



# **REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31<sup>st</sup> July 2017**



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**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31<sup>st</sup> JULY 2017**

**UNIVERSITY OF WORCESTER DIRECTORATE AND PROFESSIONAL ADVISERS**

**Vice Chancellor and Chief Executive**

Professor David Green MA (Cantab.)

**Deputy Vice Chancellor and Deputy Chief Executive**

Professor Sarah Greer

**Independent Auditors**

**External**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
19 Cornwall Street  
Birmingham  
B3 2DT

**Internal**

Ernst & Young Global Limited  
1 Colmore Square  
Birmingham  
B4 6HQ

**Bankers**

Lloyds Bank  
125 Colmore Row  
Birmingham  
B3 3SF

Barclays Bank PLC  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GB

**Insurance Brokers**

Henderson Insurance Brokers Limited  
No 1 Whitehall Riverside  
Leeds  
West Yorkshire  
LS1 4BN

**REPORT AND FINANCIAL STATEMENTS 2017****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 John Bateman OBE	Independent
Professor Gloria Agyemang	Co-opted (from 1 <sup>st</sup> January 2017)
Mr Carl Arntzen	Independent
Mrs Michelle Chamberlain	Independent (Joint Vice Chair from 3 <sup>rd</sup> October 2016)
Mr Douglas Dale	Independent (Joint Vice Chair)
Mrs Charmian Di Nunzio	Independent
Mrs Odette Fielding	Co-opted
Mrs Diana Gant	Independent
Professor David Green	Vice Chancellor & Chief Executive
Mr James Gunther	Student
Ms Jade Haley	Student
Mrs Anna Hooper	Independent
Mr David Iddon	Independent
Dr Derek McDougall	Staff
Mr Zadvinder Padda	Independent
The Rev'd Dr Alwyn Pettersen	Independent
Mr Ian Smith	Independent (from 1 <sup>st</sup> January 2017)
Mrs Sarah Speck	Independent
Mrs Julie Swan	Independent
Dr Richard Woolley	Staff
Mr John Yelland OBE	Co-opted

## STRATEGIC REPORT

### FOR THE YEAR ENDED: 31<sup>st</sup> JULY 2017

This statement covers the period 1<sup>st</sup> August 2016 up to 13<sup>th</sup> November 2017.

#### SECTION 1: The University's Strategy

The University's current Strategic Plan covers the period from 2013 to 2018. The Plan, like its predecessor, was the product of a widespread consultation process involving staff, students, governors and external stakeholders, including the University's many partners – educational, business and community-based. This very inclusive process of consultation and engagement in itself reflects the strong and enduring values to which the University is committed. The Strategic Plan includes a powerful re-statement of these:-

- Intellectual openness, honesty and love of 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. They are expressed through the promotion of a culture of friendliness, creativity, imagination, dynamism, and effectiveness.

They translate into a mission for the University of Worcester that is ambitious and inspirational. 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.

## SECTION 1: The University's Strategy (*continued*)

### Key Strategic Aims

Our current strategy has a number of cross-cutting aspirations:

- **To maintain and grow the size of the University, to enable more students to benefit from the high quality educational experience that we provide.**

As well as the educational experience providing a tangible personal benefit to individual students, we believe that that by increasing the numbers of students from a wide and diverse range of backgrounds, and by offering socially relevant courses, the University is able to make a greater contribution to society as a whole.

The University has an impressive track record in this respect, as the number of students increased threefold in the first decade of its existence (from when it received University title in 2005). 2016/17 was a record year in terms of the number of students admitted to study at the University. We attribute this success to:

- offering a dynamic range of high quality courses that meet the needs of prospective and current students;
  - operating a dynamic and accessible admissions service (enhanced further in 2016/17);
  - continuing to work successfully in partnership with colleges, schools and other organisations supporting prospective students regionally, nationally and internationally; and
  - maintaining and developing our excellent academic facilities.
- **To extend the reach of the University by supporting the success of Worcester as a city, the regional economy and continuing to enhance the employability of our graduates.**

All of our courses offer some form of work-related experience through a placement or work project based module. We work closely with employer representatives to develop the partnerships that support the development and take up of these opportunities. For example, the Business School has an agreed set of employability skills developed with their Employers' Advisory Group and which are explicitly mapped for each module. Live projects working with local employers are a feature of many arts, media, and business and computing courses. The impact of employability related curricular and extra-curricular developments is reflected in the 2017 NSS score of 88% for the question: 'as a result of my course, I believe that I have improved my career prospects'. In this academic year, it was reported that nearly 95% of the University's graduates were in full time work or study within six months of graduating, compared to the UK average of 91% (see section 2 for further information). This translates to 23 out of 24 of our students being in employment or further study six months after graduation. Our primary contribution to the City and wider region is the provision of able, enthusiastic, employment ready graduates. However, in addition to our core educational and research work, we have explicitly developed our estate to share resources with the local community and offer an extensive programme of activities to support the social, economic and cultural wellbeing of the City and region (see section 2).

- **To enhance the University's research base**

In the Research Excellence Framework ('REF') exercise in 2014, the University was one of the most improved Universities for research power. The University has invested significantly in its research base over the years since the REF, in areas of great importance to society. These are underpinned by strong, high quality academic collaborations. For example, our Mood Disorders Research Group, which has a particular focus on Bipolar Disorder collaborates with the Universities of Cardiff and Oxford; Dementia Care (with UCL and Nottingham); Aerobiology (with the Universities of Birmingham, Exeter, Oxford, Bangor, Wroclaw and Aarhus); 20th Century History (with Birmingham University); Biomedical Research (with Cardiff, the Karolinska Institute, Sweden and the Federal University of San Paulo); Domestic Violence and Abuse (with King's College, London and San Diego University); Ecology and Environmental Management (with the Universities of Reading and Sussex). The University has also extended its network of research collaborations with voluntary and other bodies, for example, with the Alzheimer's Society (in partnership with the University of Nottingham) and Waitrose and food producers in areas of science.

## SECTION 1: The University's Strategy (*continued*)

The University has invested in a number of key appointments of senior research leaders and is improving its track record in securing external funding.

- **To promote inclusion and diversity**

The University has an inclusive approach to the recruitment of both students and staff. We aim to enhance the quality of life and employability of every member of society by offering relevant and current courses and undertaking relevant and meaningful applied research. The University's commitment to high quality inclusive and personalised learning is underpinned by a fundamental conviction that our undergraduate programmes must be effective in preparing students for graduate employment, further study and lifelong learning, and that student success is associated with high levels of student engagement. We value students as members of the University and as active participants in the processes and structures that govern their educational experience. Our staff engage in outreach work with young people to raise aspirations for higher education and to ensure that they make the right decisions about where and what to study. We have been awarded a national award for our outstanding and innovative work in this respect. We run interactive open and visit days with 'taster activities', workshops, one to one meetings for students with academic staff, and the opportunity to speak to current students to learn of their experience. We also engage with students pre-arrival by means of social media and hold specific information days and transition workshops for mature students and for disabled students, to build confidence and give students opportunities to network and develop friendships even before they join us. Fostering a sense of belonging is key to our comprehensive student induction which we deliver together with our Students' Union and which we regard as extending throughout the first year. Our commitment to inclusion and student engagement is also exemplified through our strategic and inclusive approach to the development of learning resources, including physical, library and digital resources to support the development of every learner. Satisfaction with learning resources measured by the National Student Survey (of all final year undergraduate students) and the University's internal Student Survey has risen rapidly over the last three years compared with the sector, where figures have been largely static.

The University's academic strategy is supported by its **financial strategy**, which comprises the following key aims:

- To sustain and increase income through the maintenance of and growth in student numbers. In the medium term, to construct additional student residences in order to meet existing and growing student demand for on-campus accommodation.
- To continue to monitor and manage carefully staff costs, in a difficult external environment, with rising costs which are beyond our immediate control, such as additional employment taxation and higher pensions costs.
- To continue to make efficiency savings where possible, by careful scrutiny and innovative, joined up practices, whilst ensuring that we continue to support an ongoing programme of improvement in relation to support for students, education and research.
- To establish and extend effective and appropriate fundraising activities to help to deliver key aspects of the University's strategy: to this end, the Board of Governors has established a Task and Finish Group that will scope our strategy in this area in 2017/18 .

### Measuring progress and success

We recognise that our success in relation to delivering our Strategy must be measured, whilst acknowledging that some of what makes the University a special place to learn cannot be measured but is nonetheless very valuable. The Board of Governors uses a number of measures, most of which are drawn from nationally available datasets, to enable comparative benchmarking of the University's performance against its peers. The University's Academic Board, through the work of its sub-committees, receives and discusses detailed reports relating to academic quality, standards and the student experience, and tasks appropriate individuals and groups with any necessary actions, which arise from this scrutiny.

## **SECTION 1: The University's Strategy (*continued*)**

The Board of Governors receives an annual report on performance indicators in relation to the following measures:

### **Learning and Teaching, Students**

- a detailed annual report on Academic Quality and Standards
- Student retention and progression
- Student attainment
- Graduate destinations: work and further study
- Student Satisfaction rates (from the National Student Survey)

### **Research**

- Grant applications and income
- Number of staff submitted for the Research Excellence Framework (the next review date being 2020).

### **Financial Sustainability**

- EBITDA
- Surplus as a % of income.
- Restricted reserves as % income.
- External borrowing (net of cash) as % of income.
- Net cash flow as % of income.
- Net liquidity days.
- Staff costs as a % of income.
- Margin for Sustainability and Investment (MSI).

The Board of Governors also receives regular reports on the University's in-year financial performance, student numbers and admissions, and by exception on any significant changes (positive or negative) in relation to the aforementioned indicators. The Board's Human Resources (HR) Committee receives reports on a range of staff-related indicators. The Audit Committee reviews the University's Transparent Approach to Costing (TRAC) returns in relation to the costs associated with delivering teaching and research, as well as receiving the internal audit reports on a range of relevant matters.

### **Looking Ahead: Challenges and Opportunities**

The University, like the rest of the higher education sector, is operating in a complex and politically fraught environment. Not least, the value of University education, academic and intellectual endeavour and the ideals of inclusion and tolerance of differences are all currently under threat. Students' needs and expectations are changing and the sector is facing unprecedented levels of need for student support, for example, in the area of mental health. The University is proud of its heritage as a teacher training college. It is also an experienced educator of outstanding nurses and midwives, and more recently, paramedics. The University engages appropriately and passionately in the national debate on the shortage of professionals in these fields, and the possible remedies, which might alleviate the current situation. The University has also taken preliminary steps to develop a Graduate Entry Medical School in due course. This is a logical extension of the University's exemplary record in educating health professionals, and is a further indicator of its commitment to public and societal benefit. These themes are discussed regularly by the University's Board of Governors and the University's Executive team, to ensure that the University's Strategy remains current and appropriate and is being properly implemented.

The University has been taking decisive action to address potential challenges and embrace opportunities in these areas, particularly in relation to:

**SECTION 1: The University's Strategy (continued)**

- **Potentially smaller numbers of prospective students wishing to study Nursing and related courses** largely due to changes in student funding and a shortage of clinical placements. The University has effectively reviewed and strengthened its partnership working with schools, colleges and educational placement providers. It has also worked hard to promote nursing as a valuable and rewarding profession through its public relations work.
- **Potentially smaller numbers of prospective students wishing to study teaching** partly due to a poor public perception of the teaching profession and low levels of pay. This context and restrictions on the numbers of places allocated to the University by the National College of Teaching and Learning (NCTL) had an adverse impact on the number of students admitted in 2016/17. During this year the University has run a dedicated campaign with colleges and other universities, to raise the profile of teaching as a profession and to ask for a more sustainable method of allocating teacher training places to universities. Many of the allocation difficulties of 2016/17 have now been satisfactorily resolved, and at the time of writing, the University has a significantly increased number of both nursing and teaching students in 2017/18.
- **Potential decline in the numbers of students from both Europe and further afield** as a result of Brexit and the Government's visa policy. The University's number of EU and international students is small compared to some other Universities, but we value greatly their contribution to the University community. We aim to give all our students a global perspective through our courses and University life. We have been working in partnership with educational organisations internationally to create programmes that provide students with the opportunity to study at Worcester for all or part of their course, and equally to offer students from Worcester the opportunity to study internationally as part of their academic experience.
- **Financial and other challenges facing further education partners** which may mean we need to scale down the number of preparatory, HND and degree courses delivered in the local communities outside Worcester. We have reviewed our partnership working extensively, and we have adopted a successful strategy of fewer educational partners whilst ensuring that those relationships are deep, well-managed, and beneficial to a wide range of students. This work has been consolidated under the leadership of a dedicated member of the University's Executive team. We have employed a team of former students of the University - Graduate Ambassadors - who have worked closely with our partners, both to promote the value of our courses, but also more widely in helping to prepare our partners' students to apply for higher education courses. The University is a collaborative partner in the Aim Higher West Midlands National Collaborative Outreach Programme (NCOP), supporting communities in the West Midlands, South Shropshire, Herefordshire and Worcestershire. This places the University of Worcester at the centre of a rural partnership, which includes our local Further Education partners, schools and third sector organisations, in developing an ambitious, innovative and sustainable programme of work to raise aspirations amongst young people in areas where participation in higher education is relatively low.
- **An increase in the number of alternatives to higher education**, which may mean that we attract fewer students. The University is firmly committed to the transformative power of higher education, but recognises that some alternatives may be beneficial to potential students. As an established provider of vocational and professional courses, the University is well placed to support the national initiative to provide higher apprenticeships. It has recently been accepted on the Register of Apprenticeship Providers and is working with local employers and health trusts to develop its provision in this area.
- **A challenging local environment**, which means that our excellent employability achievements are even more important to our students. A high proportion of our graduates remain in the region, with 70% working in the West Midlands and 22% working in Worcestershire. Unlike the rest of England, Worcestershire has seen a 4.3% decrease in the percentage of management roles and a decrease in professional roles by 1.1%. The region is predominantly rural, as is its neighbour, Herefordshire, and this provides specific challenges for our graduates who seek employment in the area. Worcestershire has lower average salaries than the rest of

**SECTION 1: The University's Strategy (continued)**

- the wider West Midlands region and significantly lower than the national average, according to research carried out by the Worcestershire Local Enterprise Partnership. Businesses in the region are mostly SMEs, which has led us to developing a comprehensive educational and extra-curricular offering in entrepreneurship to support students who aspire to self-employment. In addition, around 70% of Worcester graduates enter the health and education sectors; this includes nurses, teachers, midwives and paramedics, and those working in areas such as early years, youth and community work, family support, social care and social welfare. The past 3 years have also seen a decrease in the region of more than 3,000 roles in health and social work activities, with a drop from 14.4% to 12.6% of the working population. Changes to the provision and delivery of public services have reduced opportunities in these areas and as a result graduates, particularly female and mature student graduates, have experienced problems in obtaining higher level work.

Within this dynamic and sometimes challenging context, the University will be preparing and introducing its new Strategic Plan (2018-23) in the summer of 2018. The final document will, therefore, necessarily be high level. It will be supported by more detailed plans, based on priorities agreed by the Board of Governors at its Annual Strategy Away Day at the beginning of each academic year. The Board of Governors and the University Executive have been engaged in strategic planning discussions throughout 2016/17. A number of themes have emerged and the new Strategy will include continuities with the existing one, including:

- Our values as a University Community.
- Our commitment to be an outstanding University at which to be a student.
- Our provision of high quality and socially relevant courses and research.
- Our commitment to attracting, supporting and retaining talented staff
- Our commitment to working with local, regional, national and international partners to benefit the public and society as a whole.

A formal and extensive process of staff, student and stakeholder engagement and consultation is planned for autumn/winter 2017/18 to support the preparation of the final Strategic Plan in early 2018.

## SECTION 2: Public Benefit Statement

### Charitable Status and Charitable Objectives of the University

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 Funding 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 objectives for the public benefit.

The University's charitable objectives are defined in s.124(i) of the Education Reform Act 1988:

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

### Beneficiaries

The trustees identify the principal beneficiaries of the University's charitable activities as:

- applicants (and potential applicants) to higher education and the University in particular through its outreach and widening participation work;
- its students and alumni;
- research partners and collaborators;
- professional practitioners and service users, especially in the Health and Education sectors, who benefit from the outputs of the University's educational, research and knowledge exchange activities
- the wider public, who benefit from the contribution of the University's graduates and the dissemination of its research findings

The University is unusual in that it has designed and built two new buildings with the needs of the wider community in mind, as well as the needs of its students. The Hive is Europe's only jointly owned University and Public library. Multi-award winning, it welcomes students and members of the public equally, becoming the UK's second most visited public library. Members of the local and regional community also benefit from sporting facilities and fixtures (at the Arena, St. John's Campus and Lakeside Campus) and the much-visited educational Infirmary Museum celebrating the establishment of the British Medical Association at Worcester and the history of medicine in the UK. The local community also benefits from the substantial presence of the University in the local and regional economy, and the significant personal and collective contributions of both student and staff volunteering.

All of these beneficiaries are identified clearly in the opening lines of the University's current Strategic Plan (2013-2018): "We aim to make a truly transformational contribution to the lives of our students, staff and the people of our region, and to make a very positive impact in society more broadly."



## SECTION 2: Public Benefit Statement (*continued*)

### Achievement of the University's Charitable Objectives

#### *In Summary*

#### Teaching and Learning

The University's Learning and Teaching Strategy has the following key themes and priorities: inspirational, intellectually challenging and inclusive teaching and learning; contemporary and relevant courses; research-informed and enquiry based learning; engagement of students as partners; provision of effective Personal Academic Tutoring and support systems and developing technology enhanced learning.



In 2016/17 we provided quality higher education to over 10,700 undergraduate and postgraduate students on full-time and part-time courses, including those studying with partners. Our students were supported by around 1000 staff members drawn from over 60 countries and wide variety of disciplines, including: nursing and health, teacher training and education, biological science, business, arts, humanities, psychology, law, sports science, management and more. We ran over 200 full-time undergraduate courses and almost 70 postgraduate courses that addressed the needs of students,

employers and wider society. We attract, support and educate a diverse student population from a range of different backgrounds. Of the students studying on full-time undergraduate degree courses in 2016/17: 62% were female, 16% were aged 25 and over, 11% were from an Ethnic minority; 14% had a stated disability (and 5% of students with a declared disability had a physical impairment affecting mobility).

The quality of education has been validated by a number of independent reviews. The University gained a 'Silver' rating in the first national Teaching Excellence Framework (TEF) in 2017. The assessors, who inspected the educational results for every university in England, found that Worcester 'delivers high quality teaching, learning and outcomes for its students' and 'consistently exceeds rigorous national quality requirements for UK higher education'. The TEF panel commended our approaches to course design, which it said 'involves consultation with local employers and students and which provides high levels of stretch and significant challenge, contributing to demonstrable progress in the acquisition of knowledge, skills and understanding'. It also noted in its 'Statement of Findings' that the University excels at teaching that encourages high levels of student engagement and commitment to learning and study, including 'excellent levels' of contact time and schemes that involve students in the process of enhancing their own learning experience. Based on the evidence, the panel also reported that 'students achieve excellent outcomes' at Worcester. In addition, programmes in the subjects of Geography, Law, Accountancy, Business Management, Social Work, Forensic Science and Psychology have all had successful accreditation or re-accreditation reviews by their Professional, Statutory and Regulatory Bodies.

We champion activity-based and experiential learning and involve external practitioners, employers and professional organisations, both in the accreditation and endorsement of our programmes and in their delivery. This not only increases our students' knowledge base and experience, but also enables them to build important professional networks outside of the University.

## SECTION 2: Public Benefit Statement (*continued*)

- 44% of our undergraduates are studying on courses with professional, statutory and regulatory body accreditations
- 73 coaching courses and associated professional development workshops were delivered in 2016/17 through the Institute of Sports and Exercise Science
- Our tutoring qualification, launched in 2017, is the first of its kind in the country. It helps graduates link the subject knowledge they gain through their degree, with a practical educational qualification. This prepares them to quickly and confidently enter the growing academic tutoring field

The University supports students to become effective independent learners, a key characteristic of higher education. We set high expectations, encourage good study habits, collaborative working and the integration of teaching, learning and assessment to support student academic and professional development in structured and supportive ways. We know from student feedback that our students appreciate and value this. Contact time with students is scaffolded: usually higher in the initial years of an undergraduate programme, providing the skills development for independent learning in the final year. Most first and second year students will have between 12 and 15 hours of class contact per week; students on science, sport or other practice-based courses, where a significant element of teaching involves laboratory or field-work, usually have 15 to 20 hours of contact per week. Over half of our students are on courses leading to professions in health, social care or education, and they will spend a high proportion of their learning time in work-based learning settings with mentors.

In 2016/17 the University was ranked joint 46<sup>th</sup> (out of 122 Universities that participated) in the national Student Experience Survey. In the recent National Student Survey of final year students 84% expressed satisfaction in terms of their overall student experience (placing the University joint 74<sup>th</sup>) and nine courses attracted ratings of 100% satisfaction. The University also scored above the national average in questions about satisfaction with teaching, learning opportunities, academic support and assessment and feedback.

### Supporting our Students

We seek to ensure that financial issues do not present an obstacle for learners to access the full student experience. Academic achievement scholarships are offered and all undergraduate entrants paying full fees receive an award towards the costs of learning materials. In this academic year, we have piloted the 'Reach' scheme, whereby first year students are provided with a tablet pre-loaded with course core texts and other learning materials. The intention is to support student engagement through the development of interactive technology-enhanced learning strategies and online learning communities. The initial pilot of 350 students across three courses has received excellent feedback and is having a very positive impact on teaching and learning. Student satisfaction levels are higher than in previous years and students on courses included in the trial are achieving higher grades (with increases in students being awarded the highest grade by 12% and a decrease in the lower grades of 6%). As a result, we have already extended the scheme to another large academic cohort for 2017/18. In addition to offering support in financial literacy and money management, the University operates a hardship fund for students and provided grants in excess of £370,000 in 2016/17. We provide employment opportunities to students through our innovative Earn as You Learn programme. This provides part-time job opportunities for our students both within the University and in the local community. In 2016/17 it involved 915 students in 70 different roles across the University. This includes the Media Lab, a Business School initiative that provides opportunities for students of all disciplines to engage in paid work on 'live' client projects requiring information technology, media and wider business and computing skills. In addition, the University's careers services worked with external organisations to identify and advertise to students a further 480 part-time job vacancies that were advertised regularly throughout the academic year.

## SECTION 2: Public Benefit Statement (*continued*)

The University has a student-focused approach to delivering an outstanding holistic student experience, with extensive student engagement. The support services and academic teams seek to ensure students have an exemplary on-campus experience, in accordance with our Strategy and the Student Charter. We also offer many learning and other resources on-line for students off-campus and on placements. We gather information on the use of our services and feedback from students, to shape and prioritise future enhancements. During 2016/17 over our student support service, FirstPoint, handled 42,500 enquiries from students. The Careers and Employability provided resources, workshops, individual support, and addressed over 2,100 different student requests and enquiries during the academic year.

We are concerned with developing and supporting the ‘whole person’ and value the attributes and character of our students and graduates. Our National Student Survey (NSS) results for personal development are consistently outstanding and demonstrate learning gain in the development of self-confidence, communication skills and the ability to tackle unfamiliar problems. Our students serving others through practical exercises, learn about role models and cooperate with others to help to educate the spirit. For example, in 2016/17:

- There were 35 student societies with over 800 members, ranging from archaeology and theatre groups to Harry Potter and Zumba
- 1,200 students played performance and recreational sport, with 35 teams competing within the national BUCS programme
- Over 500 students acted as academic representatives - 1 in 18 of our students
- 857 students registered for the Worcester Award, an employability exercise offered through our Careers Advisory Service. 50 members of staff and 21 local employers were involved in the Gold Award interviews
- 254 students undertook 22,313 hours of volunteering

### Research and Knowledge Exchange

Part of the University’s mission is “to foster and disseminate independent and distinctive scholarship and research to achieve major, beneficial, social impact”. This is elaborated in the University’s Research Strategy 2014-2019 which identifies six high level aims focused on: developing our research culture; developing our researchers; enhancing the quality of our research; increasing income from research; ensuring our research makes a difference to people’s lives; and enhancing our governance systems to assure the quality and integrity of the research.

During 2016/17, the number of research students increased by 40% to just over 100 in number and the number of external funding applications increased by 10%. The University received £1.4m of funding to support its research programme.

The University engages research informed approaches to course design and teaching to ensure that from the outset students are consistently and frequently engaged with research, scholarship and professional applied and practice based learning. 85.5% of students agreed in the 2017 National Student Survey that their learning has benefitted from modules informed by current research. In addition, the University is sector-leading in terms of the innovative range of opportunities it offers to students to work as co-researchers and collaborators through paid assistantships



## SECTION 2: Public Benefit Statement (*continued*)

and ‘live’ projects. In 2016/17 22 Students as Academic Partners Projects were completed, employing approximately 60 students in total. 18 of these projects were selected to present at the University’s Annual Learning and Teaching Conference in June 2017. The Vacation Research Assistantship scheme provides our undergraduates and recent graduates with ‘hands on’ experience of working on a research project, enabling them to gain insight into a research career, as well as enhancing their CV. The scheme has run for over 5 years, growing steadily. In 2016 there were 49 applications for 22 Vacation Research Assistantships (VRAs). Some examples of the VRAs funded are:

- A student worked with our Mood Disorders Research Group to explore the impact of a storyline on postpartum psychosis featured on BBC’s EastEnders (2016)
- A student employed on an ongoing project in physical geography working with cutting edge technology (Unmanned Aerial Systems), to assess river morphology and potential causes of floods and of riverine habitat destruction (2015)
- A student worked with our Biomedical Research Group on a pilot project investigating the link between a tumour suppressor protein and Leukaemia (2014).

An evaluation of the scheme undertaken in 2016 showed that a significant number of students who had undertaken a VRA had been accepted on either a Masters by Research or a doctoral research programme, and that a number had gone on to take up employment opportunities in a specific research role; for example, as a researcher for the Environment Agency.

### Graduate Employment

Academic qualifications and experience pay long-term dividends for our graduates. People without skills are much more likely to be out of work and, if in work, low paid. Our graduates have an exemplary track record in terms of employment:

- We have had consistently low unemployment rates: our students’ unemployment rates have been well below the national average for the last five years
- Almost 95% (94.9%) of our graduates are working and/or studying six months after graduation
- 90.9% of our graduates feel ‘very well’ or ‘well’ prepared for further study
- We are in the top ten in England for ‘Sustained employment with or without further study’ in the Longitudinal Educational Outcomes data one, two and three years after graduation.



### Widening Access to Higher Education

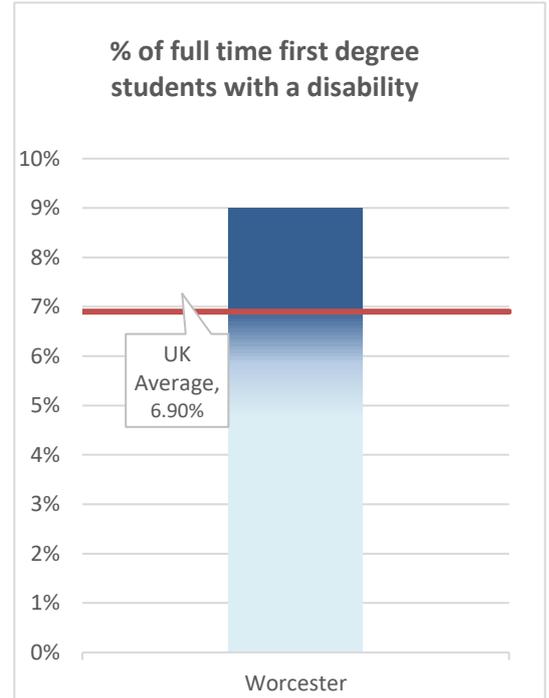
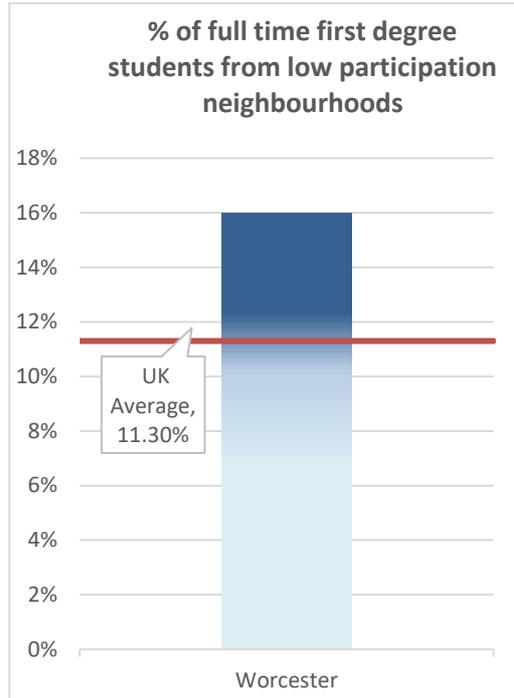
We are an open, meritocratic institution that proactively seeks out people capable of benefiting from higher education, minimises barriers to their participation and contributes to the expansion of higher education opportunities, locally, nationally and internationally.

By supporting access, assisting student success, progression and employability, the University seeks to address the specific challenges that students from widening participation backgrounds often face in making the transition to university study and subsequent employment. The University’s Access Agreement with the Office for Fair Access (OFFA) provides detailed information on our commitment to all students, regardless of background or financial considerations.

**SECTION 2: Public Benefit Statement (continued)**

The University raises awareness of the benefits of higher education through outreach activities that engage primary and secondary pupils and their teachers and families, and assisting further education students wishing to progress to university.

We employ a team of recent graduates, who offer realistic and unique insight into university life based on their first-hand experience. The team worked with 22,500 learners in 2016/17, covering 150 schools and colleges both regionally and nationally.



**In Detail**

Our academic work and approach to corporate social responsibility are focused on the following themes:

- Sustainable Economic Development
- Championing Children and Families
- Living Well Through the Life Cycle
- Supporting Community Cohesion
- Preserving and Promoting our Cultural Assets
- Promoting Environmental Conservatism

**Sustainable Economic Development**

Our annual revenues have risen more than fourfold since 2004 and are now approaching £100m, with the University’s activities generating well over a quarter of a billion pounds annually for the regional economy, and generating more than 8,000 jobs in the area.

Our team of academics, researchers and business experts create bespoke solutions for businesses and support industry in the region and beyond. Organisations have access to our expertise, can use our facilities and partner with us on a wide range of projects.

The University of Worcester is one of only a handful of educational institutions to enjoy flagship accreditation as a Centre of Excellence for entrepreneurship, accredited by the Institute of Enterprise and Entrepreneurs.

**SECTION 2: Public Benefit Statement (continued)**

Supporting businesses	2016-17
Business Incubator	3 graduate and 12 undergraduate businesses operating from the Incubator
Entrepreneurs in Residence	10 entrepreneurs supporting businesses and students
Summer boot-camp for business start-ups	45 students and graduates
Worcesterpreneur events	300 students and community members took part in events
Executive Education	Bespoke programmes for 9 businesses
Worcester Media Lab	22 students delivered 13 projects
Business and Enterprise events and networks	Worcester staff organise or belong to over 10 different networks
Leadership and Management Development programmes	40 students on a range of programmes
Business Seminars at The Hive Library	8
Student Placements and internships	41 companies had Worcester student placements

We are a major employer in Worcestershire, directly employing over 1,000 permanent staff, and over 700 students in over 50 different roles. We offer competitive rates of pay and good employment benefits. Work provides an income but also an extra meaning to life. Stability and security are important in relation to job satisfaction and overall well-being. In 2016/17, 240 staff benefitted from training and development sessions and 472 staff registered for sessions on a digital training platform. We are proud to have one of the highest percentages of women in senior roles within a higher education institution, at 59% compared to the national average of 29%. Our combination of flexible working arrangements, competitive annual leave and a high-quality nursery on campus help our staff to maintain a positive work-life balance.

**Championing Children and Families**

Worcester is one of the largest and best teacher training institutions in the country. With national, endemic teacher shortages, our graduates are fulfilling a vital role in the workforce. Last year, 450 newly qualified teachers completed their studies at Worcester and started their careers. We collaborate with and support over 500 schools throughout the region. In addition to training and supporting new teachers, we work directly with schools through our improvement and leadership programmes, which address all of the major areas of education leadership.



Learning also takes place beyond the classroom and our many outreach programmes seek to inspire a love of learning from a young age. The University's Hive Library is a joint community and University facility, built in partnership with Worcestershire County Council. It sees higher education students and staff working alongside members of the public and benefiting from shared books and resources. It also contains one of the largest children's libraries in the country, which acts as an anchor for both the University's and the County Council's outreach work with children.

A 2016 report, conducted by the OECD, found that out of 23 developed nations, English teens had the lowest literacy rates and the second to lowest numeracy rates. Research has also found people severely underestimate the rate of illiteracy in Britain, with respondents estimating the figure to be 2.7 million adults, when more than five million adults are unable to read and write properly. Project Literacy estimates there are 3.2 million parents in the UK who are unable to read to their children. The Hive is both a powerful statement of belief in learning and inclusion and a highly successful exemplar of innovative learning in practice - teenage readership has increased by 356% since its opening, when compared with the former Worcester Public Library.

**SECTION 2: Public Benefit Statement (continued)**

Children's Participation at the Hive Library	2016/17
New Children's memberships this year	1,435
Children's materials loaned this year	181,958
Children's attendance at Hive events (University and County Council)	14,000

We also curate and host one of the largest and longest-running Children's Storytelling Festivals in the UK and are the regional sponsor for Children's University, a national initiative that encourages 5-14 year olds to try new experiences and broaden their interests.

Children's Participation in University of Worcester programmes	2016/17
Children's University	1,200 children from 21 schools
Storytelling Festival	4,107 children from 56 schools
Other University events	6,920
Number of children to visit the University of Worcester Arena	186,149

Staff across the University, but particularly in its Institutes of Education and Health & Society, engage in research around children and families:

- Alison Prowle and Janet Harvell (Education) have published a [series of articles](#) based on research looking at the experience of refugee children and implications for parenting and for teaching these children.
- Dr Kerry Gaskin's (Health & Society) research has focused on [the challenges for parents following a child undergoing cardiac surgery](#)
- Staff in Education and Health have co-edited a volume entitled [Children's Mental Health and Emotional Well-being in Primary Schools: A Whole School Approach](#) published in 2017

**Centre for Violence Prevention**

Our Centre for Violence Prevention delivers excellence in violence prevention research, education and advocacy by bringing together a multidisciplinary team of academics and practitioners, who work to reduce the incidence of violence and abuse and create a safer society. Staff within and associated with the Centre have recently published on a wide range of related topics, for example: the impact of intimate partner violence (IPV) on the development of children exposed to such violence; the prevalence of IPV among adult with intellectual disabilities; IPV among military and veteran populations; and IPV and alcohol abuse, the role of victim advocacy in the prosecution of domestic violence offences.



The Centre is engaged in a five-year project, funded by the National Institute of Health Research, to test whether a group therapy reduces IPV carried out by men and a European-funded project, with the Civil Liberties Ministry in Malta, to implement a zero-violence project.

The Centre was recently commissioned by the Cavell Nurses' Trust to undertake an exploration of healthcare professionals' personal and professional experiences of domestic violence and abuse and has just completed research commissioned by Her Majesty's Inspectorate of Constabulary (HMIC), which sought the views and experiences of victims of stalking and harassment. This work has fed into a [wider report by HMIC on harassment and stalking](#) which sets out a number of very significant recommendations to, among others, the Home Office, the Crown Prosecution Service, the College of Policing and Chief Constables.

## SECTION 2: Public Benefit Statement (*continued*)

### Living Well Through the Life Cycle

Our teaching, research and clinical care fuel innovation to advance human health and well-being across the entirety of the human lifecycle: from our work as the education provider of the NCT (the UK's largest charity for parents, working with them to educate birth and beyond practitioners throughout Britain) to our research on ageing and related health conditions.

Staff at the University are engaged in research on many aspects of human health and well-being. To give just a few recent examples:

- Our burgeoning Biomedical Research Group are undertaking projects on acute myeloid leukaemia and Alzheimer's disease
- Staff in sports therapy have published on the impact of joint replacement on patients
- Our Occupational Therapists are looking at the wellbeing of homeless people

Worcester is one of the two principal university hosts of the Bi-Polar Disorder Research Network, which includes the largest network of individuals with bi-polar disorder and related mood disorders in the world. A particular focus of this exceptional research group is working to understand the causes and identifying treatments for postpartum psychosis. At the other end of the lifecycle, the Association of Dementia Studies (ADS) makes a substantial contribution to building evidence-based practical ways of working with people living with dementia and their families that enables them to live well. The Centre's staff have published widely in 2016/17 on topics such as: arts interventions and dementia, music and dementia, housing and dementia, dementia-friendly care environments, technology and dementia, reducing the use of anti-psychotic drugs, sight-loss & dementia, the experience of healthcare staff of caring for people with dementia in an acute setting. A paper on sight-loss was awarded an Emerald Publishing Literati Award for Excellence in May 2017 and a paper focusing on the person-centred care approach was one of just eight case studies used to highlight the value of UK medical research to the EU.

Mental health is a key part of health and is central to overall happiness. According to the World Health Organisation, mental illness or addiction causes nearly half of all the disability that people are experiencing. About a third of us experience serious mental illness during our lives, including 15% who experience an episode of severe, disabling depression. Yet, the majority of people who are mentally ill get no treatment. The University was one of the very first universities in the UK to appoint specialist student mental health counsellors and has been working in partnership with the National Union of Students in pioneering multi-agency approaches to the question of student suicide. Research currently underway will provide invaluable insights that could help to shape positive preventative action and support across the higher education sector. Two PhD studentships, one in partnership with the James Wentworth-Stanley Memorial Fund, are collectively examining the extent of the problem, the efficacy of university support systems and the experience of friends, family and staff following student suicide.

The UK has amongst the lowest levels of physical activity in the world with almost 1 in 4 people defined as 'inactive'. Public Health England estimates four out of every ten 40- to 60-year-olds do not even manage a brisk ten-minute walk each month, despite the fact that just ten minutes a day could have a major impact, reducing the risk of early death by 15%. A review of 39 studies recently also found that thinking and memory skills are improved when people exercised the heart and muscles on a regular basis. We are committed to creating and promoting opportunities to participate in physical activity. We have been highly successful in educating the next generation of coaches with the knowledge and expertise to work across a range of elite level and grass roots disciplines, regardless of ability or disability.

Since London 2012, the University of Worcester has helped to drive the Paralympic legacy forward. The fully accessible University of Worcester Arena has accommodated numerous regional, national and international disability sport fixtures and events, whilst also helping to break down barriers to sport participation amongst all social groups, making the facility truly inclusive. We are internationally recognised as a centre of excellence for inclusive sport, have been involved in discussions with the Tokyo 2020 Paralympic Committee on planning a legacy for their games.

## SECTION 2: Public Benefit Statement (continued)

Our research into inclusive sport covers wide-ranging areas, including high performance disability sport coaching, the performance of elite male wheelchair basketball players, how well coach education in the UK meets the needs of women sports coaches and issues related to gender equality and sports.

The University of Worcester Arena has helped Worcester become one of the UK's most successful educators in the UK of degree qualified Physical Education teachers, sports coaches and sports psychologists with specialist expertise in inclusive sport and practice. The number of students taking courses that include disability sport has increased from 18 in 2011/12 to 294 in 2016/17. Our graduates are now working all over Britain, educating and coaching tens of thousands of young people with genuine inclusive sport and practice expertise.



University of Worcester Arena	2016-17
Total number of visitors to the Arena	593,948
Number of children to visit the Arena	186,149
Number of major disability-specific events	6
Worcester Wolves basketball attendance	22,698
Worcester Wolves 'Watch and Play' programme with schools	22 schools
Severn Stars netball attendance	5,861
Netball U21 games	764 tickets to 31 schools
Netball development camps	122

We welcomed over 50,000 community participants, aged from 5 to 86, to our sports facilities in 2016/17. 60 community clubs and societies, ranging from cubs and brownies, to ultra-endurance runners, cyclists and disability football, are based at the University. They benefit from our excellent facilities as well as our expertise. In a typical week during the academic year, we have over 80 students engaged in some aspect of our community programmes.

Our specialism in Inclusive Sport reaches into the community. In 2016/17 we held a Deaf Football competition and hosted sessions for Worcestershire County Council's Green Fingers project (for looked-after children), Worcester Community Trust (for at risk and low income families) and New Hope Lodge (for 19-25 year olds living with physical and mental disability). We offer an extensive senior exercise programme, and now over 9,000 of our community attendees are aged over 60. 130 participants took part in the second annual Senior Games in 2017 and we delivered the 7<sup>th</sup> Annual Active Ageing Festival in partnership with AgeUK.

Community sports at the University	Number of participants
Football	32,000
Hockey	2,000
Outdoor swimming	2,500
Indoor sports	16,000
Junior Triathlon	200
Community gym memberships	172
Senior Games	130

## SECTION 2: Public Benefit Statement *(continued)*

### Supporting Community Cohesion

Opening our facilities to the public helps influence community cohesion by making communities feel safer, stronger and more engaged. Our two flagship facilities, The Hive Library and the University of Worcester Arena, exemplify this approach. The Hive Library has been transformational for Worcestershire and the wider region:

- New members of the public library increased by 600% in the year after opening and have now settled down at a remarkable three times the previous rate
- The Hive has become the second most visited public library in Britain, pushing Oxford and Cambridge into 3<sup>rd</sup> and 4<sup>th</sup> place, which is impressive for a city with a population of only 100,000
- The Hive has been shortlisted for 52 awards of which it has won 28 so far, including Best Contribution to the Local Community (*The Guardian* newspaper), Best University Library Team (*Times Higher Education*) and Best Large National University and College Library in the 2016 SCONUL (Society of College, National and University Libraries) Library Design Awards
- The Hive has one of the longest opening hours of any public library in the UK, from 8.30am to 10pm every day, except Bank Holidays.

The Hive Library	2016-17
Total visits	720,923
New members	20,750
Materials borrowed	807,457
Children's materials borrowed	181,958
New memberships for children	1,435
Public events	1,050
Adult attendance at events	8,500
Children's attendance at events (University and County Council)	14,000

The University's commitment to our city and our neighbours is not new; it is part of who we are, inherent in our work. Our students, staff and partners answer the call on a daily basis, in ways both large and small. In 2016/17, 254 students contributed 22,313 volunteering hours to the community and staff worked together to raise £10,228 for Maggs Day Centre, a local homeless shelter.

Community involvement also influences course design. Our new Law degree launched in September 2016, along with a new Legal Advice Centre. We held eight drop-in sessions at The Hive, allowing members of the public to access free, qualified legal advice on Employment Law issues. Students from the School of Law first met and took the clients' instructions, under supervision and after appropriate training. The clients were then able to receive legal advice from qualified Employment Solicitors.

New-thinking and discussion are vital components of a thriving, active community. We offer a programme of public events, lectures and exhibitions that aim to inform, stimulate, entertain, and excite debate. The programme has events for all ages, and travels to locations outside of Worcester, including Hereford and Hay-on-Wye.

Public Lectures and Events	Number of events 2016/17
Hereford University Centre	10
Public Lectures at The Hive and on Campus	30
Hay Festival Lectures and Workshops	5
Inaugural Professorial Lectures	9
Children's Storytelling Festival	25
Law Series (Lectures, seminars and workshops)	13
Exhibitions at The Hive and on Campus	7
Other public Lectures	30
Book launches	3
Election Hustings	1

## SECTION 2: Public Benefit Statement (*continued*)

### Preserving and Promoting our Cultural Assets

The University has a proven record of sensitively restoring historic and important city buildings and landmarks to full public use. We refurbished the former Worcester Royal Infirmary into our City Campus and Infirmary Museum, redeveloped derelict land in the City centre to create The Hive Library and the University of Worcester Arena, and most recently, transformed the former Worcester City Council buildings to create a new School of Law. All of the University's developments are open to the public, and retain many original features and historic artefacts. A number of our buildings, including The Hive and the University Arena have won both architectural and sustainability awards.



We care for Worcestershire's past for the benefit of present and future generations, continuously expanding our public engagement programme. We work closely with the Worcestershire Archives and Archaeology Service, through their base in The Hive. Over 40,000 people visited the Archives and Archaeology Service in 2016/17 and nearly 5,000 documents were issued.

The Infirmary is an interactive museum located at our City Campus. It combines history, science, art and technology to explore the medical stories of one of England's oldest infirmaries.

Infirmary Museum Activity	Participants 2016-17
Exhibition visits	8,589
School student engagements	2,849
Teachers attending with supporting schools	326
School Workshops delivered	69
Tours for schools	61
Family Activities	1,171
Community Group tours and talks	471
Lectures and presentations for HE students	431

Public Arts Events	Participants 2016-17
Children's Storytelling Festival	4,107
Micro-Science Festival	180
Rivers of Song Community Music Project	120
The Big Sing for Schools	2,600
Exhibitions at The Hive and on campus	48,500
Theatre Performances	120
Film Screenings	150
Worcester Degree Shows	500
University Carol Service	200

We understand that arts and culture has a wider impact on our economy, health and wellbeing. A recent Arts Council study found that people who had attended a cultural place or event in the previous 12 months were almost 60 per cent more likely to report good health compared to those who had not. In 2016/17 we ran a varied and engaging programme of activities.

## SECTION 2: Public Benefit Statement (*continued*)

### Promoting Environmental Conservatism

Worcester is a leader in sustainability and climate change research, teaching and engagement. Our campus is a living laboratory for developing, testing and implementing solutions that enhance the health of people and planet.

Community engagement campaigns, such as projects to improve energy efficiency in student housing, car share schemes and sustainability conferences for young people, focus on using our campus to incubate great ideas and replicable models for change.

The University has been in the top five in the Guardian published People and Planet ‘Green’ league since its launch in 2010. This year, the University scored 100% in six of the 13 categories, more full marks than any other institution. We successfully completed our ISO 14001:2015 audit, making us the second university in the UK to transition to the new standard. Auditors are using our documentation as an example of best practice and our annual Sustainability Report was a finalist in a prestigious, PwC judged Green Gown awards.

The University’s Aerobiology and Pollen Research Group’s importance was emphasised by a recent publication in the International Journal of Biometeorology, which looks at the last 60 years of research in this area, and highlighted the centrality of Worcester to aerobiology research. The University continues to play a fundamental role in producing and supplying the pollen forecast for the UK in conjunction with the Met Office. Their current research is focused on developing further the forecasting models for the dispersion of not only pollen but other airborne pathogens. Of particular note is the outcome of a European-wide study focused on the management of common ragweed, one of the most prominent invasive alien species in Europe, which is a major cause of human allergies and also impacts negatively on agricultural production.



A number of our researchers have focused on the issue of “integrated pest management” in agricultural contexts, with a strong focus on reducing the impact on the environment of food production. We led an international workshop on Plant Health, held in Turkey in April 2017, sponsored by the British Council, targeted at scientists and industrialists from the plant protection sectors. The workshop sought to connect research with practice and identify challenges in the field to provide advanced solutions to the problems encountered for food security. Our scientists are also working in partnership with Waitrose and a number of fruit growers on projects exploring the impact of using wild flower strips in orchards on pollination and pest management.

### SECTION 3: Financial Management and Sustainability

In meeting the on-going challenges of the new funding regime and other Higher Education changes, in delivering our financial strategy we will:

- Continue to observe the principles of prudent financial management;
- Ensure that the expansion and development plans remain achievable and affordable;
- Take measures to maintain and further increase the University's popularity and student intake;
- Ensure efficient collection of cash and debtors together with prompt payments to creditors and suppliers, as per the relevant agreed terms; and
- Maximise opportunities to diversify sources of income and increase income generation from these activities.

#### Results for the year

The 2016/17 consolidated financial statements confirm a stable financial position for the University with a surplus of £6.6m (2016: £6.6m). This surplus has been achieved through a continued increase in student numbers, efficient management of resources and strategic long term planning regarding investment in the physical estate. The consolidated results shown in the accompanying financial statements consist of the main University and its trading subsidiaries (U W Developments Limited, U W Enterprises Limited and UW Worcester Wolves Limited) along with the joint venture UW UP LLP.

U W Developments Limited is the entity through which the University manages its significant capital development projects. During the year, the Company signed a new Development Agreement with the University to progress the University Court Residences Development through to the next stage. The Company has contracted the services of several external professional advisors and is currently refining plans to develop this site. Once the designs are complete and planning permission is obtained, the Company will then begin to develop the site over the coming years.

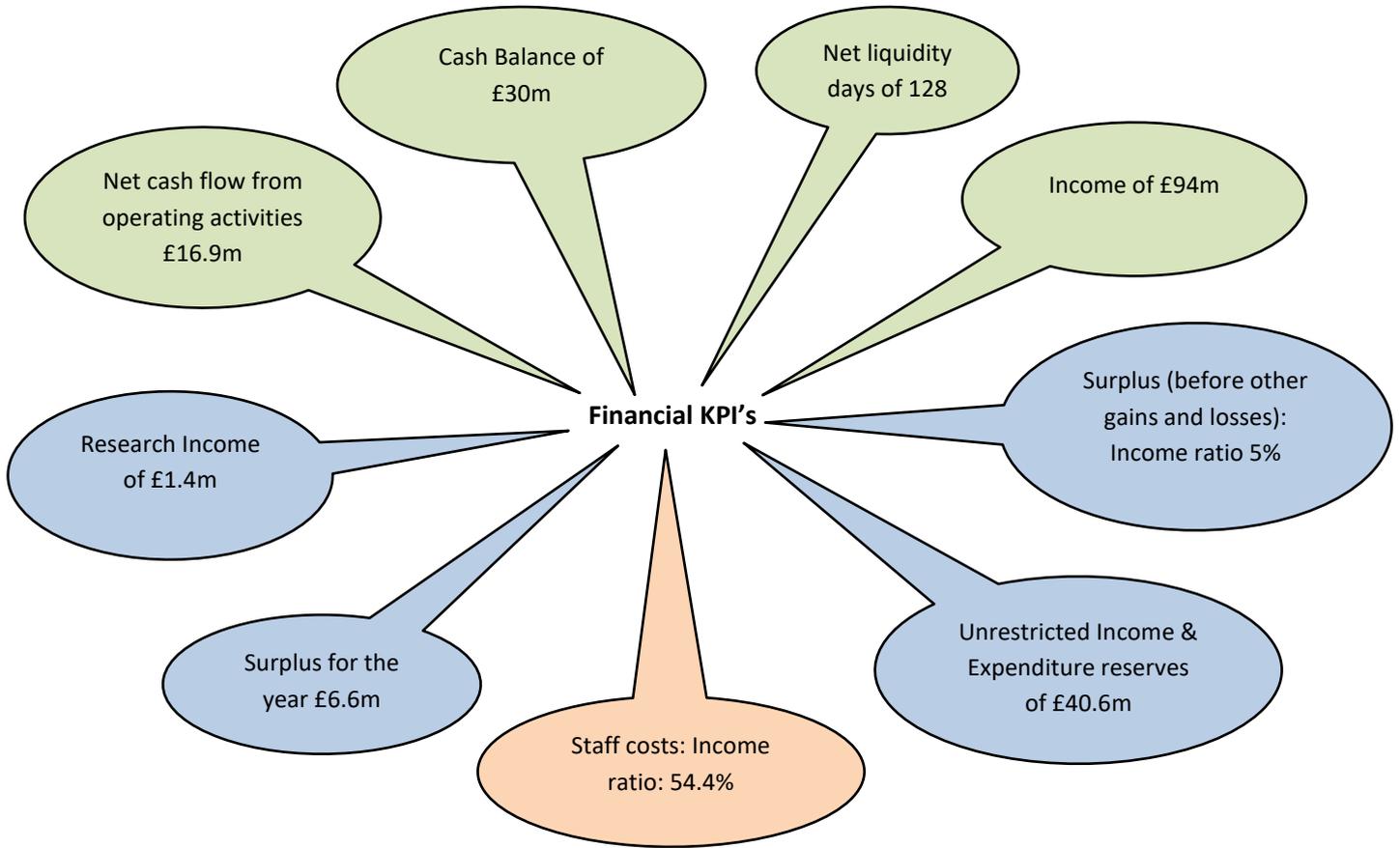
U W Enterprises Limited is the entity through which the University's commercial activities are channelled. Following a steady decline over the past few years in full commercial trading, the University made the decision at the beginning of 2015/16 that the on-going minimal amount of trading that related to the National Pollen and Aerobiology Research Unit would in the short term be filtered through the University, rather than the subsidiary company due to its links to educational services. This decision will be reviewed in the future if trading activity increases, however for the year ending 31<sup>st</sup> July 2017 no trading activity was undertaken with the exception of the Company receiving minimal bank interest and also clearing a creditor payment.

UW Worcester Wolves Limited is a 100% subsidiary company of U W Enterprises Limited. The company was incorporated on 13<sup>th</sup> June 2014, with its first period of trading ending on 31<sup>st</sup> July 2015. The principal activity of the company is the running and operating of a professional basketball team, in which the main team plays in the top league in the UK, the British Basketball League (BBL), and who are based at the University of Worcester Arena. In addition, the company supports the activities of other basketball teams and activities in the University and the Worcester region.

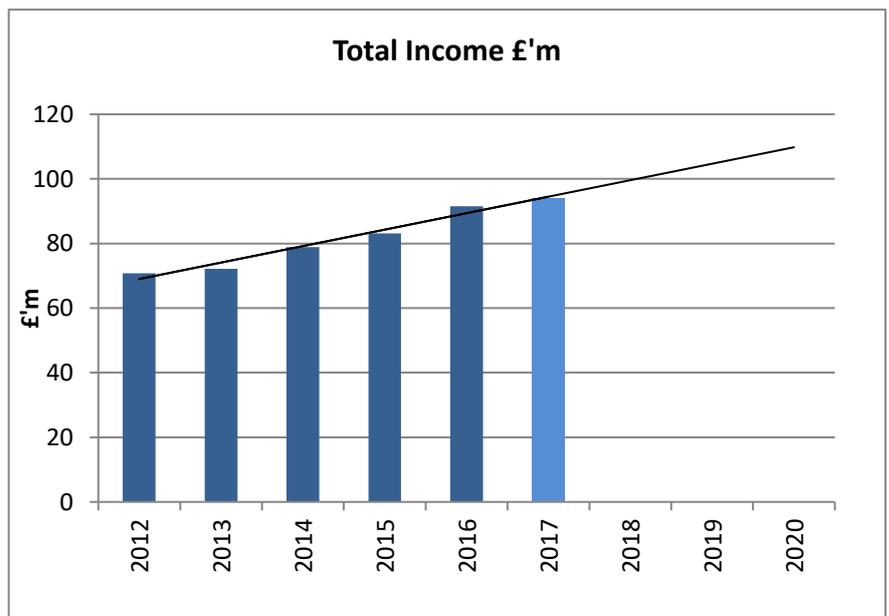
In the initial period of operation, it was always expected that the first few years would be a transition period while processes and procedures surrounding the club were regularised, which would then be followed by a steady growth in future years. The year ending 31<sup>st</sup> July 2017 has seen the company produce a small profit due to the continued support of the University of Worcester and local external sponsors. The company's medium term financial plans look stable and the sporting club continues to have a positive impact on the local community.

**SECTION 3: Financial Management and Sustainability (continued)**

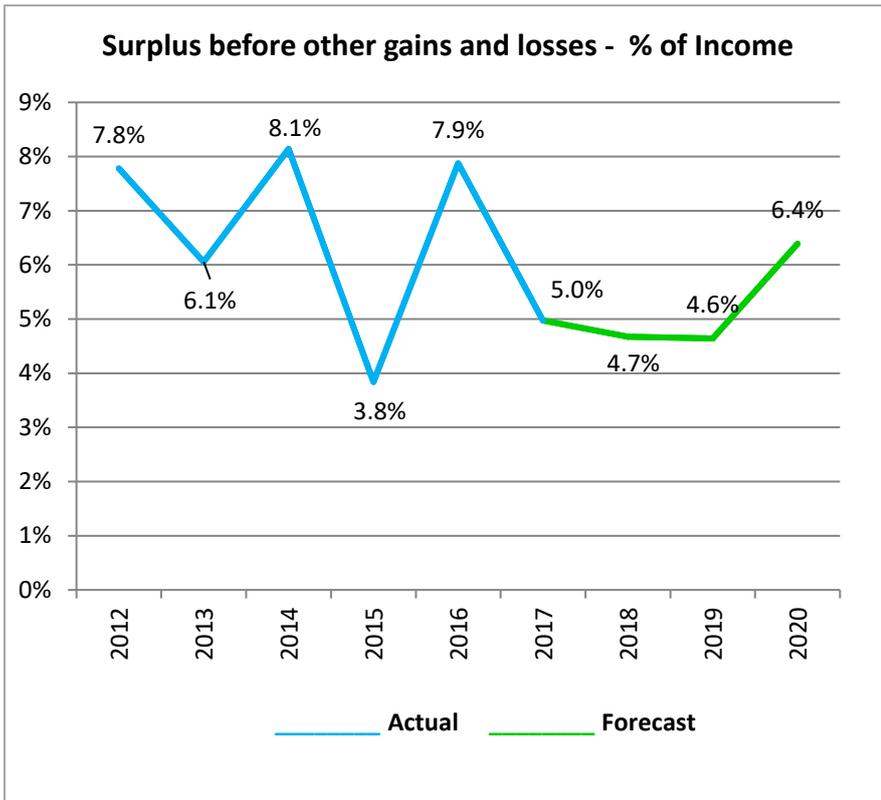
A visual summary of the financial Key Performance Indicators (KPI's) used by the University are shown below:-



Income has continued to increase year on year and 2016/17 has seen the University achieve income of £94.0m. Looking over a 5-year period, in 2011/12 the University's income was £70.1m, giving an average annual growth rate of 6.5% over the past 5 years. This has been achieved through a sustained strategy by the University to invest in its people and infrastructure, which in turn leads to a rewarding student experience and increased popularity amongst students at the University. Based on the trend line shown below the University is extremely likely to achieve continued growth over the coming years, given the external context (see section 1).

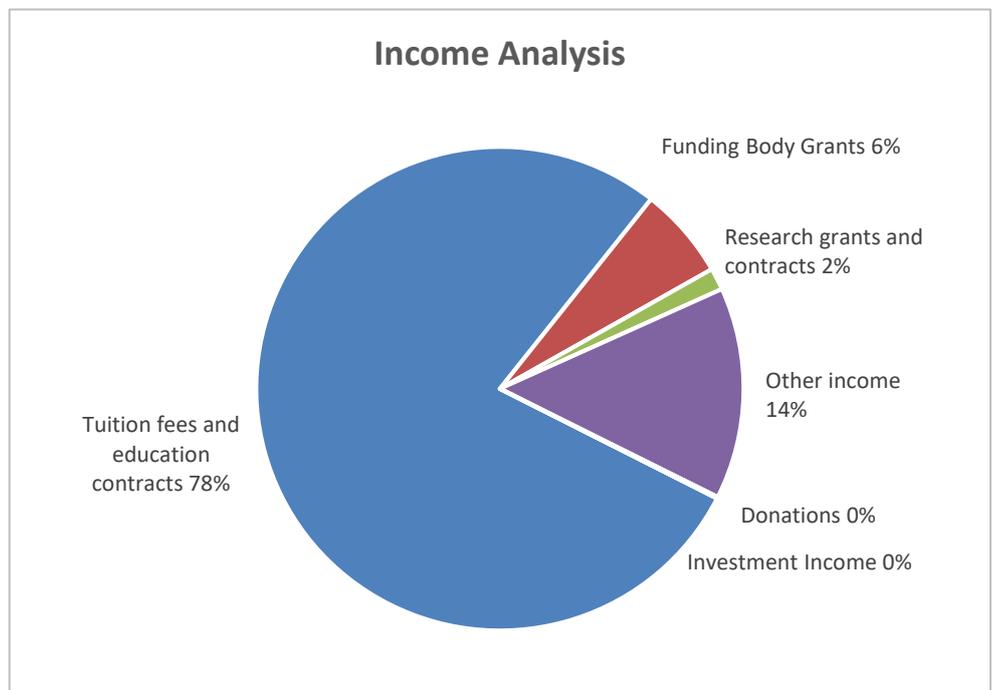


**SECTION 3: Financial Management and Sustainability (continued)**



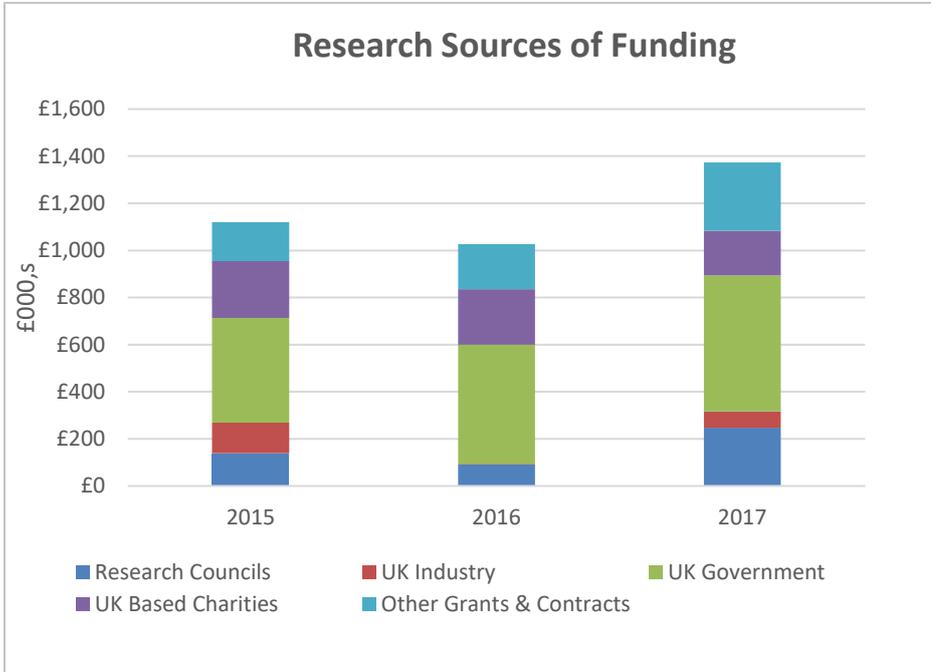
Associated with the sustainable income growth the level of surplus (before other gains and losses) generated has also remained healthy, with some years resulting in a higher surplus due to elements of non-recurrent income. The University’s current long-term financial plans are forecasting a consistent surplus to income ratio over the coming 3 years, as shown in the chart below. Management consider this a sustainable growth rate over the coming years. Given the recent announcements by the Government, and their potential impact on future year forecasts, the Board and the University Management will consider these in the usual course of its annual budgeting process, by which time more detailed information, should have been made available by HEFCE.

Analysis of the 2016/17 financial results shows a sustainable annual growth in income of £2.4m compared to the previous year, with the majority of income continuing to be received directly from tuition fees, as shown in the chart below. The shift between grant income (received from government) to student fees has now been fully realised and therefore the continued increase in tuition fee income is mainly a result of student number growth. Student fees now represent some 78% of total income and it is expected that this will remain constant in the future.



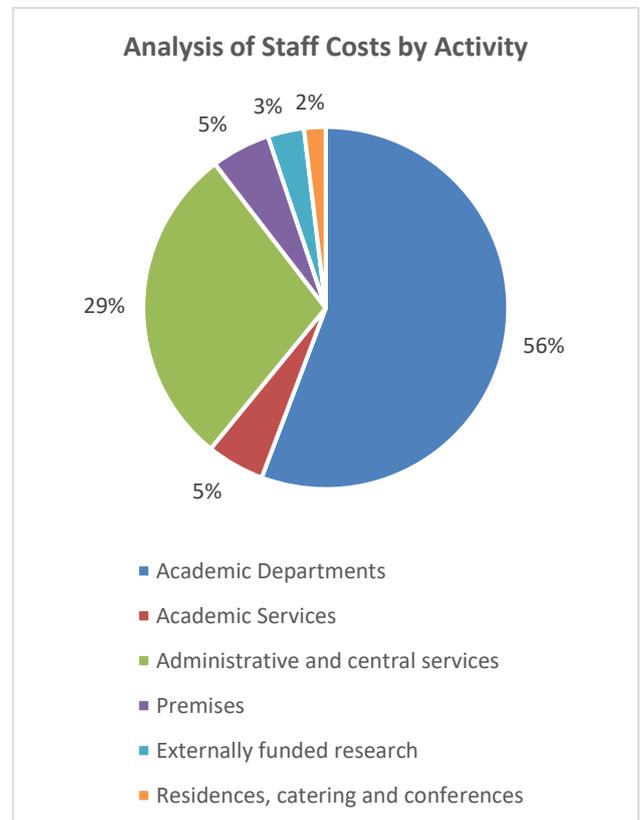
**SECTION 3: Financial Management and Sustainability (continued)**

The University of Worcester has not historically been a research-intensive University, as indicated by the income analysis chart above. However, research continues to play a key part in the educational offering to students and over the past few years focus has been on strengthening the University’s research department so that additional resources are made available to support academic research. Over the coming years, the University hopes to obtain additional external research contracts, either as a sole provider or in collaboration with other partners.



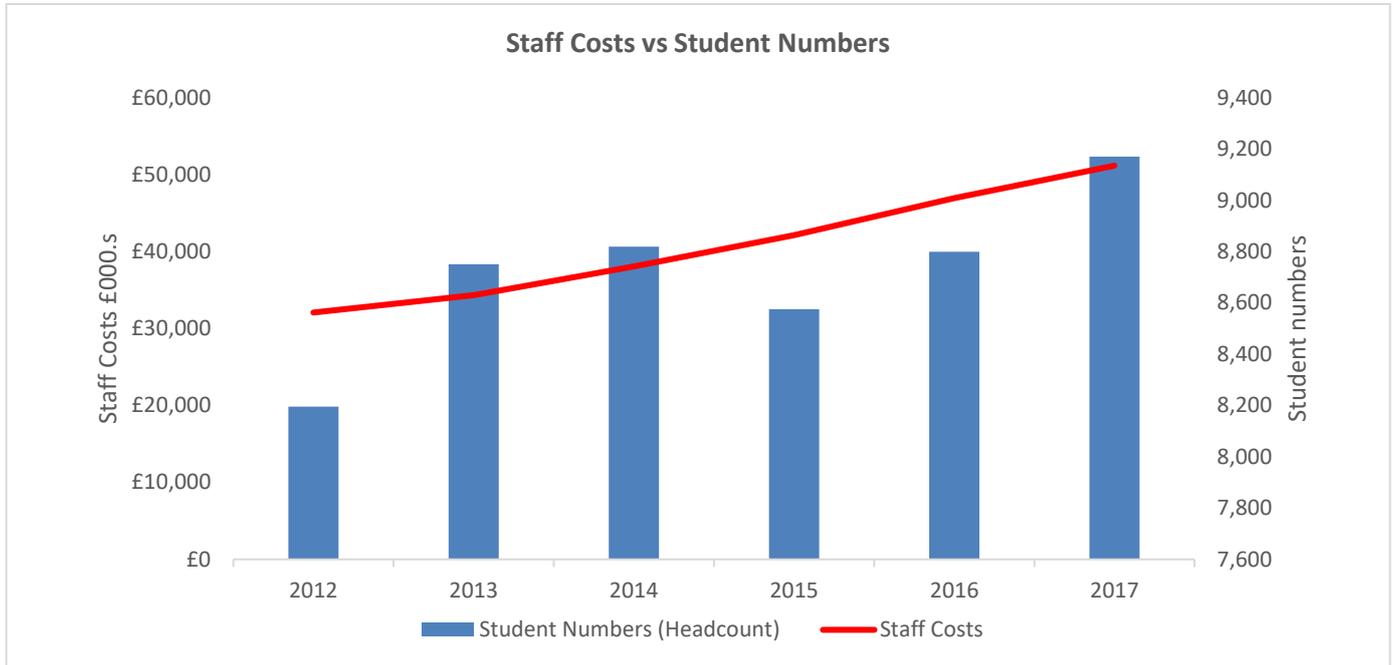
Research income has increased during the year from £1.0m in 2015/16 to £1.4m in 2016/17. Several of the projects that contributed to this year’s research income are related to contracts that span several years. This means that the University already has signed contracts in place, which will continue to generate income for the coming year. The University continues to focus on new opportunities to further increase the level of research related income in the future. The below chart shows the analysis of research related income over the past 3 years.

Total expenditure for the year increased by £4.9m (5.8%) to £89.3m (2016: £84.4m). Staff costs remain the University’s largest area of expenditure and have risen by £4.3m (9%) to £51.2m (2016:£46.9m) due to an increase in staff numbers which reflect the increase in activity in almost all departments and Institutes, together with the continued increase in pension contributions, national insurance taxation changes and the advent of the Apprenticeship Levy. The ratio of staff cost: income at 54.4% (2016: 51.3%) has risen over the past few years; however, it remains an appropriate balance in order to ensure that the highest levels of academic services and facilities continue to be provided, ensuring that the University remains attractive to future students. The University continues to focus on maintaining a sustainable level of staff costs, which, due to defined benefit pension liabilities, has become a challenge over the past few years. The chart below shows the analysis of staff costs between key areas:

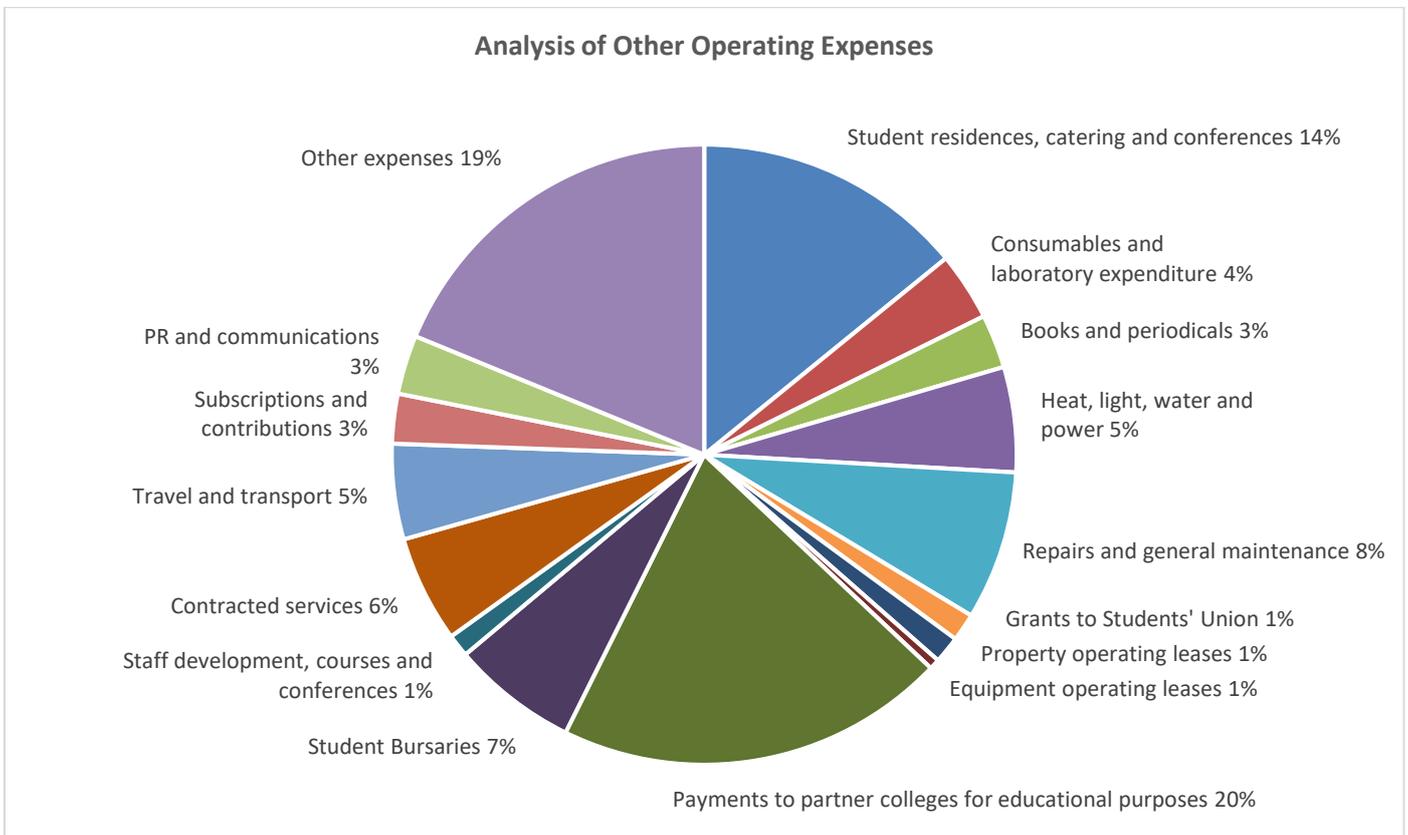


**SECTION 3: Financial Management and Sustainability (continued)**

The graph below shows the historical correlation between student numbers (headcount excluding students based at partner colleges) and staff costs.

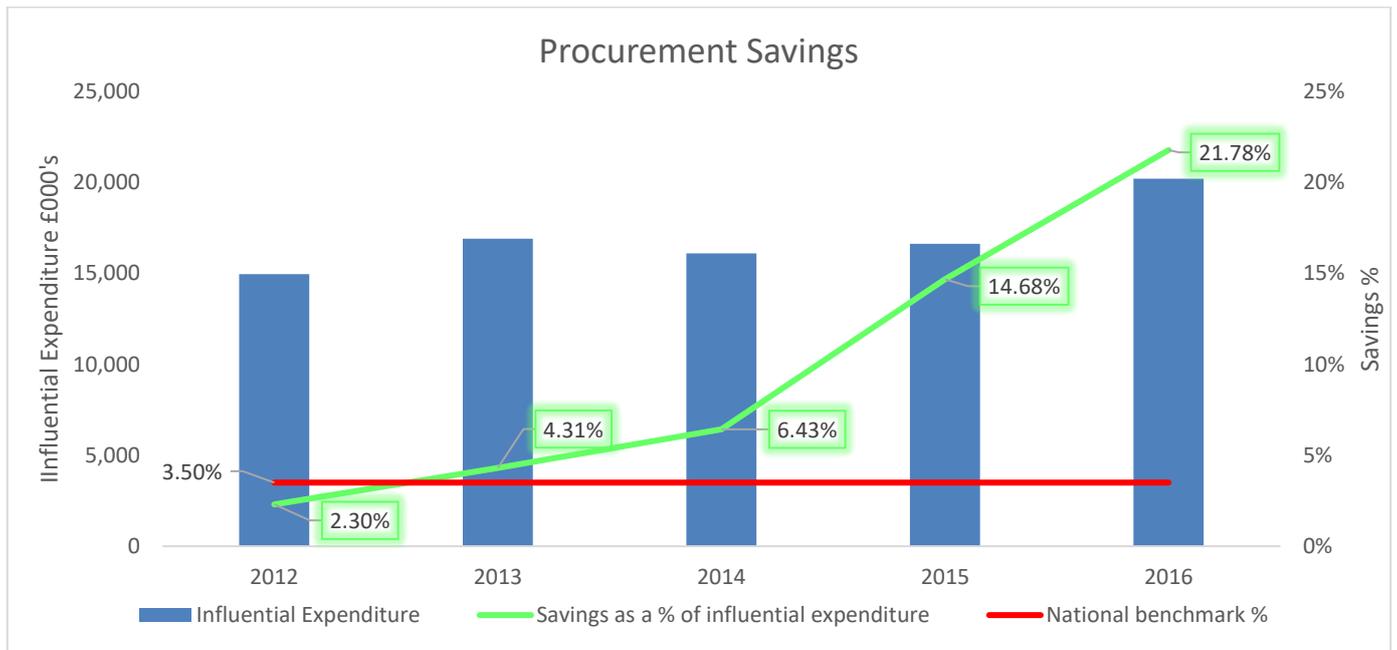


Other operating expenses remained at £29.4m, being the same as the previous year. The breakdown of the total other operating expenses is shown below:

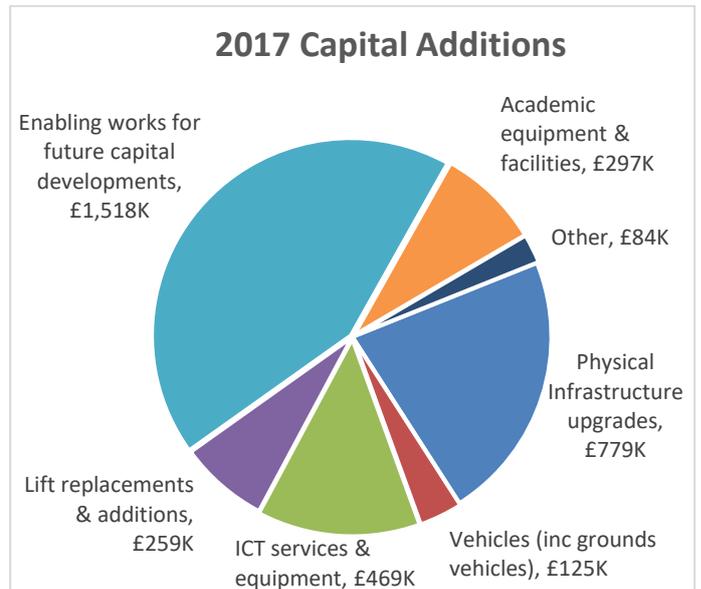
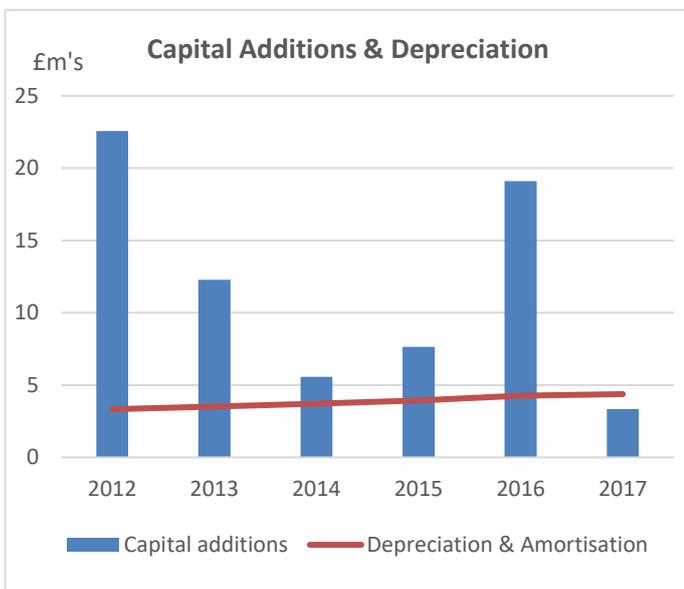


**SECTION 3: Financial Management and Sustainability (continued)**

Expenditure is constantly managed and monitored in order that the University continues to ensure that value for money is achieved. Certain areas of other operating expenditure are difficult to control; however, the graph below shows the value of influential expenditure over the past 5 years, along with the value of savings that have been achieved in comparison with the national benchmark. As indicated by the chart, the savings achieved each year have continually improved as a result of an experienced and dedicated procurement team. The mechanism for calculating procurement savings is currently being reviewed by HEFCE and therefore the 2017 data is not yet available, however during the year the University has continued to achieve value for money in line with the previous year.



The depreciation and amortisation charge continued to rise at a rate similar to that of previous years, which was expected due to the on-going capital investment. The level of capital investment during the year was lower than that of previous years, due to the University planning for a major student residences and other estates developments in the coming years. This will ultimately lead to the development of several new buildings, which in turn will directly result in a continued increase in depreciation in the coming years.



**SECTION 3: Financial Management and Sustainability (continued)**

The University Group balance sheet showed a strong position with net assets at £51.6m (2016: £42.5m). The main aspects of this were total fixed assets of £150.3m mostly relating to the physical estate of the University and associated equipment, along with the land held at University Park. There is an on-going strategy to continue with the investment in infrastructure and a number of significant projects should be completed over the coming few years.

Net Current assets were £19.0m (2016: £14.4m) with the majority of this relating to the cash balance held at the year-end. This was a result of the Barclays tranche C loan draw down on 27<sup>th</sup> July 2016, which remained unutilised during the year due to longer-term investment plans.

- Trade and other receivables £3.3m (2016: £2.2m)

The level of trade debtors at the end of this financial year was £2.3m, slightly greater than the previous year due to the new and increased partner arrangements with Universities based in China. Prepayments and accrued income was also greater at £0.9m compared to £0.5m the previous year. The University was also entitled to £0.1m of un-invoiced research grant income, due to several contract conditions being met, which was included within the total year-end receivables figure.

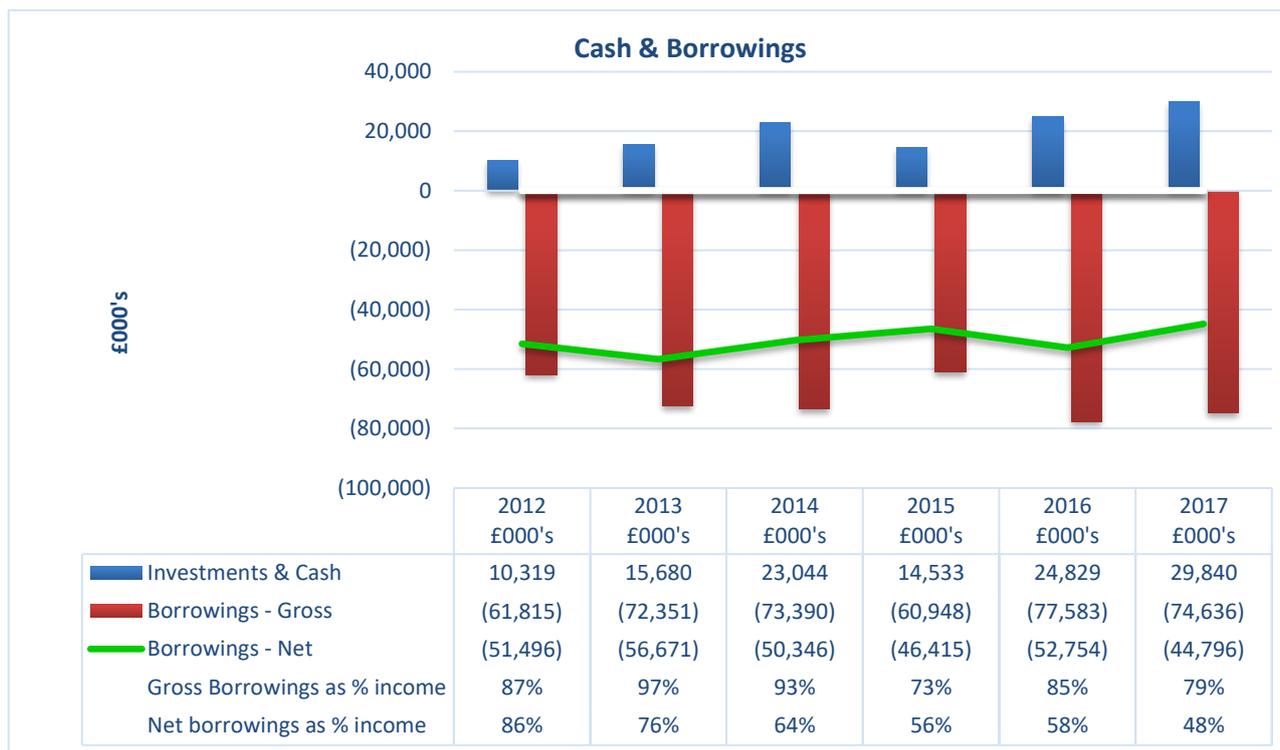
- Creditors (amounts falling due within one year) £(14.1)m (2016: £(12.7)m)

The creditor balance has increased compared to that of the previous year. Included within the overall creditor balance is £2.8m of loan repayments due within the year 2017/18 in accordance with the terms of the overall borrowing facility. Tax and social security payments of £1.8m relating to July were paid in August, and were therefore included within this figure; whereas in the previous year all liabilities relating to the July payroll were paid prior to the end of the financial year. Deferred income in relation to research contracts and capital grants remained consistent at £1.4m, compared to the previous year of £1.5m. This income will be released in the coming year upon entitlement to the income. Trade creditors has increased by £0.8m, however general accruals decreased by £1.3m compared to the previous year due to timely receipt of supplier invoices during the year end period.

Longer-term liabilities are related to loan borrowings, the Hive finance lease and government deferred capital grants, which will be released to income from 2018/19 onwards.

The total bank loan drawn down as at 31<sup>st</sup> July 2017 was the full £80.0m although some has been repaid, (with the remaining long term creditors relating to other funding connected to the Hive). This was consistent with the overall investment strategy of the University, with the borrowings used to successfully fund the expansion in the physical estate of the University and facilitate the substantial increase in both student numbers and resulting income as outlined above. The intention is that the unused cash balance from the final loan drawdown will be invested in the coming years in the continuation of development projects.

Most of the borrowings are due for repayment over a considerable number of years and the Board of Governors is satisfied at the University's ability to meet these repayments together with the associated interest charges as they fall due. The good financial performance in the year ended 31<sup>st</sup> July 2017 meant that all bank and related covenant tests were again comfortably achieved.

**SECTION 3: Financial Management and Sustainability (continued)****Provisions for liabilities**

The University has accounted for several provisions in relation to pensions, VAT and legal costs. The overall pension liability provision as at 31<sup>st</sup> July 2017 was £(29.5)m (2016: £(29.9)m) which includes the University's liabilities relating to the Worcestershire County Council Local Government Pension Scheme (WLGPS), the liability to fund the pension deficit regarding the University's Superannuation Scheme (USS), and the on-going provision regarding past early retirement benefits. The performance of WLGPS assets during the year was positive, to the point that they outperformed the in-year movement in liabilities, resulting in a small reduction to the overall fund liability from £(28.9)m to £(28.7)m. The year-end adjustment to the current service cost was as expected, resulting in a charge to the Income and Expenditure Account as per previous years since the introduction of FRS102. The continued increase in pension costs for the University remains a concern and is a key factor in the long term financial planning of the University.

**Consolidated Cash flow**

The cash inflow for the year from operating activities was £16.9m (2016: £14.1m). This cash inflow was partly used to invest in capital expenditure and to service the loan facility (interest and loan repayments), with the remaining being held in the bank account. This strong cash performance generated an overall £5.0m to provide a year-end bank balance of £29.8m. This cash will be used in future years to support working capital fluctuations, maintain long-term debt repayments and allow for additional investment in future capital expenditure projects.

## SECTION 4: Infrastructure Development Programme

The primary focus of the University's long-term Infrastructure development programme in the first half of 2016/17 was the development of a detailed planning application for new student residencies at the University Court site, which is located near the University's St. John's campus.

This outline planning application was submitted for consideration by the planning authorities in September 2016. Design proposals were developed up to RIBA Stage 3. The planning authority for this application is Malvern Hills District Council. Unfortunately, due to factors entirely outside the University's control, this application has not, at the time of writing (November 13, 2017), been considered by the local authority planning committee. There have been extensive and productive discussions with planning officers but no committee determination. The University's officers hope that the application will be determined soon. Work is being undertaken to develop an appropriate strategy to finance this project. This has been made very much more difficult by the uncertainties created by the 'Brexit' process.

In the second half of 2016/17, the primary focus of the University's long-term Infrastructure development programme was the finalisation of refurbishment plans for the former County Furnishings building adjacent to the City Campus. The new University Art House facility will provide flexible and innovative resources for creative arts students, researcher practitioners and community groups. The redevelopment of the building builds on the wealth of natural light afforded by the existing large skylights and the large open spaces, which will be developed into studio and 'open classroom' spaces. An application for listed building consent was submitted in July 2017 and subject to the granting of planning approval the refurbished building is due to be available for use from September 2018.

During the year, working with Nicholas Hare Architects, a masterplan has been developed for vacant, University-owned land at the Severn Campus, adjacent to the University's award-winning inclusive sports facility: the University Arena. The masterplan has demonstrated that the site could accommodate two flagship buildings, such as an Inclusive Cricket building and/or a Health and well-being building.

During 2016/17, the University has continued to invest in its existing estate. The estates maintenance programme has been followed and strategic developments have focused on creating new state-of-the-art accessible learning spaces, developed with the Learning Spaces Group. These will facilitate peer-learning, problem-solving and other learning and teaching methods.

Moving forward into 2017/18 the University has commenced work on developing plans for a small number of residential townhouses on the St John's Campus. The townhouses will be designed to be fully inclusive. This will allow for the 'piloting' of a number of the design assumptions contained in the University Court plans. The University is also exploring the possible re-siting of the University nursery.



## SECTION 5: 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 website: <https://www.worcester.ac.uk/discover/governance.html>. During 2016/17, the Privy Council granted formal approval to changes to these governing instruments.

### The Board of Governors

The Board of Governors is the governing body of the University. The Board of Governors has a majority of independent members and the Chair is elected for a term of four years from the independent members. The Chair is supported by two Vice Chairs, appointed by the Board of Governors on the recommendation of the Nominations Committee. Membership of the Board also includes co-opted members and representatives of the teaching and support staff and two student members. 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, apart from the reimbursement of travel expenses. During 2016/17, the Board appointed two new Vice Chairs to take up post on the 1<sup>st</sup> August 2017, following the retirement from the Board of the two former post-holders.

In accordance with the University's Articles of Government, the Board is responsible for determining the educational character and the strategy of the University, and has oversight of its activities. During 2016/17, the Board agreed a Statement of Primary Responsibilities, as follows:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
3. To delegate authority to the Vice Chancellor and Chief Executive for the academic, corporate, financial, estate and human resource management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with the latest version of the *CUC Code of Higher Education Governance* and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the Vice Chancellor and Chief Executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Clerk to the Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

**SECTION 5: Corporate Governance (continued)**

10. To be the employing authority for all 'holder of senior posts' in the institution (as prescribed in the Articles of Government) and to be responsible for establishing a human resources strategy and a framework for the pay and conditions of other staff.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To receive assurance that adequate provision has been made for the general welfare of students and the management of academic quality and standards.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's Instruments and Articles of Government are followed at all times and that appropriate advice is available to enable this to happen.

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 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 Board of Governors meets five times per annum, in addition to other special meetings to address specific issues. The Clerk to the Board maintains a Register of Interest of members of the Board, which may be consulted by arrangement with the Clerk.

As stated in the University's Strategic Plan 2013-18, the University is committed to operating the highest standards of corporate governance and continuously improving its governance arrangements. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (the so-called Nolan Principles), namely: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

At its meeting in July 2015, the Board adopted formally the Higher Education Code of Governance published by the Committee of University Chairs (CUC) in December 2014. At the same time, the Board received and approved a report, which confirmed the University's compliance with the seven primary elements of governance identified in the Code. The annual review of compliance with each part of the Code was undertaken and received by the Board in

**SECTION 5: Corporate Governance (continued)**

2016/17 at the meeting of the Board in October 2016. The next report is due at the meeting of the Board scheduled in November 2017.

The work of the Board is supported by a system of sub-committees, as described below.

**Academic Board**

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. The Academic Board 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. The Board of Governors has mechanisms in place to assure itself that the University has in place arrangements to safeguard the quality and standards of its academic provision. It receives reports of each meeting of the Academic Board and an annual report from the Academic Board on quality and standards. The Board engaged in detailed strategic discussion concerning the Teaching Excellence Framework at its meeting in July 2016, November 2016 and February 2017. Following a formal review undertaken by the Academic Governance Committee, the Board approved changes to the committee structure and terms of reference of the sub-committees of the Academic Board (on the recommendation of Academic Board) at its meeting in October 2016. Details of the academic governance committees can be found in Bye-Law 4 at [https://www.worc.ac.uk/dpfoi/documents/Byelaws\\_Board\\_Approved\\_Jul\\_17.pdf](https://www.worc.ac.uk/dpfoi/documents/Byelaws_Board_Approved_Jul_17.pdf).

The Board hosts one joint event annually with members of the University's Academic Board and the University Executive. In 2016/17, the theme of the joint conference was student engagement and, therefore, the participants and speakers included members of the Students' Union and the wider student community.

**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. There is a matrix of members' skills and expertise to assist decision making, which is reviewed on annual basis. Annual reporting on the profile of the Board in respect of equality and diversity was introduced formally in 2016/17. In accordance with the Lambert Report (2003) and best practice in the Higher Education Code of Governance (2014), the University continues to advertise nationally against defined person specifications and role descriptors. All vacancies for independent board members are advertised on national recruitment boards and on the University's website. The recruitment campaign for new Board members included the targeting of under-represented groups through specialist website and membership groups. The Board also demonstrated its commitment to promoting diversity for new non-executive directors and governors in Higher Education and other sectors, through its participation in the Board Apprentice programme. The Board will welcome its first board apprentice in 2017/18.

**Finance and Development Committee**

The Finance and Development Committee meets five times each year. It reviews in detail the University's budget, Financial Forecasts and Accounts, prior to formal approval by the Board of Governors, including consideration of accounting principles, judgements and disclosures. On behalf of the Board, it monitors the development and implementation of strategic projects approved by the Board including the Capital Development Programme. The Committee monitors in-year financial performance in relation to the budget and HEFCE financial performance indicators.

**Audit Committee**

The Audit Committee meets four times a year, with the University's External and Internal Auditors in attendance. The University appointed Ernst Young in 2015/16 for its internal audit services. The Committee membership

## **SECTION 5: Corporate Governance (*continued*)**

comprises four independent members appointed by the Board of Governors, none of whom are members of the Finance and Development Committee, and up to a further two co-opted independent members. At least one member should have recent and relevant experience in finance, accounting or auditing. Members of the Executive attend meetings of the Audit Committee, but they are not members of the Committee, and the Committee members meet with the Auditors on their own for independent discussions. During 2016/17, one 'in camera' session of this type was held.

The Committee approves the Internal Audit Strategy and the Annual Internal Audit Plan, and receives detailed reports with recommendations for improvements to the institution's internal control systems. It also receives the Corporate Risk Register and the annual financial statements and the management letter from the external auditors, prior to their formal approval by the Board of Governors. It reports to each meeting of the Board and also presents an annual report that is part of the annual assurance process required by HEFCE, which is submitted along with the Annual Opinion statement from the Internal Auditors. The Annual Report of the Audit Committee includes an assurance on the quality of the University's data management and the accuracy of data returned to external agencies.

### **HR Committee**

The HR Committee oversees the development and implementation of the human resources strategy, and receives reports from the Director of HR and from the Equality and Diversity and the Health and Safety Committees. 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. The Committee reviews the profile of the University staff by key contractual groups, staffing and recruitment trends and the number engaged in CPD and staff development activities.

### **Remunerations Committees**

During 2016/17, the University had two Remunerations Committees: one responsible for determining the annual remuneration of the Board appointed staff (i.e. the Vice Chancellor and Chief Executive, the Deputy Vice Chancellor and the Clerk) and another considering the remuneration of other members of the senior leadership, who report to the Vice Chancellor and Chief Executive. Both Committees use sector benchmarking information to inform their decision-making and reports on at least an annual basis to the Board of Governors. The Remunerations Committee (Senior Staff) sets the parameters for the reward and remunerations of staff on the University of Worcester salary scale; whose individual salaries are determined by a group of senior staff chaired by the Vice Chancellor and Chief Executive. The membership of the Remunerations Committee (Board Appointees) comprised entirely of Independent Board members. The Vice Chancellor was not a member and was invited to attend only for specific items relating to the senior staff he manages. Following a review conducted in spring 2017, the Board approved the establishment of a single Remunerations Committee from 2017/18 onwards. The membership shall comprise: The Chair of the Governing Body (in the Chair), The Chair of the HR Committee, The Chair of the Audit Committee and one other independent Board Member.

In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee, University Community Forum and Honorary Awards Committee. The Board of Governors also has a nominated observer representative on the Boards of all the University's wholly owned active subsidiary companies.

### **Internal control and risk management**

The Board has responsibility for maintaining a sound system of internal control that support the achievement of institutional strategies and policies, whilst safeguarding public and other funds and the assets of the University. The system of internal control is designed to manage rather than eliminate risk and can only provide reasonable rather

**SECTION 5: Corporate Governance (continued)**

than absolute assurance of effectiveness. Operationally, the University Risk Manager is the Clerk to the Board, who works closely with the University Executive and individual risk owners to ensure that the University's Risk Management Policy is implemented.

An institutional Risk Register is maintained, which is presented on a six-monthly basis to the Audit Committee and Board of Governors for approval. Each corporate risk is mapped to the University's Strategic Plan. The annual review and planning process includes a review by the Executive of major risks and how these are being managed in different departments of the University. Separate and detailed risk registers are maintained for key capital developments and risk assessments are also undertaken alongside any proposals for major new partnerships.

During 2016/17, a formal review was undertaken of Risk Management, led by the Clerk and with professional advice and input from both the Internal and External Auditors and the Chairs of both the Audit and Finance and Development Committees. Details are provided below.

The Board's oversight of the effectiveness of the system of internal controls is informed directly by the work of the Internal Auditors and the University Executive that has responsibility for the development and maintenance of the internal control framework, and by feedback provided by the External Auditors in their management letter and in other reports to the Audit Committee. The Internal Audit Strategy, approved annually by Audit Committee, sets out priorities over a four-year period and includes the agreed priority audit areas for the coming year. These priorities are based on a review of sector and University developments, audit work in the previous year and the University's Risk Assurance Map, which is received on a six-monthly basis with the Institutional Risk Register. The Annual Internal Audit Plan is reviewed at each meeting of Audit Committee, because it is recognised that it is dynamic and needs to be continuously revisited to reflect the changing environment and risk profile facing the University. Key responsibilities by the Executive relating to the operation of the internal control environment are included within the Schedule of Delegation, which is approved on at least an annual basis by the Board. The Board receives a report by the Vice Chancellor and Chief Executive at each meeting of the Board concerning the operation of the University and emerging risks and opportunities affecting the University.

**Governance Developments in 2016/17**

Following approval by the Privy Council of changes to the University's Instruments and Articles of Government in October 2016, developments in corporate governance focused on the establishment of a framework for a set of Byelaws, approval by the Board of a number of Byelaws, including Bye-Law 1 Statement of Primary Responsibilities cited earlier.

In addition to strategic planning work related to the New University Plan (cited in section 1 earlier), the Board has been engaged in two strategic initiatives: a Review of Board Effectiveness and a thorough review of the University's Risk Management Policy.

The Review of Board Effectiveness was supported by the Leadership Foundation for Higher Education (LFHE). A dedicated consultant (Aaron Porter, Associate Director Governance) was appointed with expertise in governance from within Higher Education and other sectors. He provided informal advice throughout the Review process, in relation to both the findings and the proposed action plan, and benchmarking data from other Universities that had used the toolkit (the basis of the on-line questionnaire completed by all members) to review their Board Effectiveness recently. Some practical changes highlighted through the review implemented by the Board from the beginning of the academic year. The Board, at its meeting in February 2017, also approved 26 formal substantive recommendations and a related Action Plan. One recommendation was that a follow-up review would be conducted in 2019, involving two external advisors with significant expertise in Corporate Governance (one in Higher Education and one in other sectors). The rationale was that by 2019 the University would have completed its planned programme of development work in relation to corporate governance and would be in the first year of implementing the next University Strategic Plan.

**SECTION 5: Corporate Governance (*continued*)**

The revised University Risk Management Policy was approved at the Board meeting in July 2017. The new Policy will be implemented when the new Corporate Risk Register has been approved by the Board alongside the new Strategic Plan. Key features of the revised policy are the:

- Introduction of a Risk Appetite Framework. The Framework describes the level of risk that the University is willing to accept in the pursuit of its strategic aims. The University's Key Risk Areas in the risk appetite framework are: Learning and Teaching; Student Experience; Inclusive practice; Financial investments in targeted long-term strategic developments (with approved business plans) and Community engagement and outreach. The Framework will inform formal strategic decision-making by the Board.
- Details concerning devolved risk management;
- Inclusion of information on new arrangements related to information security risk management;
- Increased frequency of risk management reporting;
- Changes to the format and structure of the Register.



Mr John Bateman OBE  
Chair of the Board of Governors



Professor David Green  
Vice Chancellor and Chief Executive

## Independent auditors' report to the Board of Governors of The University of Worcester (the "institution")

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### Report on the audit of the financial statements

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#### Opinion

In our opinion, the University of Worcester's Group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent institution's affairs as at 31 July 2017 and of the group's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the 2016/17 HEFCE Accounts Direction.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise the consolidated and university Balance Sheets as at 31 July 2017; the consolidated and university Statements of Comprehensive Income and Expenditure for the year then ended; the consolidated and university Statements of Changes in Reserves for the year then ended; the consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Board of Governor's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Governors has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and parent institution's ability to continue as a going concern.

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Board of Governors is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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### Responsibilities for the financial statements and the audit

#### Responsibilities of the Board of Governors for the financial statements

As explained more fully in the Strategic Report set out on page 33, the Board of Governors is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Board of Governors is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors is responsible for assessing the Group and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intends to liquidate the Group and parent institution or to cease operations, or has no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the Board of Governors as a body in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, 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.

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### Other required reporting

#### Opinions 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 Memorandum of Assurance and Accountability, and any other terms and conditions attached to them.

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#### Other matters on which we are required to report by exception

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion the Statement of Internal Control included as part of section 5 in the Strategic report is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report from this responsibility.



Alison Breadon (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street

Birmingham B3 2DT

Date *20 November 2017*

**Consolidated and University Statements of Comprehensive Income and Expenditure**  
**For the year ended 31<sup>st</sup> July 2017**

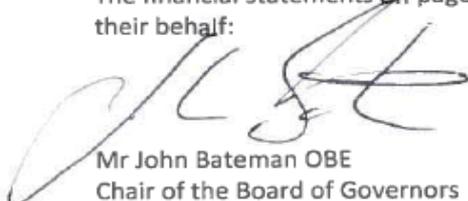
	Note	Group		University	
		2017 £000	2016 £000	2017 £000	2016 £000
<b>INCOME</b>					
Funding Body Grants	2	5,754	6,804	5,754	6,804
Tuition fees and education contracts	3	73,455	71,136	73,455	71,136
Research grants and contracts	4	1,373	1,026	1,373	1,026
Other income	5	13,307	12,529	13,319	12,616
Investment Income	6	80	66	158	133
<b>Total income before endowments and donations</b>		<b>93,969</b>	<b>91,561</b>	<b>94,059</b>	<b>91,715</b>
Donations and endowments	7	19	24	19	24
<b>TOTAL INCOME</b>		<b>93,988</b>	<b>91,585</b>	<b>94,078</b>	<b>91,739</b>
<b>EXPENDITURE</b>					
Staff Costs	8	51,160	46,943	51,003	46,805
Other operating expenses	9 & 11 9,12 &	29,421	29,384	29,631	29,775
Depreciation and amortisation	13	4,376	4,263	4,495	4,381
Interest and other finance costs	10	4,357	3,784	4,357	3,784
<b>TOTAL EXPENDITURE</b>	11	<b>89,314</b>	<b>84,374</b>	<b>89,486</b>	<b>84,745</b>
<b>Surplus before other gains losses</b>		<b>4,674</b>	<b>7,211</b>	<b>4,592</b>	<b>6,994</b>
Loss on disposal of fixed assets	13	(32)	(577)	(32)	(577)
Gain on investments	14	1,926	-	1,926	-
Share of Operating Surplus/(Deficit) in Joint Venture	15	-	(7)	-	-
Surplus before taxation		6,568	6,627	6,486	6,417
Taxation	16	-	-	-	-
<b>Surplus for the year</b>		<b>6,568</b>	<b>6,627</b>	<b>6,486</b>	<b>6,417</b>
Actuarial Gain/(Loss) in respect of pension schemes	26	2,574	(8,220)	2,574	(8,220)
<b>Total comprehensive income/(expense) for the year</b>		<b>9,142</b>	<b>(1,593)</b>	<b>9,060</b>	<b>(1,803)</b>
Represented by:					
Restricted comprehensive income for the year		2	15	2	15
Unrestricted comprehensive income for the year		9,140	(1,608)	9,058	(1,818)
		9,142	(1,593)	9,060	(1,803)
<b>Surplus for the year attributable to:</b>					
Non controlling interest		-	-	-	-
University		6,568	6,627	6,486	6,417
<b>Total Comprehensive income for the year attributable to</b>					
Non controlling interest		-	-	-	-
University		9,142	(1,593)	9,060	(1,803)

The Income and Expenditure of the Group and the University relates wholly to continuing operations.

**Consolidated and University Balance Sheets as at 31<sup>st</sup> July 2017**

	Note	Group		University	
		2017 £000	2016 £000	2017 £000	2016 £000
<b>Non-current assets</b>					
Intangible assets	12	106	94	106	94
Tangible fixed assets	13	146,014	146,905	151,940	152,878
Investments	14	4,209	2,283	4,220	2,294
Investments in joint venture	15	5	5	-	-
<b>Total Non-current assets</b>		<b>150,334</b>	<b>149,287</b>	<b>156,266</b>	<b>155,266</b>
<b>Current assets</b>					
Stock	17	15	12	9	5
Trade and other receivables	18	3,288	2,240	5,614	3,826
Cash and cash equivalents		29,840	24,829	28,618	24,323
<b>Total Current assets</b>		<b>33,143</b>	<b>27,081</b>	<b>34,241</b>	<b>28,154</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(14,141)	(12,701)	(14,114)	(12,614)
<b>Net Current assets</b>		<b>19,002</b>	<b>14,380</b>	<b>20,127</b>	<b>15,540</b>
<b>Total assets less current liabilities</b>		<b>169,336</b>	<b>163,667</b>	<b>176,393</b>	<b>170,806</b>
Creditors: amounts falling due after more than one year	20	(87,907)	(90,924)	(87,907)	(90,924)
<b>Provisions</b>					
Pension	21	(29,472)	(29,893)	(29,472)	(29,893)
Other	21	(328)	(363)	(328)	(363)
<b>Total Net assets</b>		<b>51,629</b>	<b>42,487</b>	<b>58,686</b>	<b>49,626</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment		-	-	-	-
Income and expenditure reserve - restricted	22	136	28	136	28
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		40,626	31,350	47,683	38,489
Revaluation reserve		10,867	11,109	10,867	11,109
		<b>51,629</b>	<b>42,487</b>	<b>58,686</b>	<b>49,626</b>
Non-controlling interest		-	-	-	-
<b>Total Reserves</b>		<b>51,629</b>	<b>42,487</b>	<b>58,686</b>	<b>49,626</b>

The financial statements on pages 40 to 74 were approved by the Board of Governors on 13<sup>th</sup> November 2017 and signed off their behalf:



Mr John Bateman OBE  
Chair of the Board of Governors



Professor David Green  
Vice Chancellor and Chief Executive

**Consolidated and University Statements of Changes in Reserves**  
**For the year ended 31<sup>st</sup> July 2017**

Group	Income and expenditure reserve		Revaluation reserve £000	Total excluding Non-Controlling Interest £000	Non- controlling interest £000	Total Reserves £000
	Restricted £000	Unrestricted £000				
<b>Balance at 1<sup>st</sup> August 2016</b>	<b>28</b>	<b>31,350</b>	<b>11,109</b>	<b>42,487</b>	<b>-</b>	<b>42,487</b>
Surplus/(deficit) from the income and expenditure statement	2	6,566	-	6,568	-	6,568
Other comprehensive income	-	2,574	-	2,574	-	2,574
Transfers between revaluation and income and expenditure reserve	-	242	(242)	-	-	-
Release of restricted funds spent in year	106	(106)	-	-	-	-
<b>Total comprehensive income/ (expense) for the year</b>	<b>108</b>	<b>9,276</b>	<b>(242)</b>	<b>9,142</b>	<b>-</b>	<b>9,142</b>
<b>Balance at 31<sup>st</sup> July 2017</b>	<b>136</b>	<b>40,626</b>	<b>10,867</b>	<b>51,629</b>	<b>-</b>	<b>51,629</b>

University	Income and expenditure reserve		Revaluation reserve £000	Total excluding Non-Controlling Interest £000	Non- controlling interest £000	Total Reserves £000
	Restricted £000	Unrestricted £000				
<b>Balance at 1<sup>st</sup> August 2016</b>	<b>28</b>	<b>38,489</b>	<b>11,109</b>	<b>49,626</b>	<b>0</b>	<b>49,626</b>
Surplus/(deficit) from the income and expenditure statement	2	6,484	-	6,486	-	6,486
Other comprehensive income	-	2,574	-	2,574	-	2,574
Transfers between revaluation and income and expenditure reserve	-	242	(242)	-	-	-
Release of restricted funds spent in year	106	(106)	-	-	-	-
<b>Total comprehensive income/ (expense) for the year</b>	<b>108</b>	<b>9,194</b>	<b>(242)</b>	<b>9,060</b>	<b>-</b>	<b>9,060</b>
<b>Balance at 31<sup>st</sup> July 2017</b>	<b>136</b>	<b>47,683</b>	<b>10,867</b>	<b>58,686</b>	<b>-</b>	<b>58,686</b>

**Consolidated Cash flow Statement for the year ended 31<sup>st</sup> July 2017**

	<b>2017</b>	<b>2016</b>
	£000	£000
<b>Cash flow from operating activities</b>		
Surplus for the year	6,568	6,627
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	4,376	4,263
Increase in stock	(3)	(2)
(Increase)/ decrease in debtors	(1,048)	1,418
Increase/(decrease) in creditors	1,371	(3,456)
Increase in pension provision	2,153	1,514
(Decrease)/ increase in other provisions	(35)	238
<b>Adjustment for investing or financing activities</b>		
Investment income	(80)	(66)
Interest payable	3,566	3,036
Endowment income	(19)	(24)
Loss on the disposal of fixed assets	32	577
<b>Net cash flow from operating activities</b>	<b>16,881</b>	<b>14,125</b>
<b>Cash flows from investing activities</b>		
VAT adjustment/ refund	-	1,755
Revaluation of non-current asset investments	(1,926)	-
Disposal of joint venture investments	-	(271)
Withdrawal of deposits	-	0
Investment income	80	66
Payments made to acquire tangible and intangible fixed assets	(3,531)	(19,003)
<b>Net cash flow used in investing activities</b>	<b>(5,377)</b>	<b>(17,453)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(3,351)	(3,003)
Interest element of finance lease and service concession payments	(214)	(32)
Endowment cash received	19	24
New secured loans	-	21,000
Repayments of amounts borrowed	(2,859)	(3,643)
Capital element of finance lease and service concession payments	(88)	(722)
<b>Net cash flow (used in)/ from financing activities</b>	<b>(6,493)</b>	<b>13,624</b>
<b>Increase in cash and cash equivalents in the year</b>	<b>5,011</b>	<b>10,296</b>
Cash and cash equivalents at beginning of the year	24,829	14,533
Cash and cash equivalents at end of the year	29,840	24,829
<b>In year movement</b>	<b>5,011</b>	<b>10,296</b>

**Notes to the financial statements**  
**Year ended 31<sup>st</sup> July 2017**

## **1. Statement of Principal Accounting Policies**

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with 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 31<sup>st</sup> July 2017. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

### **Income recognition**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Grant funding**

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

## 1. Statement of Principal Accounting Policies (*continued*)

### Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income and applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### Accounting for retirement benefits

The three principal pension schemes for the University's employees are the Universities Superannuation Scheme (USS), the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The schemes are defined benefit schemes which are externally funded and up until April 2016 were contracted out of the State Second Pension (S2P).

The USS and TPS are multi-employer schemes for which the assets 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 the schemes on a consistent and reasonable basis and therefore as required by FRS 102 "Retirement Benefits", accounts for the schemes as if they are defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the schemes in respect of the accounting period. A liability is also recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts section 28 of FRS 102 'post-employment benefits'.

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

## **1. Statement of Principal Accounting Policies (*continued*)**

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.

### **Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

### **Defined benefit plan**

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### **Employment benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### **Finance leases**

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **Service concession arrangements**

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

## 1. Statement of Principal Accounting Policies (*continued*)

### Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### Fixed assets

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation and accumulated impairment losses. 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 31<sup>st</sup> 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 the transitional provisions of FRS 15, and more recently the 2015 HE SORP, to retain the book values of land and buildings based on the 1995 revaluation has been adopted and the valuation has not been updated subsequently.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Where land is acquired with the aid of specific grants it is capitalised but not depreciated therefore the related grant is credited to the Statement of Comprehensive Income at the time of purchase.

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the University over 60 years. Where parts of a fixed asset have different useful economic lives, they are accounted for as separate items of fixed assets. New major refurbishments are depreciated as follows:

Mechanical and Electrical Infrastructure installations or upgrades	15 - 25 years
IT Infrastructure installations or upgrades	15 years
Roof replacements	60 years
Window replacements	15 years
Reconfiguration and general refurbishments	10 years

Assets in the course of 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.

## 1. Statement of Principal Accounting Policies (*continued*)

### Equipment

Equipment, including computers and software, costing less than £5,000 per individual item is recognised as expenditure. All other equipment which has a useful life of greater than one year is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer Equipment	3 years
Fixtures and Fittings	8 years
General Equipment	8 years
Specialist Equipment	5 – 10 years
Motor Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

### Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. General borrowing costs are recognised as expenditure in the period in which they are incurred.

### Intangible assets

Intangible assets are amortised over a straight line basis over 3 years representing the remaining estimated economic life of the assets. Intangible assets are subject to periodic impairment reviews as appropriate.

### Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering educational services. Halls of residences are classified as tangible fixed assets rather than investment assets as they are integral to the operations of the University.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31<sup>st</sup> July each year.

### Investments

Non- current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

### Stocks

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

## 1. Statement of Principal Accounting Policies (*continued*)

### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the Notes.

### Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is therefore a charity within the meaning of Paragraph 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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 costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial or corporate organisations.

## 1. Statement of Principal Accounting Policies (*continued*)

### Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### Critical accounting judgements and estimation uncertainty

Investment Land (note 14) – As part of the FRS102 transition the University reclassified the land held at University Park as Investment Land. This was following an update to the University's long-term capital development programme. As the land was not currently being used by the University on a continuing operational basis, management reviewed the options in relation to the possible sale of the land in the future. In the meantime, the University is not generating any cash flow from the land and therefore until the point of sale the land is deemed as being held for capital appreciation and therefore was reclassified as investment land in 2016. For the year ending 31<sup>st</sup> July 2017, the University undertook a basic revaluation exercise in order to ensure the land is held at fair value. The information obtained from a local valuer in relation to recent land sales in the area implied that the land value had increased and therefore the carrying value has been increased accordingly.

Provisions - Provision has been made for early retirement obligations, the University's element of the Universities' Superannuation Scheme (USS) past deficit and legal fees in relation to on-going employee claims. Further details regarding each provision are shown in note 21. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme - The University has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management are provided with actuarial estimates in relation to these factors, by the administrators of the fund. A judgement is then taken to assess if the information and factors used centrally are appropriate in determining the net pension obligation in the balance sheet. Further information is provided in note 26.

Consolidation treatment of UW UP LLP - The Group has continued to consolidate the trading activities and assets and liabilities of UW UP LLP consistent with the accounting treatment of a joint venture, on the basis of consistency, comparability and legal constitution.

**2. Funding body grants**

	Group and University		<b>Total 2017 £000</b>	<b>Total 2016 £000</b>
	<b>HEFCE £000</b>	<b>NCTL £000</b>		
<b>Recurrent</b>	4,670	-	4,670	4,929
<b>Specific Grants:</b>				
Fellowship Monies	-	-	-	427
Higher Education Innovation Fund	230	-	230	338
Widening Participation	86	-	86	54
NCTL Projects	-	112	112	236
<b>Deferred Capital Grants released:</b>				
Buildings	416	-	416	580
Equipment	240	-	240	240
	<b>5,642</b>	<b>112</b>	<b>5,754</b>	<b>6,804</b>

NCTL = National College of Teaching and Learning (formerly Teaching Agency)

**3. Tuition fees and education contracts**

	<b>Group</b>		<b>University</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	£000	£000	£000	£000
Full Time students (Home and EU) fees	61,222	58,977	61,222	58,977
Full Time students (Overseas) fees	1,224	1,752	1,224	1,752
Part Time fees	3,043	2,663	3,043	2,663
Short course fees	680	634	680	634
Other fees	1,089	667	1,089	667
Contract Income Health Education England	6,197	6,443	6,197	6,443
	<b>73,455</b>	<b>71,136</b>	<b>73,455</b>	<b>71,136</b>

**4. Research grants and contracts**

	<b>Group</b>		<b>University</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	£000	£000	£000	£000
Research Councils	247	91	247	91
UK Industry	69	3	69	3
UK Government	578	506	578	506
UK Based Charities	190	236	190	236
Other Grants & Contracts	289	190	289	190
	<b>1,373</b>	<b>1,026</b>	<b>1,373</b>	<b>1,026</b>

**5. Other Income**

	<b>Group</b>		<b>University</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	£000	£000	£000	£000
Residences, catering and conferences	9,355	8,840	9,355	8,840
Other services rendered	290	168	290	168
Release of other deferred capital grants	209	374	209	374
Other income	3,453	3,147	3,245	2,969
Inter Company Sales	-	-	220	265
	<b>13,307</b>	<b>12,529</b>	<b>13,319</b>	<b>12,616</b>

**6. Investment income**

	<b>Group</b>		<b>University</b>	
	<b>2017</b> £000	<b>2016</b> £000	<b>2017</b> £000	<b>2016</b> £000
Other investment income	80	64	79	62
Interest from Subsidiaries and Joint Ventures	-	-	79	70
Interest from Joint Venture	-	2	-	1
	<b>80</b>	<b>66</b>	<b>158</b>	<b>133</b>

**7. Donations and endowments**

	<b>Group</b>		<b>University</b>	
	<b>2017</b> £000	<b>2016</b> £000	<b>2017</b> £000	<b>2016</b> £000
Donations with restrictions	17	17	17	17
Unrestricted donations	2	7	2	7
	<b>19</b>	<b>24</b>	<b>19</b>	<b>24</b>

**8. Staff costs**

	<b>Group</b>		<b>University</b>	
	<b>2017</b> £000	<b>2016</b> £000	<b>2017</b> £000	<b>2016</b> £000
Wages and Salaries	39,778	37,360	39,639	37,239
Social Security Costs	3,961	3,201	3,943	3,184
Other Pension Costs	7,361	6,324	7,361	6,324
Termination Costs	60	58	60	58
	<b>51,160</b>	<b>46,943</b>	<b>51,003</b>	<b>46,805</b>

The termination costs above relate to 7 individual payments made during the year (2016: 6)

**Emoluments of the Vice Chancellor and Chief Executive:**

	<b>Group</b>		<b>University</b>	
	<b>2017</b> £000	<b>2016</b> £000	<b>2017</b> £000	<b>2016</b> £000
Salary	325	319	325	319

**8. Staff costs (continued)**

Key Management Personnel	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Salary and employee benefits including pension contributions	1,189	1,014	1,189	1,014

FRS102 defines key management personnel as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The University consider that the Vice Chancellors Advisory Group (VCAG) meets this definition and therefore the total compensation, including pension contributions, paid to individuals who are members of this group, is disclosed above. The membership of VCAG can be obtained from the governance section of the University’s website.

Governors are entitled to reimbursement of travel expenses. During the year £249 was claimed by one individual (2016: £4,029 by one individual)

Emoluments of higher paid staff:

	<u>2017</u> number	<u>2016</u> number	<u>2017</u> number	<u>2016</u> number
£100,001 - £110,000	1	2	1	2
£110,001 - £120,000	2	1	2	1
£120,001 - £130,000	-	1	-	1
£150,001 - £160,000	1	-	1	-
£310,001 - £320,000	-	1	-	1
£320,001 - £330,000	1	-	1	-

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

**Average Monthly number of staff:**

	Group		University	
	<u>2017</u> fte	<u>2016</u> fte	<u>2017</u> fte	<u>2016</u> fte
Academic Departments	552	529	552	529
Academic Services	80	78	80	78
Administrative and central services	275	263	269	256
Premises	103	98	103	98
Research	38	43	38	43
Residences, catering and conferences	39	45	39	45
	<u>1,087</u>	<u>1,056</u>	<u>1,081</u>	<u>1,049</u>

**9. Other operating expenses**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Student residences, catering and conferences	3,901	3,511	3,879	3,511
Consumables and laboratory expenditure	1,045	987	1,045	987
Books and periodicals	823	894	823	894
Heat, light, water and power	1,614	1,648	1,614	1,648
Repairs and general maintenance	2,285	3,514	2,285	3,514
Grants to UW Students' Union	426	420	426	420
Auditors remuneration:				
External	71	27	66	22
Internal	24	24	24	24
Property operating leases	658	584	658	584
Equipment operating leases	158	156	158	156
Payments to partner colleges for educational purposes	5,953	5,657	5,953	5,657
Student Bursaries	1,922	1,314	1,922	1,314
Other expenses	10,541	10,648	10,778	11,044
	<u>29,421</u>	<u>29,384</u>	<u>29,631</u>	<u>29,775</u>
Depreciation and Amortisation	<u>4,376</u>	<u>4,263</u>	<u>4,495</u>	<u>4,381</u>

Other expenses include travel expenses, staff development, contracted services, subscriptions and contributions along with PR and communications.

**10. Interest and other finance costs**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Loans not wholly repayable within 5 years	3,351	2,918	3,352	2,918
Lease Finance Costs	214	32	214	32
Pension Interest	792	748	791	748
Non utilisation fee	-	86	-	86
	<u>4,357</u>	<u>3,784</u>	<u>4,357</u>	<u>3,784</u>

**11. Analysis of Expenditure by Activity**

	Group				<b><u>2017</u></b> <b><u>Total</u></b> £000	<b><u>2016</u></b> <b><u>Total</u></b> £000
	Staff costs	Other expenses	Depreciation and amortisation	Interest and other finance costs		
	£000	£000	£000	£000		
Academic Departments	28,502	3,332	218	-	32,052	31,435
Academic Services	2,630	2,877	321	214	6,042	5,345
Administrative and central services	14,721	13,096	165	4,143	32,125	28,188
Premises	2,682	5,548	1,162	-	9,392	13,908
Research	1,646	401	10	-	2,057	1,853
Student residences, catering and conferences	979	4,167	2,500	-	7,646	3,645
	<b>51,160</b>	<b>29,421</b>	<b>4,376</b>	<b>4,357</b>	<b>89,314</b>	<b>84,374</b>

	University				<b><u>2017</u></b> <b><u>Total</u></b> £000	<b><u>2016</u></b> <b><u>Total</u></b> £000
	Staff costs	Other expenses	Depreciation and amortisation	Interest and other finance costs		
	£000	£000	£000	£000		
-						
Academic Departments	28,502	3,332	218	-	32,052	31,435
Academic Services	2,630	2,877	321	214	6,042	5,345
Administrative and central services	14,564	14,112	165	4,143	32,984	28,353
Premises	2,682	4,742	1,162	-	8,586	14,139
Research	1,646	401	10	-	2,057	1,853
Student residences, catering and conferences	979	4,167	2,619	-	7,765	3,620
	<b>51,003</b>	<b>29,631</b>	<b>4,495</b>	<b>4,357</b>	<b>89,486</b>	<b>84,745</b>

**12. Intangible assets**

	<b>Group and University</b>	
	<b>2017</b> £000	<b>2016</b> £000
<b>Cost</b>		
At beginning of year	930	903
Additions at cost	6	17
Assets in course of development	46	16
Disposals	-	(6)
<b>At end of year</b>	<b>982</b>	<b>930</b>
<b>Accumulated amortisation</b>		
At beginning of year	836	773
Charge for year	40	69
Amortisation on disposals	-	(6)
<b>At end of year</b>	<b>876</b>	<b>836</b>
<b>Net Book Value</b>		
<b>At end of year</b>	<b>106</b>	<b>94</b>
Previous Year	94	130

**13. Tangible Fixed Assets**

	Group					
	Freehold Land and Buildings	Service concession arrangement Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total <u>2017</u> £000
	£000	£000	£000	£000	£000	
Cost or valuation at beginning of year	152,894	11,331	389	9,646	1,545	175,805
Additions at cost	957	-	77	492	1,952	3,478
Transfers (reclassification)	1,433	-	-	22	(1,455)	-
Disposals at cost	-	-	-	(964)	-	(964)
<b>At end of year</b>	<b>155,284</b>	<b>11,331</b>	<b>466</b>	<b>9,196</b>	<b>2,042</b>	<b>178,319</b>
Accumulated depreciation						
At beginning of year	22,246	987	172	5,495	-	28,900
Charge for year	2,948	187	70	1,131	-	4,336
Depreciation on disposals	-	-	-	(931)	-	(931)
<b>At end of year</b>	<b>25,194</b>	<b>1,174</b>	<b>242</b>	<b>5,695</b>	<b>-</b>	<b>32,305</b>
Net Book Value						
<b>At end of year</b>	<b>130,090</b>	<b>10,157</b>	<b>224</b>	<b>3,501</b>	<b>2,042</b>	<b>146,014</b>
Previous Year	130,648	10,344	217	4,151	1,545	146,905

**13. Tangible Fixed Assets (continued)**

	University					
	Freehold Land and Buildings	Service concession arrangement Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total <b>2017</b> £000
	£000	£000	£000	£000	£000	
Cost or valuation at beginning of year	159,102	11,331	389	9,646	1,545	182,013
Additions at cost	1,029	-	77	492	1,952	3,550
Transfers (reclassification)	1,433	-	-	22	(1,455)	-
Disposals at cost	-	-	-	(964)	-	(964)
<b>At end of year</b>	<b>161,564</b>	<b>11,331</b>	<b>466</b>	<b>9,196</b>	<b>2,042</b>	<b>184,599</b>
Accumulated depreciation						
At beginning of year	22,481	987	172	5,495	-	29,135
Charge for year	3,067	187	70	1,131	-	4,455
Depreciation on disposals	-	-	-	(931)	-	(931)
<b>At end of year</b>	<b>25,548</b>	<b>1,174</b>	<b>242</b>	<b>5,695</b>	<b>-</b>	<b>32,659</b>
Net Book Value						
<b>At end of year</b>	<b>136,016</b>	<b>10,157</b>	<b>224</b>	<b>3,501</b>	<b>2,042</b>	<b>151,940</b>
Previous Year	136,621	10,344	217	4,151	1,545	152,878

**14. Investments**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Investment Land	4,200	2,274	4,200	2,274
Investments in subsidiary companies	-	-	20	20
Investment in BBL Franchise for UW Worcester Wolves Limited	9	9	-	-
	<u>4,209</u>	<u>2,283</u>	<u>4,220</u>	<u>2,294</u>

The Investment land value stated above relates to the land held at University Park. The University no longer has any intentions of developing this land for operational purposes, due to focusing on other capital development projects, and therefore it is now classified as an Investment asset. In June 2016 the University signed a sale option agreement, covering a period of 10 years, relating to the majority of this land.

Due to the land being classified as investment property, any movements in its fair value is recognised in income or expenditure. For the year ending 31<sup>st</sup> July 2017, the University undertook a basic revaluation exercise in order to ensure the land is held at fair value. The information obtained from a local valuer in relation to recent land sales in the area implied that the land value had increased by £1,926K and therefore the carrying value has been increased accordingly.

**Subsidiaries**

Name	University holding	Business activity
U W Enterprises Limited	100%	Research and experimental development of natural sciences and engineering and commercial activities relating thereto. No activity during the year.
U W Developments Limited	100%	Development of building projects
UW Worcester Wolves Limited	100% (*)	Worcester Wolves basketball club
National Pollen and Aerobiology Research Unit Limited	100%	Dormant

(\*) Held indirectly

**Joint venture**

UW UP LLP	50%	Development of building projects
		50% held by U W Developments Limited and 50% held by the University of Worcester.

## 15. Investment in Joint Venture

	Group	
	2017 £000	2016 £000
<b>Income and Expenditure account</b>		
Deficit before tax	-	(7)
Write off of outstanding liabilities	-	271
Balance Sheet		
Currents assets	5	25
Liabilities: due within one year	-	(20)
Share of net assets	5	5

During the year, UW UP LLP did not undertake any new trading activities. The final contractor retention was paid in July 2017 and the associated VAT recovery has now been claimed and therefore the purpose of the LLP has now been achieved and will be wound up in the coming months.

## 16. Taxation

The Group was not liable for any corporation tax arising out of its activities during the period of these financial statements. Accordingly no provision has been made for any deferred tax balances.

## 17. Stocks

	Group		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Stock (wine for ceremonies & events and merchandise)	15	12	9	5

## 18. Trade and other receivables

	Group		University	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Amounts falling due within one year:</b>				
Research grants receivables	124	-	124	-
Other trade receivables	2,304	1,705	2,281	1,720
Amounts owed by subsidiary undertakings	-	-	92	-
Prepayments and accrued income	860	535	860	535
	3,288	2,240	3,357	2,255
<b>Due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	2,257	1,571
	3,288	2,240	5,614	3,826

**19. Creditors: Amounts falling due within one year**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Payments received on account	422	403	422	403
Trade Creditors	2,039	1,259	2,036	1,249
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	5	104
Finance Lease	95	88	95	88
Tax and Social Security	1,785	54	1,784	54
Accruals and deferred income	5,367	6,644	5,339	6,463
Other Creditors	1,683	1,494	1,683	1,494
Bank Loan	2,679	2,679	2,679	2,679
Other Loan repayments (HEFCE and Salix)	71	80	71	80
	<u>14,141</u>	<u>12,701</u>	<u>14,114</u>	<u>12,614</u>

**Deferred income**

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions are met.

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Research grants received on account	243	391	243	391
Grant income	185	133	185	133
Other income	939	934	939	934
	<u>1,367</u>	<u>1,458</u>	<u>1,367</u>	<u>1,458</u>

**20. Creditors: Amounts falling due after more than one year**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Obligations under finance lease	2,863	2,958	2,863	2,958
Secured loans	68,928	71,778	68,928	71,778
Deferred Income in relation to Government Capital Grants	16,116	16,188	16,116	16,188
	<u>87,907</u>	<u>90,924</u>	<u>87,907</u>	<u>90,924</u>

**Analysis of secured and unsecured loans:**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Due within one year or on demand	2,750	2,759	2,750	2,759
Due between one and two years	2,678	2,750	2,678	2,750
Due between two and five years	25,535	8,035	25,535	8,035
Due in five years or more	40,715	60,993	40,715	60,993
Due after more than one year	68,928	71,778	68,928	71,778
Total secured and unsecured loans	<u>71,678</u>	<u>74,537</u>	<u>71,678</u>	<u>74,537</u>

**Analysis of finance lease repayments**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Due within one year	303	302	303	302
Due between one and two years	301	303	301	303
Due between two and five years	889	897	889	897
Due in five years or more	3,905	4,199	3,905	4,199
Total gross payments	5,398	5,701	5,398	5,701
Less finance charges included above	(2,440)	(2,655)	(2,440)	(2,655)
	<u>2,958</u>	<u>3,046</u>	<u>2,958</u>	<u>3,046</u>

**Finance lease liability**

	Group		University	
	<u>2017</u> £000	<u>2016</u> £000	<u>2017</u> £000	<u>2016</u> £000
Opening balance	3,046	3,768	3,046	3,768
VAT Adjustment	-	(627)	-	(627)
Payments	(88)	(95)	(88)	(95)
Closing balance	<u>2,958</u>	<u>3,046</u>	<u>2,958</u>	<u>3,046</u>

**20. Creditors: Amounts falling due after more than one year (continued)**

The University has a loan facility with Barclays Bank PLC of £80 million for capital development works, of which all has now been drawn down. The outstanding balance as at 31<sup>st</sup> July 2017 is £72 million. Of the loan drawn down £48 million is at a fixed interest rate of 4.952%, with the remaining £24 million subject to interest at LIBOR. The repayment schedule of the £48 million includes a bullet payment of £12.5 million payable on 31<sup>st</sup> July 2042. The repayment schedule of the more recent £24 million drawn down assumes an amortisation profile of 20 years until its maturity date of February 2022 when the balance of £18 million will fall due.

The University has a 25 year finance lease in respect of the joint library with Worcestershire County Council. The finance lease liability relates to the University share of the library facility, The Hive which 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, Galliford Try Investments Ltd and WCC for the construction and provision of the library. During the life of the contract the unitary payment value is £4.65m, 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%, or as altered by mutual agreement to reflect actual usage of The Hive by the various parties. The cost is reflected in these proportions after PFI credits have been applied. The value on the balance sheet of £2.958 million relates to a 30% share of the total PFI contract. 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.

**21. Provisions for liabilities**

	Group and University						
	Obligation to fund deficit on USS Pension £000	Pension enhancements on termination £000	Defined Benefit Obligations (Note 26) £000	Total Pensions Provisions £000	Legal £000	VAT £000	Total Other £000
At 1 August 2016	450	495	28,948	29,893	263	100	363
Utilised in year	-	(43)	-	(43)	(20)	(25)	(45)
Additions in 2016/17	-	(20)	(254)	(274)	10	-	10
Unused amounts reversed in 2016/17	(37)	(67)	-	(104)	-	-	-
At 31 July 2017	<u>413</u>	<u>365</u>	<u>28,694</u>	<u>29,472</u>	<u>253</u>	<u>75</u>	<u>328</u>

**USS deficit**

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

**Pension enhancement**

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, Universities Superannuation Scheme and the Local Government Pension Scheme. This provision is expected to be utilised during the staff members' retirement.

**Defined benefit obligations - See note 26****Legal**

The legal provision is a general provision covering on-going potential obligations.

**VAT**

The VAT provision relates to the Capital Goods Scheme in respect of the Motion Performance Centre, which is expected to be utilised during the coming year and also facilities at the Charles Darwin building which is expected to be utilised over the next four years.

## 22. Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	Other	2017 Total	2016 Total
	£000	£000	£000	£000	£000
Balances at 1 August 2016	-	28	-	28	13
New grants	-	-	-	-	-
New donations	-	17	-	17	15
Reclassification of revolving loan	-	-	106	106	-
Capital grants utilised	-	-	-	-	-
Expenditure	-	(15)	-	(15)	-
	-	(15)	106	91	-
<b>At 31 July 2017</b>	<b>-</b>	<b>30</b>	<b>106</b>	<b>136</b>	<b>28</b>

All of the University's non-government capital grants have either been released to income, due to the performance conditions already being met, or are held as deferred income. No restricted grants have been included within income for which the purpose of the restriction has not been achieved.

## 23. Capital and other commitments

Provision has not been made for the following capital commitments at year end:

	<b>2017</b> £000	<b>2016</b> £000
Commitments contracted for:		
Infrastructure Works	209	646
City Campus S106	32	49
Equipment	5	-
IT Equipment	71	62
Refurbishment Works	386	965
Finance Management System	47	-
3G Pitch upgrade	-	6
Severn Campus Car Park	-	18
	<b>750</b>	<b>1,746</b>

The City Campus, Section 106 commitment above, relates to the 2008 agreement whereby an annual fee of £16.2K per annum is payable for a further 2 years.

## 24. Contingent liabilities

The University has given written undertakings to support the subsidiary companies for at least twelve months from the date of approval of these financial statements.

## 25. Lease obligations

Total rentals payable under operating leases:

	<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Student Accommodation</b>	<b>31 July 2017</b>	<b>31 July 2016</b>
	£000	£000	£000	£000	£000	£000
<b>Payable during the year</b>	132	11	97	363	603	630
<b>Future minimum lease payments due:</b>						
Not later than 1 year	132	8	114	376	630	545
Later than 1 year and not later than 5 years	650	19	99	43	811	1,018
Later than 5 years	1,900	-	-	-	1,900	2,030
<b>Total lease payments due</b>	<b>2,682</b>	<b>27</b>	<b>213</b>	<b>419</b>	<b>3,341</b>	<b>3,593</b>

## 26. 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 increased from 12.7% to 13.4% in April 2017.

Under the definitions set out in FRS 102, 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 31<sup>st</sup> July 2017.

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 31<sup>st</sup> March 2016 on a FRS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2017	2016
Rate of CPI inflation	2.20%	1.70%
Rate of increase in salaries	3.70%	3.20%
Rate of increase in pensions	2.20%	1.80%
Discount Rate	2.60%	2.60%

### 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 2017	As at 31st July 2016
Males		
Current Pensioner	22.6	23.5
Future pensioner aged 65 in 20 years' time	24.8	25.8
Females		
Current Pensioner	25.6	25.9
Future pensioner aged 65 in 20 years' time	27.9	28.2

**26. Pension schemes (continued)**

The assets in Worcestershire County Council Pension Fund (WCCPF) scheme were:

	% at 31st July 2017	Value at 31st July 2017	% at 31st July 2016	Value at 31st July 2016
	%	£000	%	£000
Equities	86.10	45,561	83.40	35,997
Government Bonds	0.00	-	0.00	-
Other Bonds	5.20	2,752	6.30	2,719
Property	3.80	2,011	4.50	1,942
Cash/Liquidity	1.30	688	2.30	993
Other	3.60	1,905	3.50	1,511
		<b>52,917</b>		<b>43,162</b>

**Reconciliation of fair value of assets**

	<b>2017</b>	<b>2016</b>
	£000	£000
Fair Value of assets at beginning of period	43,162	36,333
Interest on plan assets	1,159	1,430
Administration expenses	(55)	(54)
Re-measurements of assets	5,839	2,875
Employer Contributions	2,419	2,226
Member Contributions	965	906
Benefits/transfers paid	(572)	(554)
Fair Value of assets at end of year	<b>52,917</b>	<b>43,162</b>

**Reconciliation of present value of scheme liabilities**

	<b>2017</b>	<b>2016</b>
	£000	£000
Benefit Obligation at beginning of year	72,110	55,562
Current Service Cost	3,964	2,983
Interest on Pension Liabilities	1,879	2,118
Member Contributions	965	906
Re-measurements of liabilities	3,265	11,095
Benefits/transfers paid	(572)	(554)
benefit obligation at end of year	<b>81,611</b>	<b>72,110</b>

	<b>2017</b>	<b>2016</b>
	£000	£000
Total market value of assets	52,917	43,162
Present value of scheme liabilities	(81,611)	(72,110)
Deficit – Net pension liability	<b>(28,694)</b>	<b>(28,948)</b>

The value of pension payments made in year to the Worcestershire County Council Pension Fund was £3,389,020 (2016: £3,134,023).

**26. Pension schemes (continued)****Provision for pensions**

	<b>2017</b>	<b>2016</b>
	£000	£000
As at beginning of year	28,948	19,229
(Decrease) / increase in pension liability	(254)	9,719
<b>As at end of year</b>	<b>28,694</b>	<b>28,948</b>

**Amount recognised in the Statement of Comprehensive Income (SOCl)**

	<b>2017</b>	<b>2016</b>
	£000	£000
Current service Cost	3,964	2,983
Net interest cost	720	688
Administration expenses	55	54
<b>Total pension cost recognised Income &amp; Expenditure</b>	<b>4,739</b>	<b>3,725</b>
Re-measurements (liabilities & assets)	(2,574)	8,220
<b>Total pension costs recognised in SOCl</b>	<b>2,165</b>	<b>11,945</b>

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

	<b>2017</b>	<b>2016</b>
	£000	£000
Deficit on scheme at 1st August	(28,948)	(19,229)
Current service cost	(3,964)	(2,983)
Contributions	2,419	2,226
Net interest cost	(720)	(688)
Re-measurements (liabilities & assets)	2,574	(8,220)
Administration expenses	(55)	(54)
<b>Deficit at 31st July</b>	<b>(28,694)</b>	<b>(28,948)</b>

## 26. Pension schemes (*continued*)

### Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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. Following the latest actuarial valuation that was carried out as at 31<sup>st</sup> March 2012, the valuation results specify the rate of employer contribution payable for the four year period from 1<sup>st</sup> April 2015 and the employer cost cap, both of which are to be set in regulations. The employer contribution rate payable from April 2015 has been set at 16.48% of pensionable pay, with an average employee contribution rate of 9.6%, giving a total contribution rate of 26.08%. Following agreement between the Department for Education and HM Treasury, the employer contribution rate was implemented on 1<sup>st</sup> September 2015. The employer contribution rate is based on the implementation period specified in the Directions and has not been adjusted for later implementation. In isolation, this will result in a small deficit at the next valuation.

The employer contribution rate is expected to be reassessed at the actuarial valuation carried out as at 31<sup>st</sup> March 2016, the results of which are not yet confirmed (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1<sup>st</sup> April 2019. The financial position relative to the employer cost cap will also be reconsidered at each four yearly valuation.

Under the definitions set out in Section 28 of FRS 102, 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 Income and expenditure 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 Valuation	31 <sup>st</sup> March 2014
Gross rate of return	5.06%
Real rate of return	3.00%
Long term salary growth	4.75% pa, 2.75% pa in excess of assumed CPI
Aggregated scheme assets	£176.6bn
Aggregate scheme liabilities	(£191.5bn)

During the year all employers paid the same contribution rate;	16.48%
During the year all employees' contribution varied dependent on members full time equivalent salary	between 7.4% and 11.7%

The value of pension payments made in year to the Teachers' Pension Scheme was £5,286,662 (2016: £4,960,383).

## 26. Pension schemes (continued)

### Universities' Superannuation Scheme (USS)

#### Principal accounting policies

The institution participates in Universities Superannuation Scheme. With effect from 1<sup>st</sup> October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is 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 the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. Management are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

#### Pension Costs

The total cost charged to the Income and Expenditure account is £220K (2016: £310K), which is made up of the following entries:

	<b>2017</b> £000	<b>2016</b> £000
Employer contributions paid	257	238
Interest Payable - Unwinding of discount	8	7
Element of employer contributions allocated against the deficit	(31)	(19)
Difference between actual contribution and past expectations	(14)	84
<b>Total amount charged to the Income and Expenditure Account</b>	<b>220</b>	<b>310</b>
Brought Forward Pension Provision	(450)	(378)
Movement	(220)	(310)
Cash payments made to USS	257	238
<b>Carried Forward Pension Provision (Note 21)</b>	<b>(413)</b>	<b>(450)</b>

## 26. Pension schemes (continued)

The assumptions used in the calculation of the liability may represent a source of uncertainty. Factors such as future salary inflation and discount rates have been used to calculate the liability; however, due to the overall value of the liability any variance would be unlikely to be material. FRS 102 requires that the discount rate should be based on the yield on “high quality corporate bonds” of a currency and duration “consistent with the currency and estimated period of the future payments”. Management have taken advice from professional advisors regarding an appropriate discount rate and therefore feel that the assumptions used represent the minimal level of uncertainty. Management have also conducted a basic sensitivity analysis regarding the discount rate used and varying the rate by 1% either way results in approximately £30K increase or decrease to the liability.

The latest available full actuarial valuation of the scheme was at 31<sup>st</sup> March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31<sup>st</sup> March 2017 is underway and is scheduled for completion by the statutory deadline of 30<sup>th</sup> June 2018.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	<b>2017</b>	<b>2016</b>
Discount rate	2.57%	3.6%
Pensionable salary	n/a	n/a
Pension increases	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members’ mortality	98% of S1NA [“light”] YoB tables – No age rating
Female members’ mortality	99% of S1NA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2017</b>	<b>2016</b>
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	<b>2017</b>	<b>2016</b>
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

## 27. NCTL Training salaries and bursaries

Funding received from the Teaching Agency for Schools in respect of the PGCE Training Salaries and Subject Knowledge Enhancement bursaries are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	<b>2017</b>	<b>2016</b>
	£000	£000
Funding	2,386	2,051
Disbursements to Students	(2,128)	(1,892)
<b>Balance unspent as at 31<sup>st</sup> July</b>	<b>258</b>	<b>159</b>

## 28. 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 University has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 102 section 33, 'Related Party Disclosures', on the grounds that its subsidiary undertakings are wholly owned by the group.

### University of Worcester Students' Union:

In accordance with FRS 102 section 33, 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 £426,000 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.