



University of the  
West of England

# 2006

## Report And Financial Statements For The Year Ended 31 July 2006





# 2006

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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# University of the West of England

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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.

UWE traces its history to the Merchant Venturers' College founded in 1595, through Bristol Polytechnic, Bristol College of Commerce, Bristol Technical College, the West of England College of Art, the College of St Matthias and Redland College. It incorporates the former Avon & Gloucestershire College of Health and Bath & Swindon College of Health Studies, themselves the heirs of a strong local tradition of education for the health professions.

From this UWE has grown, and is now one of Britain's most popular universities with more than 30,000 students and 3,000 staff. Its annual budget is £150 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. Through the breadth and quality of its teaching and research UWE makes a major contribution to the social and economic development of Bristol. The quality of teaching on UWE's courses has been rated consistently highly since assessments began. The excellence of teaching is matched by a tremendous investment in facilities and infrastructure, resulting in a student experience to be proud of.

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.

Fundamental to all the University's activities is the way it interacts with its partners. In close collaboration with regional schools and colleges, UWE's impressive widening participation activity reflects the diversity of the local population. Research, student placements, and support for development of new enterprise exemplify UWE's close relationship with the business community; while its reputation on the global stage is gaining momentum all the time, with international agents and important research successes raising the profile of the University.

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.

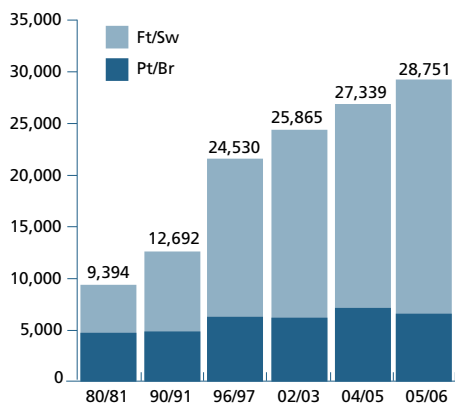
*"Bristol UWE is well positioned to become a distinctive new kind of university for the 21st century, one which constantly strives for excellence in learning and teaching, knowledge transfer and the extension of educational opportunities to all who can benefit from it."*

**Sir Howard Newby, Vice-Chancellor**

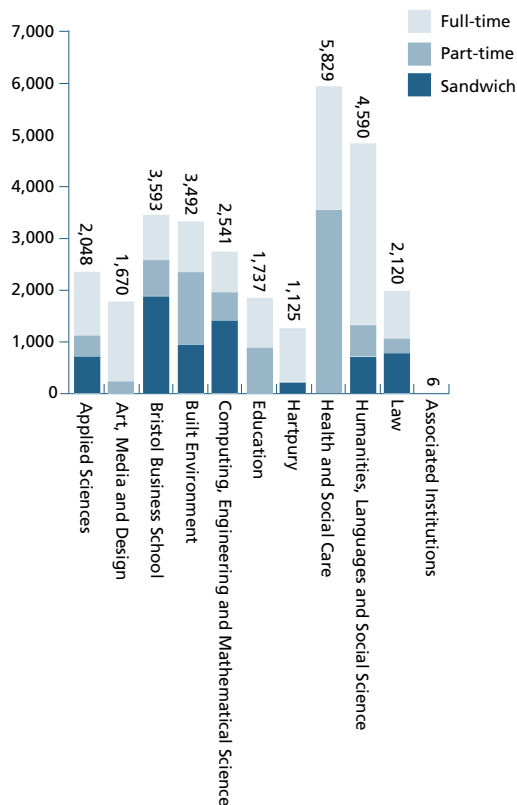
# 2006

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

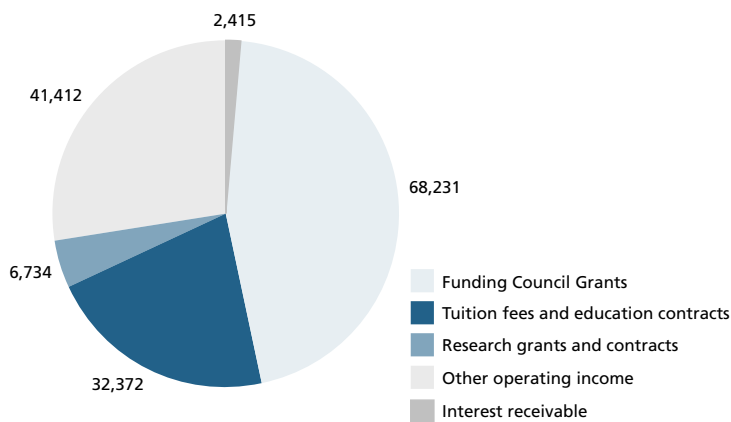
**Growth in Student Numbers**



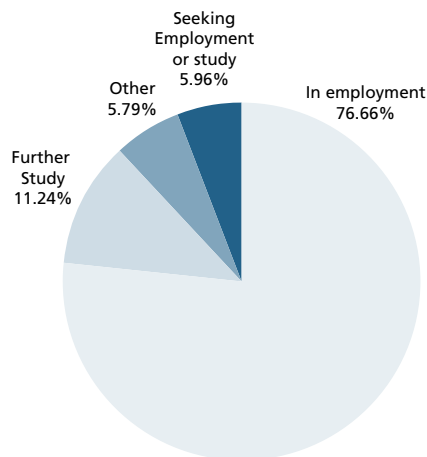
**Students by Faculty, all levels 2005/06**



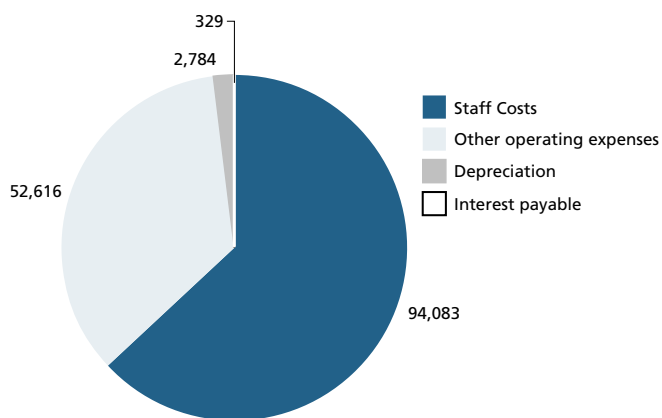
**Income 2005/06 (in £000s)**



**Graduate destinations 2005**



**Expenditure 2005/06 (in £000s)**



# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Board of Governors

### **Independent Members**

Ray Burton (Chairman)  
Robert Barnett  
Rosamund Blomfield-Smith  
Gillian Camm  
Dr Claire Craig  
Sherrie Eugene  
Martin Palmer  
Rt Rev Barry Rogerson  
Nicky Rylance  
Professor Bhupinder Sandhu  
Lise Seager

### **Vice-Chancellor**

Sir Howard Newby (from February 2006)

### **Academic Board Nominees**

Professor Alan Bensted  
Jonathan Bradley

### **Elected Staff**

Janice Hill  
Matthew Hughes (from 1 September 2005)

### **Student Nominee**

Vaishali Patel

### **Co-opted Members**

Professor Robert Cuthbert  
Nigel Costley  
Graham van der Lely

## Report of the Board of Governors for the year ended 31 July 2006

### Objectives and Activities

This is the fourteenth 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 2006 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 2005/2006 the University enrolled a total of 28,751 students. There were 19,582 full-time and sandwich students and 9,169 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 2005/06, with a surplus for the year before appropriations (full details of which are in Note 27) amounting to £1.035m, which represents less than 1% of total income. This is slightly below the budget set at the beginning of the financial year. The full adoption of Financial Reporting Standard (FRS 17) "Retirement Benefits" applies to the financial statements for the first time this year, comparative figures have been restated accordingly. The entries 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 2006 and 31 July 2005 are summarised below.

	2005/06 £000	2004/05 £000
Income	151,164	143,909
Expenditure	(150,130)	(144,221)
Surplus for the year	1,034	(312)
Appropriated to Specific Reserves	(992)	(1,042)
Net Gain/(Deficit) transferred to/(from) General Reserve	42	(1,354)

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Report of the Board of Governors for the year ended 31 July 2006 (continued)

The increase in income was 5.0%. Funding Council Grants rose by 7.7%, tuition fees by 7.1%, research grants by 15.8% whilst other operating income rose by less than 1.0%. There was a 25.7% decrease in interest receivable. Funding Council Grants represented 45.0% of total income.

### Income and Expenditure Account

Performance Indicator	2005/06	2004/05 as restated	2003/04
Surplus for the year as a % of income (before surplus on disposal of fixed assets)	0.7%	- 0.2%	0.5%

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

Total expenditure rose by approximately £6.1m, an increase of 4.3% on the previous year. There was an increase of £3.8m in staff costs, a rise of 4.2% compared with 2004/05. This reflected the increase in staff numbers to 2,925 as per note 6 to the accounts. There was an increase of approximately £2.3m in other operating expenses, an increase of 4.5% 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.

### Balance Sheet

Performance Indicator	2005/06	2004/05 as restated	2003/04
Pay expenditure %	62.7%	62.6%	59.9%
Non-pay expenditure %	37.3%	37.4%	40.1%

The net book value of tangible fixed assets increased during the year by £57.3m due principally to the continuation of the 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 £13.7m decrease in the year this was mainly due to the fact that the University used its own cash resources to fund part of the student residences project hence the drop in the liquidity ratio shown below. The significant overall reduction in the University's general reserves is as a result of 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.

### Treasury Management

Performance Indicator	2005/06	2004/05 as restated	2003/04
Ratio of current assets to current liabilities	1.1	1.4	2.1

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.



## Report of the Board of Governors for the year ended 31 July 2006 (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 as 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 amounts are also placed with Fund Managers, with instructions to operate within the University's prudent investment guidelines though with less emphasis on liquidity.

### Post Balance Sheet Event

In January 2005 the University started work on the construction of a new student village on the Frenchay campus. The project was completed in September 2006 and provides living accommodation for approximately 1,900 students together with a new sports hall. The project was completed on time and within the agreed budget.

### Future Developments

In accordance with the provisions of the Higher Education Act 2004 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. Undergraduate applications to the University have seen a steady increase with the last two years seeing an increase of 5% despite the introduction of top up fees. Postgraduate applications have seen an even bigger increase of 37% over the last two years.

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 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 10.

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

During 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 but brought in towards the end; 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 has been introduced for 2006/07. Other areas for development were also identified and a plan for introducing improvements is being implemented. A number of matters will be considered further during the current academic year.

Within the 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.

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Report of the Board of Governors for the year ended 31 July 2006 (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 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 2005 showed consolidated net assets amounting to £6.5m, including freehold land and properties of £22.4m, 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 31 December 2005 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 2005 to 31 July 2006 other than rental and similar payments under pre-existing contracts.

### Bristol Polytechnic Charitable Trust

The audited financial statements of BPCT to 31 December 2005 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 2005 to 31 July 2006.

### Wallscourt Library Services Limited

WALIS operates the St Matthias and the Frenchay Bolland libraries. The company's unaudited financial statements to 31 July 2006 show 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 £1.6m at its financial year end of 31 July 2006.

### Bristol UWE Students' Union

The unaudited financial statements of the Bristol UWE Students' Union to 31 July 2006 show net assets of £430,370. The total income for the year was £3.563m of which block grant from the University during the year amounted to £861,200.

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 900 students studying Foundation Degree and Masters programmes. The unaudited financial statements of Hartpury College to 31 July 2006 showed total turnover of £18.6m, of which franchise payments made by the University were £2.8m, with a surplus of £0.5m. 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 23 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

## Report of the Board of Governors for the year ended 31 July 2006 (continued)

raise awareness of Higher Education opportunities to Further Education students in the College. In 2005/06 the College's student tuition fee income was £1.5m of which £0.8m was UK Higher Education students, £0.5m non EU Students and £0.2m 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 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.

### Conclusion

The University would like to put on record its thanks and gratitude for all the work carried out by Vice Chancellor Alfred Morris CBE who retired on 31 December 2005 having served the University for the best part of twenty years. Alfred Morris was succeeded by Sir Howard Newby from 1 February 2006.

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 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 both financial and non-financial risk in line with HEFCE requirements. 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 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 determines and co-ordinates the University's academic and other activities.

## Governance, Direction and Financial Responsibilities (continued)

- 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 26/2005 "Accounts direction to higher education institutions for 2005-06".

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 which operated during the 2005/06 year 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.

### 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. 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 the University's Management Group (UMG) which meets weekly.

During the year to 31 July 2006, 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 2006 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 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 2005/06 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.

## 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 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 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;
- 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.

### 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 2006 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 9.

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 2006 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 2006 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2006 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  
100 Temple Street  
Bristol  
BS1 6AG  
Chartered Accountants  
Registered Auditor

Date: 11 December 2006

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Consolidated Income and Expenditure Account for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000 restated
<b>Income</b>			
Funding Council Grants	1	68,231	63,341
Tuition fees and education contracts	2	32,372	30,228
Research grants and contracts	3	6,734	5,816
Other operating income	4	41,412	41,275
Interest receivable	5	2,415	3,249
<b>Total Income</b>		<b>151,164</b>	<b>143,909</b>
<b>Expenditure</b>			
Staff costs	6	94,083	90,308
Other operating expenses	7	52,616	50,346
Depreciation	8	2,784	2,658
Interest payable	8	329	385
<b>Total Expenditure</b>		<b>149,812</b>	<b>143,697</b>
<b>Surplus on continuing operations after depreciation of assets</b>	28	1,352	212
Net Interest/Return on Assets	28	(318)	(524)
<b>Surplus/(Deficit) for the year before appropriations</b>		<b>1,034</b>	<b>(312)</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.

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	2005/06 £000	2004/05 £000
<b>Surplus/(Deficit) for the year</b>		<b>1,034</b>	<b>(312)</b>
Appropriation to designated reserves	27	(992)	(1,042)
<b>Net surplus/(Deficit) to/(from) general reserve</b>		<b>42</b>	<b>(1,354)</b>

## Balance Sheets at 31 July 2006

	Note	Group		University	
		2006 £000	2005 £000 restated	2006 £000	2005 £000 restated
<b>Fixed Assets</b>					
Tangible assets	9	143,683	85,165	138,973	85,165
Investments	10	39	95	5,039	95
		<b>143,722</b>	<b>85,260</b>	<b>144,012</b>	<b>85,260</b>
<b>Current Assets</b>					
Stocks	11	174	185	174	185
Debtors due after one year	12	1,581	2,138	1,191	1,620
Debtors due within one year	12	5,941	7,915	5,630	8,693
Current asset investments	13	43,107	51,781	40,129	43,490
Cash at bank and in hand		-	749	-	736
		<b>50,803</b>	<b>62,768</b>	<b>47,124</b>	<b>54,724</b>
<b>Creditors:</b>					
Amounts falling due within one year	14	(45,211)	(43,460)	(48,796)	(41,535)
Net Current Assets/(Liabilities)		5,592	19,308	(1,672)	13,189
<b>Total Assets less Current Liabilities</b>		<b>149,314</b>	<b>104,568</b>	<b>142,340</b>	<b>98,449</b>
<b>Creditors:</b>					
Amounts falling due after more than one year	15	(55,985)	(20,264)	(48,568)	(13,702)
Provisions for liabilities and charges	16	(544)	(544)	(544)	(544)
<b>Net Assets excluding pension liability</b>		<b>92,785</b>	<b>83,760</b>	<b>93,228</b>	<b>84,203</b>
Pension Liability	28	(27,764)	(25,757)	(27,764)	(25,757)
<b>Net Assets including pension liability</b>		<b>65,021</b>	<b>58,003</b>	<b>65,464</b>	<b>58,446</b>
<b>Deferred capital grants</b>	17	9,700	7,239	9,700	7,239
<b>Reserves</b>					
Avon endowment	18	47,780	41,648	47,780	41,648
General Reserves excluding pension liability	27	35,305	34,873	35,748	35,316
Pension Reserve	28	(27,764)	(25,757)	(27,764)	(25,757)
General Reserves including pension liability		<b>7,541</b>	<b>9,116</b>	<b>7,984</b>	<b>9,559</b>
Total Reserves		55,321	50,764	55,764	51,207
<b>Total Funds</b>		<b>65,021</b>	<b>58,003</b>	<b>65,464</b>	<b>58,446</b>

The financial statements on pages 16 to 36 were approved by the Board of Governors on 11th December 2006 and signed on its behalf by:

**R N Burton**  
Chairman

**H J Newby**  
Vice-Chancellor

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000 restated
Surplus for the year		1,034	(312)
Actuarial loss in respect of pension scheme in the year		(2,611)	-
Subtotal		<b>(1,577)</b>	<b>(312)</b>
Prior Year Adjustment-FRS 17	28	(24,666)	
<b>Total Recognised Gains and Losses since 2005 Report and Financial Statements: net loss</b>		<b>(26,243)</b>	

## Consolidated Cash Flow Statement for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000
<b>Net cash inflow from operating activities</b>	20	<b>8,212</b>	<b>6,775</b>
Returns on investments and servicing of finance	21	296	2,864
Capital expenditure and financial investment	22	(57,352)	(24,122)
<b>Cash outflow before use of liquid resources and financing</b>		<b>(48,844)</b>	<b>(14,483)</b>
Management of liquid resources	23	8,674	715
Financing	23	39,421	9,147
<b>Decrease in cash</b>	24	<b>(749)</b>	<b>(4,621)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>	<b>Note</b>	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Decrease in cash	24	(749)	(4,621)
Decrease in investments	24	(8,674)	(715)
Cash Inflow from Lloyds TSB loan	24	(39,366)	(9,202)
Loan repayments	23	4,931	412
<b>Change in net funds in the year</b>		<b>(43,858)</b>	<b>(14,126)</b>
Net Funds at 1 August 2005	24	38,397	52,523
<b>Net Funds at 31 July 2006</b>	24	<b>(5,461)</b>	<b>38,397</b>

### 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 all 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 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, or to the Avon Pension Fund (administered by Bath and North East Somerset Council), and to the Universities Superannuation Scheme (USS). 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 and other 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 of the corresponding asset. All other expenditure on buildings is treated as an expense in the accounting period in which it occurs.

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 occurs.



## 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 recognised 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 2006

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## Notes to the Financial Statements

	2005/06 £000	2004/05 £000
<b>1 Funding Council Grants</b>		
Basic recurrent grant	56,391	52,896
Reimbursement of loan interest	329	385
Release of capital grants	290	205
Training and Development Agency	3,307	3,978
Learning and Skills Council	602	445
Other grants	7,312	5,432
	<b>68,231</b>	<b>63,341</b>
<b>2 Tuition Fees and Education Contracts</b>		
Full time students-Home	19,121	17,744
Full time students-EU	718	859
Full time students-International	6,239	6,060
Part time students	5,025	4,537
Short course fees	1,269	1,028
	<b>32,372</b>	<b>30,228</b>
<b>Student numbers by category</b>		
	<b>Numbers</b>	<b>Numbers</b>
Home and EU full time	18,307	17,509
Overseas full time	1,275	1,278
Part time	9,169	8,552
	<b>28,751</b>	<b>27,339</b>
<b>3 Research Grants and Contracts</b>		
Research Councils	2,093	1,874
UK based charities	699	489
European Commission	856	743
Other research grants and contracts	3,086	2,710
	<b>6,734</b>	<b>5,816</b>
<b>4 Other Operating Income</b>		
Residences and catering	10,438	9,942
NHS contract	20,927	20,534
Other services rendered	4,622	4,485
Other income	5,425	6,314
	<b>41,412</b>	<b>41,275</b>
<b>5 Interest Receivable</b>		
Income from cash and term deposits	<b>2,415</b>	<b>3,249</b>
<b>6 Staff Costs</b>		
Salaries and wages	79,688	75,884
National Insurance costs	6,004	5,663
Other pension costs	8,391	8,761
	<b>94,083</b>	<b>90,308</b>

## Notes to the Financial Statements (continued)

	<b>2005/06</b>	<b>2004/05</b>
	<b>Numbers</b>	<b>Numbers</b>
<b>6 Staff Costs (continued)</b>		
Staff numbers by category		
Academic faculties	1,824	1,819
Learning support services	260	214
Other support services	107	87
Administration and central services and premises	734	582
	<hr/> <b>2,925</b>	<hr/> <b>2,702</b>

### Emoluments of the former Vice-Chancellor who retired on 31 December 2005 (5 months)

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Salary	81,008	188,756
Benefits in kind	422	373
Pension costs	10,936	25,482
	<hr/> <b>92,366</b>	<hr/> <b>214,611</b>

### Emoluments of the acting Vice-Chancellor (1 month)

Salary	14,474	-
Benefits in kind	35	-
Pension costs	1,954	-
	<hr/> <b>16,463</b>	<hr/> <b>-</b>

### Emoluments of the current Vice-Chancellor from 1 February 2006 (6 months)

Salary	105,000	-
Benefits in kind	73	-
Pension costs	12,264	-
	<hr/> <b>117,337</b>	<hr/> <b>-</b>

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

	<b>Numbers</b>	<b>Numbers</b>
£70,001 to £80,000	13	6
£80,001 to £90,000	2	4
£90,001 to £100,000	2	2
£100,000+	1	-
	<hr/>	<hr/>

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Notes to the Financial Statements (continued)

### 7 Other operating expenses

	2005/06 £000	2004/05 £000
Equipment not capitalised	2,363	2,192
Student related expenses	2,788	2,398
Stationery, advertising travel & telephones	3,752	4,018
Laboratory expenses	643	732
Other academic operating costs	3,622	3,549
Library Services	4,282	4,159
Information Technology Services	1,944	1,997
Other academic services	63	100
Research grants & contracts	1,781	1,981
Residences & catering	7,324	6,808
Repairs & maintenance	6,655	5,384
Heat, light & power	2,901	2,154
Rents payable	2,324	2,053
Cleaning & Portering Services	291	259
Security Services	583	788
Administration & central services	2,868	3,034
Student facilities & amenities	1,764	1,928
General educational expenditure	3,927	3,813
Other services rendered	2,518	2,619
External auditors' remuneration	41	34
Internal auditors' remuneration	50	42
Auditors' remuneration-non audit services	2	6
Other	130	298
	<b>52,616</b>	<b>50,346</b>

### 8 Analysis of expenditure by activity

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Total 2005/06 £000	Total 2004/05 £000
Teaching faculties	65,401	13,168	681		79,250	75,767
Academic support services	7,179	6,289	125		13,593	13,027
Research grants and contracts	3,218	1,781	-		4,999	4,828
Administration and central services	10,919	8,652	-		19,571	18,986
Premises	4,218	12,754	1,509	329	18,810	16,449
Residences and catering	1,970	7,324	469		9,763	8,983
Other services rendered	2,041	2,518	-		4,559	4,422
Other	59	130	-		189	668
Avon pension fund (Note 28)	(922)				(922)	567
	<b>94,083</b>	<b>52,616</b>	<b>2,784</b>	<b>329</b>	<b>149,812</b>	<b>143,697</b>

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

The depreciation charge has been funded by:

	2005/06 £000	2004/05 £000
Deferred capital grants released	290	205
General Income	2,494	2,453
	<b>2,784</b>	<b>2,658</b>

## Notes to the Financial Statements (continued)

### 9 Tangible Fixed Assets

Group	Investment Property £000	Freehold Land and Buildings £000	Assets in Course of Construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>					
At 1 August 2005	8,500	67,307	30,622	6,845	114,474
Additions		7,446	51,730	927	60,103
Surplus on revaluation	1,200				1,200
Disposals				(910)	(910)
<b>At 31 July 2006</b>	<b>9,700</b>	<b>74,753</b>	<b>82,352</b>	<b>6,862</b>	<b>173,667</b>
<b>Depreciation</b>					
At 1 August 2005		22,665		5,444	28,109
Charge for the year		1,934		851	2,785
Disposals				(910)	(910)
<b>At 31 July 2006</b>		<b>24,599</b>		<b>5,385</b>	<b>29,984</b>
<b>Written Down Value</b> At 31 July 2006	<b>9,700</b>	<b>50,154</b>	<b>82,352</b>	<b>1,477</b>	<b>143,683</b>
<b>Written Down Value</b> At 31 July 2005	<b>8,500</b>	<b>44,642</b>	<b>30,622</b>	<b>1,401</b>	<b>85,165</b>
<b>University</b>					
University	Investment Property £000	Freehold Land and Buildings £000	Assets in Course of Construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>					
At 1 August 2005	8,500	67,307	30,622	6,845	114,474
Additions		7,396	47,070	927	55,393
Surplus on revaluation	1,200				
Disposals				(910)	(910)
<b>At 31 July 2006</b>	<b>9,700</b>	<b>74,703</b>	<b>77,692</b>	<b>6,862</b>	<b>168,957</b>
<b>Depreciation</b>					
At 1 August 2005		22,665		5,444	28,109
Charge for the year		1,934		851	2,785
Disposals				(910)	(910)
<b>At 31 July 2006</b>		<b>24,599</b>		<b>5,385</b>	<b>29,984</b>
<b>Written Down Value</b> At 31 July 2006	<b>9,700</b>	<b>50,104</b>	<b>77,692</b>	<b>1,477</b>	<b>138,973</b>
<b>Written Down Value</b> At 31 July 2005	<b>8,500</b>	<b>44,642</b>	<b>30,622</b>	<b>1,401</b>	<b>85,165</b>
<b>Written Down Value</b> of Inherited assets At 31 July 2006		<b>18,231</b>			<b>18,231</b>

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Notes to the Financial Statements (continued)

### 9 Tangible Fixed Assets (continued)

#### Student Accommodation

Assets in the course of construction relate to the Student Village and a sports hall being built at the University's Frenchay campus, which was completed after the balance sheet date. The Sports Hall is being built by Bristol UWE Sport Limited, a subsidiary of the University. The construction is being financed by a loan from Lloyds TSB and the capitalised value includes interest charges of £1.791m.

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

### 10 Investments

	Group		University	
	2006 £000	2005 £000	2006 £000	2005 £000
CVCP Properties plc	39	39	39	39
Bristol UWE Sport Limited	-	56	5,000	56
	<b>39</b>	<b>95</b>	<b>5,039</b>	<b>95</b>

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 2006

	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 these companies have been consolidated with those of the University, this being the first year of consolidation with Bristol UWE Sport Limited. There was no residual surplus in these companies after their gift aid payments to the University. These companies made gift aid payments of £3.292 million (2004/05, £3.593 million) to the University. 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**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Printing and Stationery Services	67	75
Catering	67	70
Bristol School of Art, Media and Design shop	26	25
IT Services	14	15
	<b>174</b>	<b>185</b>

**12 Debtors**

Falling due within one year:

Amounts due from subsidiary undertakings

Other debtors

Other prepayments

	<b>Group</b>		<b>University</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts due from subsidiary undertakings	-	-	679	2,941
Other debtors	5,081	6,465	4,206	4,402
Other prepayments	860	1,450	745	1,350
	<b>5,941</b>	<b>7,915</b>	<b>5,630</b>	<b>8,693</b>

Falling due after one year:

Prepayments

Prepayments	1,581	2,138	1,191	1,620
	<b>7,522</b>	<b>10,053</b>	<b>6,821</b>	<b>10,313</b>

**13 Current Asset Investments**

Bank deposits

Managed by Tilney Investment Management Ltd

Bank deposits	43,107	10,336	40,129	6,545
Managed by Tilney Investment Management Ltd	-	41,445	-	36,945
	<b>43,107</b>	<b>51,781</b>	<b>40,129</b>	<b>43,490</b>

**14 Creditors: Amounts falling due within one year**

Amounts due to subsidiary undertakings

Other creditors and accruals

Other receipts in advance

Amounts due to subsidiary undertakings	-	-	5,643	-
Other creditors and accruals	20,141	20,103	19,397	19,691
Other receipts in advance	25,070	23,357	23,756	21,844
	<b>45,211</b>	<b>43,460</b>	<b>48,796</b>	<b>41,535</b>

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Notes to the Financial Statements (continued)

	Group		University	
	2006 £000	2005 £000	2006 £000	2005 £000
<b>15 Creditors: Amounts falling due after more than one year</b>				
Bristol City Council loan	-	4,500	-	4,500
Lloyds TSB loan	48,568	9,202	48,568	9,202
Other creditors	200	376	-	-
Deferred income	7,217	6,186	-	-
	<b>55,985</b>	<b>20,264</b>	<b>48,568</b>	<b>13,702</b>

The Bristol City Council loan was repaid during the year. Funds for the repayment were provided by the Higher Education Funding Council for England.

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.

	2006 £000	2005 £000
<b>16 Provision for Liabilities and Charges</b>		
<b>University and Group</b>		
Early Retirement Costs		
At 1 August 2005	544	573
Utilised during the year	-	(49)
Transfer to/from Income and Expenditure Account	-	20
<b>At 31 July 2006</b>	<b>544</b>	<b>544</b>

Early Retirement Costs 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 2005	7,239	5,918
Received during the year	2,751	1,526
Released to Income and Expenditure Account	(290)	(205)
<b>At 31 July 2006</b>	<b>9,700</b>	<b>7,239</b>

### 18 Avon Endowment University and Group

Avon Endowment	30,960	30,960
Loan Principal Reimbursed by HEFCE	15,570	10,638
Investment revaluation reserve	1,250	50
	<b>47,780</b>	<b>41,648</b>

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.



## Notes to the Financial Statements (continued)

**18 Avon Endowment (continued)**

During the year the outstanding inherited debt of £4.932 million was repaid to the Bristol City Council. The value of this repayment was reimbursed by the Higher Education Funding Council for England. (see note 15)

Investment revaluation reserve relates to the revaluation of Northavon House.

**19 Access Funds**

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
Funding council grants	1,203	1,016
Interest earned	16	19
	<hr/>	<hr/>
Disbursements to students	<b>1,219</b>	<b>1,035</b>

**20 Reconciliation of Surplus for the Year to Net Operating Cash flows**

Operating surplus for the year before exceptional income	1,034	(312)
Depreciation	2,785	2,656
Pension movement in the year	(604)	1,091
Deferred capital grants released to income	(290)	(205)
Interest received	(2,415)	(3,249)
Interest paid including capitalised interest	2,120	385
Decrease in stock	12	13
Decrease in debtors	2,532	846
Increase in creditors falling due within one year	1,751	4,562
Increase in creditors falling due after one year	1,287	1,017
Increase/(Decrease) in provisions	-	(29)
	<hr/>	<hr/>
<b>Net Cash Inflow from Operating Activities</b>	<b>8,212</b>	<b>6,775</b>

**21 Returns on Investments and Servicing of Finance**

Interest received	2,416	3,249
Capitalised interest paid	(1,791)	-
Interest paid	(329)	(385)
	<hr/>	<hr/>
	<b>296</b>	<b>2,864</b>

**22 Capital Expenditure and Financial Investment**

Tangible fixed assets acquired	(60,103)	(25,661)
Deferred capital grants received	2,751	1,526
Disposal of tangible fixed asset	-	13
	<hr/>	<hr/>
	<b>(57,352)</b>	<b>(24,122)</b>

**23 Management of Liquid Resources and Financing**

Purchase of Shares in Subsidiary	55	(55)
Bristol City Council Loan Repayments	(4,931)	(412)
Lloyds TSB loan	39,366	9,202
HEFCE Grant for Loan Repayments	4,931	412
	<hr/>	<hr/>
	<b>39,421</b>	<b>9,147</b>
Net Withdrawal of Term Deposits	8,674	715
	<hr/>	<hr/>
	<b>48,095</b>	<b>9,862</b>

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Notes to the Financial Statements (continued)

<b>24 Analysis of Changes in Net Funds</b>	<b>2005 £000</b>	<b>Cash Flows £000</b>	<b>2006 £000</b>
Cash at bank and in hand	749	(749)	
Current asset investments	51,781	(8,674)	43,107
Loan falling due after one year: Lloyds TSB	(9,202)	(39,366)	(48,568)
Loan falling due after one year: Bristol City Council	(4,931)	4,931	
<b>Total</b>	<b>38,397</b>	<b>(43,858)</b>	<b>(5,461)</b>

<b>25 Obligations under Operating Leases</b>	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Commitment expires within 1 year	384	335
Commitment expires between 2 to 5 years	1,313	809
Commitment expires after 5 years	2,726	4,428
	<b>4,423</b>	<b>5,572</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) Debtors include a sum of £727,000 (2004/05 Nil), related to value added tax incurred on the construction of the Sports Hall which is in dispute with HMRC.
- (d) At 31 July 2006 there were capital commitments amounting to £3.3 million in relation to the Frenchay Student Village.

## Notes to the Financial Statements (continued)

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

	<b>2006 £000</b>
<b>As at 1 August 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
	<hr/>
<b>Total Designated Reserves</b>	<b>27,969</b>

#### Appropriations

Strategic Investment fund	
Sports and Fitness Reserve	211
Long Term Maintenance	732
Student Accommodation Reserve	90
Other Designated Reserves	(40)
	<hr/>
<b>Total Designated Reserves</b>	<b>992</b>

#### As at 31 July 2006

Strategic Investment fund	12,801
Sports and Fitness Reserve	2,658
Long Term Maintenance	9,281
Student Accommodation Reserve	3,063
Reserve for Severance payments	786
Other Designated Reserves	373
	<hr/>
<b>Total Designated Reserves</b>	<b>28,962</b>

	<b>Group 2006 £000</b>	<b>University 2006 £000</b>
<b>General Reserves</b>		
<b>At 1 August 2005-restated</b>	6,904	7,347
Surplus for the year excluding Pension liability	431	431
Appropriations	(992)	(992)
	<hr/>	<hr/>
<b>At 31 July 2006</b>	<b>6,343</b>	<b>6,786</b>
<b>Income and Expenditure account excluding Pension Liability</b>	<b>35,305</b>	<b>35,748</b>
Pension Liability	(27,764)	(27,764)
	<hr/>	<hr/>
<b>Income and Expenditure account including Pension Liability</b>	<b>7,541</b>	<b>7,984</b>

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## 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' 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:

	2005/06 £000	2004/05 £000
Teachers' Pension Scheme	5,442	5,261
Avon Pension Fund	2,617	3,500
USS	14	
	<hr/>	<hr/>
	<b>8,073</b>	<b>8,761</b>

### 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 participated in the Universities Superannuation scheme ("USS") for the first time during the year. 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.

### 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 2006 was £4.331m of which employers' contribution totalled £2.617m and employees' contribution totalled £1.714m. The agreed contribution rates for future 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 2006 and was based on the following assumptions:

## Notes to the Financial Statements (continued)

### 28 Pensions (continued)

	Past Service Liabilities	Future Service Liabilities
Investment Return	6.40%	6.50%
Earnings Growth	4.05%	3.75%
Price Inflation	2.00%	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 are 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 2006 by a qualified independent actuary.

#### Major assumptions used:

	31 July 2006	31 July 2005
Inflation	3.00%	2.70%
Rate of increase in salaries	4.25%	3.95%
Rate of increase for pensions in payment	3.00%	2.70%
Discount rate for liabilities	5.10%	5.00%

	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	Rate of return expected at 31 July 2004	Value at 31 July 2004 £000
Equities	7.00%	59,596	7.50%	49,422	7.50%	39,070
Bonds-Government	4.40%	10,804	4.40%	9,315	5.00%	8,212
Bonds-Other	5.10%	6,011	5.00%	4,787	5.70%	4,237
Other	4.50%	1,674	4.75%	1,164	4.50%	785
		<b>78,085</b>		<b>64,688</b>		<b>52,304</b>

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

	31 July 2006 £000	31 July 2005 £000	31 July 2004 £000
Market value of assets	76,085	64,688	52,304
Present value of scheme liabilities	(103,849)	(90,445)	(72,725)
<b>Deficit in the scheme</b>	<b>(27,764)</b>	<b>(25,757)</b>	<b>(20,421)</b>

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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## Notes to the Financial Statements (continued)

### 28 Pensions (continued)

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

##### Amounts charged to income and expenditure account

	2005/06 £000		2005/06 £000
Operating:		Finance:	
Service Cost	(4,649)	Expected return on pension scheme assets	4,322
Past Service cost	2,013	Interest on pension liabilities	(4,640)
	<hr/>		<hr/>
Total operating cost	<b>(2,636)</b>	Net Gain (Loss)	<b>(318)</b>
	<hr/>		<hr/>

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

	£000	%
Difference between the expected and actual return on assets	3,440	
Percentage of year end scheme assets		4.5%
Difference between the expected and actual return on liability	(1,938)	
Percentage of present value of year end scheme assets		1.9%
Change in assumptions	(4,113)	
Percentage of present value of year end scheme liabilities		4.0%
Actuarial loss recognised in STRGL	(2,611)	
Percentage of present value of year end scheme liabilities		2.5%

##### Movement in deficit during the year:

Deficit in scheme at 1 August 2005	(25,757)
Movement in the year:	
Current service cost	(4,649)
Contributions	3,558
Past service cost	2,013
Net interest/Return on assets	(318)
Actuarial loss	(2,611)
	<hr/>
Deficit in scheme at 31 July 2006	<b>(27,764)</b>
	<hr/>

##### Prior Year Adjustment

Prior year comparatives have been amended to reflect the adoption of FRS 17. The effect has been to increase staff costs by £567,000 and net financing costs, disclosed as Net Return on Pension Scheme, by £524,000. The opening pension liability, as at 1 August 2005, of £25,757,000 has been incorporated onto the Balance Sheet. These amendments relate entirely to the Avon Pension Fund, a local government pension scheme.



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