

REPORT AND FINANCIAL STATEMENTS 2008

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

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Internal

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SOLICITORS

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INSURERS

AON Risk Services
158 Edmund Street
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B3 2HB

REPORT AND FINANCIAL STATEMENTS 2008**MEMBERS OF THE BOARD OF GOVERNORS**

The following members served during the year:

Mr Julian Pallett	(Chair) Independent
Mr David Antell	Student (joined 1 st July 2008)
Dr Heather Barrett	Staff
Mrs Evelyn Brock	Independent (retired 31 st July 2008)
Ms Joanna Bruce	Independent
Professor Michael Clarke	Co-opted
Mr Andrew Duncan	Independent
Ms Francesca Fairhurst	Co-opted
Professor David Green	Vice Chancellor
Mr Mike Hardy	Independent (retired 31 st July 2008)
Mr Andy Hemming	Student (joined 1 st July 2008)
Mr Johnathan Howard	Student (retired 30 th June 2008)
Ms Christine Jones	Co-opted (retired 31 st July 2008)
Professor Jim Low	Co-opted
Mr Mike Newitt	Independent
Mr Tim Patrickson	Independent
Mr Lee Probert	Independent (joined 1 st August 2007)
Mr Neil Pringle	Co-opted (retired 31 st July 2008)
Mrs Jan Quallington	Staff
Mrs Elaine Spalding	Independent (Joint Vice Chair)
Mr Paul Swinburn	Independent
Professor Tamar Thompson	Independent (Joint Vice Chair)
Mr Iain Webb	Student (retired 30 th June 2008)
Mr Paul West	Independent (joined 1 st August 2008)
Mr Paul Winter	Co-opted (retired 31 st July 2008)

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 2008.

RESULTS FOR THE YEAR

The University of Worcester Group achieved a surplus of £1,471,000 for the year representing 3.31% 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 year as the higher fee level is implemented for new students and students are recruited against the further allocation of additional student numbers.

The University of Worcester Group's total income increased by 17.35% (£6,572,000) to £44,454,000 compared with the figure for the previous year. Income from funding council grants rose by 11.78% (£2,195,000) mainly due to the allocation of additional student numbers by the Higher Education Funding Council for England (HEFCE). Academic fees and support grants increased by 28.45% (£3,749,000) reflecting two years of the increased fee levels and the additional student numbers. Research grants and contracts income was 32.15% (£209,000) less than in the previous year following the transfer of one of the research centres to a Charitable Trust. There was an increase in interest receivable of 105% (£126,000) due to investments made by both the University and UW Developments. Other operating income increased by 13.38% (£711,000) to £6,019,000 compared to the previous year.

The University of Worcester Group has monitored all expenditure closely during the year whilst investing prudently in staffing and the estate infrastructure. Expenditure for the year was £42,983,000, an increase of 18.77% (£6,792,000) compared to the previous year. Staff costs increased by 15.07% (£3,213,000) reflecting the investment in additional staff together with incremental and inflationary increases and the FRS17 pension adjustment. Other operating expenses increased by 24.54% (£3,163,000) including an additional £463,000 paid to partner colleges for joint courses and an increase in bursary payments of £718,000 made under the OFFA agreement.

CAPITAL PROJECTS

Formal planning permission for the City Centre campus was granted on 18th October 2007. Construction work on phase 1 of the project has commenced. At the St John's campus, construction is underway on the new student residences and new facilities for the National Pollen and Aerobiology Unit.

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 the new wholly owned subsidiary, UW Developments Ltd became operational whilst UW Enterprises Ltd, remained dormant during 2007/08. MARRC Ltd (Motion Analysis Research and Rehabilitation Centre) continued in operation to the year ending 31 July 2008. On the 1 August 2008 the company was de-registered with companies' house and ceased to exist as a subsidiary.

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 and build on its academic strengths. Student recruitment has continued to be very buoyant and the University has made good progress in achieving its additional student numbers target. 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 1st December 2008 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 2007/2008 session, the Board took forward the outcomes of its review of its own effectiveness, completed in 2006/2007. This has resulted in an attempt to ensure that the Board has a better understanding of the areas it felt less well-briefed in. This has included specific briefings on a number of topics, including: issues relating to national bargaining; the criteria for the award of Research Degree Awarding Powers; student achievement and retention; strategic capital developments. Such briefings have been chosen in the context of their level of importance and their "fit" with the University's strategic priorities. In order to allow sufficient time for their consideration, such items have been scheduled as "special" items on the Board's agenda, occasionally bringing forward the normal starting-time of the Board. This approach has worked well and the Board has welcomed the opportunity to discuss items in this way.

The format of some of the reports the Board receives has also been amended. The Vice Chancellor's report now uses the same headings that occur in the Strategic Plan, and other reports have been amended so that they cross-refer, where relevant, to specific sections of the Strategic Plan and also where they have been previously considered. This has, in large part, worked well but in a number of cases, reports do not lend themselves to this approach.

The effectiveness review identified the further development of a relatively small number of 'primary measures of performance' (the Board's preferred nomenclature) as a priority, with a view to incorporating into the Board's approach the outcomes of the CUC Report on 'Monitoring the Institutional Performance and the Use of Key Performance Indicators', and endeavouring to ensure a closer "fit" between the measures adopted and the Key Success Criteria in the Strategic Plan. The Board made use of the experience of the nine institutions that piloted the approach set out in the CUC Report, published in June 2008 in a further CUC Report. The culmination of this stream of work was the adoption (in July/September 2008) of a new set of Primary Measures of Performance. The Board agreed that the development of these measures would be an iterative process and that the Board would need to be flexible, amending measures so that only those which add value to the process of monitoring the performance of the institution against the key success criteria in the Strategic Plan were retained. It was also agreed that the Board should experiment with devoting time at each of its meetings to measures that related to one specific area. Finally, the Board agreed that a traffic light system could potentially oversimplify and be misleading. It preferred an approach based on a commentary instead, but recognised that the key consideration was that areas of risk or concern should be flagged effectively, and that this ultimately relied on the quality of the communication between the Board and University officers.

The University and the Board has reviewed the timing and conduct of its business to ensure that it can meet the new arrangements for the "Single Conversation" between the University and the Funding Council. It is confident that it will meet the 1st December deadline, but special circumstances this year required the University to seek from HEFCE a slight extension to allow the final reports to be approved by the Board when it meets on 1st December 2008. This was necessary not because the reports will not be ready (they will be presented to the Audit and Finance and Development Committees on 17th and 18th November) but because of the availability of key individuals to allow the Board to meet in w/c 24th November 2008.

The system of internal control is designed to manage rather than eliminate risk. In last year's statement, it was reported that the Institution's Risk Register had been revised in the context of the Strategic Plan 2007-2012. In 2007/2008, the Risk Register has been reviewed and updated, through the Audit Committee. The updated Register was presented and approved by the Board of Governors in July 2008. As part of the process to enhance the approach to risk management, the Risk Register was presented with a commentary on each of the areas covered, which provided a context for the changes being recommended. The Audit Committee, and the Board, found this a very helpful development, which will be retained. The Audit Committee also welcomed a further, improved, synergy between the University's planning process and the arrangements for risk management, whereby risk is now evaluated at departmental level in the planning process itself, rather than through a separate process for the production of departmental risk registers.

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

In summary, 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.
- 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;
 - vi) allocation of responsibility for risk management to an individual post holder (the Registrar and Secretary) and a senior committee (Executive Group and the Audit Committee).

During the accounting period under review, an internal audit of governance and risk management was conducted. This is an annual review, which is included in the annual schedule of internal audit, with an allowance of ten days. It was agreed that in 2007/2008 the audit should review governance and risk management arrangements for the city campus and joint library developments. The outcome of the audit was an adequate level of assurance and the report made 3 significant recommendations and 1 merits attention recommendation. Given the complex nature of the developments, the Board agreed that the report provided confidence that there was a reasonable system of control relating to these two major programmes of capital developments.

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. The recent work on Primary Measures of Performance provides a further opportunity for the Board to monitor progress against the key success criteria in the Strategic Plan.

As reported last year, a new Chair and two Vice Chairs took up their appointments on 1st August 2007. A programme of induction was arranged, which included attendance at the Induction course for new Chairs and Deputy Chairs arranged by the Leadership Foundation. The transition was managed smoothly and successfully. 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. This is the Committee through which reports on key strategic and capital developments are routed.

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, Health and Safety and Joint Consultative Committees. It discusses and recommends to the Board changes in conditions of service which are determined locally, and also changes in procedures which regulate industrial relations (e.g. disciplinary and grievance procedures). The Committee 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 Personnel Committee and the Chair of Audit Committee. In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee and the Honorary Awards Committee. A governor also attends Academic Board in an observer capacity.

By order of the Board of Governors

Chair of Governors:
Date:

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

We have audited the financial statements' of University of Worcester for the year ended 31 July 2008 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 accounting policies set out in therein.

Respective responsibilities of the Board of Governors and auditors

The Board of Governors 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 Responsibilities of the Board of Governors.

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 Governors of the institution 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 institution, 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 institution's statutes (*or equivalent*) and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE). We also report to you if, in our opinion, the institution 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 Operating and Financial Review, the 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 institution 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 governing body 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 institution and the group at 31 July 2008, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended;
- ii. the financial statements 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;
- iii. in all material respects, income from the Higher Education Funding Council for England, and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England.

PricewaterhouseCoopers LLP
Chartered Accountants
Cardiff
2 December 2008

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

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

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

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, and in accordance with applicable Accounting Standards. 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 2008. 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.

Assets under construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to 31st July 2008. 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 deposit, with recognised banks and building societies and government securities, disclosed as current asset investments on the balance sheet.

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 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		£000	£000
<u>INCOME</u>			
Funding Council Grants	1	20,821	18,626
Academic Fees & Support Grants	2	16,927	13,178
Research Grants & Contracts	3	441	650
Other Operating Income	4	6,019	5,308
Interest Receivable	5	246	120
TOTAL INCOME		<u>44,454</u>	<u>37,882</u>
<u>EXPENDITURE</u>			
Staff Costs	6	24,530	21,317
Depreciation & Amortisation	11 + 12	1,784	1,672
Other Operating Expenses	7	16,049	12,886
Interest Payable	8	620	316
TOTAL EXPENDITURE	9	<u>42,983</u>	<u>36,191</u>
Surplus after depreciation of assets at valuation and before tax		1,471	1,691
Taxation	10	-	-
Surplus after depreciation of assets at valuation and tax	22	<u><u>1,471</u></u>	<u><u>1,691</u></u>

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

GROUP BALANCE SHEET
AS AT 31st JULY 2008

	Note	Group <u>2008</u> £000	Group <u>2007</u> £000	University <u>2008</u> £000	University <u>2007</u> £000
FIXED ASSETS					
Intangible Assets	11	10	23	10	23
Tangible Fixed Assets	12	51,429	41,783	40,082	41,776
Investments	13	-	-	10	-
		51,439	41,806	40,102	41,799
CURRENT ASSETS					
Stocks	14	10	11	10	11
Debtors	15	3,517	2,385	14,444	2,912
Current asset investment		7,024	-	6,774	-
Cash at bank and in hand		337	4	-	4
		10,888	2,400	21,228	2,927
CREDITORS: amounts falling due within one year					
Creditors		(9,930)	(7,435)	(8,922)	(7,393)
Bank Overdraft		(1)	(1,948)	(1)	(1,948)
	16	(9,931)	(9,383)	(8,923)	(9,341)
NET CURRENT ASSETS / LIABILITIES					
		957	(6,983)	12,305	(6,414)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		52,396	34,823	52,407	35,385
CREDITORS: amounts falling due after more than one year					
	17	(13,000)	(1,291)	(13,000)	(1,291)
PROVISIONS FOR LIABILITIES & CHARGES					
	19	(509)	(499)	(509)	(499)
NET ASSETS excluding pension liability					
		38,887	33,033	38,898	33,595
PENSION LIABILITY					
	19	(11,273)	(5,566)	(11,273)	(5,566)
NET ASSETS					
		27,614	27,467	27,625	28,029
DEFERRED CAPITAL GRANTS					
	20	11,197	7,544	11,197	7,544
RESERVES					
Revaluation Reserve	21	13,404	13,585	13,404	13,585
Income and Expenditure Excluding Pension Reserve	22	14,286	11,904	14,297	12,466
Pension Reserve	22	(11,273)	(5,566)	(11,273)	(5,566)
Income and Expenditure Including Pension Reserve	22	12,606	10,955	12,617	11,494
TOTAL FUNDS					
		27,614	27,467	27,625	28,029

The financial statements on pages 12 to 36 were approved by the Board of Governors on 1st December 2008 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

CONSOLIDATED CASH FLOW STATEMENT
For the Year Ended 31st July 2008

	<u>Note</u>	<u>Group</u>	
		<u>2008</u> £000	<u>2007</u> £000
Net cash flow from operating activities	25	2,773	6,644
Returns on Investment & servicing of finance	26	(374)	(196)
Capital expenditure & financial investment	26	(6,751)	(9,210)
Management of liquid resources	26	(7,024)	3,141
Financing	26	11,709	(394)
Increase / (Decrease) in cash	27	<u>333</u>	<u>(15)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the Year Ended 31st July 2008

	<u>Note</u>	<u>Group</u>	
		<u>2008</u> £000	<u>2007</u> £000
Increase / (Decrease) in cash	27	333	(15)
Management of liquid resources	26	7,024	(3,141)
Cash outflow from financing	26	(11,709)	394
Movement in Net Debt for the Year		<u>(4,352)</u>	<u>(2,762)</u>
Net Funds at 1st August		(1,681)	1,081
Net (Debt) / Funds at 31st July	27	<u>(6,033)</u>	<u>(1,681)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ended 31st July 2008

		<u>Group</u>	
		<u>2008</u>	<u>2007</u>
		£000	£000
Surplus after depreciation of assets at valuation and before tax		1,471	1,691
Actuarial (loss) / gain in respect of Pension Scheme	28	(4,976)	753
Total recognised gain / (loss) for year		<u>(3,505)</u>	<u>2,444</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the Year Ended 31st July 2008

		<u>Group</u>	
	<u>Note</u>	<u>2008</u>	<u>2007</u>
		£000	£000
Surplus after depreciation of assets at valuation and before tax		1,471	1,691
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	181	181
Historical cost surplus after tax		<u>1,652</u>	<u>1,872</u>

NOTES TO THE ACCOUNTS
Year ended 31st July 2008

1. FUNDING COUNCIL GRANTS

	HEFCE	TDA	Total	Total
	£000	£000	£000	£000
Recurrent	13,605	3,896	17,501	15,699
Specific Grants:				
LLN Development Funding	632	-	632	320
Supporting Professional Standards	55	-	55	52
Knowledge Transfer Capability Fund	164	-	164	126
Learning & Teaching Development	5	-	5	22
Active Community Fund	25	-	25	74
JISC	26	-	26	27
Fellowship Monies	10	-	10	19
Access to Learning fund administration	8	-	8	11
Student Associate Scheme	-	237	237	165
Graduate Teacher Programme	-	774	774	810
Flexible PGCE - Tuition Fees	-	304	304	193
Overseas Trained Teacher Programme	-	9	9	5
TDA Projects	-	222	222	170
Training Salary Admin Fee	-	36	36	39
Deferred Capital Grants released:				
Buildings (Note 20)	279	-	279	536
Equipment (Note 20)	524	10	534	358
	<u>15,333</u>	<u>5,488</u>	<u>20,821</u>	<u>18,626</u>

2. ACADEMIC FEES AND SUPPORT GRANTS

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	£000	£000
Full Time students (Home and EU) fees	9,034	6,297
Full Time students (Overseas) fees	1,000	638
Part Time fees	1,563	1,213
Short course fees	463	458
Other Fees	110	74
Contract Income Strategic Health Authority	4,757	4,498
	<u>16,927</u>	<u>13,178</u>

3. RESEARCH GRANTS AND CONTRACTS

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	£000	£000
Grants	<u>441</u>	<u>650</u>

4. OTHER OPERATING INCOME

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	£000	£000
Residences, catering and conferences	2,112	1,877
Other services rendered	456	302
Release of deferred capital grants	203	157
Other income	3,248	2,972
	<u>6,019</u>	<u>5,308</u>

5. INTEREST RECEIVABLE

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	£000	£000
Income from short term investments	246	120
	<u>246</u>	<u>120</u>

6. STAFF

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	£000	£000
Salaries	20,118	17,570
Social Security Costs	1,573	1,381
Other Pension Costs	2,839	2,366
	<u>24,530</u>	<u>21,317</u>

Emoluments of the Vice Chancellor:

	<u>2008</u>	<u>2007</u>
	£000	£000
Salary	198	165
Pension contributions	28	22
Total emoluments	<u>226</u>	<u>187</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 £27,506 (2007 - £22,452). 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, was:

Average Weekly number of staff:

	<u>2008</u>	<u>2007</u>
	wte	wte
Academic Departments	341	337
Academic Services	66	50
Administrative & central services	176	146
Premises	61	56
Research	9	12
Residences, catering and conferences	17	16
	<u>670</u>	<u>617</u>

Emoluments of higher paid staff:

	<u>2008</u>	<u>2007</u>
	wte	wte
£100,001-£110,000	-	2
£110,001-£120,000	2	1
£120,001-£130,000	-	-
£130,001-£140,000	1	-
£160,001- £170,000	-	1
£170,001- £180,000	-	-
£180,001- £190,000	-	-
£190,001- £200,000	-	-
£200,001- £210,000	-	-
£210,001- £220,000	-	-
£220,001- £230,000	1	-

Governors are entitled to reimbursement of travel expenses although none were claimed during 2007/08.

7. OTHER OPERATING EXPENSES

	Group	
	<u>2008</u>	<u>2007</u>
	£000	£000
Residences,catering and conferences	429	487
Consumables and laboratory expenditure	377	402
Books and periodicals	446	370
Heat, light, water and power	614	638
Repairs and general maintenance	1,355	1,117
Grants to UW Students' Union	231	206
Auditors remuneration:		
External	27	27
Internal	38	36
Equipment operating leases	196	222
Payments to Partner Colleges	2,373	1,910
Student Bursaries	1,542	824
Other expenses	8,421	6,647
	<u>16,049</u>	<u>12,886</u>

8. INTEREST PAYABLE

	Group	
	<u>2008</u>	<u>2007</u>
	£000	£000
Loans not wholly repayable within 5 years	445	148
Bank Overdraft	-	13
Pension Interest	175	155
	<u>620</u>	<u>316</u>

9. ANALYSIS OF 2007/08 EXPENDITURE BY ACTIVITY

Group	Staff Costs	Dep'n	Other Expenses	Interest Payable	Total
	£000	£000	£000	£000	£000
Academic Departments	14,779	147	1,648	-	16,574
Academic Services	1,684	34	-	-	1,718
Administrative & central services	6,361	1,567	14,267	620	22,815
Premises	1,374	16	-	-	1,390
Research	255	15	134	-	404
Residences, catering and conferences	77	5	-	-	82
	<u>24,530</u>	<u>1,784</u>	<u>16,049</u>	<u>620</u>	<u>42,983</u>

9. ANALYSIS OF 2007/08 EXPENDITURE BY ACTIVITY (continued)

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 20)	1,014	718
Revaluation reserve released (Note 21)	181	181
General revenue	589	773
	<u>1,784</u>	<u>1,672</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. INTANGIBLE ASSETS

	<u>Group</u>		<u>University</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
At 1st August 2007				
Opening balance	23	27	23	27
Additions in year	<u>1</u>	<u>9</u>	<u>1</u>	<u>9</u>
	24	36	24	36
Amortisation charge for the year	14	13	14	13
Closing balance	<u>10</u>	<u>23</u>	<u>10</u>	<u>23</u>

12. TANGIBLE FIXED ASSETS

	Group Freehold Land and Buildings £000	Group Equipment £000	Group Total £000
At 1st August 2007			
Valuation	20,970	-	20,970
Cost	12,700	10,441	23,141
Assets under construction	11,167	-	11,167
Additions at cost	2,046	1,195	3,241
Additions under construction	13,924	-	13,924
Disposals at cost	(5,748)	(28)	(5,776)
	<u>55,059</u>	<u>11,608</u>	<u>66,667</u>
At 31st July 2008			
Valuation	20,970	-	20,970
Cost	14,747	11,608	26,355
Assets under construction	19,342	-	19,342
	<u>55,059</u>	<u>11,608</u>	<u>66,667</u>
Depreciation			
At 1st August 2007	5,857	7,638	13,495
Charge for year	640	1,131	1,771
Depreciation on disposals	-	(28)	(28)
At 31st July 2008	<u>6,497</u>	<u>8,741</u>	<u>15,238</u>
Net Book Value			
At 31st July 2008	<u>48,562</u>	<u>2,867</u>	<u>51,429</u>
At 31st July 2007	<u>38,980</u>	<u>2,803</u>	<u>41,783</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. This has been valued by HEFCE as the Exchequer Interest of £7,685,000.

12. TANGIBLE FIXED ASSETS

	University Freehold Land and Buildings £000	University Equipment £000	University Total £000
At 1st August 2007			
Valuation	20,970	-	20,970
Cost	12,700	10,433	23,133
Assets under construction	11,167	-	11,167
Additions at cost	2,046	1,194	3,240
Assets under construction	2,584	-	2,584
Disposals at cost	(5,748)	(28)	(5,776)
	<u>43,719</u>	<u>11,599</u>	<u>55,318</u>
At 31st July 2008			
Valuation	20,970	-	20,970
Cost	14,747	11,599	26,346
Assets under construction	8,002	-	8,002
	<u>43,719</u>	<u>11,599</u>	<u>55,318</u>
Depreciation			
At 1st August 2007	5,857	7,637	13,494
Charge for year	640	1,130	1,770
Depreciation on disposals	-	(28)	(28)
At 31st July 2008	<u>6,497</u>	<u>8,739</u>	<u>15,236</u>
Net Book Value			
At 31st July 2008	<u>37,222</u>	<u>2,860</u>	<u>40,082</u>
At 31st July 2007	<u>38,980</u>	<u>2,796</u>	<u>41,776</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.

13. INVESTMENTS

	<u>Group</u>		<u>University</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
Investments in subsidiary companies	-	-	10	-
	<u>0</u>	<u>0</u>	<u>10</u>	<u>0</u>

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.

14. STOCK

	<u>Group</u>		<u>University</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
Sports Clothing	<u>10</u>	<u>11</u>	<u>10</u>	<u>11</u>

15. DEBTORS

	<u>Group</u>		<u>University</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
Amounts falling due within 1 year:				
Trade Debtors	3,307	2,218	2,188	2,218
Amounts owed by group undertakings:				
Subsidiary undertakings			12,046	527
Prepayments and Accrued Income	210	167	210	167
	<u>3,517</u>	<u>2,385</u>	<u>14,444</u>	<u>2,912</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>University</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
Mortgages	-	394	-	394
Payments received on account	39	93	39	93
Trade Creditors	1,020	1,680	987	1,638
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	1,128	-
Accruals and deferred income	8,004	4,851	5,901	4,851
	<u>9,930</u>	<u>7,435</u>	<u>8,922</u>	<u>7,393</u>
Bank Overdraft	1	1,948	1	1,948
	<u>9,931</u>	<u>9,383</u>	<u>8,923</u>	<u>9,341</u>

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

	Group		University	
	<u>2008</u> £000	<u>2007</u> £000	<u>2008</u> £000	<u>2007</u> £000
Mortgage secured on residential property				
Repayable by 2011	-	281	-	281
Repayable by 2010	-	310	-	310
Mortgage secured on Sports Hall & Car park				
Repayable by 2015	-	700	-	700
University Development Loan	13,000	-	13,000	-
	<u>13,000</u>	<u>1,291</u>	<u>13,000</u>	<u>1,291</u>

18. BORROWINGS

	Group		University	
	<u>2008</u> £000	<u>2007</u> £000	<u>2008</u> £000	<u>2007</u> £000
Bank Loan	13,000	1,685	13,000	1,685
Bank Overdraft	1	1,948	1	1,948
	<u>13,001</u>	<u>3,633</u>	<u>13,001</u>	<u>3,633</u>
Due within one year	1	2,342	1	2,342
Due after more than one year	13,000	1,291	13,000	1,291
	<u>13,001</u>	<u>3,633</u>	<u>13,001</u>	<u>3,633</u>

ANALYSIS OF LOAN REPAYMENTS

	<u>2008</u> £000	<u>2007</u> £000	<u>2008</u> £000	<u>2007</u> £000
Bank Loans and overdrafts				
Due within one year	1	2,342	1	2,342
Between one and two years	-	394	-	394
Between two and five years	4,375	788	4,375	788
After five years	8,625	109	8,625	109
	<u>13,001</u>	<u>3,633</u>	<u>13,001</u>	<u>3,633</u>

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		University	
	<u>2008</u> £000	<u>2007</u> £000	<u>2008</u> £000	<u>2007</u> £000
Provision for pensions				
At 1st August 2007	499	494	499	494
Interest	49	33	49	33
Payment made in Year	(39)	(28)	(39)	(28)
At 31st July 2008	<u>509</u>	<u>499</u>	<u>509</u>	<u>499</u>
	<u>2008</u> £000	<u>2007</u> £000	<u>2008</u> £000	<u>2007</u> £000
Provision for pensions FRS 17				
At 1 August 2007	5,566	5,785	5,566	5,785
Interest				
Payment made in year				
Pension (Liability) / Asset	5,707	(219)	5,707	(219)
At 31st July 2008	<u>11,273</u>	<u>5,566</u>	<u>11,273</u>	<u>5,566</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.

20. DEFERRED CAPITAL GRANTS

	Group and University				
	HEFCE	TDA	AWM	OTHER	TOTAL
	£000	£000	£000	£000	£000
<u>At 1st August 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>
<u>Cash Received</u>					
Buildings	1,157	-	2,503	-	3,660
Equipment	793	-	-	214	1,007
Total	<u>1,950</u>	<u>-</u>	<u>2,503</u>	<u>214</u>	<u>4,667</u>
<u>Released to income & expenditure</u>					
Buildings	279	-	15	6	300
Equipment	524	9	133	48	714
Total	<u>803</u>	<u>9</u>	<u>148</u>	<u>54</u>	<u>1,014</u>
<u>At 31st July 2008</u>					
Buildings	6,590	-	3,058	42	9,690
Equipment	963	5	289	250	1,507
Total	<u>7,553</u>	<u>5</u>	<u>3,347</u>	<u>292</u>	<u>11,197</u>

21. REVALUATION RESERVE

	Group		University	
	2008	2007	2008	2007
	£000	£000	£000	£000
Revaluations				
At 1st August 2007	16,228	16,228	16,228	16,228
At 31st July 2008	<u>16,228</u>	<u>16,228</u>	<u>16,228</u>	<u>16,228</u>
Contributions to depreciation				
At 1st August 2007	2,643	2,462	2,643	2,462
Released in year	181	181	181	181
At 31st July 2008	<u>2,824</u>	<u>2,643</u>	<u>2,824</u>	<u>2,643</u>
Net revaluation amount				
At 31st July 2008	<u>13,404</u>	<u>13,585</u>	<u>13,404</u>	<u>13,585</u>

22. INCOME AND EXPENDITURE ACCOUNT

	Group		University	
	2008	2007	2008	2007
	£000	£000	£000	£000
Movement on General Reserves				
At 1 August as previously stated	6,338	3,715	6,900	3,950
Retained surplus for the year	1,470	1,689	919	2,016
Transfer from revaluation reserve	181	181	181	181
Actuarial gain / (loss) in respect of pension scheme	(4,976)	753	(4,976)	753
At 31st July 2008	<u>3,013</u>	<u>6,338</u>	<u>3,024</u>	<u>6,900</u>
Represented by:				
Pension Reserve	(11,273)	(5,566)	(11,273)	(5,566)
Income & Expenditure account excluding pension reserve	14,286	11,904	14,297	12,466
	<u>3,013</u>	<u>6,338</u>	<u>3,024</u>	<u>6,900</u>
Income & Expenditure Account				
Surplus after depreciation of assets at valuation and tax	1,470	1,689	919	2,016
Release from revaluation reserve	181	181	181	181
Historical cost surplus after tax	<u>1,651</u>	<u>1,870</u>	<u>1,100</u>	<u>2,197</u>
Balance at 1st August 2007	10,955	9,085	11,517	9,320
Balance at 31st July 2008	<u>12,606</u>	<u>10,955</u>	<u>12,617</u>	<u>11,517</u>

23. LEASE OBLIGATIONS

	Group		University	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
Operating lease commitments in respect of equipment for the financial year on leases expiring:				
Within one year	70	249	70	249
Between two and five years	4	670	4	670
	<u>74</u>	<u>919</u>	<u>74</u>	<u>919</u>

24 CAPITAL COMMITMENTS

	Group		University	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£000	£000	£000	£000
City Centre Campus Site with UW Developments	1,574	1,109	-	1,109
Joint library and history centre	10	-	10	-
Modern Classrooms	256	35	256	35
SITS upgrade	-	6	-	6
Virtual Learning Project (with FE Colleges)	-	6	-	6
Library System	20	34	20	34
E-Learning project	-	12	-	12
Replacement pc programme	112	85	112	85
St Johns Campus Masterplan	80	14	-	14
New residences build with UW Developments	3	250	-	250
Aerobiology Test Centre with UW Developments	3,351	408	-	408
Refectory improvements	3	50	3	50
Student Union improvements	-	35	-	35
Fire alarm system & fire doors	116	-	116	-
	<u>5,525</u>	<u>2,044</u>	<u>517</u>	<u>2,044</u>

Aerobiology Test Centre:	The current cost estimate is £7m; contracts to the value of £5.4m have been awarded and the main construction contractor is Leadbitter group
City Centre Campus:	The current cost estimate is £122.4 million; contracts to the value of £34.8m have been awarded and the main contractor is Costain Group PLC.
Student residences build:	The current cost estimate is £12.5million; contracts to the value of £12m have been awarded and the main contractor is Morgan Ashurst plc
Academic / Public library:	The current cost estimate is £56.7 million; no contracts in respect of construction work have been awarded.

25. RECONCILIATION OF OPERATING SURPLUS TO OPERATING CASH FLOWS

	Group	
	<u>2008</u>	<u>2007</u>
	£000	£000
Surplus before tax	1,471	1,690
Depreciation	1,784	1,672
Deferred Capital Grants released to income (note 20)	(1,014)	(1,051)
Investment Income (Note 5)	(246)	(120)
Interest payable (Note 8)	620	316
Increase in stocks	1	11
(Increase) / Decrease in debtors	(1,132)	260
Increase in creditors	548	3,327
Increase in provisions	10	5
Increase in pension cost less contributions payable	731	534
	<u>2,773</u>	<u>6,644</u>
Net cash flow from operating activities	<u><u>2,773</u></u>	<u><u>6,644</u></u>

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

	Group	
	<u>2008</u>	<u>2007</u>
	£000	£000
Returns on Investment and Servicing of finance		
Income from short term investments	246	120
Interest paid	(620)	(316)
	<u>(374)</u>	<u>(196)</u>
Net cash (outflow) from returns on investment & servicing of finance	<u><u>(374)</u></u>	<u><u>(196)</u></u>
Capital expenditure and Financial investments		
Purchase of tangible fixed assets	(11,418)	(9,902)
Deferred Capital Grants received	4,667	692
	<u>(6,751)</u>	<u>(9,210)</u>
Net cash (outflow) / inflow for Capital expenditure and Financial investments	<u><u>(6,751)</u></u>	<u><u>(9,210)</u></u>
Net cash (outflow) / inflow from management of liquid resources	<u><u>(7,024)</u></u>	<u><u>3,141</u></u>
<u>Financing</u>		
Mortgage and loan capital repayments	11,709	(394)
Net cash (outflow) / inflow from financing	<u><u>11,709</u></u>	<u><u>(394)</u></u>

27. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 August 2007	Cash- flows	At 31 July 2008
	£000	£000	£000
Cash in hand and at bank	4	333	337
Debt due within one year	(394)	-	(394)
Debt due after one year	(1,291)	(11,709)	(13,000)
Short term investments	-	7,024	7,024
	<u>(1,681)</u>	<u>(4,352)</u>	<u>(6,033)</u>

28. 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. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable. 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%
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During the year all employers paid the same contribution rate; between 1st August 2007 to 31st December 2007 of	14.10%
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During the year all employers paid the same contribution rate; between 1st January 2008 to 31st July 2008 of	14.00%
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During the year all employees have paid the same contribution rate of	6.40%
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The value of pension payments made in year to the Teachers Pension Scheme was £2,259,158.64 with £195,611.98 outstanding as a creditor at 31 July 2008.

28. 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:

	Past service liabilities	Future 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 £66,871.87 with £6,730.13 outstanding as a creditor at 31 July 2008.

28. 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 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 July 2008	At 31 July 2007
Rate of inflation	3.80%	3.20%
Rate of increase in salaries	5.30%	4.70%
Rate of increase in pensions	3.80%	3.20%
Discount Rate	5.90%	5.80%

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

	Long term rate of return expected at 31 July 2008	Value at 31 July 2008	Long term rate of return expected at 31 July 2007	Value at 31 July 2007
	%	£	%	£
Equities	7.50	12,349	7.50	13,251
Government Bonds	4.80	640	4.90	665
Other Bonds	5.90	667	5.80	547
Cash/Liquidity	5.00	250	5.75	310
		<u>13,906</u>		<u>14,773</u>

The following amounts at 31st July 2008 were measured in accordance with the requirements of FRS17:

	<u>2008</u> £000	<u>2007</u> £000	<u>2006</u> £000
Total market value of assets	13,906	14,773	12,782
Present value of scheme liabilities	(25,179)	(20,339)	(18,567)
(Deficit) – Net pension liability	<u>(11,273)</u>	<u>(5,566)</u>	<u>(5,785)</u>

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

	<u>2008</u>	<u>2007</u>
	£000	£000
Employer service cost (net of employee contribution)	1,045	989
Past service cost	238	-
Total operating costs	<u>1,283</u>	<u>989</u>
Expected return on assets	(1,036)	(816)
Interest on pension liabilities	1,211	971
Pension finance income	<u>175</u>	<u>155</u>

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

	<u>2008</u>	<u>2007</u>
	£000	£000
Actual return less expected return on pension scheme assets	(2,653)	604
Percentage of year end assets	19.1%	4.1%
Gains and losses arising on the scheme liabilities	-	-
Actual obligation less expected obligation on pension scheme liabilities	(2,294)	149
Percentage of year end liabilities	9.1%	0.7%
Net actuarial Gain / (Loss) for the year	(4,947)	753
	<u>19.6%</u>	<u>3.7%</u>

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

	<u>2008</u>	<u>2007</u>
	£000	£000
Deficit on scheme at 1st August	(5,566)	(5,785)
Current service cost	(1,045)	(989)
Contributions	727	610
Past service cost / (curtailment)	(238)	-
Net interest / return on assets	(175)	(155)
Actuarial gain / (loss)	(4,976)	753
Deficit at 31st July	<u>(11,273)</u>	<u>(5,566)</u>

The total pension cost for the University was:

	<u>2008</u>	<u>2007</u>
	£000	£000
Contributions to TPA	1,512	1,342
Contributions to WCCPF	727	605
WCCPF charge to Income & Expenditure	556	379
Contributions to USS	45	16
	<u>2,840</u>	<u>2,342</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 2007/08 this amounted to £122,009 (2007/08 £100,323)

29. ACCESS TO LEARNING FUND

	<u>2008</u> £000	<u>2007</u> £000
Funding Council Grants	324	364
	<u>324</u>	<u>364</u>
Disbursements to Students	(323)	(318)
	<u>1</u>	<u>46</u>
Balance unspent at 31st July 2008	<u>1</u>	<u>46</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.

30. TRAINING SALARIES/SECONDARY SHORTAGE SUBJECT SCHEME

	<u>2008</u> £000	<u>2007</u> £000
Funding	2,121	2,300
Disbursements to Students	(2,023)	(2,107)
	<u>98</u>	<u>193</u>
Balance unspent as at 31st July 2008	<u>98</u>	<u>193</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.

31. CHILDREN'S WORKFORCE DEVELOPMENT AGENCY

	<u>2008</u> £000	<u>2007</u> £000
Balance unspent as at 1st August	54	52
Funding	83	61
Disbursements to Students	(113)	(59)
	<u>24</u>	<u>54</u>
Balance unspent as at 31st July 2008	<u>24</u>	<u>54</u>

Funding received from Department for Children, Schools and Families 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.

32. BURSARIES

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

	<u>2008</u>	<u>2007</u>
	£000	£000
Full Time Students	1,364	606
Part Time Students	178	218
	<u>1,542</u>	<u>824</u>

33. RELATED PARTY TRANSACTIONS

During the year, the University contributed grants of £231,000 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.

34. POST BALANCE SHEET EVENTS

As from 1st August 2008, MARRC (Motion Analysis Research and Rehabilitation Centre Limited), which until that date was a wholly owned subsidiary of the University, was incorporated into the University. MARRC is not material to the Group and therefore does not require additional disclosure in the Income and Expenditure Account as set out in FRS3 for discontinued operations.