



Swansea University
Prifysgol Abertawe

Operating and Financial Review and Financial Statements

2014-15



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FINANCIAL STATEMENTS

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MESSAGE FROM THE VICE-CHANCELLOR

This has been a memorable year.

Successive Annual Operating and Financial Reviews have charted the upward progress of the University following the ambitious 'Strategic Directions' policies approved by our Council in 2004. The clear evidence in this year's Review is that Swansea University has made further significant progress and, even more encouragingly, that its reputation is catching up with its achievements.

This evidence includes soaring student applications, the remarkable success of our students in obtaining graduate-level employment, high levels of student satisfaction, flourishing strategic partnerships with excellent overseas universities, and being shortlisted for the Times Higher University of the Year award.

The highlight of the year was the University's performance in the latest assessment of research by the UK Higher Education Funding Councils. The results of this Research Excellence Framework (REF2014) were outstanding for Swansea. Rising to 26th position in the rankings published by the Times Higher (23rd excluding three medical research institutes), we outperformed four Russell Group universities and tied with two others. The Times Higher identified this as 'the biggest leap amongst research-intensive institutions' since the previous assessment in 2008. We actually doubled the amount of world-leading research at Swansea over this period; a third of our research is now classed as world-leading and most of the rest as internationally excellent.

The REF outcomes also demonstrated that Swansea academics are achieving research excellence across all subject areas: STEM, Medicine, Social Science, and the Arts and Humanities. The success of the College of Medicine was particularly remarkable having only just celebrated its 10th birthday and graduated its first cohort of Swansea doctors.

It is not just the quality but also the scale of research that is making a difference. Total research funding (research grants and core QR funding) exceeded £50m for the first time. This is the approximate breakthrough point at which a research-intensive university becomes recognised as a serious player and which was an explicit target for our 'Strategic Directions' journey.


The opening of our £450m Bay Campus means that we have the infrastructure in place to continue driving forward the excellence of research and the student experience. It will also allow us to scale up our contribution to the economic regeneration of the region. This new campus is one of the most ambitious projects in the UK higher education sector for decades and has been completed in budget and on schedule despite the global recession. Further building is planned alongside major redevelopment of the Singleton Campus in future years.

As a research-intensive university, Swansea has to compete at many levels. We compete in Wales for government funding and in the UK for home students. We compete globally for overseas students, recruiting the best academic staff, and securing funding from industry. Our academics have to compete with some of the strongest research groups in the world to win UK Research Council and EU research grants. The levels of competition are also becoming more intense because of public sector funding constraints and the relaxation and now, removal of home student quotas for universities in England.

I emphasise this challenging environment to ensure that colleagues across the University receive full credit for all their efforts and achievements which, collectively, have resulted in the remarkable success of the University in recent years and the momentum which augurs so well for the future.

Professor Richard B. Davies

Vice-Chancellor



THE UNIVERSITY AND ITS WORK

Swansea University is an ambitious, research-intensive institution with approximately 20,000 students. The University's vision is that, 'By 2017 Swansea will be a research-intensive UK top-30 University.'

Swansea University has developed its research capacity substantially over the last five years. Investment has been made through the business planning process, 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 of a 21st Century 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.

UNIVERSITY KEY FACTS

Total income: £229 million
Total research income: £48 million
Total research awards (research income less deferred grants released): £44 million
Academic staff and research staff fte*: 1,238
In the NSS 91% of students were satisfied with the quality of their course
Almost 720 research students; overseas students account for 18% of students
Total staff fte*: 2,725
Total student fte*: 13,319

*fte: full-time equivalent

ORGANISATION

The University's governing body, the Council, is responsible for the administration of the revenue and property of the University, and has general control over the University and its affairs, purposes and functions. Further details are provided in the section 'Statement of Council's Responsibilities.' The members of Council for the year ended 31 July 2015 were:-

Role	Member	End of Term
Chancellor	Rt Hon Rhodri Morgan	31 July 2019
Pro-Chancellor and Chair of Council	Sir Roger Jones	10 September 2019
Pro-Chancellor	Sir Roderick Evans	March 2017
Treasurer	Mr Fredrich (Fritz) Summer	31 January 2017
Vice-Chancellor	Professor Richard B Davies	Until retirement
Pro-Vice-Chancellors (maximum of 3)	Professor Ian Cluckie (retired May 2015) Professor Iwan Davies Professor Hilary Lappin-Scott Professor Steve Wilks (from May 2015)	30 November 2015 30 November 2019 1 December 2017 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 Mrs Jill Burgess Emeritus Professor Dame June Clark Ms Debbie Green Mr Howard Morgan Mr Brian Thompson	January 2017 January 2018 January 2018 January 2019 January 2016 January 2016
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 Professor Jane Thomas Dr Katharina Hall Mr Chris Whyley	30 September 2016 21 October 2018 23 November 2015 23 November 2015
6 members co-opted by the Council of Swansea University	Mr Huw Jones Sir David Lewis Mr John Mahoney Mrs Rosemary Morgan Mrs Ann Owen Lord Michael Williams of Baglan	10 September 2017 20 January 2018 25 March 2016 10 September 2019 29 March 2018 March 2017
2 employees of Swansea University nominated by the University's recognised Trade Unions	Dr Simon Hoffman Mr John Tregembo	10 September 2019 10 September 2019
President of Students' Union	Ms Ceinwen Cloney Mr Lewys Aron (from 1 July 2015)	30 June 2015 30 June 2016
Students' Union Sports Officer	Ms Charlotte Peters Mr Felix Mmeka (from 1 July 2015)	30 June 2015 30 June 2016

The University is organised into seven Colleges.

The administrative and support activities are led by the Registrar and Chief Operating Officer.

The Senior Management Team has operational responsibility for the University and comprises the Vice-Chancellor, Pro-Vice-Chancellors, Director of Finance, Registrar and Chief Operating Officer.

The Senior Management Team now comprises:

Professor Richard B. Davies – Vice-Chancellor

Mr Raymond Ciborowski – Registrar and Chief Operating Officer

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

Professor Ian Cluckie – Pro-Vice-Chancellor (STEM subjects, Medical and Health Science) Retired 31st May 2015

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

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

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

Mr Rob Brelsford-Smith – Director of Finance

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 University's governance structure is more fully explained in the corporate governance section.

RESEARCH AND INNOVATION

During the year the value of grants and contracts income increased by 11.8% to £48.2 million from £43.1 million in the previous year.

TEACHING AND LEARNING

Student Numbers

All Students	Home	Island	Overseas	Total	*FTE Load Home	FTE Load Island	FTE Load Overseas	FTE Load Total
Full-Time Undergraduate	10,187	13	2,703	12,903	8,474	13	1,607	10,094
Part-Time Undergraduate	2,550	0	1	2,551	350	0	0	350
Full-Time Taught Postgraduate	434	2	616	1,052	390	2	597	989
Part-Time Taught Postgraduate	906	0	20	926	229	0	3	232
Full-Time Research Postgraduate	413	0	176	589	403	0	171	574
Part-Time Research Postgraduate	124	0	4	128	62	0	2	64
Non-Fundable Undergraduate	1,560	0	0	1,560	1,016	0	0	1,016
	16,174	15	3,520	19,709	10,924	15	2,380	13,319

*FTE: Full-time equivalent

THE WORK OF THE UNIVERSITY

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

The results of the 2014 Research Excellence Framework show that Swansea University achieved the biggest leap amongst research-intensive institutions – climbing from 52nd in 2008 to 26th in the UK. The University's research is now rated within the UK top 20 for 7 subject areas¹: 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 REF 2014 results confirm that the University's research is delivering significant, sustained and valuable economic and societal impact not just within Wales or the UK, but internationally.

¹Ranked against other Universities submitting to the same Unit of Assessment in the Research Excellence Framework 2014.

The University has seen an important increase in the results from the National Students Survey 2015. Swansea is now ranked 8th in the UK for overall satisfaction and is the joint highest ranking University in Wales. 18 of the 41 subject areas are in the top 10 in the UK for overall satisfaction, including four areas that are 1st (Genetics, Media Studies, Medical Technology and Others in Historical and Philosophical Studies) and eight in the top five (Computer Science, Law, Materials and Minerals Technology, Classics, Social Policy, Aerospace Engineering, Italian Studies and Osteopathy). The University is also providing top opportunities for its graduates to go on to good jobs or further study – Swansea is now ranked 15th in the UK and top in Wales for producing global graduates capable of entering graduate level further study, or securing a professional level position within six months of graduating.

Swansea University's new £450m Bay Science and Innovation Campus opened its doors to students in September 2015. The programme was made possible through funding made available from the European Investment Bank (EIB), Welsh Government, the European Regional Development Fund and the UK Government through the department for Business, Innovation and Skills. The estimated economic impact of the project is more than £3bn over a ten-year period. The College of Engineering and School of Management will relocate to the Bay Campus, which will also provide beautiful accommodation for 1,462 students, a stunning Great Hall with an auditorium

for 800 people, Bay Library and extensive catering, sports, retail and Students' Union facilities. On Singleton Campus, the Data Science building opened bringing two exciting Centres of Excellence together under one roof – the £9.3 million Farr Institute of Health Informatics Research and the new £8 million Administrative Data Research Centre Wales (ADRC Wales), enabling researchers to work together to unleash the potential of large scale data to conduct powerful new research.

The University was also awarded 5 Stars in the globally recognised quality rating by QS Stars, placing the institution in the company of top global universities such as Harvard, Stanford, Yale, Oxford and Cambridge.

The University has been in the top three of WhatUni's University of the Year – an award voted for by students – for the last two years. The University has received a Times Higher Leadership and Management Award each year from 2012-2014 and the University was shortlisted for the coveted THE University of the Year Award in 2014. The achievements during the year confirm Swansea's position as an aspiring and ambitious University currently riding on a wave of recent successes that have seen the University's reputation soar.

COLEG CYMRAEG CENEDLAETHOL

The development of Welsh-medium teaching across all subjects is overseen by Academi Hywel Teifi which is the home to the University's branch of the Coleg Cymraeg Cenedlaethol. During the past year the Academi has undertaken a range of work to further the Welsh-medium agenda, including the promotion of Welsh-medium staffing opportunities available from the University or the Coleg Cymraeg Cenedlaethol, and the exploration of ways to increase Welsh-medium provision by supporting existing bilingual staff. The number of students taking part in the Tystysgrif Sgiliau Iaith Gymraeg (Welsh Language Skills Certificate) which demonstrates their ability to communicate confidently and professionally in both written and spoken Welsh, increases annually and yields excellent results.

A number of successful applications have been made for funding from the Coleg Cymraeg Cenedlaethol's Strategic Fund, which enabled staff to develop new modules, to hold summer schools and to prepare teaching resources. Funding was also awarded this year from the Coleg Cymraeg. The University received a number of Scholarships and incentive awards to allocate to eligible students including funding for 2 new PhD students.

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 recent 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.

The very 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 £450 million Bay Campus. The Bay Campus is an extensive, innovation environment that maximises the growth of collaborative research with industry in high-tech clusters where Swansea has established strengths.

The University also holds a series of regular events and public lectures which are open to the public, and which help develop the public's understanding of science.

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 approximately 20,000 undergraduate and graduate 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.

To support this aim the University has established the Swansea Academy of Learning and Teaching (SALT) and the Swansea Employability Academy (SEA). SALT promotes excellence in learning and teaching and provides leadership for enhancing assessment and feedback, research-intensive teaching, online course delivery and pedagogical research. SEA is a partnership (between the University, its students, local employers, entrepreneurs, the sector skill councils and the government) which supports the development of employability, innovation and entrepreneurial skills amongst the student body, including through significantly increasing the number of students that have the opportunity to undertake a work placement or study abroad.

The University recognises that widening access to higher education must deliver the higher level skills that permanently improve the life chances of the beneficiaries. It admits students who have the highest potential for benefiting from higher education and recruits academic staff who are able to contribute most to the academic excellence, regardless of their financial, social, religious or ethnic background.

<p>...continued</p>	<p>The University has an excellent record of achievement in this area and the Swansea Academy of Inclusivity and Learner Support (SAILS), established in 2012, provides a campus wide focus on widening access to increase opportunities for people from diverse backgrounds to benefit from higher education, and ensuring that students have the academic and pastoral support they need to succeed in their studies. Every College in the University has a lead person to work with departmental colleagues to identify existing good practice in the University in relation to widening access and learner support and to take forward further development.</p> <p>An extensive outreach programme raises educational aspiration and attracts 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.</p>
<p>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.</p>	<p>The University over the last ten years 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.</p> <p>Building upon its research strength and industry partnerships, the University has successfully delivered a number of large projects supported by European Structural Funds which have realised significant benefits for Wales and the region through job creation, productivity growth and support for business. Of particular note is the University’s 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 the Bay Science and Innovation Campus, that builds on the world-leading research of the University’s College of Engineering. The University 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.</p> <p>The University holds historical research collections of international importance. These unique and diverse collections, including the Richard Burton Archives, 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.</p> <p>The Taliesin Arts Centre and the Egypt Centre museum, both of which are based on the Singleton Campus, provide a broad programme of cinema screenings, visiting exhibitions and activities 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.</p> <p>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.</p> <p>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.</p>

FINANCIAL AND RISK MANAGEMENT

INCOME

There was a decrease in the recurrent funding body grants of £6.5 million reflecting the continued reduction in grant from HEFCW. Consequently, tuition fee income from home and EU students increased by £18.3 million during the year reflecting the increase of tuition fees introduced in 2013. This increase in tuition fee income has been offset by £5.6 million worth of expenditure on bursaries which is a requirement of the Fee Plan.

CASH FLOW

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

BORROWING POLICY

The University has previously maintained a relatively small level of borrowings which relate to capital schemes the University has undertaken in the past. The borrowing has increased again in 2014/15 as part funding towards the Phase 1 of Bay Campus development which was completed by September 2015. More recently the University has adopted a policy of allowing third parties to develop facilities such as student accommodation.

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. The bulk of these are managed in a segregated account on the University's behalf and have a maturity profile that balances risk and return whilst reflecting the University's capital investment plans. A £5m limit applies to the size of deposits with individual counterparties, though up to £10m may be placed with UK clearing banks.

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.

PRINCIPAL RISKS AND UNCERTAINTY

The threats to the University are managed by the University Senior Management Team (SMT) via a University Risk Register. Whilst ownership of risks is retained at a senior level of management, the mitigating actions are then cascaded down the University organisation. All Colleges and Professional Services Departments at the University have individual risk registers to ensure that active risk management takes place. The University Risk Register is reviewed in a quarterly cycle by SMT and by the Directors of Professional Services departments. There are currently 22 risks on the University Risk Register and of these 6 are considered to be in RED status, i.e. of most concern.

- The risk in relation to University Pension Schemes continues to be of concern due to scheme valuations and the need to mitigate any financial consequences
- The ambitious student recruitment and research income targets will cause challenges to the management of physical space at the Singleton and Bay Campuses
- The risk that a lack of adequate maintenance on older buildings at Singleton Campus may impact teaching or research activities

- A failure to successfully deliver the many externally funded academic projects could impact College business plans and the University's reputation and finances
- A failure to successfully deliver High Performance Computing (HPC) strategies will impact the academic needs of the University and also University reputation and finances
- The University vision of being a research-intensive University is dependent on research income targets being achieved

KEY PERFORMANCE INDICATORS

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

TEACHING & LEARNING

KPI	Full-time undergraduate degree success
Measuring	Success in supporting students in their learning experience
Year	Obtaining 1st / 2.i class degree (%)
2014-15	76.3
2013-14	74.1

Comment: The proportion of students obtaining 1st and 2.i class degrees continues to increase.

KPI	National Student Survey percentage ratings of each quality dimension at institutional level						
Measuring	Student satisfaction with quality of teaching and learning						
Year	The teaching on my course (%)	Assessment and feedback (%)	Academic Support (%)	Organisation and management (%)	Learning resources (%)	Personal development (%)	Overall, I am satisfied with the quality of the course (%)
2015	90	74	84	82	88	85	91
2014	87	71	82	75	84	83	89

Comment: The University continues to strive to improve the student experience through a variety of measures.

DIVERSITY

NS-SEC: National Statistics Socio-economic Classification

KPI	Percentage of students from widening participation groups	
Measuring	Success at attracting under-represented groups in Higher Education to study at Swansea University	
Year	2014-15	2013-14
Widening participation (%)		
From Communities First areas	6.1	6.2
From NS-SEC Classes 4,5,6 & 7	19.2	18.4
From low affluence areas	13.8	13.4
Internationalisation (%)		
Overseas student numbers as a percentage of total students	18%	17%

Comment: The University continues to attract under-represented groups to study at Swansea University.

STUDENT/STAFF RATIO

KPI	Number of staff as proportion of student numbers		
Measuring	Level of support given to students by staff		
Year	Number of students (fte)	Number of academic staff (fte)	Student / Staff Ratio
2014-15	13,319	846	15.74
2013-14	12,562	843	14.90

Comment: Number of students (fte) increased by 6.0% against 2013-14, due to the number of increased students. Overall, Student/Staff Ratio has increased against the previous year

RESEARCH

KPI	Research income growth	Research grants awarded growth
Measuring	Success in growing research income	Success in research grant capture
Year	Actual (£m)	Actual (£m)
2014-15	48.2	44.2
2013-14	43.1	38.9

Comment: During the year there has been an increase of 11.8% in research income. The value of research grant capture during the year has risen by 13.6%.

FINANCIAL

KPI	Operating surplus (before exceptional items) as a percentage of income
Measuring	Ability to invest in the assets of the University
Year	
2014-15	8.0
2013-14	3.5

Comment: The University aims for a target surplus of 3% as a percentage of income as outlined in its financial strategy. The increase in the operating surplus is due to one off receipts in the year.

KPI	Days liquid net assets to expenditure
Measuring	Liquidity – the ability to pay the University's costs
Year	
2014-15	91
2013-14	85

Comment: The University aims to hold at 35 days expenditure in liquid assets; this is currently being exceeded due in part to the high level of cash held as a result of grants and loans received in advance.

KPI	Expendable liquid net assets to long-term debt
Measuring	Viability – the ratio of University's own funds to external funds
Year	
2014-15	1.03
2013-14	1.37

Comment: During the year the University drew down a further £20 million from its EIB loan facility towards the Campus Expansion Programme construction which has further decreased the previously high ratio. Under financial covenants the EIB debt should not exceed more than 60% of net tangible assets.

ESTATES

All estates KPIs are based on the latest information available from Estate Management Statistics (EMS).

KPI	Energy costs
Measuring	The average expenditure on energy provision (all fuels) per m ² total estate net internal area (NIA). Where NIA figures are not available, room area has been scaled up by 6%
Year	
2013-14	26.39
2012-13	25.65

Comment: The expenditure per m² has increased because energy costs have moved from £3,072,791 to £3,505,825 and net internal area has been reduced from 134,807m² to 132,899 m². This is manually calculated by taking FECTOT (Energy costs total) / SMNIAT (Net internal Area). It is no longer part of Key Ratios.

KPI	Emissions	
Measuring	Notional energy emissions (kg CO ₂) psm gross internal area (GIA) (D11) C1	Notional energy emissions (kg CO ₂) per student FTE (D4) C1
Year		
2013-14	86	1,319
2012-13	99	1,568

Comment: Energy emission total (E12CENRT) has reduced from 16,127,506 to 13,803,231.91

KPI	Non-residential estate – square metres per student
Measuring	How much space is allocated to each student
Year	m²
2013-14	7.1
2012-13	7.4

Comment: Student numbers have increased while NIA\GIA has decreased.

FINANCIAL REPORT

INTRODUCTION

It has been a successful year for the University in managing to achieve a healthy surplus at a time of great uncertainty in the wider economic environment. Overall income has seen a growth of 11.4%, and through effective management of resources a surplus of £18.3 million (8.0% of income) has been achieved. Research grant income in the year grew by 11.8% to £48.2 million from £43.1 million.

Net income grew 11.4% from £205.2 million to £228.7 million, with the decreases in funding council grant income more than offset by increases in overall research income and additional academic fees.

Expenditure increased from £198.0 million to £209.4 million, with the main increase being staff costs. The deferral of expenditure from 2014-15 to 2015-16 has favourably impacted upon the financial performance for the year. It is anticipated that this will adversely affect the result for 2015-16.

INCOME

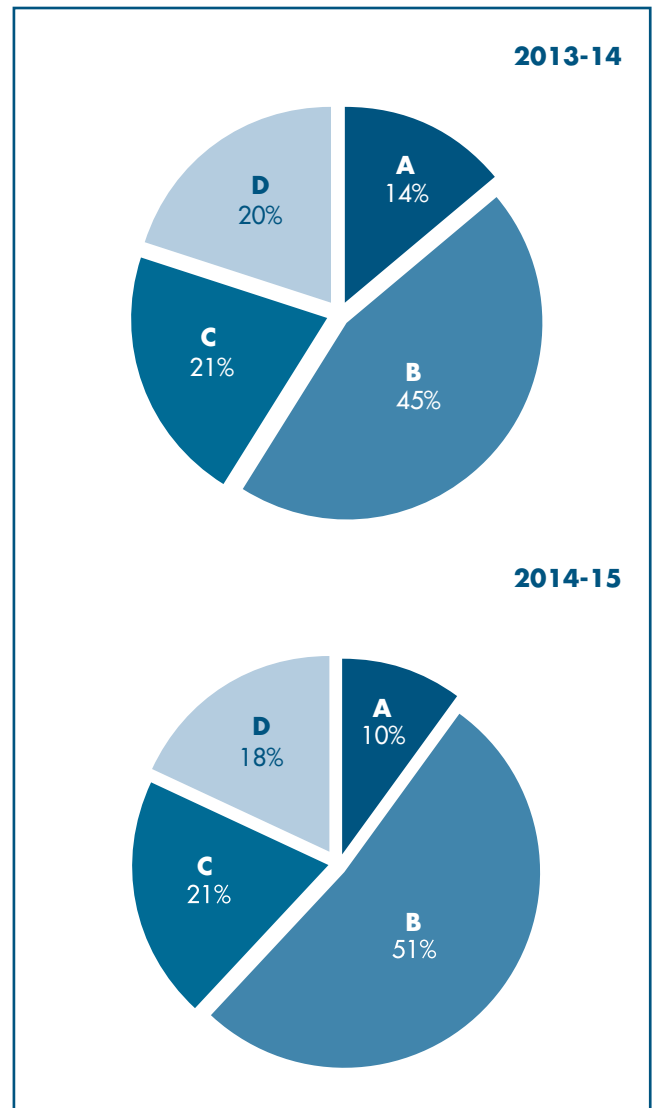
Academic fees from full-time home and European Union (EU) students increased by £18.3 million (32.6%) reflecting the shift from Funding Council income to tuition fees charged. This increase in tuition fee income has been offset by £5.6 million worth of expenditure on bursaries which is a requirement of the Fee Plan.

Academic fees from full-time international students increased by £6.3 million (26.4%), reflecting the additional students recruited over the past few years.

Funding Council grants for recurrent funding decreased by £6.5 million (28.5%).

The key income streams are summarised below:-

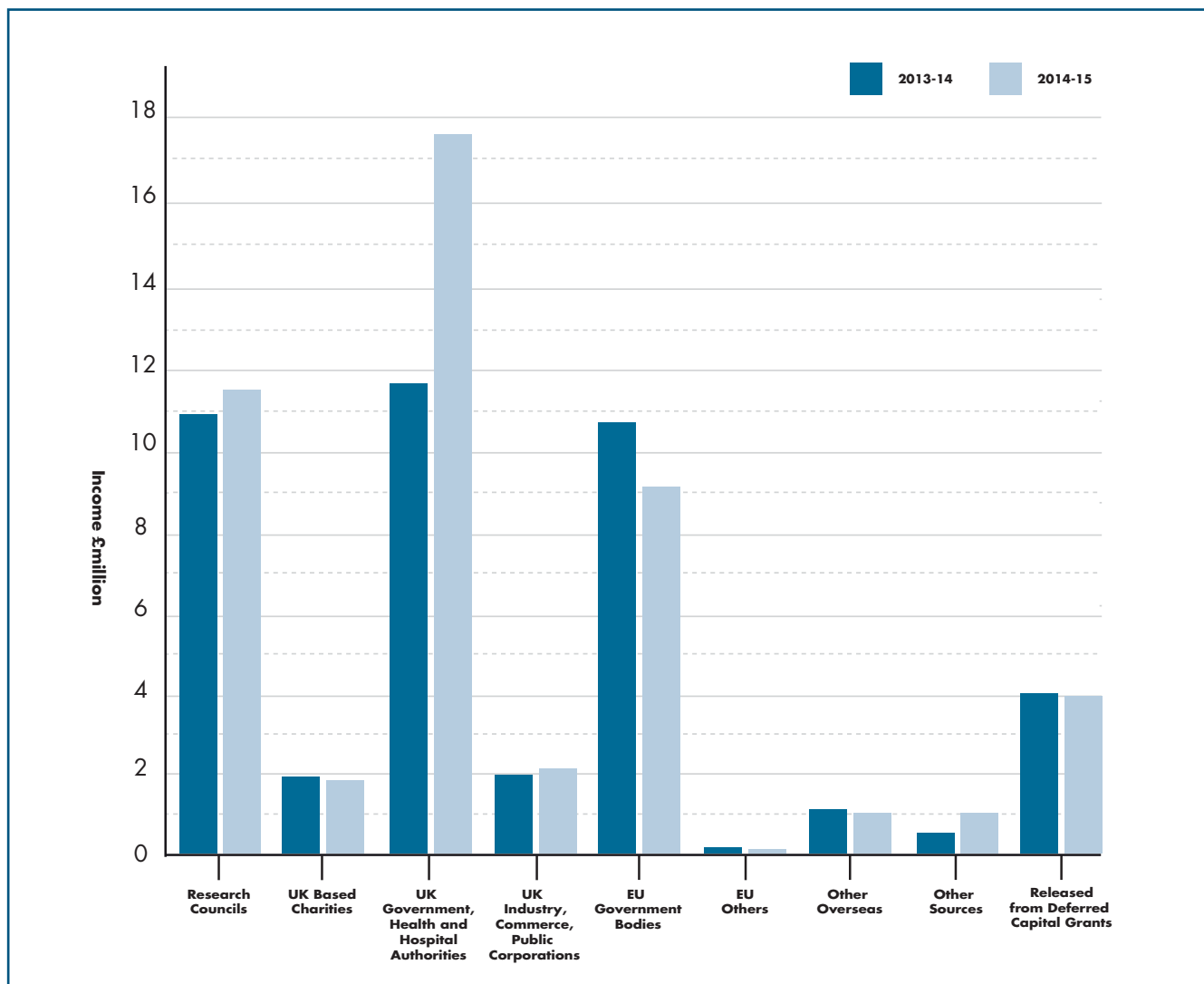
- A** Funding Council grants
- B** Tuition fees and education contracts
- C** Research grants and contracts
- D** Other income (incl. Endowment and investment income)



RESEARCH

Research income in the year was £48.2 million, an increase of £5.1 million (11.8%) on the previous year. UK government research income has increased in 2015 due to the inclusion of a one-off receipt for the R&D Expenditure Credit for financial years 2013/2014/2015 totalling £4.1 million.

Due to the level of grants and contracts awarded during the year (and in the previous years) it is anticipated that from 2014-15 onwards income from research grants will continue to increase.

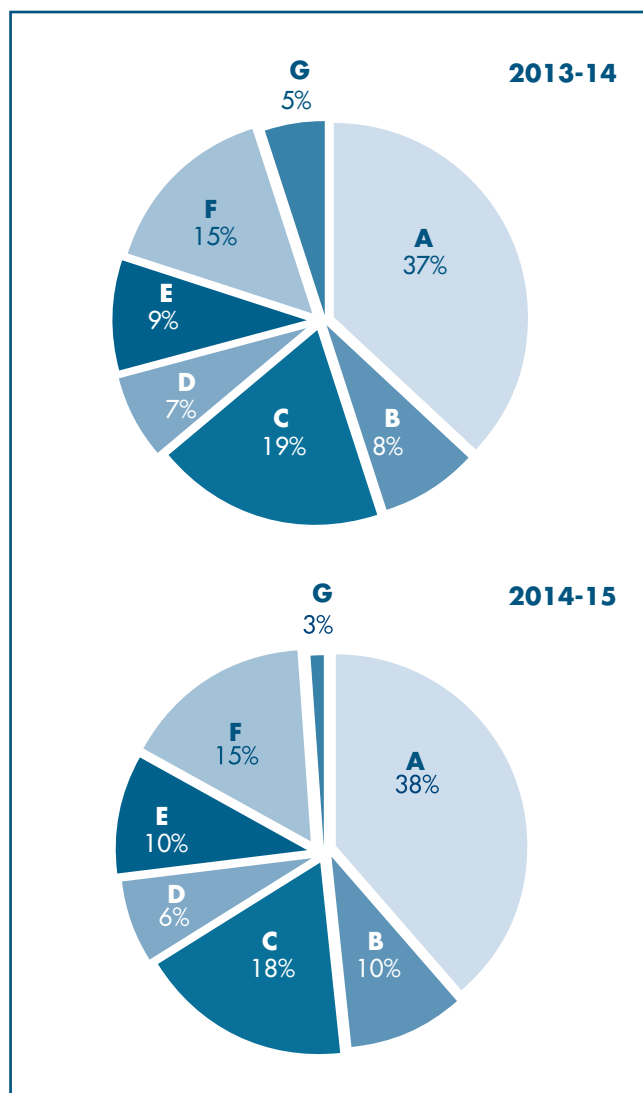


BEQUESTS AND DONATIONS

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

EXPENDITURE

The key expenditure streams are summarised below:



- A** Academic departments
- B** Academic services
- C** Research grants and contracts
- D** Residences, catering and conferences
- E** Premises
- F** Professional services
- G** Other services rendered and other activities

CASH FLOW

The University had a net cash inflow from operating activities of £24.7 million, compared to £26.2 million in the previous year; the main reasons are decreases in grants received in advance and trade debtors, along with increases in trade creditors. The University’s short-term deposits are managed by the Royal London Group, the performance of which is monitored by the Investment Sub-Committee against pre-determined benchmarks. In accordance with the University’s Treasury Management Policy, the investment objective is to achieve the best possible return whilst minimising risk. At 31 July 2015, the University held short-term deposits/cash of £52.4 million and a further £1.4 million on behalf of endowment funds.

These balances are expected to decline in future years as the University fulfils its capital development programme.

Short-term deposits/cash held by the University at 31 July 2015 represented 91 days’ expenditure (excluding depreciation) which can be compared to the target set by the University of 35 days’ expenditure.

A key change to the University’s cash flow is the increase in borrowing for fixed assets purchase and construction. The level of borrowing increased during the year by £20 million to £52 million.

It is the University’s policy to seek the best available payment terms for all its business. During the year the period taken to settle trade creditors was on average 35 days (2013-14: 36 days).

BALANCE SHEET

Overall, net assets increased from £114.0 million to £157.0 million.

The major movements in balance sheet categories were as follows:

- Tangible fixed assets have increased year on year from £165.0 million to £224.6 million as a result of additions of £69.1 million exceeding the depreciation charge of £9.6 million. £65.6 million of the additions related to land and buildings. A total of £129.5 million relates to the construction of the new Bay Campus and is not yet being depreciated.
- Short-term deposits and cash increased by £8.2 million.
- Bank loans increased by £19.7 million as a result of the financing required for the capital spend on the Bay Campus construction.

PENSIONS

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the Swansea University Pension Scheme (SUPS). The assets of both schemes are held in trustee administered funds.

The pension deficit for the SUPS (as measured by Financial Reporting Standard 17) decreased from £42.5 million to £42.3 million. This included an actuarial gain recognised in the statement of total recognised gains and losses of £0.3 million.

From the 1st January 2012 the SUPS scheme was closed to new members, staff that were previously offered the option to join the SUPS scheme are now invited to join a defined contribution scheme operated by NEST (National Employment Savings Trust). Both employees and employers make contributions into the scheme to build up pension benefits.

The USS is a multi-employer scheme and, as the University is unable to identify its share of the underlying assets and liabilities, the scheme is treated as a defined contribution scheme, whereby contributions are charged as incurred.

The long-term financial viability of the schemes depends on a number of factors, including changes to the age profile of members of the schemes, interest rates, the value of investments and benefits offered by the schemes. The University will continue to monitor the financial position of the schemes, together with the potential impact on the financial statements.

RESERVES

The University's income and expenditure account reserves at 31 July 2015, excluding the pension liability, stood at £82.2 million, compared to £63.8 million for the previous year. The University is committed to move to a position of generating significant surpluses in the medium term in order to enhance reserves.

After taking account of the pension liability referred to above and the revaluation reserve, the University had reserves of £40.8 million at 31 July 2015, compared to reserves of £22.1 million at 31 July 2014.

LIQUIDITY

The University has increased borrowing due to the Bay Campus construction, which has increased the previously low gearing ratio. The balance sheet is valued at historical cost, therefore does not take account of the underlying market value of the assets which is in excess of £200 million.

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 and the prospect of a short-term credit facility has resulted in the University increasing its attention to financial management and, in particular, to cash flow management.

FINANCIAL STRENGTH

The University uses a number of measures to monitor its financial strength; some of these key performance indicators are below:-

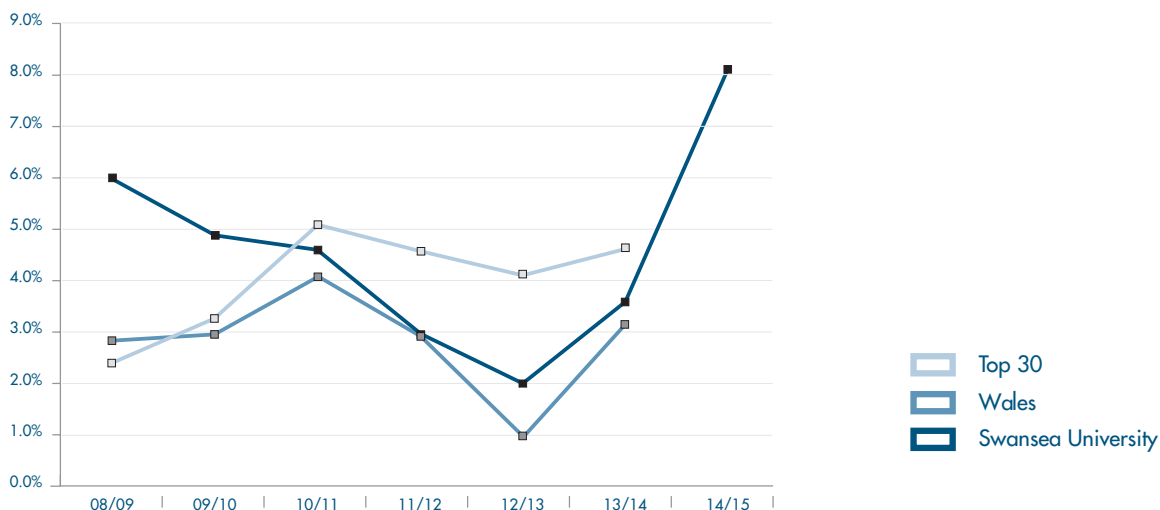
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Net income (£m)	158.9	172.5	178.3	181.8	205.2	228.7
EBITDA	11.5	14.0	9.5	8.4	13.5	19.6
Surplus (£m)	7.7	7.9	5.4	3.7	7.2	18.3
Surplus as % of Income	4.8%	4.6%	3.0%	2.0%	3.5%	8.0%
Growth in Income	5.7%	8.6%	3.3%	1.9%	12.9%	11.4%

(EBITDA – Earnings before Interest, Taxation, Depreciation and Amortisation).

Surplus as a percentage of income

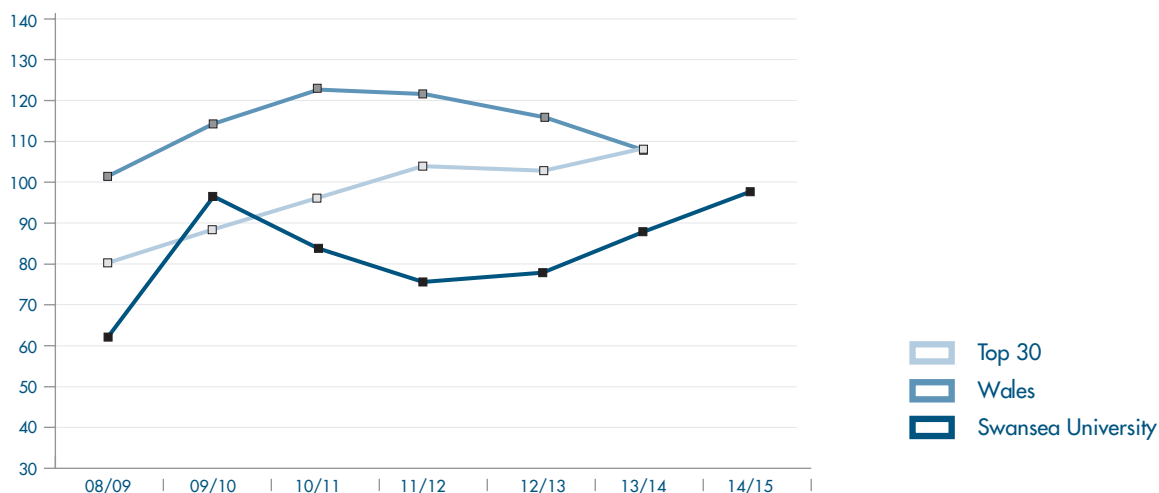
This highlights the University’s performance in terms of its ability to invest in future years in building capacity.

The University’s financial performance for 2014-15 has been favourably affected by the delay of expenditure to be incurred in 2015-16. This will have a corresponding adverse effect on forecasted surpluses next year. The long-term forecasts are otherwise not materially affected.



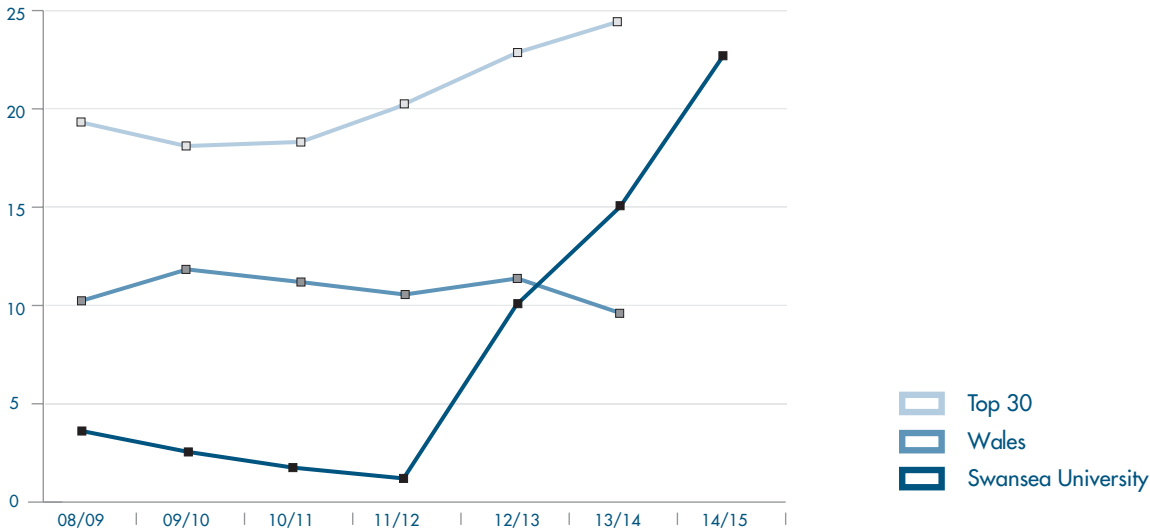
Liquidity – Days net assets to expenditure (excluding non-cash expenditure)

This measures the liquidity of the University, and highlights its ability to finance its activities.



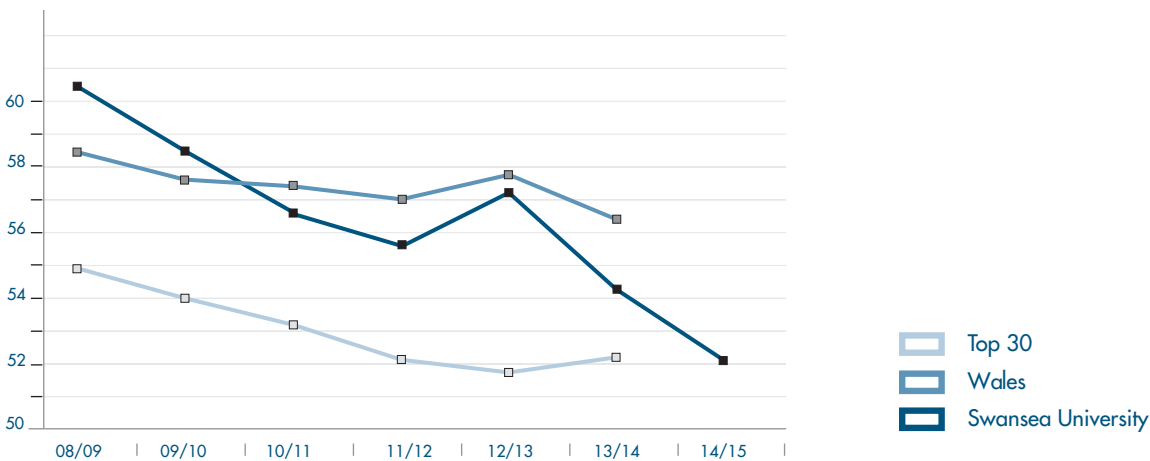
Borrowings – Borrowings as a percentage of income

This measures the ratio of external borrowing of the University to total income of the institution, and highlights the strength of its income to its reliance on external debt.



Staff Costs – Staff Costs as a percentage of income

This measures the financial health of the University and shows what percentage of income is spent on staff costs.



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 rise up through the sector league tables, means that the University is well positioned to respond to these challenges.

CORPORATE GOVERNANCE

The following statement is provided to enable readers of the annual report and accounts of the University to obtain a better understanding of its governance and legal structure. This report covers the full financial year and up to the date of approval of the Financial Statements.

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 with a registration number 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 2015, 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 and demonstrable alignment with the new Higher Education Code has been agreed and is in the process of being 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 receive any payment, apart from the reimbursement of expenses, for the work they do for the University.

Details of Council's responsibilities are reflected in the section 'Statement of the Council's Responsibilities.'

- **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:

- **Finance**

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.

- **Human Resources**

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.

- **Nominations**

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.

- **Remuneration**

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

- **Audit**

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 the some of the Committees of Council.

FINANCIAL STATEMENTS

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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 (HEFCW); 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 HEFCW 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 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 ongoing process for identifying, evaluating, and managing the University's significant risks that has been in place for the year ending 31 July 2015, and up to the date of approval of the financial statements. This process is regularly reviewed by the Council.

REPORT OF THE AUDITORS TO THE COUNCIL OF SWANSEA UNIVERSITY

OUR OPINION

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2015, and of the income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 section 144 of the Charities Act 2011 and Regulation 14 of The Charities (Accounts and Reports) Regulations 2008.

This opinion is to be read in the context of what we say in the remainder of this report.

WHAT WE HAVE AUDITED

The financial statements, which are prepared by Swansea University comprise:

- the Balance Sheet as at 31 July 2015;
- the Income and Expenditure Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Governing Body/Council has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

WHAT AN AUDIT OF THE FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Council; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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:

- 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;
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCW have been applied in accordance with the financial memorandum and any other terms and conditions attached to them.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

SUFFICIENCY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

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

We have no exceptions to report arising from this responsibility.

OTHER INFORMATION IN THE ANNUAL REPORT

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE COUNCIL

As explained more fully in the Statement of Council's Responsibilities set out on page 24, the Council, (who are also trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

- (a) The maintenance and integrity of the Swansea University website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements presented to the Council have been prepared in accordance with the recommendations of the Statement of Recommended Practice: Accounting for Further and Higher Education 2007, applicable Accounting Standards in the United Kingdom and the Accounts Direction issued by HEFCW.

The Operating and Financial Review has been prepared with reference to the Accounting Standards Board's Reporting Statement: "The Operating and Financial Review" issued in January 2006.

BASIS OF PREPARATION

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, and on the going concern basis. The Principal Accounting Policies have been applied consistently throughout the year.

BASIS OF CONSOLIDATION

The consolidated financial statements for the financial year to 31 July 2015 include the University and all subsidiary undertakings where results, assets and liabilities (taken together for all undertakings) are of material value in relation to the University's Financial Statements.

In addition, the consolidated accounts include the results of the Wales National Pool Swansea.

This company is owned jointly on a 50/50 basis by the University and the City and County of Swansea and operates the Wales National Pool. As this company is owned and controlled by both of the above partners, it is accounted for on a joint venture basis.

The consolidated financial statements do not include those of the Students' Union because the University does not control this activity.

RECOGNITION OF INCOME

Funding Body grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account 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.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of heritage assets is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses.

AGENCY ARRANGEMENTS

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

TAXATION

The University is a charity registered with the Charities (number 1138342). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University 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 tangible fixed assets is included in their cost.

FREEHOLD LAND AND BUILDINGS

Freehold land and buildings are stated at cost.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

HERITAGE ASSETS

Works of art and other valuable artefacts (heritage assets) or group of related items, valued at over £25,000, have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

EQUIPMENT

Equipment costing less than £25,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Telephone exchange	7 years
All other equipment	3 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the policy set out above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

DEPRECIATION

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University of between 15 and 40 years on the amount at which the tangible fixed asset is included in the balance sheet.

Leasehold land and buildings are depreciated over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

ACQUISITION WITH THE AID OF SPECIFIC GRANTS

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

REPAIRS AND MAINTENANCE

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period in which it is incurred.

INVESTMENTS

Listed investments held as endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower cost or net realisable value.

Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

STOCK

Stocks are stated at the lower of their cost and net realisable value. Cost is determined on a First In-First Out (FIFO) methodology. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

CASH FLOWS AND SHORT-TERM DEPOSITS

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Short-term deposits comprise assets held as readily disposable store of value. They exclude any such assets held as endowment asset investments.

JOINT VENTURE ENTITIES AND ASSOCIATES

The University's share of income and expenditure in joint venture entities is recognised in the University's income and expenditure account in accordance with FRS 9. Similarly the University's share of assets and liabilities in associate entities is recognised in the University's balance sheet in accordance with FRS 9.

The gross equity method is used when consolidating joint venture entities. Associate entities are consolidated using the equity method entities in accordance with FRS 9.

ACCOUNTING FOR CHARITABLE DONATIONS – UNRESTRICTED DONATIONS

Unrestricted charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

ENDOWMENT FUNDS

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

- 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.
- Restricted expendable endowments – the donor has specified a particular objective rather than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
- 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.

TOTAL RETURN ON INVESTMENTS FOR PERMANENT ENDOWMENTS

Total return is the whole of the investment return received by the University on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purposes of the University, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

DONATIONS FOR FIXED ASSETS

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

GIFTS IN KIND, INCLUDING DONATED TANGIBLE FIXED ASSETS

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate, using a reasonable estimate of their gross value or the amount actually realised.

ACCOUNTING FOR RETIREMENT BENEFITS

The University contributes to the Universities Superannuation Scheme (USS), the Swansea University Pension Scheme (SUPS), and the NHS pension scheme. All schemes are defined benefit schemes but the USS and NHS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme, which are attributable to the University. In accordance with FRS 17, these schemes are accounted for on a defined contribution basis and contributions to the scheme are included as expenditure in the period in which they are payable. The University is able to identify its share of assets and liabilities of the SUPS and thus the University fully adopts FRS 17 "Retirement Benefits" for this scheme.

From 1st January 2012 the SUPS scheme was closed to new members; staff that were previously offered the option to join the SUPS scheme are now invited to join a defined contribution scheme operated by NEST (National Employment Savings Trust). Both employees and employers make contributions into the scheme to build up pension benefits.

PROVISIONS AND CONTINGENT LIABILITIES

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

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

SERVICE CONCESSION ARRANGEMENTS

Service concession arrangements arise from arrangements involving an operator constructing and/or upgrading, operating and maintaining infrastructure used to provide a service for a specified period of time. An assessment is made following the FRS5 Application Note F to perform the risk assessment to reach the appropriate conclusion as to whether the asset and associated liability are recognised on the university's balance sheet or not. Where the operator is paid for its services over the period of the arrangement, these payments are recognised as a cost in the income and expenditure account as they fall due. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes. A contingent liability is disclosed where the terms of the contract contain a contractual obligation which does not meet the definition of a provision (see policy on Provisions and Contingent Liabilities).

INCOME AND EXPENDITURE ACCOUNT

for the period ended 31st July 2015

	Note	2015 £000	2014 £000
INCOME			
Funding body grants	1	21,782	28,920
Tuition fees and education contracts	2	117,984	92,879
Research grants and contracts	3	48,153	43,056
Other income	4	40,922	40,428
Endowment and investment income	5	410	484
Total income		229,251	205,767
Less: share of joint venture turnover	13	(580)	(562)
Net income		228,671	205,205
EXPENDITURE			
Staff costs	6	118,560	111,811
Other operating expenses		79,314	73,663
Depreciation	11	9,597	10,915
Interest and other finance costs	8	1,939	1,594
Total expenditure	9	209,410	197,983
Surplus on continuing operations after depreciation of tangible fixed assets at cost			
		19,261	7,222
Share of operating result of joint venture		-	-
Corporation tax	10	(898)	-
Surplus on continuing operations after depreciation of tangible fixed assets at cost and disposal of assets			
		18,363	7,222
Transfer to accumulated income in endowment funds	21	(23)	(6)
Surplus for the year retained within general reserves			
	22	18,340	7,216

All items of income and expenditure arise from continuing operations.

There is no difference between the surplus in each year and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the period ended 31 July 2015

	Note	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets and disposal of assets		18,363	7,222
Appreciation of endowment asset investments	21	61	16
New endowments	21	45	14
Endowments withdrawn	21	(3,062)	–
Actuarial gain in respect of pension scheme	29	300	3,200
Total recognised gains relating to the year		15,707	10,452
Reconciliation			
Opening reserves and endowments		30,753	20,301
Total recognised gains for the year		15,707	10,452
Closing reserves and endowments		46,460	30,753

BALANCE SHEET

As at 31 July 2015

	Note	2015 £000	2014 £000
FIXED ASSETS			
Tangible assets	11	224,560	165,026
Investments	12	513	535
Investments in joint venture:	13		
Share of gross assets		3,343	3,418
Share of gross liabilities		(2,358)	(2,358)
		226,058	166,621
ENDOWMENT ASSETS			
	14	5,674	8,607
CURRENT ASSETS			
Stock		29	43
Debtors: falling due after more than one year	15	1,798	1,904
Debtors: falling due within one year	16	19,818	25,082
Short-term deposits	17	43,611	33,101
Cash at bank and in hand		8,775	11,037
		74,031	71,167
less:			
Creditors: falling due within one year	18	(55,738)	(57,996)
		18,293	13,171
NET CURRENT ASSETS			
		18,293	13,171
TOTAL ASSETS LESS CURRENT LIABILITIES			
		250,025	188,399
less:			
Creditors: falling due after more than one year	19	(50,773)	(31,887)
		199,252	156,512
NET ASSETS EXCLUDING PENSION LIABILITY			
Net pension liability	29	(42,300)	(42,500)
NET ASSETS INCLUDING PENSION LIABILITY			
		156,952	114,012
DEFERRED CAPITAL GRANTS			
	20	110,492	83,259
ENDOWMENT FUNDS			
Expendable	21	240	3,272
Permanent	21	5,434	5,335
		5,674	8,607
RESERVES			
Income and Expenditure account excluding pension reserve	22	82,194	63,754
Pension reserve	22	(42,300)	(42,500)
Income and Expenditure account including pension reserve		39,894	21,254
Revaluation reserve	22	892	892
TOTAL FUNDS			
		156,952	114,012

The financial statements on pages 23 to 52 were approved by the Council on 07 December 2015 and signed on its behalf by:

CASH FLOW STATEMENT

For the period ended 31 July 2015

	Note	2015 £000	2014 £000
Net cash inflow from operating activities	23	24,739	26,238
Returns on investments and servicing of finance	24	(529)	190
Capital expenditure and financial investments	25	(36,033)	(33,115)
Management of liquid resources	26	(10,510)	(4,578)
Financing	27	19,724	14,730
(Decrease) / Increase in cash in the year		(2,609)	3,465
Reconciliation of net cash flow to movement in net funds			
(Decrease) / Increase in cash in the year		(2,609)	3,465
Change in short-term deposits	26	10,510	4,578
Change in debts	27	(19,724)	(14,730)
Change in net funds	28	(11,823)	(6,687)
Net funds at 1 August	28	13,757	20,444
Net funds at 31 July	28	1,934	13,757

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 July 2015

	Note	2015 £000	2014 £000
1. Funding Body grants			
Grant received in year – recurrent		16,438	22,985
		16,438	22,985
Specific grants received in year			
Adult Education		1,150	1,282
Reconfiguration Fund		394	391
Equipment grant / capital infrastructure grant		19	92
Additional support for part-time students		30	137
Innovation and Engagement fund		241	436
Widening Access / Reaching Wider		400	607
Other		1,130	978
		3,364	3,923
Deferred capital grants released in year			
Buildings		1,953	1,985
Equipment		27	27
		1,980	2,012
		21,782	28,920

2. Tuition fees and education contracts

Full-time home and EU students	74,427	56,110
Full-time international students	30,136	23,850
Part-time students	3,655	3,222
Educational contracts with the NHS	9,268	9,221
Non-accredited course fees	498	476
	117,984	92,879

To generate the Full-time home and EU tuition fee the University has spent £5.6 million (2014: £4.4 million) in relation to bursaries in accordance with the fee plan.

3. Research grants and contracts

Research Councils	11,600	10,853
UK-based charities	1,635	1,838
UK government, health and hospital authorities	17,417	11,476
UK industry, commerce, public corporations	2,139	1,959
EU government bodies	9,158	10,687
EU other	245	314
Other overseas	1,082	1,206
Other sources	970	589
Released from deferred capital grants	3,907	4,134
	48,153	43,056

UK government research income has increased in 2015 due to the inclusion of a one-off receipt for the R&D Expenditure Credit for financial years 2013/2014/2015 totalling £4.1 million.

	Note	2015 £000	2014 £000
4. Other income			
Residences, catering and conferences		16,720	16,468
Other services rendered		5,520	8,415
Other income		10,432	7,905
NHS income in respect of the College of Medicine		7,161	6,416
Research Council full-time Doctoral/Collaborative Training Award income		183	184
Share of income Wales National Pool Swansea		580	562
Released from deferred capital grants		326	478
		40,922	40,428
5. Endowment and investment income			
Income from expendable endowments	21	98	156
Income from permanent endowments	21	140	163
Income from short-term investments		172	165
		410	484
6. Staff costs			
The staff costs for the financial year were:			
Salaries		95,507	88,594
Social security costs		7,424	6,991
Other pension costs		15,629	16,226
Total staff costs		118,560	111,811

Termination payments totalling £140K became due during the year to 2015 (2014:£0) in respect of two employees. These termination payments have been funded internally.

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

	Number fte	Number fte
Academic	846	843
Research	392	341
Management and specialist	588	543
Technical	117	112
Other	782	788
	2,725	2,627

Higher paid staff emoluments

Emoluments of the Vice-Chancellor:

	2015 £000	2014 £000
Salary	242	238
Benefits in kind as assessed for HMRC purposes	5	6
	247	244

The pension contributions are in respect of employer's contributions to the Universities Superannuation Scheme (USS) and are paid at the same rates as other academic and related staff.

The highest paid employee received £242,000 (2014: £238,000).

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	9	10
£110,000 – £119,999	8	4
£120,000 – £129,999	–	3
£130,000 – £139,999	3	5
£140,000 – £149,999	1	1
£150,000 – £159,999	3	3
£160,000 – £169,999	2	1
£170,000 – £179,999	1	1
£180,000 – £189,999	–	–
£190,000 – £199,999	–	–
£200,000 – £209,999	–	–
£210,000 – £219,999	–	–
£220,000 – £229,999	–	–
£230,000 – £239,999	–	1
£240,000 – £249,999	1	–

7. Other operating expenses

Other operating expenses include:

External auditors' remuneration in respect of audit services	36	33
External auditors' remuneration in respect of non-audit services	124	97
Operating lease rentals - Land and buildings	4,428	4,240

External auditors' remuneration in respect of non-audit services relate to :

Taxation	24	–
Regulatory reporting	100	97
Project appraisal services	–	–
	124	97

	Note	2015 £000	2014 £000
8. Interest and other finance costs			
On bank loans repayable wholly or partly in more than 5 years		939	294
Net pension interest cost	29	1,000	1,300
		1,939	1,594

9. Analysis of expenditure by activity			
Academic departments		79,501	73,892
Academic services		19,897	15,654
Research grants and contracts		37,875	37,635
Residences, catering and conferences		13,442	14,007
Premises		20,642	18,330
Professional services		32,163	28,771
Other services rendered		5,364	7,846
Other activities		526	1,848
Total expenditure		209,410	197,983

	Note	2015 £000	2014 £000
10. Current tax			
UK Corporation tax on profit / (loss) in the year		365	–
Adjustment in respect of previous periods		533	–
Tax charge for the year		898	–

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK.
The differences are explained below:

Profit on ordinary activities before taxation	19,261	7,222
Profit on ordinary activities multiplied by the standard rate in the UK: 20.67% (2014:22.30%)	3,981	1,611
Net income not taxable for tax purposes	(3,616)	(1,611)
Adjustments to tax charge in respect of previous periods	533	–
Current tax charge for the year	898	–

11. Tangible Assets	Freehold land and buildings	Heritage assets	Equipment	Total
	£000	£000	£000	£000
Cost				
At 1 August 2014	219,392	892	23,541	243,825
Additions	65,608	–	3,523	69,131
Disposals	–	–	(1,351)	(1,351)
At 31 July 2015	285,000	892	25,713	311,605
Accumulated depreciation				
At 1 August 2014	60,599	–	18,200	78,799
Charge for year	5,589	–	4,008	9,597
Disposals	–	–	(1,351)	(1,351)
At 31 July 2015	66,188	–	20,857	87,045
Net book value				
At 31 July 2015	218,812	892	4,856	224,560
At 1 August 2014	158,793	892	5,341	165,026

Land and buildings with a net book value of £22.05 million (2014: £17.20 million) (note 20) have been financed by exchequer funds. Should these assets be sold, the University may be liable, under the terms of the Financial Memorandum with the Funding Council, to surrender the proceeds.

Included in land and buildings are assets in the course of construction totalling £129.51 (2014: £71.59) million relating to the construction of the Bay Campus and £7.90 (2014: £1.95) million relating to the Data Science building. As these assets are still in the course of construction they are not yet being depreciated.

Heritage assets refer to the University's Art Collection which was valued in 2008 by a relevant qualified independent valuer. There are also other heritage assets which due to their nature are inestimable and therefore have not been included in the valuation.

	Note	2015 £000	2014 £000
12. Investments			
Other investments		513	535

The members believe that the carrying value of the investments is supported by their underlying net assets.

13. Investment in joint venture

The University holds a 50% share of Wales National Pool Swansea, a company limited by guarantee. This is a joint venture company owned equally by the University and City and County of Swansea. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the balance sheet of the University and 50% of its net income is reported in the University's income and expenditure account.

Income and Expenditure Account		
Income	580	562
Result before tax	–	–
Balance Sheet		
Fixed assets	3,343	3,418
Creditors	(2,358)	(2,358)
	985	1,060

	Note	2015 £000	2014 £000
14. Endowment assets			
At 1 August 2014		8,607	8,571
Liquidation of investments		(3,062)	–
Movement in cash held as short-term deposits		68	20
Increase in market value of investments	21	61	16
At 31 July 2015		5,674	8,607
Represented by:			
Fixed interest stocks and bonds		1,117	1,732
Equities		2,767	4,598
Venture capital trusts		44	56
Hedge funds		63	60
Commodities funds		60	83
Property		175	147
Bank balances held by investment managers		15	151
Bank balances held by the University		1,433	1,780
Total endowment asset investments (at market value)		5,674	8,607
15. Debtors: falling due after more than one year			
Campus Halls		1,798	1,904
16. Debtors: falling due within one year			
Trade debtors		6,345	5,109
Research grants claims		6,520	5,153
Other services rendered claims		1,564	555
Campus halls contribution		106	106
Prepayments and accrued income		5,283	14,159
		19,818	25,082
17. Short-term deposits			
Deposits maturing in one year or less		43,611	33,101
Deposits are held with banks operating in the London market and licensed by the Prudential Regulation Authority and Financial Conduct Authority with more than 24 hours maturity at the balance sheet date. At 31 July 2015, the weighted average interest rate of these fixed rate deposits was 0.48% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 42 days.			
18. Creditors: amounts falling due within one year			
Bank loans for capital schemes	19	1,112	274
Trade creditors		11,128	12,853
Research grants received on account		7,635	6,739
Other services rendered grants received on account		619	670
Funding Council grants received in advance		1,589	1,216
Other grants received on account		3,623	11,565
Social security and other taxation payable		5,255	2,507
Accruals and deferred income		24,777	22,172
		55,738	57,996

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

Bank loans for capital schemes	50,773	31,887
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Borrowings

Bank loans are repayable as follows:

In one year or less	1,112	274
Between one and two years	1,949	1,945
Between two and five years	8,349	5,861
In five years or more	40,475	24,081
	51,885	32,161

The year the University had bank loans which were secured on certain University academic and residential properties, details are as follows:-

Lender	End date	Interest rate		
Lloyds	December 2021	1.0% above base	1,885	2,161
European Investment Bank	June 2033	Variable (3 month LIBOR + 0.531%)	15,000	15,000
European Investment Bank	June 2033	Variable (3 month LIBOR + 0.531%)	15,000	15,000
European Investment Bank	August 2034	Fixed 3.7330%	10,000	-
European Investment Bank	January 2035	Fixed 3.8540%	10,000	-
			51,885	32,161

20. Deferred capital grants

	Funding Council		Other		Total
	Buildings £000	Equipment £000	Buildings £000	Equipment £000	£000
Capital grants received:					
At 1 August 2014	35,957	548	71,293	17,253	125,051
Eliminated on disposals	-	(257)	-	(463)	(720)
Cash received	6,798	-	23,618	3,030	33,446
At 31 July 2015	42,755	291	94,911	19,820	157,777

Released to income and expenditure account:

At 1 August 2014	18,757	515	9,424	13,096	41,792
Released in the year	1,953	27	1,106	3,127	6,213
Eliminated on disposals	-	(257)	-	(463)	(720)
At 31 July 2015	20,710	285	10,530	15,760	47,285

Net balance

At 31 July 2015	22,045	6	84,381	4,060	110,492
At 1 August 2014	17,200	33	61,869	4,157	83,259

	Permanent Restricted £000	Expendable Restricted £000	2015 Total £000	2014 Total £000
21. Endowments				
At 1 August:				
Capital	4,914	3,152	8,066	8,036
Accumulated Income	421	120	541	535
	5,335	3,272	8,607	8,571
New endowments	–	45	45	14
Endowment withdrawn	–	(3,062)	(3,062)	–
Investment income	140	98	238	319
Expenditure	(101)	(114)	(215)	(313)
	39	(3,033)	(2,994)	20
Change in market value	60	1	61	16
At 31 July:				
Capital	4,974	136	5,110	8,066
Accumulated Income	460	104	564	541
	5,434	240	5,674	8,607
22. Reserves				
			2015 £000	2014 £000
Income and Expenditure reserve excluding pension reserve				
At 1 August	63,754			55,938
Surplus for the year retained within general reserves	18,340			7,216
Add back pension movement	100			600
At 31 July	82,194			63,754
Pension reserve				
At 1 August	(42,500)			(45,100)
Actuarial gain	300			3,200
Deficit retained within reserves	(100)			(600)
At 31 July	(42,300)			(42,500)
Revaluation reserve				
At 1 August	892			892
At 31 July	892			892

	Note	2015 £000	2014 £000
23. Reconciliation of operating surplus to net cash flow from operating activities			
Surplus on continuing operations after depreciation of fixed assets at cost		18,363	7,222
Depreciation	11	9,597	10,915
Deferred capital grants released to income	20	(6,213)	(6,625)
Investment impairment		75	75
Investment income	5	(410)	(484)
Interest payable	8	1,939	1,594
Pension cost less contributions payable		(900)	(700)
Decrease / (Increase) in stocks		14	(6)
Decrease / (Increase) in debtors		5,370	(3,426)
Increase in creditors		3,628	13,393
(Decrease) / Increase in grants received in advance		(6,724)	4,280
Net cash inflow from operating activities		24,739	26,238
24. Returns on investments and servicing of finance			
Income from endowments	21	238	319
Income from short-term investments	5	172	165
Interest paid	8	(939)	(294)
		(529)	190
25. Capital expenditure and financial investment			
Payments to acquire tangible assets	11	(69,131)	(63,151)
Deferred capital grants received	20	33,446	30,519
Receipts from the sale of endowment assets		2,647	–
Endowments received	21	45	14
Other Items:			
Disposal of investments / fixed assets / endowments		(3,040)	(497)
		(36,033)	(33,115)
26. Management of liquid resources			
Movement in short-term deposits		10,510	4,578
		10,510	4,578
27. Financing			
Repayment of amounts borrowed		276	270
New Loans		(20,000)	(15,000)
Net cash outflow from financing		(19,724)	(14,730)

	Note	2014 £000	Cashflows £000	2015 £000
28. Analysis of changes in net funds				
Cash at bank and in hand:				
Endowment assets / (liabilities)	14	1,780	(347)	1,433
Cash at bank and in hand		11,037	(2,262)	8,775
		12,817	(2,609)	10,208
Short-term deposits		33,101	10,510	43,611
Debt due after one year	19	(31,887)	(18,886)	(50,773)
Debt due within one year	18	(274)	(838)	(1,112)
		940	(9,214)	(8,274)
Net funds / (debt)		13,757	(11,823)	1,934

29. Pension schemes

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Swansea University Pension Scheme (SUPS). The assets of both Schemes are held in separate trustee-administered funds. The University also contributes to the NHS Pension Scheme for a number of its employees.

From the 1st January 2012 the SUPS scheme was closed to new members; staff that were previously offered the option to join the SUPS scheme are now invited to join a defined contribution scheme operated by NEST (National Employment Savings Trust). Both employees and employers make contributions into the scheme to build up pension benefits.

USS

Contingent Liabilities and Assets

A contingent liability exists in relation to the pension valuation recovery plan, since the company is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the company's expenditure is similarly not recognised.

Pension Costs

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The company 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 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £8.8 million (2014: £9.1 million). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

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

FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.30%	4.50%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.40%
Price inflation (CPI)	2.20%	2.60%

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	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures; for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits

Scheme assets	£49.0 bn	£41.6 bn
FRS 17 liabilities	£67.6 bn	£55.5 bn
FRS 17 deficit	£18.6 bn	£13.9 bn
FRS 17 funding level	72.0%	75.0%

SUPS

The Swansea University Pension Scheme (SUPS) is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total pension contributions made by the University was £3.2 million (2014: £3.3 million).

The following information is based upon the results of an actuarial valuation of the fund at 1 August 2010 updated to 31 July 2015 by a qualified independent actuary.

	At 31 July 2015	At 31 July 2014	At 31 July 2013	At 31 July 2012	At 31 July 2011
Inflation – RPI	3.20%	3.40%	3.30%	2.40%	3.20%
Inflation – CPI	2.40%	2.60%	2.50%	1.90%	2.70%
Rate of general long-term increase in salaries (CARE)	3.10%	3.30%	3.20%	2.40%	3.20%
Rate of general long-term increase in salaries (deferred)	2.40%	2.60%	2.50%	1.90%	2.70%
Rate of increases to pensions in payment	3.20%	3.40%	3.30%	2.40%	3.20%
Discount rate for scheme liabilities	3.80%	4.20%	4.40%	4.20%	5.30%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2015 £000	2014 £000
Retiring today		
Males	85.7	85.7
Females	88.0	87.9
Retiring in 20 years		
Males	87.1	87.0
Females	89.4	89.4

The assets and liabilities in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £000
Equities	6.50%	24,200	6.75%	21,700	6.75%	20,900
GARS Fund	6.50%	11,400	6.75%	10,600	6.75%	10,000
Property	5.50%	6,800	5.75%	5,900	5.75%	5,300
Government Bonds	3.00%	20,500	3.40%	17,900	3.50%	17,000
Corporate Bonds	3.80%	19,900	4.20%	18,400	4.40%	17,800
Other	3.00%	–	3.50%	100	3.50%	100
Total market value of assets		82,800		74,600		71,100
Present value of scheme liabilities		(125,100)		(117,100)		(116,200)
Deficit in the scheme		(42,300)		(42,500)		(45,100)

Analysis of the amount charged to income and expenditure account

	Note	2015 £000	2014 £000
Employer service cost		(2,400)	(2,600)
Total operating charge		(2,400)	(2,600)

Analysis of pension finance income / (costs)

Expected return on pension scheme assets		3,900	3,800
Interest on pension scheme liabilities		(4,900)	(5,100)
Net pension interest cost	8	(1,000)	(1,300)

The expected return on Scheme assets is determined by considering the expected long-term returns available on the assets underlying the current investment policy. Expected yields on government and corporate bonds are broadly based on gross redemption yields as at the balance sheet date. Expected returns on equity, property and other investments reflect long-term real rates of return experienced in the respective markets.

	2015 £000	2014 £000
Amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	5,100	600
Experience gains and losses arising on the scheme liabilities	–	3,400
Changes in assumptions underlying the present value of the scheme liabilities	(4,800)	(800)
Actuarial (loss) / gain recognised in STRGL	300	3,200
Movement in deficit during the year		
Deficit in scheme at 1 August	(42,500)	(45,100)
Current service cost	(2,400)	(2,600)
Contributions	3,300	3,300
Curtailement gain	–	–
Other finance costs	(1,000)	(1,300)
Actuarial gain	300	3,200
Deficit in the scheme at 31 July	(42,300)	(42,500)
Analysis of the movement in the present value of the scheme liabilities		
At 1 August	117,100	116,200
Current service cost	2,400	2,600
Interest cost	4,900	5,100
Actuarial loss / (gain)	4,800	(2,600)
Benefits paid	(4,100)	(4,200)
At 31 July	125,100	117,100
Analysis of movement in the market value of the scheme assets		
At 1 August	74,600	71,100
Expected rate of return on scheme assets	3,900	3,800
Actuarial gain	5,100	600
Contribution by the employer	3,300	3,300
Contributions by scheme participants	–	–
Benefits paid	(4,100)	(4,200)
At 31 July	82,800	74,600

History of experience gains and lossesDifference between expected and actual
return on scheme assets:

	2015	2014	2013	2012	2011
– Amount £'000	5,100	600	2,900	1,600	3,200
– Percentage of scheme assets	6.2%	0.8%	4.1%	2.5%	5.3%

Experience gains and losses on
scheme liabilities:

– Amount £'000	–	3,400	–	–	2,800
– Percentage of present value of the scheme liabilities	0.0%	2.9%	0.0%	0.0%	3.1%

Total amount recognised in STRGL

– Amount £'000	300	3,200	(11,200)	(2,000)	5,700
– Percentage of present value of the scheme liabilities	0.2%	2.7%	(9.6%)	(2.0%)	6.2%

Total market value of assets	82,800	74,600	71,100	64,900	60,100
Present value of scheme liabilities	(125,100)	(117,100)	(116,200)	(98,700)	(91,800)
(Deficit)	(42,300)	(42,500)	(45,100)	(33,800)	(31,700)

	2015 £000	2014 £000
The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is:	(27,300)	(27,600)
The actual return on scheme assets in the year was:	9,000	4,400

The estimate for the employer's contribution for the defined benefit scheme for the year 2015-16 is £3.3 million.

30. Financial commitments	2015 £000	2014 £000
At 31 July 2015 the University had annual commitments under non-cancellable leases as follows:		
Land and buildings: expiring in over five years	4,390	4,260

31. Capital commitments		
Commitments contracted at 31 July	11,244	51,660

Of these commitments £0 million (2014: £27.8 million) will be funded from grants receivable.

32. Contingent liabilities

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 University is providing Lloyds Bank with a guarantee to secure the £500k facility available to Swansea Materials Research & Testing Limited, a wholly-owned University subsidiary. The facility was to provide working capital for the company.

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 clawback 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 University has entered into a residences development programme on the new Bay Campus to create 1,462 student rooms by January 2016. Following an assessment of the risks and rewards of the arrangement, the assets and liabilities will not form part of the University's balance sheet based on current financial reporting requirements. Commencing in September 2015 the University will have a contingent liability linked to occupancy levels within the student residences with a maximum annual cost for the University of a 50% occupancy guarantee charge. The University consider the risk of the guarantee being called upon as remote and hence no provision has been deemed necessary.

33. Related party transactions

Due to the nature of the University's operation 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 Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. No transactions require disclosure under Financial Reporting Standard: FRS 8 Related Party Disclosures.

Swansea University provided a loan to Swansea Materials Research & Testing Limited, a wholly owned subsidiary during the year to purchase a large piece of equipment. The balance of the loan at 31st July 2015 was £916K. (2014: £196K)

34. Financial contingency funds

Balance unspent at 1 August

Funding Council Financial Contingency Funds

Disbursed to students

Allowance for administration costs

Repayment of unused funds

Balance unspent at 31 July

2015
£000

2014
£000

40	46
235	262
275	308
(259)	(250)
(7)	(8)
(3)	(10)
6	40

Funding Council Financial Contingency Funds are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

35. Bursaries

The University is the paying agent on behalf of the Welsh Government in respect of bursaries made available solely for students studying nursing. The sums paid are:

5,023

5,916

The bursaries and related disbursements are excluded from the Income and Expenditure Account.

36. Subsidiary, Associate and Joint Venture undertakings

Company Name	Nature of activity	% of share-holding	Net assets / (liabilities) (£000s)	Profit/ (Loss) (£000s)	Last accounts made up to
Swansea Materials Research & Testing Limited	Other research and experimental development on natural sciences and engineering	100.00	184	39	31 Jul 2015
Swansea Innovations Limited	Management consultancy activities other than financial management	100.00	477	2	31 Jul 2015
Specific Innovations Limited	Other research and experimental development on natural sciences and engineering	100.00	(12)	(12)	31 Jul 2015
BIPV Limited	Dormant	20.00	–	–	31 Jul 2015
Building Integrated Polyvoltaics Limited	Dormant	20.00	–	–	31 Jul 2015
Dylan Thomas Literacy Prize	Cultural education	100.00	20	(25)	31 Jul 2015
SU Developments Limited	Dormant	100.00	–	–	31 Jul 2015
Wales National Pool Swansea	Operation of sports facility	50.00	–	–	31 Jul 2015
Bay Sports Limited	Operation of sports facility	50.00	68	89	31 Mar 2015
College University Skills Partnership	Dormant	50.00	–	–	31 Jul 2015
Bay Campus Developments LLP	Dormant	50.00	–	–	31 Jul 2015
Eidawn Bias Limited	Agents involved in the sale of a variety of goods	30.00	4	not disclosed	31 Dec 2013
Fishgen Limited	Freshwater aquaculture	20.00	38	1	31 Jul 2014
Haemometrics Limited	Other research and experimental development on natural sciences and engineering	20.00	(7)	not disclosed	30 Sep 2014
Iced Technologies Limited	Dormant	50.00	–	–	30 Apr 2014
China Centre Limited	Management consultancy activities other than financial management	20.00	–	not disclosed	31 Mar 2014

36. (Continued)

Company Name	Nature of activity	% of share-holding	Net assets / (liabilities) (£000s)	Profit/ (Loss) (£000s)	Last accounts made up to
Simple Sampling Solutions Limited	Dormant	20.00	–	–	31 Aug 2014
Semitechnologies Limited	Dormant	20.00	–	–	31 Aug 2014
Smart NanoTech Limited	Dormant	20.00	–	–	31 Aug 2014
Aquatic Integrated Modelling Limited	Dormant	20.00	–	–	28 Feb 2015
ProGnomics Limited	First year of trading – not yet defined	20.00	–	–	31 Mar 2015

Apart from Wales National Pool Swansea, no company in which the University has a shareholding has been consolidated with the University's accounts, as their activities or assets and liabilities are not of material value in relation to the University's financial statements. All companies are incorporated in England and Wales and have a year end as stated above.

The results for the latest available signed financial statements are shown above.

37. Post-Balance Sheet Events

A further loan disbursement was received on 3th August 2015 from EIB. This disbursement totalled £10 million and is at a fixed rate of 4.022% repayable annually over eighteen years, the first repayment due in 2018.