

Report and financial statements for year ended 31 July 2010

University of Worcester Directorate

Vice Chancellor and Chief Executive

Professor D Green MA (Cantab.)

Deputy Vice Chancellor and Deputy Chief Executive

Professor R Foskett MA PhD

Auditors

External

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Internal

RSM Tenon
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Legge Street
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Bankers

National Westminster Bank PLC
1 The Cross
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WR1 3PR

Solicitors

Harrison Clark
5 Deansway
Worcester
WR1 2JG

Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Insurers

AON Risk Services
158 Edmund Street
Birmingham
B3 2HB

Report and financial statements for year ended 31 July 2010**Members of the board of Governors**

The following members served during the year:

Mr Julian Pallett	(Chair) Independent
Mr David Antell	Student (retired 30 th June 2010)
Dr Heather Barrett	Staff
Mr John Bateman OBE	Independent
Ms Joanna Bruce MBE	Independent
Professor Michael Clarke CBE DL	Co-opted
Mr Michael Collins	Student
Mr Andrew Duncan	Independent (retired 30 th July 2010)
Ms Francesca Fairhurst	Co-opted (retired 30 th July 2010)
Professor David Green	Vice Chancellor and Chief Executive
Mr Samuel Lewis	Student (joined 1 st July 2010)
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
Mr Paul Swinburn	Independent
Professor Tamar Thompson OBE	Independent (Joint Vice Chair)
Mr Paul West	Independent

Operating and Financial review

For the Year Ended 31st July 2010

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 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
<http://www.worcester.ac.uk/about/179.html>

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 2010/11 is available on the University's web-site
<http://www.worc.ac.uk/dpfoi/672.htm>

Key achievements in 2009/10 included:-

- The award of Research Degrees Awarding Powers to the University by decision of the Privy Council in August 2010
- A further 24% increase in full time applications, cementing the University's position as one of the fastest growing universities in the UK
- The completion of Phase A of the City Campus, including the opening of the re-furbished Royal Infirmary Building comprising new teaching facilities for Business and Computing and a Well Being Centre
- A financial surplus of £1.193m, in line with the University's financial strategy.
- The commencement of the construction of the Worcester Joint Library and History Centre, a PFI funded project worth £60m, in partnership with Worcestershire County Council.
- Further incremental improvements in the rates of student retention and achievement.

The University's Board of Governors undertook a mid-cycle review of the Strategic Plan in June 2010. The review showed that the university had made significant progress in a number of areas, in particular:

- to become a 'University of Choice', as evidenced by the institution's continuing popularity amongst applicants;
- to contribute to the City of Worcester's ambition to be a first rank University and Cathedral City, as evidenced by the physical expansion of the University and the development of the learning and cultural quarter in the city centre;
- to be a High Achieving and Well Led University, as evidenced by external recognition including an excellent HEFCE Assurance Review, an outstanding assessment in the OFSTED inspection of the University's Initial Teacher Education provision, and a position in the top 75 Best Places to Work in the public sector in the Sunday Times;
- to set and achieve demanding environmental targets, as evidenced by the University's ranking at number 17 out of the 133 UK universities that submitted results in this year's People and Planet's Green League, and the award of Full Platinum Eco Campus status – the first University to achieve such status.

The Board recognised that there was still work to be done in a number of areas. There had been some significant developments in Research and Knowledge Transfer: the adoption in 2009/10 of a new strategy, the acquisition of RDAP, the successful launch of the Research Centre in Dementia and the revitalised

National Pollen and Aerobiology Research Centre. However, there was further work to be done to develop a strong culture of research and knowledge transfer, building on achievement to date, to ensure that the University becomes a vibrant centre for the generation of knowledge and the promotion of enterprise. The University continued to take measures to improve the quality of student experience, to realise its ambition to “provide an outstanding experience”. There is evidence that rates of progression and levels of student achievement are improving but the outcome of the 2010 National Student Survey was disappointing and the University is developing a strategy to respond to issues raised.

Key strategic priorities included in the Corporate Planning Statement for 2010/11 include:

- To begin to formulate a new Strategic Plan for the period 2012-2017
- To agree with the Board a revised vision and strategy for the University's physical development 2010-2017.
- To respond creatively to the reduction in public spending and its impact on the University, to maintain a surplus budget and to increase and diversify income from unregulated sources
- To continue to improve levels of student satisfaction, retention, progression and achievement and to monitor the impact of the measures to be implemented in 2010/11.

SECTION 2: Public Benefit Statement

The University of Worcester is an exempt charity under the terms of the Charities Act 2006.

The University's vision, as set out in its Strategic Plan, is “to build on its fine reputation for providing excellent, inclusive higher education”. It seeks to become “an ever more dynamic engine for social, economic and cultural development in the region”, and “will strive to be at the forefront of progressive development in its specialist fields of higher education, knowledge transfer, scholarship and associated research”.

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, to innovate. In implementing our aims and objectives, the University is guided by the values set out in its Vision and Strategy and the University's Board of Governors is mindful of the responsibility placed upon it by the Charities Act to ensure that the University acts for the benefit of the public:

Student Admissions Policy

The University aims to provide fair and equal access to a university education to all those who have the potential to succeed or benefit. The University welcomes applications from motivated students with appropriate qualifications, traditional and non-traditional, academic and vocational. The Policy states that the University is committed to widening access and participation in higher education by raising awareness and expectations in the pre-University community in order to increase the number of candidates who can benefit from our provision. No student will be subjected to less favourable treatment on grounds of race, ethnicity, or national origins, colour, gender, sexuality, parental status, marital status, disability status, creed, political belief or social or economic background.

Widening Participation

Widening participation and increasing opportunities for access to higher education from under-represented groups lies at the heart of the University's vision and values, finding expression in:-

- An undergraduate bursary scheme which includes a universal bursary for all students and an enhanced bursary scheme for students who qualify for the maintenance grant – in 2009/10 the University awarded bursaries to the value of £2.8m.
- An outreach programme targeted at schools and colleges in Herefordshire and Worcestershire and the surrounding region, to raise aspirations and awareness about higher education;
- A pre-entry advice and guidance service, located within the University's Careers Service, providing a service to adults considering returning to full and part-time education, and to representatives from particularly under-represented groups, including Black Ethnic Minority (BEM) groups and migrant workers;
- Significant support for students from a widening participation background, including: tailor made induction courses for mature students, a disability support service, and study skills support to assist with the transition to HE, especially those from backgrounds where there is little or no history of engagement with HE;

- A Finance and Welfare advisory team in Student Services which provides pre-entry and on-going advice to students on all financial matters.
- A Mental Health Advisory Service which provides on-going support to students who have a mental health condition;
- A number of specific programmes, run through the University's academic departments, contribute to the University's programme of widening participation activities including:
 - through Humanities and Creative Arts, an Annual Children's Storytelling and Creativity Festival, now in its 6th year;
- Learning through Sport is a programme run through the Institute of Sport and Exercise Science, working through primary schools that feed into local secondary schools with the lowest progression rates into higher education – activities include fun sporting activities to support children in Key Stage 2 Maths and English and basketball coaching for schoolchildren by members of the Worcester Wolves basketball team and undergraduate students;
- a University funded project in the Institute of Education 'Foster Care Matters' to develop awareness and understanding of fostering and being in care, to raise the aspirations of looked after children and care leavers; and a number of summer schools covering Sports Studies, Drama and Performance and Health and Well Being.

Research and Knowledge Transfer

The University's Research and Knowledge Transfer Strategy includes a definition of research which includes: "knowledge transfer activity which generates new knowledge and understanding, technologies or methodologies and meeting the needs of government, voluntary or public sector bodies, local communities, and commerce or industry" and "applied investigative or evaluative work which leads to improvements in service delivery, professional practice and/or policy development" One of the two key ambitions in the Strategy is "to play an outstanding part in the economic development of the region and the growth of the knowledge economy".

Specific examples of research activity that directly benefits the public include:-

- National Pollen and Aerobiology Unit: the Unit produces national pollen forecasts and works closely with a range of partners developing and testing treatments and products that seek to improve the quality of life of people who suffer from hay fever and other air borne allergies;
- Association for Dementia Studies: the research centre works with charities and other agencies on studies that seek to better understand and care for people suffering from dementia and related conditions.
- Numerous projects in the Institutes of Education and Health & Society with the education and health sectors that contribute to service development.

Environmental Sustainability Policy

One of the key aims in the University's Strategic Plan, set out in Section 7 of the Plan, "Sustainable Development, Excellent Facilities" is "to act in a sustainable and environmentally way". This translates into an objective "to improve environmentally sustainable practice in all aspects of University life."

We aim to:-

- Embed environmental and sustainable principles into the University's operating procedures, educational, and research activities, promoting best practice at all levels;
- Reduce the environmental impact of the University through better management of its resources;
- Meet and where possible exceed the requirements of all relevant legislation;
- Monitor and regularly review our environmental performance and set objectives and targets to support a culture of continual improvement;
- Communicate both internally and externally about our environmental performance, including training and development for staff and students

To achieve these aims, the University will devise and implement strategies to reduce environmental impact and enhance management of resources. This will include strategies for energy, water and waste management, sustainable purchasing, sustainable construction and maintenance, transport and biodiversity. Key principles of the University's Environmental Policy are:

- To integrate environmental management into our day-to-day operation to ensure environmental issues are addressed, whilst providing a quality service to all stakeholders;

- To control, manage and reduce carbon dioxide and other greenhouse gas emissions;
- To comply with all relevant environmental legislation, regulations and requirements;
- To reduce our use of natural resources and prevent pollution.

In 2010 the University undertook a review of its environmental approaches. The outcome of the review was the approval by the Board of Governors in July 2010 of a new Carbon Management Strategy, which includes:-

- A new overarching Strategic Carbon Management Plan which integrates all current activities and initiatives into a coherent and comprehensive overview;
- Revised UW emission reduction targets, brought into alignment with new sector targets;
- A revised carbon reduction implementation plan, rolling year on year to achieve the targets including, as now, cost initiatives to achieve quantified emissions savings. The plan will be developed to cover the next three years in detail;
- A new management structure for the environmental area.

The Strategy is available at: <http://www.worcester.ac.uk/10776.html>

Community Engagement

The University seeks to ensure that it impacts positively on its community and takes steps to establish effective relationships with community organisations and groups and with individuals who live in close proximity to the University. Working in partnership with the City and County Councils, the University is contributing to the urban regeneration of the St Clements area of the city, through the creation of a new cultural and learning quarter that will include the new city campus and a new joint library and history centre. The facility will serve the public and the University's staff and students and will also include a customer services hub for services provided by the City Council.

In 2009/10 the University ran a highly successful paid graduate intern scheme which resulted in the placement of over 50 local graduates (either those who had studied at the University of Worcester or who had returned home after graduating from other universities) in a range of occupations including at the University itself, in public sector organisations and in SMEs. The internships were for one year and interns also studied for a Postgraduate Certificate in Leadership and Management for which the University waived the fee. The scheme received considerable support including from the CBI and the TUC and has been identified as an example of good practice by the Minister for Higher Education. The University is running the scheme again in 2010/11 and the target number of internships has been increased to 125.

The University has in place a University/Community Forum whose membership includes University staff and representatives of the Students' Union, local residents, city and county councillors, chair of the local Neighbourhood Watch Scheme, representatives of West Mercia Police and the Hereford and Worcester Fire Service. The Forum discusses a wide range of issues that relate to the University's impact on its community and regular reports are made on the University Capital Development Programme, on its environmental strategies and on general developments which have an impact on, and are of interest to, the community. Reports are made on the number and nature of complaints received and the Forum has proved a useful vehicle for discussing issues such as student behaviour and car parking. The University has in place a dedicated team within Student Services (the Student Experience Team) which organises development activities with students to encourage "good citizenship" and which makes appropriate interventions when issues do arise. To improve community relationships further, an application has been made to West Mercia Police for the accreditation of the University's security team so that they can better respond to incidents that occur on and off campus. Members of the Forum and their guests are invited to University events, as are other members of the public.

The University seeks to contribute to the cultural and artistic life of its community. This involves the organisation of public lectures and other events. Examples include: the annual Worcester Lecture, run in partnership with Worcester Cathedral, whose theme is Moral and Ethical Issues in Public Service, and in June 2009, the Darwin Today exhibition at Worcester Cathedral, which was organised with Worcester Cathedral by the Institute of Science and Research Councils UK to mark the Darwin anniversary year.

Many of the University's staff and students undertake volunteering activities – staff through serving on various bodies including governing bodies in the education and health and voluntary sectors, and students through coaching local teams and through student societies like Sunday Sport, Kids Club and Raise and Give. The University chooses a Charity of the Year and staff and students organise various fundraising activities – in

2009/10 the charity chosen was the Worcester Breast Care Unit campaign; in 2010/11 the elected charity, chosen by voting staff, is the Worcester Snoezelen centre, an independent charity which provides leisure and therapy facilities for people with disabilities.

SECTION 3: 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's 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.

Following the Comprehensive Spending Review, and publication of the outcomes of the Browne Review, the University acknowledges that the HE sector faces a period of significant and in some respects unprecedented change. The University will ensure that it responds effectively to the challenges ahead. We will:-

- Continue to observe the principles of prudent financial management;
- Ensure that our development plans remain achievable and affordable;
- Take measures to maintain the University's popularity;
- Refresh the academic offer at all levels and ensure that it is modern and relevant;
- Maximise opportunities to increase income generation;
- Seek to increase income from research and knowledge transfer.

Results for the year

The 2009/10 financial statements confirm a healthy financial position and comprise the consolidated results of the University and its trading subsidiaries: UW Developments Limited and UW Enterprises Limited. The consolidated results for the year are summarised on page 21.

The result for the year was a surplus of £1.193m after depreciation of assets at valuation and tax, compared to a surplus of £1.8m in 2008/09.

Total income increased by £13m to £63.9m (25%). Funding Council grants increased by £2.4m to £26.4m (10%). Academic fees and support grants including the NHS contract income increased by £4.6m to £25.6m (22%).

Total expenditure increased by £6.5m to £55.6m (13%). Staff costs increased by £1.7m to £29.3m (6%) this reflects pay awards, increments and a modest increase in the number of full-time equivalent staff. Other operating expenses increased by £2.4m to £20.4m (13%). Interest payable increased by £1.4m to £3.2m as the loan to fund the major capital developments has been drawn down.

Balance Sheet

Fixed assets have increased by £7.6m to £99.8m reflecting the major capital developments which have taken place in 2009/10. The University purchased two additional sites within the City where proposed development includes a dance, drama and social learning space and an indoor sports arena. The developments have been funded by a loan from Barclays Bank. The total loan drawn down at the 31st July 2010 was £50m. The pension liability with the Worcestershire County Council Pension Fund decreased by £359k reflecting an in-year charge to the Income and Expenditure Account of £972k offset by an actuarial gain of £1,331k.

Cash Flow

The consolidated cash flow statement shows that there was a net decrease in cash £.035m. Investment in capital development of the City Centre Campus and other new buildings amounted to cash expenditure of £7.7m.

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. For 2010/11 the University was awarded the highest number of ASNs of any single HEI (410 fte). The University also bid successfully for a further 183 fte under the University Modernisation Fund (UMF) and 122 co-funded student numbers. Current indications are that the University will achieve its ordinary ASNs, and will go some way towards meeting the UMF target. The table below shows achievements in increasing the numbers of applications to the University through UCAS and the growth in funded numbers:-

Year	Applications through UCAS	Cumulative % increase	HEFCE Baseline Student and ASNs Achieved (ordinary and UMF)	Cumulative % Increase
2003	4510		2890	
2004	5034	12%	3020	4%
2005	5389	19%	3003	4%
2006	5985	33%	3293	14%
2007	8431	87%	3582	24%
2008	9170	103%	3660	27%
2009	9725	116%	4089	41%
2010	12060	167%	4813	66%

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 largely maintained. The University has achieved and exceeded its targets in all areas for the 2010/11 entry.

The University has invested significant time and effort in the accounting period under review in addressing levels of student satisfaction, retention, progression and achievement. Partly in response to a decline in the University's performance in the last two National Student Surveys, but also a commitment to place the student experience at the core of its activities, much work has been undertaken in this area, the focus for which was a task and finish group established by the Vice Chancellor. A staff conference was held in January, which identified a number of initiatives and a follow up conference is scheduled for November 2010. Much work has been undertaken at University level and within individual academic and service departments. This has included:-

- Regulatory changes to improve student engagement with the assessment process;
- A number of projects to improve the tracking of student progress at departmental level
- An on-going review of the effectiveness of personal tutoring;
- Further enhancement of the student induction arrangements;
- The introduction of new principles for assessment at Level 4;
- An electronic feedback pilot, which will be rolled out further in 2010/11.

There is evidence to suggest that standards of student achievement are improving. The outcome of the July assessment period shows that 3% more UMS BA/BSc students progressed to the next level of study and, in the case of progression from Level 4 to Level 5, 5.85% more BA/BSc students progressed having achieved 120 credits. The proportion of students achieving a 'good' (1st or 2.1) degree as at 1st August increased from 50.71% to 58.46%.

A key feature of the University's academic provision is the emphasis on employability. The University has an excellent record in this area, and this is reflected in its performance in the DLHE Survey (the Destination of Leavers from Higher Education) – in the 2010 survey only 6.5% of first degree graduates were not in employment or education six months after their graduation. In 2009/10, the Worcester Award was piloted, which provides opportunities for students to record and have recognised a range of activities which demonstrates a range of skills, experience and expertise. The pilot was a great success and has been welcomed by employers who have been associated with the pilot. The University has decided to embed the principles of the award in all its provision and to accredit the activity. By 2012, all new undergraduate students will benefit.

The quality and standard of courses continue to be overseen by Academic Quality Unit. Validation and Annual Evaluation procedures are risk-based and revised procedures were introduced in 2008/09. The new

procedures are working well. Externality remains a very important element, not only through the external examining system but although the uses of external persons in validation and periodic review.

An OFSTED inspection of the University's initial teacher training provision was undertaken in April 2010, which resulted in an "Outstanding" assessment of three of the four areas inspected (Primary, Secondary and the Graduate Teacher Training Programme). The Nursing and Midwifery Council's inspection of the provision in the Institute of Health and Society also resulted in the highest possible rating in 4 of the 5 areas inspected. Preparations for the Institutional Audit (in February/March 2011) are well advanced.

Last year's Operating and Financial Statement referred to the submission of the University's Application for Research Degree Awarding Powers. In August 2010, the University was informed that the Privy Council had approved the Board of the QAA's recommendation that the University should be awarded its own powers to award research degrees. The University's accreditation agreement with Coventry University is now running out; the University has adopted its new research degree regulations and the first Worcester PhD examinations will take place in late 2010. This represents the culmination of a long-held ambition for the University to acquire its own RDAP and provides a basis on which to develop further this aspect of the University's academic provision, including the development of taught and professional doctorates.

Research, scholarship and knowledge transfer are essential parts of the life and work of a modern university. In 2009/10 the University adopted a new Research and Knowledge Transfer Strategy, 2009-2013.

The University's definition of research, advanced scholarship and knowledge transfer includes original investigation in its disciplines, applied, professional and practice-based research reflecting its mission, and commitment to achieving effective synergy between scholarship, research, learning, teaching, knowledge transfer and enterprise.

Research at the University of Worcester includes:

- Original investigation and academic research addressing fundamental questions in appropriate disciplines which is effectively shared through publication in peer-reviewed journals or other equivalent national or international output;
- Enquiry which refocuses critical opinion or re-orientates professional practice;
- Creative and practice-based endeavour resulting in public output (exhibitions, performances, etc);
- Knowledge transfer activity, including consultancy, which generates new knowledge and understanding, technologies or methodologies and meets the needs of government, voluntary or public sector bodies, local communities; and commerce or industry;
- Work-based, action research, evidence-based research and pedagogic evaluation that contribute 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 (e.g. writing of textbooks, review articles, development of e-learning resources etc).

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. We recognise that the University's ability to respond to future challenges depends on the ability of our staff to respond effectively and flexibly to the challenges and opportunities that lie ahead.

Further progress has been made in implementing the Staff Development Framework adopted in 2008/09, and individual academic and service departments are developing their own frameworks to ensure that staff develop the capabilities and behaviours required to support the success of the University in achieving its aims and ambitions as set out in its Strategic Plan. The appraisal scheme has been reviewed and amended to align with the new Framework, and also the implementation of that part of the new Research and Knowledge Transfer Strategy which requires all academic staff to adopt a 4 year research plan.

The University's Leadership Development Programme continues to have a positive impact on the leadership capacity of staff. The accredited Team Leader's programme has been rolled out and in 2009/10 two cohorts have successfully completed the programme. The Leadership Group has also delivered the programme for staff in the Facilities department, and has commenced delivery of the programme to staff in Student Services.

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). The University has achieved the 2-Ticks Disability symbol and has also applied for recognition by Stonewall as a champion of LGBT issues. The University has been ranked in the top 75 places to work in the Public Sector by the Sunday Times.

SECTION 6: Infrastructure and capital development programme

The University is engaged in an ambitious estates development programme and in 2009/10 has made significant further progress:-

- Completion of Phase A of the city centre campus, the re-location of the Worcester Business School to the re-furbished Worcester Royal Infirmary and the construction of a Well Being Centre in the same location;
- Construction of a 3rd Generation Astroturf at St John's campus;
- Commencement of construction (in February 2010) of the Worcester Joint Library and History Centre (scheduled for completion in January 2012);
- Further refurbishments of buildings at St John's campus, including of existing halls of residence and teaching facilities.

In the course of 2010/11, the second phase of the refurbishment of the Garage on Hylton Road will be completed, providing additional teaching accommodation for Art and Design. The refurbishment of the 'Riverside' Building, also on Hylton Road will also be undertaken, providing additional facilities for the teaching of Dance and Drama and social learning space.

Progress has been made in the appointment of a development partner for the development of the Grove Farm site and the Board of Governors will be reviewing the capital development and estate strategy in the course of 2010/11.

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 objectives, powers and framework of governance are set out in the Instrument and Articles of Government, which are available on the University's web site: <http://www.worc.ac.uk/dpfoi/656.htm>. The University is also a exempt charity under the Charities Act 2006 and its Board of Governors is responsible for ensuring compliance with the Act. The Higher Education Funding Council for England acts as the principal regulator appointed by the Charities Commission. 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:-

- Approving the mission and strategic vision of the institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of stakeholders
- Appointing the head of the institution as Vice Chancellor and Chief Executive of the institution and putting in place suitable arrangement 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.

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. No members of the Board receive any payment for the work they do as Governors. 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 accountable 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.

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 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. So that the Board of Governors can meet its responsibilities under the new Financial Memorandum to assure itself that the University has in place arrangements to safeguard the quality and standards of its academic provision, the Board receives regular reports from the Academic Board and an annual report from the Board on quality and standards.

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:-

Nominations Committee

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.

Finance and Development Committee

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 Committee receives the annual financial statements and the management letter from the external auditors.

Audit Committee

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 also 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. This includes an assurance on the quality of the University's data management and the accuracy of data returned to external agencies.

Personnel Commitment

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 Committee also keeps under review national arrangements for pay bargaining and makes recommendations to the Board on the appropriateness of the University's continued participation in the national bargaining arrangements.

Remunerations Committee

The Remunerations Committee determines the annual remuneration of senior staff (i.e. the Vice Chancellor and Chief Executive, Deputy Vice Chancellor, the Pro Vice Chancellor 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 observer representative on the Boards of the two wholly owned subsidiary companies.

Internal control and risk management

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 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 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;
- A strategic plan which identifies key risks alongside key strategic objectives and success criteria;
- The integration of risk management strategies within the annual budget process and in five year financial forecasts;
- The development of separate risk analysis for major developments;
- Regular reports from Executive Officers on the operation of its business.

During the accounting period under review, an internal audit of Risk management was undertaken, which included a follow-up to the Risk Maturity Audit completed in 2008/09 and reported in last year's Operating and Financial Review. The Report found that the Board of Governors can take substantial assurance in the risk management controls in place and also reported that all the recommendations arising out of the Risk Maturity Audit had been implemented.

The annual audit on Governance in 2009/10 concentrated on the effectiveness of the set of Primary Measures of Performance that the Board has adopted. The report found that the Board can take substantial assurance that the controls relied upon are effective. Key findings were that there is a clear flow from strategy to risk and to performance, resulting in an integrated and cohesive performance management framework but that further consideration should be given to the development of milestones and targets in order that indicators can be used effectively as early warning indicators. Copies of reports can be found at: <http://www.worc.ac.uk/dpfoi/655.htm>

We reported last year that the University had commissioned a COBIT (Control objectives for information and related technology) audit of its arrangements for ICT governance and management. In 2009/10, a follow-up audit of progress was undertaken. The follow-up report found that 76% of the original recommendations had been addressed or were in progress. The report showed that the University has improved its average COBIT maturity level from 2 to 3 (on a 6 point scale, 0-5): there is now a defined process and controls and procedures are in place and adequately documented; control deficiencies are identified and remedied in a timely manner.

A HEFCE Assurance Review of the University was undertaken in October 2009. The review, whose scope includes an assessment of the University's risk management control and governance arrangements, concluded that HEFCE "is able to place reliance on the accountability information" (the highest possible level of assurance).

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 2010 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

Date:

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 31st July 2010. 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 Group's Income and Expenditure.

Financial Instruments

Financial assets include bank deposits, trade debtors and cash. Financial liabilities include trade creditors and an overdraft.

The University is not exposed to significant risk in terms of its exposure to interest rate movements as the loan facility with Barclays Bank has a fixed rate.

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 Scheme (TPS), the Local Government Pension Scheme (LGPS) which is administered by 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.

FRS 17 has been followed in full for the year ended 31 July 2010. 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 LGPS and the USS and on the basis of quadrennial valuations using a prospective benefit method for the TPS.

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 FRS 15 to retain the book values of land and buildings as at 31st July 1999 based on the 1995 revaluation has been adopted and the valuation was not updated.

Freehold land is not depreciated. 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.

Stock

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 31st July 2010

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		£000	£000
Income			
Funding Council Grants	1	26,363	23,958
Academic Fees and Support Grants	2	25,593	20,967
Research Grants and Contracts	3	602	444
Other Operating Income	4	11,328	5,353
Interest Receivable	5	24	186
Total income		<u>63,910</u>	<u>50,908</u>
Expenditure			
Staff Costs	6	29,281	27,535
Other Operating Expenses	7	20,447	18,066
Depreciation and Amortisation	12 + 13	2,706	1,768
Interest Payable	8	3,160	1,755
Total expenditure	9	<u>55,594</u>	<u>49,124</u>
Surplus after depreciation of tangible fixed assets at valuation and before tax		8,316	1,784
Taxation	10	(3)	-
Exceptional Items	11	(7,120)	-
Surplus for the year retained within general reserves		<u>1,193</u>	<u>1,784</u>

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

Balance sheets
As at 31st July 2010

	Note	Group 2010 £000	Group 2009 £000	University 2010 £000	University 2009 £000
Fixed assets					
Intangible Assets	12	208	4	208	4
Tangible Fixed Assets	13	99,572	92,138	102,346	66,031
Investments	14	-	-	20	10
		99,780	92,142	102,574	66,045
Endowment assets					
	15	47	24	47	24
Current assets					
Stock	16	6	1	6	1
Debtors	17	4,007	3,111	11,278	42,669
Investment		12,461	10,685	12,461	10,685
Cash at bank and in hand		2,034	2,435	2,035	280
		18,508	16,232	25,780	53,635
Net Current assets					
Creditors: amounts falling due within one year					
Creditors	18	(20,240)	(17,813)	(24,556)	(26,511)
		(20,240)	(17,813)	(24,556)	(26,511)
Net current Liabilities / Assets					
		(1,732)	(1,581)	1,224	27,124
Total assets less current liabilities					
		98,095	90,585	103,845	93,193
Creditors: amounts falling due after more than one year	19	(50,064)	(42,000)	(50,064)	(42,000)
Provisions for liabilities	20	(470)	(489)	(470)	(489)
Net assets excluding pension liability					
		47,561	48,096	53,311	50,704
Pension liability	20	(11,175)	(11,534)	(11,175)	(11,534)
Net assets including pension liability					
		36,386	36,562	42,136	39,170
Deferred capital grants					
	21	14,851	17,574	14,851	17,574
Endowment funds					
Permanent	15	47	24	47	24
Reserves					
Income and Expenditure account excluding Pension Reserve	22	19,621	17,275	25,371	19,883
Pension Reserve	22	(11,175)	(11,534)	(11,175)	(11,534)
Income and Expenditure account including Pension Reserve	22	8,446	5,741	14,196	8,349
Revaluation Reserve	23	13,042	13,223	13,042	13,223
Total funds					
		36,386	36,562	42,136	39,170

The financial statements on pages 19 to 43 were approved by the Board of Governors on 24th November 2010 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 31st July 2010

	<u>Note</u>	<u>Group</u>	
		<u>2010</u> £000	<u>2009</u> £000
Net cash flow from operating activities	27	4,222	12,990
Outflow on investment and servicing of finance	28	(3,136)	(1,569)
Capital expenditure	28	(7,759)	(34,645)
Management of liquid resources	28	(1,776)	(3,661)
Financing	28	8,064	29,000
(Decrease) / Increase in cash	29	<u>(384)</u>	<u>2,116</u>

Reconciliation of net cash flow to movement in net debt
For the Year Ended 31st July 2010

	<u>Note</u>	<u>Group</u>	
		<u>2010</u> £000	<u>2009</u> £000
(Decrease) / Increase in cash	29	(384)	2,116
Management of liquid resources	28	1,776	3,661
Cash outflow from financing	28	(8,064)	(29,000)
Non cash flow movement		6	6
Movement in Net Debt for the Year		<u>(6,666)</u>	<u>(23,217)</u>
Net Debt at 1st August		(28,856)	(5,639)
Net (Debt) at 31st July	29	<u>(35,522)</u>	<u>(28,856)</u>

Statement of Group total recognised gains and losses
For the Year Ended 31st July 2010

		<u>Group</u>	
		<u>2010</u> £000	<u>2009</u> £000
Surplus after depreciation of assets at valuation and before tax		1,196	1,784
Actuarial gain in respect of Pension Scheme	30	1,331	763
Total recognised gain for year		<u><u>2,527</u></u>	<u><u>2,547</u></u>

Note of Group historical cost surpluses and deficits
For the Year Ended 31st July 2010

	<u>Note</u>	<u>Group</u>	
		<u>2010</u> £000	<u>2009</u> £000
Surplus after depreciation of assets at valuation and before tax		1,196	1,784
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	23	181	181
Historical cost surplus before tax		<u><u>1,377</u></u>	<u><u>1,965</u></u>
Historical surplus after tax		<u><u>1,374</u></u>	<u><u>1,965</u></u>

Notes to the financial statements
Year ended 31st July 2010

1. Funding council grants

	HEFCE	TDA	Total	Total
	£000	£000	£000	£000
Recurrent	17,236	3,961	21,197	19,630
Specific Grants:				
LLN Development Funding	1,173	-	1,173	923
Supporting Professional Standards	354	-	354	160
Knowledge Transfer Capability Fund	333	-	333	240
Learning and Teaching Development	7	-	7	7
Active Community Fund	-	-	-	17
JISC	24	-	24	65
Fellowship Monies	1	-	1	-
Access to Learning fund administration	8	-	8	9
ECIF Graduate Internships	121	-	121	2
AIM Higher	254	-	254	189
Matched Funding Charity Giving	38	-	38	38
Student Associate Scheme	-	211	211	204
Graduate Teacher Programme	-	836	836	864
Flexible PGCE - Tuition Fees	-	-	-	105
Overseas Trained Teacher Programme	-	4	4	9
TDA Projects	-	365	365	178
Training Salary Admin Fee	-	40	40	38
Deferred Capital Grants released:				
Buildings (Note 21)	849		849	262
Equipment (Note 21)	548		548	1,018
	20,946	5,417	26,363	23,958

2. Academic fees and support grants

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	£000	£000
Full Time students (Home and EU) fees	15,676	12,714
Full Time students (Overseas) fees	1,604	848
Part Time fees	1,538	1,537
Short course fees	591	467
Other fees	183	189
Contract Income Strategic Health Authority	6,001	5,212
	<u>25,593</u>	<u>20,967</u>

3. Research grants and contracts

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	£000	£000
Grants	<u>602</u>	<u>444</u>

4. Other operating income

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	£000	£000
Residences, catering and conferences	4,283	2,123
Other services rendered	327	394
Release of deferred capital grants	3,895	145
Other income	2,823	2,691
	<u>11,328</u>	<u>5,353</u>

5. Interest receivable

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	£000	£000
Income from short term investments	<u>24</u>	<u>186</u>

6. Staff cost

	Group	
	<u>2010</u>	<u>2009</u>
	£000	£000
Salaries	24,278	22,666
Social Security Costs	1,883	1,762
Other Pension Costs	3,120	3,107
	<u>29,281</u>	<u>27,535</u>

Emoluments of the Vice Chancellor:

	<u>2010</u>	<u>2009</u>
	£000	£000
Salary	224	223
Pension contributions	32	31
Total emoluments	<u>256</u>	<u>254</u>

The University's pension contributions for the Vice Chancellor to the TPS are paid at the same rate as for other academic staff and amounted to £31,565 (2009 - £31,065). 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:

	<u>2010</u>	<u>2009</u>
Academic Departments	362	354
Academic Services	60	62
Administrative and central services	193	188
Premises	65	70
Research	20	9
Residences, catering and conferences	<u>21</u>	<u>16</u>
	<u>721</u>	<u>699</u>

Governors are entitled to reimbursement of travel expenses, £642 was claimed during 2009/10.

Emoluments of higher paid staff:	<u>2010</u>	<u>2009</u>
£100,001-£110,000	-	-
£110,001-£120,000	-	-
£120,001-£130,000	-	-
£130,001-£140,000	3	2
£140,001-£150,000	-	-
£150,001-£160,000	-	1
£160,001-£220,000	-	-
£220,001-£230,000	-	-
£230,001-£240,000	-	-
£240,001-£250,000	-	-
£250,001-£260,000	1	1

7. Other operating expenses

	Group	
	<u>2010</u>	<u>2009</u>
	£000	£000
Residences, catering and conferences	633	580
Consumables and laboratory expenditure	443	416
Books and periodicals	505	480
Heat, light, water and power	926	884
Repairs and general maintenance	2,111	1,446
Grants to UW Students' Union	478	280
Auditors remuneration:		
External	35	28
Internal	47	39
Equipment operating leases	453	426
Payments to Partner Colleges	3,660	3,259
Student Bursaries	2,844	2,271
Other expenses	8,312	7,957
	<u>20,447</u>	<u>18,066</u>

External Audit fees are allocated; £31,000 in respect of the University, £3,000 in respect of UW Developments Ltd and £1,000 for UW Enterprises.

8. Interest payable

	Group	
	<u>2010</u>	<u>2009</u>
	£000	£000
Loans not wholly repayable within 5 years	2,440	1,207
Bank Overdraft	-	2
Pension Interest	720	546
	<u>3,160</u>	<u>1,755</u>

9. Analysis of 2009/10 expenditure by activity

	Group				
	Staff Costs	Other Expenses	Depreciation & Amortisation	Interest Payable	Total
	£000	£000	£000	£000	£000
Academic Departments	17,349	2,974	222	-	20,545
Academic Services	2,041	928	173	-	3,142
Administrative and central services	7,392	13,427	2,226	3,160	26,205
Premises	1,964	2,739	57	-	4,760
Research	413	109	13	-	535
Residences, catering and conferences	122	270	15	-	407
	<u>29,281</u>	<u>20,447</u>	<u>2,706</u>	<u>3,160</u>	<u>55,594</u>

9. Analysis of 2009/10 expenditure by activity (continued)

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released	992	1,153
Revaluation reserve released (Note 22)	181	181
General revenue	1,533	434
	<u>2,706</u>	<u>1,768</u>

10. Taxation

	<u>2010</u>	<u>2009</u>
	£000	£000
Corporation tax	<u>3</u>	<u>-</u>

11. Exceptional Items

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	£000	£000
Disposal of asset	(7,120)	-
	<u>(7,120)</u>	<u>-</u>

The disposal relates to the preliminary planning and design costs incurred in the development of the second phase of the city centre campus. In the short term the continuation of development on the site has been paused pending consideration of future requirements and opportunities. These disposal costs include £4m demolition and site clearance costs which have been met in part (£3.5m) by a release of a deferred capital grant awarded by AWM.

12. Intangible assets

	<u>Group</u>		<u>University</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
At 1st August				
Opening balance	4	10	4	10
Additions in year	243	3	243	3
	<u>247</u>	<u>13</u>	<u>247</u>	<u>13</u>
Amortisation charge for the year	(39)	(9)	(39)	(9)
Closing balance as at 31st July	<u>208</u>	<u>4</u>	<u>208</u>	<u>4</u>

13. Tangible assets - Group

	Group Freehold Land and Buildings £000	Group Equipment £000	Assets under course of construction £000	Group Total £000
Cost at 1st August 2009	40,637	13,523	54,962	109,122
Additions at cost	5,602	1,243	10,405	17,250
Transfers (reclassification)	38,257	4	(38,261)	-
Disposals at cost	(30)	(1,753)	(7,120)	(8,903)
At 31st July 2010	<u>84,466</u>	<u>13,017</u>	<u>19,986</u>	<u>117,469</u>
Accumulated depreciation				
At 1st August 2009	7,174	9,810	-	16,984
Charge for year	1,477	1,190	-	2,667
Depreciation on disposals	(5)	(1,749)	-	(1,754)
At 31st July 2010	<u>8,646</u>	<u>9,251</u>	<u>-</u>	<u>17,897</u>
Net Book Value				
At 31st July 2010	<u>75,820</u>	<u>3,766</u>	<u>19,986</u>	<u>99,572</u>
At 31st July 2009	<u>33,463</u>	<u>3,713</u>	<u>54,962</u>	<u>92,138</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 £13,297,746.

13. Tangible assets - University

	University Freehold Land and Buildings £000	University Equipment £000	Assets under course of construction £000	University Total £000
Cost at 1 August 2009	39,150	13,523	30,342	83,015
Additions at cost	5,602	1,243	32,880	39,725
Transfers (reclassification)	44,054	4	(44,058)	-
Disposals at cost	(113)	(1,753)	(631)	(2,497)
At 31st July 2010	<u>88,693</u>	<u>13,017</u>	<u>18,533</u>	<u>120,243</u>
Accumulated depreciation				
At 1st August 2009	7,174	9,810	-	16,984
Charge for year	1,477	1,190	-	2,667
Depreciation on disposals	(5)	(1,749)	-	(1,754)
At 31st July 2010	<u>8,646</u>	<u>9,251</u>	<u>-</u>	<u>17,897</u>
Net Book Value				
At 31st July 2010	<u>80,047</u>	<u>3,766</u>	<u>18,533</u>	<u>102,346</u>
At 31st July 2009	<u>31,976</u>	<u>3,713</u>	<u>30,342</u>	<u>66,031</u>

14. Investments

	<u>Group</u>		<u>University</u>	
	<u>2010</u> £000	<u>2009</u> £000	<u>2010</u> £000	<u>2009</u> £000
Investments in subsidiary companies	<u>-</u>	<u>-</u>	<u>20</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, the focus of the Company's activities is the generation of external income through the growth of commercial contracts and research.

15. Endowment assets

	<u>Group</u>			2009/10 Total £000	2008/09 Total £000
	Unrestricted Permanent £000	Total Permanent £000	Restricted Expendable £000		
Balance at 1 August 2009					
Capital	24	24	-	24	-
	<u>24</u>	<u>24</u>	<u>-</u>	<u>24</u>	<u>-</u>
New endowments	6	6	20	26	39
Investment income	-	-	-	-	-
Expenditure	-	-	(3)	(3)	(15)
At 31 July 2010	<u>30</u>	<u>30</u>	<u>17</u>	<u>47</u>	<u>24</u>
Represented by:					
Capital	30	30	17	47	24
Accumulated Income	-	-	-	-	-
	<u>30</u>	<u>30</u>	<u>17</u>	<u>47</u>	<u>24</u>

16. Stock

	<u>Group</u>		<u>University</u>	
	<u>2010</u> £000	<u>2009</u> £000	<u>2010</u> £000	<u>2009</u> £000
Stock	<u>6</u>	<u>1</u>	<u>6</u>	<u>1</u>

17. Debtors

	<u>Group</u>		<u>University</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
Amounts falling due within 1 year:				
Trade Debtors	3,399	2,713	3,390	2,712
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	7,409	39,568
Prepayments and Accrued Income	608	398	479	389
	<u>4,007</u>	<u>3,111</u>	<u>11,278</u>	<u>42,669</u>

18. Creditors falling due within one year

	<u>Group</u>		<u>University</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
Payments received on account	49	51	49	51
Trade Creditors	1,969	2,799	1,968	2,642
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	6,602	11,668
Social Security and other Taxation payable	1,115	1,023	1,115	1,023
Accruals and deferred income	7,830	8,380	5,545	5,567
Other Creditors	9,277	5,560	9,277	5,560
	<u>20,240</u>	<u>17,813</u>	<u>24,556</u>	<u>26,511</u>

19. Creditors amount falling due after more than one year

	Group		University	
	<u>2010</u> £000	<u>2009</u> £000	<u>2010</u> £000	<u>2009</u> £000
Bank Loan	50,000	42,000	50,000	42,000
Salix Loan	64	-	64	-
	<u>50,064</u>	<u>42,000</u>	<u>50,064</u>	<u>42,000</u>

Analysis of loan repayments

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
Bank Loans and overdrafts				
Due within one year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	3,437	4,375	3,437	4,375
After five years	46,627	37,625	46,627	37,625
	<u>50,064</u>	<u>42,000</u>	<u>50,064</u>	<u>42,000</u>

The University has a loan facility with Barclays Bank of £80 million for capital development works, of which £50 million has been drawn down to date. A further drawdown of £5million has been agreed, but the University has not yet exercised rights on the remaining £25 million. The £50 million draw down is at a fixed rate of 4.952%. The first repayment date is 31st October 2012. The repayment schedule of £50 million facility includes a bullet payment of £12.5 million payable on 30th July 2042. The Salix loan is granted by HEFCE in pursuance of the Universities sustainability agenda.

20. Provisions for liabilities and charges

	Group		University	
	<u>2010</u> £000	<u>2009</u> £000	<u>2010</u> £000	<u>2009</u> £000
Provision for pensions				
At 1st August	489	509	489	509
Interest	21	21	21	21
Payment made in Year	(40)	(41)	(40)	(41)
At 31st July	<u>470</u>	<u>489</u>	<u>470</u>	<u>489</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
Provision for pensions FRS 17				
At 1 August	11,534	11,273	11,534	11,273
movement in pension (Liability) / Asset	(359)	261	(359)	261
At 31st July	<u>11,175</u>	<u>11,534</u>	<u>11,175</u>	<u>11,534</u>

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

	Group and University			
	HEFCE £000	AWM £000	OTHER £000	TOTAL £000
<u>At 1st August 2009</u>				
Buildings	8,214	7,329	35	15,578
Equipment	1,567	208	186	1,961
Total	<u>9,781</u>	<u>7,537</u>	<u>221</u>	<u>17,539</u>
<u>Reclassification of opening balance</u>				
Buildings	333	(364)	-	(31)
Equipment	(333)	364	-	31
<u>Cash Received</u>				
Buildings	1,458	15	157	1,630
Equipment	839	121	14	974
Total	<u>2,297</u>	<u>136</u>	<u>171</u>	<u>2,604</u>
<u>Released to income & expenditure</u>				
Buildings	849	3,609 *	8	4,466
Equipment	548	145	133	826
Total	<u>1,397</u>	<u>3,754</u>	<u>141</u>	<u>5,292</u>
<u>At 31st July 2010</u>				
Buildings	9,156	3,371	184	12,711
Equipment	1,525	548	67	2,140
Total	<u>10,681</u>	<u>3,919</u>	<u>251</u>	<u>14,851</u>

* This release includes the grant from AWM of £3.5m for demolition and site clearance costs on the city centre campus that have been incurred fully in the year (reference note 11).

22. Income and Expenditure account

	Group		University	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
At 1 August	5,741	3,013	8,349	3,030
Retained surplus for the year	1,193	1,784	4,336	4,375
Transfer from revaluation reserve	181	181	181	181
Actuarial gain	1,331	763	1,331	763
	<u>8,446</u>	<u>5,741</u>	<u>14,197</u>	<u>8,349</u>
At 31st July	<u>8,446</u>	<u>5,741</u>	<u>14,197</u>	<u>8,349</u>
Represented by:				
Pension Reserve	(11,175)	(11,534)	(11,175)	(11,534)
Income & Expenditure account excluding pension reserve	19,621	17,275	25,371	19,883
	<u>8,446</u>	<u>5,741</u>	<u>14,196</u>	<u>8,349</u>

23. Revaluation reserve

	Group		University	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000	£000
<u>Revaluations</u>				
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>
Contributions to depreciation				
At 1st August	3,005	2,824	3,005	2,824
Released in year	181	181	181	181
At 31st July	<u>3,186</u>	<u>3,005</u>	<u>3,186</u>	<u>3,005</u>
Net revaluation amount				
At 31st July	<u>13,042</u>	<u>13,223</u>	<u>13,042</u>	<u>13,223</u>

24. Lease obligations

	Group		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
Operating lease commitments in respect of equipment for the financial year on leases expiring:				
Within one year	91	47	91	47
Between two and five years	87	101	87	101
	<u>178</u>	<u>148</u>	<u>178</u>	<u>148</u>
Operating lease commitments in respect of buildings for the financial year on leases expiring:				
Within one year	624	348	624	348
Between two and five years	1,780	1,192	1,780	1,192
	<u>2,404</u>	<u>1,540</u>	<u>2,404</u>	<u>1,540</u>
	<u><u>2,582</u></u>	<u><u>1,688</u></u>	<u><u>2,582</u></u>	<u><u>1,688</u></u>

25. Capital commitment

	Group	
	2010	2009
	£000	£000
University:		
3G Sports Pitch	225	-
Alterations to Charles Darwin Building	6	-
CCTV system	1	32
Commissioning new academic building (RHS)	-	9
Drama & Dance Studio	31	-
Edit Suites	74	-
Equipment for City campus	1,465	-
Information systems upgrade	-	50
Library	-	3
Modern Classrooms	-	149
Refectory improvements	-	52
Replacement PC programme	87	19
Student accommodation upgrade	290	20
UW Developments Ltd:		
Aerobiology Test Centre	-	394
Charles Hastings Building	175	-
City Centre Campus Site	2,433	3,096
Drama & Dance Studio	79	-
Indoor Sports Arena	222	-
Retention for new hall of residences building	175	280
The Garage	24	-
	<u>5,286</u>	<u>4,104</u>

26. Commitment to Worcester Library and History Centre

The Worcester library and History centre is a new build development within Worcester City centre. The development aims to provide a central library to serve both the residents of Worcestershire and the students of the University of Worcester. Services provided from within the development include a first class library and ancillary services, the city council customer contact centre and a history centre including records and county archives. The centre is being developed in partnership by Worcestershire County Council (WCC) and the University of Worcester (UW) through a Private Finance Initiative (PFI) project with the commercial contractor Galliford Try. The project reached contractual commitment at financial close on 29 January 2010. The stakeholder agreement, signed on 29 January 2010, between WCC and UW outlines the terms of the project and the commitments of both parties.

Details of payments due within the PFI contract

	Cash repayment of liability £000	Finance charge £000	Service charge £000
Within 1 Year	0	0	0
Between two and five years	9,247	1,120	553
Between six and ten years	1,712	1,276	890
Between eleven and Fifteen years	1,712	1,080	1,021
Between sixteen and twenty years	1,712	796	1,171
Between twenty one and twenty five years	1,712	384	1,343
Between twenty six and thirty years	513	12	441
Total	<u>16,607</u>	<u>4,670</u>	<u>5,420</u>

27. Reconciliation of operating surplus to operating cash flows

	Group	
	<u>2010</u>	<u>2009</u>
	£000	£000
Surplus after tax	1,193	1,784
Depreciation and amortisation	2,706	1,768
Deferred Capital Grants released to income (note 21)	(5,292)	(1,425)
Investment Income (Note 5)	(24)	(186)
Interest payable (Note 8)	3,160	1,755
Increase in stocks	(5)	9
(Increase) / Decrease in debtors	(896)	400
Increase / (Decrease) in creditors	2,427	7,881
Increase in provisions	(19)	(20)
Increase in pension cost less contributions payable	972	1,024
Net cash flow from operating activities	<u>4,222</u>	<u>12,990</u>

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

	Group	
	2010	2009
	£000	£000
Returns on Investment and Servicing of finance		
Income from short term investments	24	186
Interest paid	(3,160)	(1,755)
Net cash outflow from returns on investment & servicing of finance	<u>(3,136)</u>	<u>(1,569)</u>
Capital expenditure		
Purchase of tangible fixed assets	(10,345)	(42,466)
Deferred Capital Grants received	2,569	7,802
Utilisation of Endowment Fund balances	(3)	(15)
Endowments received	20	34
Net cash (outflow) for Capital expenditure and Financial investments	<u>(7,759)</u>	<u>(34,645)</u>
Net cash outflow from management of liquid resources	<u>(1,776)</u>	<u>(3,661)</u>
Financing		
Mortgage and loan capital increase	8,064	29,000
Net cash inflow from financing	<u>8,064</u>	<u>29,000</u>

29. Analysis of changes in net debt

	Note	As at 1 August 2009	Cash- flows	Non-Cash	At 31 July 2010
		£000	£000	£000	£000
Endowment Assets	15	24	17	6	47
Cash in hand and at bank		2,435	(401)	-	2,034
		<u>2,459</u>	<u>(384)</u>	<u>6</u>	<u>2,081</u>
Short term investments		10,685	1,777	-	12,462
Debts due after one year	18	(42,000)	(8,064)	-	(50,064)
		<u>(28,856)</u>	<u>(6,671)</u>	<u>6</u>	<u>(35,521)</u>

30. 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 Local Government Pension Scheme (LGPS) administered by the Worcestershire County Council Pension Fund (WCCPF). The assets of the Schemes are held in separately administered funds.

Teachers pension scheme (TPS)

A formal actuarial review of the TPS is undertaken by the Government Actuary not less than every four years. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. As from 1st January 2007, and as part of the cost sharing agreement, the contribution rate was assessed at 20.5% which translates to an employee contribution of 6.4% and an employer contribution of 14.1% payable. The

30. Pension schemes (Continued)

cost-sharing agreement has also introduced effective for the first time for the 2008 valuation, a 14% cap on employer contributions payable.

Under the definitions set out in the Financial Reporting Standard 17 'Retirement Benefits' (FRS 17), the TPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions 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 2008
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%

The value of pension payments made in year to the Teachers Pension Scheme was £2,584,629.55 with £215,583.14 outstanding as a creditor at 31 July 2010.

Universities superannuation scheme (USS)

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS Scheme.

The contribution rate of the University is currently 16% of pensionable salaries. The actuary to USS has confirmed that it is appropriate to take the pensions costs in the Universities accounts to be equal to the actual contributions paid during the year. In particular, the contribution rate recommended following the 2008 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread surplus in a prudent manner over the future working lifetime of current scheme members.

Under the definitions set out in FRS 17, the USS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

30. Pension schemes (Continued)

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

Latest actuarial valuations	31st March 2008	
	Past service liabilities	Future service liabilities
Rate of interest	4.40%	6.40%
Rate of increase in salaries	4.30%	4.30%
Rate of increase in pensions	3.30%	3.30%
Actuarial method		
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 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 £195,845.94 with £16,289.36 outstanding as a creditor at 31 July 2010.

Worcestershire County Council Pension Fund (WCCPF)

WCCPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the WCCPF actuary reviews the progress of the WCCPF scheme.

For WCCPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was increased to 13.4% from April 2010. The estimate for the contribution for the defined benefit scheme for the year 2011 is 14.1% contribution rate from 1st April 2011. This rate will increase annually to 15.5% by 1st April 2013.

Under the definitions set out in FRS 17, the WCCPF is a multi-employer defined benefit pension scheme. In the case of the WCCPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2010.

The pension scheme assets are held in a separate Trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

30. Pension schemes (Continued)

A full actuarial valuation was carried out at 31 March 2008 and updated to 31 March 2010 on a FRS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2010	At 31 July 2009
Rate of RPI inflation	3.30%	3.70%
Rate of CPI inflation	2.80%	3.20%
Rate of increase in salaries	4.80%	5.20%
Rate of increase in pensions	2.80%	3.70%
Discount Rate	5.50%	6.30%

Mortality Assumptions

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

	Males		Females	
	Pensioner	Non-pensioner	Pensioner	Non-pensioner
As at 31st July 2010	21.2	22.2	24.1	25

The assets in Worcestershire County Council Pension Fund (WCCPF) scheme and the expected rate of return were:

	%	£000	%	£000
Equities	7.50	16,704	7.50	12,138
Government Bonds	4.20	485	4.50	608
Other Bonds	5.10	665	5.80	410
Cash/Liquidity	0.50	126	0.50	975
		<u>17,980</u>		<u>14,131</u>

Reconciliation of fair value of assets

	<u>2010</u> £000	<u>2009</u> £000	<u>2008</u> £000
Fair Value of assets at beginning of period	14,131	13,906	14,744
Expected return on assets	942	988	1,036
Actuarial gains/(losses) on assets	1,730	(1,941)	(2,653)
Employer Contributions	1,009	926	727
Member Contributions	526	495	405
Benefits/transfers	<u>(358)</u>	<u>(243)</u>	<u>(353)</u>
Fair Value of assets at end of period	<u>17,980</u>	<u>14,131</u>	<u>13,906</u>

Reconciliation of present value of scheme liabilities

	<u>2010</u> £000	<u>2009</u> £000	<u>2008</u> £000
Benefit Obligation at beginning of period	25,665	25,179	20,339
Current Service Cost	1,253	1,404	1,045
Interest on Pension Liabilities	1,662	1,534	1,211
Member Contributions	526	495	405
Past Service Costs	(2,063)	-	238
Actuarial (gains)/losses on liabilities	2,462	(2,704)	2,294
Curtailments	8	-	-
Benefits/transfers paid	<u>(358)</u>	<u>(243)</u>	<u>(353)</u>
	<u>29,155</u>	<u>25,665</u>	<u>25,179</u>

30. Pension schemes (Continued)

The following amounts at 31st July 2010 were measured in accordance with the requirements of FRS17:

	<u>2010</u> £000	<u>2009</u> £000	<u>2008</u> £000
Total market value of assets	17,980	14,131	13,906
Present value of scheme liabilities	(29,155)	(25,665)	(25,179)
(Deficit) – Net pension liability	<u>(11,175)</u>	<u>(11,534)</u>	<u>(11,273)</u>

Analysis of amounts charged to the income and expenditure account

	<u>2010</u> £000	<u>2009</u> £000
Employer service cost (net of employee contribution)	1,253	1,404
Past service cost	(2,063)	-
Total operating (credit) / cost	<u>(810)</u>	<u>1,404</u>
Expected return on assets	(942)	(988)
Interest on pension liabilities	1,662	1,534
Pension finance cost	<u>720</u>	<u>546</u>

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

	<u>2010</u> £000	<u>2009</u> £000	<u>2008</u> £000	<u>2007</u> £000	<u>2006</u> £000
Actual return less expected return on pension scheme assets	1,730	(1,941)	(2,653)	604	603
Percentage of year end assets	9.6%	13.7%	19.1%	4.1%	4.7%
Gains and losses arising on the scheme liabilities	-	-	-	-	-
Actual obligation less expected obligation on pension scheme liabilities	2,462	2,704	(2,294)	149	(496)
Percentage of year end liabilities	8.4%	9.1%	9.1%	0.7%	2.7%
Net actuarial gain for the year	1,331	(763)	(4,947)	753	(682)
Net percentage actuarial (Loss) for the year	9%	3.0%	19.6%	3.7%	3.7%

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

	<u>2010</u> £000	<u>2009</u> £000
Deficit on scheme at 1st August	(11,534)	(11,273)
Current service cost	(1,253)	(1,404)
Contributions	1,009	926
Past service cost (gain) and curtailment	2,055	-
Net interest / return on assets	(720)	(546)
Actuarial gain / (loss)	(732)	763
Deficit at 31st July	<u>(11,175)</u>	<u>(11,534)</u>

30. Pension schemes (Continued)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £1,331k. The actual return on scheme assets in the year was £2,672,000 ((£953,000) 2009). Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

The value of pension payments made in year to the Worcestershire County Council Pension Fund was £1,530,478.77 with £132,512.49 outstanding as a creditor at 31 July 2010.

The total pension cost for the University was:

	<u>2010</u> £000	<u>2009</u> £000
Contributions to TPS	1,735	1,676
Contributions to WCCPF	1,009	926
WCCPF charge to Income and Expenditure	244	478
Contributions to USS	122	43
	<u>3,110</u>	<u>3,123</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 2009/10 this amounted to £123,801.52.

31. Access to learning fund

	<u>2010</u> £000	<u>2009</u> £000
Funding Council Grants	283	326
	<u>283</u>	<u>326</u>
Disbursements to Students	(283)	(326)
	<u>-</u>	<u>-</u>
Balance unspent at 31st July	<u>-</u>	<u>-</u>

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

32. Training salaries

	<u>2010</u> £000	<u>2009</u> £000
Funding	2,010	1,961
Disbursements to Students	(1,970)	(1,882)
	<u>40</u>	<u>79</u>
Balance unspent as at 31st July	<u>40</u>	<u>79</u>

Funding received from the Teacher Development Agency for Schools in respect of the PGCE Training Salaries 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.

33. Children's workforce development agency

	<u>2010</u> £000	<u>2009</u> £000
Balance unspent as at 1st August	39	24
Funding	-	44
Disbursements to Students	-	(29)
Balance unspent as at 31st July	<u>39</u>	<u>39</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.

34. Aimhigher

	<u>2010</u> £000	<u>2009</u> £000
Balance unspent as at 1st August	31	-
Funding	729	249
Disbursements to other institutions	(338)	(29)
Disbursements to University of Worcester	(306)	(189)
Balance unspent as at 31 July	<u>116</u>	<u>31</u>

Funding received from HEFCE to support the widening participation work of the area Aimhigher programme. The funding and related disbursements are therefore excluded from the income and expenditure account.

35. 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% owned.

University of Worcester Students Union

In accordance with FRS 2, 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 £478,000 to the Students' Union. In addition, the Students' Union occupies the building on a rent free basis under an informal licence, subject to the Union maintaining the building in a good state of repair.