1 years	22.1 years
Females	24.1 years	24.3 years
<i>Future pensioners:</i>		
Males	24.4 years	24.5 years
Females	26.4 years	26.9 years

The assets and liabilities in the scheme were:

Employer Assets	31 July 2017	31 July 2016	31 July 2015
	£'000	£'000	£'000
Equities	9,958	8,609	7,392
Bonds	4,015	3,940	3,258
Property	1,767	1,751	1,504
Cash	321	292	376
Total fair value of assets	16,061	14,592	12,530
Present value of scheme liabilities			
- Funded	(23,510)	(21,426)	(17,965)
- Unfunded	(100)	(103)	(113)
Deficit in the scheme	(7,549)	(6,937)	(5,548)

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24.2 LGPS continued

	31 July 2017	31 July 2016	31 July 2015
The expected rates of return were	2.7%	2.4%	3.6%

The Actuarial Valuation Report states that:

- (i) There is a range of actuarial assumptions which are acceptable under the requirements of FRS102.28, particularly in respect of the expected return on equities. The Actuary considers that these assumptions are within the acceptable range and are thus consistent with the requirements of FRS102.28. The assumed returns are net of administration and investment expenses. No allowance has been included in the cost of accruing benefits for expenses.
- (ii) The Actuary is satisfied that the rolling forward of previous valuation data to 31 July 2017 does not introduce any material distortion in the results provided that the actual experience of the Fund has been broadly in line with the actuarial assumptions.

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Analysis of the amount shown in the Balance Sheet		
Scheme assets	16,061	14,592
Scheme liabilities	(23,610)	(21,529)
Deficit in the scheme	<u>(7,549)</u>	<u>(6,937)</u>
Operating charge		
Current service cost	1,079	814
Past service cost	-	-
Total operating charge	<u>1,079</u>	<u>814</u>
Analysis of the amount charged to interest payable		
Interest cost	527	662
Expected return on assets	(357)	(459)
Net charge	<u>170</u>	<u>203</u>
Analysis of Other Comprehensive income		
Gain on assets	516	1,135
Experience loss on liabilities	135	220
Loss on liabilities	(763)	(2,374)
	<u>(112)</u>	<u>(1,019)</u>

Norwich University of the Arts

24.2 LGPS continued

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

	31 July 2017	31 July 2016
	£'000	£'000
Deficit at 1 August	(6,937)	(5,548)
Current service cost	(1,079)	(814)
Employer Contributions	743	641
Other finance costs	(170)	(203)
Contributions in respect of unfunded benefits	6	6
Actuarial losses	(112)	(1,019)
Deficit at end of year	(7,549)	(6,937)

Reconciliation of liabilities

	31 July 2017	31 July 2016
	£'000	£'000
Liabilities at start of year	21,529	18,078
Current service cost	1,079	814
Interest cost	527	662
Contributions by members	248	220
Actuarial losses	628	2,154
Estimated unfunded benefits paid	(6)	(6)
Estimated benefits paid	(395)	(393)
Liabilities at end of year	23,610	21,529

Reconciliation of assets

	31 July 2017	31 July 2016
	£'000	£'000
Assets at start of year	14,592	12,530
Expected return on assets	357	459
Contributions by members	248	219
Contributions by the employer	743	641
Contributions in respect of unfunded benefits	6	6
Actuarial gains	516	1,135
Estimated unfunded benefits paid	(6)	(6)
Estimated benefits paid	(395)	(392)
Assets at end of year	16,061	14,592

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24.2 LGPS continued

History of Experience gains and losses

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets					
£'000	247	1,239	655	427	938
% of assets at end of the year	1.5%	8.2%	5.2%	3.8%	9.5%
Experience gains and losses on scheme liabilities					
£'000	135	220	111	(1,430)	(1)
% of liabilities at end of the year	0.6%	1.0%	0.6%	(9.0)%	(0)%

Sensitivity Analysis

Change in assumptions at year ended 31 July 2017	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	12%	2,828
0.5% increase in the Salary Increase Rate	2%	473
0.5% increase in the Pension Increase Rate	10%	2,313

The pension cost of £742,953 (2016: £642,556) is assessed in accordance with the advice of an independent qualified actuary, and is based on a current contribution rate of 19.5% (from April 2017) and a deficit contribution rate of £185,667 per annum. Such actuarial advice indicates that the employer contributions for the year ended 31 July 2018 are expected to be around £798,000.

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

	2017	2016
	£'000	£'000
Contributions to TPS	454	411
Contributions to LGPS	743	642
LGPS FRS102.28 charge to the Income & Expenditure account	330	167
Total pension cost (Note 9)	1,527	1,220

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25. Related party transactions

Subsidiary undertaking

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

Connected Charitable Institutions

There are no connected charitable institutions requiring disclosure.

Transactions with related parties

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

Related Party	Relationship	Description of transactions	Income	Expenditure
The Forum Trust Ltd	Professor Last and Mr R Ellis are trustees	Room hire and exhibition space	-	£2,373
Higher Education Statistics Agency	Professor Last is a trustee	Reimbursement of travel expenses (£626) Institutional subscription and staff training events (£7,688)	£626	£7,688
GuildHE	Professor Last is a trustee/director	Institutional subscription and conference fee	-	£25,283
Higher Education Academy	Professor Last is a trustee	Staff training event	-	£300
University of East Anglia	Mrs L McGillivray is a member of UEA Council	Admission tickets for the Sainsbury Centre for Visual Arts	-	£660
Norwich Theatre Royal	Mrs A Robson (a member of NUA Key Management Personnel) is a trustee	Brochure advertising	-	£5,000
Assembly House Trust	Mr P Norton is a trustee	Room hire	-	£525
NUA Students' Union	Ms X Levantis Students' Union President	Annual grant	-	£43,711
Norwich School	Professor Last is a trustee	Room Hire	-	£295
Mills and Reeve LLP	Mr Jeffries is a consultant	Staff training event	-	£768