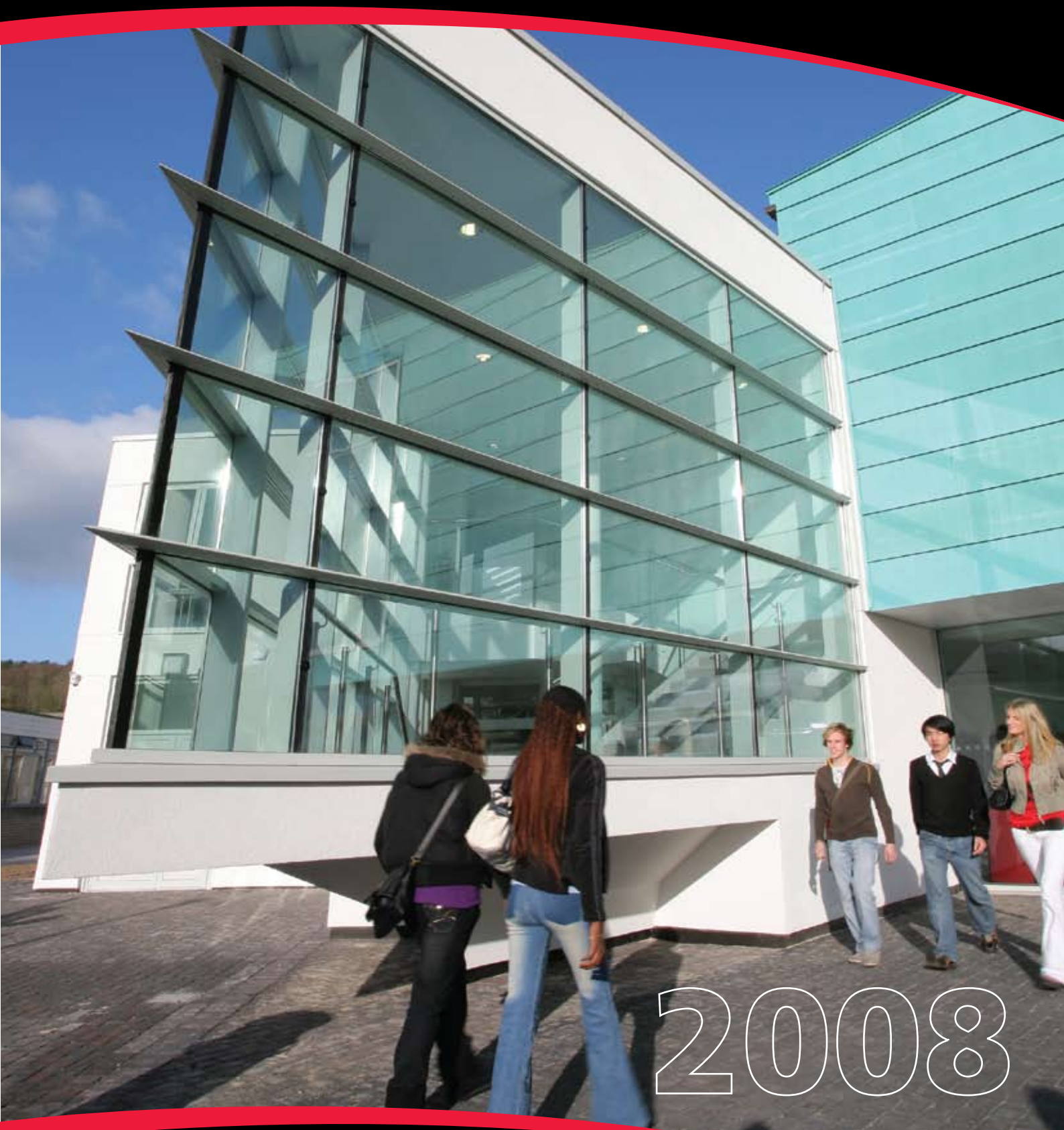


Report And Financial Statements For The Year  
Ended 31 July 2008



2008



University of the  
West of England

bettertogether

# 2008

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

01

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# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

02

## Board of Governors

### Independent Members

Ray Burton (Chairman)  
Robert Barnett  
Rosamund Blomfield-Smith  
Gillian Camm (from 7 July 2008)  
Chris Booy  
Nigel Costley  
Sherrie Eugene  
Iain Gray  
Rt Rev Barry Rogerson  
Professor Bhupinder Sandhu  
Lise Seager  
Louis Sherwood (from 17 September 2007)

### Ex-Officio

Sir Howard Newby (to 31 August 2008)  
Professor Steven West (from 1 September 2007)

### Academic Board Nominees

Professor Colin Fudge (from 17 December 2007 to 31 May 2008)  
Dr Jane Harrington (from 17 December 2007)

### Elected Staff

Ruth Drysdale  
Matthew Hughes

### Student Nominee

Peter Daw (from 13 November 2007)  
Dominic Passfield

### Co-opted Members

Graham van der Lely

## Report of the Board of Governors for the year ended 31 July 2008

### Objectives and Activities

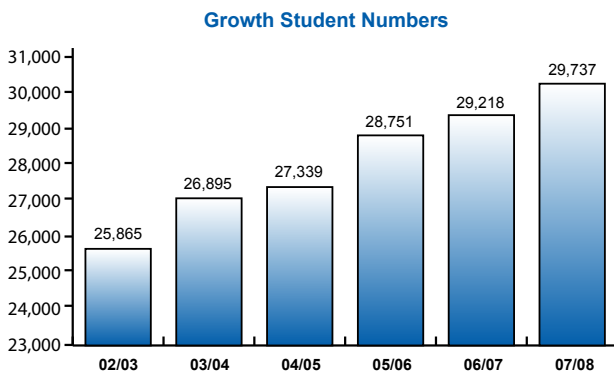
This is the sixteenth annual report of the University of the West of England.

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.

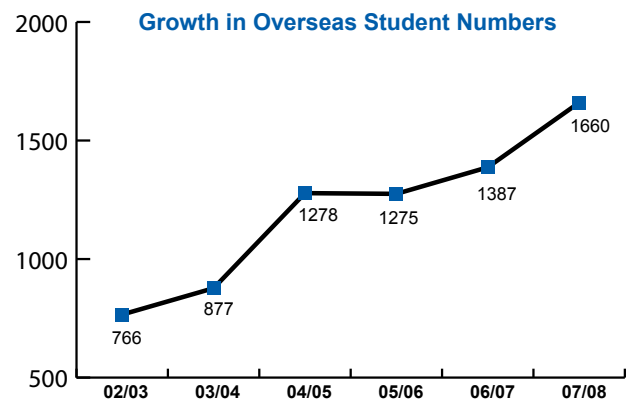
The University is a statutory corporation and, as a provider of education, enjoys exempt charitable status in accordance with the Education Reform Act 1988. At 31 July 2008 it operated from four campuses in South Gloucestershire and the City of Bristol: Frenchay, St. Matthias, Glenside and Bower Ashton. The University's Faculty of Health and Life Sciences also has regional centres in Bath, Swindon and at Hartpury College in Gloucestershire.

### Enrolments

In 2007/2008 the University enrolled a total of 29,737 students, of whom 20,085 were full-time and sandwich students and 9,652 part-time students. This total is an increase of approximately 2% on the previous year and continues the year on year growth.



Within the full-time numbers were 1,660 full-time overseas students representing a 19.7% increase on the previous year.



### Operating and Financial Review

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

The satisfactory financial performance of the University, which we further review below in terms of the income and expenditure account and the balance sheet, was maintained during 2007/08, with a small surplus for the year before appropriations (full details of which are in Note 18) amounting to £0.2m. The outturn for the year is slightly above the targeted breakeven position set at the beginning of the financial year. The University has adopted the requirements of FRS17 in respect of the Avon Pension Fund but is exempt from these requirements with respect to the University's Superannuation Scheme and the Teachers Pension Scheme. The pension liability has increased from £25.575m to £54.479m, mainly because of the decrease in the actuarial valuation of the funds assets and changes in actuarial valuation assumptions.

### Report of the Board of Governors for the year ended 31 July 2008 (continued)

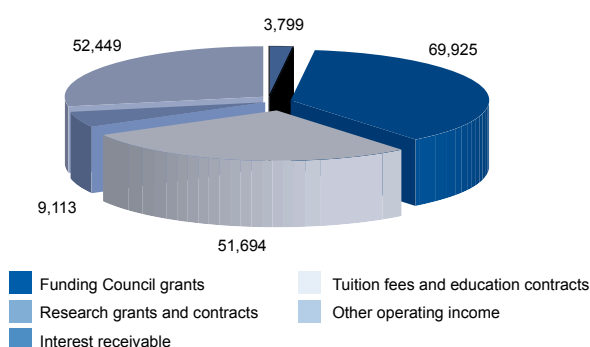
#### Income and Expenditure Account

The University's consolidated results for the years ended 31 July 2008 and 31 July 2007 are summarised below.

	2007/08 £000	2006/07 £000
Income	189,674	170,296
Expenditure	(189,468)	(170,713)
Surplus/(Deficit) for the year	206	(417)
Appropriated to Designated Reserves	(1,996)	(1,068)
Net Deficit transferred from General Reserve	(1,790)	(1,485)

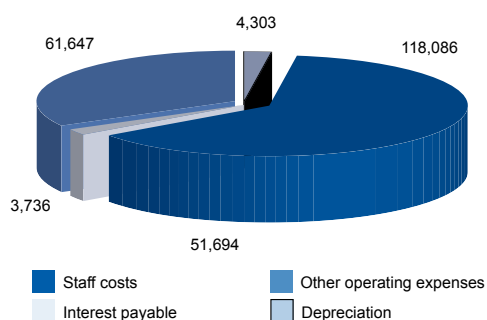
The increase in income was 11.4%. Funding Council Grants increased by 4.9%, tuition fees increased by 26% and research grants by 6.9% whilst other operating income rose by 7.2%. There was a 39.9% increase in interest receivable. Funding Council Grants represented 37.2% of total income.

Income by type 2007/08



Total expenditure rose by approximately £18.8m, an increase of 11% on the previous year. There was an increase of £11.9m in staff costs, a rise of 11.1% compared with 2006/07, reflecting the increase in staff numbers and Pay Equality Project as shown in Note 6 to the accounts.

Expenditure by type 2007/08



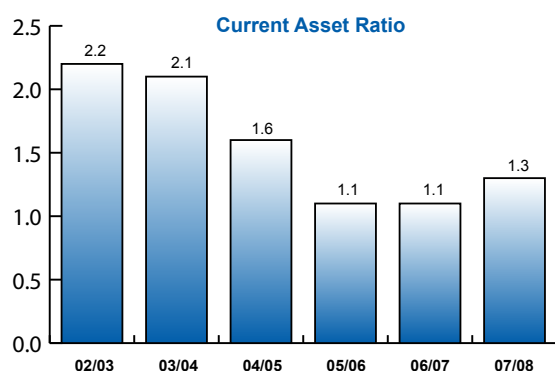
There was an increase of approximately £6.3m in other operating expenses, an increase of 11.2% on the previous year. The division of expenditure between pay 62.7% and non-pay 37.3% elements remained similar to previous years.

### Report of the Board of Governors for the year ended 31 July 2008 (continued)

#### Balance Sheet

The net book value of tangible fixed assets increased during the year by £1.3m principally due to the construction work at Bower Ashton. 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 8 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 an £11.3m increase in the year. The University's general reserves reflect the full implementation of FRS 17 whereby the University's share of the current deficit on the Avon Pension Fund has to be reflected within the balance sheet.

The University has continued to maintain a positive net current asset ratio. At July 2008, the net current asset ratio of 1.3 reflects the increase in tuition fee income, offset by settlement of Pay Equality Project (PEP) and the voluntary severance schemes.



#### Treasury Management

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

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 at least short-term ratings of A1 (Standard & Poors) and F1 (Fitch IBCA) are considered

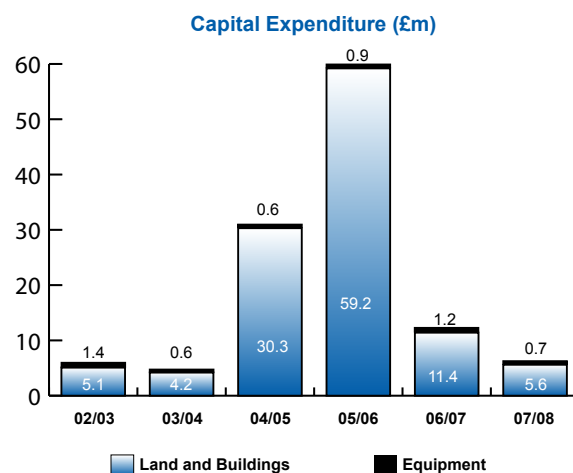
sufficiently secure. In order to ensure adequate liquidity, deposits are spread over a range of maturity periods.

Because of the change in financial climate the University has moved 80% of its investment into 'AA' rated institutions.

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

#### Capital Programme

The University completed the £12m refurbishment of its Bower Ashton campus which houses the Faculty of Creative Arts.



#### Post Balance Sheet Events

In October 2008, the University exchanged and completed contracts to facilitate the purchase of 70 acres of land and buildings, adjacent to Frenchay campus, from Hewlett-Packard Ltd.

#### Future Developments

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. As part of the University's continued monitoring of its financial position,

### Report of the Board of Governors for the year ended 31 July 2008 (continued)

it has introduced budgets for future years which look to reduce overall expenditure. During 2008 four severance schemes were introduced: a flexible, phased and early retirement scheme, a voluntary severance scheme, an enhanced voluntary severance scheme and a compulsory severance scheme. These schemes are separate and independent of each other and for each of them the Trade Unions were consulted during their development.

By 2012 we aim to be a comprehensive 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.

We aim to be a University that enriches and supports our staff and students and contributes to the wider communities we serve. This will mean that the University

- Is renowned for inspiring and supporting students' learning across a spectrum of activity offering them lifelong learning, progression pathways and truly excellent standards in learning and teaching which lead to high quality employment outcomes through the relevance and practicality of its curriculum
- Is known by employers for its user lead research applicable to real world problems, consultancy, courses, toolkits, events and employable graduates
- Is recognised for its pre-eminence in the field of knowledge exchange and enterprise
- Conducts world-class research in clearly identified areas of strength
- Is known for the diversity of its students, its recognition of their differing needs and the value of their active participation and engagement.

#### Subsidiary Companies

The University's subsidiaries are listed in the Note 9 to the Financial Statements. The largest of them is Bristol UWE Health Training Limited, a wholly owned subsidiary established to contract with the NHS for the provision of education and training.

#### Corporate Governance

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

its business in accordance with and with regard to the principles identified by the Committee on Standards in Public Life and with the Committee of University Chairmen's "Guide for Members of Higher Education Governing Bodies in the UK". The financial statements include a statement on the University's position with regard to the implementation of the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange. The Board of Governors is required to express a view as to whether its processes are adequate in accordance with the direction from the Higher Education Funding Council for England for identifying, evaluating and managing the University's risks during the year. The appropriate committees of the Board of Governors have considered those processes and are of the view that, whilst adequate, the University should seek to continue to strengthen them further during the forthcoming year. A fuller statement on corporate governance is set out on page 9.

#### Review of Effectiveness of the Board of Governors and the Academic Board

In 2005/06 the Board of Governors undertook its second review of the effectiveness of governance arrangements, as recommended in the guidance published by the Committee of University Chairmen (CUC). The review encompassed reviews of: the Board of Governors; the Academic Board, which was conducted as a separate exercise; and, the relationship between them. The main outcomes of the review including a revised committee structure and other areas for development were introduced during the following year. A progress review of the revised arrangements was conducted in late spring 2007, and further adjustments introduced during 2007/08.

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

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

During the year Professor Steven West was appointed Vice-Chancellor of the University following Sir Howard Newby's resignation.

## Report of the Board of Governors for the year ended 31 July 2008 (continued)

### Parties associated with the University

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

### The Wallscourt Foundation

The audited financial statements of Wallscourt to 31 December 2007 showed consolidated net assets amounting to £7.3m, including freehold land and properties of £22.8m, offset by bank borrowings secured on those land and properties totalling £18.8m. These properties include Wallscourt House, the Bristol Information Technology Centre ("BITC") and the New Redland building. The latter two buildings are owned by Bristol Polytechnic Enterprises Limited ("BPE"), a subsidiary company of Wallscourt. The BITC and new Redland buildings are capitalised in BPE's financial statements at 31 December 2007 at a net book value of £12.9m. The three buildings are all leased to the University on an arm's length basis and corresponding commitments are included in note 27 to these financial statements ("Obligations under operating leases"). There were no material transactions between the University and Wallscourt in the period from 31 December 2007 to 31 July 2008 other than rental and similar payments under pre-existing contracts.

### Bristol Polytechnic Charitable Trust

The audited financial statements of BPCT to 31 December 2007 showed net assets of £0.8m, which consisted mainly of short-term deposits. There were no material transactions between the University and BPCT in the period from 31 December 2007 to 31 July 2008.

### Wallscourt Library Services

WALIS operated the St Matthias and the Frenchay Bolland libraries until 30 November 2006 when these operations were transferred back to the University. Therefore since November 2006 WALIS has become dormant.

### Bristol UWE Students' Union

The unaudited financial statements of the Bristol UWE Students' Union to 31 July 2008 showed net assets of £582,877. The total income for the year was £4,757,000 of which block grant from the University during the year amounted to £955,300.

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

### Hartpury College

Hartpury College is an Associate Faculty of the University, though legally and financially an autonomous institution with over 1,100 students studying Foundation Degrees and Masters programmes. The unaudited financial statements of Hartpury College to 31 July 2008 showed total turnover of £22m, of which Higher Education contract income was £4.7m, with a surplus of £0.7m. The College also hosts students from the University's Faculty of Health and Life Sciences.

Hartpury's development plans support the national objectives of having 50% of 18-30 year olds in higher education by 2010. The College is therefore now running over 20 Foundation Degree programmes in conjunction with the University with part time options available in several areas thus widening possible participation. Validation of new programmes takes place every year in conjunction with the University in response to market needs. The College is participating in the "Aim Higher" scheme to raise awareness of Higher Education opportunities available to Further Education students in the College. In 2007/08 the College's student tuition fee income was £1.7m of which £1.0m related to UK Higher Education students, £0.4m to non EU Students and £0.3m to UK Further Education students.

### University of the West of England Federation

The University is actively engaged in building up a number of bilateral partnerships with Further Education



### Report of the Board of Governors for the year ended 31 July 2008 (continued)

Colleges (FEC's) known as the "UWE Federation". To date formal Federation agreements have been signed with The City Academy Bristol, City of Bath College, City of Bristol College, Cirencester College, Filton College, Gloucestershire College, Hartpury College, Richard Huish College, Stroud College, New College Swindon, Weston College, Wiltshire College and Yeovil College. The University is also in discussions with a number of other FEC's.

#### **Equal Opportunities, Diversity and Health and Safety**

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

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

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

#### **Employee Involvement**

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

department offers technical and general training and staff development to all levels of staff.

#### **Student Involvement**

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

#### **Officers' Insurance**

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

#### **Payment of Creditors**

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

#### **Conclusion**

The University moves into an exciting phase with the purchase of 70 acres of land next to the main Coldharbour Lane Campus. This purchase provides the University with the ability to consolidate its activities predominantly onto one site in order to facilitate the University's vision to be the pre-eminent Enterprise and Knowledge Exchange University delivering excellence in learning and teaching and research. The long term future of the University's estate is secured through this significant purchase which has been made possible by the hard work of the University staff, Governors and professional external advisors.

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 Rt Hon the Baroness 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 Innovation, Universities and Skills; other enactments or regulations from time to time in force; and its Instrument and Articles of Government and internal rules and by-laws.

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

#### The Board of Governors' responsibilities include:

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

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

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

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

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

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

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

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

The above policy and related procedures have continued to be developed and the Board of Governors is satisfied that the University's internal control and risk management processes meet the requirements set out by HEFCE in their circular 22/2007 "Accounts direction to higher education institutions for 2007-08".

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

formal agenda and appropriate reports and papers. The Board is entitled to establish committees for any purpose or function, other than those which are assigned elsewhere in the Articles to the Vice-Chancellor or to the Academic Board. It may delegate certain powers to its Chairman or to the Vice-Chancellor, however there is a clear division of responsibility between these two posts. The main committees which operated during the 2007/08 year were:

- Finance and Information Technology Committee
- Estates Committee
- Personnel Committee
- Audit Committee
- Nominations Committee
- Remuneration Committee
- Honorary Fellowships Committee
- Strategic Planning Advisory Committee
- Joint Diversity Committee
- Joint Student Affairs Committee

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

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

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

## Governance, Direction and Financial Responsibilities (continued)

### Leadership, Direction and Management

#### The Vice-Chancellor is responsible for:

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

The Vice-Chancellor's senior management team is in effect the University's Executive Board and assists the Vice-Chancellor in discharging his responsibilities as Chief Executive. In 2007/08 the senior management team included Deputy Vice-Chancellors, Executive Deans, the Director of Finance and the Director of Human Resources. The senior management team co-ordinates the organisation, direction and management of the University and meets weekly.

With effect from the academic year 2007/08, the organisational structure of the University was changed from being based on nine faculties to five faculties and a number of central support services such as the library, each of which is treated as a planning and budgetary unit. The reduction of the number of faculties was a result of merging already closely aligned faculties. Each faculty is headed by an Executive Dean and Pro Vice-Chancellor, whose responsibilities largely mirror those at a corporate level of the Vice-Chancellor. Executive Deans are responsible to the Vice-Chancellor.

### Academic Responsibilities

During the year to 31 July 2008 there was an Academic Board of 40 members, chaired by the Vice-Chancellor ex-officio, half of whom are individuals with primarily executive and managerial responsibilities with the remainder being elected non-executive staff or students.

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

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

The main committees of the Academic Board during 2007/08 included:

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

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

### Financial Responsibilities

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

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

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

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

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

Signed on behalf of the Board of Governors by:

**R N Burton**  
Chairman

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

We have audited the Group and University financial statements (the "financial statements") of the University of the West of England, Bristol for the year ended 31 July 2008 which comprise the consolidated Income and Expenditure Account, the consolidated and University Balance Sheets, the consolidated Cash Flow Statement, the consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historic cost convention (as modified by the revaluation of certain assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 14(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 accounts direction issued by the Higher Education Funding Council for England 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 14.

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 Financial Memorandum with 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. In addition we report to you if, in our opinion, 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

#### 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 the Group and the University's affairs as at 31 July 2008 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 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's articles of government and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

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

Date: 24 November 2008

## 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 2007.

#### b Basis of Consolidation

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

#### c Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. No provision for corporation tax or income tax (deferred or otherwise) is therefore considered necessary. The University receives no similar exemption in respect of Value Added Tax ("VAT"). As a result the major part of VAT paid by the University is irrecoverable, since the provision of education is an 'exempt' activity for VAT purposes. The subsidiaries of the University are potentially liable to both corporation tax and VAT.

#### d Pension Costs

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

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

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



### Statement of Accounting Policies (continued)

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

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

#### **2 Income and Expenditure Account**

##### **a Block Grants and Other Recurrent Grants**

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

##### **b Tuition Fees**

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

##### **c Research Grants and Contracts**

Income from research grants and contracts is accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned. Payments received in advance of such performance are recognised on the balance sheet as a liability. Expenditure incurred by the University on research grants and contracts is charged to the income and expenditure account as it is incurred.

##### **d Investment Income**

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

##### **e Release of Capital Grants**

HEFCE capital grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants on receipt and annual transfers are made to the income and expenditure account over the lives of the assets concerned.

##### **f Long Term Contract Income**

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

##### **g Sale of Property**

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

##### **h 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.

##### **i Operating Leases**

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

## Statement of Accounting Policies (continued)

### J Access Funds and Training and Development Agency Bursaries

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

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

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

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

Land is stated at cost and is not depreciated.

### b Investment Properties

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

### c Roads and Car Parks

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

### Statement of Accounting Policies (continued)

d **Equipment, Furniture and Software**

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

e **Disability Discrimination Act (DDA) assets**

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

f **Designated Reserves**

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

g **Stocks**

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

h **Term Deposits and Cash at Bank**

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

i **Investments**

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

j **Provisions**

Provisions are recognised when: the institution has a present legal or constructive obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## Consolidated Income and Expenditure Account for the year ended 31 July 2008

	Note	2007/08 £000	2006/07 £000
<b>Income</b>			
Funding Council grants	1	70,652	67,364
Tuition fees and education contracts	2	52,662	41,812
Research grants and contracts	3	9,113	8,523
Other operating income	4	53,448	49,881
Interest receivable	5	3,799	2,716
<b>Total Income</b>		<b>189,674</b>	<b>170,296</b>
<b>Expenditure</b>			
Staff costs	6	118,813	106,961
Other operating expenses	7	62,616	56,330
Depreciation	7	4,303	4,015
Interest payable	7	3,736	3,407
<b>Total Expenditure</b>		<b>189,468</b>	<b>170,713</b>
<b>Surplus/(Deficit) on continuing operations after depreciation of assets at cost</b>			
		206	(417)
Transfer to designated Reserves	18	(1,996)	(1,068)
<b>Net deficit transferred to General Reserves</b>		<b>(1,790)</b>	<b>(1,485)</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.

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

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## Balance Sheets at 31 July 2008

	Note	Group		University	
		2008 £000	2007 £000	2008 £000	2007 £000
<b>Fixed Assets</b>					
Tangible fixed assets	8	153,542	152,231	148,955	147,567
Investments	9	39	39	5,039	5,039
		<b>153,581</b>	<b>152,270</b>	<b>153,994</b>	<b>152,606</b>
<b>Current Assets</b>					
Stocks	10	230	176	230	176
Debtors due after one year	11	-	276	-	-
Debtors due within one year	11	12,111	11,855	11,407	9,449
Current asset investments	12	75,919	50,780	75,905	47,793
Cash at bank and in hand		-	636	-	635
		<b>88,260</b>	<b>63,723</b>	<b>87,542</b>	<b>58,053</b>
<b>Creditors:</b>					
Amounts falling due within one year	13	(68,724)	(55,489)	(70,932)	(55,993)
Net Current Assets		19,536	8,234	16,610	2,060
<b>Total Assets less Current Liabilities</b>		<b>173,117</b>	<b>160,504</b>	<b>170,604</b>	<b>154,666</b>
<b>Creditors:</b>					
Amounts falling due after more than one year	14	(67,440)	(58,707)	(64,330)	(52,350)
Provision for liabilities and charges	15	(335)	(353)	(335)	(353)
<b>Net Assets excluding pension liability</b>		<b>105,342</b>	<b>101,444</b>	<b>105,939</b>	<b>101,963</b>
Pension Liability	29	(54,479)	(25,575)	(54,479)	(25,575)
<b>Net Assets</b>		<b>50,863</b>	<b>75,869</b>	<b>51,460</b>	<b>76,388</b>
<b>Deferred capital grants</b>					
	16	18,384	16,870	18,384	16,870
<b>Reserves</b>					
Avon endowment	17	47,180	47,780	47,180	47,780
General Reserves excluding pension liability	18	39,778	36,794	40,375	37,313
Pension Reserve	18	(54,479)	(25,575)	(54,479)	(25,575)
General Reserves including pension liability		<b>(14,701)</b>	<b>11,219</b>	<b>(14,104)</b>	<b>11,738</b>
Total Reserves		32,479	58,999	33,076	59,518
<b>Total Funds</b>		<b>50,863</b>	<b>75,869</b>	<b>51,460</b>	<b>76,388</b>

The financial statements were approved by the Board of Governors on 24 November 2008 and signed on its behalf by:

**R N Burton**  
Chairman

**S G West**  
Vice-Chancellor

### Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2008

	Note	2007/08 £000	2006/07 £000
Surplus/(Deficit) on continuing operations after depreciation of assets at cost		206	(417)
Actuarial (loss)/gain in respect of pension scheme in the year	29	(26,126)	4,095
Loss on revaluation of Northavon House		(600)	-
<b>Total Recognised (Loss)/Gain</b>		<b>(26,520)</b>	<b>3,678</b>
<b>Reconciliation</b>			
Opening Reserves		58,999	55,321
Total (loss)/gain recognised gain for the year		(26,520)	3,678
<b>Closing Reserves</b>		<b>32,479</b>	<b>58,999</b>

### Consolidated Cash Flow Statement for the year ended 31 July 2008

	Note	2007/08 £000	2006/07 £000
<b>Net cash inflow from operating activities</b>	19	<b>15,864</b>	<b>9,632</b>
Returns on investments and servicing of finance	20	844	(26)
Capital expenditure and financial investment	21	(4,185)	(5,079)
<b>Cash inflow before use of liquid resources and financing</b>		<b>12,523</b>	<b>4,527</b>
Management of liquid resources	22	(25,139)	(7,673)
Financing	22	11,980	3,782
<b>(Decrease)/Increase in cash</b>	23	<b>(636)</b>	<b>636</b>
<b>Reconciliation of net cash flow to movement in net funds</b>		<b>2007/08 £000</b>	<b>2006/07 £000</b>
(Decrease)/Increase in cash	23	(636)	636
Increase in investments	23	25,139	7,673
Cash Inflow from Lloyds TSB loan	23	(11,980)	(3,782)
<b>Change in net funds in the year</b>		<b>12,523</b>	<b>4,527</b>
Net Funds at 1 August 2007	23	(934)	(5,461)
<b>Net Funds at 31 July 2008</b>	23	<b>11,589</b>	<b>(934)</b>

## Notes to the Financial Statements

	<b>2007/08</b> <b>£000</b>	<b>2006/07</b> <b>£000</b>
<b>1 Funding Council Grants</b>		
Basic recurrent grant	63,391	59,656
Training and Development Agency	3,766	3,827
Learning and Skills Council	-	395
Other grants	2,979	3,172
Release of capital grants	516	314
	<b>70,652</b>	<b>67,364</b>
<b>2 Tuition Fees and Education Contracts</b>		
Full time students-home	36,449	27,392
Full time students-EU	2,151	1,339
Full time students-international	7,827	6,461
Part time students	5,769	5,511
Short course fees	466	1,109
	<b>52,662</b>	<b>41,812</b>
<b>3 Research Grants and Contracts</b>		
Research Councils	3,075	2,624
UK based charities	1,181	1,196
European Commission	1,576	1,052
Other research grants and contracts	3,281	3,651
	<b>9,113</b>	<b>8,523</b>
<b>4 Other Operating Income</b>		
Residences and catering	17,176	16,193
NHS contract	24,414	22,761
Other services rendered	5,716	5,105
Other income	6,142	5,822
	<b>53,448</b>	<b>49,881</b>
<b>5 Interest Receivable</b>		
Income from cash and term deposits	<b>3,799</b>	<b>2,716</b>
<b>6 Staff Costs</b>		
Salaries and wages	93,969	89,164
Voluntary severance schemes	4,008	-
Social security costs	7,289	6,477
Other pension costs	13,547	11,320
	<b>118,813</b>	<b>106,961</b>



### Notes to the Financial Statements (continued)

#### 6 Staff Costs (continued)

	2007/08 Numbers	2006/07 Numbers
<b>Average FTE staff numbers by category</b>		
Academic faculties	1,732	1,698
Learning support services	230	224
Other support services	121	102
Administration and central services and premises	636	621
	<b>2,719</b>	<b>2,645</b>

Staff numbers shown are average FTE values for the year whereas in previous years they were those at 31 July. The figures for 2006/07 have been adjusted to the new basis.

#### Emoluments of the Vice-Chancellors and the Acting Vice-Chancellor

	2007/08 £	2006/07 £
<b>Sir Howard Newby to 30 April 2008</b>		
Salary	179,597	227,881
Benefits in kind	612	442
Pension costs	25,144	31,903
	<b>205,353</b>	<b>260,226</b>

#### Professor Steven West

##### - Acting-Vice Chancellor from 1 September 2007 to 30 April 2008

Salary	125,000
Benefits in kind	295
Pension costs	17,624
	<b>142,919</b>

##### - Vice-Chancellor from 1 May 2008

Salary	50,000
Benefits in kind	111
Pension costs	7,050
	<b>57,161</b>

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

	2007/08 Numbers	2006/07 Numbers
£100,000 - £110,000	3	2
£110,001 - £120,000	1	2
£121,000 - £130,000	1	-
£160,001 - £170,000	1	-
	<b>6</b>	<b>4</b>

## Notes to the Financial Statements (continued)

## 7 Analysis of expenditure by activity

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Total 2007/08 £000	Total 2006/07 £000
Academic faculties	75,980	15,580	349	-	91,909	84,851
Academic support services	9,528	5,391	150	-	15,069	13,807
Research grants and contracts	3,455	2,935	-	-	6,390	6,359
Administration and central services	11,910	15,055	144	-	27,109	24,690
Premises	5,150	14,578	1,857	-	21,585	19,515
Residences and catering	3,768	5,961	1,803	2,954	14,486	14,081
Other services rendered	3,018	2,966	-	-	5,984	5,206
Other	4,008	150	-	-	4,158	298
Avon Pension Fund (Note 29)	1,996	-	-	782	2,778	1,906
	<b>118,813</b>	<b>62,616</b>	<b>4,303</b>	<b>3,736</b>	<b>189,468</b>	<b>170,713</b>

Interest payable relates to a bank loan taken to finance the construction of Student Residences (Note 14).

	2007/08 £000	2006/07 £000
The depreciation charge has been funded by:		
Deferred capital grants released	516	314
General Income	3,787	3,701
	<b>4,303</b>	<b>4,015</b>
Operating expenditure includes:		
External auditors' remuneration	41	44
Internal auditors' remuneration	63	73
Auditors' remuneration-non audit services	2	2
	<b>106</b>	<b>119</b>

## 8 Tangible Assets

The investment property, Northavon House, was valued by the District Valuer in accordance with RICS Appraisal and Valuation Standards as at July 2008. The District Valuer confirmed the valuation of Northavon House at £9.1m based on existing use and open market value. A decrease of £0.6m in the valuation has been adjusted against Revaluation Reserve.

'Freehold Land and Buildings' includes capitalised interest of £1.8m in respect of the cost of Student Village at the Frenchay Campus.

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

### Notes to the Financial Statements (continued)

#### 8 Tangible Fixed Assets (continued)

##### Consolidated

	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 2007	9,700	161,125	7,393	7,986	186,204
Additions	-	5,561	-	746	6,307
Loss on Revaluation	(600)	-	-	-	(600)
Transfer	-	7,300	(7,300)	-	0
Disposals	-	-	(93)	(484)	(577)
<b>At 31 July 2008</b>	<b>9,100</b>	<b>173,986</b>	<b>0</b>	<b>8,248</b>	<b>191,334</b>
<b>Depreciation</b>					
At 1 August 2007	-	27,966	-	6,007	33,973
Charge for the year	-	3,627	-	676	4,303
Disposals	-	-	-	(484)	(484)
<b>At 31 July 2008</b>	<b>-</b>	<b>31,593</b>	<b>-</b>	<b>6,199</b>	<b>37,792</b>
<b>Written Down Value</b>					
At 31 July 2008	<b>9,100</b>	<b>142,393</b>	<b>0</b>	<b>2,049</b>	<b>153,542</b>
<b>Written Down Value</b>					
At 31 July 2007	<b>9,700</b>	<b>133,159</b>	<b>7,393</b>	<b>1,979</b>	<b>152,231</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 2007	9,700	156,384	7,393	7,986	181,463
Additions	-	5,561	-	746	6,307
Loss on Revaluation	(600)	-	-	-	(600)
Transfer	-	7,300	(7,300)	-	0
Disposals	-	-	(93)	(484)	(577)
<b>At 31 July 2008</b>	<b>9,100</b>	<b>169,245</b>	<b>0</b>	<b>8,248</b>	<b>186,593</b>
<b>Depreciation</b>					
At 1 August 2007	-	27,889	-	6,007	33,896
Charge for the year	-	3,550	-	676	4,226
Disposals	-	-	-	(484)	(484)
<b>At 31 July 2008</b>	<b>-</b>	<b>31,439</b>	<b>-</b>	<b>6,199</b>	<b>37,638</b>
<b>Written Down Value</b>					
At 31 July 2008	<b>9,100</b>	<b>137,806</b>	<b>0</b>	<b>2,049</b>	<b>148,955</b>
<b>Written Down Value</b>					
At 31 July 2007	<b>9,700</b>	<b>128,495</b>	<b>7,393</b>	<b>1,979</b>	<b>147,567</b>
<b>Written Down Value of inherited assets</b>					
At 31 July 2008	-	<b>15,754</b>	-	-	<b>15,754</b>

## Notes to the Financial Statements (continued)

## 9 Investments

	Group		University	
	2008 £000	2007 £000	2008 £000	2007 £000
CVCP Properties plc	39	39	39	39
Bristol UWE Sport Limited	-	-	5,000	5,000
	<b>39</b>	<b>39</b>	<b>5,039</b>	<b>5,039</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 2008. The University holds ordinary share capital in these companies with the exception of Bristol Institute of Legal Practice which is limited by guarantee.

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

\*The results of these companies have been consolidated with those of the University. BUHT made a gift aid payment of £3.991 million (2006/07 £2.946 million) to the University representing its trading surplus for the year. During the year Bristol UWE Sport Limited made a loss of £78k (2006/07, loss of £76k). 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.

The University holds 15,000,000 fully paid 1p shares in LISTechnology Limited representing 18 percent of the company's share capital. The consideration for the allotment of these shares was the assignment of certain intellectual property rights.

# University of the West of England

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

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## Notes to the Financial Statements (continued)

<b>10 Stocks</b>	<b>2008</b>		<b>2007</b>	
<b>University and Group</b>	<b>£000</b>		<b>£000</b>	
Printing and Stationery Services	66		62	
Catering	127		76	
Bristol School of Art, Media and Design shop	23		24	
IT Services	14		14	
	<b>230</b>		<b>176</b>	
	<b>Group</b>		<b>University</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>11 Debtors</b>				
Falling due within one year:				
Amounts due from subsidiary undertakings	-	-	573	444
Other debtors	9,737	6,715	8,736	3,979
Due from HEFCE	-	4,439	-	4,439
Other prepayments	2,374	701	2,098	587
	<b>12,111</b>	<b>11,855</b>	<b>11,407</b>	<b>9,449</b>
Falling due after one year:				
Prepayments	-	276	-	-
	<b>12,111</b>	<b>12,131</b>	<b>11,407</b>	<b>9,449</b>
<b>12 Current Asset Investments</b>				
Bank and Building Society deposits	75,919	50,780	75,905	47,793
	<b>75,919</b>	<b>50,780</b>	<b>75,905</b>	<b>47,793</b>
<b>13 Creditors: Amounts falling due within one year</b>				
Amounts due to subsidiary undertakings	-	-	14,986	6,384
Research grants received in advance	22,384	18,739	22,384	18,739
Social security and taxation	3,346	3,084	3,346	3,084
Other receipts in advance	10,715	9,075	5,912	6,536
Accruals and deferred income	32,279	24,591	24,304	21,250
	<b>68,724</b>	<b>55,489</b>	<b>70,932</b>	<b>55,993</b>
<b>14 Creditors: Amounts falling due after more than one year</b>				
Lloyds TSB Loan	64,330	52,350	64,330	52,350
Other creditors	508	309	-	-
Deferred income	2,602	6,048	-	-
	<b>67,440</b>	<b>58,707</b>	<b>64,330</b>	<b>52,350</b>

The Lloyds TSB Loan is part of a £95 million 'revolving' overdraft facility with a negative pledge on Frenchay Campus and 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.

## Notes to the Financial Statements (continued)

<b>15 Provision for Liabilities and Charges</b>	<b>2008</b>	<b>2007</b>
<b>University and Group</b>	<b>£000</b>	<b>£000</b>

**Early Retirement Costs**

At 1 August 2007	353	544
Transfer to Income and Expenditure Account	(18)	(191)
At 31 July 2008	<b>335</b>	<b>353</b>

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

<b>16 Deferred Capital Grants (Buildings)</b>	<b>2008</b>	<b>2007</b>
<b>University and Group</b>	<b>£000</b>	<b>£000</b>

At 1 August 2007	16,870	9,700
Received during the year	2,030	7,484
Released to Income and Expenditure Account	(516)	(314)
At 31 July 2008	<b>18,384</b>	<b>16,870</b>

<b>17 Reserves: Avon Endowment</b>		
<b>University and Group</b>		

Avon Endowment	30,960	30,960
Loan Principal Reimbursed by HEFCE	15,570	15,570
Investment revaluation reserve	650	1,250
	<b>47,180</b>	<b>47,780</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.

Investment revaluation reserve relates to the revaluation of Northavon House (Note 8).

### Notes to the Financial Statements (continued)

#### 18 Reserves Designated Reserves

	2007 £000	Appropriation £000	Transfer £000	2008 £000
Strategic Investment Fund	12,801	-	6,828	19,629
Sports and Fitness Reserve	2,887	-	(2,887)	-
Long Term Maintenance	9,929	713	-	10,642
Student Accommodation Reserve	3,155	1,276	(3,155)	1,276
Reserve for Severance Payments	786	-	(786)	-
Other Designated Reserves	472	7	-	479
	<b>30,030</b>	<b>1,996</b>	<b>0</b>	<b>32,026</b>

Designated reserves are funds within General Reserve and are set aside for the purposes indicated. During the year a review was carried out and funds were redesignated with a view to strategic investment in the future.

	Group		University	
	2008 £000	2007 £000	2008 £000	2007 £000
<b>Income and Expenditure Account</b>				
<b>At 1 August 2007</b>				
Income and Expenditure Account	6,764	6,343	7,283	6,786
Deficit retained for the year	(1,790)	(1,485)	(1,712)	(1,409)
Add back pension deficit	2,778	1,906	2,778	1,906
	<b>7,752</b>	<b>6,764</b>	<b>8,349</b>	<b>7,283</b>
<b>At 31 July 2008</b>				
Designated reserves as above	32,026	30,030	32,026	30,030
	<b>39,778</b>	<b>36,794</b>	<b>40,375</b>	<b>37,313</b>
<b>General reserves at 31 July 2008</b>				
<b>Pension Reserve</b>				
<b>At 1 August 2007</b>				
Actuarial (loss)/gain	(25,658)	(27,764)	(25,658)	(27,764)
Deficit retained in reserves	(26,043)	4,095	(26,043)	4,095
	(2,778)	(1,906)	(2,778)	(1,906)
	<b>(54,479)</b>	<b>(25,575)</b>	<b>(54,479)</b>	<b>(25,575)</b>
<b>At 31 July 2008</b>				

## Notes to the Financial Statements (continued)

<b>19 Reconciliation of Surplus for the Year to Net Operating Cash flows</b>	<b>2008 £000</b>	<b>2007 £000</b>
Operating surplus/(deficit) for the year before exceptional income	206	(417)
Depreciation	4,303	4,015
Pension movement in the year	2,778	1,906
Deferred capital grants released to income	(515)	(314)
Interest received	(3,798)	(2,716)
Interest paid	2,954	2,742
Increase in stock	(54)	(2)
Decrease/(Increase) in debtors	20	(4,609)
Increase in creditors falling due within one year	13,235	10,278
Decrease in creditors falling due after one year	(3,247)	(1,060)
Decrease in provisions	(18)	(191)
<b>Net Cash Inflow from Operating Activities</b>	<b>15,864</b>	<b>9,632</b>

<b>20 Returns on Investments and Servicing of Finance</b>	<b>2007/08 £000</b>	<b>2006/07 £000</b>
Interest received	3,798	2,716
Interest paid	(2,954)	(2,742)
	<b>844</b>	<b>(26)</b>

<b>21 Capital Expenditure and Financial Investment</b>	<b>2007/08 £000</b>	<b>2006/07 £000</b>
Tangible fixed assets acquired	(6,307)	(12,563)
Disposal of tangible fixed asset	92	-
Deferred capital grants received	2,030	7,484
	<b>(4,185)</b>	<b>(5,079)</b>

<b>22 Management of Liquid Resources and Financing</b>	<b>2007/08 £000</b>	<b>2006/07 £000</b>
Lloyds TSB loan	11,980	3,782
Net placement of term deposits	(25,139)	(7,673)
	<b>(13,159)</b>	<b>(3,891)</b>

<b>23 Analysis of changes in net funds</b>	<b>2007 £000</b>	<b>Cash Flows £000</b>	<b>2008 £000</b>
Cash at bank and in hand	636	(636)	-
Current asset investments	50,780	25,139	75,919
Loan falling due after one year: Lloyds TSB	(52,350)	(11,980)	(64,330)
	<b>(934)</b>	<b>12,523</b>	<b>11,589</b>



### Notes to the Financial Statements (continued)

	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
<b>24 Access Funds</b>		
Funding Council Grant	945	1,055
Interest earned	23	18
Disbursement to students	<b>968</b>	<b>1,073</b>
<b>25 Bursaries from Training and Development Agency</b>		
Grant Received	2,163	2,260
Disbursement to students	(2,163)	(2,083)
	<b>0</b>	<b>177</b>
<b>26 Aim Higher Disbursements</b>		
Grant Received	4,050	3,978
Disbursement	(3,606)	(3,569)
Retained as income	<b>444</b>	<b>409</b>
<b>27 Obligations under Operating Leases of Land and Buildings</b>		
Commitment expires within 1 year	128	150
Commitment expires between 2 to 5 years	771	782
Commitment expires after 5 years	2,687	2,622
	<b>3,586</b>	<b>3,554</b>

### 28 Contingent Liabilities

- (a) The University is a member of UM Association (Special Risks) Limited, a company limited by guarantee, formed to provide mutual insurance cover for terrorism risks. If the company as a whole suffers a shortfall in any underwriting year, members are liable for their pro rata share. No liability has yet arisen under this membership.
- (b) The University has entered into an agreement with its subsidiary Bristol UWE Health Training Limited ("BUHT") in connection with its request that BUHT purchase shares in BQC Performance Management Limited ("BQC"). As 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 £820k (2006/07 £801k), related to Value Added Tax incurred on the construction of the Sports Hall the recoverability of which is in dispute with HM Revenue and Customs.
- (d) At 31 July 2008 there were no capital commitments.
- (e) During the year a data audit carried out by the Higher Education Funding Council for England caused a re-examination of the funding status of some groups of students, since it was suggested that they had not satisfied all the conditions required to permit the University to include them in its funding return. The University is awaiting the audit report which may give rise in a liability resulting in potential clawback of funding from HEFCE. No liability has yet arisen and the University is therefore unable to quantify a value at this stage.

## Notes to the Financial Statements (continued)

**29 Pension Costs**

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

**The pension cost for the University was as follows:**

	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme	6,825	5,957
Avon Pension Fund	6,509	5,238
USS	213	125
	<hr/> <b>13,547</b>	<hr/> <b>11,320</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 January 2007 is 14.1% of pensionable salaries (previously 13.5%) and the employees' contribution is 6.4%. The scheme is unfunded and, therefore, no valuations of the fund's assets are published.

**Universities Superannuation Scheme ("USS")**

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

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

**The Avon Pension Fund**

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

The total contribution made for the year ended 31 July 2008 was £6.703m of which employers' contribution totalled £4.513m and employees' contribution totalled £2.191m. The agreed rates of contribution for current years are 14.5% for employers. From April 2008 banded rates for employees ranging from 5.5% to 7.5% apply depending on an individual's full time pay.

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 trustees on the advice of the actuaries. The latest actuarial assessment was at 31 March 2007.

The value of the assets of the Fund at 31 March 2007 was £2,184 million.

### Notes to the Financial Statements (continued)

#### 29 The Avon Pension Fund (continued)

The material assumptions used by the actuary for FRS17 at 31 July 2008 were:

	31 July 2008	31 July 2007
Inflation	3.8%	3.2%
Rate of increase in salaries	5.05%	4.45%
Rate of increase for pensions in payment	3.8%	3.2%
Discount rate for liabilities	5.9%	5.8%

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

	31 July 2008	31 July 2007
<b>Retiring today</b>		
Males	19.7	21.1
Females	22.6	24.0
<b>Retiring in 20 years</b>		
Males	22.5	22.2
Females	25.0	25.0

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

	Rate of return expected at 31 July 2008	Value at 31 July 2008	Rate of return expected at 31 July 2007	Value at 31 July 2007 £000	Rate of return expected at 31 July 2006	Value at 31 July 2006 £000
Equities	7.5%	54,674	7.5%	51,053	7.0%	57,539
Bonds-Government	4.8%	15,419	4.9%	13,702	4.4%	10,793
Bonds-Other	5.9%	4,608	5.8%	4,451	5.1%	6,005
Property	NA	0	6.5%	8,378	NA	-
Cash/Liquidity	5.0%	4,342	5.75%	785	4.5%	1,672
Other	7.5%	9,570	7.5	8,902	NA	NA
		<b>88,613</b>		<b>87,271</b>		<b>76,009</b>

## Notes to the Financial Statements (continued)

**29 The Avon Pension Fund (continued)****University's share of the scheme's assets and liabilities:**

	<b>31 July 2008</b>	<b>31 July 2007</b>
	<b>£000</b>	<b>£000</b>
Market value of assets	88,613	87,271
Present value of the liabilities	(143,092)	(112,929)
Deficit in the scheme-Net pension liabilities	<b>(54,479)</b>	<b>(25,658)</b>

**Amounts charged to income and expenditure account**

Current service cost	(5,069)	(5,114)
Past service cost	(1,458)	(91)
Settlements and curtailments	0	(33)
<b>Total operating charge</b>	<b>(6,527)</b>	<b>(5,238)</b>

**Analysis of Finance income and charges**

Expected return on pension scheme assets	5,925	4,757
Interest on pension liabilities	(6,707)	(5,427)
<b>Net Loss</b>	<b>(782)</b>	<b>(670)</b>

**Analysis of amounts recognised in statement of recognised gains and losses (STRGL)**

Actual return less expected return on pension scheme assets	(16,573)	2,497
Changes in assumptions underlying the present value of the scheme liabilities	(9,470)	1,596
Actuarial (loss)/gain recognised in STRGL	<b>(26,043)</b>	<b>4,093</b>

**Movement in deficit is as follows:**

Deficit in scheme at 1 August	(25,658)	(27,764)
Movement in the year:		
Current service cost	(5,069)	(5,114)
Contributions	4,531	3,997
Past service cost	(1,458)	(124)
Net interest/Return on assets	(782)	(670)
Actuarial (loss)/gain	(26,043)	4,017
Deficit in scheme at 31 July	<b>(54,479)</b>	<b>(25,658)</b>

### Notes to the Financial Statements (continued)

#### 29 The Avon Pension Fund (continued)

##### Analysis of the movement in the present value of the schemes liabilities:

	31 July 2008 £000	31 July 2007 £000
At 1 August	(112,929)	(103,849)
Current service cost	(5,069)	(5,114)
Interest cost	(6,707)	(5,427)
Contribution by scheme participants	(2,151)	(1,807)
Actuarial gains and losses	(16,573)	1,596
Benefits paid	1,795	1,796
Past service cost	(1,458)	(91)
Curtailments	-	(33)
<b>At 31 July</b>	<b>(143,092)</b>	<b>(112,929)</b>

##### Analysis of the movement in the present value of the schemes assets

	31 July 2008 £000	31 July 2007 £000
At 1 August	87,271	76,009
Expected rate of return on scheme assets	5,925	4,757
Actuarial gains and losses	(9,470)	2,497
Contribution by employer	4,531	3,997
Contribution by scheme participants	2,151	1,807
Benefits paid	(1,795)	(1,796)
<b>At 31 July</b>	<b>88,613</b>	<b>87,271</b>

	2008 £000	2007 £000	2006 £000	2005 £000
Difference between the expected and actual return on assets				
Amount	(9,470)	2,497	3,440	6,396
Percentage of scheme assets	10.7%	2.9%	4.5%	9.9%
Experience gains/(losses) on scheme liabilities				
Amount	(16,573)	1,596	(6,051)	(10,641)
Percentage of the present value of scheme liabilities assets	11.6%	1.4%	5.9%	15.8%
Actuarial gain recognised in STRGL				
Amount	26,043	4,093	(2,611)	(4,245)
Percentage of present value of year end scheme liabilities	18.2%	3.6%	2.5%	4.7%

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