

## **Report and financial statements 2009**

### **University of Worcester Directorate**

#### **Vice Chancellor and Chief Executive**

Professor D Green MA (Cantab.)

#### **Deputy Vice Chancellor and Deputy Chief Executive**

Professor J Elkin BA PhD (to 31<sup>st</sup> August 2009)

Professor R Foskett MA PhD from 1<sup>st</sup> September 2009)

### **AUDITORS**

#### **External**

PricewaterhouseCoopers LLP  
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Cardiff  
CF10 3PW

#### **Internal**

RSM Bentley Jennison  
5 Ridge House  
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### **BANKERS**

National Westminster Bank PLC  
1 The Cross  
Worcester  
WR1 3PR

### **SOLICITORS**

Harrison Clark & Co  
5 Deansway  
Worcester  
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No 1 Colmore Square  
Birmingham  
B4 6AA

### **INSURERS**

AON Risk Services  
158 Edmund Street  
Birmingham  
B3 2HB

**Report and financial statements 2009****Members of the board of governors**

The following members served during the year:

Mr Julian Pallett	(Chair) Independent
Mr David Antell	Student
Dr Heather Barrett	Staff
Mr John Bateman OBE	Independent
Ms Joanna Bruce MBE	Independent
Professor Michael Clarke	Co-opted
Mr Michael Collins	Student (joined 1 <sup>st</sup> July 2009)
Mr Andrew Duncan	Independent
Ms Francesca Fairhurst	Co-opted
Professor David Green	Vice Chancellor
Mr Andy Hemming	Student (retired 30 <sup>th</sup> June 2009)
Professor Jim Low	Co-opted
Mr Mike Newitt	Independent
Mr Tim Patrickson	Independent
Mr Lee Probert	Independent
Mrs Jan Quallington	Staff
Mrs Elaine Spalding	Independent (Joint Vice Chair)
Mrs Julie Swan	Independent (joined 1 <sup>st</sup> August 2008)
Mr Paul Swinburn	Independent
Professor Tamar Thompson OBE	Independent (Joint Vice Chair)
Mr Paul West	Independent

## Operating and financial review

### For the Year Ended 31<sup>st</sup> July 2009

#### Section 1: Strategies and Objectives

The University's Strategic Plan, 2007-2012, provides a clear statement of the University's values and ambitions. The Plan seeks to build on strengths and extend further the University's reputation for providing excellent, inclusive higher education. The University has adopted a set of values to inform its future vision – to develop, promote and protect values of intellectual openness, honesty and love of learning, and a deep commitment to human equality and dignity. The University's values and ambitions are encapsulated in the final section of the Plan: to inspire, to include and to innovate.

The University is committed to significant growth, both in size and in impact on the region it serves. The University will, by the end of the life of the Plan, provide substantially more higher education opportunities and, through the construction of a new city centre campus, will have contributed to the regeneration of the City of Worcester, and the development of a new cultural and learning quarter.

The Strategic Plan identifies aims, objectives, success criteria and key strategic risks within five areas:-

- An outstanding student experience
- Generating knowledge and promoting enterprise
- A first class university for the region
- High achieving staff in a well led University
- Sustainable development, excellent facilities

The Strategic Plan is available on the University's web-site

As required by the Higher Education Funding Council for England (HEFCE), the University produces and publishes an annual corporate planning statement. The statement summarises achievement against strategic priorities for the year ending, and establishes priorities for the subsequent period. The University's Corporate Planning Statement 2009/10 is available on the University's web-site

Key achievements in 2008/09 included:-

- A further 12.06% increase in full-time applications, cementing the University's position as one of the fastest growing universities in the UK
- The opening or completion of a number of newly built or re-furnished buildings providing improved teaching accommodation for Art and Design and Science and high quality student residences at the St John's and City Centre campuses
- The completion of new laboratories for the National Pollen and Aerobiology Research Unit, partly funded by Advantage West Midlands
- Further, incremental, improvements in the rates of retention and achievement of students, although progress in this area has been less than anticipated and remains a high priority
- A financial surplus of £1.8m (3.5% of income), in line with HEFCE guidance and the University's financial strategy.
- The further roll-out of the University's leadership programme and the adoption of a Framework for Staff Development, both key to the University's objective "High Achieving Staff in a well-led University".

The University's Board of Governors will undertake a mid-cycle review of the Strategic Plan in the course of the 2009/10 year. Other key strategic priorities will be:-

- To improve further rates of student satisfaction, retention, progression and achievement, key to the University's ambition to provide an outstanding student experience
- To ensure that application levels for the University's undergraduate courses are at least maintained at the levels achieved in 2008/09, and to develop further study opportunities at postgraduate level to increase the proportion of the University's student population taking postgraduate level qualifications.
- To complete Phase A of the city campus development and to agree the precise nature and timescale for Phase B

- To maintain a surplus budget, within the limits of HEFCE guidance, in order to retain the confidence of funders in the University's ability to manage the capital development programme.
- To support staff to develop the skills and capabilities to achieve high levels of staff and student satisfaction and achievement.

## Section 2: Financial Management and Sustainability

The University places particular emphasis on financial stability and sustainability and this will continue to be a central objective of the University Strategic and Financial Plans. The key objectives of the financial strategy are to ensure that the University:-

- Remains financially viable and sustainable
- Maximises the use of available resources
- Maintains appropriate levels of funding for development and investment
- Achieves value for money in all its activities
- Evaluates and minimises risks

At the time of writing, there are signs that the economic recession is ending, although the outlook remains uncertain, especially in the context of public spending and the possible knock-on effect for universities. It is therefore important that the University maintains a sound financial base as it prepares to meet the significant challenges ahead. The University will continue to observe the principles of prudent financial management and will ensure that its development plans remain achievable and affordable.

### Results for the year

The 2008-09 financial statements confirm a healthy financial position and comprise the consolidated results of the University and its trading subsidiary UW Developments Ltd. The consolidated results for the year are summarised on page 17.

The result for the year was a surplus of £1.8m after depreciation of assets at valuation and tax, compared to a surplus of £1.5m in 2007-08.

Total income increased by £6.5m to £50.9m (14.5%). Funding Council grants increased by £3.1m to £23.9m (14.9%). Academic fees and support grants including the NHS contract income increased by £4m to £20.9m (23.9%) due mainly to the final year of the implementation of the higher level tuition fees. There was a reduction in the level of other operating income of £0.7m to £5.3m (0.9%) due to the loss of a significant summer lettings contract.

Total expenditure increased by £6.1m to £49.1m (14.3%). Staff costs increased by £3m to £27.5m (12.2%) reflecting pay awards, increments and a modest increase in the number of full-time equivalent staff. Other operating expenses increased by £2m to £18.1m (12.6%). Interest payable increased by £1.1m to £1.8m as the loan to fund the major capital developments has been drawn down.

### Balance sheet

Fixed assets have increased by £41m to £92.1m reflecting the major capital developments which have taken place in 2008-09. The developments have been funded by a loan from Barclays Bank. The total loan drawn down at the 31<sup>st</sup> July 2009 was £42m.

The pension liability with the Worcestershire County Council Pension Fund increased by £0.3m reflecting an in-year charge to the Income and Expenditure Account of £1m offset by an actuarial gain of £0.8m. The latest formal valuation of the scheme was 31 March 2007, with the next formal valuation due 31st March 2010.

### Cash Flow

The consolidated cash flow statement shows that there was a net increase in cash of £2.1m (2008 £0.3m). Capital expenditure including that on the new buildings totalled £34.6m (2008 £6.8m) and represents a significant investment in the physical resources of the University funded mainly by a loan from Barclays Bank plc

### Post balance sheet events

There are no post balance sheet events to report

#### Long-term borrowing facility

The University has complied with all of the financial covenants relating to the loan from Barclays Bank plc

#### Sustainability

The University, like other HEIs with a similar history and profile, remains highly dependent on income from government sources and tuition fees. The diversification of income remains a key objective. The University will seek to maximise the opportunities for increased income generation through the improved physical facilities. It will also seek to increase income from research and knowledge transfer and has recently adopted new strategies to take these ambitions forward.

The University recognises that the assessment and effective management of risks is central to its future development and sustainability. The University maintains a 'high level' Register of Institutional Risks and has in place monitoring processes to ensure that risks are evaluated and mitigated on an on-going basis. The Audit Committee and the Board of Governors monitor the assessment, mitigation and response to institutional risk through regular reports and briefings from senior University officers. Further details of the arrangements for risk management are included in the subsequent section, 'Corporate Governance'.

The University is committed to environmentally sustainable practice in all aspects of University life and seeks to act in a sustainable and environmentally enhancing way. It has appointed an Environmental Sustainability Officer and has in place an environmental strategy and a carbon reduction programme. Progress in this area is audited and outcomes are presented to the Board of Governors through the Audit Committee.

### **Section 3: Public and Community Engagement**

The University continues to build and enhance its engagement with the community. Reference has already been made to the University's participation in the economic and cultural regeneration of the St Clement's area of the city, which provides the location for the new city centre campus, and the Worcester Library and History Centre, a joint initiative with Worcestershire County Council. The University is, one of the largest single employers in its sub-region and estimated calculations suggest that the University contributes over £200m to the local economy.

One of the guiding principles of the new campus and the joint library is to provide an inclusive and accessible environment, opening up the facilities of the University to the public. The new campus will include a Well-Being Centre, which will be open to the public, and the re-furbished Worcester Royal Infirmary, a landmark building, will include public areas, and a history of medicine museum. The new campus will provide a focus for cultural and artistic events and the University will work closely with 'Worcester Live', to develop further the opportunities for artistic endeavour especially through the increasingly successful Worcester Festival.

The education of people to work with young people is a key aspect of the University's academic provision. This includes teacher training but is also a focus for courses in sports coaching, children's literature, art and design, the performing arts and integrated children's studies. The University contributes extensively to activities for children and young people through a wide range of widening participation and volunteering activities and these include: an annual Children's Story Telling Festival; coaching schoolchildren in a range of sports; mentoring programmes; Kid's Clubs and Sunday Sport through the Students' Union. The University is also the venue for meetings of numerous community groups with a focus on children and young people.

The University, supported by the Strategic Health Authority, and other NHS organisations, is involved in a range of health provision of benefit to the locality. As well as extensive provision in nursing and midwifery, the University is the focus for paramedic training for the sub-region. In 2009, the University has established a new research centre in Dementia, part funded by the NHS and Worcestershire County Council. The University's health and social care provision supports practitioners in Herefordshire and Worcestershire, through both continuing professional development and research conducted by University staff.

The University has collaborative partnerships with all FE colleges and various other learning organisations in Herefordshire and Worcestershire and surrounding areas. This is a central aspect of the University's commitment to widening participation and the provision of ladders of opportunity from FE into HE.

The University also seeks to work closely with the business sector, and other employers, to ensure that the resources of the University are widely available. The University, and in particular the Worcester Business School, works through and with the Chamber of Commerce, the CBI, the Institute of Directors and other representative bodies to contribute to the economic development of the region. The University has established a Business Development Office and, in 2008/09, this Office has been the main focus for the development of a Graduate Intern Scheme which seeks to provide employment for up to 50 recent graduates who might otherwise have been unemployed. The Scheme has won national recognition.

#### Section 4: Academic Review

The University has been engaged in a programme of growth in student numbers, supported by the HEFCE's strategic development fund. The University's risk register identifies failure to achieve increased student numbers as a key strategic risk. This has been especially important in the context of HEFCE funded numbers. The table below shows achievements in increasing the numbers of applications to the University through UCAS and against its HEFCE student number targets:-

Year	Applications through UCAS	Cumulative % increase	HEFCE Baseline Student and ASNs Achieved	Cumulative % Increase
2003	4,510		2,890	
2004	5,034	12%	3,020	4%
2005	5,389	19%	3,003	4%
2006	5,985	33%	3,293	14%
2007	8,431	87%	3,582	24%
2008	9,170	103%	3,660	27%
2009	9,725	116%	4,089	41%

As important to the University is its success in recruiting to NHS commissioned numbers and to TDA targets. The University's record in both these important areas of provision is good and the numbers in nursing and midwifery and initial teacher training have been maintained. The 2008/09 admissions cycle has been particularly successful and the University has achieved or exceeded its targets in all areas for the 2009/10 entry.

The University has been awarded 410 additional student numbers by HEFCE for the 2010 entry, the highest number awarded to a single institution.

The University's academic provision is broad-based and is delivered through six academic institutions. The distribution of students across these areas in 2008/09 was as follows:-

Institute	FT	PT	Total	%
Education	1,309	1,923	3,232	38%
Health & Society	1,340	321	1,661	20%
Humanities & Creative Arts	899	204	1,103	13%
Science and the Environment	408	155	563	7%
Sport and Exercise Science	739	57	796	10%
Worcester Business School	650	314	964	12%
<b>Total</b>	<b>5,345</b>	<b>2,974</b>	<b>8,319</b>	

The University's performance in the National Student Survey has been very good since the survey's inception in 2006, in the top quartile of institutions. However, the University's position in the 2009 survey has slipped (from an overall satisfaction score of 4.1 to 4.0), although in some subject areas the levels of satisfaction remained very high. The University is responding to this very pro-actively and has established a task-and-finish group that will look at all aspects of the student experience and identify measures to increase levels of satisfaction.

The proportion of students achieving a good degree has further increased in 2008/09 and is now in excess of 50%. The University has also taken advantage of increased popularity to review entry requirements and to increase them accordingly, whilst retaining its commitment to widening participation. The University continues to do well in graduate employment.

The academic year 2008/09 saw the further development and diversification of the University academic portfolio. New courses to be offered from the start of the 2009/10 session include Advertising, Business

Systems Management, Counselling, Education, and Forensic Psychology, and in 2010/11 new provision will include Accounting, Tourism and Public Relations. The University has in place a Learning, Teaching and Assessment Strategy, which is intended to enhance the student learning experience. Responsibility for the strategy rests with the Director of Quality and Educational Development, within which the Academic and Development Practice Unit is the focus for activities designed to support the enhanced quality of academic provision. Projects in 2008/09 have included: the development of a peer learning through observation scheme; the establishment of a University Learning and Teaching Journal; evaluation of the impact of e-learning technologies; the further development of student employability.

The quality and standard of courses continue to be overseen by the Academic Quality Unit. New validation procedures were introduced across the University in 2008/09, and the annual monitoring procedures were revised, and the new procedures, named 'Annual Evaluation' will be utilised for the review of the quality and standards of provision in 2008/09. Validation and annual evaluation are risk-based. Externality remains a very important element, as illustrated by the use of external examiners and in validation and periodic review. The University has a positive record of external review. Recent inspections of provision in Initial Teaching Education and Nursing and Midwifery have resulted in highly positive outcomes. The Quality Assurance Agency (QAA) Institutional Audit in 2005 included a number of commendations and the mid-cycle review (in 2007) showed good progress in addressing areas for development. Preparations for the next Institutional Audit (scheduled for early 2011) will commence in 2009/10.

The University took a very selective approach to the 2008 RAE, entering staff in four units (10% of staff). The outcome was positive and over 90% of the work submitted was judged to be of at least national standard and of this about 10% was recognised as internationally excellent or world leading. During 2008/09 the University submitted an application for research degree awarding powers. The QAA's Advisory Committee on Degree Awarding Powers agreed that the University had made a prima facie case and authorised a full scrutiny of the application. A panel of assessors was appointed and the panel has made two visits to the University (in March and September 2009) and also observed a series of meetings of committees and other groups in the period April-July. The University has been informed that it can expect to receive the assessors' report in January 2010, and that the report and recommendations will go to the March meeting of the Advisory Committee.

In the course of 2008/09 the University has also adopted a new definition of research which states that research and advanced scholarship at Worcester includes:

- Original investigation undertaken to produce knowledge and understanding
- Enquiry which refocuses critical opinion or re-orientates professional practice
- Creative practice-based endeavour resulting in public output (exhibitions, performances, etc)
- Consultancy and knowledge transfer activity which generates new knowledge and understanding, technologies or methodologies, to meet the needs of government, voluntary or public sector bodies, commerce or industry
- Action research, evidence-based research and pedagogic evaluation that contributes to the enhancement, innovation and effectiveness of teaching, learning and assessment in higher education and other educational contexts
- Applied investigative or evaluative work which leads to improvement in service delivery, professional practice and/or policy development;
- Integration or synthesis of existing knowledge to develop understanding, such as through the writing of textbooks, review articles, development of e-learning resources etc.

A revised Research Strategy, taking into account the 2008 RAE and looking forward to the next exercise (in 2013), and a Knowledge, Enterprise and Innovation Strategy, have been devised, through a working group of Academic Board chaired by the Vice-Chancellor, and which will be presented to Academic Board in October 2009.

## **Section 5: Staff**

Staff are the University's most important resource. This is encapsulated in the section of the Strategic Plan, 'High Achieving Staff in a Well-led University'. The University places a high priority on effective recruitment, retention and development policies. The University therefore has in place a comprehensive range of policies on appointments, probation and mentoring, appraisal, promotion and reward, and staff development.

A major piece of work completed in 2008/09 was the adoption of a “Framework for Staff Development: High Achieving Staff in a Well Led University”. This fulfils one of the strategic objectives in the Strategic Plan, 2007-2012, to introduce a Continuing Professional Development Framework for all categories of staff. The Framework’s implementation will be managed through a co-ordinating group, which brings together the various agencies responsible for providing professional development opportunities in the University. The work will include a review of all employment and related policies to ensure that they reflect the various elements of the Framework.

The University’s Leadership Development Programme was further rolled out in 2008/09. More than 70 managers have attended the core two day programme and a number of learning sets are being supported. An accredited Team Leaders’ programme has been piloted in Information and Learning Services and will be rolled out to other parts of the University in 2009/10.

The University has Investor in People Status, and all policies respect the individual and seek to offer career opportunities regardless of age, sex, race, religion, disability or sexual orientation. The Diversity and Equality Committee, which is chaired by the Vice Chancellor and includes governor representation, promotes a culture of fair consideration of all staff (and students).

## **Section 6: Infrastructure and capital development programme**

The University is engaged in an ambitious estates development programme and in 2008/09 has completed a number of major projects:-

- Two new halls of residence on the St John’s site
- Two new halls of residence on the City Campus
- New science laboratories, including for the National Pollen and Aerobiology Unit (the Darwin Building)
- The refurbishment of the Garage on Hylton Road to provide teaching facilities for Art and Design
- The refurbishment of Regency High School (re-named the Sheila Scott Building) for use as general teaching and staff office space
- Further significant progress on the modern classroom initiative at St John’s
- Further refurbishment of existing halls of residence at St John’s

In the course of 2008/09 the University acquired a third main site, Grove Farm. This represents a long-term investment and in 2009/10 the University will seek a development partner to explore the potential to redevelop the site for employment and educational purposes over a 5-10 year period.

In October 2009, the University’s Board of Governors’ will review the progress of the University’s capital development programme, including Phase B of the city centre campus. The intention is to identify priorities and to develop a new integrated estates strategy.

Other major projects for 2009/10 include:-

- The construction of a 3<sup>rd</sup> generation Astro turf facility at St John’s
- The completion of Phase A of the City Centre campus development and the re-location of the Worcester Business School to the refurbished Worcester Royal Infirmary
- The commencement of construction (with Worcestershire County Council) of the Worcester Joint Library and History Centre (scheduled for completion in January 2012).

## **Section 7: Corporate Governance**

The University of Worcester is an independent corporation, established as a higher education corporation under the terms of the Education Reform Act of 1988 and the Further and Higher Education Act of 1992. Its objects, powers and framework of governance are set out in the Instrument and Articles of Government, which are available on the University’s web site. The following statements are provided to enable readers of the annual accounts and operating and financial review of the University to obtain a better understanding of the governance and legal structure of the University.

The Board of Governors is the governing body of the University, responsible for matters relating to the finance, property and staffing of the University. The Board has four primary areas of responsibility:-

- Appointing the head of the institution as Chief Executive of the institution and putting place suitable arrangements for monitoring his/her performance
- Ensuring the establishment and monitoring of systems of control and accountability, including financial and operations controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest
- Monitoring institutional performance against plans and approved KPIs, which should be, where possible and appropriate benchmarked against other institutions.

In the context of monitoring institutional performance the Board has adopted key performance indicators that it describes as Primary Measures of Performance in the following areas:

- An outstanding student experience
- Generating knowledge and promoting enterprise
- A first class University for the region
- High achieving staff in a well-led University
- Sustainable development, excellent facilities
- Overall institutional sustainability and profile

Reports are made to the Board which are published on the University's web-site.

The Board remains committed to the principles of best practice in the Committee of University Chairs (CUC) Code of Practice; the University has adopted the Code and its practices reflect the Code.

The Board of Governors has a majority of independent members and the Chair is elected from the independent members. Membership also includes co-opted members and representatives of the teaching and support staff and of the student body. The Vice Chancellor and Chief Executive is an ex-officio member. In accordance with the relevant legislation, the Board is responsible for ensuring the effective management of the University's affairs, including ensuring an effective system of internal control and is required to present audited financial statements for each financial year. The Board, through the designated office holder (i.e. the Vice Chancellor and Chief Executive) is required to prepare financial statements that give a true view of the University's state of affairs and an assurance that the University has complied with the Financial Memorandum between the Higher Education Funding Council for England and the University. No members of the Board receive any payment for the work they do as Governors.

In the preparation of the financial statements, the Board of Governors has ensured that:-

- Suitable accounting policies are in place and are applied
- Appropriate accounting standards have been followed
- Financial statements are prepared on the going concern basis

The Board has taken reasonable steps to:-

- Ensure that funds received from the Higher Education Funding Council for England and other public funding bodies are used only for the purpose for which they are given.
- Ensure that there are appropriate financial controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the University and to prevent and detect fraud
- Secure the economical, efficient and effective management of the University's resources.

The Board acknowledges that the new Charities Act means that from the end of 2009 HEFCE will serve as the HE sector's regulator for the purposes of ensuring that the University meets its obligations under the Act. The Board will ensure that this is incorporated into its arrangements for ensuring the University's compliance with legislation.

The University's governance arrangements include an Academic Board which, subject to the overall responsibility of the Board of Governors, has oversight of the academic affairs of the institution and draws its membership from the staff and students of the University. It is particularly concerned with general issues relating to the learning, teaching and research work of the University. An independent member of the Board of Governors attends meetings of the Academic Board in an observer capacity.

The Board of Governors meets 4 times a year, with occasional special meetings to address specific issues. However, much of its detailed work is initially considered by committees. The chairs of these committees and the majority of their members are drawn from independent members of the Board. Staff

and student governors are also invited to attend as non-voting members of the committees and participate fully in discussions but are asked to withdraw when named staff or student items are discussed.

The committees of the Board are as follows:-

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 and Development Committee 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. This is the Committee through which reports on key strategic and capital developments are routed.

The Audit 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 to each meeting of the Board and also presents an annual report which is part of the annual assurance process required by HEFCE.

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, Health and Safety and Joint Consultative Committees. 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 Remunerations Committee determines the annual remuneration of senior staff (i.e. the Vice Chancellor and Chief Executive, the Pro Vice Chancellors and the Registrar and Secretary). The Committee comprises the Chair and Vice Chairs of the Board, the Chair of Personnel Committee and the Chair of Audit Committee.

In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee and the Honorary Awards Committee. A governor also attends Academic Board in an observer capacity. The Board of Governors has a nominated representative on the Boards of the two wholly owned subsidiary companies.

The system of internal control is designed to manage rather than eliminate risk. An institutional Register of Risk is maintained, which is presented at least annually to the Audit Committee and Board of Governors for approval. An annual report on risk management activities is presented to the Audit Committee and the Board. Internally, responsibility for risk management rests with the Vice Chancellor's Advisory Group. The senior manager responsible for risk management is the Registrar and Secretary. Each head of academic institute and service department is required to address risk as part of the annual planning process. Separate and detailed risk registers are maintained for key capital developments and risk assessments are also undertaken alongside any proposals for new partnerships.

In summary, the Board's on-going arrangements for maintaining 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
- 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. 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.
- 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 key strategic objectives and success criteria
- 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 developments;
- v) regular reports from Executive Officers on the operation of its business;

These corporate risk management arrangements operated throughout 2008/09 and up to the date of approval of the financial statements.

During the accounting period under review a Risk Maturity Audit was conducted by the University's internal audit service. The outcome of the audit was that the University's current position on the risk maturity spectrum is between Risk Defined and Risk Managed (i.e. 3/4 on a five point scale where 1 = Risk Naïve, and 5 = Risk Enabled). The audit made a number of recommendations and an action plan has been put in place to address them. Two of the main recommendations have already been implemented: a revised Risk Management Policy was approved by the Board of Governors on the 6<sup>th</sup> July 2009, and the Revised Risk Register, approved on 5<sup>th</sup> October 2009, included a new section, "Sources of Assurance".

The annual audit on Governance and Risk Management in 2008/09 concentrated on the effectiveness of the University's response to recently published CUC guidance on Key Performance Indicators. The audit reviewed the University's progress in developing Primary Measures of Performance. The outcome of the audit was a substantial level of assurance that the University had responded appropriately and effectively to the Committee of University Chairs (CUC) guidance and had put in place a set of Primary Measures of Performance which are designed to enable the Board to carry out one of its primary responsibilities - to monitor the performance of the University. The Board of Governors has also reviewed CUC's emerging guidance on Effective and High Performing Governing Bodies. The Board will follow the pilot studies very closely and will use the guidance and outcomes of the studies to inform the arrangements for its next review, which is currently scheduled for 2011.

The University commissioned a COBIT audit of its arrangements for ICT governance and management and the Audit Committee received a report of the outcomes in April 2009. The audit made a number of fundamental and significant recommendations and a detailed 2-3 year action plan has been put in place. The first important outcome is a new ICT Strategy which was approved in July. The Board of Governors believes that the COBIT and follow-up audits will assist to mitigate one of the high level risks in the Institution's Register of Risks – failure to maintain a robust and reliable ICT infrastructure.

As has been observed earlier, the University is engaged in an ambitious capital development programme and the management of the associated risks is a key priority for the Board of Governors. The programme is being managed through UW Developments Ltd. Since the inception of the programme, an annual audit of aspects of the management of the programme has been undertaken. In 2008/09 the audit concentrated on the administration of UW Developments Ltd and its contribution to the success of the programme. The audit gave an overall adequate level of assurance, but reported that the design of the controls in place provide substantial assurance that risks were being effectively managed.

In the light of the Board's additional responsibility for providing an opinion on data management in the University and the accuracy of data returns, it has asked the Audit Committee to pay particular attention to these matters. As a consequence the Committee has received two presentations on the management of student related data and HESES/HESA returns, and on TRAC methodology and the TRAC return. In addition, there has been an audit of TRAC, which has been undertaken on an annual basis since the introduction of TRAC, and of the arrangements relating to data quality, the first of its nature. In both cases, the outcome was the Board can take adequate assurance that the controls upon which the audience relies in this area are effective.

The Board of Governors' review of the effectiveness of the system of internal control, on which it is required to give an annual opinion, is informed by the work of the internal auditors and members of the senior management team who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors in their management letter.

Julian Pallett  
Chair of the Board of Governors

Professor David Green  
Vice Chancellor

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

We have audited the group financial statements of University of Worcester for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**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 (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you whether, in our opinion, the information given in the Operating and Financial Review is consistent with those financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Operating and Financial Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Operating and Financial Review, Report of the Governing Body, Members of the Board of Governors, Principal advisors and 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. 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 institution'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 Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. 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 institution'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 at 31 July 2009, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements 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;
- iii. 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; and
- iv. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Cardiff  
23<sup>rd</sup> November 2009

The maintenance and integrity of the University of Worcester website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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 2007, and in accordance with applicable Accounting Standards. They conform to the guidance published by the Funding Council. Financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

### **Basis of consolidation**

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31<sup>st</sup> July 2009. The results of subsidiaries incorporated or disposed of during the period are included in the consolidated income and expenditure account from the date of incorporation or up to the date of disposal. Intra group transactions are eliminated on consolidation.

### **Intra-group transactions**

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between the undertakings included in the consolidation are also eliminated. Unsettled normal trading transactions are included as current assets or liabilities.

### **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.

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.

The University acts as an agent in the collection and payment of Training Bursaries, AIM Higher and learning support funds from Government Agencies, the income and expenditure is excluded from the University's Income and Expenditure.

### **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 Worcestershire County Council Pension Fund (WCCPF) 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 followed in full for the year ended 31 July 2009. The effect of adopting this standard 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 WCCPF 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 31<sup>st</sup> July 1999 based on the 1995 revaluation has been adopted and the valuation was not updated.

Freehold land is not depreciated. Where land is acquired with the aid of specific grants it is capitalised but not depreciated therefore the related grant is credited to the income and expenditure account at the time of purchase. 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.

Assets under construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to the balance sheet date. 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.

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

## **Intangible fixed assets**

Where intangible fixed assets are regarded as having limited useful economic lives they are amortised over these lives up to a maximum of 20 years.

## **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. None of the University's subsidiaries have charitable status.

The University receives no similar exemption in respect of Value Added Tax. Most of the services provided to students are, however, exempt from VAT. Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

## **Liquid resources**

Liquid resources include sums on short-term deposit with recognised banks and building societies and government securities, disclosed as current asset investments on the balance sheet.

## **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.

## **Accounting for charitable donations and unrestricted donations**

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

### **Endowment funds**

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. The university currently has two types:

Unrestricted permanent endowment – 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 can convert the donated sum into income.

**Consolidated income and expenditure account**  
**For the Year Ended 31<sup>st</sup> July 2009**

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		£000	£000
<b>Income</b>			
Funding Council Grants	1	23,958	20,821
Academic Fees & Support Grants	2	20,967	16,927
Research Grants & Contracts	3	444	441
Other Operating Income	4	5,353	6,019
Interest Receivable	5	186	246
<b>TOTAL INCOME</b>		<b><u>50,908</u></b>	<b><u>44,454</u></b>
<b>Expenditure</b>			
Staff Costs	6	27,535	24,530
Depreciation & Amortisation	11 + 12	1,768	1,784
Other Operating Expenses	7	18,066	16,049
Interest Payable	8	1,755	620
<b>Total expenditure</b>	9	<b><u>49,124</u></b>	<b><u>42,983</u></b>
Surplus after depreciation of assets at valuation and before tax		1,784	1,471
Taxation	10	-	-
<b>Surplus after depreciation of assets at valuation and tax</b>		<b><u>1,784</u></b>	<b><u>1,471</u></b>

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

**Group Balance sheet****As at 31<sup>st</sup> JULY 2009**

	Note	Group <u>2009</u> £000	Group <u>2008</u> £000	University <u>2009</u> £000	University <u>2008</u> £000
<b>Fixed assets</b>					
Intangible Assets	11	4	10	4	10
Tangible Fixed Assets	12	92,138	51,429	66,031	40,088
Investments	13	-	-	10	10
		<u>92,142</u>	<u>51,439</u>	<u>66,045</u>	<u>40,108</u>
<b>Endowment assets</b>					
	14	<u>24</u>	<u>-</u>	<u>24</u>	<u>-</u>
<b>Current assets</b>					
Stocks	15	1	10	1	10
Debtors	16	3,111	3,517	42,669	14,444
Current asset investment		10,685	7,024	10,685	6,774
Cash at bank and in hand		2,435	337	280	-
		<u>16,232</u>	<u>10,888</u>	<u>53,635</u>	<u>21,228</u>
<b>Creditors: amounts falling due within one year</b>					
Creditors		(17,813)	(9,930)	(26,511)	(8,922)
Bank Overdraft		-	(1)	-	(1)
	17	<u>(17,813)</u>	<u>(9,931)</u>	<u>(26,511)</u>	<u>(8,923)</u>
<b>Net current assets / Liabilities</b>					
		<u>(1,581)</u>	<u>957</u>	<u>27,124</u>	<u>12,305</u>
<b>Total assets less current liabilities</b>					
		<u>90,585</u>	<u>52,396</u>	<u>93,193</u>	<u>52,413</u>
<b>Creditors: amounts falling due after more than one year</b>					
	18	(42,000)	(13,000)	(42,000)	(13,000)
Provisions for liabilities & charges	20	(489)	(509)	(489)	(509)
<b>Net assets excluding pension liability</b>					
		<u>48,096</u>	<u>38,887</u>	<u>50,704</u>	<u>38,904</u>
Pension liability	20	(11,534)	(11,273)	(11,534)	(11,273)
<b>Net assets</b>					
		<u>36,562</u>	<u>27,614</u>	<u>39,170</u>	<u>27,631</u>
Deferred capital grants	21	17,574	11,197	17,574	11,197
<b>Endowment funds</b>					
Permanent	14	24	-	24	-
<b>Reserves</b>					
Income and Expenditure Excluding Pension Reserve	23	17,275	14,286	19,883	14,303
Pension Reserve	23	(11,534)	(11,273)	(11,534)	(11,273)
Income and Expenditure Including Pension Reserve	23	5,741	3,013	8,349	3,030
Revaluation Reserve	22	13,223	13,404	13,223	13,404
<b>Total funds</b>					
		<u>36,562</u>	<u>27,614</u>	<u>39,170</u>	<u>27,631</u>

The financial statements on pages 17 to 41 were approved by the Board of Governors on 23<sup>rd</sup> November 2009 and signed on their behalf by:

Mr J Pallett  
Chair of Governors  
University of Worcester

Professor David Green  
Vice Chancellor and Chief Executive  
University of Worcester

**Consolidated cash flow statement**  
**For the Year Ended 31<sup>st</sup> July 2009**

	<u>Note</u>	<u>Group</u>	
		<u>2009</u> £000	<u>2008</u> £000
<b>Net cash flow from operating activities</b>	26	12,990	2,773
<b>Returns on investment &amp; servicing of finance</b>	27	(1,569)	(374)
<b>Capital expenditure &amp; financial investment</b>	27	(34,645)	(6,751)
<b>Management of liquid resources</b>	27	(3,661)	(7,024)
<b>Financing</b>	27	29,000	11,709
<b>Increase / (Decrease) in cash</b>	28	<u>2,115</u>	<u>333</u>

**Reconciliation of net cash flow to movement in net debt**  
**For the Year Ended 31<sup>st</sup> July 2009**

	<u>Note</u>	<u>Group</u>	
		<u>2009</u> £000	<u>2008</u> £000
<b>Increase / (Decrease) in cash</b>	28	2,116	333
Management of liquid resources	27	3,661	7,024
Cash outflow from financing	27	(29,000)	(11,709)
Non cash flow movement		6	-
<b>Movement in Net Debt for the Year</b>		<u>(23,217)</u>	<u>(4,352)</u>
<b>Net Funds at 1st August</b>		(5,639)	(1,287)
<b>Net (Debt) / Funds at 31st July</b>	28	<u>(28,856)</u>	<u>(5,639)</u>

**Statement of total recognised gains and losses**  
**For the Year Ended 31<sup>st</sup> July 2009**

		<b><u>Group</u></b>	
		<b><u>2009</u></b>	<b><u>2008</u></b>
		£000	£000
Surplus after depreciation of assets at valuation and before tax		1,784	1,471
Actuarial gain / (loss) in respect of Pension Scheme	29	763	(4,976)
<b>Total recognised gain / (loss) for year</b>		<b><u>2,547</u></b>	<b><u>(3,505)</u></b>

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**Note of historical cost surpluses and deficits**  
**For the Year Ended 31<sup>st</sup> July 2009**

		<b><u>Group</u></b>	
	<b><u>Note</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
		£000	£000
Surplus after depreciation of assets at valuation and before tax		1,784	1,471
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	181	181
<b>Historical cost surplus after tax</b>		<b><u>1,965</u></b>	<b><u>1,652</u></b>

**Notes to the accounts**  
Year ended 31<sup>st</sup> July 2009

**1. Funding council grants**

	<b>HEFCE</b>	<b>TDA</b>	<b>Total</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Recurrent</b>	15,490	4,140	19,630	17,501
<b>Specific Grants:</b>				
LLN Development Funding	923	-	923	632
Supporting Professional Standards	160	-	160	55
Knowledge Transfer Capability Fund	240	-	240	164
Learning & Teaching Development	7	-	7	5
Active Community Fund	17	-	17	25
JISC	65	-	65	26
Fellowship Monies	-	-	0	10
Access to Learning fund administration	9	-	9	8
ECIF Graduate Internships	2	-	2	-
AIM Higher	189	-	189	-
Match Funding Charity Giving	38	-	38	-
Student Associate Scheme	-	204	204	237
Graduate Teacher Programme	-	864	864	774
Flexible PGCE - Tuition Fees	-	105	105	304
Overseas Trained Teacher Programme	-	9	9	9
TDA Projects	-	178	178	222
Training Salary Admin Fee	-	38	38	36
<b>Deferred Capital Grants released:</b>				
Buildings (Note 21)	262	-	262	279
Equipment (Note 21)	1,013	5	1,018	534
	<u>18,415</u>	<u>5,543</u>	<u>23,958</u>	<u>20,821</u>

**2. Academic fees and support grants**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Full Time students (Home and EU) fees	12,714	9,034
Full Time students (Overseas) fees	848	1,000
Part Time fees	1,537	1,563
Short course fees	467	463
Other fees	189	110
Contract Income Strategic Health Authority	5,212	4,757
	<u>20,967</u>	<u>16,927</u>

**3. Research grants and contracts**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Grants	<u>444</u>	<u>441</u>

**4. Other operating income**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Residences, catering and conferences	2,123	2,112
Other services rendered	394	456
Release of deferred capital grants	145	203
Other income	2,691	3,248
	<u>5,353</u>	<u>6,019</u>

**5. Interest receivable**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Income from short term investments	186	246
	<u>186</u>	<u>246</u>

**6. Staff**

	<b><u>Group</u></b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Salaries	22,666	20,118
Social Security Costs	1,762	1,573
Other Pension Costs	3,107	2,839
	<u>27,535</u>	<u>24,530</u>

**Emoluments of the Vice Chancellor:**

	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Salary	223	198
Pension contributions	31	28
Total emoluments	<u>254</u>	<u>226</u>

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 £31,065 (2008 - £27,506). 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 monthly number of persons (including senior post holders) employed by the University during the period, expressed as full time equivalents, was:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Academic Departments	354	341
Academic Services	62	66
Administrative & central services	188	176
Premises	70	61
Research	9	9
Residences, catering and conferences	16	17
	<u>699</u>	<u>670</u>

Governors are entitled to reimbursement of travel expenses although none were claimed during 2008/09.

Emoluments of higher paid staff:	2009	2008
£100,001-£110,000	-	-
£110,001-£120,000	-	2
£120,001-£130,000	-	-
£130,001-£140,000	2	1
£140,001-£150,000	-	-
£150,001-£160,000	1	-
£160,001-£220,000	-	-
£220,001-£230,000	-	1
£230,001-£240,000	-	-
£240,001-£250,000	-	-
£250,001-£260,000	1	-

**7. Other operating expenses**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Residences, catering and conferences	580	429
Consumables and laboratory expenditure	416	377
Books and periodicals	480	446
Heat, light, water and power	884	614
Repairs and general maintenance	1,446	1,355
Grants to UW Students' Union	280	231
Auditors remuneration:		
External	28	27
Internal	39	38
Equipment operating leases	426	196
Payments to Partner Colleges	3,259	2,373
Student Bursaries	2,271	1,542
Other expenses	7,957	8,421
	<u>18,066</u>	<u>16,049</u>

External Audit fees relate to £26,000 in respect of the University and £2,000 in respect of UW Developments Ltd

**8. Interest payable**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Loans not wholly repayable within 5 years	1,207	445
Bank Overdraft	2	-
Pension Interest	546	175
	<u>1,755</u>	<u>620</u>

**9. Analysis of 2008/09 expenditure by activity**

	<b>Group</b>				
	<b>Staff Costs</b>	<b>Depreciation &amp; Amortisation</b>	<b>Other Expenses</b>	<b>Interest Payable</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Academic Departments	16,116	264	9,355	-	25,735
Academic Services	1,901	54	889	-	2,844
Administrative & central services	7,493	1,393	4,640	1,755	15,281
Premises	1,722	38	2,817	-	4,577
Research	225	14	133	-	372
Residences, catering and conferences	78	5	232	-	315
	<u>27,535</u>	<u>1,768</u>	<u>18,066</u>	<u>1,755</u>	<u>49,124</u>

**9. Analysis of 2008/09 expenditure by activity (continued)**

	<u>Group</u>	
	<u>2009</u>	<u>2008</u>
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released	1,153	1,014
Revaluation reserve released (Note 22)	181	181
General revenue	434	589
	<u>1,768</u>	<u>1,784</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. Intangible assets**

	<u>Group</u>		<u>University</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£000	£000	£000	£000
At 1st August 2008				
Opening balance	10	23	10	23
Additions in year	3	1	3	1
	<u>13</u>	<u>24</u>	<u>13</u>	<u>24</u>
Amortisation charge for the year	9	14	9	14
Closing balance as at 31st July 2009	<u>4</u>	<u>10</u>	<u>4</u>	<u>10</u>

**12. Tangible assets**

	Group Freehold Land and Buildings £000	Group Equipment £000	Assets under course of construction £000	Group Total £000
At 1st August 2008				
Cost	35,717	11,607	19,342	66,666
Additions at cost	5,253	2,063	35,620	42,936
Disposals at cost	(333)	(147)	-	(480)
At 31st July 2009	<u>40,637</u>	<u>13,523</u>	<u>54,962</u>	<u>109,122</u>
Depreciation				
At 1st August 2008	6,497	8,741	-	15,238
Charge for year	677	1,082	-	1,759
Depreciation on disposals	-	(13)	-	(13)
At 31st July 2009	<u>7,174</u>	<u>9,810</u>	<u>-</u>	<u>16,984</u>
Net Book Value				
At 31st July 2009	<u>33,463</u>	<u>3,713</u>	<u>54,962</u>	<u>92,138</u>
At 31st July 2008	<u>29,220</u>	<u>2,866</u>	<u>19,342</u>	<u>51,428</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. This has been valued by HEFCE as the Exchequer Interest of £12,281,516.

**12. Tangible assets**

	University Freehold Land and Buildings £000	University Equipment £000	Assets under course of construction £000	University Total £000
At 1st August 2008				
Cost	35,717	11,607	8,002	55,326
Additions at cost	5,253	2,063	22,340	29,656
Disposals at cost	(1,820)	(147)	-	(1,967)
At 31st July 2009	<u>39,150</u>	<u>13,523</u>	<u>30,342</u>	<u>83,015</u>
Depreciation				
At 1st August 2008	6,497	8,741	-	15,238
Charge for year	677	1,082	-	1,759
Depreciation on disposals	-	(13)	-	(13)
At 31st July 2009	<u>7,174</u>	<u>9,810</u>	<u>-</u>	<u>16,984</u>
Net Book Value				
At 31st July 2009	<u>31,976</u>	<u>3,713</u>	<u>30,342</u>	<u>66,031</u>
At 31st July 2008	<u>29,220</u>	<u>2,866</u>	<u>8,002</u>	<u>40,088</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. This has been valued by HEFCE as the Exchequer Interest of £12,281,516.

**13. Investments**

	<u>Group</u>		<u>University</u>	
	<u>2009</u> £000	<u>2008</u> £000	<u>2009</u> £000	<u>2008</u> £000
Investments in subsidiary companies	-	-	10	10
	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>

The University owns 100% of UW Developments Limited, a company incorporated in England and Wales. The company undertakes capital development projects. It also owns 100% of UW Enterprises Limited, a company incorporated in England and Wales which remained dormant for this accounting period.

**14. Endowments**

	<u>Group</u>			2008/09 Total £000	2007/08 Total £000
	Unrestricted Permanent £000	Total Permanent £000	Restricted Expendable £000		
<b>Balance at 1 August 2008</b>					
Capital	-	-	-	-	-
Accumulated income	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
New endowments	24	24	15	39	-
Investment income	-	-	-	-	-
Expenditure	-	-	(15)	(15)	-
(Decrease) / Increase in market value	-	-	-	-	-
<b>At 31 July 2009</b>	<u>24</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Represented by:</b>					
Capital	24	24	-	24	-
Accumulated Income	-	-	-	-	-
	<u>24</u>	<u>24</u>	<u>-</u>	<u>24</u>	<u>-</u>

**15. Stock**

	<u>Group</u>		<u>University</u>	
	<u>2009</u> £000	<u>2008</u> £000	<u>2009</u> £000	<u>2008</u> £000
Stocks	<u>1</u>	<u>10</u>	<u>1</u>	<u>10</u>

**16. Debtors**

	<u>Group</u>		<u>University</u>	
	<u>2009</u> £000	<u>2008</u> £000	<u>2009</u> £000	<u>2008</u> £000
Amounts falling due within 1 year:				
Trade Debtors	2,713	3,307	2,712	2,188
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	39,568	12,046
Prepayments and Accrued Income	397	210	389	210
	<u>3,111</u>	<u>3,517</u>	<u>42,669</u>	<u>14,444</u>

**17. Creditors amounts falling due within one year**

	<u>Group</u>		<u>University</u>	
	<u>2009</u> £000	<u>2008</u> £000	<u>2009</u> £000	<u>2008</u> £000
Payments received on account	51	39	51	39
Trade Creditors	2,799	1,020	2,642	987
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	11,668	1,128
Social Security and other Taxation payable	1,023	867	1,023	867
Accruals and deferred income	8,380	8,004	5,567	5,901
Other Creditors	5,560	-	5,560	-
	<u>17,813</u>	<u>9,930</u>	<u>26,511</u>	<u>8,922</u>
Bank Overdraft	-	1	-	1
	<u>17,813</u>	<u>9,931</u>	<u>26,511</u>	<u>8,923</u>

**18. Creditors amount falling due after more than one year**

	<u>Group</u>		<u>University</u>	
	<u>2009</u> £000	<u>2008</u> £000	<u>2009</u> £000	<u>2008</u> £000
Mortgage secured on University property				
University Development Loan	42,000	13,000	42,000	13,000
	<u>42,000</u>	<u>13,000</u>	<u>42,000</u>	<u>13,000</u>

The University has a loan facility with Barclays Bank of £50 million for development works. The loan is drawn at a fixed interest rate of 4.952%. The first repayment date is 31<sup>st</sup> December 2011, should the second stage of the facility be made available. The final repayment of the Facilities will include a bullet payment of £12.5 million payable on 31<sup>st</sup> December 2041.

**19. Borrowings**

	<b>Group</b>		<b>University</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	£000	£000	£000	£000
Bank Loan	42,000	13,000	42,000	13,000
Bank Overdraft	-	1	-	1
	<u>42,000</u>	<u>13,001</u>	<u>42,000</u>	<u>13,001</u>
Due within one year	-	1	-	1
Due after more than one year	42,000	13,000	42,000	13,000
	<u>42,000</u>	<u>13,001</u>	<u>42,000</u>	<u>13,001</u>

**Analysis of loan repayments**

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	£000	£000	£000	£000
<b>Bank Loans and overdrafts</b>				
Due within one year	-	1	-	1
Between one and two years	-	-	-	-
Between two and five years	4,375	4,375	4,375	4,375
After five years	37,625	8,625	37,625	8,625
	<u>42,000</u>	<u>13,001</u>	<u>42,000</u>	<u>13,001</u>

**20. Provisions for liabilities and charges**

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	£000	£000	£000	£000
<b>Provision for pensions</b>				
At 1st August 2008	509	499	509	499
Interest	21	49	21	49
Payment made in Year	(41)	(39)	(41)	(39)
At 31st July 2009	<u>489</u>	<u>509</u>	<u>489</u>	<u>509</u>

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	£000	£000	£000	£000
<b>Provision for pensions FRS 17</b>				
At 1 August 2008	11,273	5,566	11,273	5,566
movement in pension (Liability) / Asset	261	5,707	261	5,707
At 31st July 2009	<u>11,534</u>	<u>11,273</u>	<u>11,534</u>	<u>11,273</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.

**21. Deferred capital grants**

	<b>Group and University</b>				
	<b>HEFCE</b>	<b>TDA</b>	<b>AWM</b>	<b>OTHER</b>	<b>TOTAL</b>
	£000	£000	£000	£000	£000
<b><u>At 1st August 2008</u></b>					
Buildings	6,590	-	3,058	42	9,690
Equipment	963	5	289	250	1,507
Total	<u>7,553</u>	<u>5</u>	<u>3,347</u>	<u>292</u>	<u>11,197</u>
<b><u>Cash Received</u></b>					
Buildings	1,886	-	4,274	-	6,160
Equipment	1,617	-	(8)	33	1,642
Total	<u>3,503</u>	<u>-</u>	<u>4,266</u>	<u>33</u>	<u>7,802</u>
<b><u>Released to income &amp; expenditure</u></b>					
Buildings	262	-	3	7	272
Equipment	1,013	5	73	62	1,153
Total	<u>1,275</u>	<u>5</u>	<u>76</u>	<u>69</u>	<u>1,425</u>
<b><u>At 31st July 2009</u></b>					
Buildings	8,214	-	7,329	35	15,578
Equipment	1,567	-	208	221	1,996
Total	<u>9,781</u>	<u>-</u>	<u>7,537</u>	<u>256</u>	<u>17,574</u>

**22. Revaluation reserve**

	<b>Group</b>		<b>University</b>	
	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000
<b><u>Revaluations</u></b>				
At 1st August	16,228	16,228	16,228	16,228
At 31st July	<u>16,228</u>	<u>16,228</u>	<u>16,228</u>	<u>16,228</u>
<b>Contributions to depreciation</b>				
At 1st August	2,824	2,643	2,824	2,643
Released in year	181	181	181	181
At 31st July	<u>3,005</u>	<u>2,824</u>	<u>3,005</u>	<u>2,824</u>
<b>Net revaluation amount</b>				
At 31st July	<u><u>13,223</u></u>	<u><u>13,404</u></u>	<u><u>13,223</u></u>	<u><u>13,404</u></u>

**23. Income and expenditure account**

	<b>Group</b>		<b>University</b>	
	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000
At 1 August	3,013	6,338	3,030	6,900
Retained surplus for the year	1,784	1,470	2,688	925
Transfer from revaluation reserve	181	181	181	181
Actuarial gain / (loss) in respect of pension scheme	763	(4,976)	763	(4,976)
At 31st July	<u><u>5,741</u></u>	<u><u>3,013</u></u>	<u><u>6,662</u></u>	<u><u>3,030</u></u>
<b>Represented by:</b>				
Pension Reserve	(11,534)	(11,273)	(11,534)	(11,273)
Income & Expenditure account excluding pension reserve	17,275	14,286	19,883	14,303
	<u><u>5,741</u></u>	<u><u>3,013</u></u>	<u><u>8,349</u></u>	<u><u>3,030</u></u>

**24. Lease obligations**

	<b>Group</b>		<b>University</b>	
	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000
Operating lease commitments in respect of equipment for the financial year on leases expiring:				
Within one year	47	70	47	70
Between two and five years	101	4	101	4
	<u>148</u>	<u>74</u>	<u>148</u>	<u>74</u>
Operating lease commitments in respect of buildings for the financial year on leases expiring:				
Within one year	348	-	348	-
Between two and five years	1,192	-	1,192	-
	<u>1,540</u>	<u>-</u>	<u>1,540</u>	<u>-</u>
	<u><u>1,688</u></u>	<u><u>74</u></u>	<u><u>1,688</u></u>	<u><u>74</u></u>

**25. Capital commitment**

	<b>Group</b>	
	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000
City Centre Campus Site with UW Developments	3,096	1574
Joint library and history centre	3	10
Modern Classrooms	149	256
Information systems upgrade	50	0
Commissioning new academic building (RHS)	9	0
Library System	0	20
CCTV system	32	-
Replacement pc programme	19	112
St Johns Campus Masterplan	0	80
New residences build with UW Developments	280	3
Aerobiology Test Centre with UW Developments	394	3351
Refectory improvements	52	3
Student accommodation upgrade	20	-
Fire alarm system & fire doors	0	116
	<u><u>4,104</u></u>	<u><u>5,525</u></u>

**City Centre Campus:** The current cost estimate for Phase A of this development is £23.6 million. Two blocks of student residences costing £17.6 million were completed in September 2009. A contract for the refurbishment of the Old Infirmary Block and Mulberry House, to be used by the Business School, to the value of £10.4 million has been awarded. Phase B of the development is currently under review.

**Academic / Public library:** This is a development with Worcestershire County Council through a PFI arrangement to provide a joint academic and public library. Galliford Try Investments have been appointed as preferred bidder and financial close on the contract is planned for early December 2009. The capital contribution by the University to this project is £10m met from a £5m capital grant and £5m repayable loan from the HEFCE.

**3G Astro Sports Pitch:** The current cost estimate is £500k – no contract in respect of this has yet been awarded.

**26. Reconciliation of operating surplus to operating cash flows**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
Surplus before tax	1,784	1,471
Depreciation and amortisation	1,768	1,784
Deferred Capital Grants released to income (note 21)	(1,425)	(1,014)
Investment Income (Note 5)	(186)	(246)
Interest payable (Note 8)	1,755	620
Decrease in stocks	9	1
(Increase) / Decrease in debtors	400	(1,132)
Decrease in creditors	7,881	548
Increase in provisions	(20)	10
Increase in pension cost less contributions payable	1,024	731
	<u>12,990</u>	<u>2,773</u>
Net cash flow from operating activities	<u><u>12,990</u></u>	<u><u>2,773</u></u>

**27. Analysis of cash flows for headings netted off in the cash flow**

	<b>Group</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
	£000	£000
<b>Returns on Investment and Servicing of finance</b>		
Income from short term investments	186	246
Interest paid	(1,755)	(620)
<b>Net cash (outflow) from returns on investment &amp; servicing of finance</b>	<u>(1,569)</u>	<u>(374)</u>
<b>Capital expenditure and Financial investments</b>		
Purchase of tangible fixed assets	(42,466)	(11,418)
Deferred Capital Grants received	7,802	4,667
Utilisation of Endowment Fund balances	(15)	-
Endowments received	34	-
Net cash (outflow) for Capital expenditure and Financial investments	<u>(34,645)</u>	<u>(6,751)</u>
<b>Net cash (outflow) / inflow from management of liquid resources</b>	<u>(3,661)</u>	<u>7,024</u>
<b><u>Financing</u></b>		
Mortgage and loan capital repayments	29,000	11,709
<b>Net cash inflow from financing</b>	<u><u>29,000</u></u>	<u><u>11,709</u></u>

**28. Analysis of changes in net debt**

	Note	As at 1 August 2008 £000	Cash- flows £000	Non-Cash £000	At 31 July 2009 £000
Cash in hand and at bank					
Endowment Assets	14	-	18	6	24
Other		337	2,098	-	2,435
		<u>337</u>	<u>2,116</u>	<u>6</u>	<u>2,459</u>
Short term investments		7,024	3,661	-	10,685
Debts due within one year		-	-	-	-
Debts due after one year	18	(13,000)	(29,000)	-	(42,000)
		<u>(5,639)</u>	<u>(23,223)</u>	<u>6</u>	<u>(28,856)</u>

**29. 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 Worcestershire County Council Pension Fund (WCCPF). The assets of the Schemes are held in separately administered funds.

**Teachers pension scheme (TPS)**

The contribution of the institution is currently 14.10% of pensionable salaries for the academic staff pension scheme. The cost-sharing agreement has also introduced – effective for the first time for the 2009 valuation – a 14% cap on employer contributions payable. Contributions to the scheme are valued not less than every four 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 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 employers paid the same contribution rate;	14.00%
During the year all employees have paid the same contribution rate of	6.40%

**29. Pension schemes (Continued)**

The value of pension payments made in year to the Teachers Pension Scheme was £2,530,603.97 with £241,593.93 outstanding as a creditor at 31 July 2009.

**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 scheme actuary.

The latest actuarial valuation of the scheme was at 31 March 2009. The assumptions made by the scheme on the result of the valuation were as follows:

	Past service liabilities	Future service liabilities
Rate of interest	4.40%	6.10%
Rate of increase in salaries	4.30%	4.30%
Rate of increase in pensions	3.30%	3.30%

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:

	31st March 2008
Latest actuarial valuations	
Market value of assets at the date of last valuation	£28,842.6m
Value of past service liabilities	£28,135.3m
Past service deficit	£707.3m
Covered by the actuarial value of the assets	103%
During the year all employers have paid the same contribution rate of	14%
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 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The value of pension payments made in year to the Universities Superannuation Scheme was £125,303.41 with £12,820.24 outstanding as a creditor at 31 July 2009.

**29. Pension schemes (Continued)****Worcestershire county council pension fund**

The fund is a defined benefit scheme. A full actuarial valuation was carried out at 31st March 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2009	At 31 July 2008
Rate of inflation	3.70%	3.80%
Rate of increase in salaries	5.20%	5.30%
Rate of increase in pensions	3.70%	3.80%
Discount Rate	6.30%	5.90%

**Life Expectancy**

The table below shows the life expectancy assumptions used in accounting assessments based on the life expectancy of male and female members at the age of 65.

	Males		Females	
	Pensioner	Non-pensioner	Pensioner	Non-pensioner
As at 31st July 2009	21.2	22.2	24	25

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes. The rate of return on these were:

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009	Long term rate of return expected at 31 July 2008	Value at 31 July 2008
	%	£	%	£
Equities	7.50	12,138	7.50	12,349
Government Bonds	4.50	608	4.90	640
Other Bonds	5.80	410	5.90	667
Cash/Liquidity	0.50	975	5.00	250
		14,131		13,906

**29. Pension schemes (Continued)**

<b>Reconciliation of fair value of assets</b>	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000	<b><u>2007</u></b> £000
Fair Value of assets at beginning of period	13,906	14,744	12,756
Expected return on assets	988	1,036	814
Actuarial gains/(losses) on assets	(1,941)	(2,653)	604
Employer Contributions	926	727	610
Member Contributions	495	405	345
Benefits/transfers	<u>(243)</u>	<u>(353)</u>	<u>(385)</u>
Fair Value of assets at end of period	<u><u>14,131</u></u>	<u><u>13,906</u></u>	<u><u>14,744</u></u>

<b>Reconciliation of present value of scheme liabilities</b>	<b><u>2009</u></b> £000	<b><u>2008</u></b> £000	<b><u>2007</u></b> £000
Benefit Obligation at beginning of period	25,179	20,339	18,567
Current Service Cost	1,404	1,045	989
Interest on Pension Liabilities	1,534	1,211	971
Member Contributions	495	405	345
Past Service Costs	-	238	-
Actuarial (gains)/losses on liabilities	(2,704)	2,294	(148)
Benefits/transfers paid	<u>(243)</u>	<u>(353)</u>	<u>(385)</u>
	<u><u>25,665</u></u>	<u><u>25,179</u></u>	<u><u>20,339</u></u>

The following amounts at 31st July 2009 were measured in accordance with the requirements of FRS17:

	£000	£000	£000
Fair Value of assets at beginning of period	13,906	14,744	12,756
Expected return on assets	988	1,036	814
Actuarial gains/(losses) on assets	(1,941)	(2,653)	604
Employer Contributions	926	727	610
Member Contributions	495	405	345
Benefits/transfers	(243)	(353)	(385)

**29 Pension schemes (Continued)**

	<u>2009</u> £000	<u>2008</u> £000
Employer service cost (net of employee contribution)	1,404	1,045
Past service cost	-	238
Total operating costs	<u>1,404</u>	<u>1,283</u>
Expected return on assets	(988)	(1,036)
Interest on pension liabilities	<u>1,534</u>	<u>1,211</u>
Pension finance income	<u>546</u>	<u>175</u>

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

	<u>2009</u> £000	<u>2008</u> £000	<u>2007</u> £000	<u>2006</u> £000	<u>2005</u> £000
pension scheme assets	(1,941)	(2,653)	604	603	1,186
Percentage of year end assets	13.7%	19.1%	4.1%	4.7%	10.9%
Gains and losses arising on the scheme	-	-	-	-	
Actual obligation less expected obligation on pension scheme liabilities	2,704	(2,294)	149	(496)	(385)
Percentage of year end liabilities	9.1%	9.1%	0.7%	2.7%	2.4%
Net actuarial (Loss) for the year	(763)	(4,947)	753	(682)	(2,071)
Net percentage actuarial (Loss) for the year	3.0%	19.6%	3.7%	3.7%	13.0%

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

	<u>2009</u> £000	<u>2008</u> £000
Deficit on scheme at 1st August	(11,273)	(5,566)
Current service cost	(1,404)	(1,045)
Contributions	926	727
Past service cost / (curtailment)	-	(238)
Net interest / return on assets	(546)	(175)
Actuarial gain / (loss)	<u>763</u>	<u>(4,976)</u>
Deficit at 31st July	<u>(11,534)</u>	<u>(11,273)</u>

**The total pension cost for the University was:**

	<u>2009</u> £000	<u>2008</u> £000
Contributions to TPA	1,676	1,512
Contributions to WCCPF	926	727
WCCPF charge to Income & Expenditure	478	556
Contributions to USS	<u>43</u>	<u>45</u>
	<u>3,123</u>	<u>2,840</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 2008/09 this amounted to £114,844.66 (2007/08 £122,009)

**30. Access to learning fund**

	<u>2009</u> £000	<u>2008</u> £000
Funding Council Grants	326	324
	<u>326</u>	<u>324</u>
Disbursements to Students	(326)	(323)
Balance unspent at 31st July 2009	<u>-</u>	<u>1</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.

**31. Training salaries/secondary shortage subject scheme**

	<u>2009</u> £000	<u>2008</u> £000
Funding	1,961	2,121
Disbursements to Students	(1,882)	(2,023)
Balance unspent as at 31st July 2009	<u>79</u>	<u>98</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.

**32. Children's workforce development agency**

	<u>2009</u> £000	<u>2008</u> £000
Balance unspent as at 1st August	24	54
Funding	44	83
Disbursements to Students	(29)	(113)
Balance unspent as at 31st July 2009	<u>39</u>	<u>24</u>

Funding received from Department for Children, Schools and Families 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.

**33. Aim higher**

	<u>2009</u> £000	<u>2008</u> £000
Funding	249	-
Disbursements to other institutions	(29)	-
Disbursements to University of Worcester	(189)	-
Balance unspent as at 31st July 2009	<u>31</u>	<u>-</u>

### 34. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (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 the Board may have an interest.

All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest.

The University has taken advantage of the exemption under FRS8 'Related party disclosures' not to disclose transactions with subsidiaries that are at least 90% owed.

It is noted that the following transactions are in this category. The value as reflected in the University accounts is shown:

Ms. Joanna Bruce MBE  
Trustee of The Bulmer Foundation

University of Worcester Students Union

In accordance with FRS2, the activities of Worcester Students' Union have not been consolidated on the grounds that the University does not operate dominant influence over its activities. During the year, the University contributed grants of £280,000 to the Students' Union. In addition, the Students' Union occupies the building on a rent free basis under an informal license, subject to the Union maintaining the building in a good state of repair.