



# Financial Statements 2018-2019



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Foreword by

## Professor Alec Cameron

### Vice-Chancellor and Chief Executive

Aston has a mission to be the UK's leading university for business and the professions, underpinned by applicable research, enterprise and inspiring teaching. Delivering both local and global impact, Aston has students from 120 countries around the world.

Aston's strategy is structured around the beneficiaries of the University, whom we exist to serve – students, business and the professions, and our region and society. We will continue to offer support to our beneficiaries because their future success is critical to us.



The ongoing development and articulation of Aston's strategy gives us the opportunity to communicate clearly our ambition, our objectives, and our priorities; to state what is most important to us, and to identify our points of distinction.

Increasing our international research collaborations and establishing joint international research centres builds our international reputation for research excellence. We are developing global citizens through language skills and international placements for UK and overseas students, and developing joint courses with institutions overseas.

Over the last year, we were also successful in securing in excess of £27m in new research grants, our best result yet.

Aston has long been recognised as a university that equips students with the skills and knowledge they need to thrive in businesses and the professions. Our integrated placement year is increasingly popular, with the majority of our students spending a year in business, a year abroad, or in pre-registration for subjects allied to medicine. By 2023, our aim is to have 100% of our students taking a work or professional placement.

Our financial performance for 2018-19 was good in a challenging environment with an operational surplus before exceptional items driven by growing student numbers. We are continuing to invest in our campus provision, with a multi-million pound transformative estates strategy agreed this year. The new Students' Union building opened in May 2019 and is a fantastic addition to our campus. A new digital strategy has also been approved which focuses on improving the digital experience for all our beneficiaries.

We are well-placed to continue to embed our strategy and focus on serving our beneficiaries in the years ahead.

A handwritten signature in blue ink that reads "Alec Cameron".

Alec Cameron

## Mission, vision and values

### Mission

To be the UK's leading university for students aspiring to succeed in business and the professions, where original research, enterprise and inspiring teaching deliver local and global impact.

### Vision

In 2023 Aston will have an international reputation for delivery of outstanding graduate outcomes and equipping business and communities with the skills for future success.

### Values

#### ***Aston is professional and ambitious***

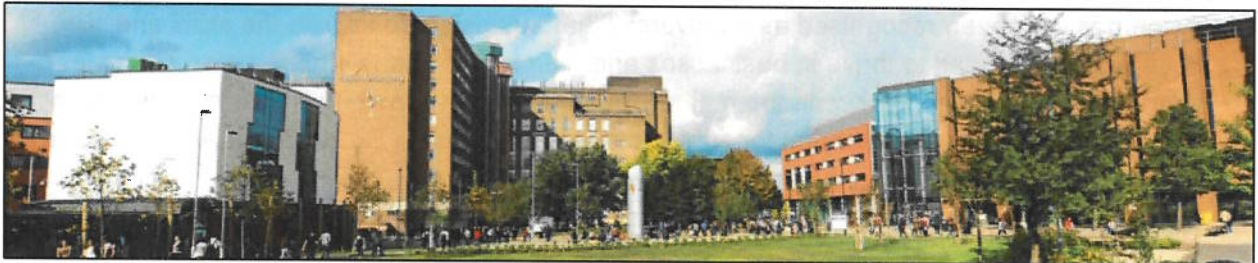
The University believes this is a prerequisite to realise our mission and vision, and will be recognised by businesses and external organisations as shared values which make Aston an attractive partner for research and education.

#### ***Aston is innovative and collaborative***

The University works across disciplines, institutions and partners to be proactive in creating and implementing new ideas, to be a leader in modern educational techniques and to undertake research which inspires staff, students and external partners.

#### ***Aston is ethical and inclusive***

The University recognises its responsibility to be an exemplar of behaviour and conduct in all that it does. It will leverage the diversity of its staff and student body to achieve outcomes for its beneficiaries and provide opportunities for education and professional development to all.

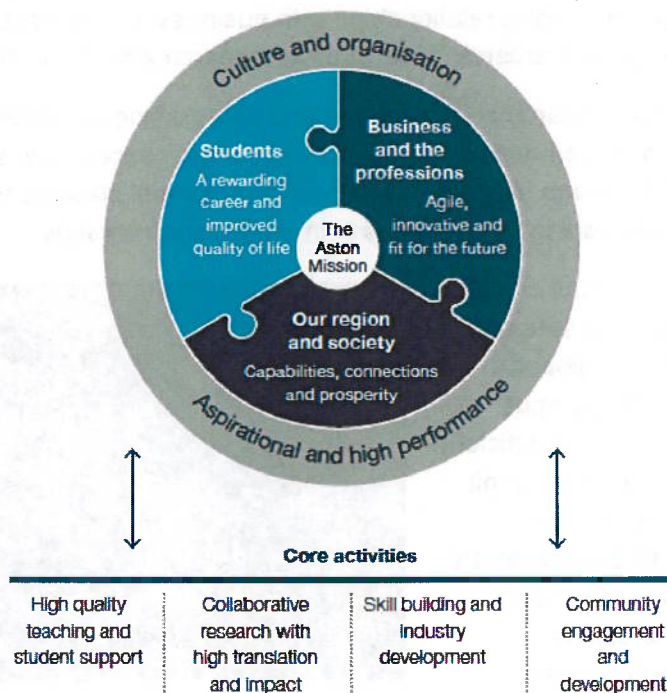


## Beneficiary groups

The beneficiaries of Aston University are the parties external to the University and whom we exist to serve. We will continue to offer support to our beneficiaries because their future success is critical to us.

We have categorised our beneficiaries into three groups:

- **students** who progress to be our graduates and alumni.
- **external organisations** (comprising businesses, public entities, the not-for-profit sector, and the professions), who employ our students and also engage with us directly on research and educational programmes.
- **Birmingham and the West Midlands region** and wider society whom we serve as a public university with a strong sense of place.



## About Aston University

Founded in 1895 and a University since April 1966, Aston provides exceptional teaching informed by leading research and has a reputation for research that makes a difference to society.

Ranging from the discovery of new knowledge to application and exploitation, Aston research teams work closely with business, government, services and communities to provide innovative practical answers to real problems.

Many of our degrees enjoy professional accreditation. The quality learning at Aston helps to develop independent critical thinkers through research-informed, professionally focused courses at undergraduate, Masters and research degree levels.

The Teaching Excellence Framework (TEF) awarded Gold to Aston University – the highest possible accolade. TEF found that students from all backgrounds achieve ‘consistently outstanding outcomes’ at Aston, with high proportions of students going into employment or further study.



We pride ourselves in building strong relationships with business, professional and public sector organisations through placements, collaborative research and consultancy.

Increasing our international research collaborations and establishing joint international research centres, builds our international reputation for research excellence. We are developing global citizens through language skills and international placements for UK and overseas students, and developing joint courses with institutions overseas.

Students from over 120 countries choose to study at Aston University - a safe and friendly campus enjoyed by a global, multicultural community. The campus provides space that is accessible, efficient, flexible and responds to the needs of all our users. The green, 60 acre, self-contained campus is located in the centre of Birmingham, one of the UK's most diverse cities and home to cultural heritage, top sporting events, music, performing arts and world cuisine.



Through widening participation we ensure high potential students from all backgrounds can gain the benefits of university education and the social mobility that comes with professional careers. This is achieved through working with partner schools locally and supporting schools and colleges more widely, and through student mentoring and volunteering in schools.

## Academic schools

### ASTON BUSINESS SCHOOL

Subject areas: Law, Marketing, Business and Languages, International Business, Accounting and Finance, IT and Computing, Economics, Human Resource Management.

### SCHOOL OF ENGINEERING & APPLIED SCIENCE

Subject areas: Computer Science, Mathematics, Electrical, Mechanical, Chemical Engineering, Chemistry, Logistics.

### SCHOOL OF LIFE & HEALTH SCIENCES

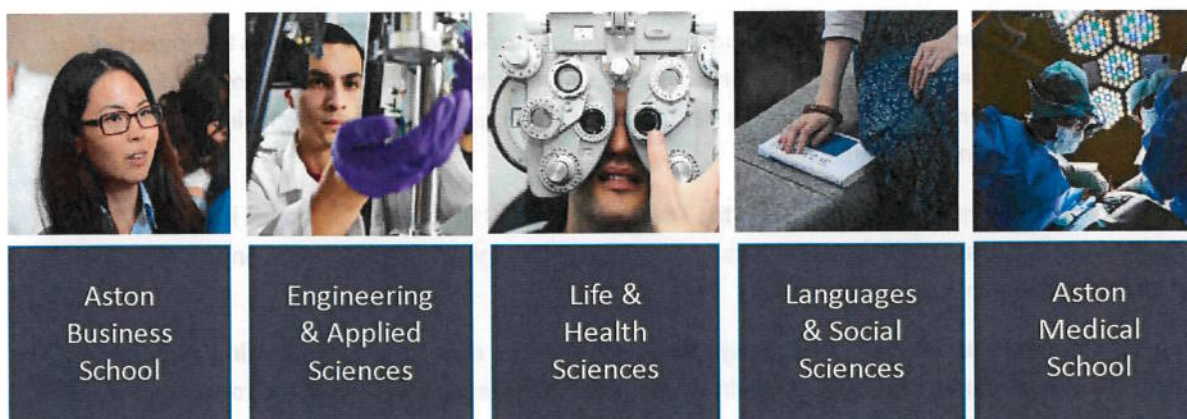
Subject areas: Audiology, Biology and Biomedical Science, Biomedical Engineering, Neuroscience, Optometry, Pharmacy and Psychology.

### SCHOOL OF LANGUAGES & SOCIAL SCIENCES

Subject areas: English Language, Languages and Translation Studies, Politics and International Relations as well as Sociology and Policy.

### ASTON MEDICAL SCHOOL

Opened its doors to postgraduate research students in 2015. Undergraduate MBChB programme approved by the General Medical Council (GMC) for undergraduate recruitment started from 2018.



## Operating and Financial Review

### Aims and Objectives

The overall aim of the University is set out in the 1966 Charter:

“to advance, disseminate and apply learning and knowledge by teaching and research for the benefit of industry and commerce and of the community generally and to enable students to obtain the advantage of a university education.”

### Public Benefit Statement

Aston University received its Royal Charter from Queen Elizabeth II on 22 April 1966 and is an exempt charity under the terms of Charities Act 2011.

The University is regulated by the Office for Students as the principal regulator of English higher education institutions in accordance with the section 4(5) of the Education and Research Act 2017. The members of Council are the trustees of the charity.

As a charity, the University is required to operate for the public benefit. In setting and reviewing the University's strategy and activities, the Council has had due regard to the Charity Commission's guidance on public benefit.

Public benefit is embedded in the Aston Strategy 2018 to 2023 which is structured around understanding and meeting the needs of our major beneficiaries: students, external organisations (comprising businesses, public entities, the not-for-profit sector, and the professions) and Birmingham and the West Midlands region. We believe that if we understand and meet the needs of our beneficiaries, our future success will be well-assured.

Our focus is on creating educational opportunities for the students of our region, regardless of their background with 95% of our students being state educated, and our campus mirrors the diversity of our city. Employability is embedded into our curricula with over 70% of students taking a placement year in industry and nearly half of Aston graduates go on to live and work in the region, helping to give back and to close the skills gap within our region whilst supporting local businesses.

### The Future

The University is operating in an increasingly pressurised environment. This includes the impact of Brexit, increasing competition nationally and globally, changes in government policy on funding, the impact of pension scheme valuations, key demographic changes and developments in technology changing teaching and learning.

As the University continues to implement the Aston Strategy 2018 to 2023, our focus is on the outcomes for our three major beneficiaries and using our strengths to deliver these and consolidate our strong position in the sector.

A core element of the University has always been to deliver an outstanding and fulfilling educational experience to our students. We will continue to ensure that they are well equipped to succeed in life and highly skilled in their discipline demonstrated by high levels of employability after graduation. To achieve this we will keep investing in our student experience and in a high quality learning environment.

Our relationship with businesses, professions and the region remains strongly at the centre of what we do, as it has since our inception in 1895. We will further our links with businesses to ensure that



we produce graduates with the skills they require to grow. We also look to ensure that business and the professions continue to benefit from our translation research and knowledge exchange activities.

We will continue to build our reputation for supporting students, through widening participation, to gain the benefits of degrees at Aston and social mobility which this experience will bring.

Our reputation for transformational research continues to grow and we continue to build on our excellent record of gaining grants to enhance the economy and improve the quality of life in the region and beyond.

Increasingly our activities have a global reach. We have more than 120 countries represented on campus and we will take advantage of this to expand our reach and build partnerships globally.

Our strategy ensures that Aston performs well in the sustainability of its infrastructure and that we continue to evolve to meet the demands of the changing external environment.

## Financial Summary

These financial statements have been prepared in accordance with the Financial Reporting Standard 102 (FRS 102) and includes prior years' results for comparative purposes.

The underlying strength of the University continues to hold up in challenging circumstances, with income increasing by 0.4% to £157.4m. Key drivers of this result include an increasing student population, albeit with less favourable programme mix, and increased research grant capture.

Costs before exceptional charges relating to USS pension and asset write-offs have increased by 5.0% to £155.9m driven by investment in people and resources in order to deliver exceptional teaching and research. The operating loss before taxation was £41.4m. This was driven by two exceptional costs incurred in year: an impairment to the accounting values carried in relation to the 'BIAD' building which is being demolished as part of the Estates Strategy (£10.8m); and an increase of the University's USS pension liability of £32.3m. The underlying surplus was £1.6m (1% of income), a reduction of £6.8m from prior year, largely as a result of continued investment in year despite lower than budgeted income in order to drive future revenues.

Cash decreased by £2.6m in the year. Overall, and after cash payments of £15.4m in improving our estate and facilities, the University ended the year with a cash and investments balance of £52.2m. The University entered into a £40m credit facility with HSBC in year to further support the implementation of the Aston Strategy, none of which has been utilised.

### Student Population

The overall number of students continues to increase year on year with the total population around 14,000 students in 2018-19, 78% of students studying at undergraduate level and 22% at postgraduate level. Home and EU students represent 87% of the population with the remainder coming from the overseas market.

### Tuition & Funding Council Income

Tuition fee income has increased by 1.4%, in the context of challenging operating conditions, particularly in the overseas post-graduate market. Funding Council income has increased by 6.3% from 2017-18.

### Research Income

Research income relating to 2018-19 was £17.1m (2017-18: £16.7m) an increase of 2.5%. The University continues to invest in research capability including additional staff members, complementary skill sets and research facilities.

### Other Income

Other operating income was £14.0m. Catering, sport, nursery and conference income make up large majority of other operating income.

### Staff Costs

Aston continues to invest in its academic and research capacity in support of the delivery of its 2018 to 2023 Strategy.

Staff costs (excluding the movement on USS provision in each year) increased by 6.8% to £95.6m, largely attributable to the ongoing investment in academic posts.

### Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the University to disclose certain metrics detailing the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities. The University had ten full time equivalent employees who spent between 1% to 50% of their time on trade union duties and activities, of which no time was spent on paid trade union activity. This represents 0.06% of total pay bill (£55k of £95.6m).

### Pensions

University employees are eligible to join one of two main pension schemes: the Universities Superannuation Scheme (USS) and Scottish Widow Pension Scheme (SWPS). USS is an independent defined benefit national scheme run principally for the benefit of higher education institutions and SWPS is a defined contribution scheme for Aston University employees. The University has previously closed the Aston University Pension Scheme (AUPS), a defined benefit scheme for employees sponsored by the University, to future accrual and replaced it with the SWPS.

The 2017 valuation of USS was completed in year and resulted in a recovery plan requiring additional contributions of 5.0% of salaries towards repairing the deficit over 17 years (this was 2.1% of salaries in the 2014 valuation which was used in 2017-18). The 2018 actuarial valuation of the USS has been undertaken but was not formally completed until October 2019.

The 2017 valuation sets out the challenges currently facing the scheme. Subsequently, the USS provision increased to £50.5m (2017-18: £17.8m). Further information can be found in the financial statements, note 24.

SWPS is a defined contribution scheme set up to replace AUPS. Aston University matches contributions made by the employee.

Aston University Pension Scheme (AUPS) is a career average scheme and the University will continue to take advice and consult with trustees about measures to ensure the scheme's funding position.

The AUPS deficit reported under FRS 102 has increased to £9.7m (2017-18; £nil, 2016-17; £9.8m) after the annual actuarial review. This is predominantly due to returns on the schemes invested

assets returning to 2016-17 levels and reduced bond yields resulting in a lower discount rate, offset by contributions from the University and the decision to close the scheme to future accrual. Further information can be found in the financial statements, note 24.

The University has a continuing commitment to pay the West Midlands Pension Fund as managers of the Local Government Pension Scheme (LGPS) for pensioners retiring before 2012-13. This scheme is now closed to employees and all historic deficit recovery payments have been made.

### **Capital Expenditure**

The University continues to invest in its estate and digital infrastructure in order to modernise and extend its facilities for high quality teaching and research with net expenditure of £15.4m during the year.

Major projects in 2018-19 included the opening of the new Students' Union building and continued development of laboratories, lecture theatres and office space. IT initiatives include the launch and development of the University's Digital Aston strategy.

The capital expenditure programme will gain pace over the coming years. This includes further investment in our teaching and research space.

### **Balance Sheet**

The University Group continues to maintain a healthy balance sheet with total net assets of £92.1m. As required under FRS102, our balance sheet includes provisions of £60.2m relating to the University's share of the USS pension scheme deficit and the AUPS pension scheme. It is anticipated that, all else remaining stable, that the 2018 USS valuation will result in a reduction to the liability in 2019-20 of circa £22m. The University has long term bank loans outstanding of £30.5m.

### **Scope of the Financial Statements**

The Financial Statements for the year ended 31 July 2019 comprise the results of the University and its operating subsidiary, Conference Aston Limited, which manages the University's conference facilities and associated activities.

The Financial Statements exclude the financial results of the independently managed Students' Union. The Students' Union is a separately registered charity which was registered with the Charities Commission in October 2011.

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015). The financial reporting framework that has been applied is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

## Corporate Governance Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. The University Council operates in accordance with the Committee of University Chairs' (CUC) Higher Education Code of Governance (2018 Revision) and the CUC's Higher Education Senior Staff Remuneration Code; and the OfS regulatory framework including its terms and conditions of funding for HE institutions and its audit code of practice. This includes a comprehensive risk assessment and management process which is now firmly established and monitored by the Audit and Risk Committee on behalf of Council.

The Council has agreed Operational Guidelines which aim "to ensure that the Council conducts itself in accordance with accepted standards of behaviour in public life, embracing selflessness, integrity, objectivity, accountability, openness, honesty and leadership." None of the independent members receive payment for the work they do for the University, but may claim reimbursement of reasonable expenses. A Register of Interests of all Council members is retained by the Director of Governance and Secretary to Council.

The University Ethics Framework, approved by Council, reflects Aston's commitment to high ethical standards and regulatory compliance, and sets out the broad range of regulations, policies and practices which govern its relationships with colleagues, customers, partners, suppliers and other stakeholders. The terms of reference of the Audit and Risk Committee include the provision of assurance to Council on the effectiveness of the oversight and operation of the University's Ethics Framework. The Committee received a report on Ethics Framework Metrics for 2018 and noted that no significant ethical breaches had been recorded at Aston in recent years. The Committee also received the Annual Modern Slavery Act Statement for 2018/19 and noted the University's continued commitment to recognised good practice in the delivery of its obligations under the Modern Slavery Act 2015.

The Council has taken due regard of the CUC HE Senior Staff Remuneration Code and the CUC's 'Guidance on decisions taken about severance payments in HEIs'.

The Annual Report of the Nominations and Remuneration Committee (NRC) follows the structure recommended by the CUC. The disclosures with regard to remuneration in the financial statements have been enhanced and comply with the guidance issued by the CUC.

The Council is committed to the principle of openness and transparency with regard to senior staff remuneration. Accordingly, this year's financial statements include:

- A table showing the number of staff with a basic salary of over £100,000 per annum, broken down into bands of £5,000.
- Full details of the total remuneration package for the Vice-Chancellor and Chief Executive, together with a justification for this package which refers to the context in which the University operates and is linked to the value and performance delivered, as well as an explanation of the process adopted for judging performance.
- A report on the total amount of any severance pay and compensation for loss of office paid and the number of people to whom this was payable.

## Governance Structure

The University is an exempt charity as defined by the Charities Act 2011 and members of its Council are therefore trustees of the charity. The OfS acts as principal regulator in respect of the University's status as a charity, with a duty to promote its compliance with charity legislation.

The University's Charter, Statutes and Ordinances set out the arrangements for the governance and management of the institution. The Charter and Statutes require the University to have three separate bodies, each with clearly defined powers and responsibilities, to oversee and manage its activities: Council, Senate and the Convocation.

### Council

As the University's governing body, the Council is responsible for approving corporate strategy and associated plans and budgets; for determining major business decisions and corporate policy; for the framework of governance and management; and for monitoring institutional and executive performance.

Council currently has 17 members with a majority of independent members (currently 11 which is to reduce to nine in due course), six internal members (the Vice-Chancellor and Chief Executive, the Provost and Deputy Vice-Chancellor, Chief Operating Officer, two staff representatives and one student representative) appointed in accordance with the Statutes. The Pro-Chancellor and Chair of the University Council is one of the independent members. Independent members serve for a three-year term, which may be extended for a further three-year term, and exceptionally for a third term. The matters specifically reserved to the Council for decision are determined by the Statutes of the University and by the OfS regulatory framework, and its terms and conditions of funding for HE institutions.

Council normally meets five times per year and, in addition, members of the Council and the Executive attend an annual strategy away day, focusing on the development and implementation of strategy.

In respect of the Council's strategic and development responsibilities, it receives recommendations and advice from the University Executive Team and the Senate, the body responsible for the University's academic affairs.

The Council has approved a Scheme of Delegation which takes account of guidance from the CUC on appropriate delegation. The Scheme of Delegation identifies the powers and responsibilities of Council and the delegations, primarily to the Executive, the Senate and Council's Committees.

Council agreed a number of measures to increase its operational effectiveness during the year, including the establishment of a new Associate Member with the role of HE Advisor to Council, who will help to provide assurance to Council on the effectiveness of Aston's academic governance, quality and standards.

In accordance with the CUC Higher Education Code of Governance, Council keeps its effectiveness under regular review. The Council has commissioned an external effectiveness review, which is being conducted by Shakespeare-Martineau, and will receive the final report of the review in December 2019. Council will use the recommendations from the report to build upon the current strengths of Council and to enhance the engagement of all Council members in the effective governance of the University, promoting its strategic development, maximising institutional performance and building competitive reputation.

The Nominations and Remuneration Committee received a report of the internal audit review of University Governance undertaken by PwC in December 2018. The report concluded that overall the governance arrangements are effective and made a number of minor recommendations to enhance their effectiveness.

### **Senate**

Senate is the principal academic body of the University. It is responsible for overseeing the quality and standards of all teaching and learning carried out at Aston, as well as for all research activities. With over 50 members, including Pro-Vice-Chancellors and Executive Deans, other academic and professional staff, and student representatives, Senate is chaired by the Vice-Chancellor and meets three times a year. Senate has several committees including Learning and Teaching Committee, Research Committee, and International Strategy Committee and delegates powers to these bodies as required.

The Senate's Annual Report to Council 2018 provided a range of evidence, both internal and external, to support its recommendation to Council that the University has in place effective systems and processes for ensuring both the continuous improvement of the student academic experience and student outcomes and the standards of the University's academic awards have been appropriately set and maintained.

### **Convocation**

The Convocation is a largely formal body through which the University maintains contact with the wider community. It offers a means through which the wider interests served by the University can be associated with the institution, and provides a forum through Convocation members can raise any matters about the University. The Convocation is chaired by Aston's Chancellor, Sir John Sunderland. It meets annually and its membership includes the University Council, Officers, academic staff, representatives of Students' Union and Aston alumni, together with representatives of a wide range of external bodies. The Convocation appoints the Chancellor on the joint recommendation of the Council and the Senate. The Convocation typically receives presentations on the work of the University.

### **Committees of the University Council**

Much of the work of Council is undertaken under delegated authority by its Committees, which are all formally constituted with terms of reference. During the year Council decided that, in future, its Committees should comprise entirely of independent members of Council or independent co-opted members; and that members of staff and students should attend Council Committee meetings only by invitation. The principal functions of each of these committees is set out below:

Finance and Infrastructure Committee (FIC) considers and makes recommendations to Council on the strategies and policies for the effective and efficient use of the University's financial and physical resources, and is responsible to Council for ensuring the solvency of the University and the safeguarding of its assets. It recommends to Council the University's annual revenue and capital budgets; reviews the costs, risks and benefits associated with major capital projects; and monitors performance in respect of operations and delivery of major capital projects.

Audit and Risk Committee considers detailed reports on the adequacy and effectiveness of the University's arrangements for risk management, control and governance; economy, efficiency and effectiveness (VFM); and management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company, OfS and other bodies. It also receives and considers reports from funding agencies (eg OfS) as they affect the University's

business, and monitors adherence with any regulatory requirements. Audit and Risk Committee has responsibility for the recommendation of the Annual Financial Statements to Council.

#### **Nominations and Remuneration Committee**

The NRC advises Council and makes recommendations on the efficiency and effectiveness of corporate governance arrangements; and on the appointment of independent members of Council and its Committees; oversees the University's Executive remuneration strategy, policy and approvals processes; and oversees matters relating to staff employment, including the Aston People Strategy.

NRC is chaired by an independent member of Council other than the Pro-Chancellor and Chair of Council.

The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor and Chair of Council and endorsed by the NRC. NRC ensures that senior remuneration is set within the financial constraints of the University and seeks to ensure value for money by making use of established independent benchmark reward data for roles in comparable organisations and wider sectors. It also reviews senior remuneration policy and practice meets statutory equality requirements.

Innecto Reward Consulting were appointed as independent advisors to support the NRC in responding to the expectations of the OfS and the CUC's code of 'best practice' with regard to senior staff remuneration. NRC received a report on the Senior Leadership Pay and Benefits Benchmarking Review undertaken by Innecto, which reviewed the content and scope of Aston's senior roles, potential comparator 'markets' in which Aston competes for such talent, the most suitable data sources that reflect this, and how Aston incumbents sit against this aggregated market position. NRC welcomed the report as the sound basis for future decisions and action, and agreed a number of proposals for future senior staff pay, bonuses and benefits which would help to ensure the University's investment continues to achieve value for money, as well as being competitive enough to ensure the attraction, retention and motivation of top talent.

#### **Executive**

The Vice-Chancellor and Chief Executive is supported by the University Executive, which meets on a fortnightly basis. The Provost and Deputy Vice-Chancellor assists the Vice-Chancellor in the management of the University and acts as their deputy. The two Pro-Vice-Chancellors (PVC) are senior appointees who assist the Vice-Chancellor in specific areas of academic development (Research and International) including the delivery of the institutional strategic objectives. The academic activity of the University is organised into five academic Schools, each led by a Pro-Vice Chancellor and Executive Dean, who is also a member of the Executive. The other members of the Executive are the Chief Operating Officer, Executive Director of Business Engagement, Executive Director of Campaigns, and Executive Director of Regional and Civic Engagement.

The Executive Operations Group (EOG), a subset of Executive, comprising the Vice-Chancellor, Provost and Deputy Vice-Chancellor, Chief Financial Officer and Chief of Operations and Estates meets fortnightly to look at operational issues. All statutory returns, Internal Audit reports and other operational issues are reviewed and agreed by the EOG.

The Executive supports the Vice-Chancellor and Chief Executive in providing strategic leadership and management to ensure that Aston remains a financially and academically successful institution, operating in accordance with the strategic goals, policies and processes approved by Council and Senate.

## Internal Control

The Council is responsible for the University's system of internal control which supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The provision of a robust and effective control environment, is underpinned by an effective Audit and Risk Committee with regular reporting to Council, whose responsibilities include monitoring and review of the risk register and the internal control environment.

Audit and Risk Committee regularly receives reports from the Executive on internal controls and issues as they arise, along with oversight of action plans to ensure effective corrective actions are taken where internal control or audit improvements have been identified. The Committee receives reports from the University's Internal Auditors (currently PwC) whose annual programme is approved by the Committee and whose lead auditor provides the Committee with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of internal control, including internal financial control. The Committee also receives comments made by the external auditors (currently BDO) in their management letter and other reports. Audit and Risk Committee produces an Annual Report to Council which provides an overview of how it has met its objectives and its assessment of the adequacy and effectiveness of the University's arrangements for risk management, control and governance; economy, efficiency and effectiveness (VFM); and management and quality assurance of data submitted to external agencies and funding bodies.

## Financial Control

Council is charged with taking reasonable steps to:

- 1) ensure that public funds (e.g. from OfS, UK Research and Innovation, and the EU) are used only for the purposes for which they have been given and in accordance with any conditions and requirements specified by funding bodies;
- 2) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; to safeguard the University's assets and prevent and detect fraud;
- 3) secure the economical, efficient and effective management of the University's resources and expenditure.

In order to help achieve the above, the Finance and Infrastructure Committee (FIC) has approved Finance and Governance Regulations, detailing financial controls and procedures, as well as processes for risk management, procurement, prevention of corruption, fraud and bribery, management of conflicts of interest, procedures to prevent tax evasion and ensure compliance with data, privacy and information laws. The University has clearly defined and formalised requirements for approval and control of expenditure including decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council. The regulations and procedures are approved and subject to regular review by the FIC. The effectiveness of the regulations and procedures is periodically reviewed by the Audit and Risk Committee.

Risk assessment and internal control are embedded in ongoing operations through clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.



Council has established a comprehensive long-, medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets. A set of key performance indicators (KPIs) are reviewed by the Executive Team and Council on a six-monthly basis, together with associated action plans to address KPIs which are below target or moving in the wrong direction. The KPIs encompass student success measures together with financial and non-financial indicators which include monitoring of research activity, results of staff and student surveys and assessment of the University estate.

The Council, through its designated accountable officer (the Vice-Chancellor and Chief Executive), is required to approve financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year.

The University has comprehensive personnel policies including all phases of employment, and all aspects of equality and diversity, speak-up (whistle-blowing), grievances and harassment and appropriate procedures for the appointment of the Vice-Chancellor and other senior officers and for monitoring their performance, including the NRC which inter alia oversees the remuneration arrangements for senior staff.

In order to provide assurance that the above process is operating effectively, internal auditors undertake an annual review of elements of the University's procedures for governance and risk management, and its arrangements to promote value for money, as well as the underlying control and monitoring processes. The Audit and Risk Committee regularly seeks advice from the internal and external auditors to improve its internal controls and performance, and to adopt best current practice.

### **Risk Management**

The University operates a risk assessment and management process, including academic risk, which informs a risk register and risk appetite statement, and is now firmly established and compiled and reviewed by the Executive. The University has a Head of Strategic Risk who manages the operational activities on behalf of Council. Risks are split between operational and environmental risks and include financial and non-financial risks. Risks are evaluated on an assessment of the likelihood and the potential impact if the risk was to arise. Mitigations and sources of assurance are considered for all risks and the internal control processes revised to account for such risks.

Tactical risks are held at School or working group level and are an integral part of all governance and operating activities.

The Audit and Risk Committee reviews the University's strategic risk register at regular intervals and reports its observations to the Council, which undertakes reviews of strategic risk management on a twice-yearly basis. The University has, in the view of the Committee, developed effective and robust procedures and controls for the management of risk.

In order to provide assurance that the above process is operating effectively, Internal Audit undertakes an annual review of elements of the University's procedures for governance and risk management, and its arrangements to promote value for money, as well as the underlying control and monitoring processes.

The Internal Audit Annual Report 2018-19 concluded that overall, the system of internal control is generally satisfactory with some improvements required. Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory.

### Accounting Basis

The Council has ensured that suitable accounting policies are selected and applied consistently; judgements and estimates are made that are reasonable and prudent; applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

### Going Concern

The Council has considered the University's academic and financial position, with due regard to its cash flows, liquidity and borrowings, and future expectations as set out in the operating and financial review.

It is satisfied that the University has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

### Key for Council Committees

ARC Audit and Risk Committee

FIC Finance and Infrastructure Committee

NRC Nominations and Remuneration Committee

### Responsibilities and Membership of Council

The primary responsibilities of Council are:

- To approve the mission and strategic vision of the University, long-term business plans, key performance indicators (KPIs) and annual budgets, and to ensure that these meet the interests of stakeholders;
- To appoint the Vice-Chancellor and to put in place suitable arrangements for monitoring her/his performance and to determine his/her remuneration;
- To ensure the establishment and monitoring of systems of control and accountability, including ethical governance; financial and operational controls and risk assessment; and procedures for handling internal grievances and for managing conflicts of interest;
- To monitor institutional performance against plans/budgets and approved KPI's which should be, where possible and appropriate, benchmarked against other comparable universities, and
- To fulfil statutory/regulatory responsibilities.

For the full set of Council's powers and responsibilities refer to:

<http://www.aston.ac.uk/about/management-structure/charter-statutes-and-ordinances/statutes/s5-powers-of-the-council/>

**The Council Membership during 2018-19****Ex-Officio**

Dame Yve Buckland DBE	Pro-Chancellor and Chair of the Council, member of NRC
Professor Alec Cameron	Vice-Chancellor and Chief Executive
Professor Helen Higson, OBE	Provost and Deputy Vice-Chancellor
Mr Neil Scott	Chief Operating Officer

**Independent - Appointed**

Amanda Allen	Member of NRC and FIC (term expired 31 July 2019)
Lance Doughty	Member of ARC (term expired 31 July 2019)
Dr Stuart Doughty, CMG	Chair of FIC (term expired 31 July 2019)
Dr Melanie Gibbs	Member of ARC
Toby Lewis,	Chair of ARC
Dr Kevin Morley,	Member of FIC
Dr Sue Noffke	Member of NRC
Dr Rob Perrins	Chair of FIC
Dr Vij Randeniya, OBE	Chair of NRC
Dr Mike Wright	Deputy Chair of Council and member of FIC
Ranjit Dhindsa	Member of ARC (appointed 1 August 2019)
Professor Gill Nicholls, OBE	Associate member (appointed 1 August 2019)

**Internal - Elected**

Professor Kate Sugden	(Staff Representative until 31 July 2020)
Dr Fiona Lacey	(Staff Representative until 31 July 2020)
Amna Atteeq	(Student Representative until 31 July 2019)
Danielle Gallagher	(Student Representative from 1 August 2019)

Members of the Council of the University are the Trustees of the University.

**Council Members responsibilities in respect of the financial statements:**

In the preparation of the Financial Statements the Council has ensured that:

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

The Council has taken reasonable steps to:

- Ensure that the funds from the Office For Students, Research England and the Education and Skills Funding Agency are used only for the purposes for which they have been given, in accordance with the terms and conditions of OfS funding and Research England grant, and with the funding agreements with the Education and Skills Funding Agency;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- Safeguard the assets of the University and to prevent and detect fraud and other irregularities.



## Independent Auditor's Report to the Council of Aston University

### Opinion

We have audited the financial statements of Aston University ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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's and of the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

### 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 and University 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 Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University'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.

### Other information

The Council are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 including the Key Highlights, the Operating and Financial Review and the Corporate Governance Statement 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.

#### **Opinion on other matters required by the Office for Students (“OfS”) and Research England**

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them.
- The requirements of the OfS’s accounts direction have been met.

#### **Responsibilities of the Council**

As explained more fully in the Council’s responsibilities statement set out on page 20, the Council is 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 Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor’s responsibilities for the audit of the financial statements**

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

**Use of our report**

This report is made solely to the University Council, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO WP

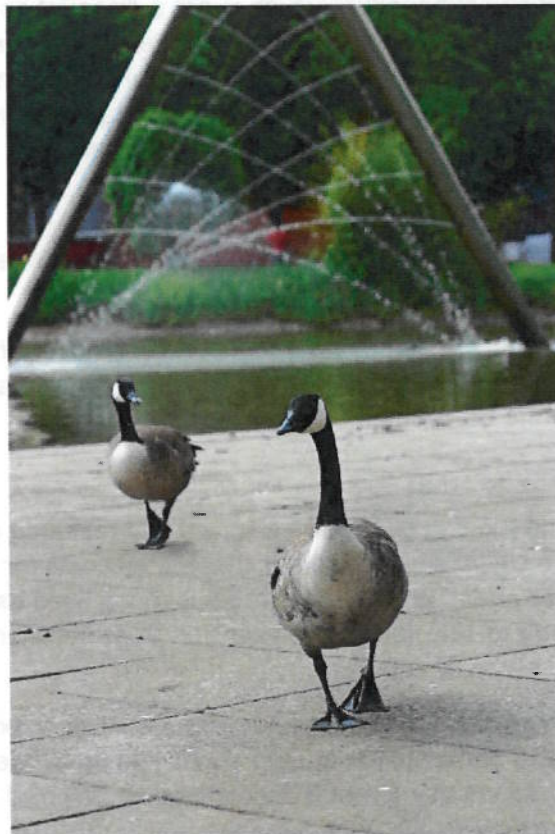
Kyla Bellingall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham

Date: 28 November 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



## Statement of Principal Accounting Policies

### 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). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

### Basis of Consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. Associated companies and joint ventures are accounted for using the fair value method.

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

### 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.

#### *Tuition Fee Income*

Tuition 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. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships which are not offered as a deduction on fees are accounted for gross as expenditure and not deducted from income.

#### *Investment Income*

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

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

#### *Grant Funding*

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

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



## Statement of Principal Accounting Policies (continued)

### *Donations and endowments*

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

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

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

There are four main types of donations and endowments identified within reserves:

- Restricted donations - the donor has specified that the donation must be used for a particular objective.
- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### *Capital Grants*

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

### **Accounting for retirement benefits**

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), Scottish Widows Pension Scheme (SWPS) and Aston University Pension Scheme (AUPS). AUPS is now a closed scheme to new entrants and future accrual and all existing members now have deferred benefits.

AUPS is a defined benefit scheme which was externally funded and for the period up to 5 April 2016 was contracted out of the State Second Pension (S2P). From 6 April 2016, contracting out ceased with the introduction of the Government's new state pension. The fund is valued every three years by professionally qualified independent actuaries.

USS is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

## Statement of Principal Accounting Policies (continued)

SWPS is a defined contribution plan, a post-employment benefit plan under which the University pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the year during which services are rendered by employees.

Further details on all pension schemes are disclosed in note 24.

### Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits, such as holiday entitlements earned but not taken at the balance sheet date, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### Finance leases

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

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

### Operating leases

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

### Foreign Currency Translation

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 within the Statement of Comprehensive Income and Expenditure. 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.

### Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of land and buildings that had been revalued to fair value on or prior to 1 August 2014 are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Depreciation and impairment losses are subsequently charged on the revalued amount.

Where parts of a fixed asset have different useful lives, they are accounted for as separate components for the purposes of charging depreciation.

#### *Land and Buildings*

Capitalisation: Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

## Statement of Principal Accounting Policies (continued)

Depreciation: Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

New buildings and extensions	40 – 50 years
Refurbishments	10 – 20 years
Building Improvements	10 – 15 years

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. No depreciation is charged on assets in the course of construction.

### *Equipment*

Capitalisation: Equipment costing less than £10,000 per individual item (where not part of a larger capital project) is recognised as expenditure in the year of acquisition. All other equipment is capitalised at cost.

Depreciation: Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Major Systems and Equipment	5 – 10 years
Computer Equipment and Software	3 – 5 years
Equipment acquired for specific research projects	1 – 5 years
Motor Vehicles and General Equipment	3 – 5 years

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

### *Borrowing costs*

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### *Heritage Assets*

Works of art and other valuable artefacts and valued at over £10,000 have been capitalised and recognised at cost or value on acquisition, where such a valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

### *Intangible Assets*

Intangible assets costing or valued at over £10,000 are capitalised upon acquisition. If internally developed, intangible assets are capitalised at their market value. They will then be amortised on a systematic basis over their useful economic lives which will not exceed 5 years.

Intangible assets are subject to periodic impairment reviews as appropriate.

### **Investments**

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

Current asset investments are held on the Balance Sheet at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

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

## Statement of Principal Accounting Policies (continued)

### Stock

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

### Cash and Cash Equivalents

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

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

### Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

### Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 Schedule 6 to the Finance Act 2010 and accordingly, the University 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 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

Deferred tax is provided in full on timing differences that exist at the balance sheet date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the Balance Sheet date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

## Statement of Principal Accounting Policies (continued)

### Reserves

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

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

### Significant Judgements and Estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

#### *Property Revaluation and Asset Useful Economic Life (UEL)*

Aston University performed a revaluation of its land and buildings under the first time adoption of FRS 102 as at 31 July 2014. As part of the revaluation, assumptions were made by the appointed valuers (Avison Young) to give a value per square metre for specific land and buildings. These assumptions were agreed by Aston University for use in the financial statements.

Avison Young also calculated the useful economic life (UEL) of each of the buildings which Aston University management capped at 50 years after careful consideration of past trends and future expectations.

#### *Aston University Pension Scheme (AUPS)*

The University obtains a valuation from Hymans Robertson LLP who make decisions on behalf of the University on the financial assumptions used to calculate the net liability of the scheme. These assumptions include the RPI%, CPI%, salary increases, pension increases, mortality rates, discount rate and the estimate of the duration of employer liabilities.

The University allows Hymans Robertson LLP to apply their skill and judgement in setting these parameters as the pension experts rather than suggesting a rate.

Any changes in actuarial assumptions or differences between the figures derived from the roll forward approach and the full actuarial valuation will impact on the carrying amount of the pension liability.

#### *Universities Superannuation Scheme (USS)*

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The USS modeller used for calculation of the pension deficit required in the financial statements has used assumptions on staff salary inflation percentages and the percentage change in staff numbers in subsequent years. In making the estimated percentages, management considered past movement in salary inflation and staff numbers as well as considering the University's strategic plans and current economic climate.

## **Statement of Principal Accounting Policies (continued)**

### **Significant Judgements and Estimates (continued)**

Aston University has also chosen to apply the discount rate provided by Mercer Limited actuaries in the USS modeller. Mercer Limited have used a set of assumptions to arrive at the discount rate with Aston University accepting the set of assumptions as reasonable.

## Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	108,914	108,914	107,403	107,403
Funding body grants	2	16,782	16,782	15,793	15,793
Research grants and contracts	3	17,101	17,101	16,688	16,688
Other operating income	4	14,047	10,899	15,999	11,774
Investment income	5	233	233	131	131
<b>Total income before endowments and donations</b>		<b>157,077</b>	<b>153,929</b>	<b>156,014</b>	<b>151,789</b>
Donations and endowments	6	370	370	773	773
<b>Total income</b>		<b>157,447</b>	<b>154,299</b>	<b>156,787</b>	<b>152,562</b>
<b>Expenditure</b>					
Staff costs before USS pension provision	7	95,575	94,581	89,449	88,506
Increase/(decrease) in USS pension provision	7	32,270	32,270	(1,190)	(1,190)
Other operating expenses before impairment		47,512	45,592	46,440	43,049
Impairment of fixed assets		10,749	10,749	-	-
Depreciation and amortisation	11	10,902	10,888	10,500	10,474
Interest and other finance costs	8	1,889	1,846	2,061	2,027
<b>Total expenditure before pension provision and fixed asset impairments</b>	9	<b>198,897</b>	<b>195,926</b>	<b>147,260</b>	<b>142,866</b>
<b>(Deficit)/surplus before other gains and losses</b>		<b>(41,450)</b>	<b>(41,627)</b>	<b>9,527</b>	<b>9,696</b>
Effect of USS pension provision and impairment of fixed assets		43,019	43,019	(1,190)	(1,190)
<b>Surplus before USS pension provision, fixed asset impairments and other gains and losses</b>		<b>1,569</b>	<b>1,392</b>	<b>8,337</b>	<b>8,506</b>
Gain on disposal of fixed assets		7	7	24	23
Gain on investments		90	90	58	58
<b>(Deficit)/surplus before tax</b>		<b>(41,353)</b>	<b>(41,530)</b>	<b>9,609</b>	<b>9,777</b>
Taxation	10	(2)	-	27	-
<b>(Deficit)/surplus for the year</b>		<b>(41,355)</b>	<b>(41,530)</b>	<b>9,636</b>	<b>9,777</b>
Actuarial (loss)/gain in respect of pension schemes	24	(9,800)	(9,800)	10,778	10,778
<b>Total comprehensive (loss)/income for the year</b>		<b>(51,155)</b>	<b>(51,330)</b>	<b>20,414</b>	<b>20,555</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		24	24	15	15
Restricted comprehensive (loss)/income for the year		(325)	(325)	448	448
Unrestricted comprehensive (loss)/income for the year		(50,854)	(51,029)	19,951	20,092
		<b>(51,155)</b>	<b>(51,330)</b>	<b>20,414</b>	<b>20,555</b>
<b>(Deficit)/surplus for the year attributable to:</b>					
University		<b>(41,355)</b>	<b>(41,530)</b>	<b>9,636</b>	<b>9,777</b>
<b>Total comprehensive (loss)/income for the year attributable to University</b>		<b>(41,355)</b>	<b>(41,530)</b>	<b>9,636</b>	<b>9,777</b>

All items of income and expenditure relate to continuing activities

All income and expenditure relates to continuing operations.

## Consolidated and University Statement of Changes in Reserves

As at 31 July 2019

### Consolidated

	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
As at 1 August 2017	1,393	2,306	119,124	122,823
Surplus from the income and expenditure statement	15	448	9,173	9,636
Other comprehensive income	-	-	10,778	10,778
<b>Total comprehensive income for the year</b>	15	448	19,951	20,414
As at 1 August 2018	1,408	2,754	139,075	143,237
Surplus/(Deficit) from the income and expenditure statement	24	(325)	(41,054)	(41,355)
Other comprehensive expenditure	-	-	(9,800)	(9,800)
<b>Total comprehensive income/(expenditure) for the year</b>	24	(325)	(50,854)	(51,155)
As at 31 July 2019	1,432	2,429	88,221	92,082

### University

	Income and expenditure account			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
As at 1 August 2017	1,393	2,306	118,085	121,784
Surplus from the income and expenditure statement	15	448	9,314	9,777
Other comprehensive income	-	-	10,778	10,778
	15	448	20,092	20,555
As at 1 August 2018	1,408	2,754	138,177	142,339
Surplus/(Deficit) from the income and expenditure statement	24	(325)	(41,229)	(41,530)
Other comprehensive expenditure	-	-	(9,800)	(9,800)
<b>Total comprehensive income/(expenditure) for the year</b>	24	(325)	(51,029)	(51,330)
As at 31 July 2019	1,432	2,429	87,148	91,009



## Consolidated and University Balance Sheet

For the year ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible Assets	11b	777	777	580	580
Fixed assets	11a	175,186	175,139	179,727	179,680
Heritage assets	12	709	709	709	709
Fixed Asset Investments	13	110	110	107	107
		<b>176,782</b>	<b>176,735</b>	<b>181,123</b>	<b>181,076</b>
<b>Current assets</b>					
Stock	14	29	29	32	32
Trade and other receivables	15	11,694	12,174	9,672	10,208
Investments	16	170	170	168	168
Cash and cash equivalents	17	52,197	49,769	54,837	52,588
		<b>64,090</b>	<b>62,141</b>	<b>64,709</b>	<b>62,996</b>
Less: Creditors: amounts falling due within one year	19	(40,237)	(39,315)	(34,882)	(34,017)
<b>Net current assets</b>		<b>23,853</b>	<b>22,827</b>	<b>29,827</b>	<b>28,979</b>
<b>Total assets less current liabilities</b>		<b>200,635</b>	<b>199,562</b>	<b>210,950</b>	<b>210,055</b>
Creditors: amounts falling due after more than one year	20	(47,540)	(47,540)	(49,275)	(49,275)
<b>Provisions</b>					
Pension provisions	21	(60,193)	(60,193)	(17,864)	(17,864)
Other provisions	21	(820)	(820)	(574)	(577)
<b>Total net assets</b>		<b>92,082</b>	<b>91,009</b>	<b>143,237</b>	<b>142,339</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	22	1,432	1,432	1,408	1,408
Income and expenditure reserve - restricted reserve	23	2,429	2,429	2,754	2,754
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		88,221	87,148	139,075	138,177
<b>Total Reserves</b>		<b>92,082</b>	<b>91,009</b>	<b>143,237</b>	<b>142,339</b>

The financial statements were approved by the Council on 27th November 2019, and were signed on its behalf by the Pro Chancellor and the Vice Chancellor as the principal office holders, as defined in the Financial Memorandum.



Dame Yve Buckland DBE  
Pro Chancellor and Chair of Council



Professor Alec Cameron  
Vice Chancellor and Chief Executive

## Consolidated Cash Flow Statement

For the year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(41,355)	9,636
<b>Adjustments for</b>			
Depreciation	11a	10,644	10,257
Impairment		10,749	
Amortisation of intangibles	11b	258	243
Gain on investments		(90)	(58)
Decrease/(increase) in stock	14	3	(2)
(Increase)/decrease in receivables	15	(2,022)	1,021
Increase/(decrease) in creditors	19	3,524	(602)
Difference between net pension expense and cash contribution		32,537	122
Increase in other provisions	21	246	573
Investment income	5	(233)	(131)
Interest payable	8	1,889	2,061
Other finance charges		(389)	-
Endowment income/(expenditure)	22	35	(31)
Gain on the sale of fixed assets		(7)	(24)
<b>Net cash inflow from operating activities</b>		<b>15,789</b>	<b>23,065</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		7	24
Disposal of non-current asset investments		(3)	(33)
Withdrawal of deposits		53	77
Investment income	5	233	131
Payments made to acquire fixed assets		(15,390)	(11,823)
Payments made to acquire intangible assets		(455)	(494)
New deposits	22	(35)	(31)
<b>Net cash outflow from investing activities</b>		<b>(15,590)</b>	<b>(12,149)</b>
<b>Cash flows from financing activities</b>			
Interest paid	8	(1,500)	(2,061)
Endowment cash received	22	35	31
Capital element of lease repaid		(220)	-
Repayments of amounts borrowed		(1,154)	(6,118)
<b>Net cash outflow from financing activities</b>		<b>(2,839)</b>	<b>(8,148)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(2,640)</b>	<b>2,768</b>
Cash and cash equivalents at beginning of the year	17	54,837	52,069
Cash and cash equivalents at end of the year	17	52,197	54,837

## Notes to the Accounts

For the year ended 31 July 2019

### 1. Tuition Fees and Education Contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Full-time home and EU students	83,258	83,258	83,863	83,863
Full-time international students	21,013	21,013	21,613	21,613
Other tuition	3,614	3,614	901	901
Research training support grant	1,029	1,029	1,026	1,026
	<b>108,914</b>	<b>108,914</b>	<b>107,403</b>	<b>107,403</b>

### 2. Funding Body Grants

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Recurrent grant</b>				
Office for Students	13,632	13,632	12,868	12,868
Capital grant	1,447	1,447	1,390	1,390
<b>Specific grants</b>				
Higher Education Innovation Fund	1,398	1,398	1,199	1,199
Other	305	305	336	336
	<b>16,782</b>	<b>16,782</b>	<b>15,793</b>	<b>15,793</b>

### 3. Research Grants and Contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research councils	4,201	4,201	3,568	3,568
Research charities	1,264	1,264	1,290	1,290
Government (UK)	1,835	1,835	1,499	1,499
European grants	6,881	6,881	6,159	6,159
Industry and commerce	1,464	1,464	1,939	1,939
Other	1,067	1,067	1,850	1,850
Deferred grant income	389	389	383	383
	<b>17,101</b>	<b>17,101</b>	<b>16,688</b>	<b>16,688</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 4. Other Income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, catering, conferences, nursery and sports & recreation	7,868	3,054	8,336	3,019
Other revenue grant income and Erasmus Grant	1,612	1,612	1,174	1,174
Rents, and hire of rooms and land	1,279	1,279	1,132	1,132
Release of Non OFS deferred capital grant	258	258	253	253
Other income and services rendered	3,030	4,696	5,104	6,196
	<b>14,047</b>	<b>10,899</b>	<b>15,999</b>	<b>11,774</b>

### 5. Investment Income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment income on endowments	41	41	29	29
Investment income on restricted reserves	9	9	27	27
Other investment income	183	183	75	75
	<b>233</b>	<b>233</b>	<b>131</b>	<b>131</b>

### 6. Donations and Endowments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
New endowments	35	35	31	31
Donations with restrictions	335	335	716	716
Unrestricted donations	-	-	26	26
	<b>370</b>	<b>370</b>	<b>773</b>	<b>773</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 7. Staff Costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	70,116	69,353	64,301	63,597
Social security costs	8,031	7,961	8,896	8,820
Employer's pension contributions	16,576	16,424	14,810	14,659
Other staff costs	852	843	1,442	1,430
	<b>95,575</b>	<b>94,581</b>	<b>89,449</b>	<b>88,506</b>
USS pension provision movement	32,270	32,270	(1,190)	(1,190)
	<b>127,845</b>	<b>126,851</b>	<b>88,259</b>	<b>87,316</b>

#### Emoluments of the Vice-Chancellor Professor Alec Cameron:

	31 July 2019	31 July 2018
	£'000	£'000
Basic Salary	299	275
Performance Related Pay	-	19
Benefit Replacement Payment	46	43
Non-taxable benefits *	10	11
	<b>355</b>	<b>348</b>

\* Contractual benefit of two flights for two people from the UK to Australia ceased in November 2018.

The emoluments of the Vice Chancellor above exclude employer's social security. The Vice Chancellor is not a member of the USS pension scheme and therefore there were no employer contributions in 2018-19 or 2017-18. The University made a benefit replacement payment in lieu of pension contributions to USS.

The performance of the Vice Chancellor is monitored throughout the year including through 1:1 performance appraisal with the Chair of Council. In previous years Executive officers, including the Vice-Chancellor, have had access to an annual bonus based on a combination of overall University performance against key performance measures agreed by the Remuneration Committee at the outset of the performance cycle and performance against individual objectives agreed with the Chair of Council. The Nominations and Remuneration Committee decided not to award bonus payments to the Vice-Chancellor and other eligible members of the University Executive for 2017/18 and to discontinue the Executive Bonus Scheme.

In setting the pay of the Vice-Chancellor the Remuneration Committee uses a variety of benchmark data sets to get a rounded picture of what fair and competitive base pay looks like for the role at Aston University. The primary comparison is carried out using several different data 'cuts' of the UCEA Senior Staff Remuneration Report which provide a well-rounded picture of where the incumbent sits relative to the wider Higher Education Sector. The conclusion of that comparison has determined that the base and total reward for the role at Aston is fairly positioned against the market.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 7. Staff Costs (continued)

Additionally, the Remuneration Committee also commissioned an independent external review of senior remuneration which reported in September 2018. This included an analysis of the Vice-Chancellor's reward using different metrics to help form a more-rounded picture of the appropriate level of pay when set against the University's performance against a variety of measures. This review also used an analysis against the wider private and public sectors to provide a benchmark of levels of pay for senior roles found in these markets. This analysis has similarly concluded that the remuneration of the Vice-Chancellor is fair, appropriate and justifiable.

*Head of Provider to median employee pay multiple:*

	Year Ended 31 July 2019	Year Ended 31 July 2018
Basic Salary	7.6	7.5
Total Salary	7.6	8.0

The median employee salary figure used to calculate the above ratio is based on the annual full time salary of all included on the University's payrolls. This includes all individuals that the University includes in its HESA staff record, including any individual service companies who are deemed employees under IR35.

This excludes agency staff, individuals with honorary contracts where the contract is not deemed to be a contract of employment and self-employed individuals outside the scope of IR35. Agency staff are excluded as it is not possible with the current systems and processes in place to identify the equivalent annual salary at an individual level. Agency staff are used for a range of activities across the University, however, they are often not full-time, are charged for via third parties often on a consolidated basis and the rate charged includes a fee to the third party and VAT. Therefore, it is not possible to identify an accurate median salary for these individuals.

The following compensation for loss of office was paid during the year in accordance with the Institution's remuneration committee policy:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Compensation paid for loss of office	419	399
Number of individuals	41	45

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 7. Staff Costs (continued)

Basic remuneration of other Higher Paid Staff, excluding employer's Social Security and pension contributions:

Basic salary per annum	Year Ended 31 July 2019 Number	Year Ended 31 July 2018 Number
£100,000 to £104,999	6	3
£105,000 to £109,999	6	6
£110,000 to £114,999	1	3
£115,000 to £119,999	4	5
£120,000 to £124,999	2	1
£125,000 to £129,999	1	1
£130,000 to £134,999	4	4
£135,000 to £139,999	1	-
£140,000 to £144,999	2	2
£145,000 to £149,999	-	-
£150,000 to £154,999	-	-
£155,000 to £159,999	-	-
£160,000 to £164,999	-	-
£165,000 to £169,999	1	1
£170,000 to £174,999	-	1
£175,000 to £179,999	-	-
£180,000 to £184,999	-	-
£185,000 to £189,999	1	1
£190,000 to £194,999	-	-
£195,000 to £199,999	-	-
£200,000 to £204,999	-	-
£205,000 to £209,999	-	-
£210,000 to £214,999	-	-
£215,000 to £219,999	-	-
£220,000 to £224,999	-	-
£225,000 to £229,999	-	-
£230,000 to £234,999	-	-
£235,000 to £239,999	-	-
£240,000 to £244,999	-	-
£245,000 to £249,999	-	-
£250,000 to £254,999	-	-
£255,000 to £259,999	-	-
£260,000 to £264,999	-	-
£265,000 to £269,999	-	1
£270,000 to £274,999	1	1
£275,000 to £279,999	-	-
£280,000 to £284,999	-	-
£285,000 to £289,999	-	-
£290,000 to £294,999	-	-
£295,000 to £299,999	1	-
£300,000 to £304,999	-	-
	<b>31</b>	<b>30</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 7. Staff Costs (continued)

The average number of staff employed, expressed as full-time equivalents and analysed over activity, is as follows:

	Year ended 31 July 2019 Number	Year ended 31 July 2018 Number
Academic	770	709
Technical	51	48
Administrative	437	383
Clerical, manual and other	421	399
	<b>1,679</b>	<b>1,539</b>

### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. These have been defined as members of the University's Executive. Staff costs includes compensation paid to key management personnel.

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Key management compensation	2,991	2,968
	<b>2,991</b>	<b>2,968</b>

### 8. Interest and Other Finance Costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loan interest	1,500	1,457	1,479	1,445
Net charge on pension schemes	389	389	582	582
	<b>1,889</b>	<b>1,846</b>	<b>2,061</b>	<b>2,027</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 9. Analysis of Total Expenditure by Activity

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic and related expenditure	79,470	79,470	73,895	73,895
Administration and central services	33,422	33,422	31,010	31,009
Premises	16,859	16,859	15,595	15,595
Residences, catering and conferences	5,505	1,949	5,759	1,403
Research grants and contracts	13,580	13,580	11,929	11,929
Other expenses	50,061	50,646	9,072	9,035
	<b>198,897</b>	<b>195,926</b>	<b>147,260</b>	<b>142,866</b>

Other Expenses include:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
External auditor's remuneration:				
Audit services	47	42	46	42
Non-audit services	2	2	2	2
Operating lease rentals	309	309	247	224
Maintenance of land and buildings	5,362	5,362	4,667	4,667

### 10. Taxation

Recognised in the statement of comprehensive income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>Current tax</b>				
Current tax expense	144	-	111	-
Adjustment in respect of previous years	(144)	-	(135)	-
<b>Current tax expense</b>	-	-	(24)	-
<b>Deferred tax</b>				
Origination/reversal of timing differences	-	-	(3)	-
Reduction in tax rate	2	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
<b>Deferred tax expense</b>	2	-	(3)	-
<b>Total tax expense</b>	<b>2</b>	<b>-</b>	<b>(27)</b>	<b>-</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 11a. Fixed Assets

Consolidated	Freehold land and buildings £'000	Buildings in the course of construction £'000	Equipment £'000	Equipment work in progress £'000	Total £'000
<b>Cost or valuation</b>					
As at 1 August 2018	184,150	6,524	60,709	720	252,103
Additions	-	12,592	2,490	1,770	16,852
Transfers	16,469	(16,600)	1,912	(1,781)	-
Impairments	(12,623)	-	-	-	(12,623)
Disposals	(84)	-	(2,496)	-	(2,580)
<b>As at 31 July 2019</b>	<b>187,912</b>	<b>2,516</b>	<b>62,615</b>	<b>709</b>	<b>253,752</b>
<b>Depreciation</b>					
As at 1 August 2018	25,134	-	47,242	-	72,376
Charge for the year	6,869	-	3,775	-	10,644
Impairments	(1,874)	-	-	-	(1,874)
Disposals	(84)	-	(2,496)	-	(2,580)
<b>As at 31 July 2019</b>	<b>30,045</b>	<b>-</b>	<b>48,521</b>	<b>-</b>	<b>78,566</b>
<b>Net Book Value</b>					
As at 31 July 2019	157,867	2,516	14,094	709	175,186
As at 31 July 2018	159,016	6,524	13,467	720	179,727
<b>University</b>					
	Freehold land and buildings £'000	Buildings in the course of construction £'000	Equipment £'000	Equipment work in progress £'000	Total £'000
<b>Cost or valuation</b>					
As at 1 August 2018	184,150	6,525	60,373	718	251,766
Additions	-	12,592	2,494	1,752	16,838
Transfers	16,469	(16,600)	1,912	(1,781)	-
Impairments	(12,623)	-	-	-	(12,623)
Disposals	(84)	-	(2,496)	-	(2,580)
<b>As at 31 July 2019</b>	<b>187,912</b>	<b>2,517</b>	<b>62,283</b>	<b>689</b>	<b>253,401</b>
<b>Depreciation</b>					
As at 1 August 2018	25,134	-	46,952	-	72,086
Charge for the year	6,869	-	3,761	-	10,630
Impairments	(1,874)	-	-	-	(1,874)
Disposals	(84)	-	(2,496)	-	(2,580)
<b>As at 31 July 2019</b>	<b>30,045</b>	<b>-</b>	<b>48,217</b>	<b>-</b>	<b>78,262</b>
<b>Net Book value</b>					
As at 31 July 2019	157,867	2,517	14,066	689	175,139
As at 31 July 2018	159,016	6,525	13,421	718	179,680

At 31 July 2019, freehold land and buildings includes £50.0m (2018: £50.0m) in respect of freehold land which is not depreciated.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 11b. Intangible Assets

<b>Software</b>	<b>Consolidated</b>	<b>University</b>
	£'000	£'000
As at 1 August 2018	580	580
Additions in the year	455	455
Amortisation charge for the year	(258)	(258)
Disposals	-	-
<b>As at 31 July 2019</b>	<b>777</b>	<b>777</b>

### 12. Heritage Assets

Heritage assets with a fair value of greater than £10,000 have been capitalised in line with the accounting policies.

<b>Consolidated and University</b>	<b>Year ended 31 July 2019</b>	<b>Year ended 31 July 2018</b>
	£'000	£'000
<b>Heritage Assets brought forward and carried forward</b>	<b>709</b>	<b>709</b>

### 13. Fixed Asset Investments

<b>Consolidated</b>	<b>Subsidiary Investment in companies</b>	<b>Investment in spinouts</b>	<b>Other fixed assets investments</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
<b>As at 1 August 2018</b>	-	52	55	107
Additions	-	-	-	-
Revaluation	-	-	3	3
Disposals	-	-	-	-
Impairment	-	-	-	-
<b>As at 31 July 2019</b>	<b>-</b>	<b>52</b>	<b>58</b>	<b>110</b>

<b>University</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>As at 1 August 2018</b>	-	52	55	107
Additions	-	-	-	-
Revaluation	-	-	3	3
Disposals	-	-	-	-
Impairment	-	-	-	-
<b>As at 31 July 2019</b>	<b>-</b>	<b>52</b>	<b>58</b>	<b>110</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 13. Fixed Asset Investments (continued)

The non-current investments have been valued at market value where an appropriate open market is available. All other non-current investments have been valued at nominal value.

The University has interests in the following companies:

Other fixed asset investments consist of:	Year ended 31 July 2019
	£
<b>Subsidiary Companies:</b>	
Conference Aston Limited	1
Optimus Energy Limited	1
EBRI (UK) Limited	1
Aston University Consulting Limited	1
Aston Commercial Limited	1
Aston Franchise Limited	1
<b>Investment in Spinout Companies:</b>	
Aston Eyetech Limited	895
Aston Particle Technologies Limited	1
Grid Edge Limited	50,470
<b>Other Fixed Asset Investments:</b>	
CVCP Properties Limited	31,539
Tiziana Life Sciences Plc	6,453
Mercia Technologies Plc	20,600
<b>Consolidated Total</b>	<b><u>109,958</u></b>
<b>University Total</b>	<b><u>109,964</u></b>

\*The subsidiary company investments are University investments only. All other investments are Group and University investments.

### 14. Stock

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
General consumables	29	29	32	32
	<u>29</u>	<u>29</u>	<u>32</u>	<u>32</u>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 15. Trade and Other Receivables

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	3,847	3,847	3,297	3,297
Trade receivables	3,841	3,287	3,477	2,986
Prepayments and accrued income	4,006	4,000	2,898	2,868
Amounts due from subsidiary companies	-	1,040	-	1,057
	<u>11,694</u>	<u>12,174</u>	<u>9,672</u>	<u>10,208</u>

### 16. Investments

#### Investments

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term investment in unit trust	170	170	168	168
	<u>170</u>	<u>170</u>	<u>168</u>	<u>168</u>

Aston University has an investment of £170k in Hermes Property Unit Trust. The investment can be redeemed annually on 26 March, 25 June, 30 September and 26 December and therefore as the cash is not instantly accessible, it is deemed to be a short term investment.

### 17. Cash and Cash Equivalents

Consolidated	As at 1 August 2018	Cash Flows	As at 31 July 2019
	£'000		£'000
Cash and cash equivalents	54,837	(2,640)	52,197
	<u>54,837</u>	<u>(2,640)</u>	<u>52,197</u>

University	As at 1 August 2018	Cash Flows	As at 31 July 2019
	£'000		£'000
Cash and cash equivalents	52,588	(2,819)	49,769
	<u>52,588</u>	<u>(2,819)</u>	<u>49,769</u>

Aston University invests surplus cash funds through money market deposits with UK financial institutions and investments in Charibond, Charifund and COIF Charities Investment Fund.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 18. Consolidated reconciliation of net funds

	£'000
<b>As at 1 August 2018</b>	<b>22,772</b>
Movement in cash and cash equivalents	(2,640)
New finance leases	-
Other non-cash changes	220
Repayment of secured loans	1,147
Repayment of unsecured loans	7
Changes in market value and exchange rates	-
<b>As at 31 July 2019</b>	<b>21,506</b>
<b>Reduction in net funds</b>	<b>1,266</b>

#### Analysis of net funds:

##### Cash and cash equivalents

##### Borrowings: amounts falling due within one year

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash and cash equivalents	52,197	54,837
Secured loans	(1,178)	(1,147)
Unsecured loans	(7)	(7)
Obligations under finance leases	(187)	(235)
	<b>(1,372)</b>	<b>(1,389)</b>

##### Borrowings: amounts falling due after more than one year

Secured loans	(29,315)	(30,493)
Unsecured loans	(4)	(11)
Obligations under finance lease	-	(172)
	<b>(29,319)</b>	<b>(30,676)</b>

##### Net funds

<b>21,506</b>	<b>22,772</b>
---------------	---------------

### 19. Creditors: Amount Falling Due Within One Year

#### Amounts falling due within one year

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Secured loans	1,178	1,178	1,147	1,147
Unsecured loans	7	7	7	7
Research grants and contracts in advance	7,107	7,107	7,268	7,268
Obligations under finance leases	187	187	235	235
Accruals and deferred income	21,894	21,135	16,486	15,807
Other taxation and social security	3,322	3,211	2,267	2,156
Other creditors	6,542	6,490	6,620	6,545
Repayment of pension fund deficit	-	-	852	852
	<b>40,237</b>	<b>39,315</b>	<b>34,882</b>	<b>34,017</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 19. Creditors: Amount Falling Due Within One Year (continued)

#### Deferred Income

Included within creditors less than one year are the following items of income which have been deferred until specific performance related conditions have been met.

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research grants received on account	7,107	7,107	7,268	7,268
Capital grant income	2,176	2,176	1,999	1,999
Other income	9,987	9,710	5,354	5,028
	<u>19,270</u>	<u>18,993</u>	<u>14,621</u>	<u>14,295</u>

### 20. Creditors: Amount Falling Due After More Than One Year

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Deferred income	18,221	18,221	18,599	18,599
Obligations under finance lease	-	-	172	172
Secured loans	29,315	29,315	30,493	30,493
Unsecured loans	4	4	11	11
	<u>47,540</u>	<u>47,540</u>	<u>49,275</u>	<u>49,275</u>
<b>Analysis of secured and unsecured loans:</b>				
Due within one year or on demand (Note 19)	1,185	1,185	1,154	1,154
Due between one and two years	1,230	1,230	1,189	1,189
Due between two and five years	3,928	3,928	3,802	3,802
Due in five years or more	24,161	24,161	25,513	25,513
<b>Due after more than one year</b>	<u>29,319</u>	<u>29,319</u>	<u>30,504</u>	<u>30,504</u>
<b>Total secured and unsecured loans</b>	<u>30,504</u>	<u>30,504</u>	<u>31,658</u>	<u>31,658</u>
Secured loans repayable by 2037	30,493	30,493	31,640	31,640
Unsecured loans	11	11	18	18
	<u>30,504</u>	<u>30,504</u>	<u>31,658</u>	<u>31,658</u>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 20. Creditors: Amount Falling After More Than One Year (continued)

Analysis of secured and unsecured loans

Lender	Principal £'000	Interest rate %	Term	Borrower
Barclays Bank	40,000	3.48	2037	University
Salix	268	0	2020	University
	<b>40,268</b>			

The long-term loan comprises one loan with Barclays Bank. This loan is payable in quarterly instalments from 2008 to 2037 and is secured on a building of the University.

The loan from Salix Finance Limited is an interest free capital loan available to public sector institutions to improve energy efficiency and reduce carbon emissions.

The University entered into a £40m credit facility with HSBC plc in July 2019. No funds had been utilised at the Balance Sheet date.

### 21. Provisions For Liabilities

Consolidated

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on AUPS pension £'000	West Midlands Pension Fund provision <sup>1</sup> £'000	Total pension provision £'000	Redundancy provision <sup>2</sup> £'000	Insurance and tax provisions £'000	Total other £'000
As at 1 August 2018	17,815	-	49	17,864	576	(2)	574
Utilised in year	(776)	(127)	(8)	(911)	(576)	-	(576)
Additions	394	-	-	394	820	2	822
Additions for actuarial loss	33,046	9,800	-	42,846	-	-	-
As at 31 July 2019	<b>50,479</b>	<b>9,673</b>	<b>41</b>	<b>60,193</b>	<b>820</b>	<b>-</b>	<b>820</b>

University

	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on AUPS pension £'000	West Midlands Pension Fund provision <sup>1</sup> £'000	Total pension provision £'000	Redundancy provision <sup>2</sup> £'000	Insurance and tax provisions £'000	Total other £'000
As at 1 August 2018	17,815	-	49	17,864	576	1	577
Utilised in year	(776)	(127)	(8)	(911)	(576)	(1)	(577)
Additions	394	-	-	394	820	-	820
Additions for actuarial loss	33,046	9,800	-	42,846	-	-	-
As at 31 July 2019	<b>50,479</b>	<b>9,673</b>	<b>41</b>	<b>60,193</b>	<b>820</b>	<b>-</b>	<b>820</b>

<sup>1</sup>Local Government Pension Scheme (LGPS) for pensioners retiring before 2012-13.

<sup>2</sup>The redundancy provision relates to severance payments for Aston University employees who are at risk at the balance sheet date. These payments are expected to be made within the next twelve months.



## Notes to the Accounts (continued)

For the year ended 31 July 2019

## 22. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Expendable endowments £'000	Year ended 31 July 2019 Total £'000	Year ended 31 July 2018 Total £'000
<b>As at 1 August</b>				
Capital	560	548	1,108	1,125
Accumulated income	125	175	300	268
	<b>685</b>	<b>723</b>	<b>1,408</b>	<b>1,393</b>
<b>New endowments</b>	-	35	35	31
Investment income	31	10	41	29
Expenditure	-	(138)	(138)	(112)
Increase in market value of investments	61	25	86	67
Transfers in year	-	-	-	-
<b>Total endowment comprehensive income for the year</b>	<b>92</b>	<b>(68)</b>	<b>24</b>	<b>15</b>
<b>As at 31 July</b>	<b>777</b>	<b>655</b>	<b>1,432</b>	<b>1,408</b>
<b>Represented by:</b>				
Capital	621	600	1,221	1,108
Accumulated income	156	55	211	300
	<b>777</b>	<b>655</b>	<b>1,432</b>	<b>1,408</b>
<b>Analysis by type of purpose:</b>				
Academic chairs	-	442	442	578
Scholarships and bursaries	641	118	759	639
Prize funds	19	70	89	75
General	117	25	142	116
	<b>777</b>	<b>655</b>	<b>1,432</b>	<b>1,408</b>
<b>Analysis by asset:</b>				
Current and non-current asset investments			170	168
Cash & cash equivalents			1,262	1,240
			<b>1,432</b>	<b>1,408</b>

## Deficit Balances

Aston University did not have any permanent endowments in deficit in either the 2018-19 or 2017-18 financial years.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 23. Restricted Reserves

	Year ended 31 July 2019			Year ended 31 July 2018
	Unspent capital grants £'000	Restricted donations £'000	Total £'000	Total £'000
Balances at 1 August	-	2,754	2,754	2,306
New grants	287	-	287	127
New donations	-	335	335	716
Investment income	-	9	9	27
Capital grants utilised	(287)	-	(287)	(127)
Expenditure	-	(669)	(669)	(295)
Transfer in year	-	-	-	-
<b>Balances at 31 July</b>	<b>-</b>	<b>2,429</b>	<b>2,429</b>	<b>2,754</b>

	Year ended 31 July 2019	Year ended 31 July 2018
	Total £'000	Total £'000
<b>Analysis of Other Restricted Funds / Donations by Type:</b>		
Academic chairs	85	116
Scholarships and bursaries	1,119	1,097
Prize funds	26	27
General	1,199	1,514
<b>Balances at 31 July</b>	<b>2,429</b>	<b>2,754</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 24. Pension Schemes

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), Scottish Widows Pension Scheme (SWPS) and Aston University Pension Scheme (AUPS, this is now a closed scheme to new entrants and future accrual and all existing members now have deferred benefits).

USS provides benefits for academic and academic-related employees of all UK universities and other employees. SWPS/AUPS provides benefits for other staff of the University. USS and AUPS are defined benefit schemes which are externally funded, the assets of which are held in separately administered funds. The deficit in the schemes is required to be reflected in the Consolidated Balance Sheet and the movements in the deficit to be reflected in the Consolidated Statement of Comprehensive Income and Expenditure.

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

The total pension cost for the Consolidated Group was:

	2018-19 £'000	2017-18 £'000
Contributions to USS (excluding provision movement)	14,294	13,773
Contributions to AUPS	930	1,823
Contributions to SWPS	1,060	449
Nest and other pension contributions	292	180
<b>Total Contributions</b>	<b>16,576</b>	<b>16,225</b>

These amounts include contributions due but not paid at the year-end as follows:

	2018-19 £'000	2017-18 £'000
Contributions due to USS	4	(16)
Contributions due to AUPS	-	-
Contributions due to SWPS	32	111
<b>Total Contributions</b>	<b>36</b>	<b>95</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 24. Pension Schemes (continued)

#### USS

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. The 2018 actuarial valuation of the USS has been undertaken but was not formally completed until October 2019.

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

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below:

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<b>2017 valuation</b> Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 24. Pension Schemes (continued)

*USS (continued)*

The current life expectancies on retirement at age 65 are:

	2018-19	2017-18
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019:

	2018-19	2017-18
Discount rate	2.44%	2.64%
Pensionable salary growth	2.50%	2.50%
Staff base growth	2.00%	2.00%
Pension increases (CPI)	2.11%	2.02%

### *AUPS*

The assets of the Scheme are held in a separate trustee-administered fund. The Scheme is a defined benefit scheme which is funded and valued every three years by the actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. A full actuarial valuation was carried out at 31 March 2016 by a qualified independent actuary (Hymans Robertson LLP). The material assumptions and other data used by the actuary were:

	2018-19	2017-18
Salary scale increases per annum	2.65%	2.65%
Pension increases per annum (post 1.9.90 joiners)	3.15%	3.05%
Pension increases per annum (pre 1.9.90 joiners)	3.65%	3.60%
Discount rate	2.10%	2.80%
Consumer Price Inflation	2.25%	2.15%
Retail Price Inflation	3.25%	3.15%

The assumptions used by the actuary are best estimates chosen from a range of actuarial assumptions which are acceptable under the requirements of FRS102.

The FRS102 valuation has used RPI as the inflationary index to calculate scheme liabilities for current members and used CPI in respect of deferred members.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 24. Pension Schemes (continued)

*AUPS (continued)*

The current mortality assumptions include sufficient allowance for future improvements in the mortality rates, adopting the CMI 2013 projections with a 1% pa long term trend. The assumed life expectancies on retirement at age 65 are:

	2018-19	2017-18
<b>Retiring today</b>		
Males	20.7	21.0
Females	23.0	23.5
<b>Retiring in 20 years</b>		
Males	22.2	22.6
Females	25.2	25.7

Scheme assets and assumptions on investment returns:

	Fund Value 31 July 2019 £'000	Fund Value 31 July 2018 £'000
Equity Securities	59,141	55,220
Debt securities - corporate	15,426	14,728
Debt securities - government	26,913	25,337
Cash and cash equivalents	8,217	446
Real estates	202	8,284
	<u>109,899</u>	<u>104,015</u>

The following amounts at 31 July were measured in accordance with the requirements of FRS 102.

Analysis of the Amount Shown in the Balance Sheet:

	2018-19 £'000	2017-18 £'000
Total value of assets	109,899	104,015
Actuarial value of liabilities	<u>(119,572)</u>	<u>(104,015)</u>
<b>Loss over funded scheme assets</b>	<u>(9,673)</u>	<u>-</u>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 24. Pension Schemes (continued)

AUPS (continued)

Analysis of the Amount Charged to Staff Costs Within the Operating Surplus:

	2018-19 £'000	2017-18 £'000
Current service cost	-	1,921
Administration cost	546	641
Pat service cost	262	-
<b>Total operating charge</b>	<b>808</b>	<b>2,562</b>

Analysis of the Amount that is Credited to Other Finance Income / (Charged to Interest Payable):

	2018-19 £'000	2017-18 £'000
Interest income on scheme assets	2,877	2,509
Interest payable on scheme liabilities	(2,855)	(2,748)
Impact of asset ceiling on net interest	(17)	-
<b>Net interest on Net Defined Benefit Liability</b>	<b>5</b>	<b>(239)</b>

Analysis of the Amount Recognised in Other Comprehensive Income (OCI):

	2018-19 £'000	2017-18 £'000
Actual return on assets excl. amount included in net assets	5,540	5,631
Actuarial losses on scheme obligations	(15,340)	5,147
<b>Re-measurement (loss)/gain in scheme</b>	<b>(9,800)</b>	<b>10,778</b>

**Notes to the Accounts (continued)**

For the year ended 31 July 2019

**24. Pension Schemes (continued)***AUPS (continued)*

Analysis of the Movement in the Fair Value of the Scheme Liabilities:

	2018-19 £'000	2017-18 £'000
<b>Opening Defined Benefit Obligation</b>	<b>104,015</b>	106,901
Current Service Cost	-	1,921
Administration Cost	546	641
Interest Cost	2,855	2,748
Past Service Cost	262	-
Contributions by Scheme Participants	-	10
Actuarial Losses	15,357	(5,147)
Benefits Paid	(3,463)	(3,059)
<b>Closing Defined Benefit Obligation</b>	<b>119,572</b>	<b>104,015</b>

Analysis of the Movement in the Fair Value of the Scheme Assets:

	2018-19 £'000	2017-18 £'000
<b>Opening Fair Value of Scheme Assets</b>	<b>104,015</b>	97,101
Interest Income	2,877	2,509
Contributions by Aston University	930	1,823
Contributions by Scheme Participants	-	10
Actual Return on Assets excl. amount included in net interest	5,540	5,631
Benefits Paid	(3,463)	(3,059)
<b>Closing Fair Value of Scheme Assets</b>	<b>109,899</b>	<b>104,015</b>

**NEST**

From 1 August 2013, the University has been required to automatically enrol its workers into a workplace pension scheme if they meet certain qualifying criteria, and are not members of any other scheme. Auto-enrolment does not replace the existing arrangements for contractual enrolment into AUPS/USS for regular employees. However auto-enrolment does apply to regular employees that have opted out of AUPS or USS, or who may opt out in the future, USS pensioners and casual workers. The University has chosen to offer NEST (the National Employment Savings Trust) as its workplace pension scheme for its casual workers.



## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 25. Fees Paid To External Auditor

Fees paid to the University's external auditor for the provision of audit services amounted to £43,450 for the University and £4,200 for its subsidiary company (2017-18: £42,400 for the University and £4,100 for its subsidiary company). Fees to the auditors for the provision of non-audit services amounted to £2,250 for the University and £nil for the subsidiary company (2017-18: £2,200 for the University and £nil for the subsidiary company).

### 26. Capital, Other Commitments And Contingent Liabilities

Provision has not been made for the following capital commitments at 31 July 2019:

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	3,805	3,739	10,698	10,698
	<u>3,805</u>	<u>3,739</u>	<u>10,698</u>	<u>10,698</u>

Contingent Liabilities at 31 July 2019:

	As at 31 July 2019		As at 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Highways Act 1980 Bond	31	31	31	31
	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>

The University has a Section 278 Highways Act 1980 bond with Birmingham City Council for £31,282. This bond relates to the carrying out of works to Aston Street, Birmingham. In the event that the University fail to meet the terms of the Section 278 agreement the bond will be paid to Birmingham City Council.

The University has given written undertakings to support the subsidiary companies for twelve months from the date of approval of these financial statements.

### 27. Lease Obligations

Total rentals payable under operating leases:

	As at 31 July 2019			Total	As at 31 July 2018	
	Land and Buildings	Plant and Machinery	Other leases		Other leases	Total
	£'000	£'000	£'000		£'000	£'000
<b>Future minimum lease payments due:</b>						
Less than 1 year	-	-	316	316	338	338
Between 1 year and 5 years	-	-	195	195	560	560
Later than 5 years	-	-	-	-	-	-
<b>Total lease payments due</b>	<u>-</u>	<u>-</u>	<u>511</u>	<u>511</u>	<u>898</u>	<u>898</u>

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 28. Subsidiary Undertakings

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

Company	Principal Activity	Status	Note
Conference Aston Limited	Management of conference and hotel activities	100% owned	13
Aston Franchise Limited	Management of Little Kickers Placement Franchise	100% owned	13
Optimus Energy Limited	Dormant	100% owned	13
EBRI (UK) Limited	Dormant	100% owned	13
Aston University Consulting Limited	Dormant	100% owned	13
Aston Commercial Limited	Dormant	100% owned	13

### 29. Financial Instruments

#### *Risk Management*

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the Finance Committee approved Treasury Management Policy. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Office for Students and is reviewed and updated annually.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2019, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the Treasury Management Policy.

Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 29. Financial Instruments (continued)

#### *Liquidity risk*

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Cash flow forecasts form part of the University's 5 year strategic model and are revised during the financial year. The University policy is to maintain a minimum of £10m in on-call cash balances. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

#### *Foreign currency risk*

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the euro. On an annual basis after satisfying euro denominated liabilities the University is left with a surplus of Euros. Surplus euros are converted at spot rates or via forward contracts that are used to mitigate the risk of adverse exchange rate movements.

#### *Interest rate risk*

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

#### *Financial instruments – fair values*

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet.

## Notes to the Accounts (continued)

For the year ended 31 July 2019

### 30. Related Party Transactions

The University's Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the University Council (with members drawn from local, public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council may have an interest.

All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arm's length and in accordance with the University's Financial Regulations and normal procurement procedures.

Related parties were identified by examining returns submitted by members of Council and senior management team members for the financial year 2018-19, as well as performing an online check via Creditsafe.

These financial statements include the following transactions with related parties. No information has been listed for organisations where the income and expenditure is less than £10,000 in the financial year.

	Income Transactions £'000	Expenditure Transactions £'000	Creditor Balance due £'000	Debtor Balance due £'000
Aston Students' Union	977	2,000	-	1
Aston University Engineering Academy Birmingham	29	1	-	-
Mirzyme Therapeutics Ltd	156	-	-	-
University of Bristol	-	12	-	-
Capgemini UK PLC	315	-	-	-
Sandwell and West Birmingham Hospitals NHS Trust	-	126	-	-
Innovation Birmingham Limited	-	40	0	-
Advance HE	1	139	108	-
Membership Solutions Ltd	-	14	-	-

Expenses are paid to or on behalf of Council members for travel and subsistence incurred in attending meetings and events in their official capacity. This is immaterial to the financial statements for the years ending 31 July 2019 and 2018.

### 31. Post Balance Sheet Events

#### USS

The 2018 Actuarial Scheme Valuation for the USS pension scheme was completed in October 2019. This has resulted in adjustments to the deficit recovery contribution schedule required to be paid by the University. This has been adjusted to 2% from 1<sup>st</sup> October 2019 and 6% from 1<sup>st</sup> October 2021 running until 1<sup>st</sup> October 2028. Ceteris paribus, this will result in the provision required reducing in 2019-20 by an estimated £22million, resulting in a credit to income.