



**Report and Financial Statements
31st July 2012**

REPORT AND FINANCIAL STATEMENTS 2012

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Annual report and consolidated financial statements for year ended 31st July 2012**University of Worcester Directorate****Vice Chancellor and Chief Executive**

Professor David Green MA (Cantab.)

Deputy Vice Chancellor

Professor Rosalind Foskett MA PhD PGCE FHEA

University Secretary and Pro Vice Chancellor (Students)

Mr John Ryan BA M.Litt

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Internal

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Report and financial statements for year ended 31st July 2012**Members of the Board of Governors**

The members of the Board who were in office during the year and up to the date of signing the financial statements were:

Mr Julian Pallett	Independent (Chair)
Miss Helen Anglin	Student (retired 30th June 2012)
Dr Heather Barrett	Staff
Mr John Bateman OBE	Independent
Ms Maggie Blyth	Independent
Professor Michael Clarke CBE DL	Independent
Mrs Odette Fielding	Co-opted
Professor David Green	Vice Chancellor and Chief Executive
Mrs Anna Hooper	Independent
Mr Samuel Lewis	Student (retired 30th June 2012)
Professor Jim Low	Co-opted
Mr Mike Newitt	Independent (Joint Vice Chair)
Mr Zadvinder Padda	Independent
Mr Tim Patrickson	Independent
Mr Lee Probert	Independent
Dr. Jan Quallington	Staff
Mrs Julie Swan	Independent
Mr Kynton Swingle	Student (joined 1st July 2012)
Professor Tamar Thompson OBE	Independent (Joint Vice Chair)
Miss Sam Uppal	Student (joined 1st July 2012)
Mr Paul West	Independent

Operating and Financial Review

For the Year Ended: 31st July 2012

This statement covers the period 1st August 2011 up to 26th November 2012

SECTION 1: Strategies and Objectives

Last year's review referred to the emerging Strategic Plan, 2012-2017, the basis for which had been agreed at a special meeting of the Board of Governors in September 2011. The Board was aware that it was about to agree a Strategic Plan for the next five years against a background of unprecedented change in higher education. This meant that retaining scope for flexibility was an important consideration, but that it was equally important for the new Strategic Plan to re-state the University's enduring values that had underpinned the successful development of the University during the life of the two previous strategic plans. The final draft of the new Strategic Plan 2012-2017 was approved by the Board at its July 2012 meeting, and the published document will be launched during the University's graduation ceremonies that will be held in early November. It includes a powerful statement of the University's values:-

- Intellectual openness, honesty and love for learning;
- Human equality and dignity;
- Democracy and mutual respect;
- Educational and social inclusion;
- Environmental sustainability and social responsibility;
- Ethical and professional behaviour; and
- Active engagement and partnership.

These values continue to guide the University's priorities, vision and mission, finding expression in a culture of friendliness, creativity, imagination, dynamism, and effectiveness.

The University's mission is:-

- To be an outstanding University at which to be a student;
- To motivate and empower our students, graduates and staff to make a first rate contribution to society;
- To inspire our students to reach their full potential, through excellent, innovative teaching, scholarship and research;
- To foster and disseminate independent and distinctive scholarship and research, to achieve major, beneficial, social impact;
- To be an outstanding University at which to be a member of staff;
- To make a transformational contribution to the positive development of the cultural, social and economic life of the City of Worcester and wider region; and
- To stand out as a visionary and inclusive university that challenges and overcomes barriers to participation in higher education.

In adopting this mission, the Board of Governors recognises that the Higher Education (HE) environment has changed dramatically since the adoption of its previous strategic plan in 2007. State funding is being substantially withdrawn from universities in England and English higher education is growing ever more competitive. The situation has been created where highly regulated student number control is combined with much greater competition and uncertainty. At the same time, the broader economic and social context is making the role of universities in society even more important. The role of universities in the 21st century extends far beyond the contribution made to the economy. Universities make a crucial contribution to public benefit and play a transformational role in the lives of people through widening access and inspirational teaching and research. They enrich the social and cultural lives of the communities they serve and act as agents for regeneration, growth, social cohesion and inclusion.

These changes will require universities to articulate their purpose even more clearly, and to demonstrate their relevance and importance to individuals and organisations, including those who question their value. The University of Worcester recognises these challenges, and in order to respond, has developed a well-reasoned and institution-wide strategy that is based on a proper analysis of the context, and the opportunities it presents.

To respond to the new context and to meet these challenges the University is committed to:-

- even higher quality of education for the University's students;
- a sustained emphasis on the professionalism of the University's staff, which will be a strong theme in the University's distinctive offer;

- a new strategy to engender a culture of participation and active citizenship;
- a significant improvement in the quality and quantity of published scholarship and research;
- a renewed strategy for partnerships with educational, business, arts, cultural and public service organisations to fulfil the University's role as a key engine for opportunity, creativity, wealth creation, and improved public services;
- a revised financial strategy, with a greater emphasis on entrepreneurial and commercial activity, to assure the financial stability of the University, its independence and growth;
- the further development of a vibrant campus with high quality facilities at the City, St John's, Riverside and University Park;
- a new strategy for international work, providing opportunities for staff and students to engage on a global level, supported by high quality international partnerships;
- the further development of strategic work to consolidate the University's reputation as a good employer and to be perceived as an outstanding University at which to work; and
- a re-affirmation of the University's commitment to inclusive values and to equality and diversity.

The Strategic Plan 2012-2017 identifies a number of cross-cutting themes which will inform all of our activities and which together, will help us achieve our mission:-

- A professional university with inclusive values;
- A highly participative community;
- Purposeful engagement with the people of the region; and
- An international focus

The University's academic provision extends across a very broad base. It seeks to make an outstanding contribution in four areas, which it considers to be 'Areas of Distinction', building on existing expertise and bringing together educators and learners from subjects and disciplines across the University, to develop curricula and research that are cutting edge and transformative. These areas are:-

- Children and Young People;
- Human Health and Well Being;
- Arts, Culture and Heritage; and
- Economic, Social and Environmental Sustainability.

Through, securing the financial health of the University, making the most of the University's most important resource – the people who work here, further enhancing the University's reputation as a well governed and well led University, and investing purposefully in the University's facilities, ensuring that they are first rate, innovative, inclusive and fit for purpose, the University will realise the ambitious objectives and priorities in the new Strategic Plan, building on previous successes, ensuring that the University of Worcester remains a source of pride for students, staff, alumni, partners, and members of the community it seeks to serve.

SECTION 2: Public Benefit Statement

As a Higher Education Corporation, the University is listed as an exempt charity under the Charities Act 2011. 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, 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; and
- Carry out research and publish the results of research.

These also constitute the charitable objectives of the University.

Part of the University's mission is "to motivate and empower our students, graduates and staff to make a first rate contribution to society" and "to foster and disseminate independent and distinctive scholarship and research, to achieve major, beneficial, social impact". In its ambition to impact positively on society, the University aims to be an exemplar of how an institution of higher education can deliver outstanding public benefit, especially for the benefit of the community we serve.

The trustees identify a number of beneficiaries of the University's charitable activities: applicants (and potential applicants); its students; 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 the professional programmes; and members of the community who benefit from the University's public engagement activities.

An outstanding highlight of the period under review was the official opening of The Hive by Her Majesty the Queen on 11th July 2012. The opening represented the culmination of a unique partnership with Worcestershire County Council to create Britain's first University and Public Library, symbolising our commitment to work which benefits both students and the wider community. The Hive is key to the University's mission to be truly inclusive, and to make a transformational and lasting contribution to the cultural, social and economic life of the City of Worcester and wider region. It is already helping to realise the University's vision to provide educational opportunity and inclusion and within the first weeks of opening 5720 new members joined the public library compared to 500 in the same period in the previous year, an eleven fold increase. The opening of The Hive represents a further significant contribution to the urban regeneration of the St Clements area of the city, through the creation of a new cultural and learning quarter. This has been a long term project which has seen an effective working partnership between the University and the City and County Councils.

In January 2012 work began on a second major development which will serve the needs to University staff and students, as well as the community. The Worcester Arena will provide sport and teaching facilities and will be the first such facility outside Stoke Mandeville which has been purpose designed to meet the needs of wheelchair athletes. It is being built with the support of Sport England, and a number of other sporting bodies, including Wheelchair Basketball England. It is another example of the University's commitment to inclusion, and is consistent with the University's growing reputation as a centre of excellence in disability in sport. The Arena will open in February 2013. The Arena, and the new degree in Disability in Sport, will make a direct contribution to the 'Paralympic Legacy'. It is also another example of the University's commitment to assisting with urban regeneration – the Arena is being built on a previously derelict site, adjacent to the University's Riverside building which was opened in September 2011, housing specialist sports and dance teaching facilities, a lecture theatre and social learning space. Riverside occupies a former car showroom and the development has won an award from the Architect's Journal for 'retro-fit of the year' 2012.

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 qualifications, 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 values and mission.

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 January 2011 the University was able to report that it is exceeding or meeting most of its targets. The University wishes to support as much as it is able to students from low income backgrounds who may face financial barriers in their desire to enter higher education. In 2013/14 the University will offer National Scholarships in the form of a £3000 fee waiver for all full-time students in year one of relevant courses (pro-rata amount for part-time students) who meet the basis eligibility criterion – from a household whose residual income is £25,000 or less.

Our commitment to widening participation finds expression in:-

- an extensive outreach programme that includes specific partnerships with schools and colleges to raise aspiration and achievement and progression to higher education;
- a University-wide mentoring scheme that trains students to act as mentors to pupils in schools with a poor record of achievement and progression;
- a pre-entry advice and guidance 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 backgrounds 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;
- an Annual Children's Storytelling and Creativity Festival, now in its eighth year;
- a touring production, produced, directed and acted by Drama students, entitled 'Why Bother' which tours schools throughout the region and surrounding areas; and
- 'Learning through Sport', a programme run through the Institute of Sport and Exercise Sciences, works with primary schools that feed into local secondary schools with the lowest progression rates into higher education. The programme includes fun sporting activities to support children in Key Stage 2 Maths and English, and basketball coaching by members of the Worcester Wolves basketball team and undergraduate students.

Research and Knowledge Transfer

Part of the University's mission is "to foster and disseminate independent and distinctive scholarship, research and knowledge, to achieve major, beneficial, social impact." This is further developed in the University's Research and Knowledge Transfer Strategy which includes a definition of research. The definition includes:-

- "Knowledge transfer activity which generates new knowledge and understanding, technologies or methodologies that meet 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".

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

- The Association of Dementia Studies (ADS) has received funding for a number of projects focused on improving the care of dementia sufferers and ensuring that they live well:
 - a project funded by the National Institute of Health Research (NIHR) entitled 'A multi-site evaluation of the Person, Interactions and Environment (PIE) tool to improve care for people with dementia admitted to acute hospital wards';
 - a project entitled "ASSET: Adult Social Services Environments and Settings" working with Housing 21, a care provider, and the Housing Learning and Improvement Network, an organisation which promotes innovative new ideas in enhancing the housing choices for older people and supporting change in the delivery of housing and related care and support services;
 - The ADS team has been funded by the Department of Health to undertake work to develop the European Union's Dementia Strategy; and
 - The team has also been funded by the Alzheimer's Society to deliver the Focused Intervention for Training of Staff (FITS) programme to 150 care homes in the UK, as well as delivering training packages on dementia leadership and person-centred care to, among others, the South Central Strategic Health Authority, Herefordshire and Worcestershire NHS Trusts and Shropshire Partners in Care.
- The National Pollen and Aerobiology Research Unit (NPARU) is involved in a number of projects that are focused on improving our knowledge of air borne allergens and works closely with a range of partners developing and testing treatments and products with the aim of improving the quality of life of, among others, hay fever and asthma sufferers.
 - For example, NPARU is working with Aston University on a project investigating the effectiveness of artificial tear supplements and cold compresses for the treatment of seasonal allergic conjunctivitis.
- NPARU also engages in a range of work focused on the translation of research on crop improvement to food security.
 - For example, NPARU has been funded by the Horticultural Development Company for research focused on assessing specific crop disease detection systems.
- In the Institute of Health and Society, staff have undertaken work in conjunction with the Fatherhood Institute, funded by the Burdett Trust for Nursing, focused on assisting Health Visitors to engage with fathers as part of the Healthy Child initiative.

- Staff in the Psychological Sciences Unit of the Institute of Health and Society have undertaken work on behalf of NHS Education for Scotland looking at the needs of the workforce with regard to sexual health in NHS Scotland.
- Staff in the Institute of Science and Environment have undertaken river monitoring work with clear environmental benefits on behalf of the Institute of Water in the Republic of Slovenia.

Sustainability

The University seeks to promote principles of sustainability in its broadest sense: economic, social and environmental. Through our teaching, research and knowledge exchange activities, we promote sustainable communities, services, business and use of physical resources. In 2011/12, the University retained its First Class rating in the People and Planet's Green League Table and retained its EcoCampus Platinum status (we were the first in England to achieve such status). The Hive was afforded Outstanding BREEAM status, the first public building of its type to do so. The Hive also won first place in the PPP awards in the sustainability category. We have continued our participation in the Higher Education Academic project on Sustainability in Education and this has informed the review of the undergraduate curriculum which is reported on in Section 4. Despite the continuing growth in the University's physical estate, we achieved a 3% reduction in carbon emissions in 2011/12; and the Environment Committee has approved a Transport Policy which will be presented to the University Executive for formal approval and implementation in autumn 2012.

The University's Environmental Policy is available at <http://www.worc.ac.uk/discover/environmental-policy.html> and the University's Carbon Management Strategy is available at <http://www.worc.ac.uk/discover/energy.html>

Community Engagement

Reference has already been made to the University's commitment to ensure that its facilities impact positively and benefit the community (specifically The Hive and the Arena). A further example is the opening in 2011/12 of the medical history museum in the Charles Hastings Building, the former Worcester Royal Infirmary building. The museum is already being well used as 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 such an important part in the City's history. Emerging plans for the development of University Park include proposals for health and care, and business and enterprise, facilities that will serve the community and provide a range of opportunities for teaching and research.

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 relate 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 are of interest to the community. Reports are made on the number and nature of complaints received and the Forum has provided 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 arise. The University's security team is accredited by West Mercia Police which has increased their ability to respond to incidents on and around the University's campuses.

SECTION 3: Financial Management and Sustainability

The key objectives of the University's 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; and
- Achieves value for money in all its activities.

The University, in meeting the challenges under the new funding regime, will:

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

Results for the year

The 2011/12 financial statements confirm a healthy financial position and comprise the consolidated results of the University and its trading subsidiaries: UW Developments Limited (incorporating UW Wrenbridge LLP) and UW Enterprises Limited. UW Development Limited is the vehicle through which the University manages its capital development programme. The University through UW Developments Limited also has a 50% share in UW Wrenbridge LLP established with a development company, Wrenbridge Land, to develop 15 acres of land on University Park. UW Enterprises Limited 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 19.

The result for the year was a surplus of £5.511m after depreciation of assets at valuation and tax, compared to a surplus of £6.687m in 2010/11.

Total income increased by £3.811m (5.7%). Funding body grants decreased by £3.049m to £25.747 m (11.84%). Tuition fees and education contracts including the NHS contract income increased by £3.927m to £32.283m (13.8%).

Total expenditure increased by £4.881m to £65.200m (8.09%). Staff costs increased by £1.272m to £32.072m (4.1%) this reflects pay awards, increments and a modest increase in the number of full time equivalent staff. Other operating expenses increased by £3.055m to £26,314m (13.1%).

Balance Sheet

Tangible fixed assets have increased by £18.964m to £124.155m reflecting the major capital developments which have taken place in 2011/12. The total loan drawn down as at 31st July 2012 was £55m.

The pension liability with the Worcestershire County Council Pension Fund increased by £4.566m, reflecting an in year charge to the Income and Expenditure Account of £539k together with an actuarial loss of £4.027m.

Cash Flow

The consolidated cash flow statement shows investment in capital development of new and refurbished buildings amounted to cash expenditure of £17.520m.

SECTION 4: Academic Review

Following the University's acquisition of Research Degree Awarding Powers in 2010, all the University's research students are now registered for a University of Worcester award, and the accreditation agreement with Coventry University is now running out. The University has taken advantage of its new powers to develop professional doctorate and M.Res programmes which are being offered for the first time in 2012/13. The University recognises that these developments, and other measures to increase the number of students on postgraduate research programmes, are important in the further development of the University's research environment.

In last year's review, reference was made to the Quality Assurance Agency for Higher Education's audit of the institution in 2011, and to the action plan that had been put in place both to build on the 7 areas of good practice identified in the Report and the 3 advisable and 2 desirable recommendations to which the University was asked to respond. Excellent progress has been made in implementing the recommendations, and the Academic Board has overseen progress. The internal audit schedule for 2012/13 includes a piece of work to provide independent confirmation that progress has been made.

Although the leading indicators on recruitment for 2012/13 were good (at the end of June applications to the University through UCAS were -1.15% compared with a national decrease of 7.8%), in presenting the 2012/13 budget to the Board for approval in July an extremely prudent and conservative approach was taken and an increased contingency was included in the event of under-recruitment. The events of the summer period confirmed that this was the correct approach. The much increased number of institutions and courses in Clearing, the significant fall in the number of students seeking places through the Clearing process, less good A' level results, and other factors has resulted in around 55,000 fewer students entering higher education in 2012 than the previous year. This has inevitably impacted on the University, although the University's prudent approach to financial management means that the impact on the 2012/13 budget will be manageable.

Looking forward successful recruitment will be extremely important and the University is taking various measures to promote the attractiveness of its academic offer. These have included a fundamental review of the curriculum for BA and BSc courses that form part of the University's offer which has been completed and the new curriculum will be introduced in 2013. The new curriculum makes extensive use of year-long 30 credit modules, includes a strong emphasis on personal development and employability, and provides opportunities for single honours students to take electives in years one and two that will be inter-disciplinary. At the same time, the shape of the academic year has been reviewed so that the pattern of attendance better supports student learning, and provides opportunities for students to prepare for successful future learning and employment.

Reflecting the “outstanding” OFSTED rating of initial teacher training in the University’s Institute of Education, and the excellent employment records of teachers graduating from the University, the Training Agency awarded the University additional numbers on both the undergraduate and postgraduate courses in Primary Initial Teacher Education. The University was also successful in its application for one of eight contracts to lead a consortium to provide education and training for persons seeking Early Years Practitioner Status. An exciting new partnership with the National Childbirth Trust saw the appointment of the University as the Trust’s preferred partner, recognising the University’s expertise in neo-natal care and early years’ education. The focus of the partnership is through the University’s Institute of Health and Society whose provision in Nursing and Midwifery achieved the highest ratings in a recent NMC inspection.

A new Academic Tutoring Scheme was introduced in 2011/12, and all undergraduate students have an Academic Tutor whose role is to provide a focus for monitoring the student’s academic progress and to act as a first point of contact for a student to raise any concerns. This reflects the University’s commitment to providing excellent student support. The impact of the new arrangement is being evaluated.

The University is responding positively to the emphasis on student engagement and is working closely with the student body on this agenda. The Student Academic Representatives Scheme (StARs) has been developed further and a StARs accreditation scheme has been introduced. The Pro Vice Chancellor (Students) holds scheduled meetings with StARs, Institute representatives and staff who serve as StARs co-ordinators in the academic Institutes. The University is also working closely with the Students’ Union on the training of StARs so that they make an effective contribution to course committees, and the QA processes in which they play a very important part, including periodic review.

SECTION 5: Staff

Staff is the University’s most important resource. This is encapsulated in the objective in the Strategic Plan “to make the most of the University’s most important resource: the people who work here” and “to be an outstanding University at which to be a member of staff”. Through its remuneration and reward schemes, the University celebrates and rewards excellent individual and team performance. To ensure that mechanisms are in place to enable staff to achieve their full potential the University has in place a comprehensive range of policies on probation and mentoring, appraisal and staff development. The appraisal scheme has been reviewed to ensure that it places emphasis on the capabilities and behaviours that are required to support the success of the University in achieving its aims and objectives as set out in the Strategic Plan.

In last year’s review, reference was made to the University’s place alongside just two other universities as one of the “75 Best Places to Work in the Public Sector” in the Sunday Times/Best Companies survey. This is part of a wider survey to identify the 1,000 best places to work in the UK. In 2012 our overall score has improved and as previously we are just outside the top 1000 and we are identified as “One to Watch”.

The University has a Single Equalities Scheme and seeks to adopt best practice in diversity and equality matters. The Diversity and Equality Committee includes in its membership senior managers, governor representation, trades union representatives, elected staff members, staff with relevant professional expertise, and representatives of the LGBT, BEM and Disabled Staff Networks. The University has had Investor in People status since 1996 and has achieved the 2 ticks Disability status and is working towards Stonewall recognition as a champion of LGBT issues.

The University has a comprehensive staff development programme, co-ordinated by Personnel, but incorporating a number of key agents including the University’s Leadership Development team, Academic Development and Practice Unit, and the Graduate Research School. There is a strong culture of personal development and this is reflected at all levels of the institution. ‘Leadership’ at all levels is strongly emphasised, and this was an area where we scored most highly in the Sunday Times survey.

SECTION 6: Infrastructure and capital development programme

Reference has already been made to the opening of The Hive and the construction of the Arena. Following the opening of the Hive and the transfer there of the University’s Library stock, the Peirson Library has been refurbished as a Student Study and Advice Centre. This new facility incorporates extensive study and social learning space, new teaching facilities for Psychology, Digital Media, and Journalism, employability and learner development resources, and a student advisory service providing first point advice across a range of professional support services.

In November 2011, the Board of Governors approved a “Development and Estates Strategy, 2011-2021” The University continues to upgrade the quality of facilities at its St John’s campus and in summer 2012 a number of works were undertaken: refurbishment of the oldest of the University’s halls of residence; refurbishment of corridors and toilet facilities in Woodbury and Bredon, the two original buildings at St John’s; refurbishment of the Woodbury spurs previously occupied by the Worcestershire Archaeology Service to provide new staff office accommodation; refurbishment of the Conference Centre which is also used for teaching in semester time and the refurbishment of a Science Laboratory.

A master plan and planning application for University Park, a long term project to develop a 47 acre site one mile from the University's St John's campus, have been drawn up and outline planning permission granted for the development of the site. 27 acres of the site are developable, 15 of which will be developed in partnership with a development company, with experience of developing similar sites. This represents the first phase of the project which will include commercial and health related developments consistent with the University's academic vision for the site's overall development.

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; and
- 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 undertaken a review of its own effectiveness. The review used the Leadership Foundation/CUC Guidance on Reviewing the Effectiveness of Governing Bodies, concentrating on the two aspects, "The enablers of an effective Governing Body" and "Working Relationships of Boardroom Behaviour". The review was facilitated by the former Chief Executive of Worcestershire County Council who has a national profile and reputation in corporate governance in the public and third sectors, and who is attached to the University's Leadership Development team.

The questionnaire included in the Framework was issued to all members of the Board, including staff and student governors, and to senior University officers who interact with the Board, or one of its sub-committees. Only the facilitator of the process had access to completed questionnaires. Follow-up meetings were held with individual members of the Board. The process culminated in a report that was received by the Board and considered at a special meeting of the Board on 9th June 2012. The Report concluded that there is a genuine and shared commitment by both the Governing Body and the Executive to ensure effective governance. The Board identified a range of actions that will be taken forward including: a formalised mentoring arrangements for new members to support what was considered an effective induction; rotational membership of sub-committees with an initial two year appointment to a committee; the production of an accessible guide to the procedures in place for monitoring standards and for quality assurance and enhancement, and a review of the format of reports on standards and quality; greater emphasis on succession planning; a more codified approach to articulating the relationship between the information the Board received and its responsibility for performance monitoring; and the identification of further opportunities for governors to engage with staff and students, in addition to formal occasions and attendance at other University events.

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 HEFCE 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; and
- Financial statements are prepared on the going concern basis.

The Board has taken reasonable steps to:-

- Ensure that funds received from the HEFCE 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; and
- 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 4 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, and the University Secretary and Pro Vice Chancellor (Students)). 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 University Executive. The senior manager responsible for risk management is the University Secretary and Pro Vice Chancellor (Students). 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 Finance staff 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; and
- Regular reports from Executive Officers on the operation of its business.

Mr Julian Pallett
Chair of the Board of Governors

Professor David Green
Vice Chancellor

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF UNIVERSITY OF WORCESTER

We have audited the group and parent institution financial statements (the "financial statements") of University of Worcester for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Statement of Principal Accounting Policies 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 the Governing Body and auditors

As explained more fully in the Corporate Governance Statement 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 the institution's 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 Annual Report and Consolidated Financial Statements 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 2012 and of the consolidated 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 properly 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 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 Statement is inconsistent with our knowledge of the parent institution and group.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date:

Note:

- (a) 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date:

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 2012. 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 are accounted for on an accruals basis and 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. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and account.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained with the endowment in the balance sheet.

Maintenance of premises

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period incurred. The institution has planned maintenance programme, which is reviewed on an annual basis.

Interest and other finance costs

The University of Worcester recognises the costs associated with its long term borrowing in the year that they are incurred.

Pension schemes

The Institution contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers Pension Scheme (TPS). All the schemes are defined benefit schemes, which are externally funded and contracted out of the Second State Pension (S2P).

The assets of the USS and TPS are held in separate trustee-administered funds. Because of the nature of the schemes, the schemes assets are not hypothecated to individual institutions and scheme wide contribution rates are set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore as required by FRS 17 "Retirement benefits", accounts for the schemes as if they are defined contribution schemes. As a result, the amount charged to the income and expenditure accounts represents the contributions payable to the schemes in respect of the accounting period.

The Institution is able to identify its share of assets and liabilities of the LGPS and thus the Institution fully adopts FRS 17 "Retirement Benefits".

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 in addition to any irrecoverable VAT .

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

Where assets are financed by leasing agreements that give rise rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Depreciation on the relevant asset is charged to the Income and Expenditure account. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Investments

Current asset investments are included at the lower of cost and net realisable value.

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 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (Formerly 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 obligation (legal or constructive) 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.

Donations for Fixed Assets

Donations for Fixed Assets will be recognised in the first year of commissioning.

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.

Accounting for Research

Expenditure on pure and applied research is treated as a part of the continuing activities of the University.

Investments in subsidiaries and joint venture

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

Consolidated Income and Expenditure Account
For the Year Ended 31st July 2012

	<u>Note</u>	<u>2012</u> £000	<u>2011</u> £000
Income			
Funding body grants	1	25,747	28,796
Tuition fees and education contracts	2	32,283	28,356
Research grants and contracts	3	1,295	1,035
Other income	4	11,465	8,771
Endowment and investment income	5	81	48
Total Income		70,871	67,006
Less Share of income from joint venture		(54)	-
Net Income		70,817	67,006
Expenditure			
Staff costs	6	32,072	30,800
Other operating expenses	7	26,314	23,259
Depreciation and amortisation	11 + 12	3,332	3,282
Interest and other finance costs	8	3,482	2,978
Total Expenditure	9	65,200	60,319
Surplus after depreciation of tangible fixed assets at valuation and before tax		5,617	6,687
Share of operating loss in joint venture		(106)	-
Taxation	10	-	-
Surplus for the year retained within general reserves		5,511	6,687

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

Statement of Group total recognised gains and losses
For the Year Ended 31st July 2012

	<u>Note</u>	<u>2012</u> £000	<u>2011</u> £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		5,511	6,687
Endowment income retained in the year	15	(52)	53
Actuarial (loss) / gain in respect of Pension Scheme	29	(4,027)	1,204
Total recognised gain relating to the year		<u>1,432</u>	<u>7,944</u>

Statement of Group historical cost surpluses and deficits
For the Year Ended 31st July 2012

	<u>Note</u>	<u>2012</u> £000	<u>2011</u> £000
Surplus on continuing operations before taxation		5,511	6,687
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	181	181
Historical cost surplus for the year		<u>5,692</u>	<u>6,868</u>

Balance Sheets
As at 31st July 2012

	Note	Group <u>2012</u> £000	Group <u>2011</u> £000	University <u>2012</u> £000	University <u>2011</u> £000
Fixed assets					
Intangible assets	11	393	485	393	485
Tangible assets	12	124,155	105,190	128,260	110,175
Investments	13	215	-	24	20
Investments in joint venture:					
Share of gross assets	14	89	-	-	-
Share of gross liabilities	14	(195)	-	-	-
Total Fixed assets		124,657	105,675	128,677	110,680
Endowment assets	15	47	100	47	100
Current assets					
Stocks	16	3	1	3	1
Debtors	17	4,613	5,858	6,312	6,949
Investments		9,353	11,520	9,353	11,520
Cash at bank and in hand		966	1,487	617	978
Total Current assets		14,935	18,866	16,285	19,448
Current liabilities					
Creditors: amounts falling due within one year	18	(10,636)	(17,108)	(9,624)	(16,606)
Net Current assets / (liabilities)		4,299	1,758	6,661	2,842
Total assets less current liabilities		129,003	107,533	135,386	113,622
Creditors: amounts falling due after more than one year	19	(61,815)	(50,137)	(61,689)	(50,137)
Provisions for liabilities	20	(556)	(588)	(556)	(588)
Net assets excluding pension liability		66,632	56,808	73,140	62,897
Net Pension liability	29	(15,215)	(10,649)	(15,215)	(10,649)
Net assets including pension liability		51,417	46,159	57,925	52,248
Deferred capital grants	21	20,507	16,680	20,507	16,680
Endowment funds					
Permanent	15	47	100	47	100
Reserves					
Income and Expenditure account excluding Pension Reserve	22	33,398	27,167	39,906	33,256
Pension Reserve	22	(15,215)	(10,649)	(15,215)	(10,649)
Income and Expenditure account including Pension Reserve	22	18,183	16,518	24,691	22,607
Revaluation Reserve	23	12,680	12,861	12,680	12,861
Total funds		51,417	46,159	57,925	52,248

The financial statements on pages 19 to 43 were approved by the Board of Governors on 26th November 2012 and signed on their behalf by:

Mr Julian Pallett
Chair of Governors
University of Worcester

Professor David Green
Vice Chancellor and Chief Executive
University of Worcester

Consolidated cash flow statement
For the Year Ended 31st July 2012

	<u>Note</u>	<u>2012</u> £000	<u>2011</u> £000
Net cashflow from operating activities	26	6,409	7,495
Returns on investment and servicing of finance	27	(3,093)	(2,554)
Capital expenditure	27	(17,520)	(6,450)
Management of liquid resources	27	2,005	889
Financing	27	11,678	73
(Decrease) in cash in the year		<u>(521)</u>	<u>(547)</u>

Reconciliation of net cash flow to movement in net debt
For the Year Ended 31st July 2012

	<u>Note</u>	<u>2012</u> £000	<u>2011</u> £000
Increase / (Decrease) in cash in the year		(521)	(547)
Management of liquid resources	27	(2,005)	(889)
Cashflow from financing	27	(11,678)	(73)
Change represented by cashflows		<u>(14,204)</u>	<u>(1,509)</u>
Change in Net Debt		<u>(14,204)</u>	<u>(1,509)</u>
Net Debt at 1st August		(37,031)	(35,522)
Net Debt at 31st July		<u>(51,235)</u>	<u>(37,031)</u>

Notes to the financial statements
Year ended 31st July 2012

1. Funding body grants

	HEFCE	TA	Total	Total
	£000	£000	2012	2011
			£000	£000
Recurrent	18,887	3,769	22,656	24,116
Specific Grants:				
LLN Development Funding	26	-	26	578
Higher Education Innovation Fund	-	-	-	413
JISC	40	-	40	60
Fellowship Monies	3	-	3	5
Access to Learning fund administration	7	-	7	7
ECIF Graduate Internships	-	-	-	84
AIM Higher	82	-	82	222
Matched Funding Charity Giving	-	-	-	124
Student Associate Scheme	-	-	-	102
Graduate Teacher Programme	-	1,250	1,250	963
TA Projects	-	614	614	756
Training Salary Admin Fee	-	15	15	38
Deferred Capital Grants released:				
Buildings (Note 21)	657	-	657	595
Equipment (Note 21)	397	-	397	733
	<u>20,099</u>	<u>5,648</u>	<u>25,747</u>	<u>28,796</u>

2. Tuition fees and education contracts

	2012	2011
	£000	£000
Full Time students (Home and EU) fees	21,838	18,282
Full Time students (Overseas) fees	1,826	1,801
Part Time fees	1,541	1,423
Short course fees	742	426
Other fees	224	254
Contract Income Strategic Health Authority	6,112	6,170
	<u>32,283</u>	<u>28,356</u>

3. Research grants and contracts

	2012	2011
	£000	£000
Research Councils	21	2
UK Industry	25	22
UK Government	799	595
UK Based Charities	262	147
Other Grants & Contracts	188	269
	<u>1,295</u>	<u>1,035</u>

4. Other income

	<u>2012</u> £000	<u>2011</u> £000
Residences, catering and conferences	5,892	5,231
Other services rendered	251	243
Release of other deferred capital grants	189	294
Other income	5,133	3,003
	<u>11,465</u>	<u>8,771</u>

5. Endowment and investment income

	<u>2012</u> £000	<u>2011</u> £000
Income from short term investments	<u>81</u>	<u>48</u>

6. Staff costs

	<u>Group</u>	
	<u>2012</u> £000	<u>2011</u> £000
Salaries	26,508	25,478
Social Security Costs	2,104	1,981
Other Pension Costs	3,460	3,341
	<u>32,072</u>	<u>30,800</u>

Emoluments of the Vice Chancellor:

	<u>2012</u> £000	<u>2011</u> £000
Salary	241	225
Pension contributions	16	32
Total emoluments	<u>257</u>	<u>257</u>

The University's Employer's pension contributions for the Vice Chancellor to the Teachers' Pension Scheme (TPS) were paid at the same percentage rate as for other academic staff until 31st January 2012. These amounted to £15,856 (compared to the 2011 full year - £31,691). From 1st February 2012, it was agreed that the Vice Chancellor would make his own pension arrangements but that the University would continue to make a payment equivalent to the payment that would have been made as an Employers' contribution to the TPS. This amount, which was paid at the same percentage rate as for other academic staff, was included in the salary payment, which is reported here and amounted to £15,743. The Board of Governors' have agreed that this arrangement will continue for the duration of Professor David Green's employment as Vice Chancellor.

6. Staff costs (Continued)

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

	<u>2012</u>	<u>2011</u>
	fte	fte
Academic Departments	401	384
Academic Services	61	64
Administrative and central services	194	185
Premises	67	67
Research	30	25
Residences, catering and conferences	28	23
	<u>781</u>	<u>748</u>

Governors are entitled to reimbursement of travel expenses however nothing was claimed during 2011/12 (£121 in 2010/11).

Emoluments of higher paid staff:	<u>2012</u>	<u>2011</u>
£130,001-£140,000	3	3
£250,001-£260,000	1	1

7. Other operating expenses

	Group	
	<u>2012</u>	<u>2011</u>
	£000	£000
Residences, catering and conferences	1,069	939
Consumables and laboratory expenditure	634	475
Books and periodicals	593	539
Heat, light, water and power	1,015	1,051
Repairs and general maintenance	2,675	2,589
Grants to UW Students' Union	331	870
Auditors remuneration:		
External	40	34
Internal	40	45
Non-Audit Services	6	7
Property operating leases	573	567
Equipment operating leases	117	117
Payments to Partner Colleges	4,342	4,038
Student Bursaries	4,369	3,700
Other expenses	10,510	8,288
	<u>26,314</u>	<u>23,259</u>
	<u>2012</u>	<u>2011</u>
	£000	£000
Auditors' remuneration includes:		
Auditors' remuneration:		
Financial statements audit	40	34
Internal audit	40	45
Auditors' remuneration in respect of non audit services includes:		
Additional PFI / loan covenant work	6	6
Football foundation Grant audit	-	1

8. Interest and other finance costs

	<u>2012</u> £000	<u>2011</u> £000
Loans not wholly repayable within 5 years	2,719	2,602
Lease Finance Costs	280	-
Pension Interest (Note 28)	308	376
Loan Arrangement Fee	175	-
	<u>3,482</u>	<u>2,978</u>

9. Analysis of expenditure by activity

	Staff Costs	Other Expenses	Depreciation and Amortisation	Interest and other finance costs	<u>2012</u> Total
	£000	£000	£000	£000	£000
Academic Departments	19,547	3,585	333	-	23,465
Academic Services	2,053	1,955	146	280	4,434
Administrative and central services	7,116	14,636	2,591	3,202	27,545
Premises	2,095	4,359	224	-	6,678
Research	1,028	332	10	-	1,370
Residences, catering and conferences	233	1,447	28	-	1,708
	<u>32,072</u>	<u>26,314</u>	<u>3,332</u>	<u>3,482</u>	<u>65,200</u>

	<u>2012</u> £000	<u>2011</u> £000
The depreciation and amortisation charge has been made up of:		
Deferred capital grants released (Note 21)	1,243	1,622
Revaluation reserve released (Note 23)	181	181
General revenue	1,908	1,479
	<u>3,332</u>	<u>3,282</u>

10. Taxation

The Group was not liable for any corporation tax arising out of its activities during the period of these financial statements.

11. Intangible assets

	<u>Group & University</u>
	£000
At 1st August 2011	
Cost	710
Additions at cost	130
At 31st July 2012	<u>840</u>
Accumulated amortisation	
At 1st August 2011	225
Charge for year	222
At 31st July 2012	<u>447</u>
Net Book Value	
At 31st July 2012	<u><u>393</u></u>
At 31st July 2011	<u>485</u>

12. Tangible assets – Group

	Freehold Land and Buildings	Equipment	Assets under course of construction	Total <u>2012</u> £000	Total <u>2011</u> £000
	£000	£000	£000	£000	£000
Cost or valuation at 1st August	109,976	14,146	500	124,622	117,469
Additions at cost	17,247	627	5,860	23,734	8,956
Disposals at cost	-	(643)	-	(643)	(1,803)
Impairment	(1,633)	-	-	(1,633)	
At 31st July	<u>125,590</u>	<u>14,130</u>	<u>6,360</u>	<u>146,080</u>	<u>124,622</u>
Accumulated depreciation					
At 1st August	10,306	9,126	-	19,432	17,897
Charge for year	1,982	1,131	-	3,113	3,136
Depreciation on disposals	-	(619)	-	(619)	(1,601)
At 31st July	<u>12,288</u>	<u>9,638</u>	<u>-</u>	<u>21,926</u>	<u>19,432</u>
Net Book Value					
At 31st July	<u>113,302</u>	<u>4,492</u>	<u>6,360</u>	<u>124,155</u>	<u>105,190</u>
Previous Year	<u>99,670</u>	<u>5,020</u>	<u>500</u>	<u>105,190</u>	<u>99,572</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 £11,586,811.

As at 31st July 2012 the University had signed a contract to purchase land at Hylton Road valued at £1,330,000.

Land held for re-sale:

Sale of land at University Park, due for completion in November 2012

Sale of land	£477,000
Cost to the University	£116,000
Anticipated gain on disposal	<u>£361,000</u>

12. Tangible assets – University

	Freehold Land and Buildings	Equipment	Assets under course of construction	Total <u>2012</u> £000	Total <u>2011</u> £000
	£000	£000	£000		
Cost or valuation at 1st August	114,551	14,146	910	129,607	120,243
Additions at cost	17,517	627	4,711	22,855	11,268
Disposals at cost	-	(643)	-	(643)	(1,904)
Impairment	(1,633)	-	-	(1,633)	
At 31st July	<u>130,435</u>	<u>14,130</u>	<u>5,621</u>	<u>150,186</u>	<u>129,607</u>
Accumulated depreciation					
At 1st August	10,306	9,126	-	19,432	17,897
Charge for year	1,982	1,131	-	3,113	3,136
Depreciation on disposals		(619)	-	(619)	(1,601)
At 31st July	<u>12,288</u>	<u>9,638</u>	<u>-</u>	<u>21,926</u>	<u>19,432</u>
Net Book Value					
At 31st July	<u>118,147</u>	<u>4,492</u>	<u>5,621</u>	<u>128,260</u>	<u>110,175</u>
Previous Year	<u>104,245</u>	<u>5,020</u>	<u>910</u>	<u>110,175</u>	<u>102,346</u>

13. Fixed asset investments

	<u>Group</u>		<u>University</u>	
	<u>2012</u> £000	<u>2011</u> £000	<u>2012</u> £000	<u>2011</u> £000
Investments in subsidiary companies	-	-	20	20
Investments in LLP	215	-	4	-
	<u>215</u>	<u>-</u>	<u>24</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 University also has a 50% interest in a joint venture company UW Wrenbridge LLP through developing an area of land at University Park. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

14. Investment in joint Venture

The University holds a 50% share of UW Wrenbridge LLP. The Joint Venture is incorporated in Great Britain, registered company number OC 364585 at the registered address, Henwick Grove, Worcester. It is owned equally by the University and Wrenbridge Land LLP. The arrangement is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the institution and 50% of its net income is reported in the University's consolidated income and expenditure account.

	Year ended 31st July 2012	
	£000	£000
Income and Expenditure account		
Income	<u>(54)</u>	
Deficit before tax	<u>(106)</u>	
Balance Sheet		
Currents assets	<u>89</u>	
Liabilities: due within one year	(73)	89
Liabilities: due after more than one year	<u>(122)</u>	
		(195)
Share of net assets		<u>(106)</u>

15. Endowment assets

	Group and University			
	Unrestricted Permanent £000	Restricted Expendable £000	2012 Total £000	2011 Total £000
Balance at 1st August				
Capital	35	65	100	47
New endowments	1	225	226	134
Expenditure	(1)	(278)	(279)	(81)
At 31st July	<u>35</u>	<u>12</u>	<u>47</u>	<u>100</u>
Represented by:				
Capital	35	12	47	100
	<u>35</u>	<u>12</u>	<u>47</u>	<u>100</u>

16. Stocks

	<u>Group</u>		<u>University</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£000	£000	£000	£000
Stocks	<u>3</u>	<u>1</u>	<u>3</u>	<u>1</u>

17. Debtors

	<u>Group</u>		<u>University</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£000	£000	£000	£000
Trade Debtors	4,031	5,411	4,156	5,726
Amounts owed by group undertakings:				
Subsidiary undertakings	234	-	1,807	776
Prepayments	348	447	348	447
	<u>4,613</u>	<u>5,858</u>	<u>6,311</u>	<u>6,949</u>

18. Creditors amounts falling due within one year

	<u>Group</u>		<u>University</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£000	£000	£000	£000
Payments received on account	295	253	295	253
Trade Creditors	2,874	2,569	1,339	2,569
Amounts owed to group undertakings:				
Subsidiary undertakings	118	-	383	90
Finance lease	84	-	84	-
Tax and Social Security	1,139	1,098	1,139	1,098
Accruals and deferred income	3,979	4,238	4,237	3,645
Other Creditors	196	8,935	196	8,936
Loan	1,951	15	1,951	15
	<u>10,636</u>	<u>17,108</u>	<u>9,624</u>	<u>16,606</u>

19. Creditors amounts falling due after more than one year

	Group		University	
	<u>2012</u> £000	<u>2011</u> £000	<u>2012</u> £000	<u>2011</u> £000
Bank Loan	57,713	50,000	57,588	50,000
Salix Loan	149	137	149	137
Finance lease	3,953	-	3,953	-
	<u>61,815</u>	<u>50,137</u>	<u>61,689</u>	<u>50,137</u>

Analysis of loan repayments

	2012		2011	
	£000	£000	£000	£000
Due within one year	1,951	15	1,951	15
Between one and two years	2,053	1,265	2,053	1,265
Between two and five years	8,525	3,772	8,525	3,772
After five years	47,298	45,100	47,284	45,100
	<u>59,827</u>	<u>50,152</u>	<u>59,813</u>	<u>50,152</u>

Analysis of finance lease repayments

	2012		2011	
	£000	£000	£000	£000
Within one year	367	-	367	-
In more than one year, but not more than five year	1,464	-	1,464	-
After five years	6,525	-	6,525	-
Total gross payments	<u>8,356</u>	-	<u>8,356</u>	-
Less finance charges included above	<u>(4,320)</u>	-	<u>(4,320)</u>	-
	<u>4,036</u>	-	<u>4,036</u>	-

The University has a loan facility with Barclays Bank of £80 million for capital development works, of which £55 million has been drawn down to date. The University has not yet exercised rights on the remaining £25 million. Of the loan drawn down to date the £50 million is at a fixed interest rate of 4.952%, the £5 million is at LIBOR. The first repayment date for the £55 million is 31st October 2012. The repayment schedule of £55 million facility includes a bullet payment of £12.5 million payable on 31st July 2042. The Salix loan of £173k is granted by HEFCE in pursuance of the Universities sustainability agenda.

The University has a 25 year finance lease in respect of the new joint library with Worcestershire County Council.

The finance lease liability relates to the University share of the new library facility, The Hive, opened in July 2012. The Hive has been developed through a partnership between the University of Worcester (UoW) and Worcestershire County Council (WCC) and has been financed through a Private Finance Initiative (PFI). The project partnership is for the provision of a fully integrated public and University library. The PFI agreement is between the contractor, Galiford Try Investments Ltd and WCC for the construction and provision of a new library. During the life of the contract the annual unitary payment value is £4.650m, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. A stakeholder agreement exists between WCC and UoW for the 25 year term of the development project. The partners are committed to the project in the share WCC 70% and UoW 30% and the cost is reflected in these proportions after PFI credits have been applied. The value on the balance sheet of £13.637m relates to a 30% share of the total building value. The finance lease cost represents the UoW obligation to the project for the building element of the agreement plus any allocated depreciation for the period.

20. Provisions for liabilities and charges

	Group and University		
	Pension Provision	VAT Provision	Total
	£000	£000	£000
At 1st August 2011	508	80	588
Arising during the year	32	-	32
Utilised during the year	(44)	(20)	(64)
At 31st July 2012	<u>496</u>	<u>60</u>	<u>556</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.

The VAT provision relates to the Capital Goods Scheme in respect of the Motion Performance Centre.

21. Deferred capital grants

	Group and University			
	HEFCE £000	AWM £000	Other £000	Total £000
At 1st August 2011				
Buildings	10,913	3,358	258	14,529
Equipment	1,744	363	44	2,151
Total	<u>12,657</u>	<u>3,721</u>	<u>302</u>	<u>16,680</u>
Cash Received				
Buildings	3,768	-	1,188	4,956
Equipment	99	-	15	114
Total	<u>3,867</u>	<u>-</u>	<u>1,203</u>	<u>5,070</u>
Released to income and expenditure				
Buildings	657	74	24	755
Equipment	397	60	31	488
Total	<u>1,054</u>	<u>134</u>	<u>55</u>	<u>1,243</u>
At 31st July 2012				
Buildings	14,024	3,284	1,422	18,730
Equipment	1,446	303	28	1,777
Total	<u>15,470</u>	<u>3,587</u>	<u>1,450</u>	<u>20,507</u>

22. Income and Expenditure account

	Group		University	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£000	£000	£000	£000
At 1st August	16,518	8,446	22,607	14,196
Surplus for the year	5,511	6,687	5,929	7,026
Transfer from Revaluation Reserve	181	181	181	181
Actuarial (loss) / gain	(4,027)	1,204	(4,027)	1,204
	<u>18,183</u>	<u>16,518</u>	<u>24,691</u>	<u>22,607</u>
At 31st July	<u>18,183</u>	<u>16,518</u>	<u>24,691</u>	<u>22,607</u>
Represented by:				
Pension Reserve	(15,215)	(10,649)	(15,215)	(10,649)
Income and Expenditure account excluding Pension Reserve	33,398	27,167	39,906	33,256
	<u>18,183</u>	<u>16,518</u>	<u>24,691</u>	<u>22,607</u>

23. Revaluation Reserve

	Group and University	
	<u>2012</u>	<u>2011</u>
	£000	£000
Opening balance at 1st August	12,861	13,042
Released in year	(181)	(181)
	<u>12,680</u>	<u>12,861</u>
Closing balance at 31 July	<u>12,680</u>	<u>12,861</u>

24. Lease obligations

	Group and University	
	<u>2012</u>	<u>2011</u>
	£000	£000
Operating lease commitments in respect of equipment for the financial year on leases expiring:		
Within one year	47	119
Between two and five years	13	59
	<u>60</u>	<u>178</u>
Operating lease commitments in respect of buildings for the financial year on leases expiring:		
Within one year	549	590
Between two and five years	1,674	1,677
	<u>2,223</u>	<u>2,267</u>
	<u>2,283</u>	<u>2,445</u>

25. Capital commitments

	Group	
	<u>2012</u>	<u>2011</u>
	£000	£000
University:		
Additional City Campus Works	-	7
AV Equipment	52	237
Facilities Management Software	-	10
Library Equipment	-	4
Pierson Library - Building works	1,614	-
Riverside fit out	-	32
SITS Software	-	4
Student card system	-	158
University Park - Infrastructure	156	-
UW Developments Limited:		
University Park	107	162
Indoor Sports Arena	5,882	270
	<u>7,811</u>	<u>884</u>

26. Reconciliation of operating surplus to operating cash flows

	Group	
	<u>2012</u>	<u>2011</u>
	£000	£000
Surplus on continuing operations after depreciation of assets but before tax	5,617	6,687
Depreciation and amortisation	3,332	3,282
Deferred Capital Grants released to income (note 21)	(1,243)	(1,622)
Investment Income (Note 5)	(81)	(48)
Interest payable (Note 8)	3,174	2,602
Decrease / (Increase) in stocks	(2)	5
Increase in debtors	1,245	(1,851)
(Decrease) / Increase in creditors	(6,140)	(2,554)
Loss on disposal of fixed assets	-	198
Increase in provisions	(32)	118
Pension cost less contributions payable	539	678
Net cashflow from operating activities	<u>6,409</u>	<u>7,495</u>

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

	Group	
	2012	2011
	£000	£000
Returns on Investments and Servicing of finance		
Income from short term investments	81	48
Interest paid	(3,174)	(2,602)
	<u> </u>	<u> </u>
Net cash outflow from returns on investment and servicing of finance	<u><u>(3,093)</u></u>	<u><u>(2,554)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(22,537)	(9,450)
Deferred Capital Grants received	5,070	2,947
Utilisation of Endowment Fund balances	(279)	(81)
Endowments received	226	134
	<u> </u>	<u> </u>
Net cash outflow from Capital expenditure	<u><u>(17,520)</u></u>	<u><u>(6,450)</u></u>
Net cashflow from management of liquid resources		
Investment in joint venture	(215)	-
Cash transferred from term deposits	2,220	889
	<u> </u>	<u> </u>
	<u><u>2,005</u></u>	<u><u>889</u></u>
Financing		
Mortgage and loan capital increase	11,678	73
	<u> </u>	<u> </u>
Net cash inflow from financing	<u><u>11,678</u></u>	<u><u>73</u></u>

28. Analysis of changes in net debt

	As at 1st August 2011	Cash- flows	Non- Cash	At 31st July 2012
	£000	£000	£000	£000
Endowment Assets	15 100	226	(279)	47
Cash in hand and at bank	1,487	(521)	-	966
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,587	(295)	(279)	1,013
Short term investments	11,519	(1,952)	-	9,567
Debts due within one year	-	-	-	-
Debts due after one year	19 (50,137)	(11,678)	-	(61,815)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u><u>(37,031)</u></u>	<u><u>(13,925)</u></u>	<u><u>(279)</u></u>	<u><u>(51,235)</u></u>

29. 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 14.8% from April 2012. The contribution payable by the employer will increase to 15.5% from 1st April 2013.

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 2012.

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 2010 and updated to 31st March 2014 on a FRS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2012	2011
Rate of RPI inflation	-	3.40%
Rate of CPI inflation	2.10%	2.90%
Rate of increase in salaries	3.60%	4.40%
Rate of increase in pensions	2.10%	2.90%
Discount Rate	4.30%	5.30%

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:

	As at 31st July 2012	As at 31st July 2011
Males		
Pensioner	22.4	22.0
Non-pensioner	24.2	23.4
Females		
Pensioner	24.9	24.5
Non-pensioner	26.9	26.1

29. Pension schemes (Continued)

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

	Long term rate of return expected at 31st July 2012	Value at 31st July 2012	Long term rate of return expected at 31st July 2011	Value at 31st July 2011
	%	£000	%	£000
Equities	7.00	20,702	7.00	20,363
Government Bonds	2.50	708	3.90	598
Other Bonds	3.40	983	4.90	775
Cash/Liquidity	0.50	457	0.50	398
		<u>22,850</u>		<u>22,134</u>

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 31st July 2012 this yield was 2.5% 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 31st July 2012 the expected return of 3.4% p.a. is calculated as the relevant yield of 3.9% p.a. on iBoxx corporate bonds of over 15 years duration less an allowance for the risk of default of 0.5% p.a.

It is generally accepted that 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. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average. However, the level of equity risk premium can vary from time to time dependant on market levels and expectations for future returns. The overall expected return on equities as at 31st July 2012 is 7% p.a., implying an "equity risk premium" on equities of 4.5% p.a. over and above the gilt yield of 2.5% p.a. The expectation on average property returns is to be about 1% p.a. below long term average equity returns.

Reconciliation of fair value of assets

	2012	2011	2010
	£000	£000	£000
Fair Value of assets at beginning of period	22,134	17,980	14,131
Expected return on assets	1,471	1,265	942
Actuarial (losses) / gains on assets	(2,106)	1,826	1,730
Employer Contributions	1,247	1,108	1,009
Member Contributions	574	544	526
Benefits/transfers	(470)	(589)	(358)
Fair Value of assets at end of year	<u>22,850</u>	<u>22,134</u>	<u>17,980</u>

Reconciliation of present value of scheme liabilities

	2012	2011	2010
	£000	£000	£000
Benefit Obligation at beginning of year	32,783	29,155	25,665
Current Service Cost	1,429	1,410	1,253
Interest on Pension Liabilities	1,779	1,641	1,662
Member Contributions	574	544	526
Past Service Costs	-	-	(2,063)
Actuarial losses / (gains) on liabilities	1,921	622	2,462
Curtailments	49	-	8
Benefits/transfers paid	(470)	(589)	(358)
benefit obligation at end of year	<u>38,065</u>	<u>32,783</u>	<u>29,155</u>

29. Pension schemes (Continued)

The following amounts at 31st July 2012 were measured in accordance with the requirements of FRS 17:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	£000	£000	£000	£000	£000
Total market value of assets	22,850	22,134	17,980	14,131	13,906
Present value of scheme liabilities	(38,065)	(32,783)	(29,155)	(25,665)	(25,179)
Deficit – Net pension liability	<u>(15,215)</u>	<u>(10,649)</u>	<u>(11,175)</u>	<u>(11,534)</u>	<u>(11,273)</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	(2,106)	1,826	1,730	(1,941)	(2,653)
Percentage of year end assets	9.2%	8.2%	9.6%	13.7%	19.1%
Actual obligation less expected obligation on pension scheme liabilities	1,921	622	2,462	2,704	(2,294)
Percentage of year end liabilities	5.0%	1.9%	8.4%	5.7%	9.1%
Net actuarial (loss) / gain for the year	(4,027)	1,204	(732)	(763)	(4,947)
Net percentage actuarial (loss) / gain for the year	(10.6%)	3.7%	(2.5%)	(3.0%)	(19.6%)

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Deficit on scheme at 1st August	(10,649)	(11,175)
Current service cost	(1,429)	(1,410)
Contributions	1,247	1,108
Past service cost and curtailment	(49)	-
Net interest / return on assets	(308)	(376)
Actuarial (loss) / gain	<u>(4,027)</u>	<u>1,204</u>
Deficit at 31st July	<u>(15,215)</u>	<u>(10,649)</u>

The amount of actuarial loss recognised in the statement of total recognised gains and losses is (£4,027,000) (actuarial gain £1,204,000 as at 31st July 2011). The actual return on scheme assets in the year was (£635,000) (£2,558,000 as at 31st July 2011). Defined benefit scheme assets do not include any of the University's own financial instruments, or any property occupied by the University.

29. Pension schemes (Continued)

The value of pension payments made in year to the Worcestershire County Council Pension Fund was £1,801,531 (£1,654,915 as at 31st July 2011) with £153,893 outstanding as a creditor at 31st July 2012 (£143,583 as at 31st July 2011). Anticipated contributions for 2012/13 will be £1,938,229.

	<u>2012</u>	<u>2011</u>
	£000	£000
Provision for pensions FRS 17		
At 1st August	10,649	11,175
Movement in pension Asset / (Liability)	4,566	(526)
At 31st July	<u>15,215</u>	<u>10,649</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 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%

The value of pension payments made in year to the Teachers Pension Scheme was £2,788,753 (£2,640,001 as at 31st July 2011) with £240,690 outstanding as a creditor at 31st July 2012 (£225,780 as at 31st July 2011).

29. Pension schemes (Continued)

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 2011	
	Past service liabilities	Future service liabilities
Rate of interest	6.10%	6.10%
Rate of increase in salaries	4.40%	4.40%
Rate of increase in pensions	3.40%	3.40%
Actuarial method	Projected unit method	
Market value of assets at the date of last valuation	£32,433.5m	
Value of past service liabilities	£35,343.7m	
Past service shortfall	£2,910.2m	
Covered by the actuarial value of the assets	92%	
During the year all employers have paid the same contribution rate of	16%	
From 1/8/2011 to 30/9/2011 all employees paid the same contribution rate of	6.35%	
From 1/10/2011 to 31/7/2011 all employees paid the same contribution rate of	7.50%	

The latest triennial actuarial valuation of the scheme was at 31 March 2011. As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. 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 £296,587 (£243,680 as at 31st July 2011) with £25,313 outstanding as a creditor at 31st July 2012 (£21,291 as at 31st July 2011).

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 2011/12 this amounted to £113,359 (£120,923 as at 31st July 2011).

30. 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>2012</u> £000	<u>2011</u> £000
Funding Council Grants	280	279
	<u>280</u>	<u>279</u>
Disbursements to Students	(280)	(279)
	<u> </u>	<u> </u>
Balance unspent at 31st July	<u> </u> <u> </u>	<u> </u> <u> </u>

31. Training salaries

	<u>2012</u> £000	<u>2011</u> £000
Funding	664	1,911
Disbursements to Students	(595)	(1,722)
	<u> </u>	<u> </u>
Balance unspent as at 31st July	<u> </u> <u> </u>	<u> </u> <u> </u>

Funding received from the Teaching 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.

32. Children's Workforce Development Agency

	<u>2012</u> £000	<u>2011</u> £000
Balance unspent as at 1st August	-	39
Funding	-	-
Disbursements	-	(39)
	<u> </u>	<u> </u>
Balance unspent as at 31st July	<u> </u> <u> </u>	<u> </u> <u> </u>

33. AIM Higher

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

	<u>2012</u> £000	<u>2011</u> £000
Balance unspent as at 1st August	28	116
Funding	-	565
Disbursements to other institutions	-	(413)
Disbursements to University of Worcester	(26)	(211)
Funds repaid to HEFCE during the year	(2)	(29)
Balance unspent as at 31st July	<u>-</u>	<u>28</u>

34. 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 FRS 8, '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 £20,160,578 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 £331,000 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. The President and Vice President (Education) occupy a position on the Board of Governors.