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Swansea
University
Prifysgol
Abertawe

OPERATING AND FINANCIAL REVIEW

2016–2017



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MESSAGE FROM THE VICE-CHANCELLOR

There is a massive pride throughout the University, amongst staff and students, in the pace of development, the successes and achievements, and the evident accelerating growth in our reputation. In particular, 2016/17 provided the evidence that we had changed the higher education landscape of Wales by catching up with Cardiff. We were ranked top university in Wales and awarded the title of “Welsh University of the Year 2017” by the 2017 Times/Sunday Times Good University Guide. Our further progress to 35th amongst UK institutions in the 2018 Guide prompted the Sunday Times to note that “Swansea University could hardly be more successful”.

The extensive external recognition of the University’s achievements is especially important for students. The higher education provision in the UK is more and more differentiated and the value of a degree is increasingly dependent upon the reputation of the university that awarded it.

Swansea University is focussed on competing successfully with the top performing group of Universities not by being the same as them but by recognising that we are different. We have shown ourselves to be an agile, effective, and confident University which is proud of our distinctive strengths and we are determined to set our own agendas.

Swansea University has thrived on setting itself ambitious targets for the quality and scale of all our activities. The purpose of setting our sights on targets is to ensure that we constantly look forward, beyond any policy tumult or challenge in our immediate experience, to remain true to our aspirations. In a competitive market, we have succeeded in growing our student numbers significantly. We also continue to invest in our Bay and Singleton campus estates to provide the quality of accommodation and teaching facilities to support our growth in student numbers.

Alongside traditional elite Universities we share an emphasis on the highest quality of research, but we also prioritise maintaining a balance between excellent research and teaching. We care for our students, striving to prepare them for both a good career and a good life.

We are action oriented and much of our research is focussed on delivering impact to individuals, to industry, and to community. Again, we are stronger because we do it differently. Multidisciplinary approaches to research problems – increasingly common now – were established at Swansea University when we were founded by industry in 1920. Because we are focussed on delivering solutions, we are also unique among UK universities in working across the breadth of the technology readiness levels to bridge the divide between research achievement and scale up and commercialisation for market. Our work in the UK steel industry is just one such example, where we are working in close partnership with Tata Steel and other companies for developing steel-based construction materials which mean buildings can generate, store and release their own power. This technology is a potentially significant contribution to maintaining steel production in the UK, improving the country’s energy resilience, and reducing fuel poverty.

The many ways in which Swansea University takes seriously its mission to make a difference and to deliver impact is exemplified by our hosting of the British Science Festival and our contribution to the Swansea Bay City Deal.

The British Science Festival (BSF) is one of Europe’s largest science festivals and in September 2016 we hosted more than 350 leading scientists to showcase breakthroughs and discoveries. Thousands of visitors experienced talks, workshops, and performances and we made special efforts to engage families and young people to stimulate interest in science across a new generation. Media coverage reached all continents, helping to raise the profile of Swansea University globally. Such was the delight of families and children to have the experience of engaging in hands-on science experiments and to meet face-to-face with our scientists that the University now hosts its legacy, the Swansea Science Festival, annually in the community.

This year saw the University very involved in the development of the Swansea Bay Region City Region Deal and we were pleased to host the Prime Minister and industry leaders on the Bay campus on the occasion of the £1.3bn deal announcement. The investment will encourage, embed and commercialise innovation in the life sciences, steel and metals, manufacturing, energy efficient house building, and industry 4.0. The University’s technical capability, research and teaching skills will be pivotal in making this a success for the region.

The University continues to go from strength to strength thanks to the sustained teamwork of our staff and students. We are pleased that the success of the University is contributing to the enrichment of our community and the regional economy.



Professor Richard B. Davies

Vice-Chancellor, Swansea University

THE UNIVERSITY AND ITS WORK

Swansea University is an ambitious, research-intensive institution with more than 20,000 students. The University's vision is that, 'By 2017 Swansea will be a research-intensive UK top-30 University.' This was achieved in the latest Research Excellence Framework 2014 exercise where Swansea was ranked 26th in the UK.

Swansea University has developed its research capacity substantially over the last five years. Investment has been made through the business planning process and diverting resources towards the most successful academic areas. There has been a strong focus on developing interdisciplinary research activities.

MISSION

True to the vision of its industrial founders in 1920, Swansea University will:

- a) Provide an environment of research excellence, with research that is world-leading, globally collaborative and internationally recognised.
- b) Deliver an outstanding student experience, with research-intensive and practice-driven teaching of the highest quality that produces global graduates educated for distinguished personal and professional achievement.
- c) Use its research strength, collaboration with industry, and global reach, to drive economic growth, foster prosperity, enrich the community and cultural life of Wales and, contribute to the health, leisure and wellbeing of its citizens.

STRATEGY

Swansea University's strategy is to capitalise upon the opportunities presented by our significantly improved performance in research, the quality of our teaching and student experience, and our developing national and international position. The University's mission has not changed. However, the manner in which this will be achieved and the distinctive blueprint for the future has been defined more precisely for this latest phase of our strategic development.

The University is planning ambitious growth in key academic areas developed in partnership with industry and government that will stimulate the development of a Knowledge Economy in South West Wales. The key enabling feature of these plans is the construction and on-going development of the Bay Campus with industrial Research and Development intermingled with academic research.

Financial plans, forecasts and outcomes are regularly reviewed by the Senior Management Team and Finance Committee throughout the year. The budgeted surplus is intended to finance the capital programme of the University, particularly to enhance the estate.

THE ORGANISATION

The University's governing body, the Council has general control over the University and its affairs, purposes and functions. The members of Council for the year ended 31 July 2017 were:-

Role	Member	End of Term
Chancellor	Rt Hon Rhodri Morgan (until 17 May 2017)	Passed away May 2017
Pro-Chancellor and Chair of Council	Sir Roger Jones	10 September 2019
Pro-Chancellor	Sir Roderick Evans	March 2021
Treasurer	Mr Friedrich (Fritz) Summer	31 January 2021
Vice-Chancellor	Professor Richard B Davies	Until retirement
Pro-Vice-Chancellors (maximum of 3)	Professor Iwan Davies Professor Hilary Lappin-Scott Professor Steve Wilks	30 November 2019 5 December 2018 31 December 2018
6 Members appointed by and from the Court of Swansea University (*-term ends with the AGM of Court for the session in question)	Mr Gordon Anderson Dr Kerry Beynon Mrs Jill Burgess Emeritus Professor Dame June Clark Ms Debbie Green Ms Elin Rhys	January 2021 (2019/20*) January 2020 (2018/19*) January 2018 (2016/17*) January 2018 (2016/17*) January 2019 (2017/18*) January 2020 (2018/19*)
4 members of the academic staff appointed by and from the Senate, (2 of the status of professor and 2 non-professorial staff)	Professor David Blackaby (until 30 Sept 2016) Mr Michael Draper Professor Joy Merrell (from Oct 2016) Professor Jane Thomas Dr Tessa Watts	30 September 2016 15 March 2020 18 October 2020 30 November 2018 15 March 2020
6 members co-opted by the Council of Swansea University	Mr Huw Jones Mr John Mahoney Mrs Rosemary Morgan Dr Angus Muirhead Mr Bleddyn Phillips (from 30 Apr 2017) Ms Debra Williams Lord Michael Williams of Baglan (until March 2017)	10 September 2017 25 March 2020 10 September 2019 20 March 2020 1 May 2021 25 October 2019 March 2017
2 employees of Swansea University nominated by the University's recognised Trades Unions	Dr Simon Hoffman Mrs Val Mills (from June 2017) Mr John Tregembo (until April 2017)	10 September 2019 June 2021
President of Students' Union	Mr Lloyd Harris Ms Chisomo Phiri (from 1 July 2017)	30 June 2017 30 June 2018
Students' Union Sports Officer	Ms Robyn Lock Mr Gwyn Aled (from 1 July 2017)	30 June 2017 30 June 2018

The Senior Management Team has operational responsibility for the University and comprises:

Vice-Chancellor – Professor Richard B. Davies

Registrar and Chief Operating Officer (Administration and Support Activities) – Mr Raymond Ciborowski

Senior Pro-Vice-Chancellor (Estate and Internationalisation & Law) – Professor Iwan Davies

Senior Pro-Vice-Chancellor (Research and Innovation & School of Management, Human and Health Science and Medicine)
– Professor Hilary Lappin-Scott

Pro-Vice-Chancellor (Student Experience & Science and Engineering) – Professor Steve Wilks

Pro-Vice-Chancellor (Academic & Arts and Humanities and Social Sciences) – Professor Martin Stringer

Director of Finance – Mr Rob Brelsford-Smith

The Management Board is the senior management and operational committee of the University, consisting of the Vice-Chancellor, the Pro-Vice-Chancellors, the Heads of Colleges, the Registrar, the Director of Finance and two representatives of the Directors of key administrative operations. This body provides a forum for building common purpose across the Institution and for advising the Vice-Chancellor and other senior officers of the University on matters relating to their portfolio responsibilities.

THE WORK OF THE UNIVERSITY

Swansea University has seen another incredibly successful year; building strong foundations for continued future growth and success.

In recognition of this success, the University was awarded the title of 'Welsh University of the Year' by The Times and The Sunday Times Good University Guide 2017, and ranked within the top 350 in the Times Higher Education World University Rankings 2016-17 – our highest ever position.

In June 2017, the University was awarded a Silver rating for Teaching Excellence in the UK governments inaugural Teaching Excellence Framework. An independent panel of experts judged that Swansea University delivers high quality teaching, learning and outcomes for its students that consistently exceeds rigorous national quality requirements for UK higher education. In particular, the University was praised for the high proportion of students from all types of backgrounds progressing to highly skilled employment or further study.

The 2014 Research Excellence Framework (REF) results confirm the University's research is delivering significant, sustained and valuable economic and societal impact not just within Wales or the UK, but internationally. The results, which are valid until the next assessment in 2021, show that Swansea University achieved the biggest leap amongst research-intensive institutions – climbing from 52nd in the UK in 2008 to 26th in 2014. The University's research is now rated within the UK top 20 for 7 subjects: Medicine 2nd, English 7th, Bioscience 8th, Engineering 12th, Social Work 14th, Sports Science 15th and Computer Science 18th. Overall, the University doubled the volume of world-leading researchers and 90% of the University's research is now rated world leading or internationally excellent.

The University continues to achieve strong levels of student satisfaction in the latest National Students Survey 2017. 88% of students are satisfied with their overall experience placing the University joint 17th in the UK. 15 of the 39 subject areas the University provides are in the UK top 10 for overall satisfaction, including eight areas in the top 5¹.

In the latest WhatUni Student Choice awards 2017 (voted for by students), the University was once again recognised as one of the best universities in the UK with a ranking of 4th. The University has appeared in the top 5 in each of the last 5 years, including 1st in 2014. This year the University also took the top award for Postgraduate satisfaction within the survey.

The University is also providing increased opportunities for its graduates to go on to graduate employment or further study. In the Destination of Leavers from Higher Education Survey (DLHE) 2017, the University achieved its highest ever performance of 82.6% placing the University 15th in the UK. The Guardian University Guides' 2018 Value-Added metric also demonstrates the University's ability to support and develop all students to achieve positive outcomes. This metric improved 11 places to 26th in the UK.

The University continues to expand and upgrade both campuses to provide world-class research, teaching and student/staff facilities. Phase 2 of the Campus development Plan started in January 2016 and at the £450m Bay Campus, a new £31m Computational Foundry is currently under construction – a world-class centre for computational research. At the Singleton Campus, the refurbished Grove Building will house the new Chemistry department for students entering in September 2017 and a new Health and Wellbeing Academy opened in March 2017. Other developments in progress or planned include additional student residences and a semi-autonomous Research Institute called IMPACT (Innovative Materials, processing and Numerical Technologies) forming part of the College of Engineering at the Bay Campus, the progression of 'A Regional Collaboration for Health' (ARCH), the co-location of Natural Resources Wales and a new Student Activity Centre at Singleton Campus.

The achievements during the year confirm Swansea's position as an ambitious University on an upward trajectory.

¹ Ranking based on those institution that are included in the Sunday Times Good University Guide and have a valid NSS 2017 or DLHE 2017 result.

PUBLIC BENEFIT STATEMENT

The University became a registered charity in October 2010 and its charity number is 1138342.

The constitutional framework in which the University operates is defined in the Charter and Statutes. The objectives of the University are to advance learning and knowledge by teaching and research, and to engage in activities to promote and contribute to cultural, social and economic development within Wales and beyond. The University's vision, strategic aims and objectives are set out in the University's Strategic Plan.

In setting and reviewing the University's objectives and activities, the University's Council has had due regard to the Charity commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

To provide an environment of research excellence, with research that is world leading, globally collaborative and internationally recognised.

The University achieved the biggest leap amongst research-intensive institutions in the UK in the 2014 Research Excellence Framework – climbing from 52nd in 2008 to 26th in the UK. Swansea University is rated within the UK top 20 for 7 subjects and overall the University doubled the volume of world-leading researchers. 90% of the University's research is now rated world-leading or internationally excellent. These results are valid until the next Research Excellence Framework review which is due in 2021.

The high proportion of world-leading and internationally excellent research in Medicine, Engineering, Computer Science and Environmental Science is critical in supporting the continued development of the University's research portfolio. These areas working in interdisciplinary collaborations with researchers in the Arts, Humanities and Social Sciences have created the strength, both physical and reputational, that supports Swansea University's contribution to the research base in Wales and the world.

Over the last 10 years the University has made significant investments in the continued creation of a world-leading research environment; investing in the Singleton Park Campus with the development of the Institute of Life Science, Institute of Life Science 2, The Centre for Sustainable Aquaculture Research and Data Science at Swansea. In September 2015, the University opened the doors to the new Bay Campus, an extensive, innovation environment that maximises the growth of collaborative research with industry in high-tech clusters where Swansea has established strengths.

Most recently, the University achieved its highest ever ranking in the Times Higher Education World University Rankings 2016-17 and is ranked within the top 350 institutions in the world. This is in recognition of performance across research productivity, impact and reputation as well as teaching performance and internationalisation.

To deliver an outstanding student experience, with research-intensive and practice-driven teaching of the highest quality that produces global graduates educated and equipped for distinguished personal and professional achievement.

The University educates more than 20,000 students across a broad range of subject areas. This education develops students academically and advances their leadership qualities and interpersonal skills, and prepares them to play full and effective roles in society.

Two of the University's academies, Swansea Academy of Learning and Teaching (SALT) and the Swansea Employability Academy (SEA) support the delivery of this aim. SALT promotes excellence in learning and teaching and provides leadership for enhancing assessment and feedback, research-led teaching, online course delivery and pedagogical research. SEA is a partnership between the University, its students, local employers, entrepreneurs, the sector skill councils and government to support the development of employability, innovation and entrepreneurial skills amongst the student body to create 'global graduates'.

In the newly introduced UK Teaching Excellence Framework (TEF), the University was rated as a Silver institution indicating that the University delivers high-quality teaching, learning and outcomes for its students and consistently exceeds rigorous national quality requirements for UK higher education. In particular, the University excelled at supporting students from all backgrounds to achieve excellent outcomes. The TEF metrics showed that Swansea University supports its diverse array of students to achieve positive outcomes (i.e. graduate level employment or further study) at levels that far exceed expectations. This demonstrates the University is able to add value and nurture students to achieve their own personal goals.

In 2017, the University was ranked 17th in the Guardian University Guide 2018 for overall student satisfaction (based on the National Student Satisfaction Survey 2016) and ranked within the UK top-30 in all three of the main domestic league tables for supporting graduates to secure graduate-level employment.

The University also recognises that widening access to higher education must deliver the higher-level skills that permanently improve the life chances of the beneficiaries from a diverse set of backgrounds. The University has an excellent record of achievement in this area and

the Swansea Academy of Inclusivity and Learner Success (SAILS), provides a campus wide focus on widening access. SAILS aims to increase opportunities for people from diverse backgrounds (such as those from low participation or deprived areas, children who have been in care, disabled students) to benefit from higher education, and ensuring that students have the academic and pastoral support they need to succeed in their studies.

In addition, the University operates an extensive outreach programme to raise educational aspiration and attract outstanding applicants who might not otherwise have considered applying to the University. This includes an extensive programme of visits to schools, visits by schools to the University, open days, admissions symposia for teachers, as well as guidance and information on the University website for prospective applicants.

To use its research strength, collaboration with industry and global reach, to drive economic growth, foster prosperity, enrich the community and cultural life of Wales and, contribute to the health, leisure and well-being of its citizens.

Over the last ten years, the University has taken a radical and transformational approach, to position itself as an effective 'anchor' university within the region through the delivery of its long-term strategy for research and industry collaboration. The University's growth over the last decade is critical in terms of its ability to impact on economic growth within Wales. The critical mass established in the priority sectors of Advanced Engineering and Materials, ICT and the Digital Economy and Life Sciences and Health enable the University to drive real productivity gains and boost the region's economic competitiveness.

The development of the Bay Campus has already realised a significant economic impact on the region with over 7,500 people having worked on the site (78% living in Wales), 183 contracts awarded to Welsh companies (worth over £66m) and 165 local people given the opportunity to start new careers and learn new skills. Over a ten-year period, the Bay Campus is expected to inject £3 billion into the region and create 10,000 jobs.

Building upon its research strength and industry partnerships the University has successfully delivered a number of large projects supported by European funding which have realised significant benefits for Wales and the region through job creation, productivity growth and support for business. Of particular note is the Institute of Life Science, the research arm of the College of Medicine, which has delivered tangible benefits to healthcare and the regional economy as well as building on the world-leading research of the College of Engineering. The University also supports local businesses by working directly with local employers to identify and meet their skills needs and help them to develop skills essential to bringing increased prosperity to Wales.

In September 2016, the University hosted the British Science Festival and Weekend Family Festival attracting over 25,000 visitors and bringing together leading scientist, showcasing the latest scientific breakthroughs and giving the public the opportunity to come along, participate and be inspired by Science. The success of this event has led to the creation of the Swansea Science Festival which took place in September 2017. This free festival will be hosted by the University's festival partner the National Waterfront Museum and will attract visitors from all ages designed to engage with the public and inspire the next generation of scientist.

The University holds historical research collections of international importance. These unique and diverse collections, including the Richard Burton Archives and Dylan Thomas notebook and manuscripts, support world-leading research and teaching in the University and range in scope from rare books and archives to oral history records and pamphlets. The University's Archives preserves the collections and makes them accessible for current and future generations. The Collections, themselves, provide a fascinating insight into the industrial, cultural, social, political and educational history of South Wales, and are open to the public.

In March 2016, the University launched 'Oriol Science', the only exhibition space run by a UK University that showcases its research to the community and designed to help increase the uptake of students going on to study STEM subjects from GCSE level through to Higher Education. Since its opening, 12,000 public visitors and 750 school students have visited and more than 90% say they have learned more about Science.

The Taliesin Arts Centre and the Egypt Centre on the Singleton Campus and the Great Hall on the Bay Campus, host and support events, exhibitions, conferences, graduation ceremonies and community events for the local community, the public and local schoolchildren. The University also has extensive library and sporting facilities which are available to the local community.

Discovery, a student-led organisation, co-ordinates hundreds of student volunteers in around 20 student-run community-based projects. It tackles social isolation and poverty through working with children and adults with disabilities and learning difficulties, and providing companionship and practical help for older people.

Beneficiaries of the University include students, visiting academic staff and schoolchildren, alumni of the University and the general public - all of whom have an opportunity to attend educational events (such as public lectures, exhibitions and other activities) and to use its academic facilities.

FINANCIAL AND RISK MANAGEMENT

CASH FLOW

In accordance with the University's Treasury Management Policy, the investment objective is to achieve the best return whilst minimising risk. The University's short-term deposits are currently managed by Royal London Asset Management, the performance of which is monitored by the Investment Sub-Committee against pre-determined benchmarks.

BORROWING POLICY

The University has secured a further EIB loan for £60 million but no funds have yet been drawn down.

Alongside its policies for sourcing funding the University is also concerned to manage the risks and minimise the inherent inflexibility of long-term arrangements. When borrowing, the University is guided by the following principles:

- To avoid exposure to potentially unaffordable increases in interest rates
- To preserve flexibility to restructure borrowing and interest rate exposure independently
- To maximise the advantage conferred by the University's covenant
- To keep the quantum of debt to a level that can be safely serviced by operating cash flow and that is consistent with the University's banking covenants
- To structure the overall repayment profile to contain pressure on cash flow.

Swansea University is required to comply with financial covenants issued by the EIB under the Finance Agreement in relation to debt servicing, gearing and liquidity. The University's management regularly monitor compliance with covenants when considering any material investments in University infrastructure.

MONEY MANAGEMENT AND LIQUIDITY

A high proportion of the University's income is received on a fixed, pre-notified schedule. This allows the University to maintain positive cash balances and avoid reliance on short-term borrowings. Excess cash balances are usually transferred into money-market deposits. To date, the bulk of these are managed in a mutual account on the University's behalf and have a maturity profile that balances risk and return whilst reflecting the University's capital investment plans.

In the light of current uncertainty in the markets, the University continues to monitor its deposits actively.

The University also holds funds to support the provision of scholarships, prizes and other endowed activities. These funds are invested in a mix of equities, fixed term stocks and bonds, cash and other instruments designed to generate income whilst protecting the real value of the underlying capital.

MODERN SLAVERY

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 July 2017.

During the year to July 2017 the University acted responsibly to ensure compliance with the Modern Slavery Act 2015. Swansea University are committed to working towards ensuring there is no modern slavery or human trafficking in our supply chains or in any part of our business.

In light of the obligation to report on measures to ensure that all parts of our business and supply chain are slavery free, we will review our workplace policies and procedures to assess their effectiveness in identifying and tackling modern slavery issues. Emerging government policy on ethical supply chains will also be considered by Swansea University.

As part of our initiative to identify and mitigate risk we will put systems in place to identify, assess and monitor potential risk areas in our supply chains.

Swansea University is a member of the Higher Education Purchasing Consortium Wales (HEPCW). HEPCW works effectively alongside its counterpart UK Universities Purchasing Consortia. The joint contracting programme provides a comprehensive and

mature collaborative portfolio, which includes some of the high-risk categories such as office supplies, laboratory consumables, ICT equipment and some estates services.

Many of our suppliers in these higher-risk categories have committed to the Base Code of the Ethical Trading Initiative (ETI) and the UK Universities Purchasing Consortia are working to persuade the remaining suppliers in these categories to join them. The ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally-recognised code of labour practice, requiring that:

1. Employment is freely chosen;
2. Freedom of association and the right to collective bargaining are respected;
3. Working conditions are safe and hygienic;
4. Child labour shall not be used;
5. Living wages are paid;
6. Working hours are not excessive;
7. No discrimination is practised;
8. Regular employment is provided; and
9. No harsh or inhumane treatment is allowed.

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our organisation, we intend to raise awareness of modern slavery. Procurement staff will complete the Chartered Institute of purchasing and Supply (CIPS) 'Ethical Procurement and Supply' on-line training, or equivalent.

PRINCIPAL RISKS AND UNCERTAINTY

HEFCW define risk as 'the element of uncertainty which affects operational decisions and planned outcomes. Risk factors may be either positive opportunities or negative threats', essentially, the factors that help or hinder the achievement of our objectives. By identifying key risks to the achievement of our objectives, we are able to consider and plan our response to them. This helps us to minimise the impact of 'surprises' and to respond more effectively to possible opportunities.

Risk management is a process which provides assurance that objectives are more likely to be realised, damaging things are less likely to happen and beneficial things are more likely to be achieved.

At Swansea University, risks can be seen to exist at different levels:

- Corporate or strategic level
- College / school level
- Professional Services Unit (PSU) level
- Project level

Corporate or strategic level risks are managed by the University Senior Management Team (SMT) via the University Risk Register. Whilst ownership of risks is retained at a senior level of management, the mitigating actions are cascaded down the University organisation. In addition, all Colleges and all Professional Services Units at the University have individual risk registers to ensure that risks to their objectives are identified and that active risk management takes place. All projects are also expected to identify and mitigate risks on an on-going basis.

The University Risk Register is reviewed in a quarterly cycle by SMT. Colleges and PSUs are expected to review their Risk Registers at Management Team meetings and to mitigate any risks to their objectives on an on-going basis.

In the academic year 2016/17, the University Risk Register monitored 20 risks and 1 was considered to be in red status. At the end of July 2017, there were 19 strategic risks on the University Risk Register and of these, 1 is considered to be in red status, i.e. of most concern.

- The University vision of being a research-intensive University is dependent on research income targets being achieved

In addition to these red risks, the University Risk Register also closely monitors other corporate and strategic risks, including the importance of ensuring good links with industry, the importance of ensuring an excellent student experience, the recruitment of high-quality staff and targets for student recruitment, both home and overseas, both undergraduate and postgraduate.

KEY PERFORMANCE INDICATORS

The University utilises a number of Key Performance Indicators (KPIs) to assist in the monitoring of the University against its objectives. A selection of the main KPIs are shown below. Where possible, 2016-17 figures are reported but in some cases the most recent HESA data available will relate to 2015-16.

Students	
Numbers	Outcomes
<ul style="list-style-type: none"> • 20,512 applications – 6.5% increase • 17,412 total undergraduates • 3,419 total postgraduates • 19% overseas students 	<ul style="list-style-type: none"> • 88% of students are satisfied (NSS 2017) • 77% achieved a First or 2:1 degree (16-17) • 83% secured a graduate level job or further study job within 6 months (DLHE 2017) • Top 30 for the Guardians' Value Added Score 2018 – 26th in UK (up 11 places)

Staffing	
Total staff (FTE 15-16) 2,745	Academic/Research staff (FTE 15-16) 1,285

Performance
<p>UK Top 30 for Research Excellence – REF2014 ranked 26th (up 26 places)</p> <p>Winner – WhatUni Student Choice Award 2017 – Postgraduate and voted a top-5 best University in the UK for five consecutive years (winning in 2014).</p> <p>Awarded – Times Good University Guide 2017 Welsh University of the Year</p> <p>UK Rankings (2017 guides) 45th Guardian University guide 2018 44th Complete University Guide 2018 44th Times Good University Guide 2017 – Top-ranked university in Wales.</p> <p>World Rankings (2017 guides) 431-440 QS World university Rankings 2017 301-350 THE World University Rankings 2016-17</p>

STUDENT KEY PERFORMANCE INDICATORS

KPI	Undergraduate degree success – Proportion obtaining 1st / 2.1 class degree	
Measuring	Success in supporting students in their learning experience	
Year	2015-16 (%)	2016-17 (%)
	78.1	77.4

Source: Internal Data

KPI	Graduate employability	
Measuring	Success in supporting graduates to obtain a professional level job, go on to further study or both within 6 months after graduating	
Year	2015-16 (%)	2016-17 (%)
	80.5	82.6

Source: Destination of Leavers from Higher Education 2016 and 2017

KPI	Student Satisfaction		
Measuring	Student satisfaction with quality of teaching and student experience		
Year	Teaching Quality (%)*	Student Experience (%)*	Overall satisfaction (%)
2016-17	81.3*	81.2*	88
2015-16	81.2	84.6	90

Source: *NSS 2016 and 2017. The NSS 2017 questions have been updated and direct comparisons with previous years is not recommended.

KPI	Staff / Student ratio		
Measuring	Number of students per academic staff member		
Year	Number of students	Number of academic staff	Student / Staff Ratio
2015-16	15,048	990	15.2
2014-15	13,829	942	14.7

Source: Derived from HESA data as used in UK League Tables

DIVERSITY – STUDENTS

KPI	Percentage of students from disadvantaged (widening access) background	
Measuring	Success at attracting under-represented groups in to higher education	
Year	From Communities First areas (%)	From low affluence areas (%)
2016-17	19.2	31.4
2015-16	20.8	32

Source: HEFCW Corporate Strategy Indicators

KPI	Proportion of Male and Female Students	
Measuring	Gender balance	
Year	Male	Female
2015-16	9,215 (52.8%)	8,230 (47.2%)
2014-15	8,405 (52.4%)	7,620 (47.6%)

Source: HESA data

KPI	Proportion of students with a disability	
Measuring	Participation rates of disabled students at the University	
Year	Disability	No Disability
2015-16	1,730 (9.9%)	15,715 (90.1%)
2014-15	1,560 (9.7%)	14,465 (90.3%)

Source: HESA data

KPI	Ethnicity (UK Students) – Proportion of students who are BAME	
Measuring	Participation rates of Black and Minority Ethnic Students	
Year	BAME	Not BAME
2015-16	1,485 (11%)	13,415 (89%)
2014-15	1,255 (9.5%)	11,975 (90.5%)

Source: HESA data

KPI	International Students	
Measuring	Ability to attract international students / promote student diversity	
Year	UK	Non-UK
2015-16	14,180 (81.3%)	3,260 (18.7%)
2014-15	13,225 (82.6%)	2,775 (17.3%)

DIVERSITY – STAFF

KPI	Gender	
Measuring	Gender balance of staff	
Year	Male	Female
2015-16	1,340 (45.5%)	1,610 (54.5%)
2014-15	1,355 (46.6%)	1,550 (53.3%)

Source: HESA data (Full person equivalent).

KPI	Females in senior roles	
Measuring	Female staff in the Senior management Team – internal metric	
Year	2015-16	2016-17
	1 (14.3%)	1 (14.3%)

STUDENT NUMBERS

All Students	Home	Overseas	Total	FTE Load Home	FTE Load Overseas	FTE Load Total
Full-Time Undergraduate	12,671	2,766	15,437	10,899	1,702	12,601
Part-Time Undergraduate	1,973	2	1,975	249		249
Full-Time Taught Postgraduate	652	859	1,511	540	616	1,156
Part-Time Taught Postgraduate	935	61	996	220	2	222
Full-Time Research Postgraduate	558	198	756	507	173	680
Part-Time Research Postgraduate	142	14	156	64	4	68
Non-Business Planning Funded CHHS						1,258
	16,931	3,900	20,831	12,479	2,497	16,234

FINANCIAL KEY PERFORMANCE INDICATORS

KPI	Debt Service Ratio - Institution
Measuring	Proportion of gross income spent on financing debt (principal plus interest)
Year	
2016-17	3.02%
2015-16	2.46%

Comment: The increase represents the commencement of loan repayments on the second tranche of the EIB loan, the first repayment made on the EIB loan and two new service concession arrangements along with increases in the repayment of the service concession arrangements.

KPI	Net Gearing Ratio - Institution
Measuring	Proportion of debt financing to equity
Year	
2016-17	33.95%
2015-16	44.72%

Comment: The net gearing ratio has improved significantly due to loan and service concession arrangement repayments reducing debt, a small increase in cash held along with a significant increase in funds.

KPI	Days liquid net assets to expenditure - Institution
Measuring	Liquidity – the ability to pay the University's costs
Year	Days
2016-17	106
2015-16	110

Comment: The University aims to hold at least 35 days' expenditure in liquid assets

KPI	Liquidity - Consolidated
Measuring	Debt servicing cost for the year as a % of cash flow from operating activities
Year	
2016-17	28.66%
2015-16	62.68%

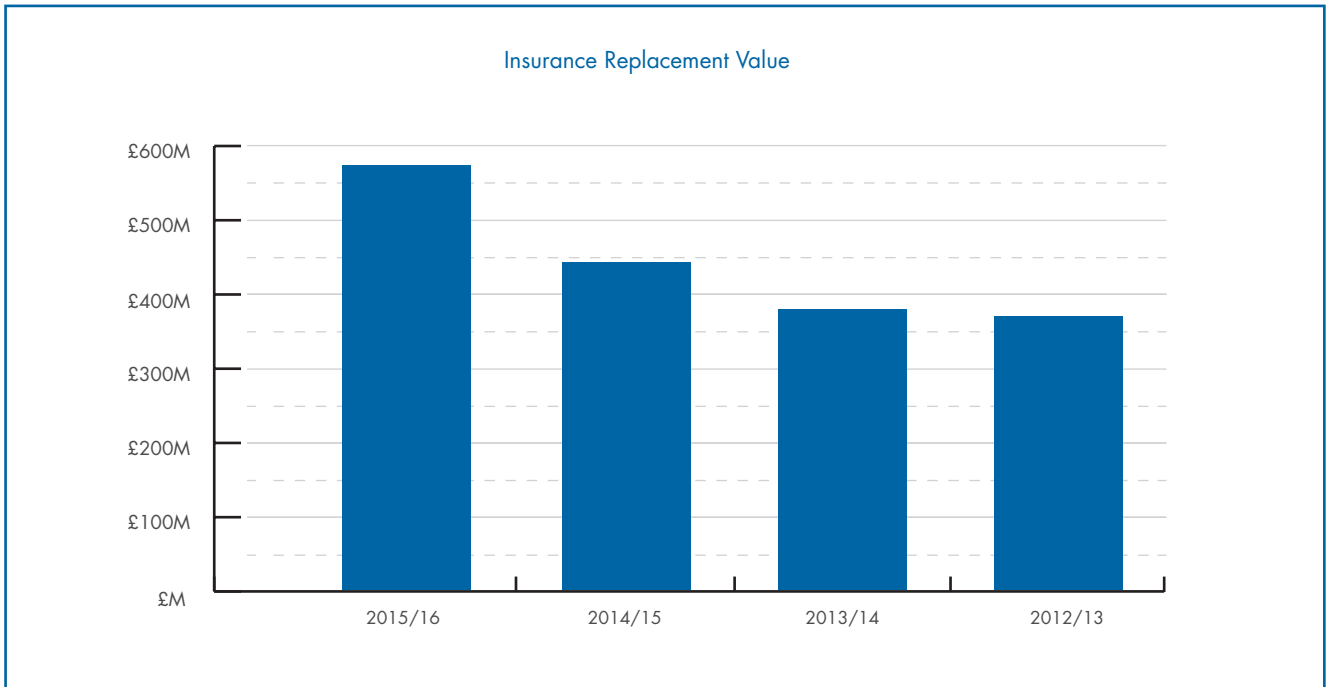
RESEARCH

KPI	New research projects	Research grants awarded growth
Measuring	Number of new research projects	Value of new contracts
Year	Actual	Actual (£m)
2016-17	293	65.1
2015-16	294	40.7

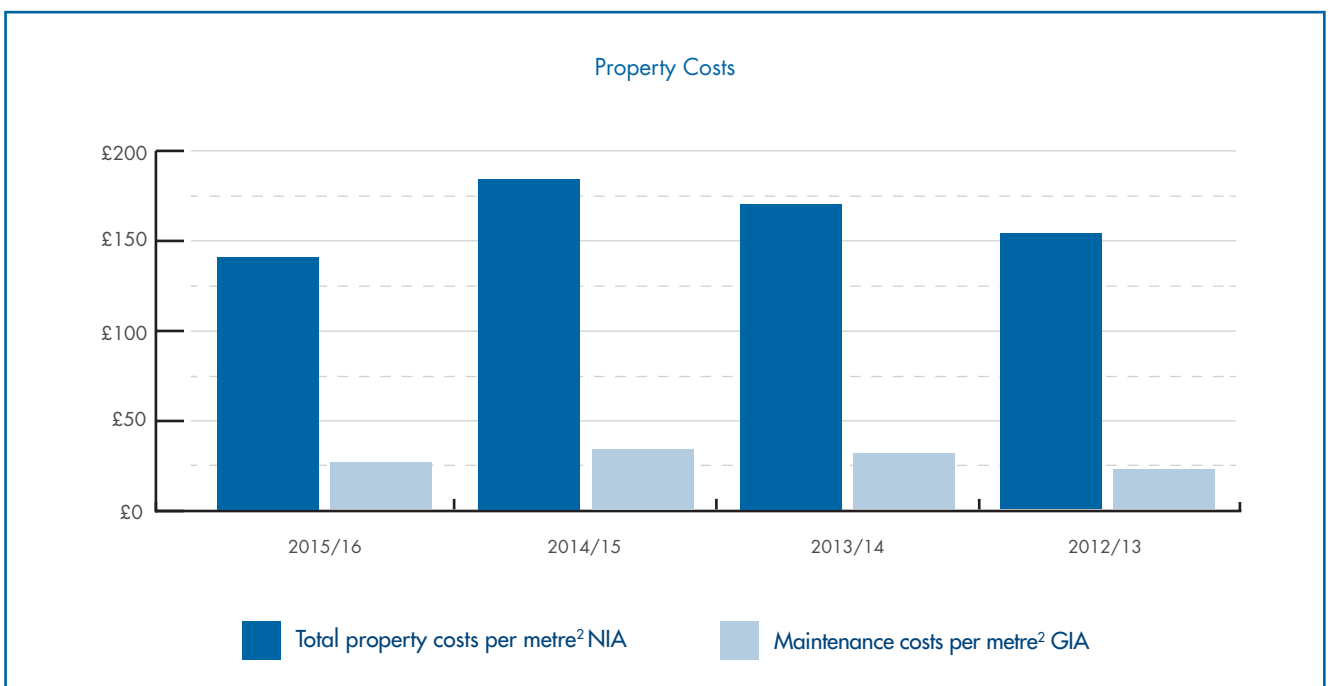
ESTATES KEY PERFORMANCE INDICATORS

The data used has been extracted from the Higher Education Statistics Agency data report. The data used in this illustration excludes the Bay Campus as construction was not completed at the time the report was prepared.

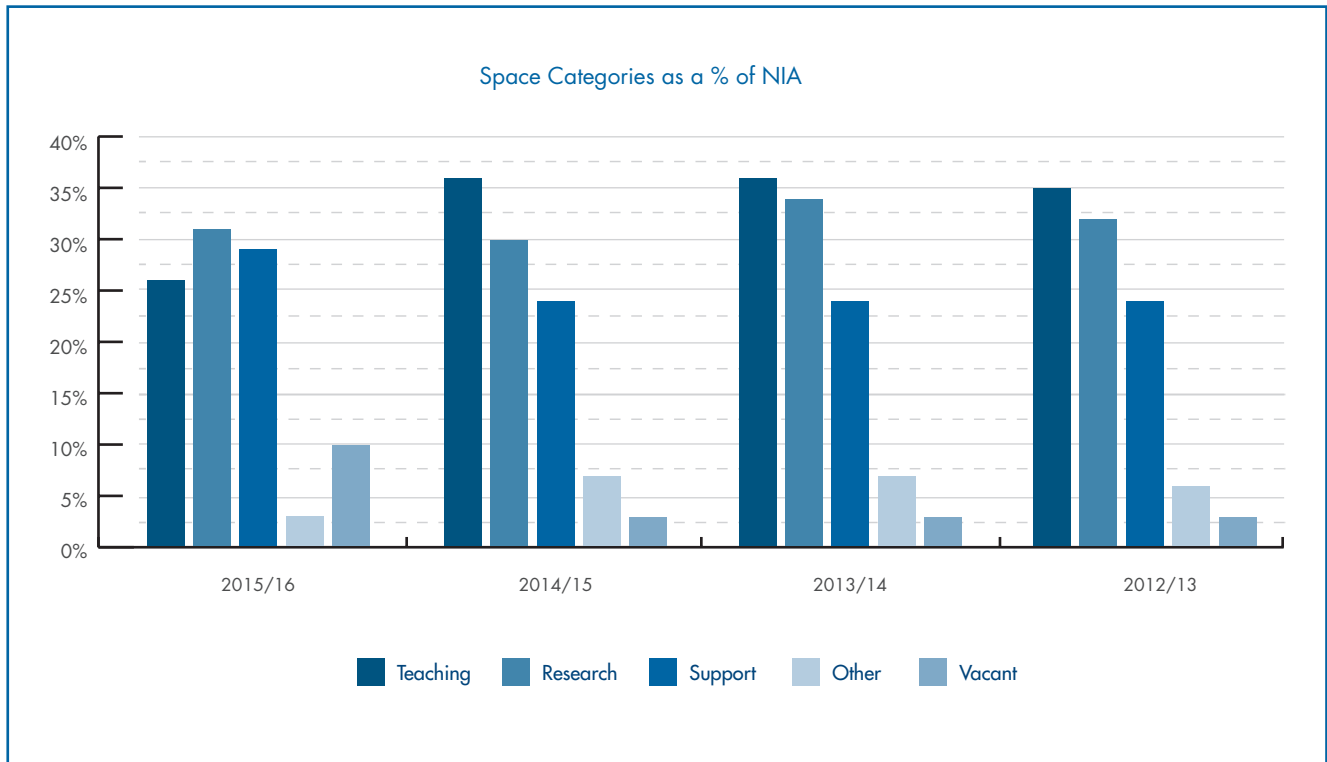
Total current cost of re-building the whole estate



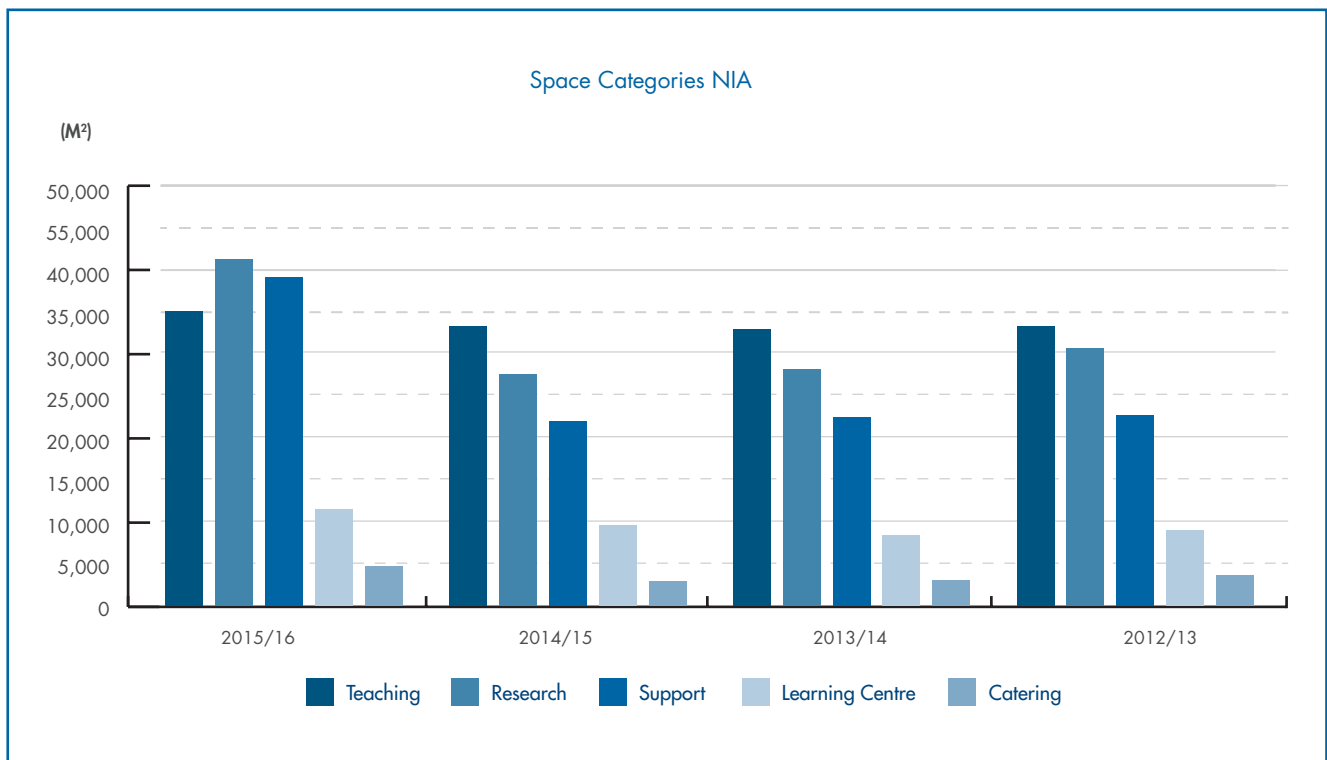
Total incurred property management costs for the whole estate



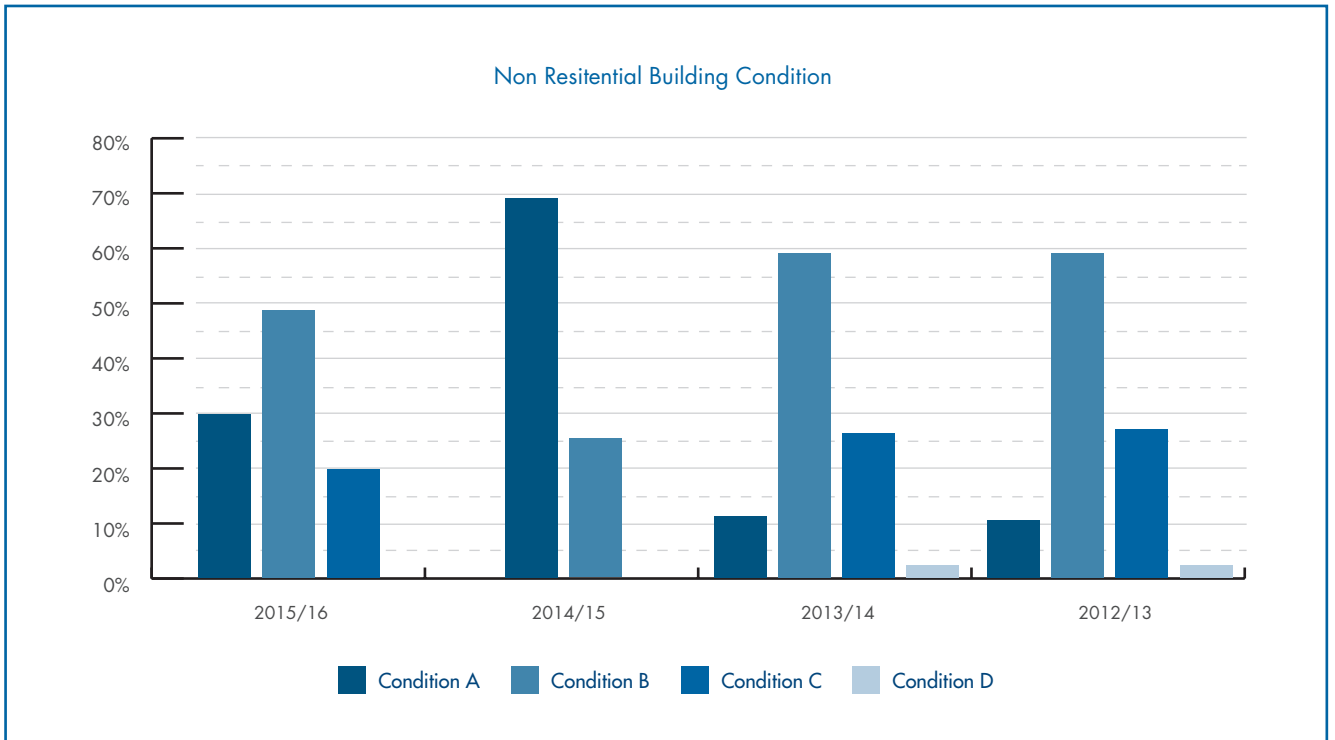
Total space occupied as a % by various categories with the whole University



Total space occupied in metres of various categories with the whole University

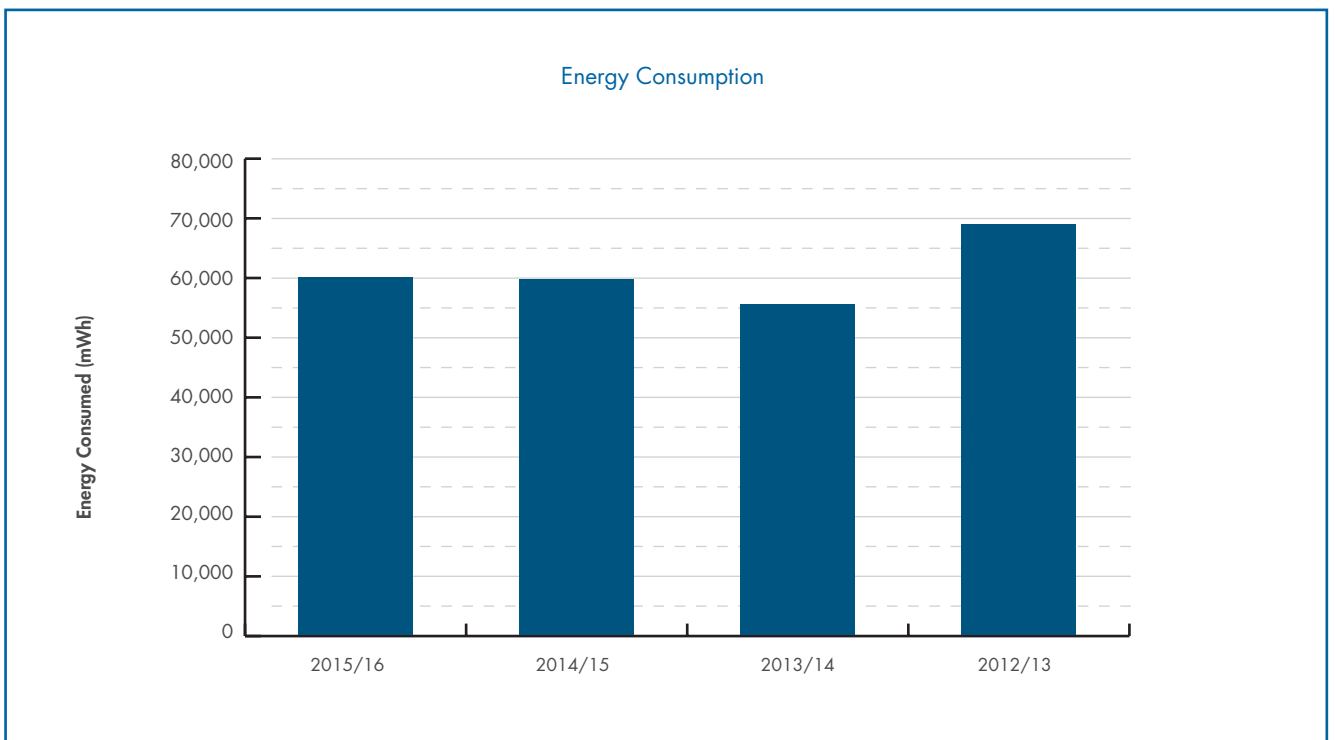


Building Condition using RICS Methodology



- A : As New
- B : Sound operationally, safe and exhibits only minor deterioration
- C : Operational but major repair/ replacement needed
- D : Inoperable/significant risk of failure or breakdown

The consumption of energy for the entire site

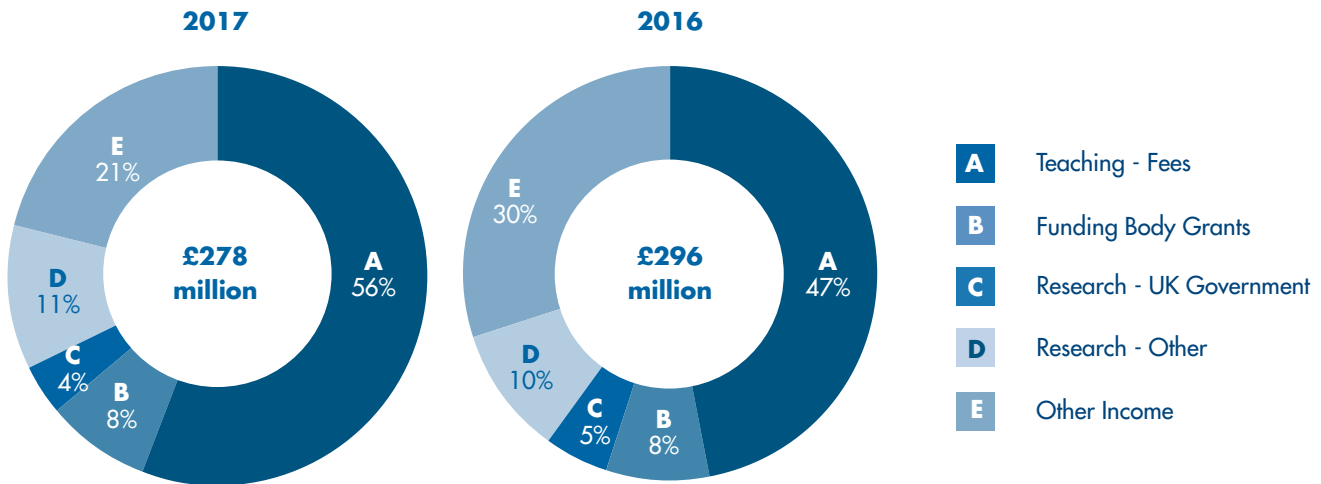


FINANCIAL REPORT OF THE INSTITUTION

INTRODUCTION

The Financial Statements for 2017, along with prior year comparative figures, have been prepared under the accounting standard FRS 102 and the Higher Education SORP.

INCOME

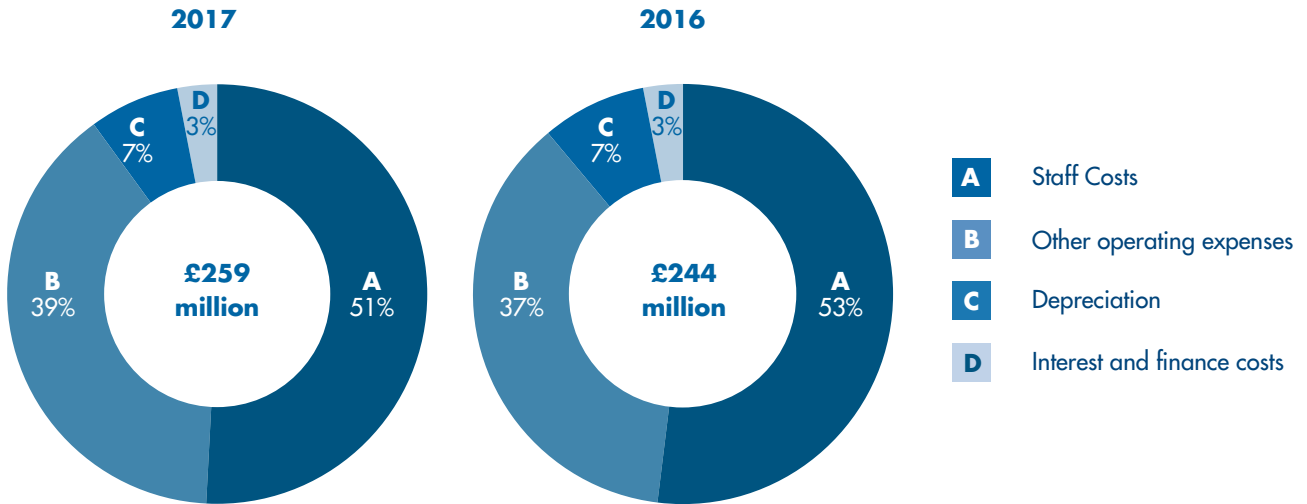


Income has decreased by 6%, down from £296 million to £278 million between 2016 and 2017. Within income, the most significant decrease has been to Other Income (£29 million decrease), along with a decrease in funding body grants (£3 million) but a further increase in Tuition Fee and Education Contracts in 2017 (up £16 million).

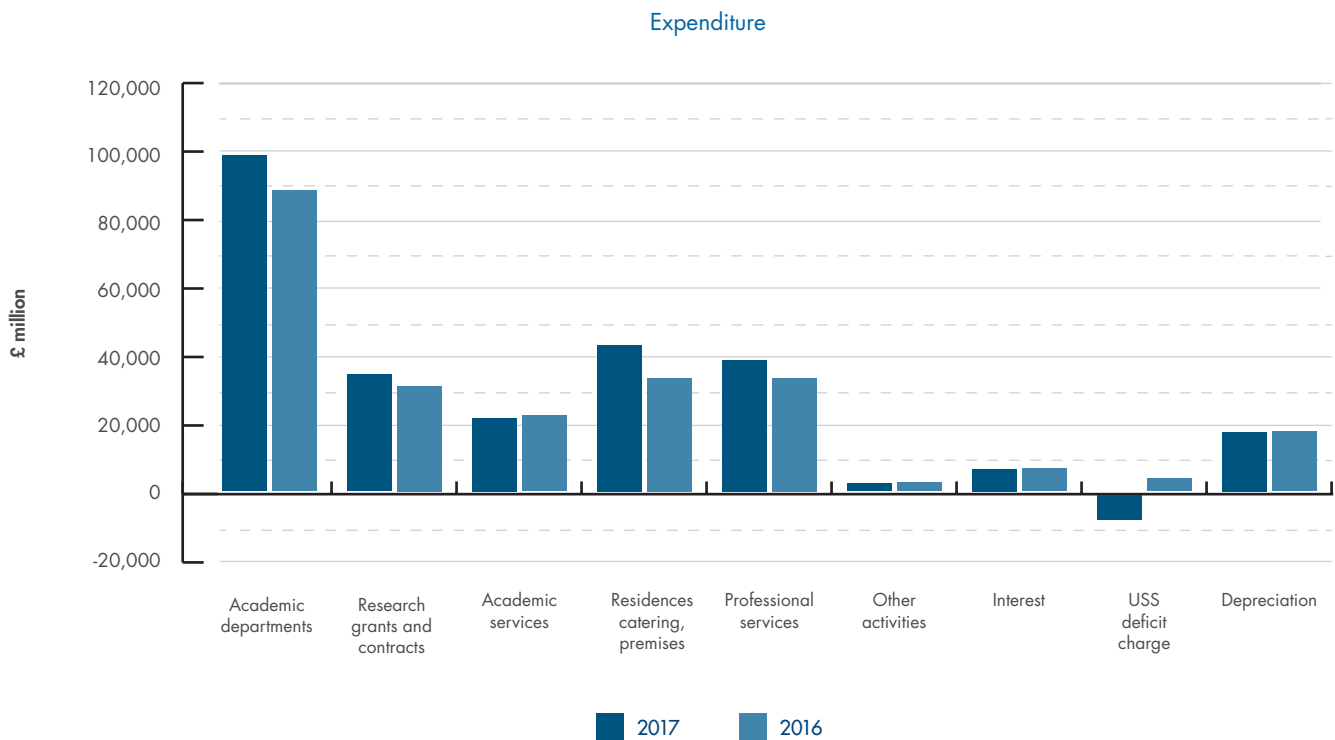
Within Other Income for 2016 was the release of capital grants received for the Bay Campus. In 2017, capital grant release has decreased to £5 million (2016: £48 million). This movement is due to the FRS102 accounting standard where the grants are to be released in full upon meeting all performance conditions (i.e. completion of the building). This figure is likely to fluctuate annually depending on the timing of the completion of buildings and related capital grants.

EXPENDITURE

Expenditure increased by £15 million between 2016 and 2017.



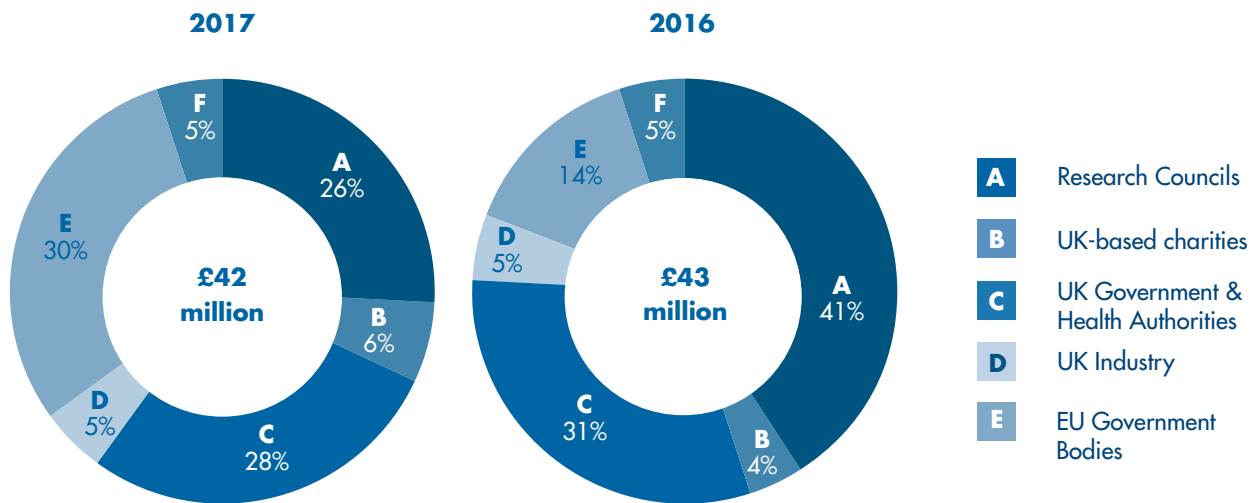
A further analysis of expenditure is shown below, analysing costs per category of activity (before interest and depreciation). Costs have remained fairly stable, generally increasing as expected in line with income.



Most of the University income is spent on running the University day-to-day, however, any funds remaining are reinvested back into provide high quality facilities across the University.

Since 2012, the University has invested heavily on capital spend, to upgrade the University’s facilities. £60 million has been funded using loans, with the remainder funded by grants, reversionary leases and reinvested funds.

RESEARCH



Research has remained fairly stable year on year, albeit with an increase in funding from EU Governments (increase of £7 million between 2016 and 2017) and a decrease in Research Council funding (decrease of £7 million from 2016).

BEQUESTS AND DONATIONS

During the year, the University received numerous donations and bequests including contributions towards scholarships and the University in general.

BALANCE SHEET AND RESERVES

The strength of the Balance Sheet continues to improve year on year. General unrestricted reserves increased by £38 million after the release from the revaluation reserve (+£1 million) and an adjustment in respect of the actuarial gain in respect of the pension scheme (+£18 million). Total reserves increased in the year by £37 million.

The fixed assets increased by £8 million which largely relates to capital build less depreciation on buildings. The cash at year end was £2 million higher than at the start of the year.

Creditors due in less than one year increased by £14 million which was largely due to increase creditors relating to research projects. Creditors due in more than one year decreased by £4 million, being the loan repayments and reduction in service concession arrangement liabilities. The pension provision decreased significantly, due to the gain on the Swansea University Pension Scheme.

FINANCIAL MANAGEMENT

The financial management of the University is becoming more complex as a result of the funding and financing arrangements. New financing methods such as the EIB loan along with significant euro currency receipts has resulted in the University increasing its attention to financial management and, in particular, to cash flow management.

OUTLOOK

The University continues to make a major investment in its estate which will dominate its financial position over the next ten years. It is doing so at a time when there is continuing uncertainty and reductions in the level of funding available to the sector in future years. The strategic development of Swansea University will create a transformational asset for the Swansea Bay Region as well as Wales.

Against the wider economic backdrop, there will be challenging times ahead for the University. However, with continuing strong management and workforce the University is confident of successfully making progress in its strategic plans, and achieving its objectives. The University's strong growth in recent times, and advances up through the sector league tables, means that the University is well positioned to respond to these challenges.

CORPORATE GOVERNANCE

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1920. Its objects, powers and framework of governance are set out in the Supplemental Charter and its supporting Statutes; the latest amendments to which were approved by the Privy Council in 2007. The University registered as a charity in 2010 (1138342).

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities:

The Council is the governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

The Council endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to universities from the Committee of University Chairs in its Higher Education Code of Governance published in December 2014 which superseded the Governance Code of Practice previously incorporated in the Guide for Members of HE Governing Bodies in the UK.

In respect of the year ended 31 July 2017, the Council can report: (i) that there was no element of the Governance Code of Practice with which the University's practice was not consistent and (ii) that an action plan to ensure full alignment with the new Higher Education Code had been implemented.

The University undertakes regular Council effectiveness reviews and underwent its first external review in 2012. This External Review concluded that the Council was discharging its duties appropriately and effectively as the governing body of the University. A copy of the full Review report is available on the University's website.

The University is committed to the highest standards of openness, probity and accountability, and seeks to conduct its affairs in a responsible manner and has in place a Public Interest Disclosure policy to enable staff, students and other members of the University to raise concerns which are in the public interest.

The Council has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. The membership also includes staff and students. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work they do for the University.

The Senate is the academic authority of the University and draws its membership from the academic staff and students of the institution. Its role is to direct and regulate the teaching and research work of the University.

The Court is a large, mainly formal body. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the annual report and audited financial statements of the University.

Most members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University. The membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

The chief executive and principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal financial memorandum between the University and the Higher Education Funding Council for Wales, the Vice-Chancellor is the accounting officer of the University and in that capacity can be summoned to appear before the Audit Committee of the Welsh Government.

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the Finance Committee, the Human Resources Policy Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee.

The role of each of these committees is set out below:

The **Finance Committee** advises Council on the financial implications of strategic plans and major projects and approves detailed operating budgets for submission to Council. In addition, the Committee monitors on-going financial performance against budget and advises Council on the funding implications of capital plans.

The **Human Resources Policy Committee** advises Council on policies relating to the human resources of the University in the context of the University's strategy, legislative changes and good employment practice.

The **Nominations Committee** helps ensure that the University's committee structure remains "fit for purpose" and operates effectively. It manages, on behalf of Council, changes to the constitutions, membership and terms of reference of the committees established by Council. It also makes recommendations to Council for the appointment of the lay officers of the University and for co-options to Council.

The **Remuneration Committee** determines the annual remuneration of the Vice-Chancellor, professorial and senior professional staff.

The **Audit Committee** meets at least four times a year, including once with the external auditors to discuss audit findings and to review the University's financial statements and accounting policies. The Committee meets with the internal auditors to consider the review of internal control systems and to address recommendations for the improvement of such systems. It also receives and considers reports from the Funding Council as they affect the University's business, and monitors adherence to the regulatory requirements.

All of these committees are formally constituted with terms of reference and a membership which includes lay members of Council. The committees are chaired by a lay member of Council. In the case of the Audit Committee, all the members are independent of the University's management, although senior executives attend meetings as necessary.

As chief executive of the University, the Vice-Chancellor exercises considerable influence over the development of institutional strategy, the identification and planning of new developments, and the shaping of the institutional ethos. The Pro-Vice-Chancellors and the senior professional officers all contribute in various ways to these aspects of the work, but ultimate authority rests with the Council.

The University maintains a register of interests of members of the Council and senior officers which may be consulted by arrangement with the Director of Governance Services.

The role of the Secretary to Council is defined in the University's Ordinances. The Secretary to Council also acts as the Secretary to some of the Committees of Council.

STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

INTRODUCTION

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University, and to enable the University to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation; the Accounts Direction issued by the Higher Education Funding Council for Wales; the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for Wales and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Council 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 Council is satisfied that the University 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 Council has taken reasonable steps to:

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

The key elements of the University's system of internal 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, heads of academic and professional services departments
- a comprehensive medium and short - term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of financial results involving variance reporting and updates of forecast out - turns
- clearly defined and formalised requirements for approval and control of expenditure, with significant investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review by the Finance Committee
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Finance Committee
- a professional Internal Audit service whose annual programme is approved by the Audit Committee and whose head provides the Council, through the Audit Committee, 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.

The key elements of the University's system of risk identification and management, which is designed to discharge the responsibilities set out above, include the following:

- linking the identification and management of risk to the achievement of institutional objectives through the annual planning process
- evaluating the likelihood and impact of risks becoming a reality as part of that same process and establishing mitigating controls
- having review procedures that cover business, operational, compliance and financial risk
- embedding risk assessment and internal control processes in the ongoing operations of all units
- reporting regularly to Audit Committee, and then to Council, on internal control and risk
- reporting annually to Council the principal results of risk identification, evaluation and management review.

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

The Council has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Council is of the view that there is a formal on-going process for identifying, evaluating, and managing the University's significant risks that has been in place for the year ending 31 July 2017, and up to the date of approval of the financial statements. This process is regularly reviewed by the Council.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF SWANSEA UNIVERSITY (THE "INSTITUTION")

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

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

- give a true and fair view of the state of the group's and the institution's affairs as at 31 July 2017, and of the group's and the institution's income and expenditure and changes in reserves and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements, included within the Operating and Financial Review and Financial Statements 2016 – 2017 (the "Annual Report"), which comprise: the consolidated and institution Balance Sheets as at 31 July 2017; the consolidated and institution Statement of Comprehensive Income for the year then ended; the consolidated and institution Statement of Changes in Reserves for the year then ended; the consolidated Statement of Cash Flows for the year then ended; and the Accounting Policies and the notes to the financial statements, which include other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of Council's Responsibilities set out on page 24, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group and institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the group and institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We are eligible to act, and have been appointed, as auditors under section 144(2) of the Charities Act 2011.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the institution's Council as a body in accordance with the Charters and Statutes of the institution and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Opinions on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

Sufficiency of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Internal control

Under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the institution and group. We have no exceptions to report arising from this responsibility.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Statutory Auditors, Swansea

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with FRS102 and the Higher Education Statement of Recommended Practice.

1. BASIS OF PREPARATION

The financial statements presented to the Council have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards. Swansea University is a public-benefit entity and therefore has applied the relevant public-benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historic-cost convention (modified by the revaluation of fixed assets and the measurement of certain financial instruments at fair value).

The financial statements have been prepared on a going-concern basis. The Members of Council feel that this is appropriate as the University has considerable financial resources together with a significant value of contracted income over the medium term. The Members of Council have reviewed forecasts and forecast covenant compliance throughout the year. Therefore, the Members of Council believe that they are well placed to manage its business risks despite the on-going changes in sector funding.

Judgements made by management in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in accounting policy note 19.

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Joint ventures are accounted for using the equity method.

2. INCOME RECOGNITION

Income from the sale of goods or services (exchange transactions) is credited to the Statement of Comprehensive Income when the amount of revenue can be reliably measured, the stage of completion at the end of the reporting period can be reliably measured, it is probably that the economic benefits associated with the transaction will flow to the University and when costs of services delivered or due to be delivered can be measured reliably.

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

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Government grants including Funding Council block grant and research grants from Government sources and other grants and donations from non-government sources including research grants from non-government sources are recognised within the Statement of Comprehensive Income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions is deferred on the Balance Sheet and released to the Statement of Comprehensive Income in line with such conditions being met.

Capital Government grants for land are to be accounted for in line with the performance model as per the policy for Government Grants above.

Commercial research contracts are accounted for in line with the policy for income from the sale of goods or services (exchange transactions) above.

Other grants and donations received from non-government sources including research grants from non-government sources are recognised within the Statement of Comprehensive Income when the University is entitled to the income and the performance-related conditions have been met. Income received in advance of performance related conditions is deferred on the Balance Sheet and

released to the Statement of Comprehensive Income in line with such conditions being met.

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

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

Donations with no restrictions are recorded within the Statement of Comprehensive Income when the University is entitled to the income.

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

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

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

3. ACCOUNTING FOR RETIREMENT BENEFITS

The three principal schemes for the University's staff are the Universities Superannuation Scheme (USS), the Swansea University Pension Scheme (SUPS), and the National Employment Savings Trust (NEST). SUPS was closed to new members from 1 January 2012 when new staff were invited to join NEST. The University also contributes to the NHS Pension Scheme.

USS and SUPS are defined-benefit schemes, which are externally funded and contracted out of the State Second Pension. Each fund is valued every three years by professionally qualified independent actuaries. NEST is a defined contribution scheme.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities of each University, due to the mutual nature of the scheme. Therefore, the scheme is accounted for as a defined contribution retirement benefit scheme.

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

Defined Contribution Plan

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

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined-contribution plan. The Group's net obligation in respect of defined pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; the benefit is discounted to determine its present value, and the fair value of any plan assets (and any unrecognised past service costs) are deducted. The liability discount rate is the yield at the balance sheet date on AA-credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the group obligations. The calculation is performed by a qualified actuary using the projected unit-credit method. When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

4. 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 the service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement. Unused annual leave entitlement at 31 July is recognised as a creditor for administrative staff. There is no creditor for unused annual leave for academics as no obligation exists.

5. 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 are stated at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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.

6. 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 the 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.

The Bay Campus residences and Singleton residences are classified as a Service Concession Arrangements.

7. OPERATING LEASES

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

8. FOREIGN CURRENCY

Transactions in foreign currencies are translated to Pound Sterling at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

9. FIXED ASSETS

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Land and Buildings were revalued to fair value on the date of transition to the 2015 HE SORP. These are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation. The difference between the revalued amount and historical cost is credited to a revaluation reserve. An amount equal to the depreciation in excess of that on the historical cost basis is transferred from the revaluation reserve to retained earnings on an annual basis.

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives to the University of between 12 and 75 years.

No depreciation is charged on assets in the course of construction and depreciation is accelerated when there is a known demolition date.

Leasehold land and buildings are depreciated over the life of the lease up to a maximum of 50 years.

Equipment

Equipment costing less than £25,000 per individual item is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its useful expected life. The useful expected life is 3-5 years except in exceptional circumstances where the useful life is deemed longer or shorter.

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

Vessels

Vessels are stated at cost and depreciated over their useful expected lives.

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

Borrowing costs

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

10. HERITAGE ASSETS

Works of art and other valuable artefacts are capitalised and recognised at the cost or value of the acquisition, where a cost or value is reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

11. INVESTMENT PROPERTIES

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

12. INVESTMENTS

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

Investments in jointly-controlled entities, subsidiaries and associates are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

13. STOCK

Stock is held at the lower of cost and net realisable value.

14. 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.

15. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the financial statements when:

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

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

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

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

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

16. ACCOUNTING FOR JOINT OPERATIONS, JOINTLY CONTROLLED ASSETS AND JOINTLY CONTROLLED OPERATIONS

The University accounts for its share of joint ventures using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Statement of Comprehensive Income.

17. TAXATION

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

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

18. RESERVES

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

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

19. SIGNIFICANT ESTIMATES AND JUDGEMENTS

Significant estimates and judgements used in the preparation of this financial information were as follows:

Tangible Fixed Assets

Land and buildings were revalued on adoption of FRS102. The revaluation was performed by qualified quantity surveyors based upon their independent review of the estate and supporting information from the University.

During the revaluation of land and buildings the estimated useful lives of buildings were reviewed and updated by the independent surveyors based upon an assessment of the age and condition of the estate

Recoverability of debtors

The policy for provision for bad and doubtful debts is specific for each class of debt and based on circumstances and post-year-end recovery of actual debts. Any non-provided debts are deemed recoverable.

Retirement benefit obligations

The University operates its own scheme, Swansea University Pension Scheme (SUPS), which is a defined-benefit scheme (now closed to new members). Actuarial valuations of the scheme are carried out as determined by the Trustees at intervals of not more than three years.

Pension costs under the HE SORP and FRS102 are assessed in accordance with the advice of independent actuaries based upon latest actuarial valuations and assumptions determined by the actuaries. The assumptions are based upon information supplied to the actuaries by the University, supplemented by decisions between the actuary and management. The assumptions are documented in note 31.

The Universities Superannuation Scheme (USS) is accounted for as a defined-contribution scheme as insufficient information is available to use defined-benefit accounting. However, as the University is contractually obliged to pay contributions into USS to fund past deficits, this obligation is provided for on the balance sheet.

The deficit-recovery plan put in place by USS sets out the proportion of annual contributions that relate to past-deficit recovery, and the period for which these are committed. These committed deficit contributions are re-assessed with each triennial valuation of the scheme, and form the basis of the provision, together with assumptions on appropriate inflation and discount factors.

CONSOLIDATED AND INSTITUTION STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31st July 2017

		Consolidated	University	Consolidated	University
		31st July 2017	31st July 2017	31st July 2016	31st July 2016
	Note	£000	£000	£000	£000
INCOME					
Tuition fees and education contracts	1	156,058	156,058	140,356	140,356
Funding body grants	2	20,767	20,767	23,418	23,418
Research grants and contracts	3	41,778	41,778	43,346	43,346
Other income	4	59,164	58,726	88,335	87,908
Investment income	5	257	257	380	380
Total income before endowments and donations		278,024	277,586	295,835	295,408
Donations and Endowments	6	129	128	457	456
Total income		278,153	277,714	296,292	295,864
EXPENDITURE					
Staff costs	7	132,807	132,383	129,601	129,202
Other operating expenses		101,288	101,227	89,260	88,997
Depreciation	11	18,174	18,050	18,277	18,164
Interest and other finance costs	8	7,170	7,170	7,281	7,281
Total expenditure	9	259,439	258,830	244,419	243,644
Surplus before other gains, losses and share of operating (deficit) in joint ventures and associates		18,714	18,884	51,873	52,220
Gain / (Loss) on disposal of fixed assets		75	-	(671)	(671)
Gain on investments	14/17	375	282	771	79
Share of operating (Deficit) in joint venture	15	(256)	(256)	(278)	(278)
Surplus before taxation		18,908	18,910	51,695	51,350
Taxation	10	(16)	-	(37)	(20)
Surplus for the year		18,892	18,910	51,658	51,330
Actuarial (loss) / gain in respect of pension schemes	31	18,400	18,400	(19,500)	(19,500)
Total comprehensive income for the year		37,292	37,310	32,158	31,830
Represented by:					
Endowment comprehensive income for the year	22	313	313	152	152
Unrestricted comprehensive income for the year		36,979	36,997	32,006	31,678
		37,292	37,310	32,158	31,830

All items of income and expenditure relate to continuing activities.

CONSOLIDATED AND INSTITUTION STATEMENTS OF CHANGES IN RESERVES

Year ended 31st July 2017

	Income and expenditure reserve		Revaluation reserve	Total reserves
	Endowment £000	Unrestricted £000	£000	£000
CONSOLIDATED				
At 1 August 2015	5,674	67,282	64,507	137,463
Surplus for the year	152	51,506	-	51,658
Other comprehensive expense	-	(19,500)	-	(19,500)
Transfers between revaluation and income and expenditure reserve	-	15,535	(15,535)	-
Release of restricted capital funds spent in the year	-	-	-	-
At 31 July 2016	5,826	114,823	48,972	169,621
At 1 August 2016	5,826	114,823	48,972	169,621
Surplus for the year	313	18,579	-	18,892
Other comprehensive income	-	18,400	-	18,400
Transfers between revaluation and income and expenditure reserve	-	1,197	(1,197)	-
Release of restricted funds spent in the year	-	-	-	-
Total comprehensive income for the year	313	38,176	(1,197)	37,292
At 31 July 2017	6,139	152,999	47,775	206,913
UNIVERSITY				
At 1 August 2015	5,674	67,084	64,507	137,265
Surplus for the year	152	51,178	-	51,330
Other comprehensive expense	-	(19,500)	-	(19,500)
Transfers between revaluation and income and expenditure reserve	-	15,535	(15,535)	-
Release of restricted capital funds spent in the year	-	-	-	-
At 31 July 2016	5,826	114,297	48,972	169,095
At 1 August 2016	5,826	114,297	48,972	169,095
Surplus for the year	313	18,597	-	18,910
Other comprehensive income	-	18,400	-	18,400
Transfers between revaluation and income and expenditure reserve	-	1,197	(1,197)	-
Release of restricted funds spent in the year	-	-	-	-
Total comprehensive income for the year	313	38,194	(1,197)	37,310
At 31 July 2017	6,139	152,491	47,775	206,405

CONSOLIDATED AND INSTITUTION BALANCE SHEET

As at 31st July 2017

	Note	Consolidated 31st July 2017 £000	University 31st July 2017 £000	Consolidated 31st July 2016 £000	University 31st July 2016 £000
NON-CURRENT ASSETS					
Tangible fixed assets	11	362,472	361,436	354,231	353,329
Heritage assets	11/12	925	925	925	925
Investments	14	1,351	1,976	1,114	1,726
Investments in joint venture	15	3,076	3,076	3,330	3,330
		367,824	367,413	359,600	359,310
CURRENT ASSETS					
Stocks	16	180	62	199	67
Trade and other receivables	18	37,003	36,971	24,277	24,118
Investments	17	4,602	4,602	4,320	4,320
Cash and cash equivalents		71,556	69,601	69,250	67,853
		113,341	111,236	98,046	96,358
Less creditors falling due within one year	19	(63,714)	(61,706)	(49,135)	(47,683)
		49,627	49,530	48,911	48,675
NET CURRENT (LIABILITIES)/ASSETS					
		417,451	416,943	408,511	407,985
Creditors: amounts falling due after more than one year	20	(133,456)	(133,456)	(137,708)	(137,708)
PROVISIONS					
Pension provision	21	(77,082)	(77,082)	(101,182)	(101,182)
		206,913	206,405	169,621	169,095
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserve	22	6,139	6,139	5,826	5,826
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted		152,999	152,491	114,823	114,297
Revaluation reserve		47,775	47,775	48,972	48,972
		206,913	206,405	169,621	169,095

The financial statements were approved by Council on 27 November 2017 and were signed on its behalf on that date by:

Professor R. B. Davies (Vice-Chancellor)

F. Summer (Treasurer)

R. Brelsford-Smith (Director of Finance)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31st July 2017

	Note	Year ended 31st July 2017 £000	Year ended 31st July 2016 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		18,892	51,658
Adjustments for non-cash items			
Depreciation	11	18,174	18,277
(Gains)/losses on Investments		(375)	849
Decrease in stock		19	12
Increase in debtors		(12,726)	(4,806)
Increase in creditors		13,325	(56,141)
Increase/(decrease) in creditors		(5,700)	6,348
(Decrease)/Increase in share of operating deficit in joint venture		256	278
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Investment income		(257)	(380)
Interest payable		4,986	4,777
Endowment Income		(20)	(20)
(Profit) / Loss on the sale of fixed assets		(75)	671
Capital grant income		(6,605)	(9,926)
Net cash inflow from operating activities		29,894	11,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of fixed assets		-	17,408
Capital grant income		6,605	9,926
Investment income		257	380
Payments made to acquire fixed assets		(24,047)	(26,708)
New current asset investments		-	79
New non-current asset investments		145	828
Net cash (outflow)/inflow from investing activities		(17,330)	1,913
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(3,979)	(4,030)
Interest element of finance lease and service concession arrangements		(3,191)	(3,251)
Endowment cash received		20	20
New secured loans		-	10,000
Repayment of amounts borrowed		(2,353)	(1,113)
Capital element of finance lease rental payments		(1,438)	(1,378)
Net cash (outflow)/inflow from financing activities		(10,941)	248
Increase in cash and cash equivalents in the year		1,622	13,758
Cash and cash equivalents at beginning of the year		68,083	54,325
Cash and cash equivalents at end of the year		69,705	68,083

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st July 2017

	Consolidated 2017 £000	University 2017 £000	Consolidated 2016 £000	University 2016 £000
1 TUITION FEES AND EDUCATION CONTRACTS				
Full - time home and EU students	104,786	104,786	89,576	89,576
Full - time international students	36,825	36,825	35,059	35,059
Part - time students	2,880	2,880	4,740	4,740
Educational contracts with the NHS	11,371	11,371	10,528	10,528
Non-accredited course fees	196	196	453	453
	156,058	156,058	140,356	140,356
To generate the full-time home and EU tuition fee the University has spent £6.7 million (2016: £6.4 million) in relation to bursaries in accordance with the fee plan.				
2 FUNDING BODY GRANTS				
Grant received in year - recurrent	17,766	17,766	18,475	18,475
	17,766	17,766	18,475	18,475
SPECIFIC GRANTS RECEIVED IN YEAR				
Adult Education	(83)	(83)	1,270	1,270
Widening Access / Reaching Wider	490	490	460	460
Other	989	989	947	947
Capital	1,605	1,605	2,266	2,266
	3,001	3,001	4,943	4,943
	20,767	20,767	23,418	23,418
3 RESEARCH GRANTS AND CONTRACTS				
Research Councils	10,728	10,728	17,605	17,605
UK-based charities	2,326	2,326	1,880	1,880
UK government, health and hospital authorities	11,579	11,579	13,632	13,632
UK industry, commerce, public corporations	2,273	2,273	2,071	2,071
EU government bodies	12,608	12,608	6,071	6,071
EU other	275	275	237	237
Other overseas	787	787	817	817
Other sources	1,202	1,202	1,033	1,033
	41,778	41,778	43,346	43,346
4 OTHER INCOME				
Residences, catering and conferences	25,195	25,195	15,984	15,984
Other services rendered	3,242	3,242	3,463	3,463
Capital grants	5,000	5,000	48,274	48,274
Other income	17,594	17,156	13,281	12,854
NHS income in respect of the College of Medicine	7,952	7,952	7,208	7,208
Research Council full-time Doctoral/Collaborative Training Award	181	181	125	125
	59,164	58,726	88,335	87,908

	Consolidated 2017 £000	University 2017 £000	Consolidated 2016 £000	University 2016 £000
5 INVESTMENT INCOME				
Investment income on endowments	167	167	155	155
Interest from short-term investments	90	90	225	225
	257	257	380	380
6 DONATIONS AND ENDOWMENTS				
New endowments	20	20	20	20
Unrestricted donations	109	108	437	436
	129	128	457	456
7 STAFF COSTS				
The staff costs for the financial year were:				
Salaries	104,052	103,628	97,043	96,644
Social security costs	11,639	11,639	8,382	8,382
Other pension costs	17,116	17,116	24,176	24,176
Total staff costs	132,807	132,383	129,601	129,202
EMOLUMENTS OF THE VICE-CHANCELLOR:				
Salary		247		245
Benefits in kind as assessed for HMRC purposes		7		6
		254		251

Remuneration of higher paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are reimbursed to the University by the NHS, was:

	Number	Number
£100,000 - £109,999	10	11
£110,000 - £119,999	6	7
£120,000 - £129,999	7	4
£130,000 - £139,999	2	3
£140,000 - £149,999	1	2
£150,000 - £159,999	1	2
£160,000 - £169,999	2	3
£170,000 - £179,999	2	-
£180,000 - £189,999	1	-
£190,000 - £199,999	1	-
£200,000 - £209,999	-	-
£210,000 - £219,999	-	-
£220,000 - £229,999	-	-
£230,000 - £239,999	-	-
£240,000 - £249,999	1	1

The average number of staff employed during the year expressed as FTE (full-time equivalents):

	2017 Number (FTE)	2016 Number (FTE)
Academic	1,026	879
Research	309	325
Management and specialist	755	650
Technical	123	118
Other	832	826
	3,045	2,798
Compensation for loss of office payable to a senior post-holder:	£000	£000
Compensation payable recorded within staff costs	-	-

KEY MANAGEMENT PERSONNEL

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the institution. This includes compensation paid to key management personnel. Key management consists of the senior executive officers including the Vice-Chancellor, Pro-Vice-Chancellors, the Registrar and the Director of Finance.

	£000	£000
Key Management Personnel	1,042	1,198

TRUSTEES

Due to the nature of the Institution's operations and the composition of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, are conducted at arm's length and in accordance with the Institution's Financial Regulations and procurement procedures.

No trustee received any remuneration or waived payments during the year (2016: £0).

The total expenses paid to or on behalf of the trustees was £2K (2016: £3K) split between the Council Members. This represents expenses occurred in their official capacity as Council Member. This does not include expenditure reimbursed to members of the Senior Management Team as these expenses cannot be distinguished from expenses reclaimed in the normal course of their employment.

		Consolidated	University	Consolidated	University
	Note	2017	2017	2016	2016
		£000	£000	£000	£000
8 INTEREST AND OTHER FINANCE COSTS					
Loan interest		1,795	1,795	1,526	1,526
Finance leases including service concession arrangements		3,191	3,191	3,251	3,251
Unwinding of USS discount factor		584	584	904	904
Net pension interest cost	30	1,600	1,600	1,600	1,600
		<u>7,170</u>	<u>7,170</u>	<u>7,281</u>	<u>7,281</u>

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

Academic departments		99,014	99,014	89,617	89,617
Academic services		22,746	22,746	22,823	22,823
Research grants and contracts		40,865	40,865	38,169	38,169
Residences, catering and conferences		24,258	24,258	15,068	15,068
Premises		27,570	27,570	28,464	28,464
Professional services		39,142	39,142	33,771	33,771
Other services rendered		2,811	2,811	2,552	2,552
USS pension deficit (credit)/charge		(7,200)	(7,200)	5,311	5,311
Other activities		10,233	9,625	8,644	7,869
Total expenditure		<u>259,439</u>	<u>258,831</u>	<u>244,419</u>	<u>243,644</u>

Other operating expenses include:

External auditors' remuneration in respect of audit services			32		41
External auditors' remuneration in respect of non-audit services			74		135

10 TAXATION**Recognised in the statement of comprehensive income****CURRENT TAX EXPENSE**

Adjustment in respect of previous years		16	-	37	20
Current tax expense			-	-	-
Current tax expense		<u>16</u>	<u>-</u>	<u>37</u>	<u>20</u>
Total tax expense		<u>16</u>	<u>-</u>	<u>37</u>	<u>20</u>

11 NON-CURRENT ASSETS - TANGIBLE FIXED ASSETS - CONSOLIDATED

	Freehold land and buildings £000	Service Concession Arrangements £000	Fixtures, Fittings and Equipment £000	Assets in the course of construction £000	Heritage Assets £000	Total £000
COST						
At 1 August 2016	280,367	90,946	32,947	1,638	925	406,823
Additions	-	2,368	2,433	21,614	-	26,415
Transfers	4,997	-	-	(4,997)	-	-
Disposals	-	-	(3,436)	-	-	(3,436)
At 31 July 2017	285,364	93,314	31,944	18,255	925	429,802
ACCUMULATED DEPRECIATION						
At 1 August 2016	15,836	14,154	21,677	-	-	51,667
Charge for year	9,753	4,723	3,698	-	-	18,174
Disposals	-	-	(3,436)	-	-	(3,436)
At 31 July 2017	25,589	18,877	21,939	-	-	66,405
NET BOOK VALUE						
At 31 July 2017	259,775	74,437	10,005	18,255	925	363,397
At 31 July 2016	264,531	76,792	11,270	1,638	925	355,156

NON-CURRENT ASSETS - TANGIBLE FIXED ASSETS - UNIVERSITY

	Freehold land and buildings £000	Service Concession Arrangements £000	Fixtures, Fittings and Equipment £000	Assets in the course of construction £000	Heritage Assets £000	Total £000
COST						
At 1 August 2016	280,367	90,946	31,780	1,638	925	405,656
Additions	-	2,368	2,175	21,614	-	26,157
Transfers	4,997	-	-	(4,997)	-	-
Disposals	-	-	(3,436)	-	-	(3,436)
At 31 July 2017	285,364	93,314	30,519	18,255	925	428,377
ACCUMULATED DEPRECIATION						
At 1 August 2016	15,836	14,154	21,412	-	-	51,402
Charge for year	9,753	4,723	3,574	-	-	18,050
Disposals	-	-	(3,436)	-	-	(3,436)
At 31 July 2017	25,589	18,877	21,550	-	-	66,016
NET BOOK VALUE						
At 31 July 2017	259,775	74,437	8,969	18,255	925	362,361
At 31 July 2016	264,531	76,792	10,368	1,638	925	354,254

11 CONTINUED

The company applied the transitional arrangements of Section 35 of FRS 102 and used a previous valuation as deemed cost for freehold properties. The properties are being depreciated from the valuation date. As the assets are depreciated or sold, and an appropriate transfer is made from the revaluation reserve to the Income and expenditure reserve. Analysis of the land and buildings valued at the date of transition to FRS 102 using the deemed cost exemption.

At 31st July 2017, freehold land and buildings included £16.5 million (2016: £16.5 million) in respect of freehold land which is not depreciated.

A full valuation of the University's land and property was carried out on 31st July 2014 by qualified chartered surveyors in accordance with the RICS valuation - Professional Standards 2014 (the Red Book). Under FRS 102 paragraph 35.10, the University has elected to measure land and property at fair value at the transition date of 31 July 2014 and use the fair value as the deemed cost on that date.

12 NON-CURRENT ASSETS - HERITAGE ASSETS

Heritage assets included on the Balance Sheet refer largely to the University's Art Collection. There are also other heritage assets which due to their nature are inestimable and therefore have not been included in the valuation.

The Egypt Centre holds the Wellcome Collection which includes Egyptian antiques and artefacts. These assets are unique and not replaceable; to many this collection is priceless. The Egypt Centre is a recognised museum, accredited by the Arts Council and a recognised ACCES partner. The Egypt Centre aims to collect, interpret and care for Egyptian archaeological material and documents and preservation is critical to their work. All policies in place are reviewed by the Arts Council. The Wellcome Collection is available to view by all University staff and students, local schools as well as the wider general public.

The picture and art collection is recognised on the balance sheet under Heritage Assets (see note 12). This collection was valued in 2008 by an independent valuer and due to the nature of the works has a measurable value. This revaluation in 2008 has been taken as deemed cost on transition. The majority of this art collection can be viewed around the University.

The University also holds a silver collection which includes but is not limited to competition cups, bowls and vases dating between the 1950s and 1980s. No price can be attributed to this collection, hence they are not held on balance sheet. The collection is stored securely but can be available for inspection upon request.

Acquisitions for the current year (2016: £33K) were as follows:

	2017 £000	2016 £000
Acquisitions purchased with specific donations	-	-
Acquisitions purchased with University funds	-	33
Total cost of acquisitions purchased	-	33
Value of acquisitions by donations	-	-
Total acquisitions capitalised	-	33

13 SERVICE CONCESSION ARRANGEMENTS

The University has three on-Balance Sheet Service concession arrangements.

MOVEMENT IN SERVICE CONCESSION ARRANGEMENT ASSETS

The asset value of the service concession included in the Balance Sheet as at 31 July 2017 is £74,437K (31 July 2016 £76,792K). The reduction of £47,23K is as a result of depreciation.

MOVEMENT IN SERVICE CONCESSION ARRANGEMENT LIABILITIES

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2017 were £105,046K (31 July 2016 £106,484K). The sum of £1,438K was repaid during the year.

FUTURE COMMITMENTS

The following table analyses the University's future commitments in relation to the service concession arrangements.

	Payable in 1 year £000	Payable in 2-5 years £000	Payable in >5 years £000	Total £000
Liability repayments	1,501	6,696	70,691	78,888
Finance charge	3,128	11,821	134,289	149,238
	4,629	18,517	204,980	228,126

The notes below give more information on the University's current service concession arrangements:

GWALIA RESIDENCES

Prior to the transition to FRS 102, the University had entered into the following leases which were previously held off-balance sheet. Under FRS102, these leases have now been brought on-balance sheet as Service Concession Arrangements.

Gwalia Phase 1 - A 30-year lease was entered into in 2004 to build three new blocks of accommodation with 272 units. The occupancy guarantee is 100%.

Gwalia Phase 2 - A 30-year lease was entered into in 2010 comprising of 351 units with the lower floors shelled for University activities. The occupancy guarantee is 100%.

BAY RESIDENCES - PHASE 1A

In September 2015, the University commenced a 45-year contract with a third-party provider for the provision and maintenance of phase 1a of the student accommodation on the Bay Campus, providing 899 rooms for 923 students.

The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

The University has a 50% annual occupancy guarantee amounting to committed annual payments of £1,485K recorded within Other Comprehensive Income.

The University has the exclusive right over all accommodation units to nominate occupation by students until the 30th March preceding the September term. The University, furthermore, has the right to nominate occupation units of accommodation over the summer period (subject to prior discussions with the third party). At the end of the 45-year contract, the University has the option to acquire the residences for a nominal £1.00 option fee.

13 CONTINUED**BAY RESIDENCES - PHASE 1B**

In January 2016, the University commenced a 45-year contract with a third-party provider for the provision and maintenance of phase 1b of the student accommodation on the Bay Campus, providing 545 single rooms.

The assets and liabilities relating to this scheme are recognised on the University's Balance Sheet.

The University has a 50% annual occupancy guarantee amounting to committed annual payments of £823K recorded within Other Comprehensive Income.

The University has the exclusive right over all accommodation units to nominate occupation by students until the 30th March preceding the September term. The University, furthermore, has the right to nominate occupation units of accommodation over the summer period (subject to prior discussions with the third party). At the end of the 45-year contract, the University has the option to acquire the residences for a nominal £1.00 option fee.

BAY RESIDENCES - PHASE 1C

On 15th December 2015, the University entered into a 45-year contract with a third-party provider for the provision and maintenance of phase 1c of the student accommodation on the Bay Campus, providing 538 single rooms.

The assets and liabilities relating to this scheme are to be recognised on the University's Balance Sheet from date of occupation in 2017-18.

The University has a 50% annual occupancy guarantee amounting to committed annual payments of £1,046K recorded within Other Comprehensive Income.

The University has the exclusive right over all accommodation units to nominate occupation by students until the 30th March preceding the September term. The University further has the right to nominate occupation units of accommodation over the summer period (subject to prior discussions with the third party). At the end of 45-year contract, the University has the option to acquire the residences for a nominal £1.00 option fee.

14 NON-CURRENT INVESTMENTS

	Subsidiary companies	Other fixed asset investments	Total
	£000	£000	£000
CONSOLIDATED			
At 1 August 2016	-	1,114	1,114
Additions	-	145	145
Revaluations	-	92	92
Disposals	-	-	-
Impairment	-	-	-
At 31 July 2017	-	1,351	1,351
UNIVERSITY			
At 1 August 2016	1,688	38	1,726
Additions	250	-	250
Disposals	-	-	-
Impairment	-	-	-
At 31 July 2017	1,938	38	1,976

Investments include publicly listed shares with a carrying value of £38K. These are initially measured at cost (excluding transaction costs) and subsequently measured at fair value.

Investments in subsidiary companies are measured at transaction price (including transaction costs) and considered annually for impairment. For a full listing of subsidiary companies see note 29.

15 INVESTMENT IN JOINT VENTURES

The University holds the following joint ventures:

50% share of Wales National Pool Swansea (WNPS), a company limited by guarantee. This is a joint venture company owned equally by the University and City and County of Swansea.

50% share of Bay Sports Limited, a company limited by guarantee. This is a joint venture company owned equally by the University and Bay Leisure Ltd.

The arrangements relating to Wales National Pool Swansea and Bay Sports Limited are treated as joint ventures and are accounted for using the equity method, such that 50% of the companies gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account.

The University also jointly controls High Performance Computing Wales Ltd (HPC), a company limited by guarantee. This is a joint venture company owned equally with Bangor University, Cardiff University, University of Wales, University of South Wales and Aberystwyth University and is accounted for under the equity method as above.

The company has set up a further joint venture, which is currently dormant:

50% share of Bay Campus Developments LLP, a limited liability partnership. This is a joint venture partnership owned equally by the University (through its wholly-owned subsidiary SU Developments Limited) and St Modwen Developments Limited.

50% share of Swan Global Education LLP, a limited liability partnership. This is a joint venture partnership owned equally by the University (through its wholly owned subsidiary SU Pathway College Limited) and International College Wales Ltd.

Both companies are dormant with no assets or liabilities there have been no accounting entries this year.

	Year ended 31 July 2017			Year ended 31 July 2016		
	WNPS £000	Bay Sports £000	HPC £000	WNPS £000	Bay Sports £000	HPC £000
INCOME AND EXPENDITURE						
Income	596	271	259	604	265	259
Deficit / (profit)	(263)	7	-	(287)	9	-
BALANCE SHEET						
Fixed assets	2,820	12	-	3,083	20	-
Current assets	286	85	47	286	86	47
	3,106	97	47	3,369	106	47
Creditors <1 year	(89)	(38)	(47)	(89)	(56)	(47)
Creditors >1 year	-	-	-	-	-	-
	(89)	(38)	(47)	(89)	(56)	(47)
Share of net assets	3,017	59	-	3,280	50	-

JOINTLY CONTROLLED OPERATIONS

The University participates in a number of joint-research contracts with other universities and joint contracts with other partners. Income from such arrangements in 2017 amounted to £41.9 million (2016: £43 million).

INVESTMENT IN ASSOCIATES

Throughout the year and at the Balance Sheet date the University did not hold any investments in associated companies (2016 £0).

16 STOCKS

	Consolidated 31 July 2017	University 31 July 2017	Consolidated 31 July 2016	University 31 July 2016
	£000	£000	£000	£000
Stocks	180	62	199	67
	<u>180</u>	<u>62</u>	<u>199</u>	<u>67</u>

17 CURRENT INVESTMENTS

	Consolidated 31 July 2017	University 31 July 2017	Consolidated 31 July 2016	University 31 July 2016
	£000	£000	£000	£000
Short-term investments in shares	2,975	2,975	2,834	2,834
Short-term bonds	1,303	1,303	1,164	1,164
Other short-term investments	307	307	310	310
Short-term deposits	17	17	12	12
	<u>4,602</u>	<u>4,602</u>	<u>4,320</u>	<u>4,320</u>

The increase in fair value of short-term deposits in the year was £282K (2016: £79K)

Deposits are held with banks and building societies operating in the London market and licenced by the Financial Conduct Authority and Prudential Regulation Authority of the BOE with more than three months maturity at the Balance Sheet date. The interest rates for those deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2017, the weighted average interest rate of these fixed deposits was 3.35% (2016: 3.2%). The fair value of these deposits was not materially different from their book value.

18 TRADE AND OTHER RECEIVABLES

	Consolidated 31 July 2017	University 31 July 2017	Consolidated 31 July 2016	University 31 July 2016
	£000	£000	£000	£000
Amounts falling due within one year:				
Other trade receivables	2,613	2,613	1,547	1,547
Other receivables	9,326	8,821	6,010	5,745
Prepayments and accrued income	-351	122	514	620
Amounts due from subsidiary companies	25,415	25,290	16,206	14,588
Amounts due from subsidiary companies	-	125	-	1,618
	<u>37,003</u>	<u>36,971</u>	<u>24,277</u>	<u>24,118</u>

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated	University	Consolidated	University
	31 July 2017	31 July 2017	31 July 2016	31 July 2016
	£000	£000	£000	£000
Bank overdraft	1,851	-	1,167	-
Secured loans	2,350	2,350	1,950	1,950
Service concession arrangements	3,869	3,869	3,806	3,806
Trade payables	9,186	9,186	3,662	3,662
Social security and other taxation payable	3,297	3,297	2,954	2,954
Accruals and deferred income	43,161	43,004	35,596	35,311
	63,714	61,706	49,135	47,683

ACCRUALS AND DEFERRED INCOME

Included with accruals and deferred income are the following items which have been deferred:

	Consolidated	University	Consolidated	University
	31 July 2017	31 July 2017	31 July 2016	31 July 2016
	£000	£000	£000	£000
Research grants received in advance	13,339	13,339	6,747	6,747
Other services rendered received in advance	315	315	651	651
Funding Council grants received in advance	468	468	636	636
Other grants received in advance	2,437	2,437	1,700	1,700
Other accruals	26,602	26,445	25,862	25,577
	43,161	43,004	35,596	35,311

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated	University	Consolidated	University
	Year ended	Year ended	Year ended	Year ended
	31 July 2017	31 July 2017	31 July 2016	31 July 2016
	£000	£000	£000	£000
Service concession arrangements	77,387	77,387	78,886	78,886
Analysis of secured and unsecured loans:				
Due within one year on demand	2,350	2,350	1,950	1,950
Due within one and two years	3,175	3,175	2,749	2,749
Due within two and five years	9,667	9,667	9,674	9,674
Due in five years or more	43,227	43,227	46,399	46,399
	135,806	135,806	139,658	139,658
Due within one year or on demand	2,350	2,350	1,950	1,950
Due after more than one year	133,456	133,456	137,708	137,708
Secured loans repayable by 2035	58,419	58,419	60,772	60,772
Unsecured loans	-	-	-	-
	58,419	58,419	60,772	60,772

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR CONTINUED

Included in the loans are the following:

Lender	Amount (£000)	Interest Rate	Term	Borrower
Lloyds	1,318	1.0% above base	December 2021	University
European Investment Bank	13,333	variable (3 month LIBOR + 0.531%)	June 2033	University
European Investment Bank	14,167	Fixed 2.46600%	June 2033	University
European Investment Bank	9,600	Fixed 3.7330%	August 2034	University
European Investment Bank	10,000	Fixed 3.8540%	January 2035	University
European Investment Bank	10,000	Fixed 4.0220%	August 2035	University
Total	58,418			

21 PENSION PRVISIONS

	Obligation to fund deficit on USS £000	SUPS Pension scheme provision £000	Total Pension provisions £000
CONSOLIDATED AND UNIVERSITY			
At 1 August 2016	38,182	63,000	101,182
Utilised in year	(1,633)	(100)	(1,733)
Unwinding of discount factor	584	1,600	2,184
Additions in year	(6,151)	(18,400)	(24,551)
At 31 July 2017	30,982	46,100	77,082

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

22 ENDOWMENT RESERVE

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000	2017 Total £000	2016 Total £000
BALANCES					
At 1 August 2016					
Capital	3,723	1,329	157	5,209	5,110
Accumulated income	468	61	88	617	564
	<u>4,191</u>	<u>1,390</u>	<u>245</u>	<u>5,826</u>	<u>5,674</u>
New donations and endowments	-	-	20	20	20
Investment income	102	59	4	165	155
Expenditure	(66)	(59)	(29)	(154)	(102)
	<u>36</u>	<u>-</u>	<u>(5)</u>	<u>31</u>	<u>73</u>
(Decrease) / increase in market value of investments	175	103	4	282	79
	<u>4,402</u>	<u>1,493</u>	<u>244</u>	<u>6,139</u>	<u>5,826</u>
At 31 July 2017					
Represented by:					
Capital	3,898	1,432	181	5,511	5,209
Accumulated income	504	62	62	628	617
	<u>4,402</u>	<u>1,494</u>	<u>243</u>	<u>6,139</u>	<u>5,826</u>
Analysis by type of purpose:					
Lectureships				25	24
Scholarships and bursaries				2,655	2,491
Research support				270	255
Prize funds				582	533
General				2,607	2,523
				<u>6,139</u>	<u>5,826</u>
ANALYSIS BY ASSET					
Fixed interest stocks and bonds				1,303	1,164
Equities				2,975	2,834
Venture capital trusts				26	36
Hedge funds				62	60
Commodities funds				41	41
Property				178	172
Bank balances held by investment managers				17	12
Bank Balance - University				1,537	1,507
				<u>6,139</u>	<u>5,826</u>

23 RESTRICTED RESERVES

No restricted reserves were held during the year (2016: NIL).

24 RECONCILIATION OF CASH FLOW TO BALANCE SHEET

	At 1 August 2016	Cash Flows	Non-Cash Changes	At 31 July 2017
	£000	£000	£000	£000
Cash at bank and on deposit	67,853	1,748	-	69,601
	67,853	1,748	-	69,601

25 CAPITAL AND OTHER COMMITMENTS

A provision has not been made for the following capital commitments at 31 July 2017:

	Consolidated Year ended 31 July 2017	University Year ended 31 July 2017	Consolidated Year ended 31 July 2016	University Year ended 31 July 2016
	£000	£000	£000	£000
Commitments contracted for:	11,357	11,357	1,444	1,444
	11,357	11,357	1,444	1,444

The increase in the capital commitments is as a result of the commencement of new buildings on the Bay Campus.

26 CONTINGENT LIABILITIES

	£000	£000	£000	£000
Guarantees				
To Lloyds for SMaRT Ltd	-	500	-	500
	-	500	-	500

The University is acting as guarantor for Swansea Materials Research and Testing Limited in relation to the £500K overdraft facility only. The University believe there is only a limited possibility of the guarantee being paid as Swansea Materials Research & Testing Limited is a wholly-owned subsidiary controlled by senior University staff members. The extent of the guarantee being required will depend on the current overdraft in the subsidiary. If paid, there is unlikely to be any reimbursement for this contingent liability.

The University is a member of UMAL, a company limited by guarantee, formed to provide a mutual association for insurance risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro-rated share, spread using an internal loan facility over seven years. The potential for a shortfall and the value of a shortfall in any given year is unknown. There is not likely to be any possibility of reimbursement if this guarantee is called upon.

The University holds an investment of 16.67% in High Performance Computing Wales (HPC Wales). HPC Wales is part - funded by funds drawn down from the EU. The company is subject to regular compliance audits and, as a result, there is a risk of claw back of EU funds should certain criteria not be met. In these circumstances, the University would be responsible for a share of the sum clawed back. The value and likelihood of any claw back is unknown. There is unlikely to be any claw back if this guarantee is called upon.

27 LEASE OBLIGATIONS

There were no lease obligations in 2017 or 2016.

28 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period to note.

29 SUBSIDIARY UNDERTAKINGS

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

Company	Principal Activity	Country of registration	Status
Swansea Materials Research & Testing Limited	Other research and experimental development on natural sciences and engineering	UK	100% owned
Swansea Innovations Limited	Management consultancy activities other than financial management	UK	100% owned
Specific Innovations Limited	Other research and experimental development on natural sciences and engineering	UK	100% owned
The Dylan Thomas Prize Limited	Cultural education	UK	100% owned
SU Developments Limited	Dormant	UK	100% owned
Vital Suspension Ltd	Dormant	UK	100% owned
SU Pathway College Limited	Dormant	UK	100% owned

All subsidiaries have the same year end as Swansea University.

30 PENSION SCHEMES

Different categories of staff were eligible to join one of the following schemes:

Universities' Superannuation Scheme (USS)

Swansea University Pension Scheme (SUPS) - Closed to new members 31 December 2011

National Employment Savings Trust (NEST) - from 1st January 2012

The University also contributes to the NHS Pension Scheme for a number of its employees.

USS and SUPS are both defined-benefits schemes. The assets of both schemes are held in separate trustee-administered funds. NEST is a defined-contribution scheme.

(I) THE UNIVERSITIES' SUPERANNUATION SCHEME

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final-pensionable salary. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined-contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

SIGNIFICANT ACCOUNTING POLICIES

The University participates in the Universities' Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined-benefit only pension scheme until 31 March 2016 which was contracted out of State Second Pension (S2P). The assets of the scheme are held in a separate trust-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined-contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

CRITICAL ACCOUNTING JUDGEMENTS

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

30 CONTINUED**PENSION COSTS**

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

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

The 2014 valuation was their third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2017	2016
Discount Rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables - no age rating
Female members' mortality	99% of S1NA ["light"] YoB tables - rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in the mortality rates the CMI 2014 projections with a 1.5% p.a. long-term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	89.4	89.3
Females currently aged 65 (years)	91.6	91.5
Males currently aged 45 (years)	91.5	91.4
Females currently aged 45 (years)	94	93.8

	2017	2016
Scheme assets	£60.6bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

30 CONTINUED**(II) SWANSEA UNIVERSITY PENSION SCHEME****(RETIREMENT BENEFITS) DISCLOSURE FOR THE ACCOUNTING YEAR ENDING 31 JULY 2017**

The University operates a final-salary defined-benefit pension scheme that non-academic employees of the University can participate in, called the Swansea University Pension Scheme (SUPS). The scheme is externally funded and is contracted out of the State Second Pension (S2P) of pension provision.

The last formal triennial actuarial valuation of the scheme was performed as at 1 August 2016 by a professionally-qualified actuary.

During the accounting year, the University paid contributions to the pension scheme at the rate of 29% of pensionable salaries.

ASSUMPTIONS

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

	At 31 July 2017	At 31 July 2016
Price Inflation (RPI)	3.2%	2.8%
Price Inflation (CPI)	2.4%	2.0%
Rate of increase in salaries	3.1%	2.8%
Rate of increase of pensions in payment for SUPS members	3.2%	2.8%
Increases to deferred pensions before retirement	2.4%	2.0%
Discount rate	2.8%	2.5%
Discount rate	2.5%	3.8%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65 and non pensioners who are currently aged 45.

	Male Pensioner	Male Non- pensioner	Female Pensioner	Female Non- pensioner
At 31 July 2017	85.3	86.3	87.1	88.3
At 31 July 2016	85.8	87.2	88.0	89.5

30 CONTINUED**SCHEME ASSETS AND EXPECTED RATE OF RETURN FOR SUPS**

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

The assets in the scheme were:

	Fair value as at 31 July		
	2017	2016	2015
	£000	£000	£000
Equities	33.3	28.4	24.2
Government bonds	22.1	22.6	20.5
Corporate bonds	22.4	23.2	19.9
Property	7.6	7.1	6.8
GARS Fund	11.0	10.8	11.4
Other	-	-	-
Total	96.4	92.1	82.8

The tables below include the disclosures for the Swansea University Pension Scheme.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Analysis of the amount shown in the balance sheet for SUPS		
Scheme assets	96,400	92,100
Scheme liabilities	142,500	155,100
Deficit in the scheme – net pension liability recorded within Other Comprehensive Income	(46,100)	(63,000)
Current service cost	(2,500)	(2,300)
Past service costs	-	-
Total operating charge:	(2,500)	(2,300)
Analysis of the amount charged to interest payable/ credited to other finance income for SUPS		
Interest cost	(3,800)	(4,700)
Expected return on assets	2,200	3,100
Interest on net deficit	-	-
Net charge to other finance income	(1,600)	(1,600)
Analysis of other comprehensive income for SUPS		
Gain on assets	4,600	8,200
Experience gain / loss on liabilities	8,900	-
Gain / (loss) on liabilities	4,900	(27,700)
Total other comprehensive income/(expense) before deduction for tax	18,400	(19,500)

30 CONTINUED

History of experience gains and losses – SUPS

	Year to			
	31 July 2017	31 July 2016	31 July 2015	31 July 2014
Difference between actual and expected return on scheme assets:				
Amount (£000)	4,600	8,200	6,000	1,300
% of assets at end of year	4.8%	8.7%	7.2%	1.7%
Experience gains on scheme liabilities				
Amount (£000)	-8,900	-	-	3,400
% of liabilities at end of year	-6.2%	0.0%	0.0%	2.9%

2017
£000

2016
£000

Cumulative actuarial loss recognised as other comprehensive income for SUPS

Cumulative actuarial losses recognised at the start of the year	(45,200)	(25,700)
Cumulative actuarial losses recognised at the end of the year	(26,800)	(45,200)

Analysis of movement in surplus/(deficit) for SUPS

Deficit at beginning of year	(63,000)	(42,300)
Contributions or benefits paid by the University	3,000	3,100
Current service cost	(2,500)	(2,300)
Past service cost	-	-
Admin costs	(400)	(400)
Other finance charge	(1,600)	(1,600)
Loss / Gain recognised in other comprehensive income	18,400	(19,500)
Deficit at end of year	(46,100)	(63,000)

2017
£000

2016
£000

Analysis of movement in the present value of SUPS

Present value of SUPS at the start of the year	155,100	125,100
Current service cost (net of member contributions)	2,500	2,300
Past service cost	-	-
Interest cost	3,800	4,700
Actuarial loss/(gain)	(13,800)	27,700
Actual benefit payments	(5,100)	(4,700)
Present value of SUPS liabilities at the end of the year	142,500	155,100

30 CONTINUED

	2017 £000	2016 £000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	92,100	82,800
Expected return on assets	2,200	3,100
Actuarial gain on assets	4,600	8,200
Actual contributions paid by University	3,000	3,100
Actual member contributions (including notional contributions)	-	-
Non Investment expenses	(400)	(400)
Actual benefit payments	(5,100)	(4,700)
Fair value of scheme assets at the end of the year	96,400	92,100

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

	Year Ended 2017 £000	Year Ended 2016 £000
Actual return on scheme assets		
Expected return on scheme assets	2,200	3100
Asset gain/(loss)	4,600	8200
	6,800	11,300

Estimated contributions for SUPS in the Financial Year 2017–18 is £1,800K (2016-17 £3,000k) assuming the contribution rate of 21% plus £1,200 PA fixed continuation (2016-17 29%).