

Charity number: 313223

# University College of Estate Management

Report and financial statements  
For the year ended 31 July 2017

Contents

For the year ended 31 July 2017

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# University College of Estate Management

## Reference and administrative information

For the year ended 31 July 2017

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The institution also operates using the abbreviated name "UCEM".

**Charity number** 313223

**Registered office and operational address** Horizons  
60 Queen's Road  
Reading  
RG1 4BS

**Country of registration** England & Wales

**Trustees** Trustees who served during the year and up to the date of this report were as follows:

John G T Gellatly AIIMR FRICS BA (Hons)	Chair
David Larkin FRICS	Honorary Treasurer
Bridget Bartlett BA PGCE MBA FCMI	appointed 20 October 2016
Jat Brainch FCA	appointed March 2017
Graham Chase FRICS FCI Arb	resigned 1 December 2016
Christopher D Costigan Barrister FAUA FHEA FRSA	appointed 6 December 2017
Helen Edwards BA (Hons) MA PG Cert AAUA	Staff Trustee from 1 December 2016
Andrew Hynard FRICS BSc	
Dr Stephen Jackson FRGS FRSA	
Simon Kolesar FRICS	resigned 1 December 2016
Adam Marks LLB (Hons)	
Alastair G Martin FRICS FAAV	appointed 6 December 2017
David Mason	Student Trustee
Professor Kenneth Miller LLB LLM PhD FRSA FIOSH	
Dr Nigel Pyke CIM	resigned 6 December 2017
James Wates CBE FCI OB FRICS FCGI FRSA FICE CCMi	
Ashley P Wheaton BA (Hons)	member ex-officio

**Secretary** Jane Fawkes BA (Hons) PgDip AHEA

## University College of Estate Management

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<b>Key management personnel</b>	Ashley Wheaton	Principal
	Jane Fawkes	Deputy Principal
	Paul Basham	Vice Principal Finance and Resources
	Wendy Finlay	Vice Principal Student Experience
	Nicholas Moore	Vice Principal Learning and Teaching
	Aled Williams	Director Research Innovation and Partnerships
	Lynne Downey	Vice Principal Online Education
	Tim El Hady	Vice Principal Commercial and Business Operations (resigned 31 January 2017)
	Stephen Bartle	Director of Commercial and Business Development
<b>Bank</b>	National Westminster Bank plc, PO Box 78, 13 Market Place, Reading, Berkshire, RG21 2EP	
<b>Solicitors</b>	Eversheds, 1 Wood Street, London, EC2V 7WS Field Seymour Parkes, 1 London Street, Reading, RG1 4PN Irwin Mitchell, 40 Holborn Viaduct, London, EC1N 2PZ	
<b>Auditor</b>	Sayer Vincent LLP, Chartered Accountants and Statutory Auditor, Invicta House, 108-114 Golden Lane, London, EC1Y 0TL	
<b>Investment Manager</b>	Baring Asset Management Limited, 155 Bishopsgate, London, EC2M 3XY	
<b>Insurance Adviser</b>	Bluefin Insurance Services Limited, 1st Floor, Gail House, 5 Lower Stone Street, Maidstone, Kent, ME15 6NB	

## Trustees' annual report

### For the year ended 31 July 2017

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The trustees present their report and the audited financial statements for the year ended 31 July 2017.

Reference and administrative information set out on pages one and two form part of this report. The financial statements comply with current statutory requirements, the institution's Royal Charter and Bye-Laws and the Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP) applicable to Higher Education institutions preparing their accounts in accordance with FRS 102.

## Objectives and activities

### Purposes and aims

University College of Estate Management (UCEM) is concerned with education and training for all professions dealing with land, property and construction. It was founded in 1919, incorporated by Royal Charter (RC000125) on 22 August 1922 and has been a registered independent charitable institution in England and Wales since 24 May 1963. In 1977 Her Majesty The Queen was graciously pleased to grant her patronage to UCEM. In 1998 His Royal Highness The Prince of Wales became Patron of UCEM.

The governing documents of UCEM are its Royal Charter and Bye-Laws. In October 2012, following a petition to the Privy Council, a new Supplemental Charter was granted. The Supplemental Charter reflects UCEM's decision to pursue its future as an independent body and removes all the references to the University of Reading that were in the preceding version. The Privy Council approved that UCEM had taught degree awarding powers, effective from 1 January 2013. The opportunity was also taken to update the Bye-Laws to reflect best practice corporate and academic governance.

On 11 November 2015 the institution was granted University College title by the Privy Council. Shortly thereafter "The College of Estate Management" rebranded as "University College of Estate Management" or "UCEM" for short.

The purposes of the institution as outlined in the Charter are as follows:

- To provide training and educational facilities at any level, and facilities for research, for all or any of the professions of surveyor, auctioneer, land or estate agent, or any other profession in land, buildings or property.
- This includes within the objects and purpose of the Charter the development of course curriculum, material examinations, and the conferring of awards.
- To undertake research that will assist those in professions, and vocations as relevant to land, property and building.

Trustees' annual report

For the year ended 31 July 2017

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- The provision of continuing professional development for those in the built environment sector.

UCEM fulfils the objects of the Charter and furthers its charitable purposes for the public benefit through the provision of online educational programmes, research, continuing professional development courses and student bursaries.

UCEM provides educational programmes from Level 3 to Level 7 of the FHEQ framework. All the programmes offered by UCEM sit within the core objective of the Charter, and are directly linked to the surveying, land and property professions. The programmes offered by UCEM are validated by the relevant professional bodies, such as the Royal Institution of Chartered Surveyors (RICS) and the Chartered Institute of Building (CIOB).

UCEM achieved Taught Degree Awarding Powers (TDAP) from 1 January 2013, so all programmes that have launched since 2013 are awards conferred by the institution. UCEM continues to develop the resources provided to students through the Online Learning Team working with the subject experts to ensure material is interactive and engaging to students. UCEM offers thirteen programmes awarded by the institution, all of which are delivered online, so accessible to students worldwide.

UCEM research is directed from two Research Centres, Online Learning (OLRC) and Property and Construction (PCRC), whose main objective is to support enhancements to students' learning opportunities and staff capacity. UCEM research in 2016–17 had wide ranging academic outcomes including: nine publications; externally funded projects on Degree Apprenticeships and NUS Responsible Futures together with internal project funding for Open Badges and Accessibility. Additionally, activities in 2016–17 have increased profile within the industry and Higher Education sector where presence has been enhanced through twenty conference presentations and workshops. This is buttressed through a range of research and scholarly activities which include roles taken in public bodies and associations, external examining, corporate and Continuing Professional Development (CPD) events. In 2017–18 the institution has already been successful as collaborative bidders in Royal Agricultural University's HEFCE Catalyst Fund bid (£1m). There is clearly a significant opportunity to build on the institution's ethos of industry relevance and currency, through growing an applied and vocational research offer.

During 2016–17 UCEM's Online Academy continued to provide a mixture of short CPD courses and longer, tutor-supported training courses. 2016–17 is a transitional year for the Online Academy and the decision was recently taken to introduce a subscription model in future years giving users access to a wider range of online content in return for an annual fee, to replace the current business model based on charging individual course fees.

To make education and academic success accessible to all, and in the context of its charitable status, UCEM operates several bursary schemes to provide financial assistance to new students from poorer backgrounds, students made redundant during their course and students with other special circumstances.

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Awards range from discounts in one semester for temporary challenges through to 100% fee bursaries for the lifetime of a programme. More details on UCEM's bursary awards is given in *Movements in funds* Note 18a to the Financial Statements.

The trustees review the aims, objectives and activities of the institution each year. They look at what the institution has achieved and the outcomes of its work in the reporting period. The trustees report the success of each key activity and the benefits the institution has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the institution's aims, objectives and activities remain focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the institution's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

## Strategy

UCEM's core purpose is to provide truly accessible, relevant and cost effective education, enabling students to enhance careers, increase professionalism and contribute to a better built environment.

UCEM's vision is to be the leading online vocational university.

The strategic plan 2014–2019 sets out the direction for the institution to realise that vision in the context of the core purpose. The strategy comprises seven pillars; *student experience, academic excellence, growth, independence, financial sustainability, operational excellence* and *new work environment*.

In the context of the strategic plan, the Senior Leadership Team (SLT) set an annual plan for the year, which is approved by the Board of Trustees prior to the start of the financial year. This process occurs alongside budgetary planning, to ensure the appropriate resources are in place to deliver the plan for the forthcoming year.

The Board of Trustees meets four times per year, and as part of these meetings receives a report at each meeting of progress against the strategic plan.

Performance of the plan is monitored against seven key institutional metrics and these key performance indicators ("the M7") are used to measure the success and achievements of the institution each year.

The metrics are defined in the following areas:

- Independence; which is monitored to reflect the effective phasing out of programmes that were validated by the University of Reading
- New work environment; which includes staff engagement, monitored through the Gallup Q12 survey
- Growth measured by:
  - the target number of new students for each semester
  - the number of returning students for each semester
- Academic excellence; measured by student satisfaction rates in the National Student Survey (NSS) and a new UCEM Student Experience Survey being introduced in 2018
- Financial sustainability; measured by:
  - revenue; and
  - operating margin

These metrics are defined to ensure the institution meets its charitable aims and objectives to deliver education and training for the built environment sector in the long-term.

In 2016–17, UCEM made significant progress, met almost all its annual plan targets and remains on course to deliver its 2014–19 strategy. The institution continues to grow and work towards its goal of being the leading online vocational university. The achievements are discussed in the following section *Achievements and performance*.

UCEM made two grants to related parties; one during the financial year and one post year-end. Both grants are to further UCEM's own objects. UCEM approved a £420,000 grant in 2016–17 to its wholly owned Hong Kong subsidiary, UCEM Asia Limited, to advertise UCEM's courses, provide course registration assistance and teaching support to students in Hong Kong. Post year-end, a grant of £50,000 was made in December 2017 to Chartered Surveyor's Training Trust (CSTT) to encourage more students into higher education in the built environment professions. UCEM has two Trustees on the CSTT Board, which confers 40% control; hence UCEM accounts for CSTT as an associate on consolidation since March 2017 when the Trustees were appointed.

UCEM does not engage in social investment activities.

UCEM trustees are volunteers and while their influence is significant they do not deliver UCEM services; UCEM makes no use of general volunteers to deliver its services.



## Apprenticeships

Apprenticeship provision in the built environment is central to the institution's core purpose. UCEM supports the Government's apprenticeship agenda and sees apprenticeship delivery as vital to its future and that of training the sector which the institution was founded to serve.

To meet the needs of more employers in the sector and reach more students, UCEM entered the apprenticeship market in 2015–16 and began to deliver level three and level six apprenticeships in association with the Chartered Surveyors Training Trust (CSTT) and Eastleigh College.

The new Apprenticeship Levy for businesses with an annual payroll greater than £3M came into force in May 2017. UCEM applied and was admitted to the Register of Apprenticeship Training Providers (RoATP) in March 2017 so UCEM is now a Main Provider of apprenticeships and was able to deliver all elements of the apprenticeship for those levy-funded apprentices recruited in the autumn 2017 student intake (*i.e.* no longer in association with CSTT or Eastleigh College). UCEM can now access employer levy funds through the Education and Skills Funding Agency (ESFA) Digital Apprenticeship Service. UCEM still works with Eastleigh College to deliver apprenticeships where the programme started before UCEM had direct access to apprenticeship funding.

In December 2017 UCEM also secured £511K of ESFA funding to deliver apprenticeships for non-levy paying employers. This funding means that UCEM is now an independent provider of apprenticeships to both levy-paying and non-levy paying employers.

On 6 December 2017 UCEM acquired the apprenticeship delivery business of Chartered Surveyor's Training Trust (CSTT). This comprised 212 apprenticeship contracts. Most of these students already studied academic programmes with UCEM but the institution now provides the apprenticeship management element to these apprentices too, and to fifty-six level six apprentices studying a BSc programme with either Kingston University or London South Bank University.

UCEM includes apprenticeship course revenue on the face of the Consolidated Statement of Comprehensive Income and Expenditure (CSCIE) with other *Tuition fees and education contracts*.

## Achievements and performance

The year ending 31 July 2017 was a significant year for the institution's performance and achievements.

### Growth

For 2016–2017 UCEM set targets for both new students, and for the retention of existing students, both of which were to support the financial sustainability of the institution.

### Trustees' annual report

#### For the year ended 31 July 2017

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UCEM exceeded the 1,750 target of new student numbers, with the postgraduate programmes in particular showing strong growth in numbers. 1,763 new students joined UCEM in 2016–17.

Work on the retention of existing students was driven by the ongoing internal campaign '*No Student Left Behind*' to encourage all staff to engage in initiatives to support student success and retention. 2,845 students returned to study in the spring 2017 semester, which was 88 more than the 2,757 target.

Immediately after the Autumn 2017 enrolment period the institution hit a peak of 4,452 students studying with UCEM. This is more than double the number just three years ago and based on UCEM's own research and using figures derived from Higher Education Statistics Agency data (2015/16), makes UCEM by far the largest Higher Education provider of professionally accredited Quantity Surveying, Building Surveying and Real Estate programmes in the UK (in both levels and both modes combined). ('Levels' means Undergraduate/Postgraduate and 'modes' means part-time and full-time students).

#### Academic excellence

Academic excellence in 2016–17 was defined by the QAA Higher Education Review report. In all nineteen report subcategories, which followed our five-yearly Higher Education Review, UCEM not only met expectations but was also rated with the lowest possible level of risk in each category. This is an outstanding achievement and endorsement of the institution's commitment to ensuring the highest possible academic standards. It was further reinforced by the recent annual QAA visit in September 2017, where the official report states that UCEM is making commendable progress; the best outcome possible. It adds credibility to the institution's independent university college status and its high-quality standing within the UK Higher Education sector.

Overall student satisfaction in 2016–17 was monitored by the i-graduate student barometer. Our overall student experience remained consistent, with 91.2% overall satisfaction, compared to 91.9% in the prior year. This was marginally below our target of 92% but still represents high levels of student satisfaction. This reflects the commitment of UCEM to deliver educational programmes of a high standard for its students. Individual elements that exceeded 90% satisfaction included:

- the expertise of lecturers
- the Virtual Learning Environment (VLE); *and*
- student support, including IT and finance

The institution does not want to over survey its students, so this will be the last year that UCEM uses the i-graduate survey. In future years, academic excellence will be measured with reference to the National Student Survey (NSS) and a new UCEM Student Experience Survey (SES) being introduced in 2018. There is work to be done over the next 12–18 months to bring improvements, and we know there are areas where the student experience is not always excellent. This is even more important now we are participating in the National Student Survey, where the results will be published nationally. As a starting point the Senior Leadership Team have met and

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agreed the key themes out of this survey where we need to focus, and this has been central to institutional planning for 2017–18.

### Independence

Institutional independence was strengthened with the move away from the University of Reading to our new home at Horizons in July 2016, as well as the diligent work we have carried out to successfully manage the completion of our 'legacy' programmes, awarded by University of Reading, where we now have less than 200 students remaining. We expect this work to be complete by the middle of 2019.

The institution is currently reviewing its Royal Charter so that it reflects its Degree Awarding Powers and University College status.

### New work environment

The success of the institution's move to a new premises and open-plan work environment is measured twice a year through an employee engagement survey, which uses the Gallup 12 question format.

Overall staff satisfaction exceeded the 4.00 target; it scored 4.10 in December 2016 and 4.10 in June 2017. The participation rate exceeded our 85% target on both occasions.

### Financial sustainability

UCEM delivered *Tuition fees and education contracts* (see face of the CSCIE) revenue of £10.7M versus its £11.2M target. During the year it transpired that the institution had a greater number of students than planned retaking modules on low or "zero-fee" as part of our *No Student Left Behind* initiative. So although income was lower than planned, investment was made by the institution to give students a greater chance of success in their studies.

Total consolidated income was £11.7M versus the group target of £12.4M. The £700K income shortfall, plus a £100K agreed overrun on planned expenditure meant that the group made an operating deficit of £1.2M versus a planned operating deficit of £411K.

While the income shortfall was disappointing for the operating position, there was £1.4M of capital gains on investments leading to a reported annual surplus of £264K. On balance the trustees are pleased with the annual results: a reported annual surplus, strong student and revenue growth (21%) and a stronger balance sheet.

### Beneficiaries of our services

The institution's main activity is the provision of education and its beneficiaries are students, industry and the built environment sector worldwide. All its charitable activities focus on the

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sector and students developing careers in the sector and are undertaken to further UCEM's charitable purposes for the public benefit.

UCEM added 1,763 new students during 2016–17 against its target of 1,750. This is 16% year-on-year growth over the 1,526 new students in 2015–16.

UCEM made 870 academic awards during 2016–17 of which 698 were full academic awards and 172 were exit awards.

UCEM deepened its sector employer engagement: 1,048 students were sponsored by 665 employers.

Seventeen students were awarded new student bursaries, worth up to £115,000 over four years if the students complete their studies. £94,000 of bursaries were paid in year. In addition, many students were assisted with fee reductions or debt write-offs for special circumstances so that they could continue their studies; eight awards were made from the Principal's Discretionary Fund totalling £14,375. More details on bursaries granted can be found in Notes 18a and 18b to the financial statements.

## Financial review

UCEM did not hit all its financial targets, nevertheless the trustees consider 2016–17 overall to be a successful financial year.

A group reported surplus of £264K strengthens balance sheet reserves. However, the surplus was driven by c£1.4M of capital gains on group investments rather than by an operating surplus.

UCEM *Tuition fee and education contracts* income of £10.71M was a 21% advance on the prior financial year as three years of double-digit student growth fed through to revenue.

Investment income fell by 14% in the year because UCEM withdrew £2.5M from investments (see Note 11 *Non-current asset investments*) to fund the institution's growth and its apprenticeship business. A decline in the institution's reliance on investment income was planned: the 2019 strategic plan includes making UCEM operationally independent of investment income by 2019.

UCEM's consolidated expenditure base in 2016–17 was £12.9M compared to £14M in the prior year. This fall in expenditure was welcome but expected. 2015–16 contained lots of one-off expenses as UCEM moved into its new headquarters *Horizons*, so the prior year cost base carries costs of running two premises and the associated property move.

Staff costs continue to grow in line with UCEM's student growth. Staff costs in 2016–17 were £9.2M, £1.2M (16%) up on the prior year. *Staff costs*: Note 5 to the accounts refers.

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*Other operating expenses* presents an overall picture of falling costs. *Other operating expenditure*: Note 7 to the accounts refers.

The £223K fall in group *Academic and related expenditure* was driven by a project to rationalise e-book costs, which overran in 2015–16. The number and cost of e-books allocated to a module were standardised and the supply contracts renegotiated. This is a good example of achieving more for less: against a backdrop of growing student numbers and increasing engagement with our digital resources by students, this outcome represents a significant success for the institution.

*Administration and central services* expenditure and *Premises* expenditure are best looked at together when comparing financial years. As noted above UCEM moved to *Horizons* in July 2016, so the prior year cost base was approximately £1.26M higher due to the higher operational costs of running two premises and the move. Understanding the detail behind the differences is complicated as UCEM also underwent a change of accounting system and data structure in May 2016 and has changed accounting framework twice in two years: a change in UK GAAP to FRS102 in 2015–16 and a change in SORP from the Charities SORP to the Higher Education SORP in 2016–17. More easily understood comparatives will follow in 2017–18 with no significant business model changes or anticipated changes in data reporting planned.

In summary, income continues to grow strongly and ahead of plan, but cost growth is stubborn so the institution will not realise its operating break-even ambition until at least 2018–19, a year or so later than originally planned. Until the institution reaches that point its income is bolstered by both investment income and capital gains, so that overall financial surpluses have been generated in both reported years, strengthening the institution's reserves position and maintaining its financial sustainability.

UCEM Courses Limited turnover (Note 12a *Subsidiary undertakings*) shrank 25% from £380K to £286K and cost of sales increased over the prior year as it had less success at selling one-off overseas training courses and some core CPD courses proved dated and were no longer required by key customers. This led to a much-reduced profit of £66K, which was gifted to the parent institution. This change in the sales mix has led to a rethink of how UCEM Courses Ltd delivers CPD and training and the group is planning a new CPD subscription offer in 2019.

As the group's requirements for printed matter have shrunk in line with the institution's progress towards digital maturity, UCEM Publishing Limited's turnover has also shrunk (Note 12a *Subsidiary undertakings*). Turnover fell from £148K in 2015–16 to £9K in 2016–17. Costs of sale fell in proportion, but administrative expenses were consistent so UCEM Publishing Limited made a small profit of £726, which was gifted to the parent institution. This shrinkage means that UCEM Publishing Limited's future is under review.

UCEM Asia Limited received £420K grant income from its parent institution which led to a small profit of £6K in 2016–17 (Note 12a *Subsidiary undertakings*).

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David Alexander Memorial Scholarship made £22K in investment income and gains boosting reserves to £151K (Note 12b *Other undertakings*).

Harold Samuel Educational Trust granted £30K to UCEM during the year to fund sustainability research and a mace for UCEM graduation ceremonies. Capital gains of £25K on investments left £308K in reserves (Note 12b *Other undertakings*).

Changes to the consolidated balance sheet worth noting are to investments and cash. The fair value of the institution's investment property at Shinfield Grange was revalued from £1.0M to £1.7M and is detailed in *Investment properties*: Note 10 to the accounts.

The group cash balance at year-end was £382K greater than the prior year as the institution has carried more liquid cash this year and is able to report a positive net current asset position of £117K, an improvement of £1.3M on 2015–16.

## Pensions

UCEM is a member of the Universities Superannuation Scheme (USS), a defined benefit pension scheme with mutual employer membership. The scheme is in deficit and the liability is pooled amongst employer members. UCEM's share cannot be separately identified so is not shown on the Balance Sheet. However, UCEM does provide for 2% additional pension contributions that it pays to offset the historic USS scheme funding deficit. The provision is detailed in *Provisions for liabilities*: Note 17 to the financial statements.

UCEM also participates in two defined contribution pensions schemes. A Group Personal Pension scheme (GPP) operated by Prudential (closed to new members) and the People's Pension auto-enrolment scheme for employees not eligible for participation in USS.

More detail on UCEM's pension arrangements can be found in *Pension schemes*: Note 22 to the financial statements.

## Other factors

UCEM has started work on its 2020–2030 strategy. Once finalised and quantified, it will have a material effect on longer term financial planning.

Brexit continues to be an external influence that the trustees consider may force amendment to longer term financial planning. Should Brexit cause a property downturn, as UCEM has historically suffered a fall in student numbers during industry downturns, this could happen again. However, the new apprenticeship-levy funding model may change that as employer money is now ring-fenced for training. The trustees do not think "this time if different", UCEM would still be affected albeit the institution may prove to be better insulated than in prior downturns.

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A factor that may affect longer term financial planning more positively is the potential at the institution's site at Shinfield Grange. The site was revalued at fair value (open market value) from £1.0M to £1.7M in the 2016–17 Balance Sheet (see *Investment properties*: Note 10 to the financial statements). Shinfield Grange is well positioned close to the M4, the Reading Science Park and the new link road in an area undergoing significant development. Trustees are exploring alternative uses for the site that may realise local and reputational benefits and ultimately a cash value materially above the Balance Sheet value.

## Investments

UCEM does not take social, environmental or ethical considerations into account in its investment policy.

### Investment policy

The trustees review the institution's investment policy annually. The policy aims at least to maintain the invested fund's real value (over a rolling five-year period) and to cover the income requirement of the institution. At the year-end the fund consisted wholly of investments in a multi-asset class equity fund.

The investment portfolio is regularly reviewed by the Finance Committee in conjunction with independent investment advisers. The institution's equity holdings are held on a discretionary basis in the form of charity units and as such enjoy favourable tax and charging structures. The equity holdings are held in two separate pools: 'Main' and 'Bursary' and since June 2011 have been managed by Barings in the Targeted Return Common Investment Fund. The objective of this fund is to outperform the Consumer Price Index (CPI) plus 5% over a rolling three-year period.

Measured to 30 September 2017, Barings Targeted Return Common Investment Fund had beaten its CPI plus 5% goal over the prior 12 and 36 months but had returned 6.3% versus a 6.5% target over the prior five years.

The Bursary Fund, which is a designated fund for reserves, was valued at 31 July 2017 at £2.13M representing a capital increase of 6.5% above the investment of £2M that was made in two separate £1M tranches in the financial years 2006/7 and 2007/8. Annual income from the Bursary Fund is invested in new student bursaries, with any annual shortfall or surplus being covered by capital.

## Principal risks and uncertainties

The Board regularly considers the risks to which it believes the institution may be exposed. This is principally done by assessing the Risk Assessment Register (RAR) which identifies risks and the probability and impact both pre and post identified mitigation.

Specific risks are identified under six main headings in the RAR and summarised here:

- **Growth:** UCEM is dependent on maintaining and growing its student numbers. A failure to recruit new students or retain existing students would impact the institution's finances and reputation. The risks are reviewed regularly against Key Performance Indicators by the Board, SLT and Operating Committee (OC).
- **Operational excellence:** UCEM is an online business so the impact of technology failure in business operations or the online learning environment (VLE) can be significant. The risks are managed through the appropriate use of market-leading software solutions with appropriate support contracts, cloud software solutions, data back-ups and best practice in information technology.
- **Independence:** damage to reputation could cause UCEM to lose students, staff, industry accreditation partners and ultimately its status as a charity with degree awarding powers. Governance is key and UCEM takes its regulatory, compliance and policy framework policy very seriously. Codes of practice, guidelines and policies undergo periodic review and staff are trained and expected to follow policy.
- **Academic excellence:** product and student risks encompass quality, standards, consistency, complaints, student success and welfare. This includes monitoring student satisfaction and academic performance. Mitigation is achieved through the monitoring of student survey results, External Examiner reports, annual programme monitoring and Codes of Practice. Academic risks are also reviewed regularly by the Academic Board.
- **Financial:** investment risk comprises currency, custody, market and liquidity risk and is managed through appropriate investment policy and choice of investment manager. Fraud and financial loss are addressed by the internal control environment and backed with insurance. Long term financial planning, review of performance against plan and an appropriate reserves policy protect against insolvency risk.
- **New work environment:** the loss of key personnel or an inability to recruit appropriate personnel would restrain the institution's ability to deliver its academic programmes and charitable objects. Recruiting and retaining the right people are supported by a strong Performance Development Review (PDR) process, a staff satisfaction survey, benchmarked remuneration, an evolving benefits offering, relevant insurances and an increasing investment in training.

Each individual risk in the RAR shows the assessed scores for the probability and the impact pre-mitigation, leading to a gross risk score, and probability and impact scores post the identified mitigating actions, leading to a net risk score. Detail is provided on each risk, with commentary on the evidence of controls in place, and identification of the early warning signs of heightened risk. Net risk scores of 20 or above are deemed to be of more significant risk and a focus is given to these areas.



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The responsibility for mitigating each of the assessed risks has been delegated by the Board to the Principal and to individual members of the SLT.

The Board believes the RAR to be comprehensive and that the assessed risks are appropriately mitigated by the procedures and systems in place, which are also reviewed regularly. These are further mitigated by the policies and practices which help define the institution's strategy and determine its activities.

The review and approval process include the RAR being reviewed by the SLT. During 2016–17 the responsibility of a board sub-committee for reviewing the RAR changed from the Finance Committee to the newly formed Audit Committee, which reviews the register twice a year, with further discussion once a year in full Board. The Board has delegated to the Audit Committee the detailed review of the content of the RAR (and development of the appropriate control processes). Consequently, the trustees consider that arrangements are in place to ensure satisfactory effective internal control and risk management.

On systemic risk, the Board continues to be very mindful of the domestic and global construction sector from which the institution draws its student base, and the economic situation. The Board continues to monitor closely the numbers of new student registrations, as well as the potential impact on existing students striving to continue their studies.

## Reserves policy and going concern

UCEM's general reserves arose from the original donations of £55,000 made when the College was set up in 1919, and its subsequent retention of modest surpluses on its activities, plus further small donations over the years.

The education sector, in general, operates on a long-term cycle, with none of our courses lasting less than two years and many students taking five or more years to complete. The sectors in which UCEM is permitted to apply its funds are land and property. These sectors are subject to considerable cyclical movement.

The trustees continue to monitor the use of reserves, in conjunction with the setting of annual budgets, and developments of our long-term strategy for delivering public benefit in distance learning projects, to meet the changing nature of demand. The present policy is to budget for operating surpluses sufficient to build reserves to meet the needs of our long-term strategy and to designate funds for specific projects as and when available and identified within that strategy.

However, trustees recognise that once finalised, further funds will probably be needed to drive the 2020–2030 strategy. Reserves may be the appropriate source of these funds. Accordingly, UCEM's reserves policy is under review and trustees are asking the question "what should the institution's level of liquid reserves be relative to its future ambition and the climate in which it is operating?" This question is core to the development of the institution's reserves policy and the

institution is committed to ensuring the policy is reviewed fully in the medium term, in line with other work on the institution's investments and property taking place.

Total UCEM reserves as represented by total unrestricted reserves of £22.5M less fixed assets of £7.7M, stand at £14.8M. £3.4M of this sum has been allocated to Designated Funds of which £2.3M has been allocated to a Bursary Fund, set up for the exclusive purpose of generating an income to provide bursaries to assist and support students and to otherwise encourage new entrants to the profession.

The other £1.1M is allocated to a Designated Fund for contributing to UCEM's future premises maintenance needs. The remaining reserves of £11.5M represent approximately eleven months' operating expenditure. The trustees view this current level of reserves as appropriate to provide for UCEM's normal educational commitment to students with some available for further investment in the opportunity presented by apprenticeships and future growth plans.

Accordingly, the trustees consider that UCEM is a going concern and have prepared the accounts on this basis.

## Plans for the future

The focus for UCEM continues to be delivery of the strategic plan 2014–2019, with the key metric of achieving 3,727 full course equivalent students by 2019 (approximately 5,000 student headcount).

As part of achieving this objective the opportunities afforded to UCEM by growing its apprenticeship provision are significant. UCEM is already seeing growing numbers of apprenticeship students and some reticence from the number of employers sponsoring students to undertake the standard route on our BSc programmes.

The opportunities with apprenticeships will increase when more Level 4 and Level 7 (postgraduate) standards are approved for construction, which is likely during 2017–2018.

The Board of Trustees as part of the future planning process is reviewing the investment required by the institution to meet the delivery and resourcing requirements of the programmes.

The recruitment of appropriately qualified academic staff to deliver the academic programmes continues to be challenging, with additional resources required due to the increasing student numbers. UCEM may need as part of its future planning to consider another academic base within the UK.

The Board and SLT have already started work on a strategy for the institution to cover the ten years post-centenary 2020–2030.

## Structure, governance and management

The strategic direction for UCEM is determined by the Board of Trustees, which meets four times a year. The Board is guided in its educational strategy by an *Academic Board* which also meets four times a year to assess such matters as changes in the regulatory environment (or best practice) regarding the provision of education. It is the supreme deliberative committee relating to educational matters.

The Board delegates some of its power to five standing sub-committees, established to consider in detail various issues on its behalf. The sub-committees have detailed terms of reference which are reviewed annually by the Board. They debate matters within their sphere and then make recommendations for the Board to consider for approval. Details of the sub-committees and their main functions are:

### The Academic Review Committee

An independent sub-committee that acts as the advisory body for all aspects of UCEM's academic delivery. Its primary responsibility is to be the final auditor of all UCEM's academic review processes and performance data.

### The Audit Committee

This is a new sub-committee approved by the Board of Trustees in June 2017, and the first meeting was held in December 2017. Its remit is to review the adequacy and effectiveness of the institution's system of audit related to financial reporting, internal control and risk management. In fulfilling this function the Audit Committee adheres to the guidance and best practice for Audit Committees outlined in the CUC Higher Education Code for Governance, and the CUC Handbook for Members of Audit Committees in Higher Education Institutions.

### The Finance Committee

Considers in detail the financial results against plan for the current year, the forecast of results for the following year, the cash position and the performance of investments. This committee also assesses the policies relating to Grant Making and Bursaries, Investments and Reserves. This sub-committee meets four times a year.

### The Nominations and Governance Committee

This committee considers and recommends to the Board all prospective appointments to the Board of Trustees having assessed the type of skills and experience deemed necessary for the Board to function as effectively as possible. This committee will also recommend to the Board all candidates considered for Honorary Fellow status, as well as all nominations for the annual UCEM Property Award. This sub-committee is also charged with ensuring that the very best governance practice is adhered to by UCEM as a registered charity in the higher education sector. This sub-committee meets at least annually and more regularly as necessary.

## The Remuneration Committee

Meets annually, or as required, to consider the remuneration package for the Principal, the Senior Leadership Team and all other staff.

## Senior Leadership Team

The day-to-day management of the institution is entrusted to the Principal, supported by a Senior Leadership Team (SLT) whose role is to deliver the strategic objectives and policies set by the Board of Trustees. The Principal is also an ex-officio trustee as required by the Royal Charter.

## Trustees

### Trustee recruitment

The terms of appointment for the Independent and Staff Trustees (other than those who are ex-officio) are three years. At the end of each three-year period these trustees are eligible for reappointment for one further term of three years. A Student Trustee, when appointed, has a one-year term which may be renewed for a further one-year term.

When vacancies arise for new trustees the Nominations and Governance Committee identifies suitable candidates. The Nominations and Governance Committee has regard to replacing specialist skills or experience that any retiring trustee may have had and considers other criteria such as experience, standing and reputation in academia or within the land and property sector. Due regard is also given to succession planning of future trustees with an aim to ensure there remains an appropriate blend of experience for future years.

All trustees give their time voluntarily and receive no benefits from the institution. Any expenses reclaimed from the institution are set out in *Staff costs*: Note 5 to the accounts.

### Appointment of trustees

It is a requirement of the role that the Principal of UCEM is a trustee. UCEM also has one staff trustee and one student trustee with nominations made by the relevant peer group.

The details of all prospective new trustees identified by the Nominations and Governance Committee are presented to the Board for approval. The details presented will consist of the individual's Curriculum Vitae and includes highlights of any achievements and specialisms gained. Should the individuals proposed be approved to join the Board they are invited to attend the next Board meeting. Appointments normally run from the Board meeting at which the nomination is approved.

No other person or body is entitled to appoint one or more of the institution's trustees.

## Trustee induction and training

Each new trustee is sent a comprehensive briefing pack on appointment. This includes background reading about UCEM, the Royal Charter and Bye-Laws, the current prospectus and the most recent set of statutory accounts.

All new trustees are then invited to visit UCEM and given the opportunity to discuss any queries they may have with the Principal and the Senior Leadership Team. UCEM promotes trustee training by providing all trustees with relevant Charity Commission guidance on serving as a trustee, as well as funding attendance at appropriate courses and seminars that are organised by third parties. In addition, new trustees are allocated a mentor from one of the existing members of the Board.

Once appointed all trustees are subject to an annual appraisal with the Chair. UCEM is committed to meeting all relevant training needs identified by this process.

## Related parties and relationships with other organisations

The consolidated accounts include UCEM together with its trading subsidiaries, UCEM Courses Limited, UCEM Asia Limited, UCEM Publishing Limited and three registered charities, two in which UCEM has a controlling interest, The Harold Samuel Educational Trust and the David Alexander Memorial Scholarship and one in which UCEM has had a 40% controlling interest through the placement of two trustees since January 2017, The Chartered Surveyor's Training Trust (CSTT).

UCEM Courses Ltd is a wholly owned subsidiary that delivers bespoke course content to corporate clients. UCEM Publishing Ltd is a wholly owned subsidiary that provides printed course and marketing content to UCEM and UCEM Courses Ltd and ad-hoc print work for University of Reading. UCEM Asia Ltd is a wholly owned subsidiary incorporated in Hong Kong that supports UCEM's marketing and teaching in Hong Kong.

In 2016-17 UCEM continued to deliver teaching for level 3 and level 6 apprenticeships as a subcontractor of CSTT and of Eastleigh College.

The programmes offered by UCEM are validated by the relevant professional bodies, such as the Royal Institution of Chartered Surveyors (RICS) and the Chartered Institute of Building (CIOB).

## Remuneration policy for key management personnel

UCEM's Remuneration Committee meets annually, or as required, to consider the remuneration package for the Principal, the Senior Leadership Team and the raise and discretionary bonus pool for all other staff. UCEM uses industry statistics and remuneration surveys (e.g. UCEA) to inform the committee's decisions.

## Statement of corporate governance and internal control

The following statement is provided to enable readers of the annual report and financial statements of the institution to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The institution endeavours to conduct its business:

- i. in full accordance with the requirements of The Higher Education Code of Governance issued by the Committee of University Chairs (CUC) in December 2014 (the CUC Code); and
- ii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the higher education sector; and
- iii. having due regard to the Charity Commission publication *CC10 Hallmarks of an Effective Charity*, now replaced by the recently launched Charity Governance Code insofar as it is not already covered by the requirements of the CUC Code at (i).

The institution is committed to exhibiting best practice in all aspects of corporate governance. The institution identified compliance with the CUC Code as an aspiration in autumn 2016 and began a review of the CUC Code requirements in January 2017. Since then the institution has formed an Audit Committee and engaged with an external provider to review the effectiveness of Board governance and has formally adopted the CUC Code.

Compliance with the CUC Code is reviewed annually by the institution's Nominations and Governance Committee. Users of the accounts are referred to the *Structure, governance and management* section of this report for further details on the institution's governance and the work of the Nominations and Governance Committee.

The institution has not adopted and therefore does not apply the UK Corporate Governance Code or the recently launched Charity Governance Code. However, it has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of these codes that the institution considers relevant to the higher education sector and best practice.

The institution adopted the CUC Code during the financial year 2016–17. In the opinion of the trustees, the institution now complies with or exceeds the provisions of the CUC Code in all material respects. The trustees recognise that, as a charity and higher education institution UCEM has a duty to observe the highest standards of corporate governance at all times.

The institution is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The trustees confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

## Statement of responsibilities of the trustees

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the institution's and group's financial activities during the period and of their financial position at the end of the period. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Further and Higher Education SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the institution will continue in operation

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the institution and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the institution and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the institution's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Sayer Vincent LLP was re-appointed as the institution's auditor during the year and has expressed its willingness to continue in that capacity.

The trustees' annual report has been approved by the trustees on 28 March 2018 and signed on their behalf by



John Gellatly  
Chair

## Independent auditor's report

To the members of

University College of Estate Management

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### Opinion

We have audited the financial statements of University College of Estate Management (the 'the parent entity') for the year ended 31 July 2017 which comprise the consolidated and UCEM statement of comprehensive income and expenditure, the consolidated and UCEM statement of changes in reserves, the consolidated and UCEM balance sheets, the consolidated statement of cash flows, the summary of significant accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group and parent entity's affairs as at 31 July 2017 and of the group's and parent entity's incoming resources and total comprehensive income for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Charities Act 2011

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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



## Independent auditor's report

To the members of

University College of Estate Management

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### Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us 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
- Sufficient accounting records have not been kept; or
- the 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

### Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent entity or to cease operations, or have no realistic alternative but to do so.

## Independent auditor's report

To the members of

University College of Estate Management

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### Auditor's responsibilities for the audit of the financial statements

This report is made solely to the parent entity's trustees as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the parent entity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent entity and the parent entity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent entity to cease to continue as a going concern.

## Independent auditor's report

To the members of

**University College of Estate Management**

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

6 April 2018

Sayer Vincent LLP, Statutory Auditor

Invicta House, 108–114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

Year Ended 31 July 2017

	Notes	Consolidated £	2017 UCEM £	Consolidated £	2016 UCEM £
<b>Income</b>					
Tuition fees and education contracts	1	10,708,968	10,708,968	8,844,647	8,844,647
Other income	2	445,417	11,508	5,395,175	5,014,897
Investment income	3	533,696	527,732	619,567	615,086
<b>Total income before endowments and donations</b>		<b>11,688,081</b>	<b>11,248,208</b>	<b>14,859,389</b>	<b>14,474,630</b>
Donations	4	-	96,603	50,000	312,161
<b>Total income</b>		<b>11,688,081</b>	<b>11,344,811</b>	<b>14,909,389</b>	<b>14,786,791</b>
<b>Expenditure</b>					
Staff costs	5	9,197,451	8,928,368	7,960,800	7,892,686
Other operating expenses	7	3,313,393	3,369,273	4,783,847	4,605,340
Depreciation and impairment charges	9	366,781	366,781	1,217,942	1,217,942
Interest and other finance costs	6	27,242	17,428	26,026	26,026
<b>Total expenditure</b>		<b>12,904,867</b>	<b>12,681,850</b>	<b>13,988,615</b>	<b>13,741,994</b>
<b>(Deficit)/surplus before other gains losses and share of operating surplus of associates</b>		<b>(1,216,786)</b>	<b>(1,337,039)</b>	<b>920,774</b>	<b>1,044,797</b>
Net gain/(loss) on investments	11	1,454,676	1,413,347	(235,839)	(223,040)
Share of operating surplus in associate		26,583	-	-	-
<b>Surplus for the year and total comprehensive income for the year</b>		<b>264,473</b>	<b>76,308</b>	<b>684,935</b>	<b>821,757</b>
<b>Total comprehensive income for the year</b>		<b>264,473</b>	<b>76,308</b>	<b>684,935</b>	<b>821,757</b>
Represented by:					
Restricted comprehensive income for the year		20,447	3,500	(11,031)	(2,640)
Unrestricted comprehensive income for the year		244,026	72,808	695,966	824,397
		<b>264,473</b>	<b>76,308</b>	<b>684,935</b>	<b>821,757</b>

All items of income and expenditure relate to continuing activities

**Consolidated**


	Income and expenditure account		Total £
	Restricted £	Unrestricted £	
<b>Balance at 1 August 2015</b>	<b>464,513</b>	<b>21,547,780</b>	<b>22,012,293</b>
Surplus/(deficit) from the income and expenditure statement	(11,031)	695,966	684,935
<b>Total comprehensive income for the year</b>	<b>(11,031)</b>	<b>695,966</b>	<b>684,935</b>
<b>Balance at 1 August 2016</b>	<b>453,482</b>	<b>22,243,746</b>	<b>22,697,228</b>
Surplus from the income and expenditure statement	20,447	244,026	264,473
<b>Total comprehensive income for the year</b>	<b>20,447</b>	<b>244,026</b>	<b>264,473</b>
<b>Balance at 31 July 2017</b>	<b>473,929</b>	<b>22,487,772</b>	<b>22,961,701</b>

**UCEM**

	Income and expenditure account		Total £
	Restricted £	Unrestricted £	
<b>Balance at 1 August 2015</b>	<b>14,575</b>	<b>21,547,780</b>	<b>21,562,355</b>
Surplus/(deficit) from the income and expenditure statement	(2,640)	824,398	821,758
<b>Total comprehensive income for the year</b>	<b>(2,640)</b>	<b>824,398</b>	<b>821,758</b>
<b>Balance at 1 August 2016</b>	<b>11,935</b>	<b>22,372,178</b>	<b>22,384,113</b>
Surplus from the income and expenditure statement	3,500	72,808	76,308
<b>Total comprehensive income for the year</b>	<b>3,500</b>	<b>72,808</b>	<b>76,308</b>
<b>Balance at 31 July 2017</b>	<b>15,435</b>	<b>22,444,986</b>	<b>22,460,421</b>

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £	UCEM £	Consolidated £	UCEM £
Fixed assets	9	7,673,238	7,673,238	7,929,423	7,929,423
Investment properties	10	1,700,000	1,700,000	1,000,000	1,000,000
Investments	11	13,614,089	13,430,350	15,389,413	15,217,003
Investments in associate	13	165,609	-	-	-
		<b>23,152,936</b>	<b>22,803,588</b>	<b>24,318,836</b>	<b>24,146,426</b>
<b>Current assets</b>					
Stock	14	11,452	11,452	7,489	7,489
Trade and other receivables	15	1,156,880	1,039,567	926,586	956,133
Cash and cash equivalents		1,162,491	1,100,106	780,760	641,046
		<b>2,330,823</b>	<b>2,151,125</b>	<b>1,714,835</b>	<b>1,604,668</b>
Less: Creditors: amounts falling due within one year	16	(2,060,274)	(2,032,508)	(2,752,244)	(2,782,782)
<b>Net current assets/(liabilities)</b>		<b>270,549</b>	<b>118,617</b>	<b>(1,037,409)</b>	<b>(1,178,114)</b>
<b>Total assets less current liabilities</b>		<b>23,423,485</b>	<b>22,922,205</b>	<b>23,281,427</b>	<b>22,968,312</b>
<b>Provisions</b>	17	<b>(461,784)</b>	<b>(461,784)</b>	<b>(584,199)</b>	<b>(584,199)</b>
<b>Total net assets</b>		<b>22,961,701</b>	<b>22,460,421</b>	<b>22,697,228</b>	<b>22,384,113</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve – restricted reserve		473,929	15,435	453,482	11,935
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		11,457,984	11,415,198	11,009,761	11,138,193
Income and expenditure reserve – designated		11,029,788	11,029,788	11,233,985	11,233,985
		<b>22,487,772</b>	<b>22,444,986</b>	<b>22,243,746</b>	<b>22,372,178</b>
<b>Total Reserves</b>	18a	<b>22,961,701</b>	<b>22,460,421</b>	<b>22,697,228</b>	<b>22,384,113</b>

The financial statements were approved by the Governing Body on 28 March 2018 and were signed on its behalf on that date by:



John Gellatly  
Chair

## Consolidated Statement of Cash Flows

Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £	Year ended 31 July 2016 £
<b>Cash flow from operating activities</b>			
Surplus for the year		264,473	684,935
<b>Adjustment for non-cash items</b>			
Depreciation and impairment charges	9	366,781	1,217,942
(Gain)/loss on investments	11	(754,676)	235,839
(Increase)/decrease in stock	14	(3,963)	77,294
(Increase)/decrease in debtors	15	(230,294)	476,780
Decrease in creditors	16	(691,970)	(379,118)
Decrease in pension provision	17	(122,415)	(5,660)
Gain in value of investment property	13	(700,000)	-
Share of operating surplus in associate	18	(26,583)	-
Credit from acquisition of associate	18	(139,026)	-
<b>Adjustment for investing or financing activities</b>			
Investment income	3	(533,696)	(619,567)
Interest payable	6	27,242	26,026
Loss on disposal of fixed assets		-	15,610
<b>Net cash inflow from operating activities</b>		<b>(2,544,127)</b>	<b>1,730,081</b>
<b>Cash flows from investing activities</b>			
Investment income	3	533,696	619,567
Payments made to acquire fixed assets	9	(110,596)	(9,003,656)
Payments made to acquire investments	11	-	(301,576)
Proceeds from sale of investments	11	2,530,000	7,101,576
		<b>2,953,100</b>	<b>(1,584,089)</b>
<b>Cash flows from financing activities</b>			
Interest paid	6	(27,242)	(26,026)
		<b>(27,242)</b>	<b>(26,026)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>381,731</b>	<b>119,966</b>
Cash and cash equivalents at beginning of the year		780,760	660,794
Cash and cash equivalents at end of the year		1,162,491	780,760

**a) Basis of preparation**

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

**b) Transition to 2015 SORP**

UCEM is preparing its financial statements in accordance with Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 for the first time and consequently has applied the first time adoption requirements. The financial statements were previously prepared under Statement of Recommended Practice: Accounting and Reporting by Charities 2015.

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by this new SORP any restatements were required. All required changes under the move to accounting under FRS 102 were made in the prior year and no further changes have been identified as part of the adoption of the new SORP for Further and Higher Education bodies.

**c) Basis of consolidation**

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

Associated companies and joint ventures are accounted for using the equity method.

**d) Income recognition**

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships provided by UCEM are shown as a reduction of income.

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

**Donations**

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

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

Investment income is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms.

The main types of donations identified within reserves are:

a) Restricted donations – the donor has specified that the donation must be used for a particular objective.

a) Unrestricted donations – the donor has not specified that the donation must be used for a particular objective.



e) **Accounting for retirement benefits**

**Defined benefit plan**

The group participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The group is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by section 28 of FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. UCEM also complies with FRS 28.11A. UCEM has entered into an agreement with USS to fund its deficits, and recognises a liability for the contributions payable that arise from this agreement. The expense resulting from this liability and any movements in this liability are recognised in the consolidated statement of comprehensive income and expenditure.

**Defined Contribution Plan**

The group also operates a Group Personal Pension (GPP) and an Auto-Enrolment Compliant (AE) defined contribution scheme. The assets of these schemes are individually held by its members. Contributions to these schemes in the year were charged to the consolidated statement of comprehensive income and expenditure as incurred.

f) **Employment benefits**

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

g) **Operating leases**

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

h) **Foreign currency**

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

**i) Fixed assets**

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

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

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The useful lives in use are as follows:

Freehold buildings	50 years
Telephone system	10 years
Furniture	10 years
Machinery and equipment	5 years
Motor vehicles	4 years
Computers	3 years

No depreciation is provided on freehold land as it is deemed to have an infinite life.

**j) Investment Properties**

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

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

**k) Investments**

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of comprehensive income and expenditure. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments". UCEM does not acquire put options, derivatives or other complex financial instruments.

Investments in associates and subsidiaries are carried at cost less impairment, in UCEM's accounts.

Current asset investments are held at fair value with movements recognised in the statement of comprehensive income and expenditure.

**l) Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis**  
Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

**m) Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**n) Cash and cash equivalents**

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**o) Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

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

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

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

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

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

**p) Taxation**

UCEM is a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, UCEM is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by section 478–488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

**q) Reserves**

Reserves are classified as restricted or unrestricted.

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

## 1 Tuition fees and education contracts

Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Part-time students	10,833,639	10,833,639	8,948,998	8,948,998
Bursaries given	(124,671)	(124,671)	(104,351)	(104,351)
	<b>10,708,968</b>	<b>10,708,968</b>	<b>8,844,647</b>	<b>8,844,647</b>

## 2 Other income

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Corporate services – UCEM Courses	286,058	–	380,278	–
Other income	10,744	1,919	1,457	1,457
Other including lease surrender	148,615	9,589	5,013,440	5,013,440
	<b>445,417</b>	<b>11,508</b>	<b>5,395,175</b>	<b>5,014,897</b>

## 3 Investment income

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Investment income from investment property	51,526	51,526	50,201	50,201
Investment income on general reserves	407,011	401,047	490,520	486,039
Investment income on designated reserves	76,026	76,026	74,162	74,162
Other investment income	(867)	(867)	4,684	4,684
	<b>533,696</b>	<b>527,732</b>	<b>619,567</b>	<b>615,086</b>

## 4 Donations

Donations with restrictions	–	30,000	–	–
Unrestricted donations	–	–	50,000	50,000
Unrestricted donations from subsidiary companies 12a	–	66,603	–	262,161
	<b>–</b>	<b>96,603</b>	<b>50,000</b>	<b>312,161</b>

5 Staff costs

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Staff Costs :				
Salaries	7,253,429	7,015,228	7,030,213	6,972,684
Social security costs	637,225	636,110	172,971	172,922
Movement on USS provision	(122,415)	(122,415)	(5,660)	(5,660)
Other pension costs	674,754	663,300	166,717	164,329
Other staff costs	754,458	736,145	596,560	588,411
<b>Total</b>	<b>9,197,451</b>	<b>8,928,368</b>	<b>7,960,800</b>	<b>7,892,686</b>

Remuneration in excess of £60,000 of higher paid staff, excluding employer's pension contributions and employer's national insurance [all shown before any salary sacrifice]:

	No.	No.
£60,000 to £69,999	1	3
£70,000 to £79,999	7	4
£80,000 to £89,999	3	2
£90,000 to £99,000	1	-
£130,000 to £139,999	-	1
£180,000 to £189,999	1	1
	<b>13</b>	<b>11</b>

Average staff numbers by major category :

	No.	No.
Academic	66	35
Research	1	1
Management & specialist	8	10
Technical	7	6
Other	207	143
	<b>289</b>	<b>195</b>

Compensation for loss of office payable to a senior post-holder:

	£	£
Compensation payable recorded within staff costs	<b>23,088</b>	80,460

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University College. Staff costs includes compensation paid to key management personnel. The figures below include employer national insurance and employer pension

	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Key management personnel compensation	<b>957,237</b>	1,078,125

5 Staff costs (continued)

**Council Members**

UCEM's Council members are the trustees for charity law purposes. Due to the nature of UCEM's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms length and in accordance with UCEM's Financial Regulations and usual procurement procedures.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

In accordance with the bye-laws of UCEM, two trustees (2016: two) received remuneration for the services they provide in undertaking the roles of Principal and member of staff and not in respect of their services as trustees. Their remuneration during their period as a trustee was as follows:

	Year ended 31 July 2017 £	Year ended 31 July 2016 £
<b>Principal – Ashley Wheaton</b>		
Remuneration	183,317	180,612
Employer pension contributions	28,587	25,950
Other benefits	814	391
	<u>212,718</u>	<u>206,953</u>
<b>Staff trustee – Jane Fawkes</b>		
Remuneration	–	78,001
Employer pension contributions	–	12,449
	<u>–</u>	<u>90,450</u>
<b>Staff trustee – Helen Edwards</b>		
Remuneration	30,000	–
Employer pension contributions	1,964	–
	<u>31,964</u>	<u>–</u>
<b>Total trustee remuneration and benefits</b>	<u><u>244,682</u></u>	<u><u>297,403</u></u>

The pension contributions are in respect of membership of the USS Scheme and are paid by the employer on the same basis as any other member's employer contribution.

5 Staff costs (continued)

Trustee travel, entertaining and subsistence

	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Principal	5,752	7,206
9 other trustees (2016: five)	2,872	6,751
	<u>8,624</u>	<u>13,957</u>

Other than as reported above, the trustees were neither paid nor received any other benefits from employment with the charity in the year (2016: £nil). No member of the trustees received payment for professional or other services supplied to the charity (2016: £nil).

Jane Fawkes stepped down as trustee on 23 June 2016 and was replaced by Helen Edwards on 1 December

**6 Interest and other finance costs**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Loan interest	-	-	17,491	17,491
Exchange differences	27,242	17,428	8,535	8,535
	<u>27,242</u>	<u>17,428</u>	<u>26,026</u>	<u>26,026</u>

**7 Other operating expenditure**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Academic and related expenditure	998,812	996,130	1,221,744	1,221,688
Administration and central services	1,855,507	2,017,928	2,808,515	2,682,084
Premises	366,526	270,693	674,306	622,288
Catering and conferences	92,548	84,522	79,282	79,282
	<u>3,313,393</u>	<u>3,369,273</u>	<u>4,783,847</u>	<u>4,605,342</u>
Other operating expenses include:				
Loss on disposal of fixed assets	-		15,610	
External auditor remuneration in respect of audit services	19,950		20,600	
External auditor remuneration in respect of non-audit services	900		2,800	
Operating lease rentals:				
· Land and buildings	90,633		102,459	
· Other	11,400		9,373	

**8 Related Parties**

All transactions are detailed as part of note 5.



## 9 Fixed Assets

Consolidated and UCEM	Freehold land and buildings £	Equipment and motor vehicles £	Computer system £	Total £
<b>Cost</b>				
At 1 August 2016	8,108,012	725,638	1,159,895	9,993,545
Additions	5,250	24,341	81,005	110,596
<b>At 31 July 2017</b>	<b>8,113,262</b>	<b>749,979</b>	<b>1,240,900</b>	<b>10,104,141</b>
<b>Depreciation</b>				
At 1 August 2016	1,108,012	275,082	681,028	2,064,122
Charge for the year	108,821	54,068	203,892	366,781
<b>At 31 July 2017</b>	<b>1,216,833</b>	<b>329,150</b>	<b>884,920</b>	<b>2,430,903</b>
<b>Net book value</b>				
<b>At 31 July 2017</b>	<b>6,896,429</b>	<b>420,829</b>	<b>355,980</b>	<b>7,673,238</b>
At 31 July 2016	7,000,000	576,349	353,074	7,929,423

All of the above assets are used for charitable purposes.

The new premises were planned and designed specifically for UCEM. Financial Reporting Standards require the premises to be included in the financial statements at replacement cost where this is less than actual cost. An Existing Current Use with Vacant Possession valuation was carried out by Knight Frank LLP on 23 June 2016. This valuation was lower than actual cost so an impairment was recognised in the year ended 31 July 2016. This was as anticipated and in accordance with the trustees' business plan for the acquisition of a new headquarters building. A further impairment review was performed this year and did not identify any further reductions in value.

**10 Investment properties**

The investment property is Shinfield Grange and was last valued on 1 August 2017 by Knight Frank LLP at fair value in its current physical condition with vacant possession. Following this, the value of the property was increased by £700,000.

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Fair value at the start of the year	1,000,000	1,000,000	1,000,000	1,000,000
Net gain on change in fair value	700,000	700,000	-	-
<b>Fair value at the end of the year</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

**11 Non-current asset investments**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Fair value at the start of the year	15,389,413	15,217,003	22,425,252	22,239,044
Additions at cost	-	-	301,576	999
Disposal proceeds	(2,530,000)	(2,500,000)	(7,101,576)	(6,800,000)
Net gain/(loss) on change in fair value	754,676	713,347	(235,839)	(223,040)
<b>Fair value at the end of the year</b>	<b>13,614,089</b>	<b>13,430,350</b>	<b>15,389,413</b>	<b>15,217,003</b>
Historic cost	12,182,509	11,656,302	14,487,523	13,933,448

Investments comprise:

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
UK Common investment funds				
• General UCEM fund	10,935,735	10,935,734	12,834,234	12,834,234
• Designated bursary fund	2,242,517	2,242,517	2,130,670	2,130,670
• Restricted funds	435,837		424,509	-
Investment in subsidiary undertakings	-	252,099	-	252,099
<b>Fair value at the end of the year</b>	<b>13,614,089</b>	<b>13,430,350</b>	<b>15,389,413</b>	<b>15,217,003</b>

## 12a Subsidiary undertakings

UCEM owns the whole of the issued ordinary share capital of UCEM Courses Limited (company number 2169181) and UCEM Publishing Ltd (company number 4965413), both companies registered in England. The subsidiaries are used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the statement of comprehensive income and expenditure. Available profits are gift aided to the charity. A summary of the results of the subsidiaries are shown below:

	UCEM Courses		UCEM Publishing	
	2017	2016	2017	2016
	£	£	£	£
Turnover	286,058	380,278	8,825	147,741
Cost of sales	(215,037)	(115,144)	(3,675)	(141,724)
Gross profit	71,021	265,134	5,150	6,017
Administrative expenses	(5,142)	(4,847)	(4,426)	(4,141)
Other operating income	-	-	-	-
Operating profit / (loss)	65,879	260,287	724	1,876
Interest payable	-	-	-	-
Profit / (loss) on ordinary activities	65,879	260,287	724	1,876
Deed of covenant to parent undertaking	(65,879)	(260,287)	(724)	(1,876)
Profit / (loss) for the financial year	-	-	-	-
The aggregate of the assets, liabilities and funds was:				
Assets	272,613	410,331	14,013	14,745
Liabilities	(22,513)	(160,231)	(13,013)	(13,745)
Funds	250,100	250,100	1,000	1,000

UCEM also owns the whole of the issued ordinary share capital of UCEM Asia Limited (company number 2290068), registered in Hong Kong. The subsidiary was incorporated on 24 September 2015. This subsidiary is used for promoting UCEM and coordinating support for local students. All activities have been consolidated on a line by line basis in the statement of comprehensive income and expenditure. A summary of the results of the subsidiary is shown below:

	UCEM Asia	
	2017	2016
	£	£
Turnover	-	-
Cost of sales	(414,390)	(128,433)
Gross loss	(414,390)	(128,433)
Administrative expenses	-	-
Other operating income	420,000	-
Profit/(loss) for the financial year	5,610	(128,433)
The aggregate of the assets, liabilities and funds was:		
Assets	33,743	71,609
Liabilities	(155,568)	(199,043)
Funds	(121,825)	(127,434)

## 12b Other undertakings

The accounts for UCEM include in the consolidation two Trust Funds in which it has a controlling interest. The Harold Samuel Educational Trust (HSET, charity number 800790) and David Alexander Memorial Scholarship (DAMS, charity number 525767), both Registered Charities in England and Wales. The HSET funds are used to promote the advancement and dissemination of knowledge of surveying, auctioneering, estate management and other areas of knowledge associated with the profession of the land. Income from the fund is to be used at or in association with the University College of Estate Management. The DAMS funds are to be used to provide a scholarship tenable at the University College of Estate Management for students based in Wales. All activities have been consolidated on a line by line basis in the statement of financial activities. During the course of the 2015 year, The Trusts approved a change to their financial years to 31 July in line with that of UCEM. A summary of the results of the funds are shown below:

	HSET		DAMS	
	2017	2016	2017	2016
	£	£	£	£
Incoming resources	-	27	5,964	4,454
Resources expended	(30,283)	-	(63)	(73)
Net incoming resources	(30,283)	27	5,901	4,381
Investment gains/(losses)	25,466	(11,760)	15,863	(1,039)
Net movement in funds	(4,817)	(11,733)	21,764	3,342
Fund balances at the start of the year	312,431	324,164	129,116	125,774
Fund balances at the end of the year	307,614	312,431	150,880	129,116
The aggregate of the assets, liabilities and funds was:				
Assets	307,614	312,431	150,886	129,122
Liabilities	-	-	(6)	(6)
Funds	307,614	312,431	150,880	129,116

## 12c Parent charity

The parent charity's gross income and the results for the year are disclosed as follows:

	2017	2016
	£	£
Gross income	11,344,811	14,786,791
Result for the year	76,308	821,757

## 13 Investment in associate

In March 2017, two UCEM trustees were appointed to the board of Chartered Surveyors Training Trust (CSTT). CSTT has five trustees so since then UCEM has had 40% influence over the trustee board. Accordingly, UCEM accounts for CSTT as an associate and at this date, 40% of the net assets of CSTT, being £139,026 was recognised as an asset in UCEM's financial statements, with a corresponding item of income.

At 31 July 2017, an adjustment was made to this asset due to UCEM recognising its share of the profit of CSTT for the period from March 2017 to 31 July 2017. This resulted in an increase of £26,583. At 31 July 2017 UCEM's share of the net assets stood at £165,609.

	2017	2016
	£	£
Investment in associate	165,609	-

## 14 Stock

	2017		2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Finished goods	11,452	11,452	7,489	7,489
	<u>11,452</u>	<u>11,452</u>	<u>7,489</u>	<u>7,489</u>

## 15 Trade and other receivables

	2017		2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Amounts falling due within one year:				
Other trade receivables	677,869	589,550	734,290	579,619
Other receivables	39,354	14,745	32,357	7,748
Prepayments and accrued income	411,158	409,270	115,464	115,464
Amounts due from subsidiary companies	-	(289)	-	191,540
VAT	28,499	26,291	44,475	61,762
	<u>1,156,880</u>	<u>1,039,567</u>	<u>926,586</u>	<u>956,133</u>

## 16 Creditors : amounts falling due within one year

	2017		2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Trade payables	139,068	139,069	899,395	904,679
Other payables	821,122	812,418	664,333	639,629
Amounts due to subsidiary companies	-	-	-	185,620
Advance payments	387	-	409,378	308,128
Deferred income	1,099,697	1,081,021	779,138	744,726
	<u>2,060,274</u>	<u>2,032,508</u>	<u>2,752,244</u>	<u>2,782,782</u>

## Deferred income

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

	2017		2016	
	Consolidated £	UCEM £	Consolidated £	UCEM £
Current Academic Offer	1,043,210	1,024,534	697,806	663,394
Legacy courses	56,487	56,487	81,332	81,332
	<u>1,099,697</u>	<u>1,081,021</u>	<u>779,138</u>	<u>744,726</u>

17 Provisions for liabilities

Consolidated and UCEM

	2017 £	2016 £
<b>Obligation to fund deficit on USS pension</b>		
At the start of the year	584,199	589,859
Movement in the year	(122,415)	(5,660)
<b>At the end of the year</b>	<b>461,784</b>	<b>584,199</b>

**USS deficit**

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

The USS deficit recovery plan extends to 2031, the period over which outflow related to this provision is expected. The changes in salary costs and staff numbers have been assessed using the forecast impact of UCEM's strategic plans on the number of staff employed, and known statutory and other increases to pay. The discount rate used is considered to be the equivalent of that of a high quality corporate bond.

## 18a Movements in funds (current year)

	At the start of the year £	Incoming resources & gains £	Outgoing resources & losses £	Transfers £	At the end of the year £
<b>Restricted funds:</b>					
BCSC Educational Trust Fund	1,472	-	-	-	1,472
Philip Rose Award	439	-	-	-	439
BSc Estate Management Club	1,286	-	-	-	1,286
Marsh & Company	2,032	-	-	-	2,032
RICS Presidents' bursaries	1,185	-	-	-	1,185
Harold Samuel Educ. Trust-Bursary Fund	3,200	-	-	-	3,200
Harold Crowter Prize fund	1,671	-	-	-	1,671
FJ Comerford Prize award	500	-	-	-	500
QS Student Bursary Fund	150	-	-	-	150
Research Bursary	-	-	(8,500)	12,000	3,500
MACE Fund	-	-	(18,000)	18,000	-
The Harold Samuel Educational Trust	312,431	25,466	(283)	(30,000)	307,614
David Alexander Memorial Scholarship	129,116	21,827	(63)	-	150,880
<b>Total restricted funds</b>	<b>453,482</b>	<b>47,293</b>	<b>(26,846)</b>	<b>-</b>	<b>473,929</b>
<b>Unrestricted funds:</b>					
Designated funds:					
Fixed assets	7,929,423	110,596	(366,781)	-	7,673,238
Bursaries	2,204,562	176,659	(124,671)	-	2,256,550
Property maintenance	1,100,000	-	-	-	1,100,000
<b>Total designated funds</b>	<b>11,233,985</b>	<b>287,255</b>	<b>(491,452)</b>	<b>-</b>	<b>11,029,788</b>
<b>General funds</b>	<b>11,009,761</b>	<b>12,945,388</b>	<b>(12,497,165)</b>	<b>-</b>	<b>11,457,984</b>
<b>Total unrestricted funds</b>	<b>22,243,746</b>	<b>13,232,643</b>	<b>(12,988,617)</b>	<b>-</b>	<b>22,487,772</b>
<b>Total funds</b>	<b>22,697,228</b>	<b>13,279,936</b>	<b>(13,015,463)</b>	<b>-</b>	<b>22,961,701</b>

## 18b Movements in funds (prior year)

	At the start of the year £	Incoming resources & gains £	Outgoing resources & losses £	Transfers £	At the end of the year £
<b>Restricted funds:</b>					
BCSC Educational Trust Fund	1,472	-	-	-	1,472
Philip Rose Award	439	-	-	-	439
BSc Estate Management Club	1,286	-	-	-	1,286
Marsh & Company	2,122	-	(90)	-	2,032
RICS Presidents' bursaries	1,935	-	(750)	-	1,185
Harold Samuel Educ. Trust-Bursary Fund	5,000	-	(1,800)	-	3,200
Harold Crowter Prize fund	1,671	-	-	-	1,671
FJ Comerford Prize award	500	-	-	-	500
QS Student Bursary Fund	150	-	-	-	150
The Harold Samuel Educational Trust	324,164	27	(11,760)	-	312,431
David Alexander Memorial Scholarship	125,774	4,454	(1,112)	-	129,116
<b>Total restricted funds</b>	<b>464,513</b>	<b>4,481</b>	<b>(15,512)</b>	<b>-</b>	<b>453,482</b>
<b>Unrestricted funds:</b>					
Designated funds:					
Fixed assets	159,319	-	(1,233,552)	9,003,656	7,929,423
Bursaries	2,224,391	74,162	(93,991)	-	2,204,562
Property maintenance	1,100,000	-	-	-	1,100,000
<b>Total designated funds</b>	<b>3,483,710</b>	<b>74,162</b>	<b>(1,327,543)</b>	<b>9,003,656</b>	<b>11,233,985</b>
<b>General funds</b>	<b>18,064,070</b>	<b>14,830,746</b>	<b>(12,881,399)</b>	<b>(9,003,656)</b>	<b>11,009,761</b>
<b>Total unrestricted funds</b>	<b>21,547,780</b>	<b>14,904,908</b>	<b>(14,208,942)</b>	<b>-</b>	<b>22,243,746</b>
<b>Total funds</b>	<b>22,012,293</b>	<b>14,909,389</b>	<b>(14,224,454)</b>	<b>-</b>	<b>22,697,228</b>

## 19 Purposes of restricted funds

BCSC Educational Trust Fund – The provision of bursaries to College students studying for the Diploma in Shopping Centre Management.

Philip Rose Award – To award a prize for excellence in an area study.

BSc Estate Management Club – The provision of bursaries to undergraduate College students.

Marsh & Company – The provision of bursaries to College students.

RICS Presidents' bursaries – The provision of bursaries to College students based overseas.

Harold Samuel Educational Trust – The provision of bursaries for College students.

Harold Crowter Prize fund – To award a prize for excellence in an area of study.

FJ Comerford Prize award – To award a prize for excellence in an area of study.

QS Student Bursary Fund – The provision of bursaries for College students.

Research Bursary – Harold Samuel Educational Trust released funds during the year to support UCEM sustainability research.

MACE fund – Harold Samuel Educational Trust released funds during the year to fund the purchase of a ceremonial graduation mace for UCEM.

The Harold Samuel Educational Trust – see note 12b.

David Alexander Memorial Scholarship – see note 12b.

**Purposes of designated funds**

Fixed assets – This represents the net book value of the groups fixed assets.

Bursaries – The New Student Bursary Fund was established to encourage wider participation in College courses.

Property – The fund was established for essential maintenance requirements for the College's operational properties.



**20 Lease obligations**

Total rentals payable under operating leases for the group were:

	Property		Equipment	
	2017	2016	2017	2016
	£	£	£	£
<b>Payable during the year</b>	<b>17,552</b>	<b>102,459</b>	<b>21,931</b>	<b>9,373</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	17,552	102,459	21,931	17,397
Later than 1 year and not later than 5 years	15,928	34,153	59,860	40,014
<b>Total lease payments due</b>	<b>33,480</b>	<b>136,612</b>	<b>81,791</b>	<b>57,411</b>

Total rentals receivable under operating leases for the group were:

	Property	
	2017	2016
	£	£
<b>Receivable during the year</b>	<b>2,043</b>	<b>-</b>
<b>Future minimum lease receivable due:</b>		
Not later than 1 year	2,043	-
<b>Total lease receivable due</b>	<b>2,043</b>	<b>-</b>

**21 Events after the reporting period**

UCEM acquired the apprenticeship business of Chartered Surveyors Training Trust (CSTT) on 6 December 2017. CSTT is expected to contribute £603,000 income to UCEM in the next financial year with costs estimated at £552,000 resulting in net new earnings of £51,000.

## 22 Pension schemes

The Group operates three pension schemes for its employees:

### (1) Universities Superannuation Scheme

#### Contingent Liabilities and Assets

UCEM participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. UCEM is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to UCEM's employees. In 2017, the percentage was 18% (2016: 18%). UCEM is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme.

A contingent liability exists in relation to the pension valuation recovery plan, since UCEM 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 UCEM 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 total cost reduction included in the statement of comprehensive income and expenditure is £122,415 (2016: £342,926). This includes £40,268 (2016: £46,959) outstanding contributions at the balance sheet date. The disclosures below represent the position from the scheme's financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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.

Pension liability numbers have been produced for the using the following assumptions:

	2017	2016
Discount rate	3.4%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.4%	2.2%

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

Male members' mortality 98% of S1NA ["light"] YoB tables – No age rating  
 Female members' 99% of S1NA ["light"] YoB tables – rated down 1 year

**22 Pension schemes (continued)****(1) Universities Superannuation Scheme (continued)**

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

<i>Existing benefits</i>	<i>2017</i>	<i>2016</i>
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29	28.8

<i>Existing benefits</i>	<i>2017</i>	<i>2016</i>
Scheme assets	£60.0bn	£49.8bn
Liabilities	£77.5bn	£58.3bn
Deficit	£17.5bn	£8.5bn
Funding level	77%	85%

**(2) Group Personal Pension Scheme (GPP)**

Operating on a defined contribution basis in respect of pensionable service since 1 November 2004, the GPP has received contributions on behalf of members from the Employer and Employee at the following rates: Employer 7%, Employee 2½% (minimum).

For members of the former CEM Contracted Out Money Purchase Scheme who had joined that Scheme prior to April 1997 the rates of contribution, to the GPP, were as follows:

<b>Age</b>	<b>College</b>	<b>Member</b>
40–49	9%	2½% (minimum)
50–59	10%	2½% (minimum)

This scheme is now closed to new members as it has been succeeded by an auto enrolment compliant scheme (see below). The pension charge for the GPP scheme for the year was £87,133 (2016: £97,633).

**(3) Auto Enrolment Compliant Scheme (AE)**

Operating on a defined contribution basis in respect of pensionable service since 1 January 2014, the AE scheme has received contributions on behalf of members from the Employer and Employee at the following rates: Employer 7%, Employee 2½% (minimum).

The pension charge for the period was £231,276 (2016: £136,115).

**Unfunded Pensions**

The College also provided unfunded pensions to an ex-employee. Payment in the year totalled £4,841 (2016: £4,825).