

Report and financial statements for year ended 31st July 2011

University of Worcester Directorate

Vice Chancellor and Chief Executive

Professor D Green MA (Cantab.)

Deputy Vice Chancellor and Deputy Chief Executive

Professor R Foskett MA PhD PGCE FHEA

Auditors

External

PricewaterhouseCoopers LLP
Chartered Accountants
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Internal

RSM Tenon
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Bankers

National Westminster Bank PLC
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WR1 3PR

Solicitors

Harrison Clark
5 Deansway
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WR1 2JG

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B4 6AA

Insurance Brokers

Henderson Insurance Brokers
No 1 Whitehall Riverside
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LS1 4BN

Report and financial statements for year ended 31st July 2011**Members of the board of Governors**

The following members served during the year:

Mr Julian Pallett	Independent (Chair)
Miss Helen Anglin	Student (joined 1st July 2011)
Dr Heather Barrett	Staff
Mr John Bateman OBE	Independent
Ms Joanna Bruce MBE	Independent (retired 31st July 2011)
Professor Michael Clarke CBE DL	Independent
Mr Michael Collins	Student (retired 30th June 2011)
Mrs Odette Fielding	Co-opted
Professor David Green	Vice Chancellor and Chief Executive
Mr Samuel Lewis	Student
Professor Jim Low	Co-opted
Mr Mike Newitt	Independent
Mr Tim Patrickson	Independent
Mr Lee Probert	Independent
Dr Jan Quallington	Staff
Mrs Elaine Spalding	Independent (Joint Vice Chair) (retired 31st July 2011)
Mrs Julie Swan	Independent
Mr Paul Swinburn	Independent (retired 31st July 2011)
Professor Tamar Thompson OBE	Independent (Joint Vice Chair)
Mr Paul West	Independent

Operating and Financial Review

For the Year Ended: 31st July 2011

SECTION 1: Strategies and Objectives

This statement covers the period 1st August 2010 up to the 28th November 2011.

The University's Strategic Plan, 2007-2012, provides a clear statement of the University's values and ambitions. The Plan seeks to build on strengths and extend further the University's reputation for providing excellent, inclusive higher education.

The Strategic Plan identifies aims, objectives, success criteria and key strategic risks within five areas:-

- An outstanding student experience
- Generating knowledge and promoting enterprise
- A first class University for the region
- High achieving staff in a well led University
- Sustainable development, excellent facilities

The Strategic Plan is available on the University's web-site

http://www.worc.ac.uk/documents/Strat_Plan_FINAL.pdf

As required by the Higher Education Funding Council for England (HEFCE), the University produces and publishes an annual corporate planning statement. The statement summarises achievement against strategic priorities for the year ending, and establishes priorities for the subsequent period. The University's Corporate Planning Statement 2010/11 is available on the University's web-site

<http://www.worc.ac.uk/dpfoi/672.htm>

Key achievements in 2010/11 included:

- A further 10.5% increase in full time applications, cementing the University's position as one of the fastest growing universities in the UK
- The completion of the second phase of the refurbishment of the 'Garage', providing additional specialist facilities for Art and Design teaching, and the opening of the 'Riverside' Building, providing additional specialist facilities for Drama, Dance and Physical Education as well as a new 150 seat lecture theatre and social learning space
- Further improvement of facilities at the St John's campus, including a major refurbishment of the Students' Union, and a further phase of modernisation of student residences.
- A financial surplus of £6.687m
- Significant improvements in the rates of student retention and achievement
- A positive outcome of the QAA's Audit of the Institutional arrangements for quality of learning opportunities for students and of its academic standards.

Last year's Operating and Financial Review (for the year ended 31st July 2010) reported on the mid-cycle review of the Strategic Plan, conducted by the Board in June 2010. This was in preparation for the task of formulating a new Strategic Plan for 2012-2017 period, a key strategic objective in the 2010/11 Corporate Planning Statement.

During the year under review, widespread consultation has been undertaken, led by the Vice Chancellor, and meetings have been held with teams of staff across the University. This process culminated in a staff and governor conference when the current Plan was further reviewed, in particular those elements of the Plan relating to the University's values and mission, key ambitions and objectives, to identify those elements that remained relevant and to be taken forward, and how the new Plan needed to take into account and reflect the "new environment".

The outcomes of these discussions now form the basis of an emerging Strategic Plan for the 2012-2017 period, and these were presented to the Board of Governors at a meeting in early September 2011. The proposals were well-received and the Board confirmed the enduring values of the University:

- A commitment to developing and protecting values of intellectual openness and honesty
- A deep commitment to human equality and dignity, democracy and mutual respect
- A determination to embed equality of opportunity and inclusion in all our activities
- A commitment to promote sustainable development and active engagement with the community and fully accept our broad responsibilities to society

The Board also adopted a draft mission statement, the final version of which will be included in the Strategic Plan 2012-2017, which will be presented to the Board for sign-off in early 2012:-

Our mission is to be one of the best universities to be a student in the UK and to make a positive impact on society.

We aim to be a selecting and inclusive University with very high standards.

We will provide an outstanding educational experience through inspiring and relevant teaching and research that benefits people, communities and business.

In order to share thinking with the University's partners – from health, education, business, the public sector and the community – a conference was held in October 2011. Attendees welcomed the University's continuing commitment to working in partnership with a very broad range of partner organisations, and its determination to make a significant contribution to the educational, economic and cultural life of the Region the University serves.

Regarding the other key strategic priorities identified in last year's review (and which were included in the Corporate Planning Statement, 2010/11):-

- A Development Strategy for the University's physical development 2010-2020 has been drafted
- The University has continued to adopt a careful approach to financial management in response to cuts in funding and has significantly increased its financial surplus and made further progress in income diversification (see Section 3)
- As a result of further measures introduced in 2010/11, levels of student retention and achievement have increased and levels of student satisfaction (as measured by the National Student Survey) has also increased to an overall satisfaction rate of 84% (from 78% in 2009/10). The University was in the top quartile of institutions for Personal Development and Feedback

Progress on the University's infrastructure and capital development programme is summarised in Section 6, but it is worth noting here that the construction of the Worcester Joint Library and History Centre remains on schedule for completion in February 2012. The facility, now known as 'The Hive', will open to users in July 2012, when the University collection will transfer to the new building, alongside that of the Worcestershire County Council Public Library, the Children's Library, the Public Record Collection, and the County Archaeology Service. The project is transforming and regenerating the area of Worcester in which it sits and, together with the City Centre campus, is making a significant contribution to urban regeneration. The "Hive" will provide excellent library and related facilities for students but the facility will offer unparalleled opportunities for community engagement and extensive activities with schools throughout the region on aspiration raising and widening access to higher education.

The period under review saw the passage of legislation to make major changes to the funding of higher education, and the raising of the cap on tuition fees for undergraduate courses from £3,000 to a "basic" fee of £6,000 and a maximum fee of £9,000. Permission to charge fees in excess of £6,000 was dependent on the submission and approval of a new Access Agreement to the Office for Fair Access.

The University's Board of Governors decided to set a fee of £8,100 for students commencing BA/BSc courses in 2012/13, and variable fees for Foundation Degree and HND courses. The average fee for full-time undergraduate courses at Worcester in 2012/13 will be £7,473. In setting the fee the Board of Governors decided fee levels that secured the financial security of the University, but were also fair and represented value for money and loyal to the University's mission and values.

SECTION 2: Public Benefit Statement

As a Higher Education Corporation, the University is listed as an exempt charity under Schedule 2 of the Charities Act 1993. As such, the University benefits from the status of a charity but it is not registered with the Charity Commission. The Higher Education Council for England (HEFCE) is responsible for ensuring that universities as exempt charities fulfil their obligations under charity law.

The University's trustees (members of its Board of Governors), in formulating this statement, have paid due regard to the Charity Commission's public benefit guidance and their responsibility to provide information about how they have delivered their charitable purposes for the public benefit.

The powers of the University of Worcester Higher Education Corporation derive from s.124 (i) of the Education Reform Act 1988. The University has the power to:

- Provide higher education
- Provide further education
- Carry out research and publish the results of research

These also constitute the charitable objects of the University.

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

The University has adopted a set of values to inform its future vision: to develop, promote and protect values of intellectual openness, honesty and love of learning, and a deep commitment to human equality and dignity.

The trustees (members of its Board of Governors) identify a number of beneficiaries of the University's charitable activities: applicants (and potential applicants); its students; service users of services which have benefitted from the outputs of the University's research and knowledge transfer activities; service users, especially in the Health and Education sectors, who benefit from the contribution made by students on professional programmes; members of the community who benefit from the University's public engagement activities.

Student Admissions Policy

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

Widening Participation

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

- An outreach programme and bursary scheme to raise aspirations and awareness about higher education and to provide financial support for those who are admitted.
- A pre-entry advice and guidance service, located within the University's Career Service, providing a service to adults considering returning to full and part-time education, and to representatives from particularly under-represented groups, including Black Ethnic Minority (BEM) groups and migrant workers
- Significant support for students from a widening participation background, including: tailor-made induction courses for mature students, a disability support service, and study skills support to assist with the transition to HE, especially those from background where there is little or no history of engagement with HE
- A Finance and Welfare advisory team in Student Services which provides pre-entry and on-going advice to students on all financial matters
- A Mental Health Advisory Service which provides on-going support to students who have a mental health condition
- A number of specific programmes, run through the University's academic departments, contribute to the University's programme of widening participation activities including:
 - Through Humanities and Creative Arts, an Annual Children's Storytelling and Creativity Festival now in its 7th year; and a touring production, produced and acted by Drama students, entitled 'Why Bother'
 - Learning through Sport is a programme run through the Institute of Sport and Exercise Science, working through primary schools that feed into local secondary schools with the lowest progression rates into higher education – activities include fun sporting activities to support children in Key Stage 2 Maths and English and basketball coaching for schoolchildren by members of the Worcester Wolves basketball team and undergraduate students
 - A University funded project in the Institute of Education 'Foster Care Matters' to develop awareness and understanding of fostering and being in care, to raise aspirations of looked after children and care leavers. In 2010/11 a well-attended conference was held to consider issues around progression to HE from a care background and the additional support the University can provide

Like all institutions of higher education, the University is required to have in place through the Office of Fair Access (OFFA), an approved Access Agreement. This allows the University to charge a fee above the basic fee but to do so the University must commit to spending a certain proportion of fee income on access and outreach activities. The University must also set milestones and targets relating to the proportion of students it admits from under-represented or disadvantaged groups. The University is required to report annually on progress against these targets. In its monitoring report submitted in December 2010, the University was able to report that it is exceeding or meeting most of its targets.

Research and Knowledge Transfer

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

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

- National Pollen and Aerobiology Unit: the Unit produces national pollen forecasts and works closely with a range of partners developing and testing treatments and products that seek to improve the quality of life of people who suffer from hay fever and other air borne allergies
- Association of Dementia Studies: the research centre works with charities and other agencies on studies that seek to better understand and care for people suffering from dementia and related conditions. The Centre has developed a DVD series of training materials for carers of people with dementia and related conditions. The DVDs will be distributed free within the counties of Herefordshire and Worcestershire and at cost nationwide
- In the Institute of Health and Society, a project called 'Development of West Midland region-wide Mobile Skills Provision' involved the development of a mobile simulation skills laboratory to up-skill health professionals with the knowledge, skills and competencies necessary to deliver quality paediatric, palliative and end of life care
- In the Institute of Science, a project to better understand how diseases attack plants and how plants defend themselves which has the potential to bring significant benefit to the farming industry
- In Dementia Studies, a research project looking at how adult social care and support can be improved in the context of extra care housing and housing with care services
- A Project in the Institute of Sport and Exercise Science to evaluate Dudley's public park initiative, 'Lets Go Outside and Get Active'
- A project in the Institute of Health and Society to evaluate the West Midlands 'Food Dudes' programme, an initiative to encourage healthy eating habits in children
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Environmental Sustainability Policy

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

We aim to:

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

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

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

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

As reported last year the University's Board of Governors in July 2010 approved a new Carbon Management Strategy.

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

The University is pleased to report that in 2011, it was placed 3rd in the "People and Planet" University Green League, an outstanding achievement and a measure of the extent and depth of the University's commitment to environmental sustainability.

Following the review of sustainability in the curriculum, and in support of the commitment to embed sustainability principles in the curriculum and support research in relevant areas, University of Worcester has been selected to be a pilot on an innovative change academy programme. Worcester has selected, after a competitive bid process among UK universities for a Higher Education Academy (HEA) project on Sustainability in education. The project will bring a focus on sustainability literacy across Institutes and disciplines. There will be opportunities to introduce novel ideas to enhance student capabilities for a future environment where more and more jobs will come from non-traditional areas. There are already some exemplary practices around the University and we have been shortlisted in the coveted Green Gown awards in two categories including sustainability skills.

Community Engagement

The University seeks to ensure that it impacts positively on its community and takes steps to establish effective relationships with community organisations and groups and with individuals who live in close proximity to the University. Working in partnership with the City and County Councils, the University is contributing to the urban regeneration of the St Clements area of the city, through the creation of a new cultural and learning quarter that will include the new city campus and a new joint library and history centre. The facility will serve the public and the University's staff and students and will also include a customer services hub for services provided by the City Council and is scheduled to open in July 2012.

It is an important part of the University's mission to make its services and facilities more accessible to the public. Two current initiatives are worthy of mention. Firstly, the opening of the McClelland Health and Well Being Centre at the University's new city centre campus, which is open to the public and provides a range of programmes including advice on nutrition, sports injuries, rehabilitation programmes and exercise programmes for people who have suffered heart attacks and strokes, people with dementia, and people with breast cancer. Through the Centre members of the public can access advice and treatment, some of which is provided by students under supervision who are following courses leading to professional accreditation in, for example, Nutritional Therapy and Sports Therapy. A second example of the University's commitment to public engagement is the proposal for a medical museum in the refurbished Worcester Royal Infirmary building. The museum will be an educational resource for schools throughout the county and will also serve as a public record of the history of medicine and nursing centred on a building that has played an important part in the history of the city of Worcester.

The University has in place a University/Community Forum whose membership includes University staff and representatives of the Students' Union, local residents, city and county councillors, chair of the local Neighbourhood Watch Scheme, representatives of West Mercia Police and the Herefordshire and Worcestershire Fire Service. The Forum discusses a wide range of issues that relates to the University's impact on its community and regular reports are made on the University Capital Development Programme, on its environmental strategies and on general developments which have an impact on, and are of interest to, the community. Reports are made on the number and nature of complaints received and the Forum has proved a useful vehicle for discussing issues such as student behaviour and car parking. The University has in place a dedicated team within Student Services (the Student Experience Team) which organises development activities with students to encourage "good citizenship" and which makes appropriate interventions when issues do arise. A successful application has been made to the West Mercia Police for

the accreditation of the University's security team so that they can better respond to incidents that occur on and off campus. Members of the Forum and their guests are invited to University events, as are other members of the public.

The University chooses a Charity of the Year and staff and students organise various fundraising activities – in 2010/11 the elected charity is the Worcester Snoezelen Centre, an independent charity which provides leisure and therapy facilities for people with disabilities and whose centre is located on the University's St John's campus.

SECTION 3: Financial Management and Sustainability

The University places particular emphasis on financial stability and sustainability and this will continue to be a central objective of the University's Strategic and Financial Plans. The key objectives of the financial strategy are to ensure that the University:-

- Remains financially viable and sustainable
- Maximises the use of available resources
- Maintains appropriate levels of funding for development and investment
- Achieves value for money in all its activities

The University acknowledges that the HE sector faces a period of significant and in some respects unprecedented change. The University will ensure that it responds effectively to the challenges ahead. We will:-

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

Results for the year

The 2010/11 financial statements confirm a healthy financial position and comprise the consolidated results of the University and its trading subsidiaries: UW Developments Limited and UW Enterprises Limited. UW Development Ltd is the vehicle through which the University manages its capital development programme; UW Enterprises Ltd has been established to manage relevant commercial activities (currently the commercial activities of the National Pollen and Aerobiology Unit). The consolidated results for the year are summarised at page 21.

The result for the year was a surplus of £6.450m after depreciation of assets at valuation but before tax, compared to a surplus of £8,316m after depreciation of assets at valuation but before tax and exceptional items in 2009/10.

Total income increased by £3.096m to £67.006m (4.8%). Funding Council grants increased by £2.433m to £28.796m (9.2%). Academic fees and support grants including the NHS contract income increased by £2.763m to £28.356m (10.7%).

Total expenditure increased by £4.725m to £60.319m (8.5%). Staff costs increased by £1.519m to £30.800m (5.1%) this reflects pay awards, increments and a modest increase in the number of full-time equivalent staff. Other operating expenses increased by £2.812m to £23.259m (13.8%). Interest payable increased by £182k to £2.978m as the loan to fund the major capital developments has been drawn down.

Balance Sheet

Fixed assets have increased by £5.895m to £105.675m reflecting the major capital developments which have taken place in 2010/11. The total loan drawn down at the 31st July 2011 was £50m.

The pension liability with the Worcestershire County Council Pension Fund decreased by £526k, reflecting an in-year charge to the Income and Expenditure Account of £678k offset by an actuarial gain of £1.204k.

Cash Flow

The consolidated cash flow statement shows a net decrease of cash in the year of £547k. The cash generated from the operating surplus was utilised to finance capital expenditure on new and refurbished buildings and equipment amounting to £5.798m.

SECTION 4: Academic Review

Following the University's successful application for Research Degree Awarding Powers in August 2010, the University's Academic Board has approved the new regulatory framework for the award of MPhil, PhD and taught professional research degrees, and the accompanying procedures to implement the new powers, including for the examination and conferment of awards. The constitution and terms of reference of the University's Research Degrees Board have also been re-aligned to reflect the University's new status. All research students for whom examination arrangements had not been approved under the University's accreditation agreement with Coventry University requested that their registration should be transferred to Worcester. The first PhD examination under Worcester's own research degree awarding powers has taken place and the first Worcester PhD will be awarded at the 2011 award ceremonies in November.

The Quality Assurance Agency for Higher Education conducted an audit of the institution in March 2011. Institutional audit is an evidence-based process carried out through peer review. It forms part of the Quality Assurance Framework established in 2002 and at the centre of the process is an emphasis on students and their learning.

The report of the Institutional Audit was published in August 2011 and the audit team concluded that:-

- Confidence can reasonably be placed in the soundness of the institution's present and likely future management of the academic standards of the awards it offers
- Confidence can reasonably be placed in the soundness of the institution's present and likely future management of the learning opportunities available to students

The report identified seven areas of good practice:

- The comprehensiveness of the Student On-Line Environment (SOLE), which is tailored to the individual
- The Student Academic Representatives (StARs) initiative, which enhances student representation
- The wide range of opportunities afforded to students to enhance their employability
- The proactive approach which supports the student experience for disabled students
- The institution's commitment to enhancement, exemplified by its reflective and self-critical approach
- Development of the Link Tutor role and establishment of a Link Tutor Forum to share good practice across the institution
- The inclusive approach of the University in working with its collaborative partners

The report made a number of recommendations relating to the University's course approval process, the role of external examiners and the preparation of students for entry to top-up programmes. The University has formulated an action plan to ensure that it responds effectively to the recommendations made, which has been approved by Academic Board. The University greatly values the confidence placed in the quality and standards of its academic provision as evidenced in the report and also the advice and feedback received which will assist the University in its objective to further improve and enhance learning opportunities available to students.

There were external inspections of the University's provision in nursing and midwifery and in the education and training of paramedics. In both cases the University's provision received the highest possible grading.

In last year's review the University reported on measures it was taking to improve rates of retention and progression, and levels of achievement and student satisfaction. Reference was made to the regulatory changes that were to be introduced in 2010/11 and to a number of initiatives to improve the student experience, including further improvements in induction and in the arrangements for student feedback. The good progress reported last year has been maintained and at the end of 2010/11 94.8% of year 1 UMS BA/BSc students progressed to year 2 compared with 86.5% in 2009/10. The percentage of students obtaining first or upper second class honours degrees increased from 53.3% to 59% and the number of students qualifying for academic scholarships based on high level achievement in the first and second year increased from 49 to 87.

The University is committed to ensuring the quality and relevance of its academic provision, particularly in the context of the new HE environment, when expectations will inevitably increase. A major staff and student conference was held in November 2010 to review aspects of the University's undergraduate programmes. Students took a full and very active part in the discussions and as a result of the conference a number of initiatives have been undertaken including:-

- A reform of the University's personal tutoring scheme, which has been re-launched as an Academic Tutoring Scheme for the start of the 2011/12 academic year
- Further improvements in the University's Student Academic Representation Scheme
- A commitment to mandatory electronic feedback on assessment to be introduced in 2011/12
- A review of the curriculum for BA and BSc courses which form part of the UMS and of the academic year to ensure that they are attractive to students and provide an appropriate experience that will prepare students for life, and successful future learning and employment

Research, scholarship and knowledge transfer are essential parts of the life and work of a modern university. The University's definition of research, advanced scholarship and knowledge transfer (as set out in its Research and Knowledge Strategy, 2009-2013) includes original investigation in its disciplines, applied, professional and practice-based research reflecting its mission, and commitment to achieving effective synergy between scholarship, research, learning, teaching, knowledge transfer and enterprise.

Research at the University of Worcester includes:

- Original investigation and academic research addressing fundamental questions in appropriate disciplines which is effectively shared through publication in peer-reviewed journals or other equivalent national or international output
- Enquiry which refocuses critical opinion or re-orientates professional practice
- Creative and practice-based endeavour resulting in public output (exhibitions, performances, etc)
- Knowledge transfer activity, including consultancy, which generates new knowledge and understanding, technologies or methodologies and meets the needs of government, voluntary or public sector bodies, local communities; and commerce or industry
- Work-based, action research, evidence-based research and pedagogic evaluation that contribute to the enhancement, innovation and effectiveness of teaching, learning and assessment in higher education and other educational contexts
- Applied investigative or evaluative work which leads to improvement in service delivery, professional practice and/or policy development
- Integration or synthesis of existing knowledge to develop understanding (e.g. writing of textbooks, review articles, development of e-learning resources etc)

SECTION 5: Staff

Staff are the University's most important resource. This is encapsulated in the section of the Strategic Plan, 'High Achieving Staff in a Well-led University'. The University places a high priority on effective recruitment, retention and development policies. The University therefore has in place a comprehensive range of policies

on appointments, probation and mentoring, appraisal, promotion and reward, and staff development. We recognise that the University's ability to respond to future challenges depends on the ability of our staff to respond effectively and flexibly to the challenges and opportunities that lie ahead.

Further progress has been made in implementing the Staff Development Framework, and individual academic and service departments are developing their own frameworks to ensure that staff develop the capabilities and behaviours required to support the success of the University in achieving its aims and ambitions as set out in its Strategic Plan.

The University's Leadership Development Programme continues to have a positive impact on the leadership capacity of staff. The accredited Team Leader's programme has been rolled out and in 2010/11 two further cohorts have successfully completed the programme. The Leadership Group has also delivered the programme for staff in the Facilities department and Student Services. A further 39 staff attended the Team Leadership Course, 16 of whom submitted work for the Team Leader Certificate (30 credits at Level 4). In 2010/11 a new programme has been designed and delivered for the first time on Course Leadership, specifically to enhance the quality of course management to enhance, in turn, the student experience.

The University has had Investor in People Status, since 1996 and in October 2011 a successful re-accreditation occurred. All policies respect the individual and seek to offer career opportunities regardless of age, sex, race, religion, disability or sexual orientation. The Diversity and Equality Committee, which is chaired by the Vice Chancellor and includes governor representation, promotes a culture of fair consideration of all staff (and students). The University has achieved the 2-Ticks Disability symbol and has also applied for recognition by Stonewall as a champion of LGBT issues. The University has been ranked in the top 75 places to work in the Public Sector by the Sunday Times.

SECTION 6: Infrastructure and capital development programme

The University is engaged in an ambitious estates development programme and in 2010/11 has made significant further progress:-

- The successful transition to a multi-site University following the transfer of the Worcester Business School to the city campus site in September 2010
- The completion of the second phase of the development of 'The Garage', a specialist Art and Design teaching facility
- The completion of the Riverside Building, a facility that includes: a new 150 seat lecture theatre; Dance and Drama teaching space; a specialist teaching space for teaching PE and Coaching Science; and social learning space
- Further progress in the construction of the 'Hive', the new Joint Library and History Centre, scheduled for completion in February 2012 and for opening in July 2012
- Further refurbishment of buildings at St John's campus including the second phase of the refurbishment of the Students' Union, teaching space and halls of residence

A new Development and Estates Strategy for the period 2011-2021 has been drafted and the final draft will be presented to the Board of Governors for approval in November 2011.

SECTION 7: Corporate Governance

The University of Worcester is an independent corporation, established as a higher education corporation under the terms of the Education Reform Act of 1988 and the Further and Higher Education Act of 1992. Its objectives, powers and framework of governance are set out in the Instrument and Articles of Government, which are available on the University's web site: <http://www.worc.ac.uk/dpfoi/656.htm>.

The Board of Governors is the governing body of the University, responsible for matters relating to the finance, property and staffing of the University. The Board has four primary areas of responsibility:-

- Approving the mission and strategic vision of the institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of stakeholders
- Appointing the head of the institution as Vice Chancellor and Chief Executive of the institution and putting in place suitable arrangement for monitoring his/her performance
- Ensuring the establishment and monitoring of systems of control and accountability, including financial and operations controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest
- Monitoring institutional performance against plans and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions

The Board remains committed to the principles of best practice in the Committee of University Chairs (CUC) Code of Practice; the University has adopted the Code and its practices reflect the Code.

The Board of Governors has a majority of independent members and the Chair is elected from the independent members. Membership also includes co-opted members and representatives of the teaching and support staff and of the student body. The Vice Chancellor and Chief Executive is an ex-officio member. No members of the Board receive any payment for the work they do as Governors. In accordance with the relevant legislation, the Board is responsible for ensuring the effective management of the University's affairs, including ensuring an effective system of internal control and is required to present audited financial statements for each financial year. The Board, through the accountable office holder (i.e. the Vice Chancellor and Chief Executive) is required to prepare financial statements that give a true view of the University's state of affairs and an assurance that the University has complied with the Financial Memorandum between the Higher Education Funding Council for England and the University.

In the preparation of the financial statements, the Board of Governors has ensured that:-

- Suitable accounting policies are in place and are applied
- Appropriate accounting standards have been followed
- Financial statements are prepared on the going concern basis

The Board has taken reasonable steps to:-

- Ensure that funds received from the Higher Education Funding Council for England and other public funding bodies are used only for the purpose for which they are given
- Ensure that there are appropriate financial controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the University and to prevent and detect fraud
- Secure the economical, efficient and effective management of the University's resources

The University's governance arrangements include an Academic Board which, subject to the overall responsibility of the Board of Governors, has oversight of the academic affairs of the institution and draws its membership from the staff and students of the University. It is particularly concerned with general issues relating to the learning, teaching and research work of the University. An independent member of the Board of Governors attends meetings of the Academic Board in an observer capacity. So that the Board of Governors can meet its responsibilities under the Financial Memorandum to assure itself that the University has in place arrangements to safeguard the quality and standards of its academic provision, the Board receives regular reports from the Academic Board and an annual report from the Board on quality and standards.

The Board of Governors meets four times a year, with occasional special meetings to address specific issues. However, much of its detailed work is initially considered by committees. The chairs of these committees and the majority of their members are drawn from independent members of the Board. Staff and student governors are also invited to attend as non-voting members of the committees and participate fully in discussions but are asked to withdraw when named staff or student items are discussed.

The committees of the Board are as follows:-

Nominations Committee

The Nominations Committee is responsible for ensuring that the membership of the Board is maintained and that the spectrum of members includes appropriate knowledge and expertise. Since the 2000-2001 year, the Committee, with Board approval, has used a variety of methods to recruit new members. This has included public advertisement of vacancies for independent membership, as well as targeted approaches in the case of members who are co-opted. There is a matrix of members' skills and expertise to assist decision making.

Finance and Development Committee

The Finance and Development Committee usually meets around five times each year. It recommends the annual budgets to the Board of Governors and monitors performance in relation to the approved budgets. It is also the key committee for the discussion of new developments, and it is this Committee where much detailed scrutiny takes place. This is the Committee through which reports on key strategic and capital developments are routed. The Committee receives the annual financial statements and the management letter from the external auditors.

Audit Committee

The Audit Committee approves the schedule for internal audit and receives detailed reports with recommendations for improvement of the institution's internal control systems. It is also the Committee responsible for risk management arrangements. The Committee also receives the annual financial statements and the management letter from the external auditors. It reports to each meeting of the Board and also presents an annual report which is part of the annual assurance process required by HEFCE. This includes an assurance on the quality of the University's data management and the accuracy of data returned to external agencies.

Personnel Committee

The Personnel Committee determines the human resources strategy and monitors its implementation. It receives regular reports from the Director of Personnel and from the Equality and Diversity, Health and Safety and Joint Consultative Committees. It discusses and recommends to the Board changes in conditions of service which are determined locally, and also changes in procedures which regulate industrial relations (e.g. disciplinary and grievance procedures). The Committee also keeps under review national arrangements for pay bargaining and makes recommendations to the Board on the appropriateness of the University's continued participation in the national bargaining arrangements.

Remunerations Committee

The Remunerations Committee determines the annual remuneration of senior staff (i.e. the Vice Chancellor and Chief Executive, Deputy Vice Chancellor, the Pro Vice Chancellor and the Registrar and Secretary). The Committee comprises the Chair and Vice Chairs of the Board, the Chair of Personnel Committee and the Chair of Audit Committee.

In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee and the Honorary Awards Committee. A governor also attends Academic Board in an observer capacity. The Board of Governors has a nominated observer representative on the Boards of the two wholly owned subsidiary companies.

Internal control and risk management

The system of internal control is designed to manage rather than eliminate risk. An institutional Register of Risk is maintained, which is presented at least annually to the Audit Committee and Board of Governors for approval. An annual report on risk management activities is presented to the Audit Committee and the Board. Internally, responsibility for risk management rests with the Vice Chancellor's Advisory Group. The senior manager responsible for risk management is the Registrar and Secretary. Each head of academic and service department is required to address risk as part of the annual planning process. Separate and detailed risk registers are maintained for key capital developments and risk assessments are also undertaken alongside any proposals for new partnerships.

In summary, the Board's on-going arrangements for maintaining a sound system of internal control include the following:-

- An internal audit service which operates to standards defined in the HEFCE Code of Practice on Accountability and Audit, and whose audit schedule is risk-based and designed to assess the effectiveness of controls in areas identified as high risk
- A comprehensive set of Financial Regulations and Procedures
- An internal system of financial reporting on a monthly basis, supported by meetings between Principal Accountants and Heads of Budget Centres. Governors are provided with monthly financial reports which allow performance against budget to be monitored and the identification of problems to be dealt with in a timely manner
- A risk register which defines the nature of the risk and identifies from where assurance that the risk is being controlled is derived, and which also sets out action taken to control the risk
- A strategic plan which identifies key risks alongside key strategic objectives and success criteria;
- The integration of risk management strategies within the annual budget process and in five year financial forecasts
- The development of separate risk analysis for major developments
- Regular reports from Executive Officers on the operation of its business

Julian Pallett
Chair of the Board of Governors

Professor David Green
Vice Chancellor

Independent Auditors' Report to the Governing Body of the University of Worcester

We have audited the group and parent institution financial statements (the "financial statements") of the University of Worcester for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Parent Institution Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Corporate Governance Statement set out on pages 12 - 15 the governing body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the governing body as a body in accordance with Articles of Government and section 124B of the Education Reform Act 1988 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2011 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation
- income has been applied in accordance with the institution's articles of government and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance section of the Operating and Finance Review is inconsistent with our knowledge of the parent institution and group

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date:

The maintenance and integrity of the University of Worcester website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of principal accounting policies and estimation techniques

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, and in accordance with applicable Accounting Standards in the United Kingdom. They conform to the guidance published by the Funding Council. Financial statements are prepared on a consistent and going concern basis. They are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31st July 2011. The results of subsidiaries incorporated or disposed of during the period are included in the consolidated income and expenditure account from the date of incorporation or up to the date of disposal. Intra group transactions are eliminated on consolidation. Amounts in relation to debts and claims between the undertakings included in the consolidation are also eliminated. Unsettled external trading transactions are included as current assets or liabilities. The University of Worcester, as parent company, has taken the exemption from preparing its own income and expenditure account.

Recognition of income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Income received in advance of commitment for tuition fees, projects and research is accounted for as deferred income. This is identified within the creditors within one year.

Specific grants from the Funding Council are included to the extent of the completion of the contract or service concerned.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from NHS contracts and tuition fees is included in the year in which it is earned.

Income received from students for tuition fees has been adjusted for any discounts granted.

The University acts as an agent in the collection and payment of Training Bursaries, AIM Higher and learning support funds from Government Agencies, the income and expenditure is excluded from the Group's Income and Expenditure.

Maintenance of premises

The cost of long term and corrective maintenance to the estate is charged to the income and expenditure account as incurred.

Pension schemes

Retirement benefits for most employees of the University are provided by the Teachers Pensions Scheme (TPS), the Universities Superannuation Scheme (USS) which are both accounted for as if they are defined contribution schemes and the Local Government Pension Scheme (LGPS) which is administered by Worcestershire County Council Pension Fund (WCCPF). These are all defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

FRS 17 has been followed in full for the year ended 31st July 2011. The effect of adopting this standard in accounting policy is to recognise the pension scheme deficit in the financial statements.

The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method, for the LGPS and the USS and on the basis of quadrennial valuations using a prospective benefit method for the TPS.

The University maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement. The pensions paid are charged against the provision and interest accrued is added to the provision.

Tangible fixed assets

a. Land and buildings

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

The University's buildings are largely specialised buildings and therefore it is not appropriate to value them on the basis of open market value. A valuation of the educational land and buildings was carried out by GVA Grimley International Property Advisers and Chartered Surveyors as at 31st July 1995 on the basis of depreciated replacement cost. The three houses owned by the University were valued on an open market value for existing use basis. Other buildings constructed since 1995 are included in the balance sheet at cost. The option under FRS 15 to retain the book values of land and buildings as at 31st July 1999 based on the 1995 revaluation has been adopted and the valuation was not updated.

Freehold land is not depreciated. Where land is acquired with the aid of specific grants it is capitalised but not depreciated therefore the related grant is credited to the income and expenditure account at the time of purchase. Freehold buildings are depreciated over their expected useful economic life to the Institution over 60 years. Where buildings have been acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The University has a policy of depreciating capitalised major building refurbishments over a period of 15 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to the balance sheet date. They are not depreciated until they are brought fully into use.

b. Equipment

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

All equipment with a total cost of over £2,000 is capitalised. Capitalised equipment, is depreciated over its estimated useful economic life of 8 years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment

Intangible fixed assets

Intangible fixed assets are stated at historic purchase cost or valuation less accumulated amortisation. Where intangible fixed assets, including software and licences, are regarded as having limited useful economic lives they are amortised over 3 years.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Stock

Stocks are stated at the lower of cost and net realisable value.

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. None of the University's subsidiaries have charitable status.

The University receives no similar exemption in respect of Value Added Tax. Most of the services provided to students are, however, exempt from VAT. Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Liquid resources

Liquid resources include sums on short-term deposit with recognised banks and building societies and government securities, disclosed as current asset investments on the balance sheet.

Payments on account

Deposit payments are taken from all students occupying University residential accommodation. These deposits are held and released to the student following review of their contract terms at the end of their license agreement.

Provisions

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

Accounting for charitable donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if before receipt there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. The university currently has two types:

Unrestricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

Investments in subsidiaries

Investments in subsidiary undertakings are recorded at cost plus incidental expenses.

Consolidated income and expenditure account
For the Year Ended 31st July 2011

	<u>Note</u>	<u>2011</u> £000	<u>2010</u> £000
Income			
Funding Council Grants	1	28,796	26,363
Academic Fees and Support Grants	2	28,356	25,593
Research Grants and Contracts	3	1,035	602
Other Operating Income	4	8,771	11,328
Interest Receivable	5	48	24
Total income		<u>67,006</u>	<u>63,910</u>
Expenditure			
Staff Costs	6	30,800	29,281
Other Operating Expenses	7	23,259	20,447
Depreciation and Amortisation	12 + 13	3,282	2,706
Interest Payable	8	2,978	3,160
Total expenditure	9	<u>60,319</u>	<u>55,594</u>
Surplus after depreciation of tangible fixed assets at valuation and before tax		6,687	8,316
Taxation	10	-	(3)
Exceptional Items	11	-	(7,120)
Surplus for the year retained within general reserves		<u>6,687</u>	<u>1,193</u>

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

Balance sheets
As at 31st July 2011

	Note	Group <u>2011</u> £000	Group <u>2010</u> £000	University <u>2011</u> £000	University <u>2010</u> £000
Fixed assets					
Intangible Assets	12	485	208	485	208
Tangible Fixed Assets	13	105,190	99,572	110,175	102,346
Investments	14	-	-	20	20
Total Fixed Assets		105,675	99,780	110,680	102,574
Endowment assets	15	100	47	100	47
Current assets					
Stocks	16	1	6	1	6
Debtors	17	5,858	4,007	6,593	11,278
Investments		11,520	12,461	11,520	12,461
Cash at bank and in hand		1,487	2,034	978	2,035
Total Current assets		18,866	18,508	19,092	25,780
Current liabilities					
Creditors: amounts falling due within one year	18	(17,108)	(20,240)	(16,606)	(24,556)
Total Current liabilities		(17,108)	(20,240)	(16,606)	(24,556)
Net current Assets / (Liabilities)		1,758	(1,732)	2,486	1,224
Total assets less current liabilities		107,533	98,095	113,266	103,845
Creditors: amounts falling due after more than one year	19	(50,137)	(50,064)	(50,137)	(50,064)
Provisions for liabilities	20	(588)	(470)	(588)	(470)
Net assets excluding pension liability		56,808	47,561	62,541	53,311
Net Pension liability	30	(10,649)	(11,175)	(10,649)	(11,175)
Net assets including pension liability		46,159	36,386	51,892	42,136
Deferred capital grants	21	16,680	14,851	16,680	14,851
Endowment funds					
Permanent	15	100	47	100	47
Reserves					
Income and Expenditure account excluding Pension Reserve	22	27,167	19,621	32,900	25,371
Pension Reserve	22	(10,649)	(11,175)	(10,649)	(11,175)
Income and Expenditure account including Pension Reserve	22	16,518	8,446	22,251	14,196
Revaluation Reserve	23	12,861	13,042	12,861	13,042
		29,379	21,488	35,112	27,238
Total funds		46,159	36,386	51,892	42,136

The financial statements on pages 21 to 44 were approved by the Board of Governors on 28th November 2011 and signed on their behalf by:

Mr J Pallett
Chair of Governors
University of Worcester

Professor David Green
Vice Chancellor and Chief Executive
University of Worcester

Statement of Group total recognised gains and losses
For the Year Ended 31st July 2011

	<u>Note</u>	<u>2011</u> £000	<u>2010</u> £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		6,687	1,193
Endowment income retained in the year	15	53	23
Actuarial gain in respect of Pension Scheme	30	1,204	1,331
Total recognised gain relating to the year		<u>7,944</u>	<u>2,547</u>

Statement of Group historical cost surpluses and deficits
For the Year Ended 31st July 2011

	<u>Note</u>	<u>2011</u> £000	<u>2010</u> £000
Surplus on continuing operations before taxation		6,687	1,196
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	23	181	181
Historical cost surplus for the year		<u>6,868</u>	<u>1,377</u>

Consolidated cash flow statement
For the Year Ended 31st July 2011

	<u>Note</u>	<u>2011</u> £000	<u>2010</u> £000
Net cashflow from operating activities	27	7,495	4,222
Returns on investment and servicing of finance	28	(2,554)	(3,136)
Capital expenditure	28	(6,450)	(7,759)
Management of liquid resources	28	889	(1,776)
Financing	28	73	8,064
Increase / (Decrease) in cash in the year	29	<u>(547)</u>	<u>(385)</u>

Reconciliation of net cash flow to movement in net debt
For the Year Ended 31st July 2011

	<u>Note</u>	<u>2011</u> £000	<u>2010</u> £000
Increase / (Decrease) in cash in the year	29	(547)	(384)
Management of liquid resources	28	(889)	1,776
Cashflow from financing	28	(73)	(8,064)
Change represented by cashflows		<u>(1,509)</u>	<u>(6,672)</u>
Non cash flow movement		-	6
Change in Net Debt		<u>(1,509)</u>	<u>(6,666)</u>
Net Debt at 1st August		(35,522)	(28,856)
Net Debt at 31st July	29	<u>(37,031)</u>	<u>(35,522)</u>

Notes to the financial statements
Year ended 31st July 2011

1. Funding council grants

	HEFCE	TDA	Total	Total
	£000	£000	£000	£000
Recurrent	20,122	3,994	24,116	21,197
Specific Grants:				
LLN Development Funding	578	-	578	1,173
Supporting Professional Standards	-	-	-	354
Higher Education Innovation Fund	413	-	413	333
Learning and Teaching Development	-	-	-	7
JISC	60	-	60	24
Fellowship Monies	5	-	5	1
Access to Learning fund administration	7	-	7	8
ECIF Graduate Internships	84	-	84	121
AIM Higher	222	-	222	254
Matched Funding Charity Giving	124	-	124	38
Student Associate Scheme	-	102	102	211
Graduate Teacher Programme	-	963	963	836
Overseas Trained Teacher Programme	-	-	-	4
TDA Projects	-	756	756	365
Training Salary Admin Fee	-	38	38	40
Deferred Capital Grants released:				
Buildings (Note 21)	595		595	849
Equipment (Note 21)	733		733	548
	<u>22,943</u>	<u>5,853</u>	<u>28,796</u>	<u>26,363</u>

2. Academic fees and support grants

	<u>2011</u>	<u>2010</u>
	£000	£000
Full Time students (Home and EU) fees	18,282	15,676
Full Time students (Overseas) fees	1,801	1,604
Part Time fees	1,423	1,538
Short course fees	426	591
Other fees	254	183
Contract Income Strategic Health Authority	6,170	6,001
	<u>28,356</u>	<u>25,593</u>

3. Research grants and contracts

	<u>2011</u>	<u>2010</u>
	£000	£000
Research Council	2	18
UK Industry	22	-
UK Government	595	219
UK Based Charities	147	28
Other Grants & Contracts	269	337
	<u>1,035</u>	<u>602</u>

4. Other operating income

	<u>2011</u>	<u>2010</u>
	£000	£000
Residences, catering and conferences	5,231	4,283
Other services rendered	243	327
Release of other deferred capital grants	294	3,895
Other income	3,003	2,823
	<u>8,771</u>	<u>11,328</u>

5. Interest receivable

	<u>2011</u>	<u>2010</u>
	£000	£000
Income from short term investments	<u>48</u>	<u>24</u>

6. Staff cost

	<u>2011</u>	<u>2010</u>
	£000	£000
Salaries	25,478	24,278
Social Security Costs	1,981	1,883
Other Pension Costs	3,341	3,120
	<u>30,800</u>	<u>29,281</u>

Emoluments of the Vice Chancellor:

	<u>2011</u>	<u>2010</u>
	£000	£000
Salary	225	224
Pension contributions	32	32
Total emoluments	<u>257</u>	<u>256</u>

The University's pension contributions for the Vice Chancellor to the TPS are paid at the same rate as for other academic staff and amounted to £31,691 (2010 - £31,565). As part of his contract and for the duration of his employment the Vice Chancellor has agreed to live in accommodation provided by the University.

6. Staff cost (Continued)

The average monthly number of persons (including senior post holders) employed by the University during the year, expressed as full time equivalents, was:

	<u>2011</u>	<u>2010</u>
Academic Departments	384	362
Academic Services	64	60
Administrative and central services	185	193
Premises	67	65
Research	25	20
Residences, catering and conferences	<u>23</u>	<u>21</u>
	<u>748</u>	<u>721</u>

Governors are entitled to reimbursement of travel expenses, £121 was claimed during 2010/11 (£642 in 09/10).

Emoluments of higher paid staff:	<u>2011</u>	<u>2010</u>
£130,001-£140,000	3	3
£250,001-£260,000	1	1

7. Other operating expenses**Group**

	<u>2011</u>	<u>2010</u>
	£000	£000
Residences, catering and conferences	939	633
Consumables and laboratory expenditure	475	443
Books and periodicals	539	505
Heat, light, water and power	1,051	926
Repairs and general maintenance	2,589	2,111
Grants to UW Students' Union	870	478
Auditors remuneration:		
External	34	35
Internal	45	47
Non-Audit Services	7	
Property operating leases	567	355
Equipment operating leases	117	98
Payments to Partner Colleges	4,038	3,660
Student Bursaries	3,700	2,844
Other expenses	8,288	8,312
	<u>23,259</u>	<u>20,447</u>

	<u>2011</u>	<u>2010</u>
	£000	£000
Auditors remuneration includes:		
Auditors remuneration:		
Financial statements audit	34	35
Internal audit	45	47

Auditors remuneration in respect of non audit services includes:

Financial statements audit - other services	6	-
Football foundation Grant audit	1	-

8. Interest payable

	<u>2011</u>	<u>2010</u>
	£000	£000
Loans not wholly repayable within 5 years	2,602	2,440
Pension Interest (Note 30)	376	720
	<u>2,978</u>	<u>3,160</u>

9. Analysis of expenditure by activity

	Staff Costs	Other Expenses	Depreciation and Amortisation	Interest Payable	Total
	£000	£000	£000	£000	£000
Academic Departments	18,316	3,506	371	-	22,193
Academic Services	2,036	1,227	84	-	3,347
Administrative and central services	7,415	14,439	2,702	2,978	27,534
Premises	1,996	2,522	85	-	4,603
Research	820	244	12	-	1,076
Residences, catering and conferences	217	1,321	28	-	1,566
	<u>30,800</u>	<u>23,259</u>	<u>3,282</u>	<u>2,978</u>	<u>60,319</u>

Group

	<u>2011</u>	<u>2010</u>
	£000	£000
The depreciation and amortisation charge has been made up of:		
Deferred capital grants released (Note 21)	1,622	992
Revaluation reserve released (Note 23)	181	181
General revenue	1,479	1,533
	<u>3,282</u>	<u>2,706</u>

10. Taxation

	Group	
	<u>2011</u>	<u>2010</u>
	£000	£000
Corporation tax	<u>-</u>	<u>3</u>

11. Exceptional Items

	<u>Group</u>	
	<u>2011</u>	<u>2010</u>
	£000	£000
Disposal of asset	<u>-</u>	<u>(7,120)</u>

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

12. Intangible assets

	<u>Group & University</u>
	£000
At 1st August 2010	
Cost	287
Additions at cost	423
At 31st July 2011	<u>710</u>
Accumulated amortisation	
At 1st August 2010	79
Charge for year	146
At 31st July 2011	<u>225</u>
Net Book Value	
At 31st July 2011	<u>485</u>
At 31st July 2010	<u>208</u>

13. Tangible assets – Group

	Freehold Land and Buildings <u>2011</u> £000	Equipment <u>2011</u> £000	Assets under course of construction <u>2011</u> £000	Total <u>2011</u> £000	Total <u>2010</u> £000
Cost or valuation at 1st August	84,466	13,017	19,986	117,469	109,122
Additions at cost	601	2,600	5,755	8,956	17,250
Transfers (reclassification)	25,214	27	(25,241)	-	-
Disposals at cost	(305)	(1,498)	-	(1,803)	(8,903)
At 31st July	<u>109,976</u>	<u>14,146</u>	<u>500</u>	<u>124,622</u>	<u>117,469</u>
Accumulated depreciation					
At 1st August	8,646	9,251	-	17,897	16,984
Charge for year	1,775	1,361	-	3,136	2,667
Depreciation on disposals	(115)	(1,486)	-	(1,601)	(1,754)
At 31st July	<u>10,306</u>	<u>9,126</u>	<u>-</u>	<u>19,432</u>	<u>17,897</u>
Net Book Value					
At 31st July	<u>99,670</u>	<u>5,020</u>	<u>500</u>	<u>105,190</u>	<u>99,572</u>
Previous Year	<u>75,820</u>	<u>3,766</u>	<u>19,986</u>	<u>99,572</u>	<u>92,138</u>

Where specific grants have been received in respect of buildings they are treated as deferred capital grants and released to income over the expected useful life of the building. The cost of the building is capitalised and depreciated as above. The proceeds from the sale of any asset funded from Treasury sources may have to be surrendered to the Treasury. This has been valued by HEFCE as the Exchequer Interest of £12,680,989.

13. Tangible assets – University

	Freehold Land and Buildings	Equipment	Assets under course of construction	Total	Total
	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2010</u>
	£000	£000	£000	£000	£000
Cost or valuation at 1st August	88,693	13,017	18,533	120,243	83,015
Additions at cost	1,050	2,600	7,618	11,268	39,725
Transfers (reclassification)	25,214	27	(25,241)	-	-
Disposals at cost	(406)	(1,498)	-	(1,904)	(2,497)
At 31st July	<u>114,551</u>	<u>14,146</u>	<u>910</u>	<u>129,607</u>	<u>120,243</u>
Accumulated depreciation					
At 1st August	8,646	9,251	-	17,897	16,984
Charge for year	1,775	1,361	-	3,136	2,667
Depreciation on disposals	(115)	(1,486)	-	(1,601)	(1,754)
At 31st July	<u>10,306</u>	<u>9,126</u>	<u>-</u>	<u>19,432</u>	<u>17,897</u>
Net Book Value					
At 31st July	<u>104,245</u>	<u>5,020</u>	<u>910</u>	<u>110,175</u>	<u>102,346</u>
Previous Year	<u>80,047</u>	<u>3,766</u>	<u>18,533</u>	<u>102,346</u>	<u>66,031</u>

14. Investments

	<u>Group</u>		<u>University</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	£000	£000	£000	£000
Investments in subsidiary companies	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>

The University owns 100% of UW Developments Limited, a company incorporated in England and Wales. The company undertakes capital development projects. It also owns 100% of UW Enterprises Limited, the focus of the Company's activities is the generation of external income through the growth of commercial contracts and research. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

15. Endowment assets

	<u>Group and University</u>			
	Unrestricted Permanent £000	Restricted Expendable £000	<u>2011</u> Total £000	<u>2010</u> Total £000
	Balance at 1st August 2010			
Capital	30	17	47	24
New endowments	5	129	134	26
Expenditure	-	(81)	(81)	(3)
At 31st July 2011	<u>35</u>	<u>65</u>	<u>100</u>	<u>47</u>
Represented by:				
Capital	35	65	100	47
	<u>35</u>	<u>65</u>	<u>100</u>	<u>47</u>

16. Stocks

	<u>Group</u>		<u>University</u>	
	<u>2011</u> £000	<u>2010</u> £000	<u>2011</u> £000	<u>2010</u> £000
	Stocks	<u>1</u>	<u>6</u>	<u>1</u>

17. Debtors

	<u>Group</u>		<u>University</u>	
	<u>2011</u> £000	<u>2010</u> £000	<u>2011</u> £000	<u>2010</u> £000
	Trade Debtors	5,411	3,399	5,370
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	776	7,409
Prepayments	447	608	447	479
	<u>5,858</u>	<u>4,007</u>	<u>6,593</u>	<u>11,278</u>

18. Creditors amounts falling due within one year

	Group		University	
	<u>2011</u> £000	<u>2010</u> £000	<u>2011</u> £000	<u>2010</u> £000
Payments received on account	253	49	253	49
Trade Creditors	2,569	1,969	2,569	1,968
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	90	6,602
Tax and Social Security	1,098	1,115	1,098	1,115
Accruals and deferred income	4,238	7,830	3,645	5,545
Other Creditors	8,935	9,277	8,936	9,277
Loan	15	-	15	-
	<u>17,108</u>	<u>20,240</u>	<u>16,606</u>	<u>24,556</u>

19. Creditors amount falling due after more than one year

	Group		University	
	<u>2011</u> £000	<u>2010</u> £000	<u>2011</u> £000	<u>2010</u> £000
Bank Loan	50,000	50,000	50,000	50,000
Salix Loan	137	64	137	64
	<u>50,137</u>	<u>50,064</u>	<u>50,137</u>	<u>50,064</u>

Analysis of loan repayments

	<u>2011</u> £000	<u>2010</u> £000	<u>2011</u> £000	<u>2010</u> £000
Due within one year	15	-	15	-
Between one and two years	1,265	-	1,265	-
Between two and five years	3,772	3,437	3,772	3,437
After five years	45,100	46,627	45,100	46,627
	<u>50,152</u>	<u>50,064</u>	<u>50,152</u>	<u>50,064</u>

The University has a loan facility with Barclays Bank of £80 million for capital development works, of which £50 million has been drawn down to date. A further drawdown of £5 million has been agreed, but the University has not yet exercised rights on the remaining £25 million. The £50 million draw down is at a fixed rate of 4.952%. The first repayment date is 31st October 2012. The repayment schedule of £50 million facility includes a bullet payment of £12.5 million payable on 30th July 2042. The Salix loan of £152k is granted by HEFCE in pursuance of the Universities sustainability agenda.

20. Provisions for liabilities and charges

	Total	Pension	VAT
	£000	Provision	Provision
		£000	£000
At 1st August 2010	470	470	-
Arising during the year	161	81	80
Utilised during the year	(43)	(43)	
At 31st July 2011	<u>588</u>	<u>508</u>	<u>80</u>

The University has provided for future pension costs associated with the granting of additional years of service to certain members of staff taking early retirement. The pension costs are charged directly against the provision. Interest on the balance of the provision is added annually to the provision through a charge to the Income and Expenditure Account. This provision covers pension costs not met by the Teachers Pension Scheme and the Local Government Pension Scheme.

21. Deferred capital grants

	Group and University			
	HEFCE	AWM	Other	Total
	£000	£000	£000	£000
At 1st August 2010				
Buildings	9,156	3,371	184	12,711
Equipment	1,525	548	67	2,140
Total	<u>10,681</u>	<u>3,919</u>	<u>251</u>	<u>14,851</u>
Cash Received				
Buildings	2,411	-	98	2,509
Equipment	892	-	49	941
Total	<u>3,303</u>	<u>-</u>	<u>147</u>	<u>3,450</u>
Released to income and expenditure				
Buildings	595	58	24	677
Equipment	733	140	72	945
Total	<u>1,328</u>	<u>198</u>	<u>96</u>	<u>1,622</u>
At 31st July 2011				
Buildings	10,973	3,313	258	14,544
Equipment	1,684	408	44	2,136
Total	<u>12,657</u>	<u>3,721</u>	<u>302</u>	<u>16,680</u>

22. Income and Expenditure account

	Group		University	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	£000	£000	£000	£000
At 1st August	8,446	5,741	14,196	8,349
Surplus for the year	6,687	1,193	6,671	4,335
Transfer from revaluation reserve	181	181	181	181
Actuarial gain	1,204	1,331	1,204	1,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st July	<u>16,518</u>	<u>8,446</u>	<u>22,252</u>	<u>14,196</u>
Represented by:				
Pension Reserve	(10,649)	(11,175)	(10,649)	(11,175)
Income and Expenditure account excluding pension reserve	27,167	19,621	32,901	25,371
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>16,518</u>	<u>8,446</u>	<u>22,252</u>	<u>14,196</u>

23. Revaluation reserve

	Group and University	
	<u>2011</u>	<u>2010</u>
	£000	£000
Opening balance at 1st August 2010	13,042	13,223
Released in year	(181)	(181)
	<u> </u>	<u> </u>
Closing balance at 31 July 2011	<u>12,861</u>	<u>13,042</u>

24. Lease obligations

	Group and University	
	<u>2011</u>	<u>2010</u>
	£000	£000
Operating lease commitments in respect of equipment for the financial year on leases expiring:		
Within one year	119	91
Between two and five years	59	87
	<u>178</u>	<u>178</u>
Operating lease commitments in respect of buildings for the financial year on leases expiring:		
Within one year	590	624
Between two and five years	1,677	1,780
	<u>2,267</u>	<u>2,404</u>
	<u>2,445</u>	<u>2,582</u>

25. Capital commitment

	Group	
	2011	2010
University:	£000	£000
3G Sports Pitch	-	225
Additional City Campus Works	7	-
Alterations to Charles Darwin Building	-	6
AV Equipment	237	-
CCTV system	-	1
Drama & Dance Studio	-	31
Edit Suites	-	74
Equipment for City campus	-	1,465
Facilities Management Software	10	-
Library Equipment	4	-
Replacement PC programme	-	87
Riverside fit out	32	-
SITS Software	4	-
Student accommodation upgrade	-	290
Student card system	158	-
UW Developments Limited:		
University Park	162	-
Charles Hastings Building	-	175
City Centre Campus Site	-	2,433
Drama & Dance Studio	-	79
Indoor Sports Arena	270	222
Retention for new hall of residences building	-	175
The Garage	-	24
	<u>884</u>	<u>5,287</u>

26. Commitment to Worcester Library and History Centre

The Worcester library and History centre is a new build development within Worcester City centre. The development aims to provide a central library to serve both the residents of Worcestershire and the students of the University of Worcester. Services provided from within the development include a first class library and ancillary services, the city council customer contact centre and a history centre including records and county archives. The centre is being developed in partnership by Worcestershire County Council (WCC) and the University of Worcester (UW) through a Private Finance Initiative (PFI) project with the commercial contractor Galliford Try. The project reached contractual commitment at financial close on 29 January 2010. The stakeholder agreement, signed on 29th January 2010, between WCC and UW outlines the terms of the project and the commitments of both parties. The facility is due to be handed to the partners in January 2012.

Details of payments due within the PFI contract

	Finance cost		
	Total finance lease charge	Financing charge cost	Operational service charge
	£000	£000	£000
Within 1 Year	-	-	-
Between two and five years	1,987	1,120	891
Between six and ten years	2,838	1,276	1,373
Between eleven and Fifteen years	2,838	1,081	1,504
Between sixteen and twenty years	2,838	797	1,654
Between twenty one and twenty five years	2,838	384	1,826
Between twenty six and thirty years	851	12	586
Total	<u>14,190</u>	<u>4,670</u>	<u>7,834</u>

27. Reconciliation of operating surplus to operating cash flows

	Group	
	<u>2011</u>	<u>2010</u>
	£000	£000
Surplus on continuing operations after depreciation of assets but before tax	6,687	1,193
Depreciation and amortisation	3,282	2,706
Deferred Capital Grants released to income (note 21)	(1,622)	(5,292)
Investment Income (Note 5)	(48)	(24)
Interest payable (Note 8)	2,602	3,160
Decrease / (Increase) in stocks	5	(5)
Increase in debtors	(1,851)	(896)
(Decrease) / Increase in creditors	(2,554)	2,427
Loss on disposal of fixed assets	198	-
Increase in provisions	118	(19)
Pension cost less contributions payable	678	972
Net cashflow from operating activities	<u>7,495</u>	<u>4,222</u>

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

	Group	
	<u>2011</u>	<u>2010</u>
	£000	£000
Returns on Investments and Servicing of finance		
Income from short term investments	48	24
Interest paid	(2,602)	(3,160)
Net cash outflow from returns on investment and servicing of finance	<u>(2,554)</u>	<u>(3,136)</u>
Capital expenditure		
Purchase of tangible fixed assets	(9,450)	(10,345)
Sale of tangible fixed assets	-	-
Deferred Capital Grants received	2,947	2,569
Utilisation of Endowment Fund balances	(81)	(3)
Endowments received	134	20
Net cash outflow from Capital expenditure	<u>(6,450)</u>	<u>(7,759)</u>
Net cashflow from management of liquid resources		
Cash transferred from term deposits	<u>889</u>	<u>(1,776)</u>
Financing		
Mortgage and loan capital increase	73	8,064
Net cash inflow from financing	<u>73</u>	<u>8,064</u>

29. Analysis of changes in net debt

	As at 1 August 2010	Cash- flows	Non-Cash Gift aid	At 31 July 2011
	£000	£000	£000	£000
Endowment Assets	47	50	3	100
Other	2,034	(547)		1,487
	<u>2,081</u>	<u>(497)</u>	<u>3</u>	<u>1,587</u>
Short term investments	12,461	(942)		11,519
Debts due within one year	-			
Debts due after one year	(50,064)	(73)		(50,137)
	<u>(35,522)</u>	<u>(1,512)</u>	<u>3</u>	<u>(37,031)</u>

30. Pension schemes

The three principal pension schemes for the University's staff are provided by the Local Government Pension Scheme (LGPS) administered by the Worcestershire County Council Pension Fund (WCCPF), the Teachers' Pension Scheme (TPS), and the Universities Superannuation Scheme (USS). The assets of the Schemes are held in separately administered funds.

Worcestershire County Council Pension Fund (WCCPF)

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

For WCCPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was increased to 14.1% from April 2011. The estimate for the contribution for the defined benefit scheme for the year 2011 is 14.8% contribution rate from 1st April 2012. This rate will increase annually to 15.5% by 1st April 2013. The University expects to contribute £1,164,000 in the year to 31st July 2012

Under the definitions set out in FRS 17, the WCCPF is a multi-employer defined benefit pension scheme. In the case of the WCCPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31st July 2011.

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

A full actuarial valuation was carried out at 31st March 2008 and updated to 31st March 2011 on a FRS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2011	2010
Rate of RPI inflation	3.40%	3.30%
Rate of CPI inflation	2.90%	2.80%
Rate of increase in salaries	4.40%	4.80%
Rate of increase in pensions	2.90%	2.80%
Discount Rate	5.30%	5.50%

30. Pension schemes (Continued)**Mortality Assumptions**

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

	Males		Females	
	Pensioner	Non-pensioner	Pensioner	Non-pensioner
As at 31st July 2011	22	23.4	24.5	26.1

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

	Long term rate of return expected at 31 July 2011 %	Value at 31 July 2011 £000	Long term rate of return expected at 31 July 2010 %	Value at 31 July 2010 £000
Equities	7.00	20,363	7.50	16,704
Government Bonds	3.90	598	4.20	485
Other Bonds	4.90	775	5.10	665
Cash/Liquidity	0.50	398	0.50	126
		22,134		17,980

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class. The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 30th June 2011 this yield was 4.3% p.a. The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bonds is lower than the discount rate used in the calculations. As at 30th June 2011 the expected return is about 5.1% p.a. The yield on equity investments contains an "equity risk premium" in addition to the yield on Government bonds, which are perceived as the "least-risk" investment class, in order to compensate investors for the additional risk of holding this type of investment. The "equity risk premium" as at 30th June 2011 is about 3% p.a. As mentioned above, the yield on 20-year Government bonds as at 30th June 2011 was 4.3% p.a., and adding 3% to this gives roughly 7.5% p.a. Similarly, we have made an allowance for out-performance for property at about 2% per annum, giving an expected return of 6.5% p.a.

Reconciliation of fair value of assets	<u>2011</u>	<u>2010</u>	<u>2009</u>
	£000	£000	£000
Fair Value of assets at beginning of period	17,980	14,131	13,906
Expected return on assets	1,265	942	988
Actuarial gains/(losses) on assets	1,826	1,730	(1,941)
Employer Contributions	1,108	1,009	926
Member Contributions	544	526	495
Benefits/transfers	(589)	(358)	(243)
Fair Value of assets at end of year	22,134	17,980	14,131

30. Pension schemes (Continued)

Reconciliation of present value of scheme liabilities	2011	2010	2009
	£000	£000	£000
Benefit Obligation at beginning of year	29,155	25,665	25,179
Current Service Cost	1,410	1,253	1,404
Interest on Pension Liabilities	1,641	1,662	1,534
Member Contributions	544	526	495
Past Service Costs	-	(2,063)	-
Actuarial losses / (gains) on liabilities	622	2,462	(2,704)
Curtailments	-	8	-
Benefits/transfers paid	(589)	(358)	(243)
benefit obligation at end of year	<u>32,783</u>	<u>29,155</u>	<u>25,665</u>

The following amounts at 31st July 2011 were measured in accordance with the requirements of FRS17:

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Total market value of assets	22,134	17,980	14,131	13,906	14,773
Present value of scheme liabilities	(32,783)	(29,155)	(25,665)	(25,179)	(20,339)
Deficit – Net pension liability	<u>(10,649)</u>	<u>(11,175)</u>	<u>(11,534)</u>	<u>(11,273)</u>	<u>(5,566)</u>

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

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	1,826	1,730	(1,941)	(2,653)	604
Percentage of year end assets	8.2%	9.6%	13.7%	19.1%	4.1%
Actual obligation less expected obligation on pension scheme liabilities	622	2,462	2,704	(2,294)	149
Percentage of year end liabilities	1.9%	8.4%	9.1%	9.1%	0.7%
Net actuarial gain for the year	1,204	732	(763)	(4,947)	753
Net percentage actuarial Loss for the year	3.7%	9.0%	3.0%	19.6%	3.7%

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

	2011	2010
	£000	£000
Deficit on scheme at 1st August	(11,175)	(11,534)
Current service cost	(1,410)	(1,253)
Contributions	1,108	1,009
Past service cost and curtailment	-	2,055
Net interest / return on assets	(376)	(720)
Actuarial gain / (loss)	1,204	(732)
Deficit at 31st July	<u>(10,649)</u>	<u>(11,175)</u>

30. Pension schemes (Continued)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £1,204,000 (£1,331,000 as at 31st July 2010). The actual return on scheme assets in the year was £2,558,000 (£2,672,000 as at 31st July 2010). Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

The value of pension payments made in year to the Worcestershire County Council Pension Fund was £1,654,915.45 (£1,530,478.77 as at 31st July 2010) with £143,583.29 outstanding as a creditor at 31st July 2011 (£132,512.49 as at 31st July 2010).

	<u>2011</u>	<u>2010</u>
	£000	£000
Provision for pensions FRS 17		
At 1st August	11,175	11,534
movement in pension (Liability) / Asset	(526)	(359)
At 31st July	<u>10,649</u>	<u>11,175</u>

Teachers pension scheme (TPS)

A formal actuarial review of the TPS is undertaken by the Government Actuary not less than every four years. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. As from 1st January 2007, and as part of the cost sharing agreement, the contribution rate was assessed at 20.5% which translates to an employee contribution of 6.4% and an employer contribution of 14.1% payable. The cost-sharing agreement has also introduced effective for the first time for the 2008 valuation, a 14% cap on employer contributions payable.

Under the definitions set out in the Financial Reporting Standard 17 'Retirement Benefits' (FRS 17), the TPS is a multi-employer defined benefit pension scheme, the assets of which are held separately from those of the University in independently administered funds. As the University is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions are charged to the profit and loss account in the year to which they relate. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of anticipated contribution rates.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations	31st March 2008
Actuarial method	Projected unit method
Gross rate of return	6.50%
Real rate of return in excess of :	
Prices	3.50%
Earnings	2.00%
Rate of real earnings growth	1.50%
Market value of assets at the date of last valuation	£163,240m
Proportion of the member's accrued benefits covered by the actuarial value of the assets	98%
During the year all employers paid the same contribution rate;	14.00%
During the year all employees have paid the same contribution rate of	6.40%

30. Pension schemes (Continued)

The value of pension payments made in year to the Teachers Pension Scheme was £2,640,001.47 (£2,584,629.55 as at 31st July 2010) with £225,780.69 outstanding as a creditor at 31st July 2011 (£215,583.14 as at 31st July 2010).

Universities superannuation scheme (USS)

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

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

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

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

Latest actuarial valuations	31st March 2008	
	Past service liabilities	Future service liabilities
Rate of interest	4.40%	6.40%
Rate of increase in salaries	4.30%	4.30%
Rate of increase in pensions	3.30%	3.30%
Actuarial method	Projected unit method	
Market value of assets at the date of last valuation	£28,842.6m	
Value of past service liabilities	£28,135.3m	
Past service deficit	£707.3m	
Covered by the actuarial value of the assets	103%	
During the year all employers have paid the same contribution rate of	16%	
During the year all employees have paid the same contribution rate of	6.35%	

The formal triennial actuarial valuation is in progress, the valuation is expected to conclude in the first quarter of 2012. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The value of pension payments made in year to the Universities Superannuation Scheme was £243,680.88 (£195,845.94 as at 31st July 2010) with £21,291.17 outstanding as a creditor at 31st July 2011 (£16,289.36 as at 31st July 2010).

Added years benefits

In addition the University of Worcester is responsible for all payments relating to added years benefits it has awarded, together with the related increases. In 2010/11 this amounted to £120,923.64 (£123,801.52 as at 31st July 2010).

31. Access to learning fund

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

	<u>2011</u> £000	<u>2010</u> £000
Funding Council Grants	279	283
	<u>279</u>	<u>283</u>
Disbursements to Students	(279)	(283)
	<u> </u>	<u> </u>
Balance unspent at 31st July	<u> </u> <u> </u>	<u> </u> <u> </u>

32. Training salaries

	<u>2011</u> £000	<u>2010</u> £000
Funding	1,911	2,010
Disbursements to Students	(1,722)	(1,970)
	<u> </u>	<u> </u>
Balance unspent as at 31st July	<u> </u> <u> </u>	<u> </u> <u> </u>

Funding received from the Teacher Development Agency for Schools in respect of the PGCE Training Salaries is available solely for students; the University acts only as a paying agency. The funding and related disbursements are therefore excluded from the income and expenditure account.

33. Children's Workforce Development Agency

	<u>2011</u> £000	<u>2010</u> £000
Balance unspent as at 1st August	39	39
Funding	-	-
Disbursements	(39)	-
	<u> </u>	<u> </u>
Balance unspent as at 31st July	<u> </u> <u> </u>	<u> </u> <u> </u>

34. Aimhigher

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

	<u>2011</u>	<u>2010</u>
	£000	£000
Balance unspent as at 1st August	116	31
Funding	565	729
Disbursements to other institutions	(413)	(338)
Disbursements to University of Worcester	(211)	(306)
Funds repaid to HEFCE during the year	(29)	-
Balance unspent as at 31st July	<u>28</u>	<u>116</u>

35. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (with members drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest.

All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest. However there have been no material transactions with members of the board during the accounting year.

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that its subsidiary undertakings are wholly owned by the group.

HEFCE is the principal regulator of the Higher education institutions in England that are exempt charities, including the University of Worcester. The University has received a total of £22,942,903 during this financial period.

University of Worcester Students Union

In accordance with FRS 2, the activities of Worcester Students' Union have not been consolidated on the grounds that the University does not operate dominant influence over its activities. During the year, the University contributed grants of £870,000 to the Students' Union. In addition, the Students' Union occupies the building on a rent free basis under a licence agreement, subject to the Union maintaining the building in a good state of repair. A significant value of the grant, £550,000, was for the purpose of reconfiguration of facilities and upgrades to the building that is occupied. The President and Vice President (Education) occupy a position on the Board of Governors.