

“We are very proud of the **University of Gloucestershire**. We believe we offer something special, in our commitment to high quality teaching and learning, the enthusiasm of our staff, and the friendliness of our community.”

**Stephen Marston** Vice-Chancellor

2010/2011  
**Financial Statements**

 **UNIVERSITY OF  
GLOUCESTERSHIRE**  
at Cheltenham and Gloucester

## Contents

	Page
Members of Council and Major Committees	2
Officers and Advisers	3
Operating and Financial Review	
Introduction Executive Summary	5
Section 1 Context and Strategic Priorities	6
Section 2 Academic Review	6-8
Section 3 Corporate Responsibility	9
Section 4 Financial Performance	10-11
Section 5 Public Benefit Statement	12
Section 6 Corporate Governance	13-15
Report of the Independent Auditor to the Governing Body of the University of Gloucestershire	16-17
Financial Statements for the Year Ended 31 July 2011	
Statement of Principal Accounting Policies	18-20
Consolidated Income and Expenditure Account	22
Consolidated Statement of Total Recognised Gains and Losses	23
Consolidated Statement of Historical Cost Surpluses and Deficits	24
Balance Sheets	25-26
Consolidated Cash Flow Statements	27
Notes to the Financial Statements	28-53



## Members of Council and Major Committees

### Members of Council for the Period 1 August 2010 to 23 November 2011

Mrs K Blake  
 Prof F Chambers  
 Cllr B Dare  
 Revd C Douglas  
 Ms J Earp (resigned 28 June 2011)  
 Dr P Hartley (retired 31 July 2011)  
 Mr S Harvey (resigned as Vice-Chair 30 June 2011)  
 Revd Canon M Herbert (resigned as Chair 30 September 2011)  
 Mr R Hirst  
 Ms B Hodson  
 Cllr C Jones (resigned 31 August 2010)  
 Mr J Lancashire  
 Mr A Longhurst  
 Mr S Marston (appointed 1 August 2011)  
 Revd P Mounstephen (appointed as Vice-Chair 5 October 2011)  
 Cllr A Noble (appointed 6 October 2010)  
 Rt Revd M Perham (appointed as Vice-Chair 1 July 2011 to  
 5 October 2011)  
 Mr C Rogers (appointed 29 June 2011)  
 Prof Sir P Scott (appointed as Chair 1 October 2011)  
 Mr G Smith  
 Mr S Treble

### Membership of Major Council Committees as at 31 July 2011

#### Audit Committee

Revd P Mounstephen \*  
 Mrs K Blake  
 Cllr B Dare  
 Mr G Smith  
 Dr P Hartley  
 Mr R Hirst (retired 30 June 2011)

#### Employment Committee

Mr S Harvey \*  
 Prof F Chambers  
 Revd C Douglas  
 Cllr A Noble  
 Mr S Treble  
 Mr M Jones (co-opted member)  
 Dr P Hartley

#### Employment Policy Committee

Mr S Harvey \*  
 Revd C Douglas  
 Cllr A Noble  
 Mr M Jones (co-opted member)

#### Finance and General Purposes Committee

Mr S Harvey \* (retired 30 June 2011)  
 Mr R Hirst \* (appointed 1 July 2011)  
 Ms B Hodson  
 Mr J Lancashire  
 Mr A Longhurst  
 Mr A Mawby (co-opted member)  
 Dr P Hartley

#### Governance and Nominations Committee

Revd Canon M Herbert \*  
 Mrs K Blake  
 Rt Revd M Perham  
 Dr P Hartley

#### Honorary Awards Committee

Mrs K Blake  
 Revd Canon M Herbert  
 Rt Revd M Perham  
 Dr P Hartley \*

#### Remuneration Committee

Revd Canon M Herbert \*  
 Mr S Harvey  
 Revd P Mounstephen

\* denotes Chair

## Officers and Advisers

### Officers for the Period 1 August 2010 to 23 November 2011

#### Executive Managers

##### *Vice-Chancellor*

Dr P Hartley (appointed 1 August 2010)  
Dr P Hartley (retired 31 July 2011)  
Mr S Marston (appointed 1 August 2011)

##### *Deputy Vice-Chancellor (Academic)*

Dr R O'Doherty (appointed 3 October 2011)

##### *Chief Operating Officer*

Mr J S Durrant (appointed 1 August 2010)

##### *Executive Director (Marketing, Development and Communications)*

Mr P Drake

##### *Director Finance & Planning*

Mrs Camille Stallard

##### *Academic Registrar and Clerk to Council*

Mrs Julie Thackray

#### Deans of Faculty

##### *Faculty of Business, Education and Professional Studies*

Prof K Richardson

##### *Faculty of Media, Arts and Technology*

Dr B Calvert

##### *Faculty of Applied Sciences*

Mr M Cogger

#### Company Secretary

Mrs Julie Thackray

### Registered Office

Fullwood House  
The Park Campus  
The Park  
CHELTENHAM  
Gloucestershire  
GL50 2RH

The university is an exempt charity, a company limited by guarantee, registered in England and Wales:  
Registration Number 06023243

### Advisers

#### Solicitors

Rickerbys LLP  
Ellenborough House  
Wellington Street  
CHELTENHAM  
Gloucestershire  
GL50 1YD

#### Eversheds LLP

1 Callaghan Square  
CARDIFF  
CF10 5BT

#### Registered External Auditors

Grant Thornton UK LLP  
3140 Rowan Place  
John Smith Drive  
Oxford Business Park South  
OXFORD  
OX4 2WB

#### Registered Internal Auditors

PricewaterhouseCoopers LLP  
One Kingsway  
CARDIFF  
CF10 3PW

#### Bankers

The Royal Bank of Scotland plc.  
PO Box 9  
31 The Promenade  
CHELTENHAM  
Gloucestershire  
GL50 1LH



# Operating and Financial Review

## Introduction: Executive Summary

This report reviews the university's activities in the year 2010-11 in the context of the challenges and risks within which the university operates, and comprises the following sections:

### Section 1: Context and Strategic Priorities

#### Section 2: Academic Review

- Summary
- Teaching and Learning
- Research
- Enterprise
- Partnerships
- Student Experience

#### Section 3: Corporate Responsibility

- Sustainability
- Equality and Diversity

#### Section 4: Financial Performance

- Key Financial Highlights
- Review of the Year
- Financial Sustainability and Key Performance Indicators
- Payment of Creditors
- Accounting Systems
- Post Balance Sheet Events
- Future Plans, Risks and Developments

#### Section 5: Public Benefit Statement

#### Section 6: Corporate Governance

- Introduction
- Summary of the University's Structure of Corporate Governance
- Financial Responsibilities of the University's Council
- Disclosure of Information to Auditor
- Statement of Internal Control

# Operating and Financial Review

## Section 1: Context and Strategic Priorities

The 2010-11 year has seen a continued challenging environment for the university and the sector as a whole. Shifts in public policy, particularly with regard to the student fees agenda, have resulted in uncertainties for 2012-13, and the focus on financial stability has remained at the forefront of the university's agenda. The process of identifying and implementing efficiencies has continued and will continue as the new competitive market emerges.

Against this background, the university has made significant progress:

- A year-end operating surplus of £6.4 million has been achieved
- Excellent progress on the relocation of activity out of the Pittville Campus; the project was completed on time and under budget
- Buoyant undergraduate recruitment; and
- Successful appointment to key senior posts in the University.

The university still faces key challenges and opportunities in terms of growth in student numbers, the revision of its curriculum to create new products and services, and growth in income through business development. The continued success in embedding financial stability gives the university confidence in facing the challenges ahead on a sound footing.

The Acting Chief Executive and Vice Chancellor Dr Paul Hartley retired from the university at the end of the year having made a significant contribution to the university's stability and direction. From 1 August 2011, Stephen Marston was appointed as Vice Chancellor.

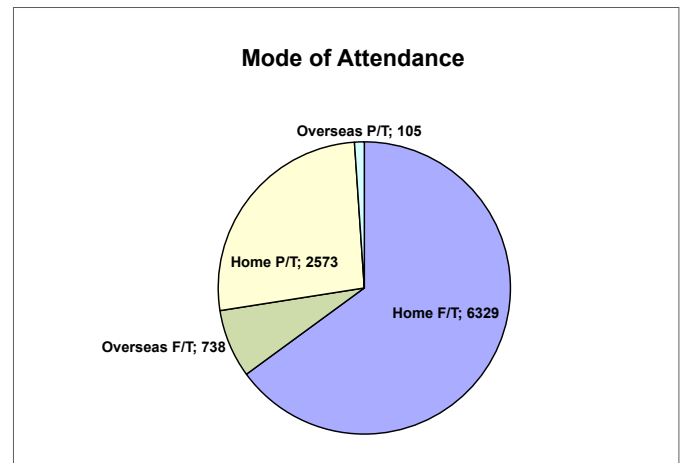
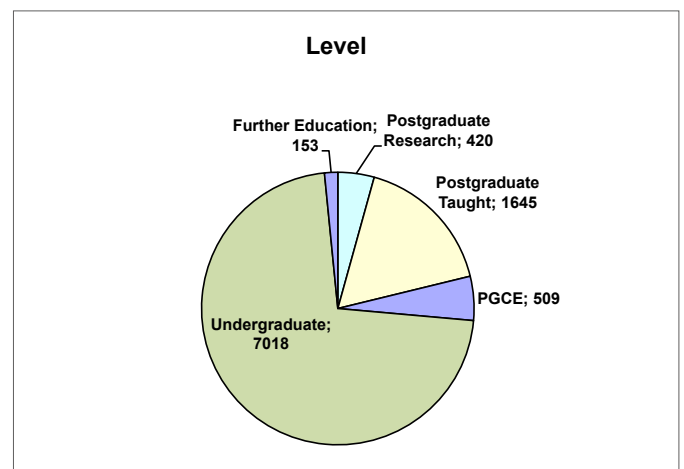
## Section 2: Academic Review

### 2.1 Summary

The university has moved from a four to a three faculty structure and has re-shaped academic departments to schools. Full implementation has been completed by September 2011. The new faculties are:

- Faculty of Business, Education and Professional Studies
- Faculty of Applied Sciences
- Faculty of Media, Arts and Technology

The changes enable a more focused approach to the portfolio through four core subject blocks, namely: Sport, Business, the Arts and Education with two further areas of strength and high volume in Humanities and Social Sciences. The university had 12,800 current students registered at 31 July 2011 of which 9,800 were taught by university staff and 3,000 were taught in partnership arrangements across the globe.





## Operating and Financial Review

Ongoing review will determine future developments in light of the Browne Report, the Higher Education White Paper and emerging patterns of student demand. The external environment from 2012 looks very uncertain for all HEIs and is likely to require a degree of fleet-footedness and flexibility as institutions respond and adapt to changing circumstances. The university has agreed to move to a new Curriculum Framework from 2012 in order to create a degree of 'headroom' designed explicitly to make it easier for the university to be responsive to changing patterns of student behaviour – whatever they may be – and to put the university in a better position to meet changing expectations, whether from students or government.

The major benefits sought from this initiative are to:

- deliver a whole university initiative that will allow the university to promote a clear and consistent set of messages to the external world about what makes us distinctive – for example – being student friendly, on small campuses, with flexible modes of attendance and a focus on employability and volunteering.
- deliver key aspects of a revised Student Charter, particularly those associated with the student experience. For example, it means the university can aim to increase class contact hours and possibly reduce group sizes where that is appropriate. It will also provide a vehicle for capturing the Key Information Sets data that the university will have to provide to all prospective applicants in the future.
- deliver a whole university approach to the recently approved Teaching and Learning Strategy, demonstrating quality enhancement in practice. For example, creating precepts regarding employability and sustainability.
- deliver, equitably and transparently, efficiencies across the university's whole undergraduate academic portfolio to provide headroom to enable more flexible modes of study to be launched where there is judged to be demand. For example, 2 year fast track, part time provision and integrated 3 year awards leading to masters qualifications.
- deliver major benefits in terms of simplifying timetabling, registration and induction processes for staff and for students.
- Finally, it will enable the university to remove the excessive range of joint degrees where all the evidence demonstrates very low take-up and replace them with a clear offer of specific named joint awards.

This is a major initiative in which the university is seeking to improve the student experience across the board by, for example, increasing staff/student contact; bringing to life the Teaching and Learning Strategy of the university; providing more flexible access to different modes of study for students; streamlining our systems and processes by simplifying the first year curriculum; and providing some headroom to allow us to respond more readily to changes in student behaviour with the introduction of higher fees from 2012.

### 2.2 Teaching and Learning

This year saw a university-wide consultation on the development of a revised Learning and Teaching Strategy. The revised Strategy was approved by Academic Board in July 2011 and has the following key priorities:

- Independent and collaborative learning
- Learning for life and employment
- Learning for the future
- Research and practice-informed learning and teaching

Support for the implementation of the revised Strategy by course teams will be provided in the coming academic year, along with the development of an Academic Staff Development Framework to address the priorities in the Strategy.

A successful pilot of the University's Employable Gloucestershire Graduate Scheme (EGGS) was conducted, with students receiving EGG certificates at the Excellence Awards in June. The scheme will be expanded in the coming academic year.

The university has continued to participate in the Higher Education Achievement Report (HEAR) pilot, and has worked with local firm Gradintel to develop a system whereby students can have access to an online HEAR. Development of this work will continue in the coming academic year.

The two-year JISC-funded Co-generative Toolkit (Co-genT) project was completed in March. The work of the project, which supports the development of co-generated curriculum by employers and higher education institutions through a shared language, will continue and the toolkit will be updated and revised by the project team as required.

The quality of learning and teaching in the university has been recognised by the Higher Education Academy with an additional two National Teaching Fellowships, giving the university eleven in total.

### 2.3 Research

The Research Strategy aims at a differentiated approach to research development within an overarching emphasis on the benefits of successful research: knowledge creation, income generation, research-informed teaching, and institutional reputation. The strategy plays to the strengths of the three faculties, emphasising their professional, applied, and creative portfolios. Emphasis is also placed on linking research and enterprise, growing research student numbers where financially sustainable, diversifying income streams and improving the university's position in the forthcoming Research Excellence Framework in 2014 when it is expected the university will make a more selective submission than to the 2008 Research Assessment Exercise.

Research student numbers continue to grow and the university now has over 500 registrations, more per member of staff than other universities in its competitor group. The success of the Doctorate in Business Administration (DBA) will be built upon and taken into new territories. Further professional doctorates are under consideration and will be encouraged where cost effective.

### 2.4 Enterprise

During 2010-11 the Centre for Enterprise & Innovation (CEI) led delivery of a number of enterprise initiatives including:

- The completion of a cross-faculty Professional Short Course pilot programme of 20 short courses

## Operating and Financial Review

- Launch of the new commercial format of the successful Graduate Challenge programme which had previously enabled over 130 county-based graduates to undertake placements in local businesses whilst working towards a masters-level certificate. The new programme will follow a similar format but is funded through company contributions
- The BUG Business Planning Programme, now in its fourth year, engaging over 140 students, staff and alumni in 2010-11
- A key role in co-ordinating the University of Gloucestershire Enterprise Awards, during which the BUG category winners were announced

With funding secured from South West Regional Development Agency and European Regional Development Fund, the Centre for Enterprise & Innovation has been able to award funding internally to develop a number of new initiatives enabling university staff to take full advantage of enterprise opportunities and encouraging greater levels of participation:

- The Enterprise Development Fund has enabled the CEI to award over £65,000 to staff and students for the development of 17 new commercial and partnership opportunities in the form of Proof of Concepts and Knowledge Fellowships. These are being reviewed and successful projects will be developed further by the relevant departments
- The university-wide Employer Gateway Group continued to share good practice and drive forward shared employer-facing projects amongst non-academic departments

This funding is now drawing to a close with all monies required to be spent and claimed for by the end of September 2011.

The CEI have been completing a number of projects which have now terminated due to the closure of the RDAs and change in priorities of government spending schemes.

### 2.5 Partnerships

The number of collaborative partnerships has slightly increased in the last academic year (2010-11) and initiatives have been pursued to grow established partnerships, and to extend the reach of the University of Gloucestershire provision. This has been achieved both within the private sector in the UK, and the private and public sectors internationally. New partnerships have been formed with a mind to extending the range of courses being offered, and to capitalise upon the shifting and growing markets both at home and abroad.

The policy changes implemented by the UK Borders Agency have had some effect upon recruitment of international students to UK based partners, with strategies emerging to consolidate overseas delivery of University of Gloucestershire courses via these partners, and a strict adherence to formal monitoring processes being put in place.

Partners delivering in Malaysia, Singapore, Zimbabwe, and Hong Kong maintain projected growth, and relations with these partners on a business level remain financially successful. The partnership in Greece has responded stoically to the impact of economic changes within nation, and has met all minimum payments to date.

UK private sector partnerships, significantly within the employer-engaged sector (via the NEXUS initiative with Gloucestershire College), have extended significantly, either in course provision delivered or student numbers attained. Collaborations delivering University of Gloucestershire courses reach markets that the university itself would have difficulty accessing, and promote the name of University of Gloucestershire in a positive way due to the upholding of academic standards and a commitment to the quality of the student experience.

### 2.6 Student Experience

The University has continued to develop its support for students in all aspects of their lives during the last academic year. The Student Services Department has further developed its range of support options for students, and has widened its range of training sessions for staff within the university to help enable them to better support students.

Key developments in 2010-11:

- In response to the growth of international students, the appointment of a specialist International Accommodation Support Adviser to aid international students in all aspects of their housing needs.
- There has been an increase over the last 5 years of students seeking support for a range of mental health issues. In 2010-11 the Department has expanded its staff resourcing by 50% within the Mental Health Advice service to help meet demand.
- A partnership agreement with the local NHS Mental Health Trust (2gether) was developed in 2009-10 which on a pilot basis led to students being able to access specialist cognitive behavioural therapy support for low level mental health interventions (primarily centred around stress, panic, anxiety and depression). This new service was well utilised by students and as such has been further developed in the last year to increase the service availability. In 2010-11 the service was supported by an additional therapist meaning that another campus could offer appointments to students, doubling the number of appointments open to students.
- The Student Helpzones have developed their service provision to students through hosting an increased number of drop-in sessions for other university and external services to make them more accessible for students. These include all of the services within Student Services, as well as hosting Careers Advice, Students' Union and specialist legal advice surgeries.
- A new range of staff development sessions were introduced to help support the university's personal tutors, known as Academic Review Tutors, to better support students presenting with personal and welfare issues. These sessions will be developed in 2011-12, and will be broadened to enable all staff to benefit from such sessions.
- The Department has also supported the development of its own staff to better enable them to support students; this includes 16 of the team successfully completing NVQ awards in Advice & Guidance.

The recent excellent results from the National Student Survey with regards to academic support reflect the support given by both academic and support staff, the 79% satisfaction rate signifies that students do feel well supported to succeed in their studies.

# Operating and Financial Review

## Section 3: Corporate Responsibility

### 3.1 Sustainability

The university's performance and external profile in sustainability continued to strengthen during 2010-11. The university was ranked 2nd in the People and Planet Green League of Universities – only 0.5 of a point behind the No.1 ranked university. Its institutional performance was also recognised by the Green Gown Awards: the university was short listed for three awards, including the *Continuous Improvement – Institutional Change* category. The Students' Union was awarded Gold in the annual NUS Green Impact awards, ranking 4th out of 88 participating unions, with an increased score by 300 points since the last NUS assessment in 2009.

Sustainability activities in 2010-11 focused on embedding sustainability in the curriculum, including work on two major externally-funded projects that brought £415,000 of educational investment to the university. First, the EU Marie Curie International Fellowship project *Living and Learning Sustainably: Developing professional and social responses* to sustainability was completed. This project encouraged educators and researchers working on sustainability, produced guidance for university teachers and managers, and supported professional development, for example in our Business Management course that was short listed for the Green Gown awards.

Our second major initiative was to commence the project *Leading Curriculum Change for Sustainability: Strategic approaches to quality enhancement*, funded by the HEFCE Leadership, Governance and Management scheme. The University of Gloucestershire leads this ground-breaking project, working in partnership with Aston University, University of Brighton, University of Exeter and Oxford Brookes University. The initiative focuses on creating change, in dialogue with key sector stakeholders such as the Quality Assurance Agency, to bring sustainability education more firmly into the future practice of teaching and learning in Higher Education.

Other highlights for the year included:

- The release of the university's first public report on Sustainability (2009-2010);
- The approval of the university's carbon management plan by Executive and Council;
- Installation of voltage optimisation equipment at each campus, which is reducing the university's electricity consumption, saving both energy and costs.
- The hosting of a National Sustainable Travel Forum which resulted in the university's *Sustainable Travel Action Plan* developed in consultation with staff and students;
- The development and release of *Education for Sustainability: A Guide for University Managers on Needs and Opportunities* and *Education for Sustainability: A Guide for Educators on Teaching and Learning Approaches*, to support teaching staff to integrate sustainability into their courses;
- An increase in the opportunities for staff and students to become engaged in professional and voluntary activities in the area of sustainability;

- Invitations to give Keynote Addresses at international conferences such as the World in Higher Education Conference hosted by the UN and the Global University Network of Innovation (GUNI) and UN Climate Change Conference in Cancun (COP 16);
- Selection by the Higher Education Academy as a case study of good practice showcased at its Green Academy in recognition of its innovative work in sustainability education;
- The hosting of the first international conference on sustainability research for early career researchers by the University's PRISM Network;
- An increase in sustainability partnerships with local and regional businesses and agencies through the UNU RCE Severn, as well as continuation of the Sports Malawi initiative, both of which help to build closer links between the university and the local to global communities it serves.

### 3.2 Equality and Diversity

The current Single Equality Scheme has been reviewed ensuring the university's ongoing commitment to the equality and diversity agenda. Plans are also in place for the creation of equality objectives before April 2012 based on our current scheme and information published at the end of this year in line with our requirements under the Equalities Act 2010. The university has consulted with both staff and students and invited involvement from a range of local and regional equality organisations representing all protected characteristics under the Act this year in addressing equality and diversity issues. In addition, the university has co-ordinated a series of events and web based materials under the 'Don't Hate' campaign focussing on challenging students' ideas and principles around issues of diversity, difference and vulnerability.

# Operating and Financial Review

## Section 4: Financial Performance

### 4.1 Key Financial Highlights

- Continued strengthening of operating performance: consolidated operating surplus of 9.1% of income (2010: 7.7%)
- Careful management of pay costs being maintained at 58% of total expenditure, and at 53% of income
- Reduced reorganisation costs reflecting a more selective approach to redundancy
- Net pension liability improved by £7.4m
- Cash and short-term investments up £2.5m on previous year end
- Further reduction in long term debts from £26.8m to £22.7m
- Improved net assets from £39.9m to £53.5m

### 4.2 Review of the Year

#### • Operating performance

The university reports a consolidated surplus of £6.4m before exceptional items. This reflects a further improvement on the previous year's results and has been achieved by control of the university cost base, at a time when income has contracted slightly. Further improvements are envisaged over the next 12 months as the university further reduces its estate footprint, reduces debt exposure and implements administrative efficiencies.

The results for the year reflect the full year impact of closing the London Campus in July 2010 and the impact of the significant redundancy programme running since March 2009, which has now been completed.

The continued improved financial performance has again been achieved thanks to the dedication and commitment of staff across the university who have risen to the challenge of delivering an excellent student experience during some challenging financial circumstances. The result is a strengthened financial position.

#### • Fixed Assets and Capital Investment

Tangible fixed assets have increased by over £3m as a consequence of the re-development work to enable the move of teaching facilities from Pittville to other campuses. Following the write down in value last year, the partial disposal of the Pittville Campus is progressing though the sale is not expected to conclude before July 2012.

The Park refectory space has been refurbished to provide a large, modern open-plan facility. Sprawling kitchen accommodation has been replaced with new efficient catering facilities, which in turn has extended the space for staff and students. The range of services has been increased to provide a vibrant social space. A coffee bar sits alongside two further themed counters. The Students' Union is also located here providing students with visible instant access. During the evening the bar facility opens and the extensive media and lighting installation provides students with a space to meet and relax.

The main areas of ICT capital investment programme in 2010-11 were two-fold. Firstly, significant investment was made

in upgrading the technical infrastructure of the institution focusing around replacement programmes in the networking, PC, server and AV equipment areas of activity. Secondly, a key focus was on sustainability to help reduce energy and operating costs, through server consolidation programmes, integrated messaging systems and print management solutions.

In addition, the University responded to a HEFCE initiative to implement an e-marketplace facility which interfaces with the procurement module of the Agresso finance system.

#### • Long Term Debt

Building on the improvements last year, further reductions in long term liabilities are reported as the repayments set out in the July 2010 loan agreement with Royal Bank of Scotland have been made.

At the year-end, long term liabilities had reduced by £4.1m and all covenants were complied with. The gearing ratio reduced from 49.1% (2009-2010) to 38.6% (2010-2011) and meeting the target set in 2009.

In October 2011 the university renegotiated its 4.56% SWAP contract, reducing the contract life by 5 years to 2025 thereby ensuring continuity with the main RBS loan contract. The cost of restructuring this hedging contract amounted to £126,500 including the encashment of the 0.1% discount contract.

#### • Liquidity and Treasury Management

Cash deposits are invested in accordance with the university's Treasury Management Policy. The prime requirement of the policy is for capital sums to be distributed between approved financial institutions to ensure minimal risk exposure. Deposits held with any one bank should not exceed £5m. At the balance sheet date £11.3m was placed on deposit.

The university has achieved a significantly improved liquidity position, with average monthly balances held by deposit takers of £11m.

Interest payable for the year was £2.7m (2010: £3.1m) and includes £0.7m for the FRS17 Pension Benefits adjustment (2010: £1.2m).

#### • Pensions and Pension Liability

Retirement benefits for employees of the university are provided by a number of defined benefit schemes. The financial results include the impact of Financial Reporting Standard 17 - Accounting for Retirement Benefits for the benefits covered by the Local Government Pension Scheme (LGPS).

Under the Gloucestershire County Council Superannuation Scheme the pension liability (LGPS) as at 31 July 2011 was £12.1m (2010: £19.5m). The improvement is largely the result of improvements in asset values.

The Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Church of England Funded Pension Scheme are all multi-employer schemes, and the university's share of assets and liabilities cannot be separately identified. These schemes are therefore accounted for as if they were defined contribution schemes.

## Operating and Financial Review

Employer contributions to pension schemes were as follows:

Pension Scheme	Current Contribution Rate	2010-11 £000	2009-10 £000
LGPS	19.5%	2,101	2,660
USS	16.0%	74	108
TPS	14.1%	2,185	2,260
Other including Church of England Scheme	38.2%	13	13
<b>Total</b>		<b>4,373</b>	<b>5,041</b>

### 4.3 Financial Sustainability and Key Performance Indicators

Management actions during 2010-11 have further strengthened the university operating position and established a stable financial platform to face future challenges.

The key financial indicators, established as part of the 2009-2012 Finance Strategy, and performance against these is shown below:

Key Financial Indicator	Performance 2009-2010 to 2010-11	Target
Operating surplus to turnover	7.7% improved to 9.1%	5%
Net liquidity days	24* days improved to 80 days (*excluding excess sales proceeds)	30 days, rising to 60 days
Gearing Ratio	49% improved to 38%	35%
Pay as a % of total expenditure	Maintained at 58%	56%-59%
Reliance on Funding Body Grants	43% improved to 41%	40%

As part of the development of a new Strategic Plan, a review of the Finance Strategy and Key Performance Indicators is being undertaken with a view to approval in February 2012.

### 4.4 Payment of Creditors

It is the university's policy to obtain the best terms for all its business activities and therefore terms are negotiated with individual suppliers. The university aims to pay creditors in line with its terms and conditions set out on individual purchase orders; these terms may vary by agreement or contract, or by statutory or regulatory conditions.

### 4.5 Accounting Systems

The university continues with the development of the Agresso accounting software and related systems. Enhancements during the year focused on the fee setting processes and links with the

SITS Student Record System regarding enrolments. As mentioned above, development of an e-marketplace facility was supported by funding from HEFCE.

### 4.6 Post Balance Sheet Events

No significant post Balance Sheet events occurred during the period after the end of the year 2010-11 and the publication of the Financial Statements.

### 4.7 Future Plans, Risks and Developments

The successful completion of the £5.5m refurbishment programme in Autumn 2011 will provide significantly enhanced facilities for staff and students. Running cost savings are budgeted and reflect both pay and non-pay savings, but perhaps most important is the impact that the project has had on the quality of the building stock. Poor quality buildings at Pittville and Hardwick have been decommissioned and will result in a significant saving on future maintenance costs.

Improved space utilisation is now being achieved, and further enhancement in the timetabling and space management resources are anticipated during the year. Disposal of the vacated area at the Pittville Campus is clearly a critical activity. An offer has been accepted and discussions with the purchaser are progressing, subject to planning permission, with a sale expected to conclude before July 2012.

Shortly after taking up post, the new Vice Chancellor commenced a strategic planning process which will provide a new university Strategic Plan by February 2012, and will be supported by a refreshed suite of strategies, including Estates and Finance. The new Strategic Plan will cover the period 2012 to 2017, will give clarity on university direction and priorities in response to external policy changes and will provide a set of clear goals.

The changes currently facing the UK Higher Education sector are unprecedented, and stem from a range of sources including: political, economic, social and technological. As the old funding model phases out, a new funding regime is emerging which aims to deliver a more competitive, "demand led" higher education sector. The new regime places greater emphasis on levels of student demand, the student experience and student employment prospects after graduation. The emerging new economics within the sector will also place a greater focus on pricing strategies, costs and margins, resource allocation and strategic investment decisions and will introduce greater competition into the sector, including a range of new providers.

New HEFCE controls over intake numbers and the introduction of a core and margin system, whereby institutions whose net average fee is less than £7,500 may bid for additional places, add further uncertainty. The university is working to ensure we can respond flexibly to such initiatives.

At the same time, Further Education providers are looking towards the Higher Education market as a potential area for growth and private providers are also waiting to enter the market when legislation permits.

The university is engaged in a number of market research initiatives and is continually developing and refining scenario plans in response to the challenges ahead.

# Operating and Financial Review

## Section 5: Public Benefit Statement

The University of Gloucestershire is an exempt charity under the terms of the Charities Act 1993. As an exempt charity it is not required to be registered with the Charity Commission, but is however subject to the Charity Commission's regulatory powers which are monitored by HEFCE. The University Council have due regard to the Charity Commission's public benefit guidance.

The objectives of the university are the advancement of the Higher and Further Education of men and women, by the provision, conduct and development of a university for the advancement of education, teaching, advice and research. The preceding sections, particularly sections 2 and 3, more fully describe the activities of the university and should be considered alongside this statement, to gain a full understanding of the extent to which the academic activities of the university deliver a benefit to society.

The prime beneficiaries are the students of the University of Gloucestershire who are engaged in learning and research activities. Other beneficiaries include employers, businesses, school children and the general public. Staff and students also engage in voluntary action in the local community and overseas, for example, Uganda, South Africa and Malawi where the Chaplaincy has led a sport based project. The university also provides access to arts, musical and other cultural events.

Education at the University of Gloucestershire reaches far beyond the classroom. Our Teaching and Learning Strategy has five core principles, learner empowerment, active engagement, learning in communities, education for sustainable development, and learning for equality, diversity and intercultural understanding. Students of the university gather skills for their chosen work environment and are equipped to become better citizens of the world.

The university had 12,800 current students registered at 31 July 2011 of which 9,800 were taught by university staff and 3,000 were taught in partnership arrangements across the globe. Of those students studying at the university, 7.1% had identified themselves as disabled, 13.5% as part of the black minority ethnic (BME) communities and 8.6% were from overseas. The university is committed to extending the diversity of its student body and has committed to a programme of outreach and financial support to ensure that there is fair and equal access to all.

The Outreach Department provides a link between the university and the wider community supporting schools, colleges, local groups and other regional and national networks in promoting progression into higher education. The focus of the Outreach Team's work is to undertake activities which both advise and motivate students as they aspire to enter higher education. Our school and college sport outreach programme offers free curriculum support at GCSE and A-level and access to specialist equipment and is available to Schools in Gloucestershire and surrounding counties.

We offer a regular programme of open lectures which are accessible to the public free of charge. The university also continues to develop research strengths in: religion and spirituality; environment and sustainability; community development, citizenship and sport. Our research units work with a range of charitable and publicly funded organisations and the outputs of much of this work enhance society in general.

The university offers a wide range of support services to staff and students who are disadvantaged in terms of disability support, financial advice, counselling services and faith support. Monetary support is provided to a range of students in the form of bursaries and scholarships.

In 2010-11, the university spent over £3m in financial support to students, including those from low income groups. Examples include Government training bursaries to PGCE students, Academic Scholarships providing £500 for UK students who gain three A grades at A-level (or equivalent), and the Sports Scholarship Scheme providing a £500 bursary and further sports support, open to all undergraduates for any sport recognised by Sport England. Scholarships and bursaries are also available to our International students to reward academic excellence. The university also offers financial support in the form of discounts for students who wish to progress to postgraduate study.

# Operating and Financial Review

## Section 6: Corporate Governance

The following statement is given to assist readers of the Financial Statements in obtaining an understanding of the Governance procedures applied by the University's Council.

### 6.1 Introduction

The university is incorporated as a private company limited by guarantee, and is an exempt charity under the terms of the Charities Act 2006. Its objects, power and framework of governance are set out in the Articles of Association, and approved by the Privy Council.

The university conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and is committed to best practice in all aspects of corporate governance. The university's Council has adopted, and ensured compliance with, the Committee of University Chairs' (CUC) Governance Code of Practice, and has conducted its business in accordance with CUC good practice and principles. The Council has ensured that it has discharged its responsibilities in full compliance with the requirements of the Higher Education Funding Council for England (HEFCE) Financial Memorandum.

### 6.2 Summary of the University's Structure of Corporate Governance

Council is the governing body of the university, responsible for setting the general strategic direction of the institution and for ensuring proper accountability. Council has a membership of 18: a majority who are non-executive and independent, together with student and staff representatives (both academic and non-academic) and the Vice-Chancellor.

The roles of Chair and Vice-Chair of Council are separated from the role of the university's Chief Executive, the Vice-Chancellor. The responsibilities specifically reserved to the Council are set out in the Articles of Association of the University.

In the conduct of its formal business, in addition to a strategic away day, the Council meets five times a year. It has a number of formally constituted committees including (inter alia) a Finance and General Purposes Committee, Governance and Nominations Committee, Audit Committee, Employment Policy Committee and a Remuneration Committee. All of these committees are constituted with formal terms of reference and membership which are reviewed on an annual basis.

The Academic Board is the academic authority of the university and draws its membership entirely from the staff and students of the university. Its principal role is to direct and regulate the teaching and learning and research work of the university and to advise Council accordingly.

The Audit Committee has responsibility for monitoring the effectiveness of the university's risk management, control and governance arrangements, along with the arrangements to promote economy, efficiency and effectiveness throughout the institution, and advises the Council accordingly. The Committee exercises oversight over internal audit arrangements, including recommending the appointment of internal auditors. It considers internal audit reports and recommendations for

the improvement of the university's systems of internal control, together with management's responses and implementation plans. The Committee also exercises oversight over external audit arrangements, such as the nature and scope and effectiveness of the process, and considers the audit aspects of the institution's financial statements. It also advises the Council on the appointment of external auditors. In accordance with recommended practice, the Committee, which met four times during the year, provides the opportunity at each meeting for members to meet with the internal and external auditors without officers of the university present.

The Finance and General Purposes Committee (FGPC) is responsible for monitoring and advising Council on the financial health of the university, including the financial strategy, budget setting, annual accounts, investment activity, and consideration of capital expenditure. The Committee also has responsibility for monitoring institutional level Key Performance Indicators (KPIs) in order to measure and monitor university performance against agreed strategies and targets. During the year Council agreed to establish a sub-committee of FGPC specifically to monitor and advise on the conduct of the university's estates and infrastructure activity including revenue and capital expenditure.

The Employment Policy Committee is responsible for oversight of policies associated with employment including the use of performance and development systems, indicators and benchmarks. This includes consideration of legal requirements, advice and guidance from statutory authorities and reports issued by Government or Funding Authorities.

The Remuneration Committee is responsible for making recommendations to Council on the pay and conditions of service and severance arrangements of the Vice Chancellor and other senior staff of the university. In considering these matters the Committee considers quality of performance and reviews independent sources of comparator information on pay and conditions of service.

The Governance and Nominations Committee is responsible for a range of governance related issues including recommendations to Council on the appointment of new independent members. The committee monitors and reviews the development and implementation of good governance practice.

The Council recognises that, in accordance with best practice recommended in the CUC Code of Governance, regular reviews of the effectiveness of the Governing Body should be undertaken. The Council commissioned a comprehensive independent Review of the Effectiveness of Council early in 2010-11. The university was keen to reflect fully and carefully on the effectiveness of its governance arrangements, and to ensure that they were fit for purpose for the further challenges ahead.

A set of 23 recommendations were agreed by Council in December 2010 which covered:

- Fundamental governance matters which have a significant bearing on the university's ability to improve Council effectiveness and good governance;
- Other matters intended to improve governance practice;
- Matters related to strategic planning and institutional management.

## Operating and Financial Review

Good progress on the implementation of the recommendations has been made during the year alongside those proposed as a result of an earlier internal audit of corporate governance. The fundamental changes implemented this year are:

- The approval of revised Articles of Association which provides for Council membership to include 14 external members, all of whom are directly appointed by the Council.
- Following a review of the skills and experience of members, a framework has been developed to support the future recruitment to the Council and thereby strengthen its effectiveness.
- A new highly experienced Chair of Council has been appointed and will play a key role in developing an effective, challenging and forward looking Council.
- An enhanced system of forward business planning for Council and its committees has been developed to streamline the agenda management process and to underpin the strategic approach Council takes to the management and monitoring of university activity.

Other improvements to governance practice have been agreed including a scheme for providing feedback to Council members on their contributions, and the introduction of a comprehensive programme of induction, training and personal development for members.

At an Extraordinary General Meeting of the Company held on 29 June 2011, amendments to the Articles of Association were passed by Special Resolution, and subsequently approved by the Privy Council on 21 September 2011.

At a meeting on 29 June 2011 the Council confirmed the appointment of Professor Sir Peter Scott as Chair of Council, to take up office following Privy Council approval of the revised Articles. Professor Sir Peter Scott took up office as Chair of Council on 1 October 2011.

### 6.3 Financial Responsibilities of the University's Council

In accordance with the Education Reform Act 1988 the Council is responsible for the administration and management of the university's affairs, including an effective system of internal control, and is required to present audited financial statements for each financial year which include a statement on corporate governance and internal control.

Working through its established sub-committees, the Council 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 comply with the Education Reform Act 1988 (as amended by the Further and Higher Education Act 1992), the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant standards. In addition, within the terms and conditions of Financial Memorandum agreed between the Higher Education Funding Council for England and the University's Council, the Council, through its Accountable Officer, is required to prepare financial statements for each financial year.

Under those terms and conditions, the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the university for that year. In preparing these financial statements, the Council has ensured that:

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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Council for England, the Training and Development Agency for Schools and the Chief Executive of the Skills Funding Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and the funding agreement with the Training and Development Agency for Schools and the Chief Executive of the Skills Funding Agency and any other conditions which the Funding Councils 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 prevent and detect fraud; and
- secure the economic, efficient and effective management of the university's resources and expenditure.

### 6.4 Disclosure of Information to Auditor

At the date of making this report, the Council confirms the following:

- so far as each Member of Council is aware, there is no relevant information needed by the university's auditor in connection with preparing their report of which the university's auditor is unaware.
- each Member of Council has taken all the steps that he/she ought to have taken as a Member of Council in order to make himself/herself aware of any relevant information needed by the university's auditors in connection with preparing their report and to establish that the university's auditor is aware of that information.



## Operating and Financial Review

### 6.5 Statement of Internal Control

As the governing body of the University of Gloucestershire, the Council recognises that it has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Articles of Association and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievements of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended July 2011 and up to the date of approval of the financial statements.

During the year the university has continued to develop and strengthen its Risk Management Policy and Procedures in order to better recognise and manage the risks it faces in the delivery of its strategic aims. The policy explains the university's approach to risk management and documents the roles and responsibilities of the Council, the Audit Committee, the Executive and other senior managers. Each faculty and central department has developed its own risk register within an institutional framework and there is now a broad group of staff from across the university who are regularly engaged in reviewing risks in their area of responsibility.

The strengthening of the risk management procedures has included an explicit alignment of the key institutional risks with the institutional level KPIs, a greater accountability by members of the Executive for specific institutional risks, and the inclusion of a commentary and action plan to clarify the nature of risks, mitigating actions undertaken, and where responsibility for monitoring lies. A detailed reporting schedule has been developed to ensure that the relevant information is reported in a timely manner to appropriate audiences.

Risk management has been embedded at faculty/department level by ensuring that the annual planning cycle includes a review of the risks facing each unit, together with clear mitigation plans, closely aligned with institutional level risks. Detailed business continuity and disaster recovery plans, both at an institutional and a faculty/departmental level, are also in place.

The Council has responsibility for reviewing the effectiveness of the system of internal control. Council considers the plans and strategic direction of the university and receives reports from the Chair of Audit Committee concerning internal control and has access to the minutes of Audit Committee meetings. The Audit Committee receives regular reports from the internal audit, which includes an independent opinion on the adequacy and effectiveness of the university's system of internal control, together with recommendations for improvement. The internal auditors' annual opinion on the internal control environment is taken into account by Audit Committee in preparing its own

opinion on internal control. The review of the effectiveness of the system of internal control is also informed by the work of the Executive team within the university, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Council is of the view that the university has an appropriate framework for delivering assurance to the governing body on key aspects of governance, risk management and internal control, and that there is clarity in terms of the respective roles of the Audit Committee, Finance and General Purposes Committee and Council and how internal audit interfaces with these bodies.



**Professor Sir Peter Scott**  
Chair of Council



**Stephen Marston**  
Vice-Chancellor

# Report of the Independent Auditor to the Governing Body of the University of Gloucestershire

We have audited the financial statements of the University of Gloucestershire ('the university') for the year ended 31 July 2011 which comprise the statement of principal accounting policies, the Group income and expenditure account, the Group statement of total recognised gains and losses, the Group statement of historical cost surpluses and deficits, the Group and university balance sheets, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with paragraph 30 of the university's articles of government, section 124B(3) of the Education and Reform Act 1988 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the university's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the University's Council and Auditor

As explained more fully in the Governing Body's Responsibilities Statement, the governing body (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and the Companies Act 2006 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the university have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Chief Executive of the Skills Funding Agency.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

## Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the university's affairs as at 31 July 2011 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on Other Matters

In all material respects:

- income from the funding council, the Training and Development Agency for Schools and the Chief Executive of the Skills Funding Agency, grants and income for specific purposes and from other restricted funds administered by the university during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2011 has been applied in accordance with the university's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Chief Executive of the Skills Funding Agency.

## Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Report of the Independent Auditor to the Governing Body of the University of Gloucestershire

## Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Governing Body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## DAVID BARNES Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP  
*Statutory Auditor, Chartered Accountants*  
OXFORD

The maintenance and integrity of the university's website is the responsibility of the Council; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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.

# Financial Statements for the Year Ended 31 July 2011

## Statement of Principal Accounting Policies

### 1 General

The university has undertaken a review of its accounting policies under FRS 18, Accounting Policies, and considers that the following accounting policies have been applied consistently to items which are considered material in relation to the financial statements.

### 2 Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with the Statement of Recommended Practice - Accounting in Further and Higher Education Institutions (SORP) and applicable Accounting and Financial Reporting Standards (FRS).

### 3 Going Concern

The Council has reviewed the budget for the year to 31 July 2012, the financial forecasts for the following three years and has adopted the guidance provided by the Financial Report Council (FRC) under *Going Concern & Liquidity Risk: Guidance for Directors of UK Companies 2009*.

Under the FRC guidance the university has employed a self assessment questionnaire that provides a framework to assist the Council in determining whether it is appropriate to adopt the going concern basis for preparing financial statements, and, in making balanced, proportionate and clear disclosure. The assessment included a review of forecasts and budgets, borrowing requirements, timing of cash flows, contingent liabilities, markets, risk management and financial adaptability, including sensitivity analysis and risk register.

Based on information and knowledge available to the Council in carrying out this review, the Council has a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. For this reason the Council continues to adopt the going concern basis for preparing the accounts.

### 4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the university, Fullwood Park Limited, Foundation Services Limited, the University of Gloucestershire Students' Union, the Janet Trotter Trust and the Cheltenham and Gloucester College Development Trust Limited for the financial year to 31 July 2011.

Cheltenham & Gloucester College Primary Research Company Limited, Cheltenham & Gloucester College Development Trust Limited, Foundation Services Limited, the Urban Learning Foundation, Fullwood Park Limited, The Lifelong Learning Foundation and LLF (UK) Limited are subsidiary undertakings of the university controlled by directors acting as nominees of the Council of the university.

The consolidated financial statements do not include those of the Cheltenham & Gloucester Primary Research Company Limited, the Urban Learning Foundation, the Lifelong Learning Foundation and LLF (UK) Limited, which are dormant companies, as it is considered that the scale of the amounts involved are not material to the financial statements.

### 5 Grants

HEFCE recurrent grant income represents income in support of the normal revenue activities of the university during the financial year and is credited direct to the income and expenditure account.

Capital equipment grants are capitalised and released to the income and expenditure account over the expected useful lives of the assets in line with the depreciation policy.

Capital building grants are capitalised and released as follows:

- building maintenance - against expenditure in the year it is incurred;
- building development or improvement - over the expected useful life of the asset.

Deferred income, in respect of HEFCE capital grants, which are attributable to subsequent financial years, is included in creditors as a deferred credit.

### 6 Recognition of Income

Income from specific endowments and donations, research grants including RAE related contracts and other services rendered, where the contract or grant covers a period extending beyond the current financial year is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis.

Tuition fees and other income are credited to revenue in the period to which the activity generating the income arises. Accordingly, fees received in advance are included in creditors as a deferred credit.

Income due to third parties, under contractual arrangements where the university is acting as agent, is held on the balance sheet as a current liability.

### 7 Tangible fixed assets

#### *Freehold Land and Buildings*

In accordance with FRS 15, Tangible Fixed Assets, and following the issue of the SORP, the university has adopted the option to treat valuations previously attributed to some properties as at 31 July 2000 as a proxy for cost.

#### *Short Leasehold Land and Buildings*

Short leasehold land and buildings are included at cost.

Additions to freehold and leasehold land and buildings are capitalised at cost.

#### *Plant and Equipment*

Expenditure on all plant and equipment is capitalised where the individual cost of items exceeds £5,000, or if an item is a component of a larger asset or programme.

## Financial Statements for the Year Ended 31 July 2011

### 8 Depreciation

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned.

In calculating depreciation, buildings acquired before 1 August 2006 are considered to have a residual value of 50% of cost to reflect an ongoing maintenance and repair programme.

New buildings commissioned post 1 August 2006 are considered to have a nil residual value with the full cost written off in accordance with the component life cycle methodology for depreciation.

The lives used for this purpose are:

		Pre July 2006 Acquisitions	Post July 2006 Acquisitions
<i>Freehold and Leasehold Land and Buildings:</i>			
Freehold Land		Nil	Nil
Buildings	Listed	100 years	100 years
Buildings	Other and unlisted	50 years	Component life 10-50 years
Buildings	Major adaptations	10-25 years	Component life 5-40 years
Plant	Up to 1994-1995	10 years	
Plant	From 1994-1995	20 years	Component life 10-30 years
<i>Equipment:</i>			
Apparatus and equipment		5 years	5 years
Computer equipment		3 years	Component life 4-15 years
Motor vehicles		5 years	5 years
Furniture, fixtures and fittings		10 years	Component life 10-15 years

### 9 Impairments of Assets and Assets Held for Disposal

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower.

Recoverable amount is defined as the higher of fair value less costs to sell and the estimated value in use at the date the impairment review is undertaken.

Material impairments are recognised in the income and expenditure account as exceptional items.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, as defined above. Assets are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year.

No depreciation is charged on assets classified as held for sale.

### 10 Stocks

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

### 11 Taxation

Effective from 1 August 2007, the university became a Company Limited by Guarantee and an exempt charity within the meaning of Schedule 2 of the Charities Act 1993. The university is therefore potentially exempt from corporation tax and capital gains tax on income and gains applied to its educational activities.

Value Added Tax on purchases exceeds Value Added Tax on sales. However, because of the VAT status of education, the university's principal supply, the difference is generally not reclaimable and is, therefore, a cost of the university.

Fullwood Park Limited, Foundation Services Limited and LLF (UK) Limited are liable for UK corporation tax. The companies have each agreed to pay the lower of its accounting and tax profits to the University of Gloucestershire, which is an exempt charity, under corporate gift aid regulations introduced in April 2000. Fullwood Park Limited is registered for VAT. Foundation Services Limited and LLF (UK) Limited are not registered for VAT as their annual turnover falls outside the VAT registration threshold.

# Financial Statements for the Year Ended 31 July 2011

## 12 Fixed and Endowment Asset Investments

Fixed and endowment asset investments are included in the balance sheet at market value. Where no market value for an investment asset can be readily ascertained, the investment is stated at cost except where a permanent diminution of value has taken place.

Charitable donations received are classified as restricted or unrestricted by reference to the circumstances surrounding the donation.

## 13 Finance and Operating Leases

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

Leasing agreements, which transfer to the university substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against the result for the year in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

## 14 Interest Payable and Financial Instruments

Loan interest payable is calculated on the difference between LIBOR rate prevailing at loan maturity and that element of the contract provided by a fixed rate SWAP contract.

## 15 Pension Scheme Arrangements

Retirement benefits to employees of the university are provided by Defined Benefit Schemes, which are funded by contributions from the university and employees. Payments are made to the Teachers' Pensions in accordance with the Teachers' Superannuation Scheme, the Universities Superannuation Scheme (USS) for academic staff, The Church of England Funded Pensions Scheme for Clerical staff and to the Gloucestershire County Council Superannuation Scheme for non-academic staff. These are independently administered schemes.

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of the pensions over the employees' working lives with the university.

Changes to the funding of the schemes arising from changes in legislation or from fund performance, or from changes in membership or other composition of the schemes, are recognised at each scheme actuarial valuation. Adjustments to scheme funding if any, and employers' contributions to the schemes which follow actuarial valuations, will address any shortfall or surplus arising from that valuation.

The university has adopted in full the requirements of FRS 17 Retirement Benefits for the Gloucestershire County Council Superannuation Scheme. The regulations under FRS 17 are not applicable to the Teachers' Superannuation Scheme, the

Universities Superannuation Scheme and the Church of England Funded Pensions Scheme for Clerical staff, since the university is unable to identify its share of the underlying assets and liabilities, and information regarding the surplus or deficit in the schemes is unavailable. These schemes have been accounted for as defined contribution schemes.

## 16 Repairs and Maintenance Costs

Expenditure on routine corrective maintenance is charged to the income and expenditure account as it is incurred.

## 17 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determinations of income and expenditure for the financial year.

## 18 Provisions

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

## 19 Capitalisation of Finance Costs and Interest

Interest and finance charges for capitalised projects are written off to the income and expenditure account during the period of construction and thereafter.

## 20 Bad and Doubtful Debts

The university regularly considers its debt book for irrecoverability of debtors by means of review of internal data and from information provided by its collecting agent. Arising from this review, the university makes provision for bad and doubtful debts based on both specific cases and a formula basis related to the age of outstanding debt including the related assets on the balance sheet and estimated recoverable amount.

## 21 Bursaries

Bursary payments are accounted for gross, as expenditure, and are not netted off fee income.

## 22 Discontinued Business Operations

Cash flows and operations that relate to a major component of the business or geographical region that has been sold or is classified as held for sale are shown separately from continuing operations.

Separate disclosure of a discontinued business operation will be assessed on its materiality impact on the business as a whole.



## Financial Statements for the Year Ended 31 July 2011

### Consolidated Income and Expenditure Account Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
<b>Income</b>			
Funding body grants	1	28,807	30,724
Tuition fees and education contracts	2	28,548	27,346
Research grants and contracts	3	752	595
Other income	4	11,763	13,043
Endowment and investment income	5	176	81
<b>Total income</b>		<b>70,046</b>	<b>71,789</b>
<b>Expenditure</b>			
Staff costs	6	37,228	38,706
Depreciation of tangible fixed assets	11	3,729	3,614
Other operating expenses	7	19,963	20,853
Interest payable	8	2,729	3,080
<b>Total expenditure</b>		<b>63,649</b>	<b>66,253</b>
Surplus after depreciation of fixed assets at valuation and before taxation		<b>6,397</b>	<b>5,536</b>
Taxation		-	-
Surplus after depreciation of fixed assets at valuation and tax and before exceptional items		<b>6,397</b>	<b>5,536</b>
<b>Exceptional items: continuing operations</b>			
Reorganisation costs	10	(955)	(1,367)
Other pension costs	10	(383)	-
Fixed asset impairment	10	-	(6,155)
Surplus on sale of London Campus	10	-	792
		<b>(1,338)</b>	<b>(6,730)</b>
Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation, taxation and exceptional items		<b>5,059</b>	<b>(1,194)</b>

The income and expenditure account is in respect of continuing activities.



## Financial Statements for the Year Ended 31 July 2011

### Consolidated Statement of Total Recognised Gains and Losses Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation, taxation and exceptional items		5,059	(1,194)
Unrealised gain on exchange	21	2	2
Revaluation of buildings	20	-	27
Revaluation of endowment asset investments	13	81	132
Net additions and disposals of endowment assets	13	332	1
<b>Total recognised gain/(loss) for the year</b>		<b>5,474</b>	<b>(1,032)</b>
Actuarial pension gain/(loss)	35	7,953	(970)
Past service gain	35	-	3,216
<b>Total recognised gain since last accounts</b>		<b>13,427</b>	<b>1,214</b>
<b>Reconciliation</b>			
Opening reserves and endowments		22,204	20,990
Total recognised gain since last accounts		13,427	1,214
<b>Closing reserves and endowments</b>		<b>35,631</b>	<b>22,204</b>
<b>Closing reserves and endowments:</b>			
Endowments	19	2,316	1,903
Revaluation reserves	20	9,438	10,845
Income and expenditure account	21	23,877	9,456
		<b>35,631</b>	<b>22,204</b>

The Past Service gain of £3,216,000 in 2009-10 arose as a result of the government's announcement on 22 June 2010 that future pensions increases would be linked to CPI rather than RPI. The university recognised this amount in the Statement of Recognised Surpluses and Deficits as management consider the resulting gain a change in actuarial assumption.

## Financial Statements for the Year Ended 31 July 2011

### Consolidated Statement of Historical Cost Surpluses and Deficits Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation, taxation and exceptional items		5,059	(1,194)
Difference between the historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	21	1,407	1,427
<b>Historical cost surplus for the year after taxation</b>		<b>6,466</b>	<b>233</b>

## Financial Statements for the Year Ended 31 July 2011

### Balance Sheets as at 31 July 2011

	Notes	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
<b>Fixed assets</b>					
Tangible assets	11	88,760	85,662	88,735	85,539
Investments	12	5	5	5	5
		<u>88,765</u>	<u>85,667</u>	<u>88,740</u>	<u>85,544</u>
<b>Endowment assets</b>	13	2,316	1,903	1,944	1,550
<b>Current assets</b>					
Stocks		89	110	86	94
Debtors	14	5,215	4,399	5,497	5,087
Investments	28	11,871	8,186	11,868	8,183
Bank and cash in hand	28	1,325	2,476	769	2,182
		<u>18,500</u>	<u>15,171</u>	<u>18,220</u>	<u>15,546</u>
<b>Creditors: amounts falling due within one year</b>	15	(18,106)	(14,389)	(18,002)	(14,960)
<b>Net current assets</b>		<u>394</u>	<u>782</u>	<u>218</u>	<u>586</u>
<b>Total assets less current liabilities</b>		<u>91,475</u>	<u>88,352</u>	<u>90,902</u>	<u>87,680</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(22,720)	(26,771)	(22,720)	(26,771)
<b>Provision for liabilities and charges</b>	17	(3,086)	(2,228)	(3,086)	(2,228)
<b>Net Assets before pension liability</b>		<u>65,669</u>	<u>59,353</u>	<u>65,096</u>	<u>58,681</u>
<b>Pension liability</b>	35	(12,144)	(19,501)	(12,144)	(19,501)
<b>Net Assets including pension liability</b>		<b>53,525</b>	<b>39,852</b>	<b>52,952</b>	<b>39,180</b>

## Financial Statements for the Year Ended 31 July 2011

### Balance Sheets as at 31 July 2011

	Notes	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
Deferred capital grants	18	17,894	17,648	17,894	17,648
Specific endowments	19	2,316	1,903	1,944	1,550
Reserves					
Revaluation reserve	20	9,438	10,845	9,438	10,845
General reserve	21	23,877	9,456	23,676	9,137
		33,315	20,301	33,114	19,982
<b>Total funds</b>		<b>53,525</b>	<b>39,852</b>	<b>52,952</b>	<b>39,180</b>

The Financial Statements on pages 18-53 were approved by the Council of the University of Gloucestershire on 23 November 2011, and were signed on its behalf by:



**Professor Sir Peter Scott**  
Chair of Council



**Stephen Marston**  
Vice-Chancellor

# Financial Statements for the Year Ended 31 July 2011

## Consolidated Cash Flow Statements for the Year Ended 31 July 2011

	Notes	Consolidated 2011 £000	Consolidated 2011 £000	Consolidated 2010 £000	Consolidated 2010 £000
Net cash inflow from operating activities	26		11,582		9,050
Returns on investments and servicing of finance					
Income from short term investments	5	70		52	
Other interest received	5	106		29	
Interest paid	8	(1,277)		(1,127)	
Interest element of finance lease rentals	8	(729)		(749)	
Net cash outflow from returns on investments and servicing of finance			(1,830)		(1,795)
Tax paid			-		-
Investing activities					
Payment to acquire tangible assets (other than lease equipment)		(6,980)		(1,408)	
Receipts from the sales of tangible assets		67		9,449	
Deferred capital grants received	18	1,200		2,043	
Net cash (outflow)/inflow from capital expenditure and investments			(5,713)		10,084
Acquisitions			-		-
Net cash inflow before use of liquid resources and financing			4,039		17,339
Management of liquid resources	28		(3,685)		(8,058)
Financing					
Capital element of finance lease repayments	27	(169)		(139)	
Mortgages and loans capital repayments	27	(1,336)		(4,792)	
Mortgages and loan acquired	27	-		114	
Net cash outflow from financing			(1,505)		(4,817)
(Decrease)/increase in cash			(1,151)		4,464

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
<b>1 Funding body grants</b>			
<i>Recurrent grant:</i>			
Higher Education Funding Council		23,817	25,399
Training and Development Agency		3,452	3,832
Skills Funding Agency		581	638
<i>Specific grants:</i>			
Higher Education Funding Council redundancy compensation		59	59
<i>Deferred capital grants:</i>			
Buildings	18	445	424
Equipment	18	453	372
		<b>28,807</b>	<b>30,724</b>
<b>2 Tuition fees and education contracts</b>			
Full-time Home and EU students		19,796	19,444
Full-time International students		5,210	5,027
Part-time students		3,014	2,273
Other (short course) fees		509	584
UK Further Education students		19	18
		<b>28,548</b>	<b>27,346</b>
<b>3 Research grants and contracts</b>			
Research Councils		122	117
UK based charities		68	57
European Commission grants		97	64
Other grants and contracts		465	357
		<b>752</b>	<b>595</b>
<b>4 Other income</b>			
Residences, catering and conferences		5,900	6,276
Released from deferred capital grants	18	56	56
Other services rendered		1,398	1,489
Profit on disposal of fixed assets		12	-
Other income		4,397	5,222
		<b>11,763</b>	<b>13,043</b>
<b>5 Endowment and investment income</b>			
Income from specific endowments		70	52
Income from short-term investments		-	-
Other interest received		106	29
		<b>176</b>	<b>81</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

	2011	2010
	£000	£000
<b>6 Staff</b>		
<i>Staff costs:</i>		
Wages and salaries	30,556	32,220
Social security costs	2,454	2,558
Other pension costs	4,345	4,533
Gloucestershire County Council Superannuation Scheme retirement benefits	(127)	(605)
	<b>37,228</b>	<b>38,706</b>
<i>Staff numbers:</i>	<b>Numbers</b>	<b>Numbers</b>
Academic departments	453	487
Central administrative	440	435
Other including manual	18	19
<b>Total staff numbers</b>	<b>911</b>	<b>941</b>
The staff numbers above relate to full-time equivalents (including senior post holders)		
<i>Emoluments of higher paid staff (including the Vice-Chancellor):</i>	<b>£000</b>	<b>£000</b>
The remuneration paid to senior post holders who served continuously throughout the year including pension contributions and pay in lieu of notice:		
Salary	380	616
Benefits	-	5
Pension contributions	58	131
	<b>438</b>	<b>752</b>
<i>Emoluments of the Vice-Chancellor (including pay in lieu of notice):</i>	<b>£000</b>	<b>£000</b>
Salary	166	394
Benefits	-	5
Pension contributions	23	95
	<b>189</b>	<b>494</b>
Payment in lieu of notice is included in staff costs		
<i>Emoluments of the Vice-Chancellor (excluding pay in lieu of notice):</i>	<b>£000</b>	<b>£000</b>
Salary	166	196
Benefits	-	2
Pension contributions	23	31
	<b>189</b>	<b>229</b>
<i>Emoluments of the incoming Vice-Chancellor (from 1 August 2011):</i>		
Salary	£160,000	
Pension contributions	£31,200	
	<b>Numbers</b>	<b>Numbers</b>
<i>Higher paid staff</i>	<b>3</b>	<b>3</b>

## Financial Statements for the Year Ended 31 July 2011

### Notes to the Financial Statements for the Year Ended 31 July 2011

	2011	2010
	Numbers	Numbers
The number of higher paid employees who received emoluments continuously throughout the year (excluding pension contributions and payment in lieu of notice) in the following ranges was:		
£100,001 - £110,000	1	1
£110,001 - £120,000	1	1
£160,001 - £170,000	1	-
£190,001 - £200,000	-	1
	<b>3</b>	<b>3</b>

The Chair and non-executive members of Council receive no emoluments with the exception of the staff appointed non-executive members.

The other summaries should be read in conjunction with the Council statement on corporate governance.

#### 7 Other operating expenses

	£000	£000
Consumable and non-capital items	1,293	839
Academic administration	479	511
Books and periodicals	475	461
Rents and premises	2,969	3,106
Heat, light, water and power	1,011	967
Repairs and general maintenance	1,447	1,737
Staff development and training	190	184
Staff travel and subsistence	1,284	1,235
Student travel and subsistence	632	565
Student bursaries	2,359	2,734
Marketing, agent commission and waivers	1,460	1,604
Postage, telephone, printing and reprographics	437	572
Insurance and finance	1,136	1,002
Professional fees	1,737	2,131
Course franchising and partnerships	1,504	1,678
Purchases for resale	710	828
Equipment operating lease rentals	340	168
Other expenses	374	378
	<b>19,837</b>	<b>20,700</b>



# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

	2011	2010
	£000	£000
Auditors' professional fees:		
External Auditors' remuneration - University	41	45
External Auditors' remuneration - Other group	16	12
External Auditors' remuneration - Non-audit services	14	57
Internal Auditors' remuneration	55	39
	<b>126</b>	<b>153</b>
<b>Total other operating expenses</b>	<b>19,963</b>	<b>20,853</b>
<b>8 Interest payable</b>	<b>£000</b>	<b>£000</b>
Finance lease	729	749
Loans not wholly repayable within five years	1,277	1,127
Finance and interest costs under FRS 17 Retirement Benefits	723	1,204
	<b>2,729</b>	<b>3,080</b>
<b>9 Analysis of expenditure by activity for the year</b>	<b>£000</b>	<b>£000</b>
Academic departments	28,054	28,801
Academic services	6,993	7,061
Research grants and contracts	1,071	2,041
Residences, catering and conferences	5,516	5,270
Premises	7,505	7,877
Administration	14,060	14,513
Other expenses	450	690
<b>Total consolidated income and expenditure account</b>	<b>63,649</b>	<b>66,253</b>
<b>10 Exceptional items</b>	<b>£000</b>	<b>£000</b>
Reorganisation costs	955	1,367
Other pension costs	383	-
Fixed asset impairment	-	6,155
Surplus on sale of fixed assets	-	(792)
	<b>1,338</b>	<b>6,730</b>

As part of the University's Finance Strategy to reduce its cost base, a Voluntary Severance and Early Retirement Programme was announced and approved in 2008-2009, this continued into the current year resulting in a further £955,000 of redundancy costs (2010: £1,367,000).

Other pension costs relate to a claim from the London Pension Fund Authority in connection with former employees of the Urban Learning Foundation, treated as deferred pensioners at the time of merger in 2003. The university is currently seeking legal advice on this matter.

## Financial Statements for the Year Ended 31 July 2011

### Notes to the Financial Statements for the Year Ended 31 July 2011

	Freehold Land and Buildings	Short Leasehold Land and Buildings	Equipment	Assets Held for Disposal	Assets Under Construction	Total
11 Tangible fixed assets	£000	£000	£000	£000	£000	£000
a) Consolidated						
Cost/valuation						
At beginning of year	100,137	7,999	29,464	-	490	138,090
Addition at cost	1,631	-	2,645	-	2,704	6,980
Transfers at cost	(9,979)	-	(12)	10,287	(296)	-
Disposals	-	-	(10,250)	-	(54)	(10,304)
At year end	91,789	7,999	21,847	10,287	2,844	134,766
Depreciation						
At beginning of year	24,866	1,718	25,844	-	-	52,428
Charge for the year	2,172	144	1,413	-	-	3,729
Transfers	(7,947)	-	(1)	7,948	-	-
Disposals	-	-	(10,151)	-	-	(10,151)
At year end	19,091	1,862	17,105	7,948	-	46,006
Net book value						
At year end	72,698	6,137	4,742	2,339	2,844	88,760
At beginning of year	75,271	6,281	3,620	-	490	85,662

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

	Freehold Land and Buildings	Short Leasehold Land and Buildings	Equipment	Assets Held for Disposal	Assets Under Construction	Total
11 Tangible fixed assets	£000	£000	£000	£000	£000	£000
b) University						
Cost/valuation						
At beginning of year	100,137	7,999	29,113	-	490	137,739
Addition at cost	1,630	-	2,629	-	2,704	6,963
Transfers at cost	(9,979)	-	(12)	10,287	(296)	-
Disposals	-	-	(9,969)	-	(54)	(10,023)
At year end	91,788	7,999	21,761	10,287	2,844	134,679
Depreciation						
At beginning of year	24,866	1,718	25,616	-	-	52,200
Charge for year	2,172	144	1,397	-	-	3,713
Transfers at cost	(7,947)	-	(1)	7,948	-	-
Disposals	-	-	(9,969)	-	-	(9,969)
At year end	19,091	1,862	17,043	7,948	-	45,944
Net book value						
At year end	72,697	6,137	4,718	2,339	2,844	88,735
At beginning of year	75,271	6,281	3,497	-	490	85,539

Assets held for disposal relate to the Pittville Campus, specifically the teaching and studio areas and the Tower Block. Negotiations are at an early stage and are dependant on planning permission.

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### c) Revaluation of land and buildings

Land and buildings were revalued at 31 July 1997 by Bayley Donaldsons, Chartered Surveyors. Certain properties, included in freehold land and building costs and earmarked for disposal under the College building programme, were valued on an estimated open market value basis. The remaining land and buildings to be retained for use and occupation by the University have principally been valued at depreciated replacement cost in existing use. The likely replacement cost of buildings, which are listed as being of special architectural and historic interest has been calculated on the basis of reinstating the buildings, as originally designed and constructed. Those buildings, which due to their special nature, are rarely, if ever, sold on the open market, have been valued at depreciated replacement cost. This basis is considered appropriate as it reflects the fact that listed buildings and buildings of this specialised nature cannot be replaced with simpler and less expensive buildings.

In the opinion of the valuers at the time of the valuation, depreciated replacement cost valuations for buildings on the above described basis are higher than an open market value for alternative use rather than existing use.

Under the terms of the financial memorandum with the HEFCE, the proportion of the proceeds on sale of assets attributed to the publicly funded assets is retained by the university only with the approval of the HEFCE. All proceeds of sale retained by the university are required under Charities law to be re-invested in full in new capital assets.

In accordance with the SORP the university has adopted the transitional provisions of FRS 15 and has chosen to retain the book amounts of its tangible fixed assets. Accordingly the valuation of fixed assets last undertaken as at 31 July 1997 has not been updated.

If both freehold and leasehold land and buildings had not been revalued, and on the assumption that the assets transferred from the Gloucestershire County Council were at nil cost, they would have been included at the under-noted amounts:

Land and buildings	2011 £000	2010 £000
Cost	86,825	83,331
Aggregate depreciation based on cost	20,873	19,207

### 12 Investments

#### a) Investments

##### Cost/valuation

At beginning of year

At end of year

	Consolidated 2011 £000	Consolidated 2010 £000	University 2011 £000	University 2010 £000
At beginning of year	5	5	5	5
At end of year	5	5	5	5

### b) Investment in subsidiary companies

The university owns 100% of the issued share capital of 100 £1 ordinary shares and 11,499,900 £1 redeemable preference shares of Fullwood Park Limited, a company registered in England and operating in the UK. No calls in respect of the unpaid amounts of the shares issued have been made. The principal activities of the company are the provision of conference and catering services and property development.

The university owns 100% of the issued share capital of 100 £1 ordinary shares in the Cheltenham & Gloucester College Primary Research Company Limited, a dormant company registered in England. The university has not consolidated the results of its investments in the Cheltenham & Gloucester College Primary Research Company Limited on the grounds of immateriality.

The university owns 100% of the issued share capital of 1 £1 ordinary share in Foundation Services Limited, a company registered in England and operating in the UK. The principal activity of the company is the provision of conference and catering services.

The Lifelong Learning Foundation, a dormant company registered in England, is a company limited by guarantee controlled by university nominees.

The university owns 100% of the issued share capital of 2 £1 ordinary shares in LLF (UK) Limited, a dormant company registered in England.

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 13 Endowment asset investments

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
a) Investments				
Cost/valuation				
At beginning of year	1,903	1,770	1,550	1,448
Additions at cost	1,493	1,321	1,490	1,246
Disposals	(1,161)	(1,320)	(1,148)	(1,199)
Revaluation	81	132	52	55
<b>At end of year</b>	<b>2,316</b>	<b>1,903</b>	<b>1,944</b>	<b>1,550</b>
Represented by:				
Fixed interest stocks and equities at valuation	1,437	1,318	1,130	1,038
Church of England investments and deposits	821	502	801	482
Bank balances	179	107	133	55
Other liabilities	(121)	(24)	(120)	(25)
<b>Total endowment asset investments at end of year</b>	<b>2,316</b>	<b>1,903</b>	<b>1,944</b>	<b>1,550</b>

### b) Endowment asset investments in group trusts

The Janet Trotter Trust is incorporated as part of the university's consolidated endowment assets. The accounts of the Janet Trotter Trust for the year to 31 July 2011 show total net assets of £353,444 (2010: £334,265) and a deficit for the year of (£9,701) (2010: deficit (£36,357)).

The Cheltenham & Gloucester College Development Trust Limited is a company limited by guarantee controlled by university nominees. The Cheltenham & Gloucester College Development Trust Limited has been incorporated as part of the university's consolidated endowment assets. The accounts of the Cheltenham & Gloucester College Development Trust Limited for the year ended 31 July 2011 show total net assets of £18,490 (2010: £18,514) and net outgoing resources for the year of £24 (2010: outgoing resources of (£9,627)).

### 14 Debtors: amounts falling due within one year

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
Trade debtors	3,626	2,985	3,599	2,914
Other debtors	130	302	106	123
Amounts owed by subsidiary companies	-	-	344	966
Prepayments and accrued income	1,459	1,112	1,448	1,084
<b>At end of year</b>	<b>5,215</b>	<b>4,399</b>	<b>5,497</b>	<b>5,087</b>

## Financial Statements for the Year Ended 31 July 2011

### Notes to the Financial Statements for the Year Ended 31 July 2011

#### 15 Creditors: amounts falling due within one year

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
Mortgages and unsecured loans	3,848	1,334	3,848	1,334
Obligations under finance leases	197	165	197	165
Payment received on account	594	568	594	568
Trade creditors	1,477	600	1,472	577
Amounts due to subsidiary companies	-	-	17	828
Social security and other taxation payable	1,078	1,053	1,064	1,036
Pensions	511	518	511	518
Accruals and deferred income	10,401	10,151	10,299	9,934
<b>At end of year</b>	<b>18,106</b>	<b>14,389</b>	<b>18,002</b>	<b>14,960</b>

#### 16 Creditors: amounts falling due after one year

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
Mortgages and loans secured on residential and other property and fixed investment assets	16,455	20,275	16,455	20,275
Unsecured loans	71	101	71	101
	16,526	20,376	16,526	20,376
Obligations under finance leases	6,194	6,395	6,194	6,395
	<b>22,720</b>	<b>26,771</b>	<b>22,720</b>	<b>26,771</b>

	Balance due less than 1 year £000	Balance due between 1 & 2 years £000	Balance due within 2 & 5 years £000	Balance due after 5 years £000
Repayment profile of secured and unsecured loans	3,848	1,348	4,003	11,175

The university renegotiated its loan with the Royal Bank of Scotland in 2009-2010. The new arrangement has reduced the loan period to July 2025 and comprises a mix of variable, fixed term and discounted rates at LIBOR +2.00%; a further additional capital repayment of £2.5 million is due on 31 December 2011.

The university has two fixed cost SWAP contracts in place with the Royal Bank of Scotland, the first fixed at 4.56% to December 2030 and the second fixed at 3.86% to December 2011. The university also holds a further SWAP contract that provides a 0.1% discount fixed to December 2030.

The university renegotiated the 4.56% SWAP contract in October 2011 reducing the contract life by 5 years to 2025 to better match the RBS loan. The cost of restructure amounted to £126,500 including the encashment of the 0.1% discount contract. The 3.86% SWAP contract will continue to run to maturity.

There are two loans with the Bank of Scotland, one of which is at a variable rate of LIBOR + 1.5% and one at a variable rate of LIBOR +1.25%.

An interest free loan of £114,000 from SALIX Finance, under the SALIX Energy Efficiency Loan Scheme, repayable in half yearly instalments to September 2014.

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 17 Provisions

	Consolidated & University Pensions £000	Consolidated & University Restructuring £000	Consolidated & University Other £000	Consolidated & University Total £000
At beginning of year	1,727	501	-	2,228
Utilised during the year	(258)	(501)	-	(759)
Transfer from Income and Expenditure account	245	489	383	1,117
Reclassified	-	-	500	500
At end of year	<b>1,714</b>	<b>489</b>	<b>883</b>	<b>3,086</b>

### 18 Deferred capital grants

	Consolidated & University Funding Councils £000	Consolidated & University Other grants & benefactions £000	Consolidated & University Total £000
At beginning of year			
Buildings	12,064	2,342	14,406
Equipment	3,242	-	3,242
<b>Total</b>	<b>15,306</b>	<b>2,342</b>	<b>17,648</b>
Cash received			
Buildings	418	-	418
Equipment	782	-	782
<b>Total</b>	<b>1,200</b>	<b>-</b>	<b>1,200</b>
Released to Income and Expenditure			
Buildings	(445)	(56)	(501)
Equipment	(453)	-	(453)
<b>Total</b>	<b>(898)</b>	<b>(56)</b>	<b>(954)</b>
At end of year			
Buildings	12,037	2,286	14,323
Equipment	3,571	-	3,571
<b>Total</b>	<b>15,608</b>	<b>2,286</b>	<b>17,894</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 19 Specific endowments

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
At beginning of year	1,903	1,770	1,550	1,448
Donations	375	35	382	36
Revaluation of endowment asset investments	81	132	52	55
Income for the year	59	81	49	72
Transferred to Income and Expenditure account	(102)	(115)	(89)	(61)
<b>At end of year</b>	<b>2,316</b>	<b>1,903</b>	<b>1,944</b>	<b>1,550</b>
<b>Representing:</b>				
Fellowships and scholarship prizes	28	26	28	27
Prize funds	90	97	90	96
Other funds	2,198	1,780	1,826	1,427
	<b>2,316</b>	<b>1,903</b>	<b>1,944</b>	<b>1,550</b>

	Restricted Permanent £000	Restricted Expendable £000	<b>Total Funds £000</b>
<i>Consolidated:</i>			
At beginning of year:			
Capital	1,167	1,138	<b>2,305</b>
Accumulated excess expenditure over income	7	(409)	<b>(402)</b>
	<b>1,174</b>	<b>729</b>	<b>1,903</b>
New endowments	<b>250</b>	<b>125</b>	<b>375</b>
Investment income	<b>45</b>	<b>14</b>	<b>59</b>
Expenditure	<b>(44)</b>	<b>(58)</b>	<b>(102)</b>
Increase in market value of investments	<b>50</b>	<b>31</b>	<b>81</b>
<b>At end of year:</b>			
Capital	1,467	1,294	<b>2,761</b>
Accumulated excess expenditure over income	8	(453)	<b>(445)</b>
	<b>1,475</b>	<b>841</b>	<b>2,316</b>



# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 19 Specific endowments

	Restricted Permanent £000	Restricted Expendable £000	Total Funds £000
<i>University:</i>			
At beginning of year:			
Capital	1,205	725	<b>1,930</b>
Accumulated excess expenditure over income	(31)	(349)	<b>(380)</b>
	<b>1,174</b>	<b>376</b>	<b>1,550</b>
New endowments	<b>250</b>	<b>132</b>	<b>382</b>
Investment income	<b>45</b>	<b>4</b>	<b>49</b>
Expenditure	<b>(44)</b>	<b>(45)</b>	<b>(89)</b>
Increase in market value of investments	<b>50</b>	<b>2</b>	<b>52</b>
At end of year:			
Capital	1,505	859	<b>2,364</b>
Accumulated excess expenditure over income	(30)	(390)	<b>(420)</b>
	<b>1,475</b>	<b>469</b>	<b>1,944</b>

### 20 Revaluation reserve

	Consolidated 2011 £000	Consolidated 2010 £000	University 2011 £000	University 2010 £000
<b>Revaluations</b>				
At beginning of year	24,120	24,093	24,120	24,093
Impairment - Pittville	-	27	-	27
At end of year	<b>24,120</b>	<b>24,120</b>	<b>24,120</b>	<b>24,120</b>
<b>Contributions to depreciation</b>				
At beginning of year	(13,275)	(11,848)	(13,275)	(11,848)
Released in year	(1,407)	(1,427)	(1,407)	(1,427)
At end of year	<b>(14,682)</b>	<b>(13,275)</b>	<b>(14,682)</b>	<b>(13,275)</b>
<b>Revaluation reserve</b>				
At end of year	<b>9,438</b>	<b>10,845</b>	<b>9,438</b>	<b>10,845</b>
At beginning of year	<b>10,845</b>	<b>12,245</b>	<b>10,845</b>	<b>12,245</b>

## Financial Statements for the Year Ended 31 July 2011

### Notes to the Financial Statements for the Year Ended 31 July 2011

<b>21 General reserve</b>	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
At beginning of year	9,456	6,975	9,137	6,886
Surplus/(deficit) after depreciation of fixed assets at valuation	5,059	(1,194)	5,177	(1,424)
Unrealised gain on exchange	2	2	2	2
Unrealised gain on pension past service costs	-	3,216	-	3,216
Unrealised actuarial gain/(loss) on pensions	7,953	(970)	7,953	(970)
Release from revaluation reserve: depreciation contribution	1,407	1,427	1,407	1,427
<b>At end of year</b>	<b>23,877</b>	<b>9,456</b>	<b>23,676</b>	<b>9,137</b>
<b>Balance represented by:</b>				
Pension Reserve	(12,144)	(19,501)	(12,144)	(19,501)
Income & Expenditure Account Reserve excluding Pension Reserve	36,021	28,957	35,820	28,638
<b>At end of year</b>	<b>23,877</b>	<b>9,456</b>	<b>23,676</b>	<b>9,137</b>

<b>22 Lease obligations</b>	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	<b>University 2011 £000</b>	University 2010 £000
Obligations under finance leases for land and buildings falling due as follows:				
Within 1 year	197	165	197	165
Between 2 and 5 years	1,232	1,046	1,232	1,046
Over 5 years	4,962	5,349	4,962	5,349
	<b>6,391</b>	<b>6,560</b>	<b>6,391</b>	<b>6,560</b>
<b>Operating lease commitments expiring:</b>				
Within 1 year	592	215	220	215
Between 2 and 5 years	2,376	19	58	19
Over 5 years	-	-	-	-
	<b>2,968</b>	<b>234</b>	<b>278</b>	<b>234</b>
<b>Representing:</b>				
Land and buildings	-	-	-	-
Other operating leases	2,968	234	278	234
	<b>2,968</b>	<b>234</b>	<b>278</b>	<b>234</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 23 Capital commitments

	Consolidated 2011 £000	Consolidated 2010 £000	University 2011 £000	University 2010 £000
Authorised but not contracted				
At end of year	8,723	11,000	8,723	11,000

### 24 Contingent liabilities

At end of year	292	292	292	292
----------------	-----	-----	-----	-----

This represents a grant from the Church of England Central Board of Finance, which becomes payable in the event of the university withdrawing teacher training facilities.

### 25 Post balance sheet events

No significant post Balance Sheet events occurred during the period after the end of year 2010-11 and the publication of the Financial Statements.

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 26 Reconciliation of consolidated operating surplus to net cash from operating activities

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000
Surplus/(deficit) on continuing operations after depreciation of fixed assets at valuation	5,059	(1,194)
Depreciation	3,729	3,614
Impairment loss on fixed assets - buildings	-	6,155
Loss/(profit) on sale of fixed assets	86	(723)
Unrealised gain on exchange	2	2
Deferred capital grants released to income	(954)	(852)
Investment income	(176)	(81)
Interest payable	2,006	1,876
FRS 17 Pension past service costs	-	3,216
FRS 17 Pension Actuarial loss	7,953	(970)
Decrease in FRS 17 Pension provision	(7,357)	(1,647)
Decrease/(increase) in stocks	21	(4)
Increase in debtors	(816)	(38)
Increase/(decrease) in creditors less than 1 year	1,177	(810)
Decrease in creditors more than 1 year	(6)	-
Increase in provisions	858	506
<b>Net cash inflow from operating activities</b>	<b>11,582</b>	<b>9,050</b>

### 27 Financing

	Finance Leases £000	Mortgages & Loans £000
At beginning of prior year	6,699	26,388
Capital repayments	(139)	(4,792)
Loans acquired	-	114
At beginning of year	6,560	21,710
Capital repayments	(169)	(1,336)
<b>At end of year</b>	<b>6,391</b>	<b>20,374</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 28 Analysis of the balance of cash and cash equivalents as shown in the balance sheet

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000	Change in Year £000
<b>Consolidated</b>			
Short term investments	11,871	8,186	3,685
Movement in liquid resources	11,871	8,186	3,685
Bank balances	1,325	2,476	(1,151)
	<b>13,196</b>	<b>10,662</b>	<b>2,534</b>
<b>University</b>			
Short term investments	11,868	8,183	3,685
Movement in liquid resources	11,868	8,183	3,685
Bank balances	769	2,182	(1,413)
	<b>12,637</b>	<b>10,365</b>	<b>2,272</b>

### 29 Reconciliation of net cash flows to movements in net debt

	<b>Consolidated 2011 £000</b>	Consolidated 2010 £000
(Decrease)/increase in cash in the period	(1,151)	4,464
Increase in short term deposits	3,685	8,058
Net decrease of debt	1,505	4,817
Change in net debt	4,039	17,339
At beginning of year	(17,608)	(34,947)
At end of year	<b>(13,569)</b>	<b>(17,608)</b>

## Financial Statements for the Year Ended 31 July 2011

### Notes to the Financial Statements for the Year Ended 31 July 2011

#### 30 Analysis of changes in net debt

	At Beginning of Year £000	Cash Flows £000	Other Changes £000	At End of Year £000
Cash at bank and in hand	2,476	(1,151)	-	1,325
Short term deposits	8,186	3,685	-	11,871
Debts due within 1 year	(1,499)	1,505	(4,051)	(4,045)
Debts due after 1 year	(26,771)	-	4,051	(22,720)
	<b>(17,608)</b>	<b>4,039</b>	<b>-</b>	<b>(13,569)</b>

#### 31 Access to Learning Fund

The purpose of the Access to Learning Fund is to provide financial help to students whose access to Higher Education might be inhibited by financial constraints, or who, for whatever reason, including physical or other disabilities face financial difficulties.

The Fund is administered in accordance with the terms and conditions for the payment of Access to Learning Funds to institutions that are laid down by the Department for Education and Skills.

The Access to Learning Fund grant is available solely for students; the university acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	2011 £000	2010 £000
Balance unspent at beginning of year	38	46
Funds received in the year	171	188
	209	234
Disbursed to students	(179)	(190)
Administration fees	(5)	(6)
Balance unspent at end of year	<b>25</b>	<b>38</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 32 Related Party Transactions

Financial Reporting Standard No. 8 'related party disclosures' requires the disclosure of material transactions between the University of Gloucestershire and any related parties. The University of Gloucestershire has taken advantage of the exemption permitted by the Financial Reporting Standard No. 8 not to disclose transactions with other group companies which have been eliminated on consolidation, and government departments and their sponsored bodies. For the year ended 31 July 2011 expenses totalling £7,329 (2010: £7,943) were claimed by the Directors and Trustees in respect of their responsibilities as Directors and Trustees; otherwise there were no material transactions between the University of Gloucestershire and any related parties.

### 33 Training and Development Agency for Schools

The university, acting as agent for the Training and Development Agency for Schools, disbursed £993,389 (2010: £1,274,611) training bursaries to students undergoing Initial Teacher Training for the year ended 31 July 2011. The training bursaries have not been included in the Income & Expenditure account of the university.

### 34 Linked Charities

The University of Gloucestershire is linked to one charity which would fall within paragraph (w) of schedule 2 of the Charities Act 1993; namely the University of Gloucestershire Students' Union.

The charitable objects of the University of Gloucestershire Students' Union are set out as follows:

- The principle aim of the Union is to advance the intellectual, academic and social developments of the members through the provision of such services and activities as may be desirable and practicable.
- To advance the academic and educational interests of the members.
- To develop and promote a strong commercial base to generate additional income to further the aims of the Union.
- To promote co-operation and to extend links between the Union, the university and the wider community.
- To liaise with, affiliate to, and work together with any appropriate organisation(s) or individual(s).
- To operate in a fair and unprejudiced manner at all times, allowing for the expression of views.

In the year to 31 July 2011 the University of Gloucestershire Students' Union brought forward net assets of £329,597 and made a loss for the year of £26,262, giving carried forward net assets of £303,335.

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### 35 Pension Schemes

#### a) Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which TPS operates are the Teachers' Pensions Regulations 2010, as amended. These regulations apply inter alia to teachers and lecturers in establishments of further and Higher Education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of TPS.

The Teachers' Pension Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Not less than every four years, the Government Actuary (GA), using normal actuarial principles, conducts a formal review of the TPS. The aim of the review is to specify the level of future contributions.

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

The GA is currently undertaking a full valuation of the scheme as at 31 March 2008.

As from January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a standard contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and an employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced – effective for the first time from the 2008 valuation – a 14% cap on employers contributions payable.

The total consolidated pension costs under the Teachers' Pension Scheme for the university were:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Contributions to Teachers' Pensions	2,185	2,260

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



# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### b) Universities Superannuation Scheme

The university participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The university is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increase would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate assumed asset outperformed over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken all this into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3%pa to 2.9%pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS 17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the university's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the institution had 10 active members participating in the scheme.

The total pension cost for the institution was £74,220 (2010: £172,297). This includes £nil (2010: £64,702) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

### c) Gloucestershire County Council Superannuation Scheme

Non-academic staff belong to the Gloucestershire County Council Superannuation Scheme. The scheme is a defined benefits scheme in the UK and is externally funded. A full actuarial valuation was carried out at 31 March 2010 by a qualified independent actuary, Hymans Robertson and projected forward to 31 July 2011.

Latest actuarial valuations	<b>31 March 2010</b>
Market value of assets at date of last valuation	£1,054m
Investment returns per annum	6.10%
Salary scale increases per annum	4.80%
Pension increases per annum	3.30%
Price inflation	3.80%

The estimate of contributions expected to be paid in the next year (year ending 31 July 2012) are £2.099m at a contribution rate of 19.5%.

The major assumptions used by the Actuary were:

	<b>31 July 2011</b>	31 July 2010	31 July 2009
Pension increase rate	2.70%	2.90%	3.70%
Salary increase rate	4.50%	5.30%	4.80%
Expected return on assets	6.20%	6.50%	6.20%
Discount rate	5.30%	5.40%	6.00%
Inflation assumption	2.70%	2.90%	3.70%

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

The Actuary has provided the assets and liabilities data for the purpose of FRS 17 disclosures. The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at	Value £000	Long term rate of return expected at	Value £000	Long term rate of return expected at	Value £000
	31 July 2011	31 July 2011	31 July 2010	31 July 2010	31 July 2009	31 July 2009
Equities (UK & overseas)	7.00%	791,410	7.30%	753,502	7.30%	437,900
Bonds	4.60%	279,311	4.80%	240,803	5.30%	193,500
Property	5.10%	64,709	5.30%	60,428	5.30%	54,800
Cash	4.00%	35,988	4.40%	29,896	4.30%	126,000
		<b>1,171,418</b>		<b>1,084,629</b>		<b>812,200</b>

The assets attributable to the university were:

	Value 31 July 2011 £000	Value 31 July 2010 £000	Value 31 July 2009 £000
Equities (UK & overseas)	23,883	19,071	11,705
Bonds	9,046	7,513	5,301
Property	2,171	1,734	1,546
Cash	1,086	578	3,534
	<b>36,186</b>	<b>28,896</b>	<b>22,086</b>

The following amounts at 31 July 2011 and 31 July 2010 were measured in accordance with the requirements of FRS17:

### Analysis of the amount shown in the Balance Sheet

	31 July 2011 £000	31 July 2010 £000
Total market value of assets	36,186	28,896
Actuarial value of scheme liabilities	(48,330)	(48,397)
Deficit in scheme - Net pension liability	<b>(12,144)</b>	<b>(19,501)</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

The following amounts have been recognised in the performance statements in the year to 31 July 2011 under requirements of FRS 17:

	2011 £000	2010 £000
<b>Analysis of amounts charged to the Income and Expenditure Account</b>		
Current service cost	1,919	1,871
Loss due to curtailments	55	184
	<b>1,974</b>	<b>2,055</b>
<i>Other finance income</i>		
Expected return on pension scheme assets	(1,927)	(1,449)
Interest on pension scheme liabilities	2,650	2,653
Net charge to other finance costs	<b>723</b>	<b>1,204</b>
<b>Total Income &amp; Expenditure charge before taxation</b>	<b>2,697</b>	<b>3,259</b>

The change in the pension increase assumption from Retail Price Index (RPI) to Consumer Price Index (CPI) has resulted in a credit to the Statement of Recognised Gains and Losses for 2009-10 under *past service cost credit* amounting to £3.2m. Past service cost can arise from the university awarding discretionary benefits eg added-years augmentation or allowing LGPS employees to retire on unreduced benefits before attaining retiring age, on the basis of efficiency.

	2011 £000	2010 £000
<b>Analysis of the amount that would be recognised in the Statement of Total Recognised Gains and Losses (STRGL)</b>		
Gains on assets	3,797	2,755
Gain/(loss) on change of assumption	4,156	(3,725)
Actuarial gain/(loss) recognised in STRGL before taxation	7,953	(970)
Past service gain	-	3,216
	<b>7,953</b>	<b>2,246</b>
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of year	(19,501)	(21,148)
Movement in the year:		
Current service cost	(1,919)	(1,871)
Employer contributions	2,101	2,660
Contributions in respect of unfunded benefits	-	-
Past service gain	-	3,216
Impact of settlements and curtailment	(55)	(184)
Net return on assets	(723)	(1,204)
Actuarial loss	7,953	(970)
Deficit in scheme at end of year	<b>(12,144)</b>	<b>(19,501)</b>

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

History of Experience Gains and Losses:

	Year to July 2011 £000	Year to July 2010 £000	Year to July 2009 £000	Year to July 2008 £000	Year to July 2007 £000
Difference between the expected and actual return on assets	3,797	2,755	(3,526)	(4,210)	585
Value of assets	36,186	28,896	22,086	22,493	23,422
<b>Percentage of assets</b>	10.5%	9.5%	(16.0%)	(18.7%)	2.5%
Experience gains on liabilities	141	-	-	-	8
Total present value of liabilities	48,330	48,397	43,234	34,728	31,413
<b>Percentage of the total present value of liabilities</b>	0.3%	0.0%	0.0%	0.0%	0.0%
Actuarial gains/(losses) recognised in the STRGL	7,953	2,246	(8,457)	(3,758)	3,339
Total present value of liabilities	48,330	48,397	43,234	34,728	31,413
<b>Percentage of the total present value of the liabilities</b>	16.5%	4.6%	(19.6%)	(10.8%)	10.6%

The actuarial valuation for FRS 17 at 31 July 2011 showed a decrease in the deficit from £19.501m to £12.144m.

*Details of experience gains and losses for the year to 31 July 2011*

	2011 £000	2010 £000
Difference between the expected and actual return on scheme assets:		
Deficit	3,797	2,755
Percentage of scheme assets at the end of the period	10.5%	9.5%
<b>Total amount recognised in the statement of recognised gains and losses:</b>	<b>£000</b>	<b>£000</b>
Cumulative deficit	(505)	(8,458)
Current year gain	7,953	2,246
Percentage of the present value of the scheme liabilities	16.5%	4.6%

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

In respect of the Gloucestershire County Council Superannuation Scheme, the university contributions reflect the Local Government Superannuation (Amendment) Regulations 1993, which require fully-funded pension commitments.

The total consolidated pension costs for the university were:

	2011 £000	2010 £000
Contributions to the Gloucestershire County Council Superannuation Scheme	2,101	2,660

### d) Church of England Funded Pensions Scheme

The University of Gloucestershire participates in the Church of England Funded Pensions Scheme and employs one member of the scheme out of a total membership of approximately 9,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the University of Gloucestershire is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking asset; and
  - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% pa on gilts and 5.9% pa on equities
- RPI inflation of 3.8% pa (and pension increases consistent with this)
- Increase in pensionable stipends of 3.8% pa; and
- Post-retirement mortality in accordance with 80% of the SINA tables, with allowance for future improvements according to the “medium cohort” projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

For schemes such as the Church of England Funded Pension Scheme, paragraph 9(b) of FRS17 requires the University of Gloucestershire to account for pension costs on the basis of contributions actually payable to the scheme for the year.

Following the results of the 2006 valuation, the University of Gloucestershire’s contribution rate was set at 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from January 2011.

The next valuation of the scheme will be due as at 31 December 2012.

	2011 £000	2010 £000
Contributions to the Church of England Funded Pensions Scheme	8	8

# Financial Statements for the Year Ended 31 July 2011

## Notes to the Financial Statements for the Year Ended 31 July 2011

### e) Other Pension Schemes

	2011 £000	2010 £000
Contributions to other schemes	5	5

Contact: 0844 801 1100 [www.glos.ac.uk](http://www.glos.ac.uk)

