

Report And Financial Statements For The Year Ended 31 July 2007



2007

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Foreword

The University of the West of England (UWE) aims to be a university that is an internationally acknowledged centre for knowledge exchange, drawing upon its excellent teaching, scholarship and research in order to prepare students for the various needs and challenges of work and society.

From its origins as the Merchant Venturers' College in 1595, UWE has grown, and is now one of Britain's most popular universities with 29,218 students and 3,022 staff in the financial year 2006-07. Its annual budget is over £170 million. It is also the largest provider of higher education in the south west of England, and has an expanding European and international profile.

The University has a history of providing high-quality education and training to students. In parallel with the traditional values of academic excellence, the University is committed to using academic knowledge and skills to find practical solutions to problems. UWE's researchers make a significant contribution to advances in industry, commerce, public services and the professions, both nationally and internationally.

UWE students, and the knowledge and experience they gain, are vital to future economic prosperity. The University aims to equip students for this role in the economy by putting a fundamental value on work placements, part-time jobs and volunteering opportunities. The excellence of teaching is matched by a tremendous investment in facilities and infrastructure, resulting in a student experience to be proud of.

Bristol UWE has seen a massive level of investment in recent years. A phased ten year redevelopment of the Bristol School of Art, Media and Design at the Bower Ashton Campus is underway. The £12 million refurbishment and development programme will enable UWE to use the Bower Ashton Campus as a hub serving satellite sites around Bristol.

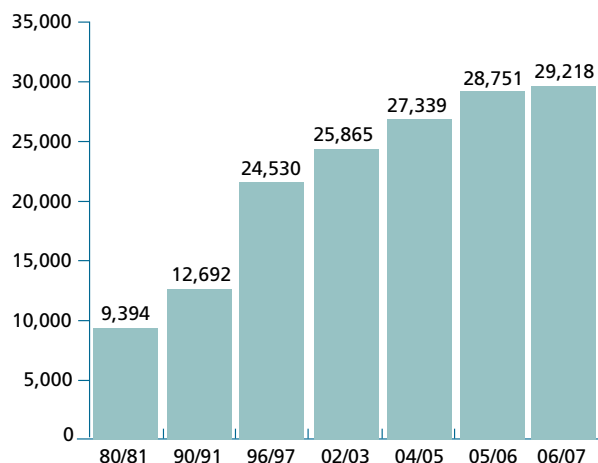
The £82 million student village recently opened on Frenchay Campus, offering spacious en-suite accommodation for almost 2,000 students alongside a state-of-the-art sports facility. The University has also recently invested £700,000 to provide a new nursery at Frenchay Campus with places for up to 60 children of pre-school age.

The University is actively engaged in building up a number of bilateral partnerships between UWE and Further Education Colleges (FEC's) known as the UWE Federation. To date formal Federation agreements have been signed with City of Bristol College, Filton College, Gloucestershire College, Stroud College and Weston College. The University is in on going discussions with a number of other FEC's. Working closely with colleges in the Federation, the University has developed a range of courses to give as many people as possible the chance to study at university, with opportunities for progression to UWE programmes. Many of the courses have been developed in collaboration with local employers to develop the skills and knowledge that are in demand in the region.

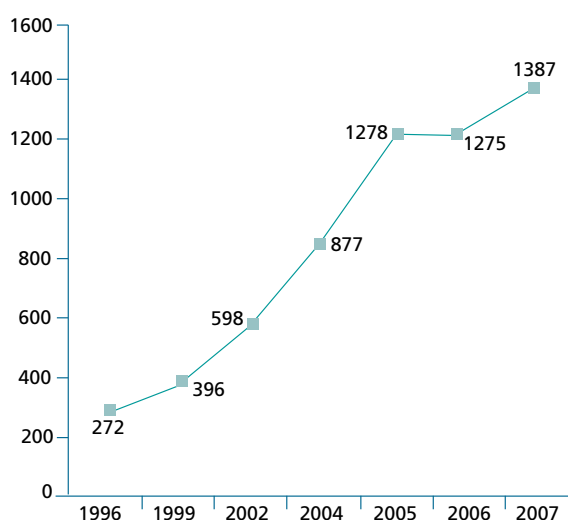
UWE works with employers throughout the student journey. These strong links with employers help to keep UWE's courses relevant and up to date and ensure that its graduates are highly sought after in the job market because they have the confidence, skills, up-to-date knowledge and work experience to be attractive to employers.

Facts and Figures

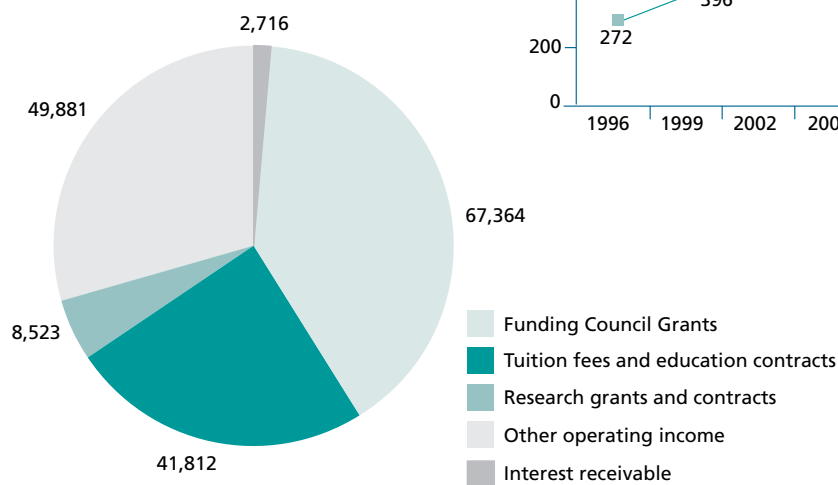
Growth in Student Numbers



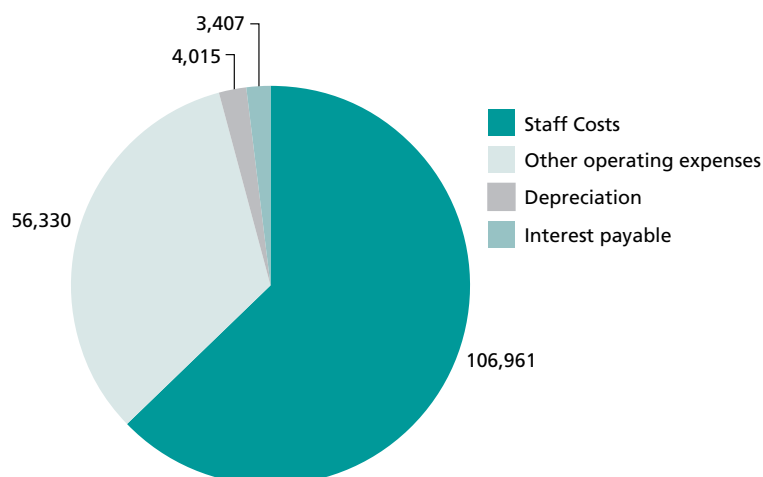
Growth in Overseas Student Numbers



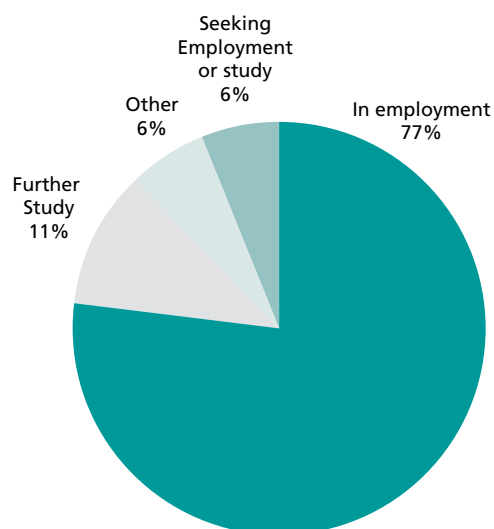
Income 2006/07 (in £000s)



Expenditure 2006/07 (in £000s)



Graduate destinations 2006



University of the West of England

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Board of Governors

Independent Members

Ray Burton (Chairman)
Robert Barnett
Rosamund Blomfield-Smith
Gillian Camm (to 30 September 2006)
Chris Booy (from 26 March 2007)
Nigel Costley
Sherrie Eugene
Iain Gray (from 26 March 2007)
Martin Palmer
Rt Rev Barry Rogerson
Nicky Rylance (to 31 March 2007)
Professor Bhupinder Sandhu
Lise Seager

Vice-Chancellor

Sir Howard Newby (to 31 August 2007)

Acting Vice-Chancellor

Professor Steven West (from 1 September 2007)

Academic Board Nominees

Professor Alan Bensted
Jonathan Bradley

Elected Staff

Janice Hill (to 31 December 2006)
Ruth Drysdale (from 1 January 2007)
Matthew Hughes

Student Nominee

Akram Habib (to 30 June 2007)
Dominic Passfield (from 1 July 2007)
James Wilkes (from 1 November 2006)

Co-opted Members

Professor Robert Cuthbert (to 31 December 2006)
Graham van der Lely

Report of the Board of Governors for the year ended 31 July 2007

Objectives and Activities

This is the fifteenth annual report of the University of the West of England.

The principal objectives of the University are concerned with the provision of higher education, knowledge transfer, research and consultancy. However, the University also undertakes other activities in support of those principal objectives, including the provision of accommodation, catering and conference services.

The University is a statutory corporation and, as a provider of education, enjoys exempt charitable status in accordance with the Education Reform Act 1988. At 31 July 2007 it operated from four campuses in South Gloucestershire and the City of Bristol: Frenchay, St. Matthias, Glenside and Bower Ashton. The University's Faculty of Health and Social Care also has regional centres in Bath, Swindon and at Hartpury College in Gloucestershire.

Enrolments

In 2006/2007 the University enrolled a total of 29,218 students. There were 19,577 full-time and sandwich students and 9,641 part-time students.

Financial Review

The Financial Statements and supporting notes for this financial period comply with the Statement of Recommended Practice: Accounting for Further and Higher Education and with applicable accounting standards.

The satisfactory financial performance of the University was maintained during 2006/07, with a small deficit for the year before appropriations (full details of which are in Note 18) amounting to (£0.4m). The outturn for the year is slightly below the targeted breakeven position set at the beginning of the financial year. The full adoption of Financial Reporting Standard (FRS 17) "Retirement Benefits" applies to the financial statements. The budgetary target excluding FRS 17 entries was exceeded by £0.5m. The entries in the financial statements relating to FRS17 reflect the University's membership of the Avon Pension Fund.

Income and Expenditure Account

The University's consolidated results for the years ended 31 July 2007 and 31 July 2006 are summarised below.

	2006/07 £000	2005/06 £000
Income	170,296	151,164
Expenditure	(170,713)	(150,130)
(Deficit)/Surplus for the year	(417)	1,034
Appropriated to Designated Reserves	(1,068)	(992)
Net (Deficit)/Gain transferred (from)/to General Reserve	(1,485)	42

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Report of the Board of Governors for the year ended 31 July 2007 (continued)

The increase in income was 12.7%. Funding Council Grants decreased by 1.3%, tuition fees increased by 29.2% and research grants by 18.3% whilst other operating income rose by 21.8%. There was a 12.5% increase in interest receivable. Funding Council Grants represented 39.6% of total income.

Performance Indicator	2006/07	2005/06	2004/05
(Deficit)/Surplus for the year as a % of income (before surplus on disposal of fixed assets)	(0.2%)	0.7%	(0.2%)

The University made no political or charitable donations during the year.

Total expenditure rose by approximately £20.6m, an increase of 13.7% on the previous year. There was an increase of £12.9m in staff costs, a rise of 13.7% compared with 2005/06. This reflected the increase in staff numbers to 3,022, as shown in note 6 to the accounts. There was an increase of approximately £3.7m in other operating expenses, an increase of 7% on the previous year. As shown by the table below, the division of expenditure between pay and non-pay elements remained similar to previous years.

Performance Indicator	2006/07	2005/06	2004/05
Pay expenditure %	62.7%	62.7%	62.6%
Non-pay expenditure %	37.3%	37.3%	37.4%

Balance Sheet

The net book value of tangible fixed assets increased during the year by £8.5m due principally to the ongoing work at Bower Ashton and the completion of construction work on the student village. It is expected to continue to rise in future years as the University's five year Financial Strategy anticipates an increase in capital expenditure. The value of freehold land as recorded in Note 9 represents the value of the University's campuses at the inception of Bristol Polytechnic as a corporate entity, predominately represented by the Frenchay campus. The University does not consider there to be a significant difference between the book value of the land and its market value in present use. Net current assets showed a £2.6m increase in the year. The University's general reserves reflect the full implementation of FRS 17 whereby the University's share of the current deficit on the Avon Pension Fund has to be reflected within the balance sheet.

Performance Indicator	2006/07	2005/06	2004/05
Ratio of current assets to current liabilities	1.1	1.1	1.4

Treasury Management

The University's treasury strategy is determined in the context of its expected future revenue and capital plans and the need to ensure that sufficient funds are available to meet commitments on a day to day basis.

Report of the Board of Governors for the year ended 31 July 2007 (continued)

The University adopts a very prudent approach to the investment of surplus funds. To protect capital sums invested, the University makes full use of reports compiled by leading Credit Rating Agencies and only institutions carrying short-term ratings of A1 (Standard & Poors) and F1 (Fitch IBCA) are considered sufficiently secure. In order to ensure adequate liquidity, deposits are spread over a range of maturity periods from immediate access to twelve months.

Funds are managed primarily by the University's Finance Department but, where appropriate, sums are also placed with Fund Managers, with instructions to operate within the University's prudent investment guidelines though with less emphasis on liquidity.

Capital Programme

During the year, the University continued with a £12m refurbishment of its Bower Ashton campus which houses the Bristol School of Art, Media and Design.

Post Balance Sheet Events

There were no post balance sheet events that require to be disclosed.

Future Developments

In accordance with the provisions of the Higher Education Act 2004 allowing universities to charge full-time home students up to £3,000 in tuition fees from 2006 (with subsequent annual increases), the University decided to increase tuition fees and also to introduce bursaries for eligible students on a basis which will best serve both the University and its students.

The University's financial position remains healthy but, in common with similar institutions, it faces an increasingly uncertain future due to factors such as an increasingly competitive market for undergraduates and a potential decline in NHS contract income.

Subsidiary Companies

The University's subsidiaries are listed in Note 10 to the Financial Statements. The largest of them is Bristol UWE Health Training Limited, a wholly owned subsidiary established to contract with the NHS for the provision of education and training.

Corporate Governance

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct

its business in accordance with and with regard to the principles identified by the Committee on Standards in Public Life and with the Committee of University Chairmen's "Guide for Members of Higher Education Governing Bodies in the UK". The financial statements include a statement on the University's position with regard to the implementation of the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange. The Board of Governors is required to express a view as to whether its processes are adequate in accordance with the direction from the Higher Education Funding Council for England for identifying, evaluating and managing the University's risks during the year. The appropriate committees of the Board of Governors have considered those processes and are of the view that, whilst adequate, the University should seek to continue to strengthen them further during the forthcoming year. A fuller statement on corporate governance is set out on page 10.

Review of Effectiveness of the Board of Governors, the Academic Board and the Vice-Chancellor

In 2005/06 the Board of Governors undertook its second review of the effectiveness of governance arrangements, as recommended in the guidance published by the Committee of University Chairmen (CUC). The review encompassed reviews of: the Board of Governors; the Academic Board, which was conducted as a separate exercise; and, the relationship between them. The main outcome of the review was a revised committee structure, focusing particularly on strengthening the joint working of the two Boards and the Executive, which was introduced in 2006/07. Other areas for development were also identified and improvements have been introduced during the year and will continue. A progress review of the revised arrangements was conducted in late spring 2007, and further adjustments have been introduced for 2007/08.

Within their review, the Board of Governors considered its current operation against the main points of the CUC's Governance Code of Practice. The Board agreed to bring its practice generally into line with the Code and appropriate steps are being taken.

The performance of the University is reviewed by the Board of Governors annually.

Report of the Board of Governors for the year ended 31 July 2007 (continued)

Parties associated with the University

The Bristol Polytechnic Charitable Trust ("BPCT"), the Wallscourt Foundation ("Wallscourt") and Wallscourt Library Services ("WALIS") have charitable objectives which are primarily concerned with assisting the provision of higher education at the University of the West of England. However, they are all legally independent of the University and are not under its control. For that reason, their financial statements are not consolidated with those of the University. However, the respective trustees of these bodies have resolved that their financial statements should be made available to the University as background information for regular dialogue about its needs. The University has given neither security nor comfort in respect of any liabilities of those separate charities nor of any of the companies in which they are shareholders.

The Wallscourt Foundation

The audited financial statements of Wallscourt to 31 December 2006 showed consolidated net assets amounting to £6.7m, including freehold land and properties of £22.4m, offset by bank borrowings secured on those land and properties totalling £18.8m. These properties include Wallscourt House, the Bristol Information Technology Centre ("BITC") and the new Redland building. The latter two buildings are owned by Bristol Polytechnic Enterprises Limited ("BPE") a subsidiary company of Wallscourt. The BITC and new Redland buildings are capitalised in BPE's financial statements at 31 December 2006 at a net book value of £12.9m. The three buildings are all leased to the University on an arm's length basis and corresponding commitments are included in note 27 to these financial statements ("Obligations under operating leases"). There were no material transactions between the University and Wallscourt in the period from 31 December 2006 to 31 July 2007 other than rental and similar payments under pre-existing contracts.

Bristol Polytechnic Charitable Trust

The audited financial statements of BPCT to 31 December 2006 showed net assets of £0.8m, which consisted mainly of short-term deposits. There were no

material transactions between the University and BPCT in the period from 31 December 2006 to 31 July 2007.

Wallscourt Library Services

WALIS operated the St Matthias and the Frenchay Bolland libraries until 30 November 2006 when these operations were transferred back to the University. The company's unaudited financial statements to 31 July 2007 shows a zero balance on net assets as all its profits have been donated to the University.

Bristol UWE Students' Union

The unaudited financial statements of the Bristol UWE Students' Union to 31 July 2007 showed net assets of £500,834. The total income for the year was £4.544m of which block grant from the University during the year amounted to £919,300.

The University's consolidated financial statements do not include those of the Bristol UWE Students' Union as the Union is a separate entity which the University does not control or have significant influence over policy decisions.

Hartpury College

Hartpury College is an Associate Faculty of the University, though legally and financially an autonomous institution with over 1,100 students studying Foundation Degree and Masters programmes. The unaudited financial statements of Hartpury College to 31 July 2007 showed total turnover of £20m, of which Higher Education contract income was £4.3m, with a surplus of £0.4m. The College also hosts students from the University's Faculty of Health and Social Care.

Hartpury's development plans support the national objectives of having 50% of 18-30 year olds in higher education by 2010. The College is therefore now running over 20 Foundation Degree programmes in conjunction with the University with part time options available in several areas thus widening possible participation. Validation of new programmes takes place every year in conjunction with the University in response to market needs. The College is participating in the "Aim Higher" scheme to raise awareness of Higher Education

Report of the Board of Governors for the year ended 31 July 2007 (continued)

opportunities available to Further Education students in the College. In 2006/07 the College's student tuition fee income was £1.3m of which £0.6m related to UK Higher Education students, £0.5m to non EU Students and £0.2m to UK Further Education students.

Equal Opportunities and Health and Safety

The Board of Governors has an equal opportunities policy which emphasises the University's commitment to equality of opportunity both in employment and in every other sphere of the University's activities. It is the policy of the University to employ disabled persons in suitable posts and to encourage employees who develop a disability to continue working for the University, where practicable. Disabled employees are provided with the same opportunities for promotion, career development and training as those afforded to other employees.

The University is committed to sustaining a diverse workforce and student body and will continue to build on current good practice to create an even more inclusive institution. This process will include identifying and recruiting students who may not have followed a traditional route towards higher education but can be identified as having potential to benefit from the University's programmes of study. The University will also continue to create an inclusive environment for staff and students where differences are respected and individuals are treated in a fair and non-discriminatory way.

The University is committed to providing a safe working environment for employees and students and for that purpose employs professionally qualified staff to identify and report on problems, to organise training and to provide advice and information.

Employee Involvement

The University places considerable value on the active participation of its employees in policy making and on good communication with them. A monthly newsletter is made available to all staff and separate supplements are published when the need arises. Staff are encouraged to participate in formal and informal consultation at University, Faculty and Departmental

level, through membership of formal committees and in other ways. The University's Human Resources department offer technical and general training and staff development to all levels of staff.

Student Involvement

The University has a number of mechanisms in place to facilitate communication with students and it makes extensive use of email and the internet to disseminate information and receive feedback. The Student Representative President sits ex officio on the Board of Governors of the University and there is regular formal and informal consultation with the Students' Union.

Officers' Insurance

The University maintains appropriate insurance for its officers in respect of their duties as officers of the University.

Payment of Creditors

The University endeavours to abide by payment terms agreed with suppliers. However, as it is the University's policy to negotiate favourable terms for all transactions, there are no uniform terms for payment of creditors.

Conclusion

The University continues to enjoy a position of academic and financial strength. This reflects the efforts and success of the University's staff and the Board of Governors thanks and congratulates them all.

Signed on behalf of the Board of Governors by:

R N Burton
Chairman

Governance, Direction and Financial Responsibilities

Governance

The Chancellor of the University is Baroness Butler-Sloss GBE, PC who fulfils an important advisory, representative and ceremonial role.

The activities of the University are conducted in accordance with: the provisions of the Education Acts; orders or directions made by the Secretary of State for Innovation, Universities and Skills; other enactments or regulations from time to time in force; and its Instrument and Articles of Government and internal rules and bye-laws.

The Board of Governors consists of a maximum of twenty-five persons. The majority of members are non-executive including the Chairman and the Deputy Chairman. During the year the membership of the Board of Governors included up to six employees of the University at any one time and the Student Representative President. The University's Chief Executive, the Vice-Chancellor, is a member of the Board ex officio.

The Board of Governors' responsibilities include:

- the determination of the educational character and mission of the University and oversight of its activities;
- the effective and efficient use of resources, the solvency of the institution, safeguarding its assets and providing an independent judgement on issues of strategy, performance and standards of conduct;
- approving annual estimates of income and expenditure;
- the appointment and determination of the pay and conditions of service of the Vice-Chancellor and the holders of certain senior posts, and setting a framework for the pay and conditions of service of all other staff;
- the maintenance of true records of the University's income and expenditure and providing the Higher Education Funding Council for England (HEFCE) with true accounts at such times and in such form as the Council may direct.

The Board of Governors is committed to the continuous development of a comprehensive process for identifying, evaluating and managing the University's significant risks

both financial and non-financial risk in line with HEFCE requirements. To this end the University has developed and approved a Risk Management Policy. However, the process is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Board of Governors regularly discusses the Risk Register, the Risk Management Policy and reports from its Committees. These discussions set the tone and influence the culture of risk management and determine the risk appetite of the University, what types of risk are acceptable and what are not and set the standards and expectations of staff with regard to conduct and probity in relation to risk management. The Board of Governors is advised and assisted on risk management by the Senior Management Team (SMT) and the Audit Committee both of whose agendas ensure regular monitoring of the risk and control processes and that these accord with the internal control guidance for directors as included in the Stock Exchange's 'Combined Code', as deemed applicable to higher education. Risks identified in this way are then disseminated to appropriate staff across the institution.

The University's Board of Governors has approved a Risk Management Policy for the University, the main components of which are summarised below:

- The University focuses on the active management of risk as an integral part of the management process within every part of the organisation.
- The system of internal control is based on an ongoing process to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. These risks may be strategic or operational and may present potential implications for the University's reputation, its financial position or its day to day operations or any combination thereof.
- Related to significant risks are policies that inter alia form part of the internal control process. The policies are approved by the Board of Governors and implemented by senior management.

Governance, Direction and Financial Responsibilities (continued)

- The Risk Register is compiled by the University's Management Group (UMG) and the SMT and is reported to the Audit Committee to help facilitate the identification, assessment and monitoring of risks of significant importance to the University. The Register is formally appraised annually by the SMT and approved by the Audit Committee. Emerging risks are added as required, and improvement actions and risk indicators are monitored on an ongoing basis through line management.
- Reporting arrangements through senior management are designed to monitor key risks and their controls. Decisions to rectify problems are made at fortnightly meetings of the SMT with reference to other staff, Committees and the Board of Governors where appropriate.
- Risk management is addressed on a University wide basis but individual Faculties, Schools and Departments help facilitate the identification, assessment and monitoring of risks. Faculty and Department Annual Operating Statements, which are used in the annual budgeting process, identify mitigating actions which will be taken to reduce risk.
- The Audit Committee is required to report to the Board of Governors on internal controls and to alert it to any emerging issues. Among other responsibilities the Audit Committee is responsible for oversight of risk management and ensuring that the Risk Management Policy is applied. The Audit Committee directly monitors the top 12 most significant risks to the University.
- The University has agreed with its internal auditors that their programme of work and the approach to internal control will be risk based. Their internal audit plan is guided by the assessment of risks identified through risk management.

The above policy and related procedures have continued to be developed and the Board of Governors is satisfied that the University's internal control and risk management processes meet the requirements set out by HEFCE in their circular 11/2006 "Accounts direction to higher education institutions for 2006-07".

The Board of Governors meets at least three times a year. Prior to each meeting Governors are supplied with

a formal agenda and appropriate reports and papers. The Board is entitled to establish committees for any purpose or function, other than those which are assigned elsewhere in the Articles to the Vice-Chancellor or to the Academic Board. It may delegate certain of its powers to its Chairman or to the Vice-Chancellor however there is a clear division of responsibility between these two posts. The main committees which operated during the 2006/07 year were:

- Finance and Information Technology Committee
- Estates Committee
- Personnel Committee
- Audit Committee
- Nominations Committee
- Remuneration Committee
- Joint Policy and Resources Committee
- Joint Diversity Committee
- Joint External Affairs Committee
- Joint Student Affairs Committee

All Committees have written terms of reference, which are available on request from the Clerk to the Governors. The membership of committees consists mainly of lay members of the Board of Governors, one of whom is designated as Chairman. Joint committees consist of members drawn from the Board of Governors, Academic Board and other constituencies.

An Emergency Committee, consisting of the Chairman and Deputy Chairman of the Board of Governors and the Chairman of Finance and Information Technology Committee, may exercise certain powers between meetings of the Board of Governors, on the advice of the Vice-Chancellor. Its membership is augmented when appropriate by the Chairmen of the Personnel Committee and the Estates Committee.

Governors are entitled to claim reimbursement of reasonable expenses incurred in undertaking their duties, but none is paid a salary or allowance for services as a Governor. Appointments to the Board of Governors are considered by the Nominations Committee. The University maintains a register of interests of members of the Board of Governors and key post holders which may be viewed by arrangement with the Clerk to the Governors.

Governance, Direction and Financial Responsibilities (continued)

Leadership, Direction and Management

The Vice-Chancellor is responsible for:

- making proposals to the Board of Governors about the University's educational character and mission, and implementing Governors' decisions;
- the leadership of the staff and the organisation, direction and management of the University;
- the appointment, assignment, appraisal, and the determination of the pay and conditions of staff, other than the holders of senior posts, within a framework set by the Board of Governors;
- the determination of the University's activities (in the case of academic activities, after consultation with the Academic Board);
- the preparation of annual estimates of income and expenditure, for consideration by the Board of Governors;
- the management of budgets and resources, within approved estimates;
- the maintenance of student discipline and the implementation of decisions to expel students for academic reasons.

The Vice Chancellor's senior management team is in effect the University's Executive Board and assists the Vice-Chancellor in discharging his responsibilities as Chief Executive. In 2006/07 the senior management team included Deputy Vice-Chancellors, Pro Vice-Chancellors and Assistant Vice-Chancellors.

The senior management team co-ordinates the organisation, direction and management of the University through the University's Management Group which meets weekly. During the year to 31 July 2007, the organisational structure of the University was based on nine faculties and a number of central support services such as the library, each of which is treated as a planning and budgetary unit. Each faculty is headed by a Dean, whose responsibilities largely mirror those at a corporate level of the Vice-Chancellor. Deans are responsible to the Vice-Chancellor. The Vice-Chancellor's academic leadership of the University is assisted by regular meetings between members of the senior management team and the Deans of Faculty.

Academic Responsibilities

During the year to 31 July 2007 there was an Academic Board of 40 members, chaired by the Vice-Chancellor ex officio, half of whom are individuals with primarily executive and managerial responsibilities with the remainder being elected non-executive staff or students.

Subject to the Articles, the overall responsibility of the Board of Governors, and the responsibilities of the Vice Chancellor, the Academic Board is responsible for:

- issues relating to research, scholarship, teaching and courses, including criteria for the admission of students;
- the appointment of internal and external examiners;
- policies and procedures for the assessment and examination of students;
- the contents of the curriculum;
- academic standards and the validation and review of courses;
- procedures for the award of qualifications and honorary academic titles; and
- the process of expulsion of students for academic reasons.

The main committees of the Academic Board during 2006/07 included:

- Faculty Boards, one for each faculty
- an Associate Faculty Board (Hartpury College)
- Learning, Teaching and Assessment Committee
- Professorial and Honorary Degrees Committee
- Research and Knowledge Exchange Committee

The Academic Board also advises on such other matters as the Board of Governors or the Vice-Chancellor may refer to it, including the development of academic activities and the resources needed to support them.

Financial Responsibilities

The terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Governors require the University, through its designated officer the Vice-Chancellor, to present financial statements for the financial year which give a true and fair account of the

Governance, Direction and Financial Responsibilities (continued)

state of affairs of the University and the results and cash flows for that year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. The Board of Governors is satisfied that the University has adequate resources to continue its operations for the foreseeable future and for this reason a 'going concern' basis has been adopted in the preparation of the financial statements which reflect:

- suitable accounting policies, selected and applied consistently;
- judgements and estimates that are reasonable and prudent; and
- applicable accounting standards, subject to disclosure and explanation in the financial statements of any material departures therefrom.

The Board of Governors has taken reasonable steps to:

- fulfil its responsibilities under the Articles and to ensure that funds from HEFCE, the Training and Development Agency (TDA) and the Learning and Skills Council (LSC) are used only for the purposes for which they have been granted and in accordance with the Financial Memorandum issued by the Council and any other conditions which it may from time to time prescribe;
- ensure that appropriate financial and management controls are in place to safeguard public and other funds;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control include:

- Board of Governors' approval of annual estimates of income and expenditure and monitoring of the financial performance of the University;

- an internal financial memorandum, which defines the responsibilities and delegated authority of management post holders;
- a comprehensive planning process, which integrates the preparation of annual income, expenditure and capital budgets;
- regular reviews of the performance of each of the University's Planning and Budgetary Units, including monthly reviews of financial results involving variance reporting and the updating of forecasts;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions being subjected to detailed appraisal and review; and,
- comprehensive financial regulations approved by the Board of Governors which detail financial controls, procedures and guidelines.

The Audit Committee meets at least three times a year with the University's external and internal auditors in attendance. On behalf of the Board of Governors the Audit Committee considers reports, recommendations and reviews on the effectiveness of the University's arrangements for risk management, internal control and governance and it has expressed itself satisfied that they can provide reasonable though not absolute assurance that the systems and controls are effective. The Audit Committee also considers reports and updates from HEFCE as they affect the University's business and monitors adherence to the regulatory requirements. A professional internal audit team, provided by Grant Thornton UK LLP (which merged with the previous internal auditors RSM Robson Rhodes LLP), undertakes an annual programme approved by the Audit Committee.

External auditors are appointed and other audit work conducted in accordance with the requirements of HEFCE.

Signed on behalf of the Board of Governors by:

R N Burton
Chairman

Independent auditors' report to the Board of Governors of the University of the West of England

We have audited the Group and University financial statements (the "financial statements") of the University of the West of England for the year ended 31 July 2007 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Board of Governors and Auditors

The University's Board of Governors' responsibilities for preparing the Board of Governors' Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 13.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered

by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council. We also report to you whether in our opinion the Board of Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Board of Governors' Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 University's Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University'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.

Independent auditors' report to the Board of Governors of the University of the West of England (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2007 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recognised Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

KPMG LLP
Chartered Accountants
Registered Auditor
100 Temple Street
Bristol
BS1 6AG

Date: 26 November 2007

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Consolidated Income and Expenditure Account for the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
Income			
Funding council grants	1	67,364	68,231
Tuition fees and education contracts	2	41,812	32,372
Research grants and contracts	3	8,523	6,734
Other operating income	4	49,881	41,412
Interest receivable	5	2,716	2,415
Total Income		170,296	151,164
Expenditure			
Staff costs	6	106,961	94,083
Other operating expenses	7	56,330	52,616
Depreciation	8	4,015	2,784
Interest payable	8	2,742	329
Total Expenditure		170,048	149,812
Surplus on continuing operations after depreciation of assets		248	1,352
Net Interest/Return on Assets	8	(665)	(318)
(Deficit)/Surplus for the year before appropriations		(417)	1,034

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations. There were no material surpluses or deficits arising in the subsidiaries in the year.

No note of historical cost surplus is given, as there was no difference between the results as set out in the Consolidated Income and Expenditure Account and their historical cost equivalents.

	Note	2006/07 £000	2005/06 £000
(Deficit)/Surplus for the year		(417)	1,034
Appropriations to designated reserves	18	(1,068)	(992)
Net (deficit)/surplus (from)/to general reserve		(1,485)	42

Balance Sheets at 31 July 2007

	Note	Group 2007 £000	Group 2006 £000	University 2007 £000	University 2006 £000
Fixed Assets					
Tangible fixed assets	9	152,231	143,683	147,567	138,973
Investments	10	39	39	5,039	5,039
		152,270	143,722	152,606	144,012
Current Assets					
Stocks	11	176	174	176	174
Debtors due after one year	12	276	1,581	-	1,191
Debtors due within one year	12	11,855	5,941	9,449	5,630
Current asset investments	13	50,780	43,107	47,793	40,129
Cash at bank and in hand		636	-	635	-
		63,723	50,803	58,053	47,124
Creditors:					
Amounts falling due within one year	14	(55,489)	(45,211)	(55,993)	(48,796)
Net Current Assets/(Liabilities)		8,234	5,592	2,060	(1,672)
Total Assets less Current Liabilities		160,504	149,314	154,666	142,340
Creditors:					
Amounts falling due after more than one year	15	(58,707)	(55,985)	(52,350)	(48,568)
Provisions for liabilities and charges	16	(353)	(544)	(353)	(544)
Net Assets excluding pension liability		101,444	92,785	101,963	93,228
Pension Liability		(25,575)	(27,764)	(25,575)	(27,764)
Net Assets including pension liability		75,869	65,021	76,388	65,464
Deferred capital grants	17	16,870	9,700	16,870	9,700
Reserves					
Avon endowment	18	47,780	47,780	47,780	47,780
General Reserves excluding pension liability	18	36,794	35,305	37,313	35,748
Pension Reserve	29	(25,575)	(27,764)	(25,575)	(27,764)
General Reserves including pension liability		11,219	7,541	11,738	7,984
Total Reserves		58,999	55,321	59,518	55,764
Total Funds		75,869	65,021	76,388	65,464

The financial statements on pages 16 to 36 were approved by the Board of Governors on 26 November 2007 and signed on its behalf by:

R N Burton
Chairman

S G West
Acting Vice-Chancellor

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
(Deficit)/Surplus for the year		(417)	1,034
Actuarial gain/(loss) in respect of pension scheme in the year	29	4,095	(2,611)
		3,678	(1,577)
Prior Year Adjustment-FRS 17	29	-	(24,666)
Total Recognised Gains and (Losses)		3,678	(26,243)

Consolidated Cash Flow Statement for the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
Net cash inflow from operating activities	19	9,632	8,212
Returns on investments and servicing of finance	20	(26)	296
Capital expenditure and financial investment	21	(5,079)	(57,352)
Cash inflow/(outflow) before use of liquid resources and financing		4,527	(48,844)
Management of liquid resources	22	(7,673)	8,674
Financing	22	3,782	39,421
Increase/(Decrease) in cash	23	636	(749)
Reconciliation of net cash flow to movement in net funds	Note	2006/07 £000	2005/06 £000
Increase/(Decrease) in cash	23	636	(749)
Increase/(Decrease) in investments	23	7,673	(8,674)
Cash Inflow from Lloyds TSB loan	23	(3,782)	(39,366)
Loan repayments	22	-	4,931
Change in net funds in the year		4,527	(43,858)
Net Funds at 1 August 2006	23	(5,461)	38,397
Net Funds at 31 July 2007	23	(934)	(5,461)

Statement of Accounting Policies

1 General Policies

a Accounting Convention

The financial statements have been prepared on the historical cost basis of accounting, modified by (i) the revaluation of certain fixed assets for which a cost is not readily ascertainable and (ii) the revaluation of Investment Properties, both in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education.

b Basis of Consolidation

The consolidated accounts incorporate the accounts of the institution and those of its subsidiaries which are active and material. The consolidated accounts do not include those of: (i) The University of the West of England Students' Union, which is an autonomous body not under the control of the University or; (ii) Bristol Polytechnic Charitable Trust, the Wallscourt Foundation and Wallscourt Library Services all of which have charitable objectives which are primarily concerned with assisting the provision of higher education at the University of the West of England but which are legally independent of the University and not under its control.

c 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 of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. No provision for corporation tax or income tax (deferred or otherwise) is therefore considered necessary. The University receives no similar exemption in respect of Value Added Tax. As a result the major part of Value Added Tax paid by the University is irrecoverable, since the provision of education is an 'exempt' activity for VAT purposes. The subsidiaries of the University are potentially liable to both corporation tax and Value Added Tax.

d Pension Costs

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and its employees.

Payments are made to the Department for Innovation, Universities and Skills in respect of staff who are members of the Teachers' Superannuation Scheme, and to the Universities Superannuation Scheme (USS) and the Avon Pension Fund (administered by Bath and North East Somerset Council). The financial position of all these funds are disclosed in their audited financial statements.

Where the University is unable to identify its share of the underlying assets and liabilities of a relevant superannuation scheme on a consistent and reasonable basis, as required by FRS 17, it accounts for the scheme as if it were a defined contribution scheme. As a result, the annual amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Statement of Accounting Policies (continued)

Where the University is able to identify its share of the underlying assets and liabilities in a scheme it accounts for the scheme in accordance with FRS17. The University's share of any surplus or deficit is recognised as an asset or liability in the balance sheet. The current service cost, being the actuarially determined present value of the pension benefit earned by the employees in the current period and the past service cost, are included in staff costs. The expected return on the University's share of scheme assets and interest on its liabilities are netted off and shown as a net return in the income and expenditure account. All changes in the pension surplus or deficit due to changes in actuarial assumptions are reported in the statement of total recognised gains and losses.

The rate of employer's contribution on any relevant superannuation scheme is reviewed periodically on the basis of actuarial valuations.

2 Income and Expenditure Account

a Investment Income

Income from investments and deposits is calculated on an accruals basis.

b Tuition Fees

Income from tuition fees represents the sum attributable to the financial period. Fee income is stated gross. Financial assistance to students in the form of bursaries and fee waivers is included in operating expenses.

c Release of Capital Grants

HEFCE capital grants are released to the credit of the income and expenditure account over the lives of the assets concerned.

d Research Grants and Contracts

Income from research grants and contracts is brought into the income and expenditure account to the extent that it is attributable to the expenditure incurred in the period.

e Long Term Contract Income

Income from long term contracts is deemed to accrue evenly over the life of the contract.

f Sale of Property

Income from the sale of property is recognised on completion of the contract.

g Maintenance of Premises

The University has a rolling maintenance plan which forms the basis of the ongoing maintenance of the University's estate. The cost of routine maintenance is charged to the income and expenditure account as it is incurred.

h Operating Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

i Research and Development

Any research and development cost incurred by the University is charged to the income and expenditure account as it is incurred.

J Basic and other Recurrent Grants

Basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Statement of Accounting Policies (continued)

k Access Funds and Training and Development Agency Bursaries

The University acts as agent on behalf of the Higher Education Funding Council for England with regard to the disbursement of access funds and the Training and Development Agency for its bursaries. The receipt and payment of these funds are therefore not included in the income and expenditure account of the University.

3 Balance Sheet

a Land and Buildings

Buildings inherited from Avon County Council on 1 April 1989 were valued at that date at their depreciated replacement cost, which was calculated by applying 'rebuild costs' to each building's floor area. These rebuild costs were based on authoritative tables of such costs published by the Royal Institution of Chartered Surveyors. An estimate was made of the remaining useful economic life of each building which was applied to a total life of 50 years, or a longer period for buildings already exceeding that age, in order to arrive at the depreciated value. It is not proposed to adjust this valuation until it is clear that there has been a material change. Depreciation is charged at 2% per annum on that valuation. Expenditure on buildings (including refurbishments and expenditure needed to bring a building into full operation) since that valuation is capitalised if it is probable that increased future economic benefits will arise as a result of the expenditure. Such expenditure is depreciated on a straight line basis over the estimated useful life (usually between 50 and 60 years) of the corresponding asset. All other expenditure on buildings is treated as an expense in the accounting period in which it is incurred.

Buildings under construction are accounted for at cost based on architects' certificates and other direct costs incurred at the balance sheet date. These costs are not depreciated until the building concerned has been brought into use.

Finance costs attributable to the construction of buildings are capitalised as part of the cost of the corresponding asset.

In accordance with Statement of Standard Accounting Practice (SSAP) 4 and the Statement of Recommended Practice (SORP) restricted capital grants received are held as deferred capital grants and released to the income and expenditure account over the estimated life of the asset concerned.

Land is stated at cost and is not depreciated.

b Investment Properties

Investment Properties are included in the Balance Sheet at their open market value. Any changes in the market value of investment properties are shown as movements on the Investment Revaluation Reserve unless a deficit is expected to be permanent in which case it is charged to the Income and Expenditure account. In accordance with SSAP 19 Investment Properties are not depreciated.

c Roads and Car Parks

Expenditure on Roads and Car Parks is capitalised if it is probable that increased future economic benefits will arise as a result of the expenditure. Depreciation is charged at 2% per annum on a straight line basis. All other expenditure on Roads and Car Parks is treated as an expense in the accounting period in which it is incurred.

Statement of Accounting Policies (continued)

d Equipment, Furniture and Software

Expenditure on items or groups of items of equipment and furniture costing more than £25,000 is capitalised, and then depreciated on a straight line basis over a 3 year period. Items or groups of items costing less than £25,000 are written off in the year of acquisition. Depreciation is not charged in the year of acquisition of a capitalised asset. Expenditure funded by research grants and contracts and similar external sources of funds is not capitalised.

e Disability Discrimination Act (DDA) assets

Expenditure on DDA assets is capitalised if it is probable that increased future economic benefits will arise as a result of the expenditure. Depreciation is charged on a straight line basis over its 15 years useful economic life.

f Designated Reserves

The University exercises its discretion in the creation of designated reserves, in anticipation of future needs, and in the utilisation of those reserves.

g Stocks

Stocks of consumables for catering, printing and stationery, or for sale to students, and computing equipment held for issue to faculties are valued at cost or, if lower, at net realisable value. No account is taken of other stocks as they are not material to the financial statements.

h Term Deposits and Cash at Bank

The heading "Cash at bank and in hand" includes deposits repayable within 24 hours notice without penalty, all other deposits are included within the heading "Current Asset Investments". Term Deposits comprise sums on short-term deposit with approved banks and building societies and UK government securities and they are included within "Current Asset Investments" in the balance sheet.

Current Asset Investments are stated at market value.

i Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

j Provisions

Provisions are recognised when: the institution 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.

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Notes to the Financial Statements

	2006/07 £000	2005/06 £000
1 Funding Council Grants		
Basic recurrent grant	59,656	56,391
Reimbursement of loan interest	-	329
Release of capital grants	314	290
Training and Development Agency	3,827	3,307
Learning and Skills Council	395	602
Other grants	3,172	7,312
	67,364	68,231
2 Tuition Fees and Education Contracts		
Full time students-Home	27,392	19,121
Full time students-EU	1,339	718
Full time students-International	6,461	6,239
Part time students	5,511	5,025
Short course fees	1,109	1,269
	41,812	32,372
Student numbers by category	Numbers	Numbers
Home and EU full time	18,190	18,307
Overseas full time	1,387	1,275
Part time	9,641	9,169
	29,218	28,751
	2006/07 £000	2005/06 £000
3 Research Grants and Contracts		
Research Councils	2,624	2,093
UK based charities	1,196	699
European Commission	1,052	856
Other research grants and contracts	3,651	3,086
	8,523	6,734
4 Other Operating Income		
Residences and catering	16,193	10,438
NHS contract	22,761	20,927
Other services rendered	5,105	4,622
Other income	5,822	5,425
	49,881	41,412
5 Interest Receivable		
Income from cash and term deposits	2,716	2,415
6 Staff Costs		
Salaries and wages	89,164	79,688
National Insurance costs	6,477	6,004
Other pension costs	11,320	8,391
	106,961	94,083

Notes to the Financial Statements (continued)

6 Staff Costs (continued)

Staff numbers by category

	2006/07 Numbers	2005/06 Numbers
Academic faculties	1,842	1,824
Learning support services	287	260
Other support services	152	107
Administration and central services and premises	741	734
	3,022	2,925

	2006/07 £	2005/06 £
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Emoluments of the Vice-Chancellor from 1 February 2006

Salary	227,881	105,000
Benefits in kind	442	73
Pension costs	31,903	17,343
	260,226	122,416

Emoluments of the former Vice-Chancellor who retired on 31 December 2005

Salary	-	81,008
Benefits in kind	-	422
Pension costs	-	10,936
	0	92,366

Emoluments of the acting Vice-Chancellor for January 2006

Salary	-	14,474
Benefits in kind	-	35
Pension costs	-	1,954
	0	16,463

Remuneration of higher paid staff excluding the Vice-Chancellors

	Numbers	Numbers
£70,001 to £80,000	15	13
£80,001 to £90,000	3	2
£90,001 to £100,000	3	2
£100,000+	4	1

Notes to the Financial Statements (continued)

7 Other operating expenses

	2006/07 £000	2005/06 £000
Equipment not capitalised	1,625	2,363
Student related expenses	4,367	2,788
Stationery, advertising travel & telephones	3,761	3,752
Laboratory expenses	778	643
Other academic operating costs	3,878	3,622
Library Services	3,405	4,282
Information Technology Services	2,005	1,944
Other academic services	112	63
Research grants & contracts	2,818	1,781
Residences & catering	6,295	7,324
Repairs & maintenance	6,489	6,655
Heat, light & power	3,075	2,901
Rents payable	2,491	2,324
Cleaning & Portering Services	334	291
Security Services	596	583
Administration & central services	3,133	2,868
Student facilities & amenities	2,912	1,764
General educational expenditure	5,432	3,927
Other services rendered	2,486	2,518
External auditors' remuneration	44	41
Internal auditors' remuneration	73	50
Auditors' remuneration-non audit services	2	2
Other	219	130
	56,330	52,616

8 Analysis of expenditure by activity

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Total 2006/07 £000	Total 2005/06 £000
Academic faculties	70,111	14,409	331		84,851	79,250
Academic support services	8,105	5,522	180		13,807	13,593
Research grants and contracts	3,541	2,818	-		6,359	4,999
Administration and central services	12,977	11,596	117		24,690	19,571
Premises	4,875	12,985	1,655		19,515	18,810
Residences and catering	3,312	6,295	1,732	2,742	14,081	9,763
Other services rendered	2,720	2,486	-		5,206	4,559
Other	79	219	-		298	189
Avon pension fund (Note 29)	1,241	-	-	665	1,906	(922)
	106,961	56,330	4,015	3,407	170,713	149,812

Interest payable for residences and catering relates to a loan taken to finance the construction of Student Residences (Note 15).

The depreciation charge has been funded by:

	2006/07 £000	2005/06 £000
Deferred capital grants released	314	290
General Income	3,701	2,494
	4,015	2,784

Notes to the Financial Statements (continued)

9 Tangible Fixed Assets

Consolidated

	Investment Property £000	Freehold Land and Buildings £000	Assets in Course of Construction £000	Equipment £000	Total £000
Cost or Valuation					
At 1 August 2006	9,700	74,753	82,352	6,862	173,667
Additions		4,020	7,393	1,150	12,563
Transfer		82,352	(82,352)	-	-
Disposals		-	-	(26)	(26)
At 31 July 2007	9,700	161,125	7,393	7,986	186,204
Depreciation					
At 1 August 2006		24,599		5,385	29,984
Charge for the year		3,367		648	4,015
Disposals		-		(26)	(26)
At 31 July 2007		27,966		6,007	33,973
Written Down Value At 31 July 2007	9,700	133,159	7,393	1,979	152,231
Written Down Value At 31 July 2006	9,700	50,154	82,352	1,477	143,683

University

	Investment Property £000	Freehold Land and Buildings £000	Assets in Course of Construction £000	Equipment £000	Total £000
Cost or Valuation					
At 1 August 2006	9,700	74,703	77,692	6,862	168,957
Additions		3,905	7,477	1,150	12,532
Transfer		77,776	(77,776)	-	-
Disposals		-	-	(26)	(26)
At 31 July 2007	9,700	156,384	7,393	7,986	181,463
Depreciation					
At 1 August 2006		24,599		5,385	29,984
Charge for the year		3,290		648	3,938
Disposals				(26)	(26)
At 31 July 2007		27,889		6,007	33,896
Written Down Value At 31 July 2007	9,700	128,495	7,393	1,979	147,567
Written Down Value At 31 July 2006	9,700	50,104	77,692	1,477	138,973
Written Down Value of inherited assets At 31 July 2007		16,844			16,844

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Notes to the Financial Statements (continued)

9 Tangible Fixed Assets (continued)

Northavon House

The investment property, Northavon House, was valued as at July 2007 by the District Valuer in accordance with RICS Appraisal and Valuation Standards. The District Valuer confirmed the valuation of Northavon House at £9.7m based on existing use and open market value.

Assets in the course of construction

'Assets in the course of construction' relates to the construction of nursery facilities at the Frenchay campus which were completed after balance sheet date and the Bower Ashton Redevelopment which is expected to be completed in 2008/09.

Freehold Land and Buildings includes land at cost of £544,200, which has not been depreciated.

10 Investments

	Group		University	
	2007 £000	2006 £000	2007 £000	2006 £000
CVCP Properties plc	39	39	39	39
Bristol UWE Sport Limited	-	-	5,000	5,000
	39	39	5,039	5,039

The University holds 38,049 £1 shares in CVCP Properties plc, called up and fully paid, representing 0.89% of the company's share capital.

The University holds 5,000,000 £1 shares in Bristol UWE Sport Limited a wholly owned subsidiary.

Subsidiary companies and shareholdings

The following companies, all of which are incorporated in England and Wales, were wholly owned by the University at 31 July 2007

	Purpose
*Bristol UWE Health Training Limited (BUHT)	Education and training in healthcare professions
*Bristol UWE Sport Limited	Sports facilities
Bristol UWE Utilities Limited	Energy supplies
Bristol Law School Limited	Education and training
Bristol Business School Limited	Education and training
Bristol School of Art Media and Design Limited	Education and training
Campus Services Limited	Catering
BUWE (B80) Limited	Protection of name
Satman Developments (No 35) Limited	Construction
UWE Gloucester Limited	Education and training
UWE Somerset Limited	Education and training
UWE Swindon Limited	Education and training
Bristol Institute of Legal Practice	Education and training
CAVE 6 plc	Property leasing and management
CAVE 7 plc	Property leasing and management

*The results of these companies have been consolidated with those of the University. BUHT made a payment under covenant of £2,946 million (2005/06, £3,207 million) to the University representing its trading surplus for the year. During the year Bristol UWE Sport Limited made a loss of £76k (2005/06, surplus of £85k). The other companies are either not trading or their results are not considered material.

Notes to the Financial Statements (continued)

10 Investments (continued)

The University is a member of South West England Regional Network Limited, a company limited by guarantee, whose business is the operation of communication networks. The other members of this company are four universities in the South West of England.

The University holds 15,000,000 fully paid one penny shares in LISTechnology Limited representing 15 percent of the company's share capital. The consideration for the allotment of these shares was the assignment of certain intellectual property rights.

11 Stocks

University and Group

Printing and Stationery Services
Catering
Bristol School of Art, Media and Design shop
IT Services

2007
£000

2006
£000

62
76
24
14

67
67
26
14

176

174

Group
2007
£000

2006
£000

University
2007
£000

2006
£000

12 Debtors

Falling due within one year:
Amounts due from subsidiary undertakings
Other debtors
Due from HEFCE
Other prepayments

-
6,715
4,439
701

-
5,081
-
860

444
3,979
4,439
587

679
4,206
-
745

11,855

5,941

9,449

5,630

Falling due after one year:
Prepayments

276

1,581

-

1,191

12,131

7,522

9,449

6,821

13 Current Asset Investments

Bank deposits

50,780

43,107

47,793

40,129

50,780

43,107

47,793

40,129

14 Creditors: Amounts falling due within one year

Amounts due to subsidiary undertakings
Other creditors and accruals
Other receipts in advance

-
27,675
27,814

-
20,141
25,070

6,384
24,334
25,275

5,643
19,397
23,756

55,489

45,211

55,993

48,796

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Notes to the Financial Statements (continued)

	Group		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
15 Creditors: Amounts falling due after more than one year				
Lloyds TSB loan	52,350	48,568	52,350	48,568
Other creditors	309	200	-	-
Deferred income	6,048	7,217	-	-
	58,707	55,985	52,350	48,568

The Lloyds TSB loan is part of a £95 million 'revolving' overdraft facility with the option of converting it to a 25 year term loan. The values shown above represent the sum drawn down at the balance sheet date.

16 Provision for Liabilities and Charges	2007	2006
University and Group	£000	£000
Early Retirement Costs		
At 1 August 2006	544	544
Transfer to Income and Expenditure Account	(191)	-
At 31 July 2007	353	544

Early Retirement Costs represents the present value of the University's future obligation in relation to staff who have taken early retirement. This represents the SSAP24 provision not covered by FRS 17 actuarial valuation. No valuation has been carried out for this fund as the values are not considered material.

17 Deferred Capital Grants (Buildings)	2007	2006
University and Group	£000	£000
At 1 August 2006	9,700	7,239
Received during the year	7,484	2,751
Released to Income and Expenditure Account	(314)	(290)
At 31 July 2007	16,870	9,700

18 Reserves: Avon Endowment		
University and Group		
Avon Endowment	30,960	30,960
Loan Principal Reimbursed by HEFCE	15,570	15,570
Investment revaluation reserve	1,250	1,250
	47,780	47,780

As a consequence of the Education Reform Act 1988 all freehold interests in land and buildings used by Bristol Polytechnic were transferred from Avon County Council on 1 April 1989 to what is now the University. The buildings were brought into the Balance Sheet at their depreciated replacement cost, and the amount shown as Avon Endowment represents the difference between that value and the outstanding loan debt inherited from the County Council.

Investment revaluation reserve relates to the revaluation of Northavon House (Note 9).

Notes to the Financial Statements (continued)

18 Designated Reserves (University and Group) continued

	2006 £000	Appropriations	2007 £000
Strategic Investment Fund	12,801	-	12,801
Sports and Fitness Reserve	2,658	229	2,887
Long Term Maintenance	9,281	648	9,929
Student Accommodation Reserve	3,063	92	3,155
Reserve for Severance payments	786	-	786
Other Designated Reserves	373	99	472
	28,962	1,068	30,030

	Group		University	
	2007 £000	2006 £000	2007 £000	2006 £000
General Reserves				
At 1 August 2006	6,343	6,904	6,786	7,347
Surplus for the year excluding Pension liability	1,489	431	1,565	431
Appropriations to Designated Reserves	(1,068)	(992)	(1,068)	(992)
At 31 July 2007	6,764	6,343	7,283	6,786
Income and Expenditure account excluding Pension Liability	36,794	35,305	37,313	35,748
Pension Liability	(25,575)	(27,764)	(25,575)	(27,764)
Income and Expenditure account including Pension Liability	11,219	7,541	11,738	7,984

19 Reconciliation of Surplus for the Year to Net Operating Cash flows

	2007 £000	2006 £000
Operating (deficit)/surplus for the year before exceptional income	(417)	1,034
Depreciation	4,015	2,785
Pension movement in the year	1,906	(604)
Deferred capital grants released to income	(314)	(290)
Interest received	(2,716)	(2,415)
Interest paid including capitalised interest	2,742	2,120
(Increase)/Decrease in stock	(2)	12
(Increase)/Decrease in debtors	(4,609)	2,532
Increase in creditors falling due within one year	10,278	1,751
(Decrease)/Increase in creditors falling due after one year	(1,060)	1,287
Decrease in provisions	(191)	-
Net Cash Inflow from Operating Activities	9,632	8,212

University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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Notes to the Financial Statements (continued)

20 Returns on Investments and Servicing of Finance

	2007 £000	2006 £000
Interest received	2,716	2,416
Capitalised interest paid	-	(1,791)
Interest paid	(2,742)	(329)
	(26)	296

21 Capital Expenditure and Financial Investment

Tangible fixed assets acquired	(12,563)	(60,103)
Deferred capital grants received	7,484	2,751
	(5,079)	(57,352)

22 Management of Liquid Resources and Financing

Purchase of Shares in Subsidiary	-	55
Bristol City Council Loan Repayments	-	(4,931)
Lloyds TSB loan	3,782	39,366
HEFCE Grant for Loan Repayments	-	4,931
	3,782	39,421
Net (Placement)/Withdrawal of Term Deposits	(7,673)	8,674
	(3,891)	48,095

23 Analysis of Changes in Net Funds

	2006 £000	Cash Flows £000	2007 £000
Cash at bank and in hand	-	636	636
Current asset investments	43,107	7,673	50,780
Loan falling due after one year: Lloyds TSB	(48,568)	(3,782)	(52,350)
Total	(5,461)	4,527	(934)

24 Access Funds

	2006/07 £000	2005/06 £000
Funding Council Grant	1,055	1,203
Interest earned	18	16
Disbursement to students	1,073	1,219

25 Bursaries from Training and Development Agency

	2006/07 £000	2005/06 £000
Grant Received	2,260	1,778
Disbursement	(2,083)	(1,803)
	177	(25)

Notes to the Financial Statements (continued)

26 Aim Higher Disbursements

	2006/07 £000	2005/06 £000
Grant received	3,978	4,649
Disbursement	(3,569)	(4,432)
Retained as income	409	217

27 Obligations under Operating Leases

	2006/07 £000	2005/06 £000
Commitment expires within 1 year	150	384
Commitment expires between 2 to 5 years	782	1,313
Commitment expires after 5 years	2,622	2,726
	3,554	4,423

28 Contingent Liability

- (a) The University is a member of UM Association (Special Risks) Limited, a company limited by guarantee, formed to provide mutual insurance cover for terrorism risks. If the company as a whole suffers a shortfall in any underwriting year, members are liable for their pro rata share. No liability has yet arisen under this membership.
- (b) The University has entered into an agreement with its subsidiary Bristol UWE Health Training Limited ("BUHT") in connection with its request that BUHT purchase shares in BQC Performance Management Limited ("BQC"). As the sole shareholder in BUHT, the University guarantees the purchase of shares in BQC for the same consideration in the event that BUHT is deemed insolvent.
- (c) Debtors include a sum of £801,056 (2005/06 £727,000), related to Value Added Tax incurred on the construction of the Sports Hall the recoverability of which is in dispute with HM Revenue and Customs.
- (d) At 31 July 2007 there were capital commitments amounting to £4m.

Notes to the Financial Statements (continued)

29 Pension Costs

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from both the University and employees. Payments are made to the Teachers' Pension Scheme (TPS) for academic staff, and the Avon Pension Fund (administered by Bath and North East Somerset Council) for non-academic staff and the Universities Superannuation scheme (USS). All three schemes are independently administered.

The pension cost for the University was as follows:

	2006/07 £000	2005/06 £000
Teachers' Pension Scheme	5,957	5,442
Avon Pension Fund	5,238	2,617
USS	125	14
	11,320	8,073

Teachers' Pension Scheme ("TPS")

Contributions to the TPS are assessed not less than every 5 years by the Government Actuary. Contributions are paid by the University at the rate specified by the Government Actuary. The University's contribution from April 2003 is 13.5% of pensionable salaries (previously 8.35 %) and the employees' contribution is 6%. The scheme is unfunded and, therefore, no valuations of the fund's assets are published.

Universities Superannuation Scheme ("USS")

The University participates in the Universities Superannuation Scheme ("USS"). According to the USS, it is not possible to identify each individual institution's underlying assets and liabilities and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, in accordance with FRS 17. The cost recognised within the surplus/deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

Further disclosure is not made as there is only a small number of University employees in the scheme.

The Avon Pension Fund

The Avon Pension Fund is a Local Government Pension Scheme (LPGS) and is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2007 was £5.238m of which employer's contribution totalled £3.804m and employees' contribution totalled £1.434m. The agreed contribution rates for current years are 12.8% for employers and 6% for employees.

The Avon Pension Fund is valued every 3 years by a professionally qualified actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The latest actuarial assessment was at 31 March 2007 and was based on the following assumptions:

Notes to the Financial Statements (continued)

29 Pensions (continued)

	Past Service Liabilities	Future Service Liabilities
Investment Return	6.40%	6.50%
Earnings Growth	4.05%	3.75%
Price Inflation	2.80%	2.50%

The value of the Avon Pension Fund at 31 March 2004 was £1,475 million.

As a multi employer scheme where the share of assets and liabilities applicable to each employer can be defined, the University has accounted for the scheme under FRS17 based on a full actuarial valuation at 31 March 2004 updated to July 2007 by a qualified independent actuary.

Major assumptions used:

	31 July 2007	31 July 2006
Inflation	3.2%	3.0%
Rate of increase in salaries	4.45%	4.25%
Rate of increase for pensions in payment	3.2%	3.0%
Discount rate for liabilities	5.8%	5.1%

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

	Rate of return expected at 31 July 2007	Value at 31 July 2007	Rate of return expected at 31 July 2006	Value at 31 July 2006 £000	Rate of return expected at 31 July 2005	Value at 31 July 2005 £000
Equities	7.5%	51,102	7.0%	57,596	7.5%	49,422
Bonds-Government	4.9%	13,715	4.4%	10,804	4.4%	9,315
Bonds-Other	5.8%	4,455	5.1%	6,011	5.0%	4,787
Property	6.5%	8,386	NA	-	NA	-
Cash/Liquidity	5.75%	8,910	4.5%	1,674	NA	NA
Other	7.5%	786	NA	NA	4.75%	1,164
		87,354		76,085		64,688

University's share of the scheme's assets and liabilities:

	31 July 2007 £000	31 July 2006 £000	31 July 2005 £000
Market value of assets	87,354	76,085	64,688
Present value of scheme liabilities	(112,929)	(103,849)	(90,445)
Deficit in the scheme	(25,575)	(27,764)	(25,757)

Notes to the Financial Statements (continued)

29 Pensions (continued)

Amounts charged to income and expenditure account

	2006/07 £000		2006/07 £000
Operating:		Finance:	
Service Cost	(5,114)	Expected return on pension scheme assets	4,762
Past Service cost	(91)	Interest on pension liabilities	(5,427)
Curtailment cost	(33)		
Total operating cost	<u>(5,238)</u>	Net Gain (Loss)	<u>(665)</u>

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

	£000	%
Difference between the expected and actual return on assets	2,498	
Percentage of year end scheme assets		2.9%
Difference between the expected and actual return on liability	0	
Percentage of present value of year end scheme assets		0.0%
Change in assumptions	1,597	
Percentage of present value of year end scheme liabilities		4.1%
Actuarial loss recognised in STRGL	4,095	
Percentage of present value of year end scheme liabilities		3.6%

Movement in deficit during the year:

	2007 £000	2006 £000
Deficit in scheme at 1 August 2006	(27,764)	(25,757)
Movement in the year:		
Current service cost	(5,114)	(4,649)
Contributions	3,997	3,558
Past service cost	(124)	2,013
Net interest/Return on assets	(665)	(318)
Actuarial gain/(loss)	4,095	(2,611)
Deficit in scheme at 31 July 2007	<u>(25,575)</u>	<u>(27,764)</u>

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