

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2005

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# University of the West of England, Bristol

## Board of Governors

### Independent Members

Ray Burton (Chairman)  
Robert Barnett (from 1 January 2005)  
Rosamund Blomfield-Smith  
Gillian Camm  
Dr Claire Craig  
Sherrie Eugene  
John Hazelwood (to 31 December 2004)  
Martin Palmer  
Rt Rev Barry Rogerson  
Nicky Rylance  
Professor Bhupinder Sandhu  
Lise Seager

### Vice-Chancellor

Alfred Morris

### Academic Board Nominees

Professor Alan Bensted  
Jonathan Bradley

### Elected Staff

Dr Shyamapant Rao  
Janice Hill

### Student Nominee

Christopher Morrall (to February 2005)  
Vaishali Patel (from February 2005)

### Co-opted Members

Professor Robert Cuthbert  
Nigel Costley  
Dr David Halton (to 31 December 2004)  
Graham van der Lely

# University of the West of England, Bristol

## Report of the Board of Governors for the year ended 31 July 2005

### Objectives and Activities

This is the thirteenth 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 2005 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 2004/2005 the University enrolled a total of 27,339 students. There were 18,787 full-time and sandwich students and 8,552 part-time students.

The Government's plans for the development of higher education suggest that national targets will require further increases in enrolments.

### 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 applicable accounting standards.

The satisfactory financial performance of the University was maintained during 2004/05, with a surplus for the year before appropriation (full details of which are in Note 27) amounting to £0.8m, which represents less than 1% of total income. This is in line with the budget set at the beginning of the financial year.

### Income and Expenditure Account

The University's consolidated results for the years ended 31 July 2005 and 31 July 2004 are summarised below.

	<b>2004/05</b> <b>£000</b>	<b>2003/04</b> <b>£000</b>
Income	143,909	138,926
Expenditure	<u>(143,130)</u>	<u>(138,264)</u>
Surplus for the year	779	662
Appropriated to Specific Reserves	<u>(1,042)</u>	<u>(768)</u>
Net Deficit met from General Reserve	<u>(263)</u>	<u>(106)</u>

# University of the West of England, Bristol

## Report of the Board of Governors for the year ended 31 July 2005 (continued)

The increase in income was 3.6%. Funding Council Grants rose by less than 1%, tuition fees by 7.7%, research grants were at the same level as the previous year whilst other operating income rose by 3.9%. There was a 53.3% increase in interest receivable. Funding Council Grants represented 44% of total income.

Performance Indicator	2004/05	2003/04	2002/03
Surplus for the year as a % of income (before surplus on disposal of fixed assets)	0.5%	0.5%	0.8%

The University made no donations during the year.

Total expenditure rose by approximately £4.9m, an increase of 3.5% on the previous year. There was an increase of £7m in staff costs, a rise of 8.3% compared with 2003/04. There was a decrease of approximately £2m in other operating expenses, a reduction of 3.9% 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	2004/05	2003/04	2002/03
Pay expenditure %	62.7%	59.9%	60.4%
Non-pay expenditure %	37.3%	40.1%	39.6%

### Balance Sheet

The net book value of tangible fixed assets increased during the year by £28.3m due to the start of the construction work on a 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 £16m decrease in the year.

Performance Indicator	2004/05	2003/04	2002/03
Ratio of current assets to current liabilities	1.6	2.1	2.2

### Treasury Management

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

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 as sufficiently secure.

# **University of the West of England, Bristol**

## **Report of the Board of Governors for the year ended 31 July 2005 (continued)**

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 significant amounts are also placed with Tilney Fund Managers, with instructions to operate within the University's prudent investment guidelines though with less emphasis on liquidity. At 31 July 2005 the funds managed by Tilney amounted to approximately £41.4m.

### **Capital Programme**

In January 2005 the University started work on the construction of a new student village on the Frenchay campus. This will see the construction of living accommodation for approximately 1,900 students together with a new sports hall. The project is expected to be completed by September 2006. At the end of the financial year, the University was close to finishing work at its Frenchay campus on the redevelopment of 'A' block and the adjacent Charles Darwin building. That work reflected the University plan to consolidate the whole of the Faculty of Applied Sciences in one location. Work was also completed on a new enquiry/reception centre for the Frenchay campus.

### **Post Balance Sheet Events**

In September 2005 the University invested approximately £5m of share capital in its wholly owned subsidiary company Bristol UWE Sport Limited.

### **Future Developments**

Following the passage of the Higher Education Bill allowing universities to charge up to £3,000 in tuition fees from 2006 the University has decided to increase tuition fees and also to introduce bursaries 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.

### **Subsidiary Companies**

The University's subsidiaries are listed in the Notes 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 the principles identified by the Committee on Standards in Public Life and with the Committee of University Chairmen's Guide for Members of Governing Bodies of Universities and Colleges. The financial statements include a statement regarding 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 9.

# **University of the West of England, Bristol**

## **Report of the Board of Governors for the year ended 31 July 2005 (continued)**

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

During 1999/2000 the Board of Governors undertook a review of its own effectiveness prompted by recommendations in the Dearing Report and taking account of guidance published by the Committee of University Chairmen (CUC). The review identified a number of areas for improvement, and appropriate corresponding steps have been taken. The emphasis has been on increased involvement of governors in the strategic planning process through the development of a concept of 'partnership in planning'. Progress has been reviewed annually and further developments identified where appropriate.

A further review of the effectiveness of the Board of Governors and governance issues more widely is planned for 2005/06. This will include consideration of the Governance Code of Practice adopted by CUC.

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

### **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 not under its control. For that reason their financial statements are not consolidated with those of the University. However, the respective trustees 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 2004 showed consolidated net assets amounting to £6.2m, including freehold land and properties of £22.5m, offset by bank borrowings secured on those land and properties totalling £18.8m. The properties consisted of 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 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 25 to these financial statements ("Obligations under operating leases"). There were no material transactions between the University and Wallscourt in the period from 31 December 2004 to 31 July 2005 other than rental and similar payments under pre-existing contracts.

#### **Bristol Polytechnic Charitable Trust**

The audited financial statements of BPCT to 31 December 2004 showed net assets of £0.8m, which mainly consisted of short-term deposits. There were no material transactions between the University and BPCT in the period from 31 December 2004 to 31 July 2005.

#### **Wallscourt Library Services Limited**

WALIS operates the St Matthias and the Frenchay Bolland libraries. The company's unaudited financial statements to 31 July 2005 shows a zero balance on net assets as all its profits are donated to the University. However, the WALIS balance sheet includes a prepayment for library services by the University amounting to approximately £2m at its financial year end.

# **University of the West of England, Bristol**

## **Report of the Board of Governors for the year ended 31 July 2005 (continued)**

### **Bristol UWE Student Union**

The audited financial statements of the Bristol UWE Student Union to 31 July 2005 showed net assets of £452,928. The total income for the year was £3.429m of which block grant from the University during the year amounted to £812,500.

The consolidated financial statements do not include those of the Bristol UWE Students' Union as it is a separate entity with regard to which the University does not exercise 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. The unaudited financial statements of Hartpury College to 31 July 2005 showed total turnover of £17.4m, of which franchise payments made by the University were £3.1m.

### **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 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 Personnel Services 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 makes extensive use of email and the internet to disseminate information and receive feedback. The President of the Students' Union 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.

# **University of the West of England, Bristol**

**Report of the Board of Governors for the year ended 31 July 2005 (continued)**

## **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



# University of the West of England, Bristol

## Governance, Direction and Financial Responsibilities

### Governance

The Chancellor of the University is the Rt. Hon Dame Elizabeth Butler-Sloss GBE, 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 Education 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 seven employees of the University at any one time and the President of the Students' Union. The University's Chief Executive, the Vice-Chancellor, is a member of the Board ex officio and the Deputy Vice-Chancellors are co-opted members.

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 and safeguarding its assets;
- 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. 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 reports from its Chairmen's Co-ordinating and Planning Committee (CCPC) which identify key risks. It is advised and assisted by the Audit Committee 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.

The Board of Governors is committed to the improvement and comprehensive development of procedures for managing both financial and non-financial risk in line with HEFCE requirements.

# University of the West of England, Bristol

## Governance, Direction and Financial Responsibilities (continued)

The University's policy for the effective management of risk is set out below:

- The University focuses on the active management of risk as an integral part of the management process within every part of the organisation.
- As part of the risk management framework, the University clearly identifies risks of various kinds to the achievement of its objectives. 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.
- The University actively encourages all managers to consider risk implications of each major decision, contract or project as a normal part of their day to day work and supports them in so doing with appropriate training built into the range of development courses available within the University.
- The University has not appointed a member of staff with the title "risk manager" because the management of risk is regarded as a responsibility of all managers: however, continuous development of the University's risk management processes is undertaken at senior management level.
- The University integrates risk management into the annual planning process which is the means by which the Directorate determine and co-ordinate the University's academic and other activities.
- The Vice-Chancellor and his senior management team endeavour to identify and focus on immediate and transient risks with strategic implications, which may change from week to week, as well as on the more substantial and permanent risks which are identified in the University's risk register.
- Managers are expected to link risk identification to action, whether in mitigation of the risk or in response to it. The link must be clearly visible in the University's risk register, in faculty and service risk analysis and in project and contract risk schedules.
- The Vice-Chancellor and his senior management team work with Deans and Faculty Executives, Heads of Service and their management teams to encourage and support effective risk management as part of the day to day management of the institution, and specifically to help them to identify, evaluate, manage and report risks.
- The University has agreed with its internal auditors that their programme of work and the approach to internal control will be risk based: this includes business, operational and compliance as well as financial risk.
- In monitoring the University's agreed framework for risk management, the senior management team reviews a dynamic analysis of current risks regularly and reports at least termly to the Chairmen's Co-ordinating and Planning Committee of the Board of Governors, who also review the risk analysis regularly.
- The Audit Committee of the Board of Governors regularly reviews the adequacy of the process of risk management at the University as it continues to be developed.

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 19/2004 "Accounts direction to higher education institutions for 2004-05".

# University of the West of England, Bristol

## Governance, Direction and Financial Responsibilities (continued)

The Board of Governors meets at least three times a year. It is entitled to establish committees for any purpose or function, other than those 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. The main committees presently established are:

- Chairmen's Co-ordinating and Planning Committee
- Finance Committee
- Estates, Development and House Services Committee
- Personnel and Safety Committee
- Nominations Committee
- Remuneration Committee
- Audit Committee
- 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.

A Lay Panel, consisting of the Chairman and Deputy Chairman of the Board of Governors and the Chairman of Finance 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 Chairman of the Personnel and Safety Committee or of the Estates, Development and House Services Committee where appropriate, and may also include another member of the Chairmen's Co-ordinating and Planning Committee co-opted by the Panel.

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.

The University maintains a register of interests of members of the Board of Governors which may be viewed by arrangement with the Clerk to the Governors.

## 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.

# University of the West of England, Bristol

## Governance, Direction and Financial Responsibilities (continued)

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. The senior management team includes 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 their participation in specialist Executive Groups, including:

- Personnel and safety
- Property and Services
- Finance
- Information Services
- Co-ordinating and Planning
- Heads of Service

During the year to 31 July 2005, 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

There is 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 either elected non-executive Chairs of Faculty Boards or other 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 the 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 committees of the Academic Board during 2004/05 included:

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

# University of the West of England, Bristol

## Governance, Direction and Financial Responsibilities ( continued )

### Financial Responsibilities

The terms and conditions of a Financial Memorandum agreed between the 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 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 the HEFCE 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 senior 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;

## **University of the West of England, Bristol**

### **Governance, Direction and Financial Responsibilities ( continued )**

- 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, on behalf of the Board of Governors, has reviewed the effectiveness of the University's systems of internal financial control and is satisfied that they can provide reasonable though not absolute assurance against material misstatement or loss. A professional internal audit team, provided by 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 the Higher Education Funding Council for England.

# University of the West of England, Bristol

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

We have audited the financial statements on pages 17 to 35, which comprise a consolidated income and expenditure account, balance sheets and a consolidated cash flow statement and related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

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 the auditors*

The University's Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

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 on Accounting in 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 Learning and Skills Council and the Teacher Training Agency.

We also report to you if, in our opinion, the Board of Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Board of Governors' Report (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards 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 University's circumstances and its subsidiaries, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that 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.

# University of the West of England, Bristol

## *Opinion*

In our opinion:

the financial statements give a true and fair view of the state of affairs of the University and its subsidiaries ("the group") as at 31 July 2005 and of the group's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;

in all material respects, income from the Higher Education Funding Council for England, the Learning and Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2005 have been applied for the purposes for which they were received;

in all material respects, income during the year ended 31 July 2005 has been applied in accordance with the University's Statutes and, where appropriate with the Financial Memorandum (00/25 and 03/54) with the Higher Education Funding Council for England, the Funding Agreement with the Teacher Training Agency and the Funding Agreement with the Learning and Skills Council.

*KPMG LLP*  
*Chartered Accountants*  
*Registered Auditor*

*100 Temple Street*  
*Bristol*  
*BS1 6AG*

Date: 12 December 2005



University of the West of England, Bristol

Consolidated Income and Expenditure Account for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
<b>Income</b>			
Funding council grants	1	63,341	63,230
Tuition fees and education contracts	2	30,228	28,058
Research grants and contracts	3	5,816	5,782
Other operating income	4	41,275	39,737
Interest receivable	5	3,249	2,119
<b>Total Income</b>		<b><u>143,909</u></b>	<b><u>138,926</u></b>
<b>Expenditure</b>			
Staff costs	6	89,741	82,825
Other operating expenses	7	50,346	52,390
Depreciation	8	2,658	2,605
Interest payable	8	385	444
<b>Total Expenditure</b>		<b><u>143,130</u></b>	<b><u>138,264</u></b>
<b>Surplus on continuing operations after depreciation of assets</b>	10	<b>779</b>	<b>662</b>
<b>Surplus for the year before appropriations</b>		<b><u>779</u></b>	<b><u>662</u></b>

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.

There were no recognised gains or losses other than the surplus for 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 at cost equivalents.

	Note	2004/05 £000	2003/04 £000
<b>Surplus for the year</b>		<b>779</b>	<b>662</b>
Appropriation to designated reserves	27	(1,042)	(768)
<b>Net deficit from general reserve</b>		<b><u>(263)</u></b>	<b><u>(106)</u></b>

# University of the West of England, Bristol

## Balance Sheets at 31 July 2005

		Group		University	
	Note	2005 £000	2004 £000	2005 £000	2004 £000
<b>Fixed Assets</b>					
Tangible assets	9	85,165	56,906	85,165	56,906
Investments	10	95	40	95	40
		<u>85,260</u>	<u>56,946</u>	<u>85,260</u>	<u>56,946</u>
<b>Current Assets</b>					
Stocks	11	185	198	185	198
Debtors due after one year	12	2,138	2,695	1,620	2,077
Debtors due within one year	12	7,915	8,204	8,693	8,574
Current asset investments	13	51,781	52,496	43,490	43,367
Cash at bank and in hand		749	5,370	736	5,363
		<u>62,768</u>	<u>68,963</u>	<u>54,724</u>	<u>59,579</u>
<b>Creditors:</b>					
Amounts falling due within one year	14	<u>(43,460)</u>	<u>(33,631)</u>	<u>(41,535)</u>	<u>(29,330)</u>
<b>Net Current Assets</b>		<u>19,308</u>	<u>35,332</u>	<u>13,189</u>	<u>30,249</u>
<b>Total Assets less Current Liabilities</b>		<b>104,568</b>	<b>92,278</b>	<b>98,449</b>	<b>87,195</b>
<b>Creditors:</b>					
Amounts falling due after more than one year	15	(20,264)	(10,457)	(13,702)	(4,931)
<b>Provisions for liabilities and charges</b>	16	(544)	(573)	(544)	(573)
<b>Net Assets</b>		<u><b>83,760</b></u>	<u><b>81,248</b></u>	<u><b>84,203</b></u>	<u><b>81,691</b></u>
<b>Deferred capital grants</b>	17	<u>7,239</u>	<u>5,918</u>	<u>7,239</u>	<u>5,918</u>
<b>Reserves</b>					
Avon endowment	18	41,648	41,236	41,648	41,236
Income and expenditure account	27	34,873	34,094	35,316	34,537
<b>Total Reserves</b>		<u>76,521</u>	<u>75,330</u>	<u>76,964</u>	<u>75,773</u>
<b>Total Funds</b>		<u><b>83,760</b></u>	<u><b>81,248</b></u>	<u><b>84,203</b></u>	<u><b>81,691</b></u>

The financial statements on pages 17 to 35 were approved by the Board of Governors on 9 December 2005 and signed on its behalf by:

*R N Burton*  
Chairman

*A C Morris*  
Vice-Chancellor

University of the West of England, Bristol

Consolidated Cash Flow Statement for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
Net cash inflow from operating activities	20	6,775	7,472
Returns on investments and servicing of finance	21	2,864	1,675
Capital expenditure and financial investment	22	(24,122)	(3,942)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(14,483)</b>	<b>5,205</b>
Management of liquid resources and financing	23	9,862	(3,741)
<b>(Decrease)/Increase in cash</b>	24	<b>(4,621)</b>	<b>1,464</b>

Reconciliation of net cash flow to movement in net funds

		2004/05 £000	2003/04 £000
(Decrease)/Increase in cash	24	(4,621)	1,464
(Decrease)/Increase in investments	24	(715)	3,741
Cash Inflow from Lloyds TSB Loan	24	(9,202)	0
Loan repayments	23	412	393
<b>Change in net funds in the year</b>		<b>(14,126)</b>	<b>5,598</b>
Net Funds at 1 August 2004	24	52,523	46,925
<b>Net Funds at 31 July 2005</b>	24	<b>38,397</b>	<b>52,523</b>

# University of the West of England, Bristol

## 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 however, are all 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 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 Education and Skills in respect of staff who are members of the Teachers' Superannuation Scheme, and to the Avon Pension Fund (administered by Bath and North East Somerset Council) for non-teaching staff.

The financial position of both funds is disclosed in their audited financial statements. The rate of employer's contribution is reviewed periodically on the basis of actuarial valuations.

Employer's pension contributions are charged to the Income and Expenditure Account in the period to which the salaries on which they are payable relate.

### 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.

## University of the West of England, Bristol

### Statement of Accounting Policies (continued)

**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.

### 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 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 of the corresponding asset. All other expenditure on buildings is treated as an expense in the accounting period in which it occurs.

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

Land is stated at cost and is not depreciated.

# University of the West of England, Bristol

## Statement of Accounting Policies (continued)

### **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 occurs.

### **d Equipment and Furniture**

Expenditure on 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 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 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.

### **f 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.

### **g Term Deposits and Cash at Bank**

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

Current Asset Investments are stated at market value.

### **h Investments**

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

### **i 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, Bristol

## Notes to the Financial Statements

	2004/05 £000	2003/04 £000
<b>1 Funding Council Grants</b>		
Basic recurrent grant	52,896	47,865
Reimbursement of loan interest	385	444
Release of capital grants	205	140
Teacher Training Agency	3,978	3,967
Learning and Skills Council	445	485
Other grants	5,432	10,329
	<u>63,341</u>	<u>63,230</u>
<b>2 Tuition Fees and Education Contracts</b>		
Full time students-Home	17,744	17,620
Full time students-EU	859	696
Full time students-International	6,060	4,786
Part time students	4,537	3,986
Short course fees	1,028	970
	<u>30,228</u>	<u>28,058</u>
<b>Student numbers by category</b>	<b>Numbers</b>	<b>Numbers</b>
Home and EU full time	17,509	17,733
Overseas full time	1,278	877
Part time	8,552	8,285
	<u>27,339</u>	<u>26,895</u>
<p>The final student numbers for 2003/04 was 26,408. These were confirmed after the completion of the financial statements for that year.</p>		
	<b>£000</b>	<b>£000</b>
<b>3 Research Grants and Contracts</b>		
Research Councils	1,874	1,440
UK based charities	489	375
European Commission	743	755
Other research grants and contracts	2,710	3,212
	<u>5,816</u>	<u>5,782</u>
<b>4 Other Operating Income</b>		
Residences and catering	9,942	10,046
NHS contract	20,534	18,913
Other services rendered	4,485	3,353
Other income	6,314	7,425
	<u>41,275</u>	<u>39,737</u>
<b>5 Interest Receivable</b>		
Income from cash and term deposits	<u>3,249</u>	<u>2,119</u>
<b>6 Staff Costs</b>		
Salaries and wages	75,884	70,037
Social security costs	5,663	5,339
Other pension costs	8,194	7,449
	<u>89,741</u>	<u>82,825</u>

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 6 Staff Costs (continued)

	2004/05 Numbers	2003/04 Numbers
<b>Staff numbers by category</b>		
Academic faculties	1,819	1,740
Learning support services	214	216
Other support services	87	84
Administration and central services and premises	582	568
	<u>2,702</u>	<u>2,608</u>

### Emoluments of the Vice-Chancellor

The Vice-Chancellor's emoluments were as follows:

	2004/05 £	2003/04 £
Salary	188,756	172,670
Benefits in kind	373	355

The University made pension scheme contributions in the year of £25,482 (2003/04 £23,313) on the same basis as for other academic staff.

### Remuneration of higher paid staff excluding the Vice-Chancellor

	Numbers	Numbers
£70,001 to £80,000	6	5
£80,001 to £90,000	4	3
£90,001 to £100,000	2	2

### 7 Other operating expenses

	2004/05 £000	2003/04 £000
Equipment not capitalised	2,192	2,157
Student related expenses	2,398	2,076
Stationery, advertising travel & telephones	4,018	3,802
Laboratory expenses	732	596
Other academic operating costs	3,549	5,187
Library Services	4,159	4,180
Information Technology Services	1,997	1,826
Other academic services	100	141
Research grants & contracts	1,981	2,029
Residences & catering	6,808	6,816
Repairs & maintenance	5,384	8,417
Heat, light & power	2,154	1,628
Rents payable	2,053	2,021
Cleaning & Portering Services	259	205
Security Services	788	742
Administration & central services	3,116	3,434
Student facilities & amenities	1,928	1,742
General education expenditure	3,813	3,489
Other services rendered	2,619	1,818
Other	298	84
	<u>50,346</u>	<u>52,390</u>



# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 8 Analysis of expenditure by activity

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Total 2004/05 £000	Total 2003/04 £000
Teaching faculties	62,260	12,889	618		75,767	73,052
Academic support services	6,595	6,256	176		13,027	12,169
Research grants and contracts	2,847	1,981			4,828	4,671
Administration and central services	10,041	8,857	88		18,986	18,155
Premises	4,030	10,638	1,396	385	16,449	18,330
Residences and catering	1,795	6,808	380		8,983	8,810
Other services rendered	1,803	2,619			4,422	2,995
Other	370	298			668	82
	<b>89,741</b>	<b>50,346</b>	<b>2,658</b>	<b>385</b>	<b>143,130</b>	<b>138,264</b>

Interest payable relates to the Bristol City Council loan (Note 15)

	2004/05 £000	2003/04 £000
The depreciation charge has been funded by:		
Deferred capital grants released	205	140
General Income	2,453	2,465
	<b>2,658</b>	<b>2,605</b>

	Group 2004/05 £000	University 2004/05 £000	Group 2003/04 £000	University 2003/04 £000
Auditors' remuneration				
External audit fee	34	32	30	26
Internal audit fee	42	42	37	37
Other fees paid to external auditors	6	6	11	1
Other fees			4	4
	<b>82</b>	<b>80</b>	<b>82</b>	<b>68</b>

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 9 Tangible Fixed Assets

University and Group	Investment Property	Freehold Land and Buildings	Assets in Course of Construction	Equipment	Total
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 August 2004	8,500	65,737	1,950	6,294	82,481
Additions		1,651	28,672	605	30,928
Disposals		(81)		(54)	(135)
At 31 July 2005	<u>8,500</u>	<u>67,307</u>	<u>30,622</u>	<u>6,845</u>	<u>113,274</u>
<b>Depreciation</b>					
At 1 August 2004		20,998		4,577	25,575
Charge for the year		1,736		922	2,658
Disposals		(69)		(55)	(124)
At 31 July 2005		<u>22,665</u>		<u>5,444</u>	<u>28,109</u>
<b>Written Down Value</b>					
At 31 July 2005	<u>8,500</u>	<u>44,642</u>	<u>30,622</u>	<u>1,401</u>	<u>85,165</u>
<b>Written Down Value</b>					
At 31 July 2004	<u>8,500</u>	<u>44,739</u>	<u>1,950</u>	<u>1,717</u>	<u>56,906</u>
<b>Written Down Value of Inherited assets</b>					
At 31 July 2005		<u>19,024</u>			<u>19,024</u>

Land at cost of £544,200 is included in Freehold Land and Buildings and has not been depreciated.

#### Investment property- Northavon House

The investment property, Northavon House, was valued by the District Valuer in accordance with RICS Appraisal and Valuation Standards as at 31 July 2005. This was an interim valuation following a full valuation carried out at 31 July 2003. The District Valuer confirmed the valuation of Northavon House at £8.5m based on existing use and open market value.

#### Student Accommodation

Assets in the course of construction relates to the Student Village being built at the University's Frenchay campus, which is due for completion in September 2006. The construction is being financed by a loan from Lloyds TSB and the capitalised value includes interest of £57,875.

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 10 Investments

	2005 £000	2004 £000
CVCP Properties plc	39	39
Bristol UWE Sport Limited	56	1
	<u>95</u>	<u>40</u>

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.

#### 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 2005

	Purpose
* Bristol UWE Health Training Limited	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 this company have been consolidated with those of the University. There was no residual surplus in the company after its gift aid payment to the University. The company made a gift aid payment of £3.593 million (2003/04, £2.517 million) to the University. The other companies are either not trading or their results are not considered material.

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.

### 11 Stocks

	2005 £000	2004 £000
<b>University and Group</b>		
Printing and Stationery Services	75	88
Catering	70	68
Faculty of Art, Media and Design shop	25	25
IT Services	15	17
	<u>185</u>	<u>198</u>

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

	Group		University	
	2005 £000	2004 £000	2005 £000	2004 £000
<b>12 Debtors</b>				
Falling due within one year:				
Amounts due from subsidiary undertakings			2,941	2,100
Other debtors	6,465	6,943	4,402	5,327
Other prepayments	1,450	1,261	1,350	1,147
	<u>7,915</u>	<u>8,204</u>	<u>8,693</u>	<u>8,574</u>
Falling due after one year:				
Prepayments	2,138	2,695	1,620	2,077
	<u>10,053</u>	<u>10,899</u>	<u>10,313</u>	<u>10,651</u>
<b>13 Current Asset Investments</b>				
Bank deposits	10,336	11,302	6,545	8,288
Managed by Tilney Investment Management Ltd	41,445	41,194	36,945	35,079
	<u>51,781</u>	<u>52,496</u>	<u>43,490</u>	<u>43,367</u>
<b>14 Creditors: Amounts falling due within one year</b>				
Other creditors and accruals	20,103	14,302	19,691	11,389
Other receipts in advance	23,357	19,329	21,844	17,941
	<u>43,460</u>	<u>33,631</u>	<u>41,535</u>	<u>29,330</u>
<b>15 Creditors: Amounts falling due after more than one year</b>				
Bristol City Council Loan	4,500	4,931	4,500	4,931
Lloyds TSB Loan	9,202		9,202	
Other creditors	376	275		
Deferred income	6,186	5,251		
	<u>20,264</u>	<u>10,457</u>	<u>13,702</u>	<u>4,931</u>

The Bristol City Council loan is unsecured, with interest payable at the Council's 'pool' rate which is calculated annually. Funds for the repayment of both capital and interest are provided by the Higher Education Funding Council for England. The loan is repayable in instalments up to the year 2016.

Bristol City Council loan repayments falling due:

	2005 £000	2004 £000
Between 1-2 years	454	432
Between 2-4 years	1,502	1,431
More than 5 years	2,544	3,068
	<u>4,500</u>	<u>4,931</u>

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 value shown above represents the sum drawn down at the balance sheet date.

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 16 Provision for Liabilities and Charges

University and Group	2005 £000	2004 £000
<b>Early Retirement Costs</b>		
At 1 August 2004	573	605
Utilised during the year	(49)	(52)
Transfer from Income and Expenditure Account	20	20
At 31 July 2005	<u>544</u>	<u>573</u>

Early retirement cost represents the present value of the University's future obligation in relation to staff who have taken early retirement

### 17 Deferred Capital Grants (Buildings)

University and Group		
At 1 August 2004	5,918	5,318
Received during the year	1,526	740
Released to Income and Expenditure Account	(205)	(140)
At 31 July 2005	<u>7,239</u>	<u>5,918</u>

### 18 Avon Endowment

University and Group		
Avon Endowment	30,960	30,960
Loan Principal Reimbursed by HEFCE	10,638	10,226
Investment revaluation reserve	50	50
	<u>41,648</u>	<u>41,236</u>

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.

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

<b>19 Access Funds</b>	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
Funding council grants	1,016	990
Interest earned	19	16
Disbursements to students	<u>1,035</u>	<u>1,006</u>
<b>20 Reconciliation of Surplus for the Year to Net Operating Cash flows</b>		
Operating surplus for the year before exceptional income	779	662
Depreciation	2,656	2,605
Deferred capital grants released to income	(205)	(140)
Interest receivable	(3,249)	(2,119)
Interest payable	385	444
Decrease in stock	13	4
Decrease in debtors	846	1,416
Increase in creditors falling due within one year.	4,562	3,986
Increase in creditors falling due after one year.	1,017	646
Decrease in provisions	(29)	(32)
<b>Net Cash Inflow from Operating Activities</b>	<u>6,775</u>	<u>7,472</u>
<b>21 Returns on Investments and Servicing of Finance</b>		
Interest receivable	3,249	2,119
Interest payable	(385)	(444)
	<u>2,864</u>	<u>1,675</u>
<b>22 Capital Expenditure and Financial Investment</b>		
Tangible fixed assets acquired	(25,661)	(4,739)
Deferred capital grants received	1,526	740
Disposal of tangible fixed asset	13	57
	<u>(24,122)</u>	<u>(3,942)</u>
<b>23 Management of Liquid Resources and Financing</b>		
Purchase of Shares in Subsidiary	(55)	
Bristol City Council Loan Repayments	(412)	(393)
TSB Lloyds loan	9,202	
HEFCE Grant for Loan Repayments	412	393
	<u>9,147</u>	<u>-</u>
Net Withdrawal/(Placing) of Term Deposits	715	(3,741)
	<u>9,862</u>	<u>(3,741)</u>

## University of the West of England, Bristol

### Notes to the Financial Statements (continued)

24 Analysis of Changes in Net Funds	2004	Cash Flows	2005
	£000	£000	£000
Cash at bank and in hand	5,370	(4,621)	749
Current asset investments	52,496	(715)	51,781
Loan falling due after one year: Lloyds TSB		(9,202)	(9,202)
Loan falling due after one year: Bristol City Council	(5,343)	412	(4,931)
<b>Total</b>	<b><u>52,523</u></b>	<b><u>(14,126)</u></b>	<b><u>38,397</u></b>

25 Obligations under Operating Leases	2004/05 £000	2003/04 £000
Commitment expires within 1 year	335	116
Commitment expires between 2 to 5 years	809	893
Commitment expires after 5 years	<u>4,428</u>	<u>4,214</u>
	<b><u>5,572</u></b>	<b><u>5,223</u></b>

### 26 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. Under the terms of membership, each member acts as both insurer and insured. If the company as a whole suffers a shortfall in any underwriting year, members are liable for their pro rata share, payments being spread through the use of a bank facility over seven years. The University is a guarantor, on a joint and several basis with other members, of UM Association(Special Risks) Limited's £60 million bank facility. No liability has yet arisen under this guarantee.
- (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 a 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) At 31 July 2005 there were capital commitments amounting to £51.4 million in relation to Student Village.

University of the West of England, Bristol

Notes to the Financial Statements (continued)

27 Income and Expenditure Account Reserves  
Designated Reserves (University and Group)

	£000	£000
<b>As at 1 August 2004</b>		
Strategic Investment fund	12,801	
Sports and Fitness Reserve	2,249	
Long term Maintenance	7,787	
Student Accommodation Reserve	2,887	
Reserve for Severance payments	786	
Other Designated Reserves	417	
<b>Total Designated Reserves</b>	<u>26,927</u>	
<b>Appropriations</b>		
Strategic Investment fund		
Sports and Fitness Reserve	198	
Long term Maintenance	762	
Student Accommodation Reserve	86	
Reserve for Severance payments		
Other Designated Reserves	(4)	
<b>Total Designated Reserves</b>	<u>1,042</u>	
<b>As at 31 July 2005</b>		
Strategic Investment fund	12,801	
Sports and Fitness Reserve	2,447	
Long term Maintenance	8,549	
Student Accommodation Reserve	2,973	
Reserve for Severance payments	786	
Other Designated Reserves	413	
<b>Total Designated Reserves</b>	<u>27,969</u>	
	<b>Group</b>	<b>University</b>
	<b>£000</b>	<b>£000</b>
<b>General Reserves</b>		
<b>At 1 August 2004</b>	7,167	7,610
Surplus for the year	779	779
Appropriations	(1,042)	(1,042)
<b>At 31 July 2005</b>	6,904	7,347
<b>Income and Expenditure account</b>	<u><u>34,873</u></u>	<u><u>35,316</u></u>



# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 28 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' Superannuation Scheme (TSS) for academic staff, and the Avon Pension Fund (administered by Bath and North East Somerset Council) for non-academic staff. Both schemes are independently administered.

The pension cost for the University was as follows:

	2004/05	2003/04
	£000	£000
Teachers' Superannuation Scheme	5,261	4,904
Avon Pension Fund	2,933	2,545
	<u>8,194</u>	<u>7,449</u>

#### Teachers' Superannuation Scheme ("TSS")

Contributions to the TSS 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.

#### 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 2005 was £4.492m of which employers' contribution totalled £2.933m and employees' contribution totalled £1.559m. The agreed contribution rates for future years are 12.8% for employers and 6% for employees.

The employers' rate of 12.8%, which was set at the time of March 2004 triannual valuation, assumed that the rule of 85 would be revoked. The legislation revoking the rule of 85 was not enacted and is now subject to discussions between the government, unions and the LGPS. If the rule of 85 remains in place then it is estimated that on average employers rates would increase by 1.5%.

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 2005 and was based on the following assumptions:

	Past Service Liabilities	Future Service Liabilities
Investment Return	6.4%	6.5%
Earnings Growth	4.05%	3.75%
Price Inflation	2.0%	2.5%

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

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 28 Pensions (continued)

#### Financial Reporting Standard 17 retirement benefits

The following information is based on the full actuarial valuation of the Fund at 31 March 2004, updated to 31 July 2005 by a qualified independent actuary using the following assumptions:

	31 July 2005	31 July 2004
Inflation	2.7%	2.8%
Rate of increase in salaries	3.95%	3.8%
Rate of increase for pensions in payment	2.7%	2.8%
Discount rate for liabilities	5.0%	5.7%

The University's assets in the scheme and the expected rates of return were:

	Rate of return expected at 31 July 2005	Value at 31 July 2005 £000	Rate of return expected at 31 July 2004	Value at 31 July 2004 £000	Rate of return expected at 31 July 2003	Value at 31 July 2003 £000
Equities	7.5%	49,422	7.5%	39,070	7.5%	33,492
Bonds-Government	4.4%	9,315	5.0%	8,212	4.7%	8,396
Bonds-Other	5.0%	4,787	5.7%	4,237	5.5%	3,349
Other	4.75%	1,164	4.5%	785	3.75%	642
		<u>64,688</u>		<u>52,304</u>		<u>45,879</u>
The University's estimated share of asset value		64,688		52,304		45,879
Present value of University's share of scheme liabilities		(90,445)		(72,725)		(64,030)
Deficit in the scheme		<u>(25,757)</u>		<u>(20,421)</u>		<u>(18,151)</u>

Under the transitional arrangements of FRS17, THE University's pension charge for the year calculated under FRS17 assumptions is not included in the financial statements (as this is currently calculated on SSAP24 basis).

# University of the West of England, Bristol

## Notes to the Financial Statements (continued)

### 28 Pensions (continued)

#### Financial Reporting Standard 17 retirement benefits (continued)

If provision were made the following entries would be made in the balance sheet:

	31 July 2005	31 July 2004	31 July 2003
	£000	£000	£000
Net assets	83,760	81,248	79,594
Net pension deficit	(25,757)	(20,421)	(18,151)
Net assets including FRS17 pension deficit.	<u>58,003</u>	<u>60,827</u>	<u>61,443</u>
<b>Reserves</b>			
Income and expenditure account excluding FRS 17 pension liability	34,873	34,094	33,432
Pension deficit	<u>(25,757)</u>	<u>(20,421)</u>	<u>(18,151)</u>
	<u>9,116</u>	<u>13,673</u>	<u>15,281</u>

If the pension charge had been included in the income and expenditure account, the following revenue entries would be made:

	2004/05		2004/05
	£000		£000
Operating:		Finance:	
Service Cost	(3,551)	Expected return on pension scheme ass	3,718
Past Service cost	(85)	Interest on pension liabilities	<u>(4,242)</u>
Curtailment cost	(9)	Net return	<u>(524)</u>
Total operating cost	<u>(3,645)</u>		

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

	£000	%
Difference between the expected and actual return on assets	6,396	
Percentage of year end scheme assets		9.9%
Difference between the expected and actual return on liability	1,799	
Percentage of present value of year end scheme assets		2.0%
Change in assumptions	(12,440)	
Percentage of present value of year end scheme liabilities		13.8%
Actuarial loss recognised in STRGL	(4,245)	
Percentage of present value of year end scheme liabilities		4.7%

Movement in deficit during the year:

	£000
Deficit in scheme at 1 August 2004	(20,421)
Movement in the year:	
Current service cost	(3,551)
Contributions	3,078
Past service cost	(94)
Net interest/Return on assets	(524)
Actuarial loss	<u>(4,245)</u>
Deficit in scheme at 31 July 2005	<u>(25,757)</u>