

REPORT AND FINANCIAL STATEMENTS 2006

UNIVERSITY COLLEGE DIRECTORATE

Principal

Professor D Green MA (Cantab.)

Vice Principal

Professor J Elkin BA PhD

AUDITORS

External

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Internal

Bentley Jennison
5 Ridge House
Ridge House Drive
Festival Park
Stoke
ST1 5SJ

BANKERS

National Westminster Bank PLC
1 The Cross
Worcester
WR1 3PR

SOLICITORS

Harrison Clark & Co
5 Deansway
Worcester
WR1 2JG

Martineau Johnson
No 1 Colmore Square
Birmingham
B4 6AA

INSURERS

AON Risk Services
158 Edmund Street
Birmingham
B3 2HB

REPORT AND FINANCIAL STATEMENTS 2006**MEMBERS OF THE BOARD OF GOVERNORS**

The following members served during the year:

Mr John Yelland	(Independent, Chair)
Dr Heather Barrett	(Staff)
Mrs Evelyn Brock	(Independent)
Ms Joanna Bruce MBE	(Independent)
Mrs Terri Clements	(Independent, Vice-Chair)
Mr Moray Clouston	(Independent, retired 31 st July 2006)
Professor William Doe	(Co-opted)
Mr Andrew Duncan	(Independent)
Mr Sammy Engele	(Student, retired 30 th June 2006)
Ms Francesca Fairhurst	(Co-opted)
Professor David Green	(Vice Chancellor)
Mr Mike Hardy	(Independent)
Mr Chris Hitchcock	(Student, retired 30 th June 2006)
Mr Johnathan Howard	(Student, joined 1 st July 2006)
Dr Susan Hughes	(Independent)
Ms Christine Jones	(Co-opted)
Dr Haseena Lockhat	(Co-opted, retired 30 th January 2006)
Professor Jim Low	(Co-opted, joined 1 st August 2005)
Mr Roger Murray	(Independent, Vice-Chair)
Mr Julian Pallett	(Independent)
Mr Neil Pringle	(Co-opted)
Mrs Jan Quallington	(Staff)
Mrs Elaine Spalding	(Independent)
Mrs Tamar Thompson	(Independent, joined 1 st August 2005)
Mr Iain Webb	(Student, joined 1 st July 2006)
Mr Paul Winter	(Co-opted)

GOVERNORS' REPORT**SCOPE OF THE FINANCIAL STATEMENTS**

The financial statements presented by the Board of Governors comprise the results of the activities of the University for the year ended 31st July 2006.

RESULTS FOR THE YEAR

The University's consolidated income, expenditure and results for the year ended 31st July 2006, are summarised as follows:

	<u>2006</u> £000	<u>2005</u> £000
Income	32,143	29,463
Expenditure	<u>(32,113)</u>	<u>(29,502)</u>
Deficit for the year after depreciation of assets at valuation prior to exceptional items	30	(39)
Surplus for the year after depreciation of assets at valuation	<u>30</u>	<u>(39)</u>

The University's total income increased by 9.1% (£2,680,000) compared with the figure for the previous year. Within this overall figure income from funding council grants rose by 6.31% (£968,000), academic fees and support grants by 7.1% (£627,000) and other operating income by 26.45% (£1,109,000).

The University has monitored all expenditure closely during the year. The overall increase in expenditure amounted to 8.85% (£2,611,000) compared to the previous year. The increase in expenditure on staff costs accounts for £1,131,000 an increase of 6.17%. The new single pay spine for staff was introduced from 1 August 2005.

CAPITAL PROJECTS

Preliminary work on the new City Centre campus continued during the year. A master planning exercise has been completed and detailed design works are in progress.

A joint library, being developed in conjunction with the City Centre campus, with local external partners is in progress. The library is an innovative concept, which will provide facilities for the University and the local community.

GOING CONCERN

The Board of Governors 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.

EMPLOYMENT OF DISABLED PERSONS

The University considers all applications for employment bearing in mind the aptitude of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the University continues. The University's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

EMPLOYEE AND STUDENT INVOLVEMENT

The University values the involvement of its employees and students and good communication with them and continues to hold Investor in People status. Staff and students are encouraged to participate in formal and informal consultation at University and Departmental level, sometimes through membership of formal committees. In addition regular briefing meetings are held by Senior Managers with all members of staff. The Vice Chancellor of the University meets on a regular basis with Students' Union Officers.

STATEMENT OF GOVERNORS' RESPONSIBILITIES

In accordance with the Education Reform Act 1988, the Board of Governors of the University of Worcester is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Act 1988, the guidelines issued by the Higher Education Funding Council for England and relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University of Worcester, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made which are reasonable;
- 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.

The Board of Governors has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment review acceding to approval levels set by the Governing Body;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and Development Committee and;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and whose head provides the Governing Body with a report on internal audit activity within the University College and an opinion on the adequacy and effectiveness of the University's system of internal control.

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

CONCLUSION

The University has continued to consolidate its position, building on its academic strengths following the achievement of University status.

The Privy Council granted Full University status from 5 September 2005.

The Board of Governors, together with the Vice Chancellor, thank the University's staff, academic, administrative and manual, for all their continued efforts.

Approved by the Board of Governors on 11 Dec 2006 and signed on behalf of the Board.

Chair of Governors

CORPORATE GOVERNANCE STATEMENT

The University is committed to the principles of best practice in all aspects of corporate governance. The Board welcomed the publication of the CUC Code of Governance in November 2004. The institution's practices are consistent with the provisions of the Code:-

- i) the Board has adopted a statement of Primary Responsibilities which mirrors the Code, which is published widely;
- ii) the Board uses a variety of means of identifying new members, which include (since 2000) public advertisement. The Nominations Committee maintains a skills audit to inform decisions about membership;
- iii) the Board has approved a job specification for the post of Chair, including an assessment of time commitment;
- iv) the business of the Board is conducted openly and transparently with full involvement of staff and student members at Board and sub-committee level. Agendas and minutes of all open business are published via the web, and;
- v) the Board has adopted a set of performance indicators and two benchmark groups against which the institution will measure its performance.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Governing Body is of the view that there is an ongoing process designed to:

- identify the principal risks to the achievement of policies, aims and objectives;
- to evaluate the nature and extent of those risks, and;
- to manage them efficiently, effectively and economically.

Risk management has been incorporated into the corporate planning and decision-making process of the University. The format of the institutional risk register has been kept under review and two further refinements have been added: the document now contains, for each risk, reference to key control documents which exist to mitigate the risk, and to key triggers, which will indicate that a risk may be materialising.

The Audit Committee continues to be the principal group through which arrangements for risk management are channelled. As well as regularly reviewing the Institutional Risk Register, the Committee receives an annual report on risk management and this was presented, for the year ended 31st July 2006, to the Committee's September 2006 meeting and was submitted to the October meeting of the full Board as part of the annual assurance process. In addition, the Audit Committee has received presentations at its meetings on individual risk areas, which allows it to discuss, with the senior managers responsible, how risk is identified and managed.

As well as the institutional risk registers, separate and detailed risk registers are maintained on key capital developments, including the City Centre Campus and the Joint Library and History Centre. The registers are used to inform discussion at the relevant project board and also presented periodically to the Audit Committee.

The Board's on-going arrangements for monitoring a sound system of internal control, include the following:

- An internal audit service which operates to standards defined in the HEFCE Code of Practice on Accountability and Audit, and whose audit schedule is risk-based and designed

to assess the effectiveness of controls in areas identified as high risk (Note: the HEFCE Service Review completed in February/March 2005 reported high confidence in the risk-based approach to internal and external audit – see below);

- a comprehensive set of Financial Regulations and Procedures;
- an internal system of financial reporting on a monthly basis, supported by meetings between Principal Accountants and Heads of Budget Centres, attended by the Pro Vice Chancellor and Deputy Chief Executive. Governors are provided with monthly financial reports which allow performance against budget to be monitored and the identification of problems to be dealt with in a timely manner, and;
- a range of systems which require risks to be assessed in the context of major new developments as well as in the on-going operation of the institution. These include:
 - i) a risk register which defines the nature of the risk and identifies from where assurance that the risk is being controlled is derived, and which also sets out action taken to control the risk;
 - ii) a strategic plan which identifies key risks alongside performance targets;
 - iii) the integration of risk management strategies within the annual budget process and in five year financial forecasts;
 - iv) the development of separate risk analysis for major development
 - v) regular reports from Executive Officers on the operation of its business.

An internal audit of governance and risk management conducted in April 2006 reported a substantial level of assurance. An audit of Performance Measurement was also conducted which reported an adequate level of assurance following the Board's adoption of a set of Key Performance Indicators in 2004/2005. The report recommended a reduction in the number of indicators and this will be taken into account when the Board reviews KPIs in place following its adoption of the Strategic Plan 2007-2012 (see below).

Progress towards responding to and implementing the recommendations of the HEFCE Assurance review 2005 has been monitored through the Audit Committee and in February 2006 the Board was able to submit a satisfactory progress report after one year to HEFCE. As a result the University has received confirmation that the Council was pleased with progress and that a further visit was not necessary.

During the accounting period under review the institution acquired University title (September 2005) and, as a result, the Board agreed that a review of the existing Strategic Plan (covering the period 2004-2008) should be undertaken. The Board's involvement was effected through governor representation on the drafting group. In addition a special Saturday meeting of the Board was held in early 2006 at which the educational character and mission, aims and objectives, of the University were discussed and reviewed. The outcomes of the special meeting informed further drafts of the new plan which were discussed at subsequent meetings of the Board. At its July 2006 meeting, the Board approved the new Plan (2007-2012) which will be launched early in 2007.

At its July 2006 meeting the Board also gave consideration to how it should conduct its next (second) Effectiveness Review. It was agreed that the review should take place over the period September 2006 to March 2007 and that the review should concentrate on building future capacity and effectiveness, building on recognised strengths and taking into account the University's plan for growth and the national context. It was agreed that the review should commence with a weekend workshop, facilitated by the HEFCE's Head of Leadership, Governance and Management, who would work closely with the Clerk to the Board.

The Board is able to monitor performance against the Strategic Plan through its approval and monitoring of the institution's Corporate Planning Statement. The Board received regular reports from officers on the implementation of the Plan, for which the Executive Group has overall responsibility. At the end of the year, the Board received a full report. Key developments are monitored through the Finance and Development Committee.

The Board meets four times a year, with occasional, special meetings to address specific issues. There are the following sub-committees:

- Finance & Development
- Audit
- Personnel
- Nominations
- Remuneration

The Nominations Committee is responsible for ensuring that the membership of the Board is maintained and that the spectrum of members includes appropriate knowledge and expertise. Since the 2000/2001 year, the Committee, with Board approval, has used a variety of methods to recruit new members. This has included public advertisement of vacancies for independent membership, as well as targeted approaches in the case of members who are co-opted. There is a matrix of members' skills and expertise to assist decision making.

The Finance & Development Committee comprises 6 members and usually meets around five times each year. It recommends the annual budgets to the Board of Governors and monitors performance in relation to the approved budgets. It is also the key committee for the discussion of new developments, and it is this Committee where much detailed scrutiny takes place.

The Audit Committee meets on five occasions during the year, usually in the presence of internal and external auditors. The Committee approves the schedule for internal audit and receives detailed reports with recommendations for improvement of the institution's internal control systems. It is also the Committee responsible for risk management arrangements. The Committee receives the annual financial statements and the management letter from the external auditors. It reports annually to the Board, which informs the Board's opinion in the extent to which it can have confidence in the operation and scrutiny of internal controls. The Committee comprises 4 members.

The Personnel Committee determines the human resources strategy and monitors its implementation. It receives regular reports from the Director of Personnel and from the Equality and Diversity and Health and Safety Committee as well as the Joint Consultative Committee. It discusses and recommends to the Board changes in conditions of service which are determined locally, and also changes in procedures which regulate industrial relations (e.g. disciplinary and grievance procedures). The Committee comprises 4 members.

The Remuneration Committee determines the annual remuneration of senior staff (i.e. the Vice Chancellor and Chief Executive, the Pro Vice Chancellor and Deputy Chief Executive and the Registrar and Secretary). The Committee comprises the Chair and Vice Chairs of the Board, the Chair of the Personnel Committee and the Chair of the Audit Committee.

By order of the Board of Governors.

Chair of Governors:

Date:

Independent auditors' report to the governing body of University of Worcester

We have audited the financial statements of the University of Worcester for the year ended 31

July 2006 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the governing body and auditors

The governing body's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Governing Body's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the governing body of the institution in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England and with the funding agreement with the Training and Development Agency for Schools. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the corporate governance statement.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable

assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the institution and the group at 31 July 2006, and of the surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice -Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;
- ii. in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received;
- iii. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP Date:.....

Chartered Accountants
One Kingsway
Cardiff
CF10 3PW

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2003, and in accordance with applicable Accounting Standards. They conform to the guidance published by the Funding Council.

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

RECOGNITION OF INCOME

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Specific grants from the Funding Council are included to the extent of the completion of the contract or service concerned.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from NHS contracts and tuition fees is included in the year in which it is earned.

MAINTENANCE OF PREMISES

The cost of long term and corrective maintenance to the estate is charged to the income and expenditure account as incurred.

PENSION SCHEMES

Retirement benefits for most employees of the University are provided by the Teachers Pensions Agency (TPA), the County of Hereford and Worcestershire Superannuation Fund (CHWSF) and the Universities Superannuation Scheme (USS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

FRS17 has been adopted in full for the year ended 31 July 2006 and comparative periods have been restated accordingly. The effect of this change in accounting policy is to recognise the pension scheme deficit in the financial statements.

The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method, for the CHWSF and the USS and on the basis of quinquennial valuations using a prospective benefit method for the TPA.

The University maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement. The pensions paid are charged against the provision and interest accrued is added to the provision.

TANGIBLE FIXED ASSETS

a. Land and buildings

The University's buildings are largely specialised buildings and therefore it is not appropriate to value them on the basis of open market value. A valuation of the educational land and buildings was carried out by GVA Grimley International Property Advisers and Chartered Surveyors as at 31st July 1995 on the basis of depreciated replacement cost. The three houses owned by the University were valued on an open market value for existing use basis. Other buildings constructed since 1995 are included in the balance sheet at cost. The option under FRS15 to retain the book values of land and buildings as at 31st July 1999 based on the 1995 revaluation has been adopted and the valuation was not updated.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Institution over a range of 25 to 60 years. Where buildings have been acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The University has a policy of depreciating capitalised major building refurbishments over a period of 15 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought fully into use.

b. Equipment

Equipment costing less than £1,000 per individual item or group of related items with the exception of computers is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost in line with our capitalisation policy. Capitalised equipment, other than computers, is depreciated over its estimated useful economic life of 8 years. Computers are depreciated over their estimated useful economic life of 3 years.

The depreciation policy was amended with effect from 1st August 2002. Equipment costing over £1,000, including computers and printers, purchased prior to this date is depreciated over 5 years.

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

LEASED ASSETS

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

TAXATION

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Most of the services provided to students are, however, exempt from VAT.

LIQUID RESOURCES

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

PROVISIONS

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**For the Year Ended 31st July 2006**

	<u>Note</u>	<u>2006</u> £000	<u>2005</u> £000
<u>INCOME</u>			
Funding Council Grants	1	16,299	15,331
Academic Fees & Support Grants	2	9,465	8,838
Research Grants & Contracts	3	913	943
Other Operating Income	4	5,302	4,193
Endowment Income & Interest Receivable	5	164	158
TOTAL INCOME		<u>32,143</u>	<u>29,463</u>
<u>EXPENDITURE</u>			
Staff Costs	6	19,486	18,326
Depreciation	11	1,686	1,424
Other Operating Expenses	7	10,664	9,432
Interest Payable	8	278	320
TOTAL EXPENDITURE	9	<u>32,113</u>	<u>29,502</u>
Deficit after depreciation of assets at valuation and before tax		30	(39)
Taxation	10	-	-
Surplus after depreciation of assets at valuation and tax	19	<u>30</u>	<u>(39)</u>

The income and expenditure of the Group relates wholly to continuing operations

GROUP BALANCE SHEET
AS AT 31ST JULY 2006

	Note	Group <u>2006</u> £000	University <u>2006</u> £000	Group <u>2005</u> <u>Restated</u> £000	University <u>2005</u> <u>Restated</u> £000
FIXED ASSETS					
Tangible Fixed Assets	11	<u>33,599</u>	<u>33,599</u>	<u>32,280</u>	<u>32,280</u>
CURRENT ASSETS					
Debtors	12	2,645	2,645	3,150	3,148
Short term deposits		3,141	3,141	3,501	3,501
Cash at bank and in hand		19	19	-	-
		<u>5,805</u>	<u>5,805</u>	<u>6,651</u>	<u>6,649</u>
CREDITORS: amounts falling due within one year	13	<u>(6,058)</u>	<u>(6,057)</u>	<u>(5,988)</u>	<u>(5,954)</u>
NET CURRENT ASSETS / LIABILITIES		<u>(253)</u>	<u>(252)</u>	663	695
TOTAL ASSETS LESS CURRENT LIABILITIES		33,346	33,347	32,943	32,975
CREDITORS: amounts falling due after more than one year	14	(1,685)	(1,449)	(2,114)	(2,114)
PROVISIONS FOR LIABILITIES & CHARGES	16	(494)	(494)	(500)	(500)
NET ASSETS excluding pension liability		<u>31,167</u>	<u>31,404</u>	<u>30,329</u>	<u>30,361</u>
PENSION LIABILITY	25	(5,785)	(5,785)	(5,118)	(5,118)
NET ASSETS		<u>25,382</u>	<u>25,619</u>	<u>25,211</u>	<u>25,243</u>
DEFERRED CAPITAL GRANTS	17	7,903	7,903	7,237	7,237
RESERVES					
Revaluation Reserve	18	13,766	13,766	13,897	13,897
Income and Expenditure Account excluding pension reserve	19	9,498	9,735	9,195	9,227
Pension Reserve	25	(5,785)	(5,785)	(5,118)	(5,118)
Income and Expenditure Account including pension reserve	19	<u>3,713</u>	<u>3,950</u>	<u>4,077</u>	<u>4,109</u>
TOTAL FUNDS		<u>25,382</u>	<u>25,619</u>	<u>25,211</u>	<u>25,243</u>

The financial statements on pages 11 to 34 were approved by the Board of Governors on 11 Dec 2006 and signed on their behalf by:

.....
Mr J Yelland
Chair of Governors
University of Worcester

.....
Professor David Green
Vice Chancellor
University of Worcester

.....
Mrs P Finch
Director of Finance
University of Worcester

CASH FLOW STATEMENT
For the Year Ended 31st July 2006

	<u>Note</u>	<u>2006</u> £000	<u>2005</u> £000
Net cash flow from operating activities	22	1,490	1,299
Returns on Investment & servicing of finance	23	(114)	(66)
Capital expenditure & financial investment	23	(1,243)	1,109
Management of liquid resources	23	360	(1,900)
Financing	23	(444)	(421)
Increase in cash	24	<u>49</u>	<u>21</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the Year Ended 31st July 2006

	<u>Note</u>	<u>2006</u> £000	<u>2005</u> £000
Increase in cash	24	49	21
Management of liquid resources	23	(360)	1,900
Cash outflow from financing	23	444	421
Movement in Net Debt for the Year		<u>133</u>	<u>2,342</u>
Net Funds / (Debt) at 1st August		949	(1,393)
Net Funds at 31st July	24	<u>1,082</u>	<u>949</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ended 31st July 2006

	<u>2006</u> £000	<u>2005</u> £000
Deficit after depreciation of assets at valuation and before tax	30	(39)
Reimbursement by HEFCE - inherited debt	50	22
Actuarial loss in respect of Pension Scheme	(575)	(1,270)
Total recognised gains for year	<u>(495)</u>	<u>(1,287)</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the Year Ended 31st July 2006

	<u>Note</u>	<u>2006</u> £000	<u>2005</u> £000
Deficit after depreciation of assets at valuation and before tax		30	(39)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	181	181
Historical cost surplus after tax		<u>211</u>	<u>142</u>

NOTES TO THE ACCOUNTS

Year ended 31st July 2006

1. FUNDING COUNCIL GRANTS

	HEFCE	TDA	LSC	Total 2006	Total 2005
	£000	£000	£000	£000	£000
Recurrent	10,067	3,712	-	13,779	12,851
Specific Grants:					
ASN Development Funding	36	-	-	36	
LLN Development Funding	25	-	-	25	
Supporting Professional Standards	31	-	-	31	14
Knowledge Transfer Capability Fund	14	-	-	14	4
Learning + Teaching Development	29	-	-	29	37
Active Community Fund	6	-	-	6	17
JISC	132	-	-	132	94
Summer Schools	5	-	-	5	38
Foundation Degree Development	-	-	-	-	42
SLDD	-	-	-	-	33
Reimbursement of loan charges	-	-	-	-	3
Fellowship Monies	17	-	-	17	15
Fee Waivers	3	-	-	3	5
Access to Learning administration	12	-	-	12	9
HR Implementation	-	-	-	-	32
Student Associate Scheme	-	196	-	196	173
Graduate Teacher Programme	-	811	-	811	601
Flexible PGCE - Tuition Fees	-	93	-	93	130
Primary Modern Languages	-	24	-	24	-
Overseas Trained Teacher Programme	-	11	-	11	
TDA Projects	-	119	-	119	123
Graduate Registered Teachers	-	-	-	-	29
Seconded Staff	-	-	-	-	60
Training Salary Admin Fee	-	37	-	37	40
SSSS Admin Fee	-	3	-	3	4
LSC Projects	-	-	50	50	94
Deferred Capital Grants released:					
Buildings (Note 18)	241	-	-	241	687
Equipment (Note 18)	615	9	-	624	196
	<u>11,233</u>	<u>5,015</u>	<u>50</u>	<u>16,299</u>	<u>15,331</u>

2. ACADEMIC FEES AND SUPPORT GRANTS

	<u>2006</u>	<u>2005</u>
	£000	£000
Full Time students (Home and EU) fees	3,633	3,430
Full Time students (Overseas) fees	307	542
Part time fees	609	591
Short course fees	628	502
Other Fees	79	104
Contract Income Health Authority	4,209	3,669
	<u>9,465</u>	<u>8,838</u>

3. RESEARCH GRANTS AND CONTRACTS

	<u>2006</u>	<u>2005</u>
	£000	£000
Grants	<u>913</u>	<u>943</u>

4. OTHER OPERATING INCOME**Note 4. Other Operating Income.**

	<u>2006</u>	<u>2005</u>
	£000	£000
Residences, catering and conferences	1,592	1,506
Other services rendered	445	296
Release of deferred capital grants	180	326
Other income	3,086	2,065
	<u>5,303</u>	<u>4,193</u>

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE

	<u>2006</u>	<u>2005</u>
	£000	£000
Income from short term investments	<u>164</u>	<u>158</u>

6. STAFFStaff Costs

Wages and Salaries	16,404	15,284
Social security Costs	1,317	1,190
Other Pension costs	1,765	1,852
	19,486	18,326

Emoluments of the Vice Chancellor :

	<u>2006</u>	<u>2005</u>
	£000	£000
Salary	150	125

The University's pension contributions for the Vice Chancellor to the TPA are paid at the same rate as for other academic staff and amounted to £19,928 (2005 - £16,926). As part of his contract and for the duration of his employment the Vice Chancellor has agreed to live in accommodation provided by the University.

The average weekly number of persons (including Senior post holders) employed by the University during the period, expressed as full time equivalents, was:

	<u>2006</u>	<u>2005</u>
	Number	Number
Academic Departments	313	310
Academic Services	54	49
Administrative & central services	144	144
Premises	46	40
Research	17	15
Residences, catering and conferences	25	25
	599	583

Remuneration of higher paid staff

	<u>2006</u>	<u>2005</u>
£70,001-£80,000	-	2
£80,001-£90,000	2	1
£90,001-£100,000	1	-
£100,001-£110,000	-	-
£110,001-£120,000	-	-
£120,001-£130,000	-	1
£130,001-£140,000	-	-
£140,001- £150,000	1	-

Governors are entitled to reimbursement of travel expenses although none were claimed during 2006.

7. OTHER OPERATING EXPENSES

	<u>2006</u> £000	<u>2005</u> £000
Residences, catering and conferences	489	304
Consumables and laboratory expenditure	447	571
Books and periodicals	340	334
Heat, light, water and power	583	322
Repairs and general maintenance	938	666
Grants to UW Students' union	204	180
Auditors remuneration:		
External	26	25
Internal	30	35
Other services from external auditors	-	30
Equipment operating leases	252	86
Other expenses	7,354	6,879
	<u>10,663</u>	<u>9,432</u>

8. INTEREST PAYABLE

	<u>2006</u> £000	<u>2005</u> £000
Loans not wholly repayable within 5 years	<u>278</u>	<u>320</u>

9. ANALYSIS OF 2005/06 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Dep'n £000	Other Expenses £000	Interest Payable £000	Total £000
Academic Departments	11,727	216	2,544	-	14,487
Academic Services	1,516	105	567	-	2,188
Administrative & central services	4,500	1,324	5,119	278	11,221
Premises	1,107	12	1,951	-	3,070
Research	579	29	243	-	851
Residences, catering and conferences	57	-	239	-	296
Total per Income and Expenditure A/c	<u>19,486</u>	<u>1,686</u>	<u>10,663</u>	<u>278</u>	<u>32,113</u>

	<u>2006</u> £000
The depreciation charge has been funded by:	
Deferred capital grants released	638
Revaluation reserve released (Note 19)	181
General revenue	867
	<u>1,686</u>

10. TAXATION

The University was not liable for any corporation tax arising out of its activities during the period of these financial statements.

11. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Equipment £000	Total £000
<u>Valuation / Cost</u>			
At 1st August 2005			
Valuation	20,970	-	20,970
Cost	13,015	8,546	21,561
Additions at cost	512	1,315	1,827
Assets under construction	33	1,184	1,217
Disposals at cost	-	(48)	(48)
	<u>34,530</u>	<u>10,997</u>	<u>45,527</u>
At 31st July 2006			
Valuation	20,970	-	20,970
Cost	<u>13,560</u>	<u>10,997</u>	<u>24,557</u>
	<u>34,530</u>	<u>10,997</u>	<u>45,527</u>
<u>Depreciation</u>			
At 1st August 2005	4,637	5,614	10,251
Charge for year	608	1,078	1,686
Depreciation on disposals	-	(9)	(9)
At 31st July 2006	<u>5,245</u>	<u>6,683</u>	<u>11,928</u>
<u>Net Book Value</u>			
At 31st July 2006	<u>29,285</u>	<u>4,314</u>	<u>33,599</u>
At 31st July 2005	<u>29,348</u>	<u>2,932</u>	<u>32,280</u>

The above land and buildings are held on a freehold basis.

Where specific grants have been received in respect of buildings they are treated as deferred capital grants and released to income over the expected useful life of the building. The cost of the building is capitalised and depreciated as above. The proceeds from the sale of any asset funded from Treasury sources may have to be surrendered to the Treasury, although in appropriate circumstances such repayment may be waived.

12. DEBTORS

	Group	
	<u>2006</u>	<u>2005</u>
	£000	£000
Amounts falling due within 1 year:		
General Debtors	2,469	2,824
Prepayments and Accrued Income	176	139
Students' Union Loan	-	6
VAT Capital Goods Scheme	-	20
	<u>2,645</u>	<u>2,989</u>
Amounts falling due after 1 year:		
VAT Capital Goods Scheme	-	161
	<u>2,645</u>	<u>3,150</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	
	<u>2006</u>	<u>2005</u>
	£000	£000
Bank Overdraft	-	29
Mortgages	394	394
Inherited Liability	-	15
Payments received on account	43	22
Trade Creditors	1,320	1,882
Social Security and other Taxation payable	669	388
Accruals and deferred income	3,632	3,258
	<u>6,058</u>	<u>5,988</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2006</u>	<u>2005</u>
	£000	£000
Mortgage secured on residential property		
Repayable by 2011	368	455
Repayable by 2010	517	724
Mortgage secured on Sports Hall & Car park		
Repayable by 2015	800	900
Long term inherited liability	-	35
	<u>1,685</u>	<u>2,114</u>

15. BORROWINGS

	Group	
	<u>2006</u>	<u>2005</u>
	£000	£000
Bank Loan	2,079	2,473
Long term inherited liability - LEA	-	50
Total	<u>2,079</u>	<u>2,523</u>
Due within one year	394	409
Due after more than one year	1,685	2,114
	<u>2,079</u>	<u>2,523</u>
	<u>2006</u>	<u>2005</u>
	£000	£000
Bank Loans and overdrafts		
Due within one year	394	394
Between one and two years	394	394
Between two and five years	1,182	1,182
After five years	109	503
	<u>2,079</u>	<u>2,473</u>
Long term Liability - LEA		
Due within one year	-	15
Between one and two years	-	15
Between two and five years	-	20
	<u>-</u>	<u>50</u>
	<u>2,079</u>	<u>2,523</u>

The bank loans are secured against the University's library, part of the student halls of residence, the Sports Hall and car parking. The loans are repayable in quarterly instalments until the end of their terms in 2010, 2011 and 2015 and bear interest at 10.375%, 8.75% and a variable rate of 5.5825% at 31st July 2006.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2006</u>	<u>2005</u>
	£000	£000
Provision for pensions excluding FRS17		
At 1st August	500	506
Interest	30	31
Payment made in Year	(36)	(37)
At 31st July	<u>494</u>	<u>500</u>
	<u>2006</u>	<u>2005</u>
	£000	£000
Provision for pensions including FRS 17		
At 1 August	5,618	506
Interest	30	31
Payment made in year	(36)	(37)
Pension Asset / Liability	667	5118
At 31st July	<u>6,279</u>	<u>5,618</u>

Provision for Pensions

The University has provided for future pension costs associated with the granting of additional years of service to certain members of staff taking early retirement. The pension costs are charged directly against the provision. Interest on the balance of the provision is added annually to the provision through a charge to the Income and Expenditure Account. This provision covers pension costs not met by the Teachers Pension Scheme and the Local Government Pension Scheme.

17. DEFERRED CAPITAL GRANTS

	HEFCE £000	TDA £000	AWM £000	OTHER £000	TOTAL £000
<u>At 1st August 2005</u>					
Buildings	5,467	-	590	62	6,119
Equipment	386	33	621	78	1,118
Total	<u>5,853</u>	<u>33</u>	<u>1,211</u>	<u>140</u>	<u>7,237</u>
<u>Cash Received</u>					
Buildings	690	-	-	-	690
Equipment	931	-	-	91	1,022
Total	<u>1,621</u>	<u>0</u>	<u>0</u>	<u>91</u>	<u>1,712</u>
<u>Released to income & expenditure</u>					
Buildings	241	-	10	7	258
Equipment	615	9	111	53	788
Total	<u>856</u>	<u>9</u>	<u>121</u>	<u>60</u>	<u>1,046</u>
<u>At 31st July 2006</u>					
Buildings	5,916	-	580	55	6,551
Equipment	702	24	510	116	1,352
Total	<u>6,618</u>	<u>24</u>	<u>1,090</u>	<u>171</u>	<u>7,903</u>

18. REVALUATION RESERVE

	Group	
	<u>2006</u> £000	<u>2005</u> £000
<u>Revaluations</u>		
At 1st August 2005	16,178	16,156
Reimbursement by HEFCE inherited debt	50	22
At 31st July 2005	<u>16,228</u>	<u>16,178</u>
<u>Contributions to depreciation</u>		
At 1st August 2005	2,281	2,100
Released in year	181	181
At 31st July 2006	<u>2,462</u>	<u>2,281</u>
<u>Net revaluation amount</u>		
At 31st July 2006	<u>13,766</u>	<u>13,897</u>

19. INCOME AND EXPENDITURE ACCOUNT

Movement on General Reserves	£000	£000
At 1 August as previously stated	4,077	8,729
Prior year adjustment in respect FRS 17	0	(3,524)
Retained surplus / (deficit) for the year	30	(39)
Transfer from revaluation reserve	181	181
Actuarial loss in respect of pension scheme	(575)	(1,270)
	<u>3,713</u>	<u>4,077</u>
At 31 July	3,713	4,077
 Represented by:		
Pension Reserve	(5,785)	(5,118)
Income & Expenditure account excluding pension reserve	9,498	9,195
	<u>3,713</u>	<u>4,077</u>

20. LEASE OBLIGATIONS

	Group	
	<u>2006</u>	<u>2005</u>
	£000	£000
Operating lease commitments in respect of equipment for the financial year on leases expiring:		
Within one year	244	253
Between two and five years	718	811
	<u>962</u>	<u>1,064</u>

21. CAPITAL COMMITMENTS

	Group	
	<u>2006</u>	<u>2005</u>
	£000	£000
Modern Classrooms	5	4
City Centre Campus Site	3,243	31
SITS upgrade	-	35
Virtual Learning Project (with FE Colleges)	15	3
Infrastructure Computing	-	10
Library System	-	48
E-Learning project	20	-
Replacement pc programme	81	-
Alumni management software	7	-
Battenhall sports facility	3	-
Information networks and servers	1	-
	<u>3,375</u>	<u>131</u>

Significant planned projects / developments:

Joint Library and History Centre:

The current cost estimate is £56.7 million; no contracts in respect of construction work have been awarded. This is a joint partnership project with Worcestershire County Council.

Aerobiology Test Centre: The current cost estimate is £7.5 million; no contracts in respect of construction work have been awarded.

Battenhall Sports Facility: The current cost estimate is £1.9 million; no contracts in respect of construction work have been awarded.

City Centre Campus: The current cost estimate is £95 million; no contracts in respect of construction work have been awarded.

The purchase of the land at the City Centre Site included in the total cost above is £5.4 million.

22. RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASH FLOWS

	<u>2006</u>	<u>2005</u>
	£000	<u>Restated</u>
	£000	£000
Surplus / (Deficit) before tax	30	(39)
Depreciation	1,686	1,424
Deferred Capital Grants released to income (Note 17)	(1,046)	(1,209)
Investment Income (Note 5)	(164)	(158)
Interest payable (Note 8)	278	320
Increase in stocks	-	(1)
Decrease / (Increase) in debtors	506	(559)
Increase in creditors	114	1,296
(Decrease) in provisions	(6)	(6)
Pension cost less contributions payable	92	231
	<u>1,490</u>	<u>1,299</u>
Net cash flow from operating activities	<u>1,490</u>	<u>1,299</u>

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW

	<u>2006</u> £000	<u>2005</u> £000
Returns on Investment and Servicing of finance		
Income from short term investments	164	158
Interest paid	(278)	(228)
Other interest received (HEFCE interest reimbursement)	-	4
Net cash outflow from returns on investment & servicing of finance	<u>(114)</u>	<u>(66)</u>
Capital expenditure and Financial investments		
Purchase of tangible fixed assets	(3,044)	(2,394)
Sale of tangible fixed assets	39	-
Deferred Capital Grants received	1,712	3,481
Other Grants received (HEFCE Inherited Debt)	50	22
Net cash (outflow)/inflow for Capital expenditure and Financial investments	<u>(1,243)</u>	<u>1,109</u>
Net cash inflow/(outflow) from management of liquid resources	<u>360</u>	<u>(1,900)</u>
<u>Financing</u>		
LEA loan principal repayment	(50)	(27)
Mortgage and loan capital repayments	(394)	(394)
Net cash (outflow) from financing	<u>(444)</u>	<u>(421)</u>

24. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 August 2005 £000	Cash- flows £000	At 31 July 2006 £000
Cash in hand and at bank	(29)	3,159	3,130
Debt due within one year	(409)	15	(394)
Debt due after one year	(2,114)	429	(1,685)
Short term investments	3,501	(3,501)	0
	<u>949</u>	<u>102</u>	<u>1,051</u>

25. PENSION SCHEMES

The three principal pension schemes for the University's staff are provided by the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS), and the County of Hereford and Worcestershire Superannuation Fund (CHWSF). The assets of the Schemes are held in separately administered funds.

TEACHERS' PENSION SCHEME (TPS)

The contribution of the institution is currently 13.5% of pensionable salaries for the academic staff pension scheme. Contributions to the scheme are valued not less than every five years by the Government Actuary. Contributions are paid by the University at the rate specified by the government actuary.

Under the definitions set out in the Financial Reporting Standard (FRS) 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has used the exemption in FRS 17 and contributions to the scheme have been accounted for as if it were a defined contribution scheme. The University College has set out below the information available on the deficit in the scheme and the implications for the University in terms of anticipated contribution rates.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations		31st March 2004
Actuarial method		Projected unit method
Gross rate of return		6.50%
Real rate of return in excess of :		
	Prices	3.50%
	Earnings	2.00%
Rate of real earnings growth		1.50%
Market value of assets at the date of last valuation		£163.240m
Proportion of the member's accrued benefits covered by the actuarial value of the assets		100%
During the year all employees have paid the same contribution rate of		13.50%

The value of pension payments made in year to the Teachers Pension Scheme was £1,132,915 with £103,300 outstanding as a creditor at 31 July 2006.

UNIVERSITIES SUPERANNUATION SCHEME (USS)

The contribution of the institution is currently 14% of pensionable salaries for the Universities staff pension scheme. Contributions are paid by the University at the rate specified by the government actuary.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions made by the scheme on the result of the valuation were as follows:

	Past service liabilities	Future service liabilities
Rate of interest	4.50%	6.20%
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%

25. PENSION SCHEMES (Continued)

The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year

At the valuation date, the value of the assets of the scheme was as follows:

Latest actuarial valuations Actuarial method	31st March 2005 Projected unit method
Market value of assets at the date	£21,740m
Value of past service liabilities	£28,308m
Past service deficit	£ 6,568m
Covered by the actuarial value of	77%
During the year all employees have paid the same contribution rate of	6.35%

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but it was agreed, on the advice of the actuary, that the institution contribution rate will be maintained at 14% of salaries.

The next formal triennial actuarial valuation is due at 31 March 2008 when the above rates will be reviewed.

The value of pension payments made in year to the Universities Superannuation Scheme was £8,281 with £1,174 outstanding as a creditor at 31 July 2006.

WORCESTERSHIRE COUNTY COUNCIL PENSION FUND

The fund is a defined benefit scheme. A full actuarial valuation was carried out at 31st March 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2006	At 31 July 2005	At 31 July 2004
Rate of inflation	3.00%	2.80%	2.70%
Rate of increase in salaries	4.50%	4.05%	4.20%
Rate of increase in pensions	3.00%	2.80%	2.70%
Discount Rate	5.10%	5.00%	5.50%

25. PENSION SCHEMES (Continued)

The assets in the scheme and the expected rate of return on these were:

	Long term rate of return expected at 31 July 2006	Value at 31 July 2006	Long term rate of return expected at 31 July	Value at 31 July 2005	Long term rate of return expected at 31 July	Value at 31 July 2004
	%	£	%	£	%	£
Equities	7.00	10,418	7.50	8,723	7.50	6,652
Government Bonds	4.40	1,495	4.40	1,427	5.00	1,058
Other Bonds	5.10	575	5.00	584	5.70	400
Property	6.00	-	6.50	-	6.50	-
Cash/Liquidity	4.50	294	4.75	76	4.50	217

The following amounts at 31st July 2006 were measured in accordance with the requirements of FRS17:

	<u>2006</u> £000	<u>2005</u> £000	<u>2004</u> £000
Total market value of assets	12,782	10,810	8,327
Present value of scheme liabilities	(18,567)	(15,928)	(11,852)
(Deficit) – Net pension liability	<u>(5,785)</u>	<u>(5,118)</u>	<u>(3,525)</u>

25. PENSION SCHEMES (Continued)Analysis of amounts charged to income and expenditure account

	<u>2006</u>	<u>2005</u>
	£000	£000
Employer service cost (net of employee contribution)	876	662
Past service cost	<u>(345)</u>	<u>17</u>
Total operating costs	<u>531</u>	<u>679</u>
Expected return on assets	(728)	(612)
Interest on pension liabilities	<u>821</u>	<u>704</u>
Pension finance income / (costs)	<u>93</u>	<u>92</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	<u>2006</u>	<u>2005</u>
	£000	£000
Actual return less expected return on pension scheme assets	603	1,186
Gains and losses arising on the scheme liabilities	(496)	(385)
Change in assumptions underlying the present value of the scheme liabilities	(682)	(2,071)
Net actuarial (Loss) for the year	<u>(575)</u>	<u>(1,270)</u>

The movement in deficit during the year is made up as follows:

	<u>2006</u>	<u>2005</u>
	£000	£000
Deficit on scheme at 1st August	(5,118)	(3,525)
Current service cost	(876)	(662)
Contributions	532	448
Past service cost / (curtailment)	345	(17)
Net interest / return on assets	(93)	(92)
Actuarial loss	(575)	(1,270)
Deficit at 31st July	<u>(5,785)</u>	<u>(5,118)</u>

The total pension cost for the University was:

	<u>2006</u>	<u>2005</u>
	£000	£000
Contributions to TPA	1,236	1,166
Contributions to WCCPF	528	439
WCCPF charge to I & E	(1)	231
Contributions to USS	9	6
	<u>1772</u>	<u>1842</u>

In addition the University of Worcester is responsible for all payments relating to added years benefits it has awarded, together with the related increases. In 2005/06 this amounted to £93,706 (2004/05 £97,746).

26. ACCESS TO LEARNING FUND

	<u>2006</u> £000	<u>2005</u> £000
Funding Council Grants	415	354
Interest Earned	-	-
	<u>415</u>	<u>354</u>
Disbursements to Students	<u>(412)</u>	<u>(344)</u>
Balance unspent at 31st July 2006	<u><u>3</u></u>	<u><u>10</u></u>

Funding Council Grants received in respect of the Access to Learning Fund are available solely for students; the University acts only as a paying agency. The grants and related disbursements are therefore excluded from the income and expenditure account.

27. TRAINING SALARIES/SECONDARY SHORTAGE SUBJECT SCHEME

	<u>2006</u> £000	<u>2005</u> £000
Funding	1,882	2,041
Disbursements to Students	<u>(1,752)</u>	<u>(1,842)</u>
Balance unspent as at 31st July 2006	<u>130</u>	<u>199</u>

Funding received from the Teacher Development Agency for Schools in respect of the PGCE Training Salaries and Secondary Subject Shortage Scheme is available solely for students; the University acts only as a paying agency. The funding and related disbursements are therefore excluded from the income and expenditure account.

28. SURE START FOUNDATION DEGREE

	<u>2006</u> £000	<u>2005</u> £000
Balance unspent as at previous 31st July	38	20
Funding	52	125
Disbursements to Students	<u>(38)</u>	<u>(107)</u>
Balance unspent as at 31st July 2006	<u>52</u>	<u>38</u>

Funding received from DfES to support students studying for the Foundation Degree in Early Years. The funding and related disbursements are therefore excluded from the income and expenditure account.

29. RELATED PARTY TRANSACTIONS

The University of Worcester Students' Union is an exempt charity for the purposes of the Charities Act 1993 deriving charitable status from its governing parent body, the University of Worcester. During the year, the University contributed grants of £203,785 to the Students' Union. In addition, the Students' Union occupies the building on a rent-free basis under an informal licence, subject to the Union maintaining the building in a good state of repair. The accounts for the Students' Union have not been consolidated with the University's Accounts, as the University has no control over the activities and the conduct of the affairs of the Students' Union.