

REPORT AND FINANCIAL STATEMENTS 2007

UNIVERSITY of WORCESTER DIRECTORATE

Vice Chancellor and Chief Executive

Professor D Green MA (Cantab.)

Pro Vice Chancellor and Deputy Chief Executive

Professor J Elkin BA PhD

AUDITORS

External

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Internal

RSM Bentley Jennison
5 Ridge House
Ridge House Drive
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BANKERS

National Westminster Bank PLC
1 The Cross
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SOLICITORS

Harrison Clark & Co
5 Deansway
Worcester
WR1 2JG

Martineau Johnson
No 1 Colmore Square
Birmingham
B4 6AA

INSURERS

AON Risk Services
158 Edmund Street
Birmingham
B3 2HB

REPORT AND FINANCIAL STATEMENTS 2007**MEMBERS OF THE BOARD OF GOVERNORS**

The following members served during the year:

Mr John Yelland	(Chair) Independent (retired 31 st July 2007)
Dr Heather Barrett	Staff
Mrs Evelyn Brock	Independent
Ms Joanna Bruce	Independent
Mrs Terri Clements	Independent (retired 31 st December 2006)
Professor Michael Clarke	Co-opted (joined 1 st January 2007)
Professor William Doe	Co-opted (retired 31 st July 2007)
Mr Andrew Duncan	Independent
Ms Francesca Fairhurst	Co-opted
Professor David Green	Vice Chancellor
Mr Mike Hardy	Independent
Mr Johnathan Howard	Student
Dr Susan Hughes	Independent (retired 31 st July 2007)
Ms Christine Jones	Co-opted
Professor Jim Low	Co-opted
Mr Roger Murray	Independent (retired 31 st July 2007)
Mr Mike Newitt	Independent (joined 1 st August 2006)
Mr Julian Pallett	Independent (Chair as of 1 st August 2007)
Mr Tim Patrickson	Independent (joined 1 st January 2007)
Mr Neil Pringle	Co-opted
Mrs Jan Quallington	Staff
Mrs Elaine Spalding	Independent (Vice Chair as of 1 st August 2007)
Mr Paul Swinburn	Independent (joined 1 st August 2006)
Professor Tamar Thompson	Independent (Vice Chair as of 1 st August 2007)
Mr Iain Webb	Student
Mr Paul Winter	Co-opted

GOVERNORS' REPORT

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements presented by the Board of Governors comprise the results of the activities of the University for the year ended 31st July 2007.

RESULTS FOR THE YEAR

The University has, for the first time, achieved a significant surplus of £1,691,000 representing 4.46% of income. This reflects the additional income received both from the HEFCE for additional student numbers and the increased fee levels. Income will continue to rise over the next two years as the higher fee level is implemented for new students and students are recruited against the further allocation of additional student numbers.

The University's total income increased by 17.85% (£5,739,000) to £37,882,000 compared with the figure for the previous year. Income from funding council grants rose by 14.28% (£2,328,000) mainly due to the allocation of additional student numbers by the HEFCE. Academic fees and support grants increased by 39.23% (£3,713,000) reflecting the first year of the increased fee levels and the additional student numbers. Research grants and contracts income was 28.81% (£263,000) less than in the previous year following the transfer of one of the research centres to a Charitable Trust. There was also a small reduction in other operating income and interest receivable of 0.71% (£39,000) due mainly to a reduction in interest receivable.

The University has monitored all expenditure closely during the year whilst investing prudently in staffing and the estate infrastructure. Expenditure for the year was £36,191,000, an increase of 12.70% (£4,078,000) compared to the previous year. Staff costs increased by 9.40% (£1,831,000) reflecting the investment in additional staff together with incremental and inflationary increases and the FRS17 pension adjustment. Other operating expenses increased by 20.85% (£2,223,000) including an additional £600,000 paid to partner colleges for joint courses and bursary payments totalling £834,000 made under the OFFA agreement.

CAPITAL PROJECTS

The land for the City Centre campus was purchased during the year and preliminary work on the new development has commenced during the year. The design of the new Campus has been completed and formal planning permission was granted on 18th October 2007. Construction work on phase 1 of the project will commence shortly.

A joint library, is being developed in partnership with Worcestershire County Council and in conjunction with the City Centre campus project. The intention is for the asset to be procured using a Private Finance Initiative (PFI) scheme under a Joint Venture Company (JVC). The library is an innovative concept, which will provide facilities for the University and the local community.

GOING CONCERN

The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

SUBSIDIARY COMPANIES

During the year two new wholly owned subsidiaries were incorporated, UW Developments Ltd. and UW Enterprises Ltd. These companies were dormant during financial year 2006-07.

EMPLOYMENT OF DISABLED PERSONS

The University considers all applications for employment bearing in mind the aptitude of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the University continues. The University's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

EMPLOYEE AND STUDENT INVOLVEMENT

The University values the involvement of its employees and students and good communication with them and continues to hold Investor in People status. Staff and students are encouraged to participate in formal and informal consultation at University and Departmental level, sometimes through membership of formal committees. In addition regular briefing meetings are held by Senior Managers with all members of staff. The Vice Chancellor of the University meets on a regular basis with Students' Union Officers.

STATEMENT OF GOVERNORS' RESPONSIBILITIES

In accordance with the Education Reform Act 1988, the Board of Governors of the University of Worcester is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Act 1988, the guidelines issued by the Higher Education Funding Council for England and relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University of Worcester, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made which are reasonable;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that funds from the Teacher Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with any other conditions which the Agency may from time to time prescribe;
- ensure that there are appropriate financial and management 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 and expenditure.

The key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment review acceding to approval levels set by the Governing Body;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and Development Committee and;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and whose head provides the Governing Body with a report on internal audit activity within the University College and an opinion on the adequacy and effectiveness of the University's system of internal control.

Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material mis-statement or loss.

CONCLUSION

The University has continued to consolidate its position, building on its academic strengths. Student recruitment has continued to be very buoyant with the successful achievement of the additional student number targets in an uncertain climate in the sector with the introduction of the higher level fees.

The achievement of a significant surplus will underpin the City Centre campus development proposals and enable further development of the current campus

The Board of Governors, together with the Vice Chancellor, thank the University's staff for all their continued efforts.

Approved by the Board of Governors on 10th December 2007 and signed on behalf of the Board.

Chair of Governors

CORPORATE GOVERNANCE STATEMENT

The University remains committed to the principles of best practice in all aspects of corporate governance, as embodied in the CUC Code of Governance, November 2004. In its Strategic Plan, 2007-2012, launched in January 2007, the University commits to the application of the principles of better regulation to all its processes and procedures. It will continue to seek ways to provide corporate leadership of the highest quality and to establish a reputation with external regulating bodies for excellent corporate governance.

In compliance with the provisions of the CUC Code of Governance:-

- i) the Board has adopted a statement of Primary Responsibilities which mirrors the Code, which is published widely;
- ii) the Board uses a variety of means of identifying new members, which include (since 2000) public advertisement. The Nominations Committee maintains a skills audit to inform decisions about membership.
- iii) the Board has approved a job specification for the post of Chair, including an assessment of time commitment;
- iv) the business of the Board is conducted openly and transparently with full involvement of staff and student members at Board and sub-committee level. Agendas and minutes of all open business are published via the web, and;
- v) the Board has adopted a set of performance measures and two benchmark groups against which the institution will measure its performance.

In the course of the 2006-2007 session, the Board completed a (second) review of its effectiveness. In formulating the format of the review, the Board took into account developments since the previous review (in 2002-2003) and also evidence relating to the effectiveness of the University's corporate governance in the same period (a positive HEFCE review of governance; two annual internal audits of governance and risk management which had provided a substantial level of assurance; confirmation through external audit that the University had complied fully with the CUC Code of Governance). The Board decided that the review should concentrate on the following areas:-

- The extent to which the Board discharged its primary responsibilities
- The collective effectiveness of the Board and the effectiveness of individual members
- The relationship between the Board and the University
- The flow of information to the Board.

Recognising that the previous review had taken too long and had failed to fully engage the Board, the Board decided to adopt an inclusive approach and to ensure that there was also an appropriate external perspective. The Board also agreed, in view of the on-going work nationally on the development of performance indicators, to include this in the review.

The format of the review was the distribution of a short questionnaire based on the GuildHE publication, "How Effective is Your Governing Body"; a workshop facilitated by the Head of Leadership, Governance and Management at HEFCE, when the outcomes of the questionnaire were discussed within a national context which the workshop leader was able to provide; a follow-up workshop where discussion was taken forward on the basis of a report provided by the Clerk on outcomes from the first workshop. The second workshop coincided with the publication of the CUC Report on "Monitoring the Institutional Performance and the Use of Key Performance Indicators" and this provided a framework for discussion on arrangements for measuring institutional performance.

The Board received a report of the outcomes of its review at its July 2007 meeting. The Board's overall conclusion was that there was evidence to show that the Board was largely an effective body and that it was able to fulfil its primary responsibilities. There were a number of areas where Board members felt that their effectiveness could be improved (e.g. through improving members' knowledge and awareness of the University's HR Policy and Procedures; a greater understanding of academic issues; improved awareness of how the University promoted its achievements and successes; increased understanding of some of the managerial roles in the University; further development of a relatively small number of "primary measures" which the Board could use to measure achievement against key strategic priorities). A number of measures were agreed to achieve improvement in these areas, including: better briefing of Board members; re-casting of the Board's agenda so that adequate time was available to address issues of strategic importance; a revised approach to reporting from officers and committees so that there was a clear link to items in the strategic and corporate plans; regular reports on a small set of primary measures.

The outcomes of the review will be taken forward and implemented in the 2007-2008 session.

The system of internal control is designed to manage rather than eliminate risk. Risk management has been incorporated into the corporate planning and decision-making process of the University. The Institution's Risk Register has been revised in the context of the new Strategic Plan. This work was supervised by the Audit Committee and in the spring of 2007, the Committee received a report of a mapping exercise which was undertaken to ensure that the Risk Register identified and sought to manage risks associated with the success criteria and key strategic risks in the new Strategic Plan. This work culminated in the presentation of a revised Risk Register to the Board of Governors in July 2007. In transmitting the Register for approval the Audit Committee commended the format of the Register as an example of good practice, especially its conciseness.

As well as the institutional risk registers, separate and detailed risk registers are maintained on key capital developments, including the City Centre Campus and the Joint Library and History Centre. The registers are used to inform discussion at the relevant project board and are also presented periodically to the Audit Committee.

The Board's on-going arrangements for monitoring a sound system of internal control, include the following:-

- An internal audit service which operates to standards defined in the HEFCE Code of Practice on Accountability and Audit, and whose audit schedule is risk-based and designed to assess the effectiveness of controls in areas identified as high risk (Note: The HEFCE Service Review completed in February/March 2005 reported high confidence in the risk-based approach to internal and external audit).
- A comprehensive set of Financial Regulations and Procedures.
- An internal system of financial reporting on a monthly basis, supported by meetings between Principal Accountants and Heads of Budget Centres. Governors are provided with monthly financial reports which allow performance against budget to be monitored and the identification of problems to be dealt with in a timely manner.
- A range of systems which require risks to be assessed in the context of major new developments as well as in the on-going operation of the institution. These include:
 - i) a risk register which defines the nature of the risk and identifies from where assurance that the risk is being controlled is derived, and which also sets out action taken to control the risk;
 - ii) a strategic plan which identifies key risks alongside performance targets;
 - iii) the integration of risk management strategies within the annual budget process and in five year financial forecasts;
 - iv) the development of separate risk analysis for major development
 - v) regular reports from Executive Officers on the operation of its business.

The post holder responsible for risk management is formally the Registrar and Secretary but the Executive Group is effectively the University's Risk Committee. There is in addition a Risk & Innovation Committee which reports jointly to the Audit Committee and the Executive Group, which keeps arrangements under review and which seeks to ensure that principles of risk management are well-embedded but that issues around the promotion of innovative practice are also considered.

During the accounting period under review, an internal audit of governance and risk management was conducted (June 2007). The report provided a substantial level of assurance. A number of recommendations were made, which are being taken forward, most notably the introduction of an annual action plan to be completed by owners of key institutional risks to address the implementation of the actions for improvement in the risk register, and further work to align the risk management and planning processes. An annual report on risk management activities was completed and presented to the Audit Committee in September 2007. This was subsequently submitted to the October meeting of the full Board as part of its annual assurance process.

The Board is able to monitor performance against the Strategic Plan through its approval and monitoring of the institution's Corporate Planning Statement. The Board received regular reports from officers on the implementation of the Plan, for which the Executive Group has overall responsibility. At the end of the year, the Board received a full report. Key developments are monitored through the Finance and Development Committee.

A number of senior governors retired from the Board at the end of the 2006-2007 session; including the Chair and Vice Chairs. A process of identifying suitable successors was managed by the Clerk to the Board and this has resulted in the appointment of a new Chair and Vice Chairs who took up their appointments on 1st August 2007. An appropriate programme of induction has been agreed, including attendance at relevant events organised through the Leadership Foundation.

The Board meets four times a year, with occasional, special meetings to address specific issues. There are the following sub-committees:

- Finance & Development
- Audit
- Personnel
- Nominations
- Remuneration

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

The Finance and Development Committee comprises 6 members and usually meets around five times each year. It recommends the annual budgets to the Board of Governors and monitors performance in relation to the approved budgets. It is also the key committee for the discussion of new developments, and it is this Committee where much detailed scrutiny takes place. There is, in addition, a City Centre Campus Project Board, chaired by the Vice Chancellor, which is attended by 4 governors including the Chair and Vice Chair, to ensure governor involvement in this key strategic development.

The Audit Committee meets on five occasions during the year, usually in the presence of internal and external auditors. The Committee approves the schedule for internal audit and receives detailed reports with recommendations for improvement of the institution's internal control systems. It is also the Committee responsible for risk management arrangements. The Committee receives the annual financial statements and the management letter from the external auditors. It reports annually to the Board, which informs the Board's opinion in the extent to which it can have confidence in the operation and scrutiny of internal controls. The Committee comprises 4 members.

The Personnel Committee determines the human resources strategy and monitors its implementation. It receives regular reports from the Director of Personnel and from the Equality and Diversity and Health and Safety Committee as well as the Joint Consultative Committee. It discusses and recommends to the Board changes in conditions of service which are determined locally, and also changes in procedures which regulate industrial relations (e.g. disciplinary and grievance procedures). The Committee comprises 4 members.

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

In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee, the Honorary Awards Committee and the Project Board for the Second Campus and Library Development. A governor also attends Academic Board in an observer capacity.

By order of the Board of Governors.

Chair of Governors:

Date: 10th December 2007

Independent auditors 'report to the Board of Governors of the University of Worcester

We have audited the financial statements' ('the financial statements') of The University of Worcester for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in therein.

Respective responsibilities of the Board of Governors and auditors

The Board of Governor's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board of Governor's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Board of Governor's of The University of Worcester in accordance with the University's Articles of Government and section 124B of the Education Reform Act 1988. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes (or equivalent) and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Learning and Skills Council. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Treasurer's report, Trustees Report of the Board of Governors and the Corporate Governance Statement.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the University and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and

judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2007, and of the surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;
- ii. in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- iii. in all material respects, income has been applied in accordance with the University's statutes (or equivalent) and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England.

PricewaterhouseCoopers LLP
Chartered Accountants
Cardiff
10th December 2007

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES**BASIS OF PREPARATION**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2003, and in accordance with applicable Accounting Standards. They conform to the guidance published by the Funding Council.

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

RECOGNITION OF INCOME

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

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

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

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

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

MAINTENANCE OF PREMISES

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

PENSION SCHEMES

Retirement benefits for most employees of the University are provided by the Teachers Pensions Agency (TPA), the Worcestershire County Council Pension Fund (WCCPF) and the Universities Superannuation Scheme (USS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

FRS17 has been followed in full for the year ended 31 July 2007. The effect of adopting this standard in accounting policy is to recognise the pension scheme deficit in the financial statements.

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

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

TANGIBLE FIXED ASSETS

a. Land and buildings

The University's buildings are largely specialised buildings and therefore it is not appropriate to value them on the basis of open market value. A valuation of the educational land and buildings was carried out by GVA Grimley International Property Advisers and Chartered Surveyors as at 31st July 1995 on the basis of depreciated replacement cost. The three houses owned by the University were valued on an open market value for existing use basis. Other buildings constructed since 1995 are included in the balance sheet at cost. The option under FRS15 to retain the book values of land and buildings as at 31st July 1999 based on the 1995 revaluation has been adopted and the valuation was not updated.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Institution over a range of 25 to 60 years. Where buildings have been acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The University has a policy of depreciating capitalised major building refurbishments over a period of 15 years.

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

Buildings under construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to 31st July 2007. They are not depreciated until they are brought fully into use.

b. Equipment

Equipment costing less than £1,000 per individual item or group of related items with the exception of computers is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost in line with our capitalisation policy. Capitalised equipment, other than computers, is depreciated over its estimated useful economic life of 8 years. Computers are depreciated over their estimated useful economic life of 3 years.

The depreciation policy was amended with effect from 1st August 2002. Equipment costing over £1,000, including computers and printers, purchased prior to this date is depreciated over 5 years.

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

LEASED ASSETS

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

STOCKS

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

TAXATION

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Most of the services provided to students are, however, exempt from VAT.

LIQUID RESOURCES

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

PROVISIONS

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**For the Year Ended 31st July 2007**

	<u>Note</u>	<u>2007</u>	<u>2006</u>
		£000	£000
<u>INCOME</u>			
Funding Council Grants	1	18,626	16,298
Academic Fees & Support Grants	2	13,178	9,465
Research Grants & Contracts	3	650	913
Other Operating Income	4	5,308	5,303
Endowment Income & Interest Receivable	5	120	164
TOTAL INCOME		<u>37,882</u>	<u>32,143</u>
<u>EXPENDITURE</u>			
Staff Costs	6	21,317	19,486
Depreciation	11	1,672	1,686
Other Operating Expenses	7	12,886	10,663
Interest Payable	8	316	278
TOTAL EXPENDITURE	9	<u>36,191</u>	<u>32,113</u>
Surplus after depreciation of assets at valuation and before tax		1,691	30
Taxation	10	-	-
Surplus after depreciation of assets at valuation and tax	21	<u>1,691</u>	<u>30</u>

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

GROUP BALANCE SHEET
AS AT 31ST JULY 2007

	Note	Group <u>2007</u> £000	Group <u>2006</u> £000	University <u>2007</u> £000	University <u>2006</u> £000
FIXED ASSETS					
Tangible Fixed Assets	11	<u>41,806</u>	<u>33,599</u>	<u>41,800</u>	<u>33,599</u>
CURRENT ASSETS					
Stocks	13	11	-	11	-
Debtors	14	2,385	2,645	2,889	2,645
Short term deposits		-	3,141	-	3,141
Cash at bank and in hand		4	19	4	19
		<u>2,400</u>	<u>5,805</u>	<u>2,904</u>	<u>5,805</u>
CREDITORS: amounts falling due within one year					
Creditors		(7,435)	(6,058)	(7,393)	(6,057)
Bank Overdraft		(1,948)	-	(1,948)	0
	15	<u>(9,383)</u>	<u>(6,058)</u>	<u>(9,341)</u>	<u>(6,057)</u>
NET CURRENT ASSETS / LIABILITIES					
		<u>(6,983)</u>	<u>(253)</u>	<u>(6,437)</u>	<u>(252)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>34,823</u>	<u>33,346</u>	<u>35,362</u>	<u>33,347</u>
CREDITORS: amounts falling due after more than one year					
	16	(1,291)	(1,685)	(1,291)	(1,449)
PROVISIONS FOR LIABILITIES & CHARGES					
	18	(499)	(494)	(499)	(494)
NET ASSETS excluding pension liability					
		<u>33,033</u>	<u>31,167</u>	<u>33,572</u>	<u>31,404</u>
PENSION LIABILITY					
	27	(5,566)	(5,785)	(5,566)	(5,785)
NET ASSETS					
		<u>27,467</u>	<u>25,382</u>	<u>28,006</u>	<u>25,619</u>
DEFERRED CAPITAL GRANTS					
	19	<u>7,544</u>	<u>7,903</u>	<u>7,544</u>	<u>7,903</u>
RESERVES					
Revaluation Reserve	20	13,585	13,766	13,585	13,766
Pension Reserve	21	(4,617)	(5,370)	(4,617)	(5,370)
Income and Expenditure Account including pension reserve	21	10,955	9,083	11,494	9,320
TOTAL FUNDS					
		<u>27,467</u>	<u>25,382</u>	<u>28,006</u>	<u>25,619</u>

The financial statements on pages 15 to 39 were approved by the Board of Governors on 10th December 2007 and signed on their behalf by:

.....
Mr J Pallett
Chair of Governors
University of Worcester

.....
Professor David Green
Vice Chancellor and Chief Executive
University of Worcester

.....
Mrs P Finch
Director of Finance
University of Worcester

CASH FLOW STATEMENT
For the Year Ended 31st July 2007

	<u>Note</u>	<u>2007</u> £000	<u>2006</u> £000
Net cash flow from operating activities	24	6,644	1,490
Returns on Investment & servicing of finance	25	(196)	(114)
Capital expenditure & financial investment	25	(9,210)	(1,243)
Management of liquid resources	25	3,141	360
Financing	25	(394)	(444)
(Decrease) / Increase in cash	26	<u>(15)</u>	<u>49</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the Year Ended 31st July 2007

	<u>Note</u>	<u>2007</u> £000	<u>2006</u> £000
(Decrease) / Increase in cash	26	(15)	49
Management of liquid resources	25	(3,141)	(360)
Cash outflow from financing	25	394	444
Movement in Net Debt for the Year		<u>(2,762)</u>	<u>133</u>
Net Funds at 1st August		1,081	948
Net (Debt) / Funds at 31st July	26	<u>(1,681)</u>	<u>1,081</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ended 31st July 2007

	<u>2007</u>	<u>2006</u>
	£000	£000
Surplus after depreciation of assets at valuation and before tax	1,691	30
Reimbursement by HEFCE - inherited debt	-	50
Actuarial gain / (loss) in respect of Pension Scheme	753	(575)
Total recognised gain / (loss) for year	<u>2,444</u>	<u>(495)</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the Year Ended 31st July 2007

	£000	£000
Surplus after depreciation of assets at valuation and before tax	1,691	30
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	181
Historical cost surplus after tax	<u>1,872</u>	<u>211</u>

NOTES TO THE ACCOUNTS

Year ended 31st July 2007

1. FUNDING COUNCIL GRANTS

	HEFCE	TDA	Total	Total
	£000	£000	£000	£000
Recurrent	11,842	3,857	15,699	13,779
Specific Grants:				
ASN Development Funding	-	-	-	36
LLN Development Funding	320	-	320	25
Supporting Professional Standards	52	-	52	31
Knowledge Transfer Capability Fund	126	-	126	14
Learning & Teaching Development	22	-	22	29
Active Community Fund	74	-	74	6
JISC	27	-	27	132
Summer Schools	-	-	-	5
Fellowship Monies	19	-	19	17
Fee Waivers	-	-	-	3
Access to Learning fund administration	11	-	11	12
Student Associate Scheme	-	165	165	196
Graduate Teacher Programme	-	810	810	811
Flexible PGCE - Tuition Fees	-	193	193	93
Primary Modern Languages	-	-	-	24
Overseas Trained Teacher Programme	-	5	5	11
TDA Projects	-	170	170	119
Training Salary Admin Fee	-	39	39	37
SSSS Admin Fee	-	-	-	3
LSC Projects	-	-	-	50
Deferred Capital Grants released:				
Buildings (Note 19)	536	-	536	241
Equipment (Note 19)	348	10	358	624
	<u>13,377</u>	<u>5,249</u>	<u>18,626</u>	<u>16,298</u>

2. ACADEMIC FEES AND SUPPORT GRANTS

	<u>2007</u>	<u>2006</u>
	£000	£000
Full Time students (Home and EU) fees	6,297	3,633
Full Time students (Overseas) fees	638	307
Part time fees	1,213	609
Short course fees	458	628
Other Fees	74	79
Contract Income Strategic Health Authority	4,498	4,209
	<u>13,178</u>	<u>9,465</u>

3. RESEARCH GRANTS AND CONTRACTS

Grants	<u>650</u>	<u>913</u>
--------	------------	------------

4. OTHER OPERATING INCOME

	<u>2007</u>	<u>2006</u>
	£000	£000
Residences, catering and conferences	1,877	1,592
Other services rendered	302	445
Release of deferred capital grants	157	180
Other income	2,972	3,086
	<u>5,308</u>	<u>5,303</u>

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE

	<u>2007</u>	<u>2006</u>
	£000	£000
Income from short term investments	<u>120</u>	<u>164</u>

6. STAFF

	<u>2007</u> £000	<u>2006</u> £000
<u>Staff Costs</u>		
Salaries	17,570	16,404
Social Security Costs	1,381	1,317
Other Pension Costs	2,366	1,765
	<u>21,317</u>	<u>19,486</u>

Emoluments of the Vice Chancellor:

	<u>2007</u> £000	<u>2006</u> £000
Salary	165	150
Pension contributions	22	20
Total emoluments	<u>187</u>	<u>170</u>

The University's pension contributions for the Vice Chancellor to the TPA are paid at the same rate as for other academic staff and amounted to £22,452 (2006 - £19,928). As part of his contract and for the duration of his employment the Vice Chancellor has agreed to live in accommodation provided by the University.

The average weekly number of persons (including Senior post holders) employed by the University during the period, expressed as full time equivalents, and was:

Average Weekly number of staff:

	<u>2007</u> Number	<u>2006</u> Number
Academic Departments	337	313
Academic Services	50	54
Administrative & central services	146	144
Premises	56	56
Research	12	17
Residences, catering and conferences	16	15
	<u>617</u>	<u>599</u>

Remuneration of higher paid staff

£70,001-£80,000	2	-
£80,001-£90,000	1	2
£90,001-£100,000	-	1
£100,001-£110,000	2	-
£110,001-£120,000	1	-
£120,001-£130,000	-	-
£130,001-£140,000	-	-
£140,001- £150,000	-	1
£150,001- £160,000	-	-
£160,001- £170,000	1	-

Governors are entitled to reimbursement of travel expenses although none were claimed during 2006/07.

7. OTHER OPERATING EXPENSES

	<u>2007</u>	<u>2006</u>
	£000	£000
Residences, catering and conferences	487	489
Consumables and laboratory expenditure	402	447
Books and periodicals	370	340
Heat, light, water and power	638	583
Repairs and general maintenance	1,117	938
Grants to UW Students' Union	206	204
Auditors remuneration:		
External	27	26
Internal	36	30
Equipment operating leases	222	252
Payments to Partner Colleges	1,910	1,358
Student Bursaries	824	-
Other expenses	6,647	5,996
	<u>12,886</u>	<u>10,663</u>

8. INTEREST PAYABLE

	<u>2007</u>	<u>2006</u>
	£000	£000
Loans not wholly repayable within 5 years	148	278
Bank Overdraft	13	-
Pension Interest	155	-
	<u>316</u>	<u>278</u>

9. ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY

	Staff Costs	Dep'n	Other Expenses	Interest Payable	Total
	£000	£000	£000	£000	£000
Academic Departments	12,767	163	2,618	-	15,548
Academic Services	1,515	55	681	-	2,251
Administrative & central services	5,256	1,416	7,221	316	14,209
Premises	1,253	14	1,863	-	3,130
Research	461	21	221	-	703
Residences, catering and conferences	65	3	282	-	350
Total per Income and Expenditure A/c	<u>21,317</u>	<u>1,672</u>	<u>12,886</u>	<u>316</u>	<u>36,191</u>

9. ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY**Note 9. Analysis of 2006/07 Expenditure by Activity**

	<u>2007</u>	<u>2006</u>
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released	718	638
Revaluation reserve released (Note 20)	181	181
General revenue	773	867
	<u>1,672</u>	<u>1,686</u>

10. TAXATION

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

11. TANGIBLE FIXED ASSETS

	Group Freehold Land and Buildings £000	Group Equipment £000	Group Total £000
Valuation / Cost At 1st August 2006			
Valuation	20,970	-	20,970
Cost	12,554	9,710	22,264
Assets under construction	2,293	-	2,293
Additions at cost	146	882	1,028
Additions under construction	8,874	-	8,874
Disposals at cost	-	(110)	(110)
	<u>44,837</u>	<u>10,482</u>	<u>55,319</u>
At 31st July 2007			
Valuation	20,970	-	20,970
Cost	12,700	10,482	23,182
Assets under construction	11,167	-	11,167
	<u>44,837</u>	<u>10,482</u>	<u>55,319</u>
Depreciation			
At 1st August 2006	5,245	6,683	11,928
Charge for year	612	1,060	1,672
Depreciation on disposals	-	(88)	(88)
	<u>5,857</u>	<u>7,655</u>	<u>13,512</u>
At 31st July 2007			
Net Book Value			
At 31st July 2007	<u>38,980</u>	<u>2,827</u>	<u>41,806</u>
At 31st July 2006	<u>30,572</u>	<u>3,027</u>	<u>33,599</u>

The above land and buildings are held on a freehold basis.

Where specific grants have been received in respect of buildings they are treated as deferred capital grants and released to income over the expected useful life of the building. The cost of the building is capitalised and depreciated as above. The proceeds from the sale of any asset funded from Treasury sources may have to be surrendered to the Treasury, although in appropriate circumstances such repayment may be waived.

11. TANGIBLE FIXED ASSETS

	University Freehold Land and Buildings £000	University Equipment £000	University Total £000
Valuation / Cost At 1st August 2006			
Valuation	20,970	-	20,970
Cost	12,554	9,710	22,264
Assets under construction	2,293	-	2,293
Additions at cost	146	874	1,020
Assets under construction	8,874	-	8,874
Disposals at cost	-	(110)	(110)
	<u>44,837</u>	<u>10,474</u>	<u>55,311</u>
At 31st July 2007			
Valuation	20,970	-	20,970
Cost	12,700	10,474	23,174
Assets under construction	11,167	-	11,167
	<u>44,837</u>	<u>10,474 0</u>	<u>55,311</u>
Depreciation			
At 1st August 2006	5,245	6,683	11,928
Charge for year	612	1,059	1,671
Depreciation on disposals	-	(88)	(88)
	<u>5,857</u>	<u>7,654</u>	<u>13,511</u>
Net Book Value			
At 31st July 2007	<u>38,980</u>	<u>2,820</u>	<u>41,800</u>
At 31st July 2006	<u>30,572</u>	<u>3,027</u>	<u>33,599</u>

The above land and buildings are held on a freehold basis.

Where specific grants have been received in respect of buildings they are treated as deferred capital grants and released to income over the expected useful life of the building. The cost of the building is capitalised and depreciated as above. The proceeds from the sale of any asset funded from Treasury sources may have to be surrendered to the Treasury, although in appropriate circumstances such repayment may be waived.

12. INVESTMENTS

The University owns 100% of Motion Analysis Research and Rehabilitation Centre Limited, a company incorporated in England and Wales, and 100% of UW Developments Limited, a company incorporated in England and Wales, and 100% of UW Enterprises Limited, a company incorporated in England and Wales.

UW Developments Limited and UW Enterprises Limited were both incorporated in 2006/07.

The Motion Analysis Research and Rehabilitation Centre Limited is a company which provides the capture and analysis of human motion data and provides support for research projects particularly in the fields of healthcare, rehabilitation and sport

13. STOCK

	<u>Group</u>		<u>University</u>	
	<u>2007</u> £000	<u>2006</u> £000	<u>2007</u> £000	<u>2006</u> £000
Sports Clothing	<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>

14. DEBTORS

	<u>Group</u>		<u>University</u>	
	<u>2007</u> £000	<u>2006</u> £000	<u>2007</u> £000	<u>2006</u> £000
Amounts falling due within 1 year:				
Trade Debtors	2,218	2,469	2,218	2,467
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	504	236
Prepayments and Accrued Income	167	176	167	176
	<u>2,385</u>	<u>2,645</u>	<u>2,889</u>	<u>2,879</u>

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£000	£000	£000	£000
Mortgages	394	394	394	394
Payments received on account	93	43	93	43
Trade Creditors	1,680	1,320	1,638	1,319
Social Security and other Taxation payable	417	669	417	669
Accruals and deferred income	4,851	3,632	4,851	3,632
	<u>7,435</u>	<u>6,058</u>	<u>7,393</u>	<u>6,057</u>
Bank Overdraft	1,948	-	1,948	-
	<u>9,383</u>	<u>6,058</u>	<u>9,341</u>	<u>6,057</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		University	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£000	£000	£000	£000
Mortgage secured on residential property				
Repayable by 2011	281	368	281	368
Repayable by 2010	310	517	310	517
Mortgage secured on Sports Hall & Car park				
Repayable by 2015	700	800	700	800
	<u>1,291</u>	<u>1,685</u>	<u>1,291</u>	<u>1,685</u>

17. BORROWINGS

	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£000	£000	£000	£000
Bank Loan	1,685	2,079	1,685	2,079
Bank Overdraft	1,948	-	1,948	-
Total	<u>3,633</u>	<u>2,079</u>	<u>3,633</u>	<u>2,079</u>
Due within one year	2,342	394	2,342	394
Due after more than one year	1,291	1,685	1,291	1,685
	<u>3,633</u>	<u>2,079</u>	<u>3,633</u>	<u>2,079</u>

ANALYSIS OF LOAN REPAYMENTS

The bank overdraft was used to temporarily fund the purchase of land for the second campus and initial development costs prior to a new loan facility being put in place. The bank loans are secured against the University's library, part of the student halls of residence, the Sports Hall and car parking. The loans are repayable in quarterly instalments until the end of their terms in 2010, 2011 and 2015 and bear interest at 10.375%, 8.75% and a variable rate of 5.5825% at 31st July 2007.

PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2007</u> £000	<u>2006</u> £000	<u>2007</u> £000	<u>2006</u> £000
Provision for pensions				
At 1st August 2006	494	500	494	500
Interest	33	30	33	30
Payment made in Year	(28)	(36)	(28)	(36)
At 31st July 2007	<u>499</u>	<u>494</u>	<u>499</u>	<u>494</u>

Provision for Pensions

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

18. DEFERRED CAPITAL GRANTS

	HEFCE £000	TDA £000	AWM £000	OTHER £000	TOTAL £000
<u>At 1st August 2006</u>					
Buildings	5,916	-	580	55	6,551
Equipment	702	24	510	116	1,352
Total	<u>6,618</u>	<u>24</u>	<u>1,090</u>	<u>171</u>	<u>7,903</u>
<u>Cash Received</u>					
Buildings	332	-	-	-	332
Equipment	340	-	-	20	360
Total	<u>672</u>	<u>0</u>	<u>0</u>	<u>20</u>	<u>692</u>
<u>Released to income & expenditure</u>					
Buildings	536	-	10	7	553
Equipment	348	10	88	52	498
Total	<u>884</u>	<u>10</u>	<u>98</u>	<u>59</u>	<u>1,051</u>
<u>At 31st July 2007</u>					
Buildings	5,712	-	570	48	6,330
Equipment	694	14	422	84	1,214
Total	<u>6,406</u>	<u>14</u>	<u>992</u>	<u>132</u>	<u>7,544</u>

20. REVALUATION RESERVE

	Group		University	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£000	£000	£000	£000
<u>Revaluations</u>				
At 1st August 2006	16,228	16,178	16,228	16,178
Reimbursement by HEFCE inherited debt	0	50	0	50
At 31st July 2007	<u>16,228</u>	<u>16,228</u>	<u>16,228</u>	<u>16,228</u>
Contributions to depreciation				
At 1st August 2006	2,462	2,281	2,462	2,281
Released in year	181	181	181	181
At 31st July 2007	<u>2,643</u>	<u>2,462</u>	<u>2,643</u>	<u>2,462</u>
Net revaluation amount				
At 31st July 2007	<u>13,585</u>	<u>13,766</u>	<u>13,585</u>	<u>13,766</u>

21. INCOME AND EXPENDITURE ACCOUNT

	Group		University	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£000	£000	£000	£000
Movement on General Reserves				
At 1 August as previously stated	3,713	4,077	3,950	4,109
Retained surplus for the year	1,691	30	1,993	234
Transfer from revaluation reserve	181	181	181	181
Actuarial gain / (loss) in respect of pension scheme	753	(575)	753	(575)
At 31 July	<u>6,338</u>	<u>3,713</u>	<u>6,877</u>	<u>3,949</u>
Represented by:				
Pension Reserve	(4,617)	(5,370)	(4,617)	(5,370)
Income & Expenditure account excluding pension reserve	10,955	9,083	11,494	9,320
	<u>6,338</u>	<u>3,713</u>	<u>6,877</u>	<u>3,950</u>

21. INCOME AND EXPENDITURE ACCOUNT (Continued)

	Group		University	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Income & Expenditure Account				
Surplus after depreciation of assets at valuation and tax	1,691	30	1,993	234
Release from revaluation reserve	181	181	181	181
	<u>1872</u>	<u>211</u>	<u>2,174</u>	<u>415</u>
Historical cost surplus after tax				
Balance at 1st August 2006	9083	8,872	9,320	8,905
Balance at 31st July 2007	<u>10955</u>	<u>9,083</u>	<u>11,494</u>	<u>9,320</u>

22. LEASE OBLIGATIONS

	Group		University	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£000	£000	£000	£000
Operating lease commitments in respect of equipment for the financial year on leases expiring:				
Within one year	249	244	249	244
Between two and five years	670	718	670	718
	<u>919</u>	<u>962</u>	<u>919</u>	<u>962</u>

23. CAPITAL COMMITMENTS

	Group
	<u>2007</u>
	£000
Modern Classrooms	35
City Centre Campus Site	1,109
SITS upgrade	6
Virtual Learning Project (with FE Colleges)	6
Library improvements	34
E-Learning project	12
Replacement computer programme	85
St. Johns Campus masterplan	14
St. Johns Campus residences	250
Aerobiology Test Centre	408
Dining Hall improvements	50
Students' Union improvements	35
	<u>2,044</u>

CAPITAL COMMITMENTS (Continued)**Significant planned projects / developments:**

Joint Library and History Centre The current cost estimate is £60 million; no contracts in respect of construction work have been awarded

National Pollen and Aerobiology Research Unit: The current cost estimate is £7.5million

City Centre Campus: The current cost estimate is £109 million; no contracts in respect of construction work have been awarded

St. Johns Campus residences: 1st stage awarded to Morgan Ashurst by UW Developments £10.7M

24. RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASH FLOWS

	<u>2007</u> £000	<u>2006</u> £000
Surplus before tax	1,691	30
Depreciation	1,672	1,686
Deferred Capital Grants released to income (Note 19)	(1,051)	(1,046)
Investment Income (Note 5)	(120)	(164)
Interest payable (Note 8)	316	278
Increase in stocks	11	-
Decrease in debtors	260	506
Increase in creditors	3,326	114
Increase / (Decrease) in provisions	5	(6)
Increase in pension cost less contributions payable	534	92
Net cash flow from operating activities	<u>6,644</u>	<u>1,490</u>

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW

	<u>2007</u>	<u>2006</u>
	£000	£000
Returns on Investment and Servicing of finance		
Income from short term investments	120	164
Interest paid	(316)	(278)
Net cash (outflow) from returns on investment & servicing of finance	<u>(196)</u>	<u>(114)</u>
Capital expenditure and Financial investments		
Purchase of tangible fixed assets	(9,902)	(3,005)
Deferred Capital Grants received	692	1,712
Net cash (outflow) for Capital expenditure and Financial investments	<u>(9,210)</u>	<u>(1,293)</u>
Net cash inflow from management of liquid resources	<u>3,141</u>	<u>360</u>
<u>Financing</u>		
LEA loan principal repayment	-	(50)
Mortgage and loan capital repayments	(394)	(394)
Net cash (outflow) from financing	<u>(394)</u>	<u>(444)</u>

26. ANALYSIS OF CHANGES IN NET DEBT

	As at 1	Cash-	At 31
	August	flows	July
	2006	£000	2007
	£000	£000	£000
Cash in hand and at bank	19	(15)	4
Debt due within one year	(394)	0	(394)
Debt due after one year	(1,685)	394	(1,291)
Short term investments	3,141	(3,141)	0
	<u>1,081</u>	<u>(2,762)</u>	<u>(1,681)</u>

27. PENSION SCHEMES

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

TEACHERS' PENSION SCHEME (TPS)

The contribution of the institution is currently 14.10% of pensionable salaries for the academic staff pension scheme. Contributions to the scheme are valued not less than every five years by the Government Actuary. Contributions are paid by the University at the rate specified by the government actuary.

Under the definitions set out in the Financial Reporting Standard (FRS) 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly the University has used the exemption in FRS 17 and contributions to the scheme have been accounted for as if it were a defined contribution scheme. The University College has set out below the information available on the deficit in the scheme and the implications for the University in terms of anticipated contribution rates.

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

Latest actuarial valuations	31st March 2004
Actuarial method	Projected unit method
Gross rate of return	6.50%
Real rate of return in excess of :	
Prices	3.50%
Earnings	2.00%
Rate of real earnings growth	1.50%
Market value of assets at the date of last valuation	£163.240m
Proportion of the member's accrued benefits covered by the actuarial value of the assets	100%
During the year all employers paid the same contribution rate; between 1st August 2006 to 31st December 2006 of	13.50%
During the year all employers paid the same contribution rate; between 1st January 2007 to 31st July 2007 of	14.10%
During the year all employees have paid the same contribution rate of	6.40%

The value of pension payments made in year to the Teachers Pension Scheme was £1,950,638 with £172,142 outstanding as a creditor at 31 July 2007.

27. PENSION SCHEMES (Continued)**UNIVERSITIES SUPERANNUATION SCHEME (USS)**

The contribution of the institution is currently 14% of pensionable salaries for the Universities staff pension scheme. Contributions are paid by the University at the rate specified by the government actuary.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions made by the scheme on the result of the valuation were as follows:

	service liabilities	service liabilities
Rate of interest	4.50%	6.20%
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%

The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year

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

Latest actuarial valuations	31st March 2005
Actuarial method	Projected unit method
Market value of assets at the date of last valuation	£21,739.7m
Value of past service liabilities	£28,308.1m
Past service deficit	£ 6,568.4m
Covered by the actuarial value of the assets	77%
During the year all employers have paid the same contribution rate of	14.00%
During the year all employees have paid the same contribution rate of	6.35%

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but it was agreed, on the advice of the actuary, that the institution contribution rate will be maintained at 14% of salaries.

The next formal triennial actuarial valuation is due at 31 March 2008 when the above rates will be reviewed.

The value of pension payments made in year to the Universities Superannuation Scheme was £20,918 with £2,353 outstanding as a creditor at 31 July 2007.

27. PENSION SCHEMES (Continued)**WORCESTERSHIRE COUNTY COUNCIL PENSION FUND**

The fund is a defined benefit scheme. A full actuarial valuation was carried out at 31st March 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2007	At 31 July 2006
Rate of inflation	3.20%	3.00%
Rate of increase in salaries	4.70%	4.50%
Rate of increase in pensions	3.20%	3.00%
Discount Rate	5.80%	5.10%

The assets in the scheme and the expected rate of return on these were:

	Long term rate of return expected at 31 July 2007 %	Value at 31 July 2007 £	Long term rate of return expected at 31 July 2006 %	Value at 31 July 2006 £
Equities	7.50	13,251	7.00	10,418
Government Bonds	4.90	665	4.40	1,495
Other Bonds	5.80	547	5.10	575
Cash/Liquidity	5.75	310	4.50	294
		<u>14,773</u>		<u>12,782</u>

The following amounts at 31st July 2007 were measured in accordance with the requirements of FRS17:

	<u>2007</u> £000	<u>2006</u> £000
Total market value of assets	14,773	12,782
Present value of scheme liabilities	(20,339)	(18,567)
(Deficit) – Net pension liability	<u>(5,566)</u>	<u>(5,785)</u>

27. PENSION SCHEMES (Continued)**Analysis of amounts charged to the income and expenditure account**

	<u>2007</u>	<u>2006</u>
	£000	£000
Employer service cost (net of employee contribution)	989	876
Past service cost	<u>0</u>	<u>(345)</u>
Total operating costs	<u>989</u>	<u>531</u>
Expected return on assets	(816)	(728)
Interest on pension liabilities	<u>971</u>	<u>821</u>
Pension finance income	<u>155</u>	<u>93</u>

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

	<u>2007</u>	<u>2006</u>
	£000	£000
	604	603
Actual return less expected return on pension scheme assets	4.1%	4.7%
Gains and losses arising on the scheme liabilities	0	(496)
	0.0%	2.7%
Change in assumptions underlying the present value of the scheme liabilities	149	(682)
	0.7%	3.7%
Net actuarial Gain / (Loss) for the year	<u>753</u>	<u>(575)</u>
	<u>3.7%</u>	<u>3.1%</u>

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

	<u>2007</u>	<u>2006</u>
	£000	£000
Deficit on scheme at 1st August	(5,785)	(5,118)
Current service cost	(989)	(876)
Contributions	610	532
Past service cost / (curtailment)	0	345
Net interest / return on assets	(155)	(93)
Actuarial gain / (loss)	753	(575)
Deficit at 31st July	<u>(5,566)</u>	<u>(5,785)</u>

27. PENSION SCHEMES (Continued)

The total pension cost for the University was:

	<u>2007</u>	<u>2006</u>
	£000	£000
Contributions to TPA	1,342	1,236
Contributions to WCCPF	605	528
WCCPF charge to Income & Expenditure	379	(1)
Contributions to USS	16	9
	<u>2342</u>	<u>1772</u>

In addition the University of Worcester is responsible for all payments relating to added years benefits it has awarded, together with the related increases. In 2006/07 this amounted to £100,323 (2005/06 £93,706).

28. ACCESS TO LEARNING FUND

	<u>2007</u> £000	<u>2006</u> £000
Funding Council Grants	364	415
	<u>364</u>	<u>415</u>
Disbursements to Students	(318)	(412)
	<u>(318)</u>	<u>(412)</u>
Balance unspent at 31st July 2007	<u>46</u>	<u>3</u>

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

29. TRAINING SALARIES/SECONDARY SHORTAGE SUBJECT SCHEME

	<u>2007</u> £000	<u>2006</u> £000
Funding	2,300	1,882
Disbursements to Students	(2,107)	(1,752)
	<u>193</u>	<u>130</u>
Balance unspent as at 31st July 2007	<u>193</u>	<u>130</u>

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

30. CHILDREN'S WORKFORCE DEVELOPMENT AGENCY

	<u>2007</u> £000	<u>2006</u> £000
Balance unspent as at 1st August	52	38
Funding	61	52
Disbursements to Students	(59)	(38)
	<u>54</u>	<u>52</u>
Balance unspent as at 31st July 2007	<u>54</u>	<u>52</u>

Funding received from DCSF to support students studying for the Foundation Degree in Early Years. The funding and related disbursements are therefore excluded from the income and expenditure account.

31. BURSARIES

Following the introduction of the new maximum tuition fee of £3,000 for students starting an undergraduate course from September 2006, the University introduced a bursary scheme in compliance with its arrangements with OFFA. The following total amount was paid to undergraduate students:

	<u>2007</u> £000	<u>2007</u> £000
Full Time Students	606	-
Part Time Students	219	-
	<u>825</u>	<u>0</u>

32. RELATED PARTY TRANSACTIONS

The University of Worcester Students' Union is an exempt charity for the purposes of the Charities Act 1993 deriving charitable status from its governing parent body, the University of Worcester. During the year, the University contributed grants of £206,000 to the Students' Union. In addition, the Students' Union occupies the building on a rent-free basis under an informal licence, subject to the Union maintaining the building in a good state of repair. The accounts for the Students' Union have not been consolidated with the University's Accounts, as the University has no control over the activities and the conduct of the affairs of the Students' Union.

33. POST BALANCE SHEET EVENTS

UW Development Company Ltd. was a dormant company at year end. As from 1st August 2007 the Company has awarded the following contract;

Morgan Ashurst £10.7M - the first stage of the student residences build.

The following contracts have been novated to UW Developments Ltd;

Building Design Partnership £4.2m – Architects for development work at city campus, student residences and National Pollen and Aerobiology Research Unit (NPARU).

Lend Lease Projects Ltd £1.2m – Project Managers for development work at city campus and NPARU

Parsons Brinkerhoff £0.2m – CDM Coordinators for development work at city campus, student residences and NPARU.

Turner & Townsend £0.5m – Cost Consultants for development works at city campus, student residences and NPARU.