



UNIVERSITY OF
GLOUCESTERSHIRE

at Cheltenham and Gloucester

FINANCIAL STATEMENTS

UNIVERSITY OF GLOUCESTERSHIRE

2011
2012

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MEMBERS OF COUNCIL AND MAJOR COMMITTEES

MEMBERS OF COUNCIL FOR THE PERIOD 1 AUGUST 2011 TO 27 NOVEMBER 2012

Mrs K Blake
Mr P Bungard (appointed 1 May 2012)
Prof F Chambers
Cllr B Dare (resigned 1 March 2012)
Mr P Davies (appointed 30 June 2012)
Revd C Douglas (resigned 1 July 2012)
Mr S Harvey
Revd Canon M Herbert (resigned as Chair 30 September 2011,
resigned 25 November 2011)
Mr R Hirst
Ms B Hodson
Mr M Jones (appointed 2 July 2012)
Mr J Lancashire (resigned 30 June 2012)
Mr A Longhurst (resigned 12 June 2012)
Mr S Marston (appointed 1 August 2011)
Mrs K Morgan OBE DL (appointed 1 July 2012)
Revd P Mounstephen (appointed as Vice-Chair 5 October 2011)
Cllr A Noble
Rt Revd M Perham (resigned as Vice-Chair 5 October 2011)
Mr C Rogers (resigned 26 June 2012)
Prof Sir P Scott (appointed as Chair 1 October 2011)
Mr G Smith
Mr A Taylor (appointed 1 March 2012)
Mr S Treble
Mr R Tidey (appointed 27 June 2012)

MEMBERSHIP OF MAJOR COUNCIL COMMITTEES AS AT 31 JULY 2012

Audit Committee

Revd P Mounstephen *
Mrs K Blake
Mr P Bungard
Mr P Davies
Mr G Smith
Mr J Hunt (co-opted member)

Council, Trade Union and Managers Consultative Committee

Mr S Harvey *
Prof F Chambers
Mr P Davies
Ms B Hodson
Mr M Jones
Mr S Marston
Cllr A Noble
Mr S Treble

Employment Policy Committee

Mr S Harvey *
Mr P Davies
Ms B Hodson
Mr M Jones
Cllr A Noble

Finance and General Purposes Committee

Mr R Hirst *
Ms B Hodson
Mr S Marston
Mr A Taylor
Mr A Mawby (co-opted member)

Governance and Nominations Committee

Prof Sir P Scott *
Mrs K Blake
Mr S Harvey
Mr S Marston
Rt Revd M Perham

Honorary Awards Committee

Mr S Marston *
Mrs K Blake
Prof F Chambers
Revd P Mounstephen
Rt Revd M Perham
Prof Sir P Scott

Remuneration Committee

Prof Sir P Scott *
Mr S Harvey
Mr R Hirst
Revd P Mounstephen

OFFICERS AND ADVISERS

OFFICERS FOR THE PERIOD 1 AUGUST 2011 TO 27 NOVEMBER 2012

Executive Managers

Vice-Chancellor
Mr S Marston

Deputy Vice-Chancellor (Academic)
Dr R O'Doherty (appointed 3 October 2011)

Chief Operating Officer
Mr J S Durrant (resigned 14 March 2012)

Executive Director (Marketing, Development and Communications)
Mr P Drake (resigned 30 September 2012)

Director Finance & Planning
Mrs C Stallard

Director Human Resources
Ms L Pow (appointed 18 October 2012)

Academic Registrar and Clerk to Council
Mrs J Thackray

Deans of Faculty

Faculty of Business, Education and Professional Studies
Prof K Richardson (resigned 31 October 2012)

Faculty of Media, Arts and Technology
Dr B Calvert

Faculty of Applied Sciences
Mr M Cogger

Company Secretary

Mrs J Thackray

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

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CHELTENHAM
Gloucestershire
GL50 1YD

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1 Callaghan Square
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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 (up to 31 July 2012)

PricewaterhouseCoopers LLP
One Kingsway
CARDIFF
CF10 3PW

Registered Internal Auditors (from 1 August 2012)

RSM Tenon
Charterhouse
Legge Street
BIRMINGHAM
B4 7EU

Bankers

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31 The Promenade
CHELTENHAM
Gloucestershire
GL50 1LH



 UNIVERSITY OF
GLOUCESTERSHIRE

OPERATING AND FINANCIAL REVIEW

INTRODUCTION: EXECUTIVE SUMMARY

This report reviews the university's activities in the year 2011-12 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
- Learning and Teaching
- Student Experience
- Employability
- Enterprise
- Research
- Partnerships

Section 3: A Successful and Sustainable Organisation

- Sustainability
- People and Culture
- 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

2011-12 was a successful year for the university, despite the challenges arising from Government higher education reforms.

As these accounts show, the university ended the year with a substantial surplus. That reflected success in student recruitment and generation of new income, combined with robust control of costs and tight budget management.

In February, the university published a new five-year strategy, covering the period 2012-2017. It updated the university mission, 'Founded on Values, Centred on Students, Focused on Learning'. It identified five primary goals, which we have used as the framework for developing our activities during the year.

Teaching and learning is our central purpose and activity. During the year, we have reviewed the whole of our undergraduate curriculum, to ensure that all the programmes we offer meet a range of common expectations for design and delivery, and that they are all both high quality and viable. These programmes are being offered from Autumn 2012. We continue to work closely with students and the Students' Union, engaging students more directly in the evaluation and improvement of learning and teaching.

In addition to high quality learning and teaching, we want to support all students to develop their **employability and enterprise**. This was a major focus of development during the year, with the introduction of our new Degreeplus programme in February. This brings together and extends all of the opportunities available for students to develop the skills and capabilities that employers value, through work experience, internships, volunteering and other ways. The university has also sought to play a bigger part in promoting economic growth and business development in Gloucestershire. We are closely involved in the work of the Local Enterprise Partnership, and we have restructured our business support programme during the year. This will provide a more effective service for employers in the area, including knowledge transfer activities, support for continuing professional development, and promotion of enterprise.

We are a teaching led, research informed university. We are committed to undertaking **research** in selected priority areas where we can achieve excellence and add value. During the year, we have updated our research strategy, and identified the six areas in which we intend to submit research for the 2014 Research Excellence Framework.

Much of our work is dependent on successful **partnerships**. We have established a new strategic alliance with Gloucestershire College and South Gloucestershire and Stroud College, so that we can work together in extending the range of higher education available to people in Gloucestershire, and improve the progression routes that support people to progress from further education to higher education. During the year we have expanded the range of our programmes delivered through international partners.

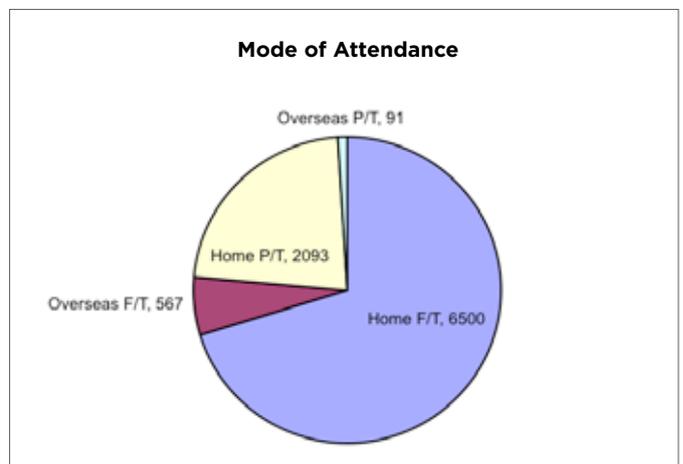
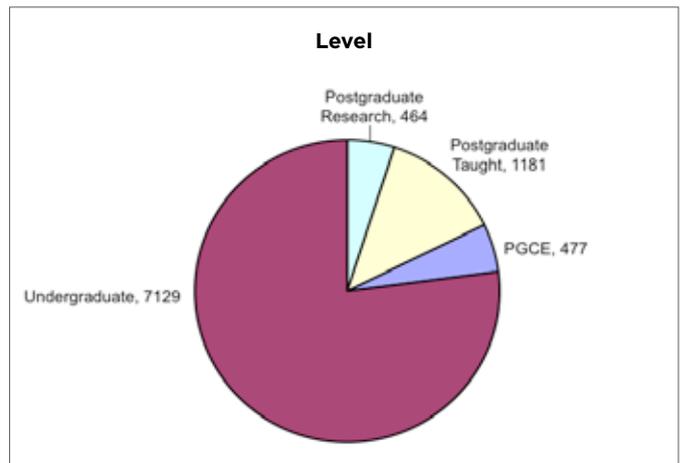
The fifth goal of our strategy is to be a **successful, sustainable organisation**. As these accounts show, financially we are in good shape. We have been able to invest in some significant estate improvements, with excellent new facilities for arts and media.

We have increased our investment in staff development and training, as one component in developing a new people and culture strategy. We have strengthened our governance and leadership capability, with a new Chair of Council, six new Council members, a new Deputy Vice-Chancellor and a new Director of HR joining us during the year. We have also maintained our excellent record for sustainable development, achieving fourth place in the 2012 People and Planet Green League.

SECTION 2: ACADEMIC REVIEW

2.1 Summary

The university had 13,550 current students registered at 31 July 2012 of which 9,250 were taught by university staff and 3,840 were taught in partnership arrangements across the globe. A further 460 students were taught by the university's Cheltenham International Language Centre.



OPERATING AND FINANCIAL REVIEW

2.2 Learning and teaching

The year was dominated by the Undergraduate Curriculum Framework Review which served as a vehicle for securing the implementation of the revised Learning and Teaching Strategy. Throughout the year there was substantial activity relating to the development of the Academic Staff Development Framework which is also a major driver for securing the implementation of the Learning and Teaching Strategy. The Framework includes a Postgraduate Certificate in Academic Practice in Higher Education which is aligned with the newly published UK Professional Standards Framework and designed to accommodate the work context of staff. The Certificate has been validated by the university and has been submitted for accreditation by the Higher Education Academy (HEA).

The Higher Education Achievement Report (HEAR) was implemented, and numerous research projects undertaken in partnership with the HEA and the National Co-ordinating Centre for Public Engagement concerning volunteering and employability.

The year saw considerable advances in the exploitation of technology-enhanced learning in terms of advances in the use of Moodle, the implementation of Moodle2, and the move to electronic module evaluation.

Further funds were secured from JISC for extension work on the Co-generative Toolkit (Co-genT) project, and two well attended national conferences were held as part of the work of the National Teaching Fellowship Scheme-funded *Re-thinking Dissertations* project.

2.3 Student experience

As stated in our five-year strategy, improving the student experience is one of the university's major goals. During 2011-12, the university developed some key aspects of the student experience:

- The university has improved its processes for the selection and training of student representatives, through the offices of the Students' Union. Training is now underway, with a student representative conference in November 2012 attended by the Vice-Chancellor.
- The university's Student Charter was fully reviewed leading to the publication in Summer 2012 of a document that outlines key pledges and commitments related to academic provision and across a range of services to students.
- The National Student Survey results for 2011-12 show Overall Satisfaction standing at 82%. The university's Student Surveys Group is analysing the data and producing action plans for Academic Schools and Service Departments. Academic Schools and courses will feed those action plans into Annual Monitoring Reports. Early actions have been set in place to improve the responsiveness of staff to students. The university will be monitoring the return of student assessment and feedback within the prescribed 20 working day period, as outlined in the Student Charter.
- The Handbook for Academic Review Tutors (ARTs) has been reviewed and standardised, and training has taken place for ARTs across all sites. There is a monitoring framework in place to check that all students meet with their ART regularly and discuss progress on their course. This will now include a discussion of employability and access to careers services and Degreeplus.

- The university has implemented the requirements of the Key Information Set (KIS), with the KIS 'widget' appearing on course pages. A proposal is being developed to extend the remit of the Student Surveys Group to include discussion and planning around how improvements are made in performance across the key indicators of the KIS data set, including employability rates.
- All three of the Student Helpzones have been re-modelled to improve the space so that they can provide better service to students. This re-modelling has also enabled the new Degreeplus initiative to be sited in each of the Helpzones on each main campus site.
- The Counselling Service has developed and launched a pilot drop-in service for students, enabling students to speedily access the service when faced with immediate and complex personal issues. These sessions have been very popular. In 2011-12 the amount of sessions will be doubled.
- The university has invested in a new software programme that simplifies the application and allocation systems for students wishing to reside in our halls of residence which are managed by our Housing and Accommodation team. This investment will lead to a more seamless and customer-focused set of processes for students, as well as being a more efficient method for staff to manage.
- A partnership agreement with a local firm of solicitors has been developed to enable students to easily access a free legal advice surgery on a monthly basis within the Student Helpzones.

2.4 Employability

The major thrust of the university's approach to Employability in the last academic year was to use the vehicle of a Higher Education Academy 'Change Academy' to review how best to develop services for our students to enhance their employability upon graduation. The work of the team over a six-month period led to the creation of the concept of Degreeplus with an associated management infrastructure.

The concept of Degreeplus is based on the premise that the student experience, retention, achievement and graduate employability can be enhanced by the opportunity to engage in university organised internships (in the university, with employers or in the third sector). The internship model was launched in February 2012 and piloted during the summer term within the university. The five-year plan is for Degreeplus to be part of an integrated set of services and opportunities that include placement activities, work-based learning and work related learning as well as the growing engagement the student population has with all aspects of volunteering. In addition a range of skill development workshops are provided to help students develop their interview skills, draft CVs etc - in fact all of the things that an undergraduate needs to come across well at an interview and to become an effective team member.

We have re-modelled reception areas/Helpzones on all three campuses in order that all new undergraduates can be directed to a seamless set of support services designed to improve retention and to enhance the student experience.

The university's Graduate Employability is currently at 91.7% which is above that of our benchmark group. Through Degreeplus we are working to improve our graduate employability rates year on year, even in a challenging economic environment nationally.

OPERATING AND FINANCIAL REVIEW

2.5 Enterprise

Business engagement and commercial work included:

- Completion of Knowledge Escalator South West, a three-year, ERDF-funded programme to build capacity and capability within HEIs for business engagement. The project delivered on time, and achieved all of its objectives, including 27 businesses receiving in-depth assistance to improve their performance, 141 individuals receiving a skills assist, £515,000 net GVA in Gloucestershire businesses, eight business start-ups/jobs created and 105 staff/students engaged in enterprising activity.
- The Centre for Enterprise and Innovation, in partnership with GFirst, delivered a pilot Innovation Voucher scheme to develop innovation in local companies through HE consultancy support. The project is progressing well and has enabled the university to successfully bid for a regional scheme worth £130,000.
- The Graduate Challenge internship programme continued during 2011-12, enabling graduates to undertake placements in local businesses whilst working towards a masters-level certificate.
- The BUG Business Planning Programme delivered its fifth year with 170 students, staff and alumni engaged. BUG concluded at the university's Annual Enterprise Awards Ceremony which was attended by over 150 local businesses, celebrating our most successful entrepreneurs and business collaborations.
- The Nexus Higher Level Skills project concluded its three-year pilot in July 2012, and has delivered its final report to HEFCE. The programme delivered HE-level work-based learning to over 250 employees during its first three years. Transition funding has supported the launch of a new three-year business plan for Nexus as it works towards sustainability.

Recognising its wider responsibility to promote sustainable economic development in its locality, the university has developed its role as an active partner in the Gloucestershire Local Enterprise Partnership (LEP). The Vice-Chancellor is a member of the LEP Board, and staff sit on the LEP sector groups. All faculties have developed their business support programmes as part of their wider 2011-12 and 2012-13 business plans. Academic schools continue to support local businesses through the provision of professional and specialist short courses and masters level study, and work directly with employers to create new higher-level skills solutions through the Nexus partnership. Services to enterprise and start-up companies are now well embedded through the Business Planning Programme and incubation services at Quays Creative in Gloucester, as part of the ambition to establish a culture of entrepreneurship amongst students and graduates.

The university was successful in achieving funding from the fifth round of the Higher Education Innovation Fund (HEIF). This stream supports the central co-ordination of all commercial work, and also enables the university to test new commercial engagements through 'Proof of Concept' funding for staff.

2.6 Research

The university's new Research Strategy emphasises our belief that research activity and the training of research students are fundamental to the identity of higher education. Our goal is to embed research, scholarship, practice and consultancy in all our activities. Emphasis is also placed on linking research and enterprise, diversifying income streams and optimising the university's position in the forthcoming Research Excellence Framework in 2014, where we will make a more selective submission than to the 2008 Research Assessment Exercise.

This year we have not only developed a new strategy but reviewed our procedures for Professors and Readers, developed new research targets and performance indicators, and re-evaluated research priorities. Research and scholarly activity time are more carefully monitored in new workload allocation procedures and are supported where they enhance the student experience and benefit our strategic aims with regard to reputation, doctoral education, income generation, external engagement, and scholarly activity underpinning teaching.

The university seeks to provide a high-quality, research-informed curriculum at both undergraduate and postgraduate levels, built upon knowledge creation and application and achieving real impact in the outside world. Research student numbers remain buoyant, underpinned by the success of the Doctorate in Business Administration (DBA). Further professional doctorates are under consideration and will be developed where cost effective while we invest in the postgraduate research community and develop its ethos for the benefit of students, supervisors and other researchers.

2.7 Partnerships

Students' Union

We see our students and the Students' Union as critical partners in the success of the university. If the university is to deliver an excellent experience for students, this must be built on a genuine sense of shared purpose. Students need to be actively engaged with teaching and support staff in evaluating the effectiveness of learning and teaching so that they play an active role in securing constant improvement.

We are committed to supporting the development of the Students' Union, helping them wherever possible to enhance the services they provide to students. The university will continue to work closely with the Students' Union, involving them in key discussions about the development of the university and its priorities, including the Student Charter, increasing student representation and engagement, and action plans in the light of the National Student Survey. In 2011-12, the Students' Union organised the first Student Led Teaching Awards, which invited students to vote for outstanding teaching and support staff. The awards ceremony was held jointly with the university's own staff excellence awards.

OPERATING AND FINANCIAL REVIEW

Regional

The university is developing a new strategic partnership with two major local further education colleges - Gloucestershire College and South Gloucestershire and Stroud College.

Our shared goal is to raise the quality, range and accessibility of higher education in Gloucestershire, through a better-integrated higher education offer for Gloucestershire underpinned by a collaborative HE strategy. This will ensure that more people in the county can benefit from higher education that is accessible, appropriate and affordable for them. The partnership will enable the university and the colleges to work together to provide flexible, efficient and innovative delivery of education, training and business support, within a unified, rigorous quality assurance framework which guarantees high standards.

Over time the partnership could include: validation of HE programmes by the university, within a single, shared quality and regulatory framework; joint mapping and review of HE provision in the locality, and how emerging student and employer demands can be better met; shared curriculum development and teaching; and use of shared services. As a first step the university has appointed a joint project manager with the two colleges to scope what forms the partnership could take and how best to pursue implementation. The three partners will collectively consider how best to develop the joint strategy.

UK and international

In addition to strengthening the regional partnership base, the university has continued to develop its range of national and international partners.

During the year, 3,840 students have studied for University of Gloucestershire qualifications in 30 partner organisations. As well as students studying in the UK, significant numbers also studied in Malaysia and Vietnam. Whilst the numbers of students and income from collaborative activity continues to grow, a more strategic approach to partnership management is likely to see some consolidation in the number of partners.

OPERATING AND FINANCIAL REVIEW

SECTION 3: A SUCCESSFUL AND SUSTAINABLE ORGANISATION

The fifth goal of the university strategy is to be a successful sustainable organisation. A review of the sustainability of the university, its People and Culture and Equality and Diversity is set out below. Details of Financial Performance, Public Benefit and Corporate Governance are included in sections 4 to 6.

3.1 Sustainability

The university's strategic priorities in the area of sustainability were reviewed in 2011-12 and sustainability is now embedded in the university's vision, values and goals. New directions for sustainability have been mapped, in alignment with the university's priorities, as outlined in the 2012-17 Strategic Plan. The focus will be on employability, business development and regional engagement, as well as improving staff and student engagement opportunities across the institution.

During 2011-12, activities and achievements in sustainability have helped to increase the university's profile, attracted significant funding, and improved our corporate performance in this area:

- i) The university continued to develop the 'whole-of-institution' approach to sustainability for which it has an established reputation in the sector. During 2011-12 its Sustainable Food Policy was updated, its Fairtrade commitment was renewed and its carbon performance improved. This 'cross-business' approach was celebrated at the UK Green Gown Awards: the university was the most shortlisted institution in 2011 and was recognised with a Highly Commended in the Institutional Continuous Improvement category. It maintained its position in the People and Planet Green League, as the only university to have remained in the top five since assessments began. The Students' Union was awarded Gold Status in NUS Green Impact Awards for the second year running.
- ii) Our major national initiative in 2011-12 was 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 has led this ground-breaking project since 2010, in partnership with Aston University, University of Brighton, University of Exeter and Oxford Brookes University. The year culminated in a national conference opened by the QAA and featuring partnership work with the HEA, HEFCE and LFHE. The QAA has worked in close collaboration with the project, featuring the results of the project in its 2012 Annual Conference; planning the inclusion of sustainability education in the UK Quality Code for HE and involving the university in developing a QAA-commissioned guidance briefing on Education for Sustainability.
- iii) International activities in sustainability were important in 2011-12, with attention on the Rio+20 UN Conference on Sustainable Development. The University of Gloucestershire took over the Presidency and Secretariat of the Copernicus Alliance, a pan-European network established in 1993 to promote changes in HE for sustainability. In this role, the university led the development of the Rio+20 Higher Education Treaty for Sustainability with over 60 signatures

from HE institutions, agencies and organisations worldwide. The university had formal presence at Rio+20 through official accreditation and was able to inform UN negotiations and dialogues for sustainability, contributing as an expert informant at eight UN events and international seminars.

- iv) The university's Sport Malawi project showcased sport as a means to fuel positive change for economic development, poverty alleviation, health improvement, community building, and the promotion of justice. To date, 50 university students and staff have worked with nearly 1,500 Malawians, sharing skills and ideas to reach vulnerable groups, to attract young people into education and to carry out development projects. Sport Malawi raised its external profile in 2011-12 and its benefits were recognised with Gold at the 2012 UK Podium Awards. Its Olympic connections were celebrated when the Malawian team chose the university as its training base for the 2012 Games, with university support through sponsorship and fundraising. The focus of Sport Malawi on learning-based change (projects in Malawi feed directly back to the curriculum and into wider innovation in Education for Sustainability) means that its legacy is also extended within the university.
- v) The university's Regional Centre of Expertise (RCE) continued to extend its networks across the Severn region and established ways to actively support the university's Degreeplus initiative, to provide student internships and work placements with organisations active in sustainability. The RCE hosted an exciting and well-attended seminar series in 2011-12 themed around leadership and organisational change for sustainability in HE, with leading international speakers in this area.

3.2 People and culture

Seizing the opportunities and meeting the challenges inherent within the university's goals depends on the combined talent, knowledge, skills, commitment, flexibility and goodwill of our staff.

Many colleagues are highly motivated by the university's purpose. They draw satisfaction from creating and sharing knowledge and enriching students' lives and demonstrate high levels of commitment to academic and professional excellence and providing a good service.

But we know that we have more to do to achieve the levels of staff satisfaction that we aspire to. To this end we involved staff in exploring the results of our June 2011 staff survey and identifying actions aimed at 'Improving our Working Lives'.

This was one of the inputs to our draft People and Culture Strategy which sets out: the shifts we aspire to achieve in our culture (the way we do things); our priority people actions to support these shifts and enable people to give of their best in achieving our strategic goals; and the measures we will use to track progress. This strategy will be finalised after further consultation and a review of our Human Resources function in Autumn 2012.

This year we have increased our emphasis on effective staff development underpinned by staff development review discussions between staff and their managers. By the end of July

OPERATING AND FINANCIAL REVIEW

2012, 85% of staff had had a staff development review within the previous 12 months (up from 66% in 2010-11). To underpin this, we increased our staff development budgets for attending academic and professional conferences, training etc. We have also worked with our Business School to develop a tailored, postgraduate Leadership and Management Development programme that will run for up to 45 of our staff in 2012-13.

We have continued a programme of review and restructuring within the university which this year has focused on technical support, ICT, Business Development and Academic Registry. We have also agreed a university-wide academic workload model.

For the first time professional service departments jointly surveyed all university staff on satisfaction with the services provided. This has enabled us to benchmark internally and set targets for continuous improvement.

3.3 Equality and diversity

Under the Equality Act 2010 the university has developed objectives to support individuals and groups with protected characteristics under five headings. They are: students, monitoring, accessible environments, culture and staffing. The university has consulted with staff, the representative bodies and students and invited involvement from a range of local and regional equality organisations representing all protected characteristics under the Act.

In addition, the university has co-ordinated a series of events and web-based materials under the Don't Hate campaign focusing on challenging students' ideas and principles around issues of diversity, difference and vulnerability.

During the year a number of key activities have taken place to strengthen our approach to Equality and Diversity for staff and meet our responsibilities under the Equality Act 2010. These have included:

- The development and publication of Equality Objectives in March 2012 in line with the Public Sector Equality Duty.
- Staff development for members of the University Management Group on the Equality Act 2010 and their responsibilities as senior managers.
- New staff undertaking Equality and Diversity Awareness training as part of their induction to the university.
- An Equal Pay review in May 2012.

A number of actions are planned for 2012-13 including the collection of a wider range of workforce data and encouraging disclosure under the protected characteristics.

OPERATING AND FINANCIAL REVIEW

SECTION 4: FINANCIAL PERFORMANCE

4.1 Key financial highlights

- Sound operating performance, achieving a surplus of 9.8% of income (2011: 9.1%).
- Continued careful management of pay costs further reduced to 57% of expenditure (2011: 58%), and 51% of income (2011: 53%).
- Maintained strong year end liquidity position.
- Improved net current asset position to £4m (2011: £0.4m).
- Further reduction in long term debt from £22.7m to £21.1m.
- Strong cash generation from operating activities at 12.6% of income.

4.2 Review of the year

• Operating performance

The university continues to strengthen its financial position and reports an operating surplus for the year of £7m before exceptional items. This performance builds on two previous years of strong operating performance. The cost base has again reduced as a result of downsizing our Estates footprint, following the move out of the teaching and administrative buildings at Pittville. The asset had previously been identified for disposal, but Council have decided not to proceed with the sale at this point following a further re-appraisal of our Estates requirements.

During the year, improvements have been realised in debt collection, resulting in an improved year end trade debtors position of £2.5m (2011: £3.6m).

Income growth has been seen in the area of collaborative partnerships, with income increasing from £1.7m to £2.7m during the year.

All areas of the university have contributed to this financial success.

• Fixed assets and capital investment

Estates

At the start of the reporting period work was completed at the Hardwick campus. The work focused on improving the external elements of the campus and included additional parking to areas immediately in front of the Art and Photography building and a new car park to the rear of the administration building. All academic provision had been re-located from the Pittville Campus by September 2011.

The most significant project through 2011-12 was the refurbishment of the Challinor halls of residence at the Park site. The first phase of the works commenced in March and completed in September 2012. The roof has been replaced along with the entire mechanical and electrical infrastructure. The building has new kitchens and bedrooms and will contribute a carbon saving as a consequence of insulating the building and installing energy saving devices.

Other projects completed include the replacement of the windows and the upgrading of the heating controls to the Park refectory which is again work that contributes to achieving the carbon reduction targets we have set in the carbon management plan. Investment in energy management was also a significant project this year. All utilities have been metered with pulse meters that allow the Estates team to monitor consumption and work with

staff and students to reduce the energy we consume. Software is now being used to provide weekly management reports and we are beginning to investigate and manage any unusual patterns of demand.

ICT

The key areas of ICT capital investment in 2011-12 focused around:

- 1) Computer and Audio Visual Refresh Programme
- 2) Business Information Systems Developments
- 3) Specialist ICT laboratories

Approximately 400 computers in both the student and staff areas of activity were replaced during the academic year. This was complemented with a programme to install additional data projection facilities in teaching rooms, as well as completing a replacement programme to replace ageing video projectors in existing student areas.

A number of corporate system enhancements were developed in 2011-12 that included Online Enrolment and Fees Database and Applicant Portal (SITS), Personal Verification, Web Expenses and Recruitment (HR), Single SignOn and Direct Debits (Finance), together with a major review of the university's web presence for both internal and external customers, which was re-developed in Microsoft Sharepoint.

• Long term debt

At the year end, long term liabilities had reduced by £1.6m and all covenants were complied with. The gearing ratio reduced from 38.6% (2010-2011) to 32% (2011-2012), meeting the target set in 2009.

In October 2011 the university renegotiated its 4.56% swap contract, reducing the contract life by five 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 £11.2m.

• 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 net pension liability (LGPS) as at 31 July 2012 was £20.1m (2011: £12.1m; 2010: £19.5m). The increase is largely the result of falling real bond yields and asset returns, affecting expected rates of return in future years. This is reflected in the reduction of the future discount

OPERATING AND FINANCIAL REVIEW

rate. Comparing the year end pension liability to 2010 there has been little movement; changes in assumptions in the intervening year resulted in a lower liability in 2011.

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.

Employer contributions to pension schemes were as follows:

Pension Scheme	Current Contribution Rate	2011-12 £000	2010-11 £000
LGPS	19.5%	2,159	2,101
USS	16.0%	76	74
TPS	14.1%	2,105	2,185
Others including Church of England Scheme	38.2% (CofE)	21	13
Total		4,361	4,373

4.3 Financial sustainability and key performance indicators

Management actions during 2011-12 have further strengthened the university operating position and established a stable financial platform to face future challenges.

As part of the development of a new Strategic Plan, and in order to support delivery of the university's Operational and Business Plans, a new Finance Strategy has been developed, with revised key financial indicators.

Performance against the key indicators established as part of the 2009-2012 Finance Strategy is shown below, together with the targets set for 2012-2015 as part of the new Finance Strategy:

Key Financial Indicator	Performance 2010-11 to 2011-12	Target 2009 to 2012	New Finance Strategy Target 2012 to 2015
Operating surplus to turnover	9.1% improved to 9.8%	5%	3% with an additional 2% development fund
Net liquidity days	80 days falling to 76 days	30 days rising to 60 days	75 days
Gearing Ratio	38% improved to 32%	35%	30%
Pay as a % of total expenditure	57% improved from 58%	56%-59%	
Pay as a % of total income	51% improved from 53%		Not to exceed 53% of income
Reliance on Funding Body Grants	41% improved to 39%	40%	

Regular business review planning meetings are held to monitor progress against department and faculty key performance indicators supporting the university's Operational and Business Plans.

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 enrolment process.

4.6 Post balance sheet events

No significant post Balance Sheet events occurred during the period after the end of the year 2011-12 and the publication of the Financial Statements.

4.7 Future plans, risks and developments

Government reform of the HE fees regime is already having a significant impact on the sector. Further policy changes will also take time to work through and the sector is expecting to face a volatile situation for a number of years.

The final effects of the increase in fees for 2012-13 and funding changes across the university sector are still not wholly clear, but the position seems to be:

- Across the whole of UK higher education, applications in the 2011-12 cycle fell about 7%, primarily reflecting the impact of higher fees.
- For 2012-13, applicants achieving grades of AAB+ or equivalent are outside the Student Number Control, meaning that universities can recruit as many such students as they wish. Some universities aimed to increase substantially their AAB+ intake. Within that group, the number of A level students gaining AAB+ who have been accepted for entry to HE for 2012-13 is down 17% on last year, whereas the number gaining AAB+ in equivalent qualifications such as BTECs is down 12%.

Further changes planned for 2013 entry will introduce further uncertainty and competition into the HE sector as the controls are further relaxed in relation to ABB+ or equivalent qualifications and for students topping up. Other changes for 2013 will see the introduction of a school direct route for teacher training, alongside traditional university PGCE and BEd courses.

The university will take every opportunity to improve the experience of its students and invest in its staff and infrastructure. Opportunities for income growth and diversification are also being explored, specifically in relation to Business Development and partnerships.

OPERATING AND FINANCIAL REVIEW

SECTION 5: PUBLIC BENEFIT STATEMENT

The University of Gloucestershire is an exempt charity under the terms of the Charities Act 2011. 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 university has led a sport based project including hosting of the Malawi Olympic team prior to the Olympic games.

The university also provides access to arts, musical and other cultural events. This includes long-standing support for the internationally acclaimed Cheltenham Festivals. In 2012, the university played an active role in delivering the first Cheltenham Design Festival.

Support for business is a growing activity. We work with business through the Local Enterprise Partnership and support enterprise through for example the annual University Enterprise Awards, which honour enterprising students, staff, graduates and local businesses.

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 13,550 current students registered at 31 July 2012 of which 9,250 were taught by university staff, 3,840 in partnership arrangements across the globe and 460 at the International Language Centre. Of those students studying at the university, 8.29% had identified themselves as disabled, 7.75% as part of the black and minority ethnic (BME) communities resident in the UK and 7.11% 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 Unit 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.

Summer on campus programmes for local school children are popular and provide an insight and exposure to higher education. 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.

In 2011-12, the university spent over £2.8m in financial support to students, including those from low income groups. Examples include government training bursaries to PGCE students 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 2011. Its objects, powers 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)'s 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, for ensuring proper accountability, and for the management of its finances, property and investments and the general business of the university. 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 six times a year. It has a number of formally constituted committees which are: 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. A Scheme of Delegations further details the specific delegated powers of these committees.

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. The Estates Working Group, a sub-committee of FGPC, has continued to monitor and advise on the conduct of the university's estates/infrastructure activity including revenue and capital expenditure, drawing on professional expertise beyond that available within the Council membership.

The **Employment Policy Committee** is responsible for the oversight of human resource strategy, policies and associated procedures 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. A comprehensive review of the effectiveness of the university's governance arrangements in 2010-11, culminated in Privy Council approval of revised Articles of Association in September 2011, and the appointment of Professor Sir Peter Scott as Chair of Council on 1 October 2011.

The full implementation of the recommendations agreed as a result of the review of governance has been completed during the year. The significant developments implemented in 2011-12 include:

- The recruitment of six new independent members of Council to provide the balance of skills and experience agreed necessary to strengthen the Council's effectiveness, and to provide the appropriate expertise to meet the current and future challenges in higher education.

OPERATING AND FINANCIAL REVIEW

- The development and approval of a revised institutional Strategic Plan against which performance is measured and in respect of which risks and opportunities are managed with regular systematic reports back to Council.
- A comprehensive review of the academic governance of the university focusing particularly on the effectiveness of Academic Board and its committees, and the strengthening of the relationship between the Academic Board and the Council to ensure that the Council systematically assures itself of academic quality in the institution.
- An enhanced system of forward business planning for Council and its committees to strengthen the strategic approach Council takes to the management and monitoring of university activity.
- The introduction of a comprehensive programme of induction, training and personal development for Council members.
- A scheme for providing feedback to Council members on their contributions and for members to contribute to the ongoing evaluation of the effectiveness of meetings.

6.3 Financial responsibilities of the university's Council

In accordance with the university's Articles of Association, the Council is responsible for the oversight of the university's affairs 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 are prepared in accordance with the university's Articles of Association, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University 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 and financial reporting 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 has taken all reasonable steps, through its senior officers and Audit Committee, to:

- ensure that funds from the Higher Education Funding Council for England, the Teaching Agency, and other sources are used only for the purposes for which they have been given;
- 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;
- secure the economical, 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.

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 2012 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 risk framework has been revised to align with the University Strategic Plan and to reflect the importance of the five institutional goals in the Plan.

OPERATING AND FINANCIAL REVIEW

The revised risk register retains an appraisal of the pre-mitigation position for each risk but more guidance has been provided on calibrating the differing levels of risk using the Likelihood/Impact matrix. Significantly, the register now includes the addition of an assessment of post-mitigated residual risk which is a composite judgement by the risk owner of the position following the completion of mitigating actions and the extent to which those actions have been progressed. A detailed reporting schedule is in place 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. Each faculty and central department will now revise its own risk register to align with the new institutional framework so that there is a clear link between the risks reported at an institutional level and at a faculty/departmental level. 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.

The Higher Education Funding Council for England (HEFCE) conducted an assurance review of the university in June 2012 examining how the university exercises accountability for the public funding it receives. The review concluded that HEFCE could place reliance on the university's accountability information and that the university therefore demonstrated that it has effective systems for risk management, control and governance. That conclusion represents the highest level of assurance rating that can be achieved on HEFCE's four-point rating scale.

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 2012 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 Teaching Agency 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.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and university's affairs as at 31 July 2012 and of the Group's 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 Teaching Agency 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 2012 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2012 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 Teaching Agency and the funding agreement with the Chief Executive of the Skills Funding Agency.

REPORT OF THE INDEPENDENT AUDITOR TO THE GOVERNING BODY OF THE UNIVERSITY OF GLOUCESTERSHIRE

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.

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.

JOHN GOLDING **Senior Statutory Auditor**

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

28 November 2012

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 2012

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 2013, the financial forecasts for the following two years and has adopted the guidance provided by the Financial Reporting 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 of Gloucestershire, Fullwood Park 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 2012.

Cheltenham & Gloucester College Development Trust Limited, the Urban Learning Foundation and Fullwood Park Limited are subsidiary undertakings of the university controlled by directors acting as nominees of the Council of the university. An application has been made to Companies House on 11 September 2012 to strike off and dissolve Cheltenham & Gloucester College Development Trust Limited.

The consolidated financial statements do not include those of the Urban Learning Foundation which is a dormant company, as it is considered that the scale of the amounts involved are not material to the financial statements.

There are a number of other dormant subsidiary companies which are in the process of being dissolved. These are not included in the accounts on the grounds of materiality.

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 2012

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 the Charities Act 2011. 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 is liable for UK corporation tax. The company has 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 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. Foundation Services Limited was dissolved on 23 October 2012 and LLF (UK) Limited is in the process of being dissolved.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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

The university uses derivative financial instruments such as interest rate swaps to reduce exposure to interest rate movements on its loans. Such derivative financial instruments are not held for speculative purposes and relate to actual liabilities, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. Where the results of such contracts can be forecast with reasonable certainty and the forecast position is a loss, that loss is recognised immediately as an onerous 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 FRS17 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 and fee waivers

Bursary payments and fee waivers 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.



Elwes
Building

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Income			
Funding body grants	1	27,330	28,807
Tuition fees and education contracts	2	31,435	28,548
Research grants and contracts	3	1,018	752
Other income	4	10,892	11,763
Endowment and investment income	5	142	176
Total income		70,817	70,046
Expenditure			
Staff costs	6	36,410	37,228
Depreciation of tangible fixed assets	11	3,986	3,729
Other operating expenses	7	21,423	19,963
Interest payable	8	2,037	2,729
Total expenditure		63,856	63,649
Surplus after depreciation of fixed assets at valuation and before taxation		6,961	6,397
Taxation		-	-
Surplus after depreciation of fixed assets at valuation and tax and before exceptional items		6,961	6,397
Exceptional items: continuing operations			
Reorganisation costs	10	923	955
Other pension costs	10	120	383
		1,043	1,338
Surplus on continuing operations after depreciation of fixed assets at valuation, taxation and exceptional items		5,918	5,059

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Surplus on continuing operations after depreciation of fixed assets at valuation, taxation and exceptional items		5,918	5,059
Unrealised (loss)/gain on exchange	21	(38)	2
Revaluation of endowment asset investments	13	2	81
Net additions and disposals of endowment assets	13	(51)	332
Total recognised gain for the year		5,831	5,474
Actuarial pension (loss)/gain	35	(7,892)	7,953
Total recognised (loss)/gain since last accounts		(2,061)	13,427
Reconciliation			
Opening reserves and endowments		35,631	22,204
Total recognised (loss)/gain since last accounts		(2,061)	13,427
Closing reserves and endowments		33,570	35,631
Closing reserves and endowments:			
Endowments	19	2,267	2,316
Revaluation reserves	20	7,911	9,438
Income and expenditure account	21	23,392	23,877
		33,570	35,631

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
Surplus on continuing operations after depreciation of fixed assets at valuation, taxation and exceptional items		5,918	5,059
Difference between the historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	21	1,527	1,407
Historical cost surplus for the year after taxation		7,445	6,466

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

BALANCE SHEETS AS AT 31 JULY 2012

	Notes	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Fixed assets					
Tangible assets	11	88,979	88,760	88,962	88,735
Investments	12	-	5	-	5
		<u>88,979</u>	<u>88,765</u>	<u>88,962</u>	<u>88,740</u>
Endowment assets	13	<u>2,267</u>	<u>2,316</u>	<u>1,889</u>	<u>1,944</u>
Current assets					
Stocks		83	89	83	86
Debtors	14	4,038	5,215	4,501	5,497
Investments	28	11,303	11,871	11,300	11,868
Bank and cash in hand	28	1,144	1,325	399	769
		<u>16,568</u>	<u>18,500</u>	<u>16,283</u>	<u>18,220</u>
Creditors: amounts falling due within one year	15	<u>(12,603)</u>	<u>(18,106)</u>	<u>(12,478)</u>	<u>(18,002)</u>
Net current assets		<u>3,965</u>	<u>394</u>	<u>3,805</u>	<u>218</u>
Total assets less current liabilities		<u>95,211</u>	<u>91,475</u>	<u>94,656</u>	<u>90,902</u>
Creditors: amounts falling due after more than one year	16	<u>(21,137)</u>	<u>(22,720)</u>	<u>(21,137)</u>	<u>(22,720)</u>
Provision for liabilities and charges	17	<u>(3,486)</u>	<u>(3,086)</u>	<u>(3,486)</u>	<u>(3,086)</u>
Net assets before pension liability		<u>70,588</u>	<u>65,669</u>	<u>70,033</u>	<u>65,096</u>
Pension liability	35	<u>(20,102)</u>	<u>(12,144)</u>	<u>(20,102)</u>	<u>(12,144)</u>
Net assets including pension liability		<u>50,486</u>	<u>53,525</u>	<u>49,931</u>	<u>52,952</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

BALANCE SHEETS AS AT 31 JULY 2012

	Notes	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Deferred capital grants	18	16,916	17,894	16,916	17,894
Specific endowments	19	2,267	2,316	1,889	1,944
Reserves					
Revaluation reserve	20	7,911	9,438	7,911	9,438
General reserve	21	23,392	23,877	23,215	23,676
		31,303	33,315	31,126	33,114
Total funds		50,486	53,525	49,931	52,952

The Financial Statements on pages 20-55 were approved by the Council of the University of Gloucestershire on 27 November 2012, 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 2012

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

	Notes	Consolidated 2012 £000	Consolidated 2012 £000	Consolidated 2011 £000	Consolidated 2011 £000
Net cash inflow from operating activities	26		8,943		11,582
Returns on investments and servicing of finance					
Endowment income	5	8		70	
Income from short term investments	5	9		-	
Other interest received	5	125		106	
Interest paid	8	(1,012)		(1,277)	
Interest element of finance lease rentals	8	(721)		(729)	
Net cash outflow from returns on investments and servicing of finance			(1,591)		(1,830)
Tax paid			-		-
Investing activities					
Payment to acquire tangible assets (other than lease equipment)		(4,218)		(6,980)	
Receipts from the sales of tangible assets		-		67	
Deferred capital grants received	18	157		1,200	
Net cash outflow from capital expenditure and investments			(4,061)		(5,713)
Net cash inflow before use of liquid resources and financing			3,291		4,039
Management of liquid resources	28		568		(3,685)
Financing					
Capital element of finance lease repayments	27	(192)		(169)	
Mortgages and loans capital repayments	27	(3,848)		(1,336)	
Net cash outflow from financing			(4,040)		(1,505)
Decrease in cash			(181)		(1,151)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
1 Funding body grants			
<i>Recurrent grant:</i>			
Higher Education Funding Council		23,141	23,817
Teaching Agency		3,056	3,452
Skills Funding Agency		-	581
<i>Specific grants:</i>			
Higher Education Funding Council redundancy compensation		54	59
<i>Deferred capital grants:</i>			
Buildings	18	528	445
Equipment	18	551	453
		27,330	28,807
2 Tuition fees and education contracts			
Full-time Home and EU students		21,494	19,796
Full-time International students		6,461	5,210
Part-time students		2,830	3,014
Other (short course) fees		650	509
UK Further Education students		-	19
		31,435	28,548
3 Research grants and contracts			
Research Councils		78	122
UK based charities		96	68
European Commission grants		216	97
Other grants and contracts		628	465
		1,018	752
4 Other income			
Residences, catering and conferences		6,315	5,900
Released from deferred capital grants	18	56	56
Other services rendered		1,196	1,398
Profit on disposal of fixed assets		-	11
Profit on disposal of fixed asset investments		6	1
Other income		3,319	4,397
		10,892	11,763
5 Endowment and investment income			
Income from specific endowments		8	70
Income from short-term investments		9	-
Other interest received		125	106
		142	176

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

6 Staff

Staff costs:

	2012 £000	2011 £000
Wages and salaries	29,883	30,556
Social security costs	2,404	2,454
Other pension costs	4,361	4,345
Gloucestershire County Council Superannuation Scheme retirement benefits	(238)	(127)
	36,410	37,228

Staff number by Department:

	Numbers	Numbers
Academic departments	375	453
Central administrative	450	440
Other including manual	18	18
Total staff numbers	843	911

Following departmental reviews during the year, staff have been transferred from Academic to Administration Departments. The staff numbers above relate to full-time equivalents (including senior post holders).

Emoluments of higher paid staff (including the Vice-Chancellor):

The remuneration paid to senior post holders who served during the year including pension contributions and any pay in lieu of notice:

	£000	£000
Salary	536	380
Benefits	1	-
Pension contributions	75	58
	612	438

Payment in lieu of notice is included in staff costs

Emoluments of the Vice-Chancellor:

	£000	£000
Salary	160	166
Benefits	1	-
Pension contributions	31	23
	192	189

Higher paid staff:

	Numbers	Numbers
	4	3

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

The number of higher paid employees who received emoluments during the year (excluding pension contributions and payment in lieu of notice) in the following ranges was:

£100,001 - £110,000
£110,001 - £120,000
£150,001 - £160,000
£160,001 - £170,000

2012	2011
Numbers	Numbers
1	1
2	1
1	-
-	1
4	3

Compensation for loss of office payable to senior postholders:

In addition to the compensation payable, there was a payment of £54,265 to the relevant pension funds. The severance pay was in accordance with decisions of the university's Remuneration Committee and was not funded from public funds.

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

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

£000	£000
214	-

7 Other operating expenses

Consumable and non-capital items
Academic administration
Books and periodicals
Rents and premises
Heat, light, water and power
Repairs and general maintenance
Staff development and training
Staff travel and subsistence
Student travel and subsistence
Student bursaries
Marketing, agent commission and waivers
Postage, telephone, printing and reprographics
Insurance and finance
Professional fees
Course franchising and partnerships
Purchases for resale
Equipment operating lease rentals
Loss on sale of fixed assets
Other expenses

£000	£000
1,318	1,293
507	479
621	475
3,121	2,969
906	1,011
1,901	1,447
227	190
1,363	1,284
653	632
2,583	2,359
1,513	1,460
525	437
776	1,136
1,675	1,737
1,676	1,504
1,086	710
453	340
16	-
365	374
21,285	19,837

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

	2012	2011
	£000	£000
Auditor's professional fees:		
External auditor's remuneration - university	44	41
External auditor's remuneration - other group	8	16
External auditor's remuneration - non-audit services	29	14
Internal auditor's remuneration	57	55
	138	126
Total other operating expenses	21,423	19,963
	£000	£000
8 Interest payable		
Finance lease	721	729
Loans not wholly repayable within five years	1,012	1,277
Finance and interest costs under FRS 17 Retirement Benefits	304	723
	2,037	2,729
	£000	£000
9 Analysis of expenditure by activity for the year		
Academic departments	28,013	28,054
Academic services	8,048	6,993
Research grants and contracts	999	1,071
Residences, catering and conferences	5,281	5,516
Premises	6,971	7,505
Administration	14,534	14,060
Other expenses	10	450
Total consolidated income and expenditure account	63,856	63,649
	£000	£000
10 Exceptional items		
Reorganisation costs	923	955
Other pension costs	120	383
	1,043	1,338

During the year, the Voluntary Severance and Early Retirement Programme announced and approved in 2008-2009 was closed. However, as part of any restructuring process, if staff reductions are proposed, voluntary severance is still considered dependent on opportunities for redeployment. Reorganisation costs for the current year are £923,000 (2011: £955,000).

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 continuing to seek legal advice on this matter and during the year ended 31 July 2012 has provided an additional £120,000 in respect of the claim.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

	Freehold Land and Buildings	Short Leasehold Land and Buildings	Equipment	Assets Held for Disposal	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
11 Tangible fixed assets						
a) Consolidated						
Cost/valuation						
At beginning of year	91,789	7,999	21,847	10,287	2,844	134,766
Addition at cost	1,366	450	1,304	-	1,098	4,218
Transfers at cost	3,813	948	181	(10,287)	(2,603)	(7,948)
Disposals	-	-	(247)	-	(13)	(260)
At year end	96,968	9,397	23,085	-	1,326	130,776
Depreciation						
At beginning of year	19,091	1,862	17,105	7,948	-	46,006
Charge for the year	2,353	188	1,445	-	-	3,986
Transfers	-	-	-	(7,948)	-	(7,948)
Disposals	-	-	(247)	-	-	(247)
At year end	21,444	2,050	18,303	-	-	41,797
Net book value						
At year end	75,524	7,347	4,782	-	1,326	88,979
At beginning of year	72,698	6,137	4,742	2,339	2,844	88,760

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

	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	91,788	7,999	21,761	10,287	2,844	134,679
Addition at cost	1,366	450	1,304	-	1,098	4,218
Transfers at cost	3,813	948	181	(10,287)	(2,603)	(7,948)
Disposals	-	-	(246)	-	(13)	(259)
At year end	96,967	9,397	23,000	-	1,326	130,690
Depreciation						
At beginning of year	19,091	1,862	17,043	7,948	-	45,944
Charge for year	2,353	188	1,437	-	-	3,978
Transfers	-	-	-	(7,948)	-	(7,948)
Disposals	-	-	(246)	-	-	(246)
At year end	21,444	2,050	18,234	-	-	41,728
Net book value						
At year end	75,523	7,347	4,766	-	1,326	88,962
At beginning of year	72,697	6,137	4,718	2,339	2,844	88,735

Assets held for disposal at 31 July 2011 related to the Pittville Campus, specifically the teaching and studio areas and the tower block. During the current year Council decided not to proceed with the sale and the asset was transferred back to Freehold land and buildings at net book value, which is the deemed cost going forward.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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	2012 £000	2011 £000
Cost	89,586	86,825
Aggregate depreciation based on cost	22,579	20,873

12 Investments

a) Investments

Cost/valuation

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
At beginning of year	5	5	5	5
Disposals	(5)	-	(5)	-
At end of year	-	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. An application to dissolve and strike off the company was made to Companies House on 20 June 2012.

The university owns 100% of the issued share capital of one £1 ordinary share in Foundation Services Limited, a company registered in England and operating in the UK, a dormant company registered in England. This company was dissolved on 23 October 2012.

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 two £1 ordinary shares in LLF (UK) Limited, a dormant company registered in England. An application to strike off and dissolve both companies was made to Companies House on 27 September 2012.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

13 Endowment asset investments

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
a) Investments				
Cost/valuation				
At beginning of year	2,316	1,903	1,944	1,550
Additions at cost	767	1,493	748	1,490
Disposals	(818)	(1,161)	(803)	(1,148)
Revaluation	2	81	-	52
At end of year	2,267	2,316	1,889	1,944
Represented by:				
Fixed interest stocks and equities at valuation	1,401	1,437	1,088	1,130
Church of England investments and deposits	890	821	870	801
Debtors	2	-	-	-
Bank balances	48	179	4	133
Other liabilities	(74)	(121)	(73)	(120)
Total endowment asset investments at end of year	2,267	2,316	1,889	1,944

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 2012 show total net assets of £358,821 (2011: £353,444) and a surplus for the year of £3,175 (2011: deficit £(9,701)).

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 2012 show total net assets of £18,466 (2011: £18,490) and net outgoing resources for the year of £24 (2011: outgoing resources of £24). An application to dissolve and strike off the company was made to Companies House on 11 September 2012.

14 Debtors: amounts falling due within one year

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Trade debtors	2,488	3,626	2,447	3,599
Other debtors	52	130	23	106
Amounts owed by subsidiary companies	-	-	562	344
Prepayments and accrued income	1,498	1,459	1,469	1,448
At end of year	4,038	5,215	4,501	5,497

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

15 Creditors: amounts falling due within one year

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Mortgages and unsecured loans	1,348	3,848	1,348	3,848
Obligations under finance leases	240	197	240	197
Payment received on account	608	594	608	594
Trade creditors	1,361	1,477	1,355	1,472
Amounts due to subsidiary companies	-	-	28	17
Social security and other taxation payable	855	1,078	842	1,064
Pensions	526	511	526	511
Accruals and deferred income	7,665	10,401	7,531	10,299
At end of year	12,603	18,106	12,478	18,002

16 Creditors: amounts falling due after one year

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Mortgages and loans secured on residential and other property and fixed asset investments	15,135	16,455	15,135	16,455
Unsecured loans	43	71	43	71
	15,178	16,526	15,178	16,526
Obligations under finance leases	5,959	6,194	5,959	6,194
	21,137	22,720	21,137	22,720

	Balance due less than 1 year £000	Balance due between 1 & 2 years £000	Balance due between 2 & 5 years £000	Balance due after 5 years £000
Repayment profile of secured and unsecured loans	1,588	1,632	5,144	14,361

The university's main loan is with the Royal Bank of Scotland. The loan runs to July 2025 and is managed using a series of short term contracts at LIBOR +2.00%. A one off additional capital repayment of £2.5 million was made on 31 December 2011, as agreed when the loan was renegotiated in 2010.

The university renegotiated its 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.

There are two loans with the Bank of Scotland, one of which is at a variable rate of LIBOR + 1.5% ending in December 2018 and one at a variable rate of LIBOR +1.25% ending in November 2023.

There is also 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.

A second interest free loan facility of £85,300 from SALIX Finance has been approved but not yet drawn down.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

17 Provisions

	Consolidated & University Pensions £000	Consolidated & University Restructuring £000	Consolidated & University Other £000	Consolidated & University Total £000
At beginning of year	1,714	489	883	3,086
Utilised during the year	(265)	(489)	-	(754)
Transfer from Income and Expenditure account	261	454	340	1,055
Transfer from creditors	-	-	99	99
At end of year	1,710	454	1,322	3,486

18 Deferred capital grants

	Consolidated & University Funding Councils £000	Consolidated & University Other Grants & Benefactions £000	Consolidated & University Total £000
At beginning of year			
Buildings	12,037	2,286	14,323
Equipment	3,571	-	3,571
Total	15,608	2,286	17,894
Cash received			
Buildings	-	-	-
Equipment	157	-	157
Total	157	-	157
Released to Income and Expenditure			
Buildings	(528)	(56)	(584)
Equipment	(551)	-	(551)
Total	(1,079)	(56)	(1,135)
At end of year			
Buildings	11,509	2,230	13,739
Equipment	3,177	-	3,177
Total	14,686	2,230	16,916

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

19 Specific endowments

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
At beginning of year	2,316	1,903	1,944	1,550
Donations	81	375	81	382
Revaluation of endowment asset investments	2	81	-	52
Income for the year	82	59	63	49
Transferred to Income and Expenditure account	(214)	(102)	(199)	(89)
At end of year	2,267	2,316	1,889	1,944
Representing:				
Fellowships and scholarship prizes	9	28	9	28
Prize funds	92	90	92	90
Other funds	2,166	2,198	1,788	1,826
	2,267	2,316	1,889	1,944
		Restricted Permanent £000	Restricted Expendable £000	Total Funds £000
Consolidated:				
At beginning of year:				
Capital		1,467	1,294	2,761
Accumulated excess income over expenditure		8	(453)	(445)
		1,475	841	2,316
New endowments		-	81	81
Investment income		58	24	82
Expenditure		(79)	(135)	(214)
Increase in market value of investments		-	2	2
At end of year:				
Capital		1,467	1,377	2,844
Accumulated excess income over expenditure		(13)	(564)	(577)
		1,454	813	2,267

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

19 Specific endowments

	Restricted Permanent £000	Restricted Expendable £000	Total Funds £000
University:			
At beginning of year:			
Capital	1,505	859	2,364
Accumulated excess income over expenditure	(30)	(390)	(420)
	1,475	469	1,944
New endowments	-	81	81
Investment income	58	5	63
Expenditure	(79)	(120)	(199)
Increase in market value of investments	-	-	-
At end of year:			
Capital	1,505	940	2,445
Accumulated excess income over expenditure	(51)	(505)	(556)
	1,454	435	1,889

20 Revaluation reserve

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Revaluations				
At beginning of year	24,120	24,120	24,120	24,120
At end of year	24,120	24,120	24,120	24,120
Contributions to depreciation				
At beginning of year	(14,682)	(13,275)	(14,682)	(13,275)
Released in year	(1,527)	(1,407)	(1,527)	(1,407)
At end of year	(16,209)	(14,682)	(16,209)	(14,682)
Revaluation reserve				
At end of year	7,911	9,438	7,911	9,438
At beginning of year	9,438	10,845	9,438	10,845

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

21 General reserve

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
At beginning of year	23,877	9,456	23,676	9,137
Surplus after depreciation of fixed assets at valuation	5,918	5,059	5,942	5,177
Unrealised (loss)/gain on exchange	(38)	2	(38)	2
Unrealised actuarial (loss)/gain on pensions	(7,892)	7,953	(7,892)	7,953
Release from revaluation reserve: depreciation contribution	1,527	1,407	1,527	1,407
At end of year	23,392	23,877	23,215	23,676
Balance represented by:				
Pension Reserve	(20,102)	(12,144)	(20,102)	(12,144)
Income & Expenditure Account Reserve excluding Pension Reserve	43,494	36,021	43,317	35,820
At end of year	23,392	23,877	23,215	23,676

22 Lease obligations

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Obligations under finance leases for land and buildings falling due as follows:				
Within 1 year	240	197	240	197
Between 2 and 5 years	1,453	1,232	1,453	1,232
Over 5 years	4,506	4,962	4,506	4,962
	6,199	6,391	6,199	6,391
Operating lease commitments expiring:				
Within 1 year	2,211	2,271	2,211	2,271
Between 2 and 5 years	7,187	6,956	7,185	6,953
Over 5 years	14,410	15,396	14,410	15,396
	23,808	24,623	23,806	24,620
Representing:				
Land and buildings	23,299	24,342	23,299	24,342
Other operating leases	509	281	507	278
	23,808	24,623	23,806	24,620

Lease obligations for the year ended 31 July 2011 have been restated to include operating lease commitments in respect of property leases.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

23 Capital commitments

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
Authorised but not contracted				
At end of year	2,942	7,493	2,942	7,493
Authorised and contracted				
At end of year	507	1,230	507	1,230

Capital commitments for the year ended 31 July 2011 have been reanalysed between commitments which were authorised but not contracted and authorised and contracted.

24 Contingent liabilities

	Consolidated 2012 £000	Consolidated 2011 £000	University 2012 £000	University 2011 £000
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 2011-12 and the publication of the Financial Statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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

	Consolidated 2012 £000	Consolidated 2011 £000
Surplus on continuing operations after depreciation of fixed assets at valuation	5,918	5,059
Depreciation	3,986	3,729
Loss on sale of investment	5	-
Loss on sale of fixed assets	13	86
Unrealised (loss)/gain on exchange	(38)	2
Deferred capital grants released to income	(1,135)	(954)
Investment income	(142)	(176)
Interest payable	1,733	2,006
FRS 17 pension actuarial (loss)/gain	(7,892)	7,953
Increase/(decrease) in FRS 17 pension provision	7,958	(7,357)
Decrease in stocks	6	21
Decrease/(increase) in debtors	1,177	(816)
(Decrease)/increase in creditors less than 1 year	(3,051)	1,177
Increase/(decrease) in creditors more than 1 year	5	(6)
Increase in provisions	400	858
Net cash inflow from operating activities	8,943	11,582

27 Financing

	Finance Leases £000	Mortgages & Loans £000
At beginning of prior year	6,560	21,710
Capital repayments	(169)	(1,336)
At beginning of year	6,391	20,374
Capital repayments	(192)	(3,848)
At end of year	6,199	16,526

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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

Consolidated

	Consolidated 2012 £000	Consolidated 2011 £000	Change in Year £000
Short term investments	11,303	11,871	(568)
Movement in liquid resources	11,303	11,871	(568)
Bank balances	1,144	1,325	(181)
	12,447	13,196	(749)

University

	University 2012 £000	University 2011 £000	Change in Year £000
Short term investments	11,300	11,868	(568)
Movement in liquid resources	11,300	11,868	(568)
Bank balances	399	769	(370)
	11,699	12,637	(938)

29 Reconciliation of net cash flows to movements in net debt

	Consolidated 2012 £000	Consolidated 2011 £000
Decrease in cash in the period	(181)	(1,151)
(Decrease)/increase in short term deposits	(568)	3,685
Net decrease of debt	4,040	1,505
Change in net debt	3,291	4,039
At beginning of year	(13,569)	(17,608)
At end of year	(10,278)	(13,569)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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	1,325	(181)	-	1,144
Short term deposits	11,871	(568)	-	11,303
Debts due within 1 year	(4,045)	2,457	-	(1,588)
Debts due after 1 year	(22,720)	1,583	-	(21,137)
	(13,569)	3,291	-	(10,278)

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 Business, Innovation 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.

	2012 £000	2011 £000
Balance unspent at beginning of year	25	38
Funds received in the year	167	171
	192	209
Disbursed to students	(153)	(179)
Administration fees	(5)	(5)
Balance unspent at end of year	34	25

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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 2012 expenses totalling £10,887 (2011: £7,329) were claimed by 9 Directors and Trustees (2011: 8) in respect of their responsibilities as Directors and Trustees.

All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms length and in accordance with the university's financial regulations and usual procurement procedures.

During the year, sales of £129,850 and purchases of £77,941 relating to education and placements were transacted with Gloucestershire County Council, of which Mr Peter Bungard, a Council member since 1 May 2012, is Chief Executive. At the year end a balance of £310 was due to Gloucestershire County Council.

The university has entered into a partnership arrangement with Gloucestershire College, of which Mr Greg Smith is the Principal, for the delivery of vocational training courses. During the year, sales of £6,300 (2011: £3,425) and purchases of £265,365 (2011: £466,255) relating to education and the partnership arrangement were transacted with Gloucestershire College. Grants of £800,388 (2011: £264,471) have been received from HEFCE for the development of the partnership and delivery of training. At the year end a balance of £900 was due to Gloucestershire College (2011: £33,235).

There were no other material transactions between the University of Gloucestershire and any related parties.

33 Teaching Agency

The university, acting as agent for the Teaching Agency (formerly Training and Development Agency for Schools), disbursed £235,644 (2011: £993,389) training bursaries to students undergoing Initial Teacher Training for the year ended 31 July 2012. The training bursaries have not been included in the Income and Expenditure account of the university.

34 Linked charities

The University of Gloucestershire is linked to one charity, which would fall within paragraph (28) of schedule 3 of the Charities Act 2011; 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 development 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 2012 the University of Gloucestershire Students' Union brought forward net assets of £303,335 and made a surplus for the year of £32,704, giving carried forward net assets of £336,039.

On 1 August 2012 the Students' Union transferred all of its assets and liabilities to a new company, The University of Gloucestershire Students' Union Limited. The university has no significant influence over the activities of the new company and with effect from 1 August 2012 the financial results of the company will no longer be consolidated into the university group accounts.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

35 Pension Schemes

a) Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. 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 a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a "pay as you go" basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension 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 actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers and lecturers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

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 currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the 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%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and an employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

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

	2012 £000	2011 £000
Contributions to Teachers' Pensions	2,105	2,185

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 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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 trustee administered fund. 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 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. 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 2012 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 6.1% per annum, salary increases would be 4.4% per annum (with short term general pay growth at 3.65% per annum and 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 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, 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 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The 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 but 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.

As at the valuation date the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

- Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
- The normal pension age was increased for future service and new entrants to age 65.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

- Flexible retirement options were introduced.
- Contributions were uplifted to 7.5% pa and 6.5% pa for FS section members and CRB section members respectively.
- If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.
- For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

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.

At 31 March 2012, USS had over 145,000 active members and the university had 11 active members participating in the scheme.

The total pension cost for the university was £75,762 (2011: £74,220). This includes £9,758 (2011: £nil) outstanding contributions at the balance sheet date. The contribution rate payable by the university 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 2012.

	31 March 2010
Latest actuarial valuations	
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 2013) are £2.123m at a contribution rate of 19.5%.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

The major assumptions used by the Actuary were:

	31 July 2012	31 July 2011	31 July 2010
Pension increase rate	2.20%	2.70%	2.90%
Salary increase rate	4.00%	4.50%	4.90%
Expected return on assets	4.70%	6.20%	6.50%
Discount rate	4.10%	5.30%	5.40%
Inflation assumption	2.20%	2.70%	2.90%

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 31 July 2012	Value £000 31 July 2012	Long term rate of return expected at 31 July 2011	Value £000 31 July 2011	Long term rate of return expected at 31 July 2010	Value £000 31 July 2010
Equities (UK & overseas)	5.50%	751,326	7.00%	791,410	7.30%	753,502
Bonds	3.30%	312,751	4.60%	279,311	4.80%	240,803
Property	3.70%	76,161	5.10%	64,709	5.30%	60,428
Cash	2.80%	34,115	4.00%	35,988	4.40%	29,896
		1,174,353		1,171,418		1,084,629

The assets attributable to the university were:

	Value 31 July 2012 £000	Value 31 July 2011 £000	Value 31 July 2010 £000
Equities (UK & overseas)	24,747	23,883	19,071
Bonds	10,440	9,046	7,513
Property	2,320	2,171	1,734
Cash	1,160	1,086	578
	38,667	36,186	28,896

The following amounts at 31 July 2012 and 31 July 2011 were measured in accordance with the requirements of FRS 17:

Analysis of the amount shown in the balance sheet	31 July 2012 £000	31 July 2011 £000
Total market value of assets	38,667	36,186
Actuarial value of scheme liabilities	(58,769)	(48,330)
Deficit in scheme - Net pension liability	(20,102)	(12,144)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

The following amounts have been recognised in the performance statements in the year to 31 July 2012 under the requirements of FRS 17:

	2012 £000	2011 £000
Analysis of amounts charged to the Income and Expenditure Account		
Current service cost	1,953	1,919
Loss due to curtailments	120	55
	2,073	1,974
<i>Other finance income</i>		
Expected return on pension scheme assets	(2,295)	(1,927)
Interest on pension scheme liabilities	2,599	2,650
Net charge to other finance costs	304	723
Total Income and Expenditure charge before taxation	2,377	2,697

The change in the pension increase assumption from Retail Prices Index (RPI) to Consumer Prices 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.

	2012 £000	2011 £000
Analysis of the amount that would be recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
(Loss)/gain on assets	(1,502)	3,797
(Loss)/gain on change of assumption	(6,390)	4,156
Actuarial (loss)/gain recognised in STRGL before taxation	(7,892)	7,953
Past service gain	-	-
	(7,892)	7,953
Movement in deficit during the year		
Deficit in scheme at beginning of year	(12,144)	(19,501)
Movement in the year:		
Current service cost	(1,953)	(1,919)
Employer contributions	2,311	2,101
Impact of settlements and curtailment	(120)	(55)
Net return on assets	(304)	(723)
Actuarial (loss)/gain	(7,892)	7,953
Deficit in scheme at end of year	(20,102)	(12,144)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

History of Experience Gains and Losses:

	Year to July 2012 £000	Year to July 2011 £000	Year to July 2010 £000	Year to July 2009 £000	Year to July 2008 £000
Difference between the expected and actual return on assets	(1,502)	3,797	2,755	(3,526)	(4,210)
Value of assets	38,667	36,186	28,896	22,086	22,493
Percentage of assets	(3.88%)	10.50%	9.50%	(16.00%)	(18.70%)
Experience gains on liabilities	(531)	141	-	-	-
Total present value of liabilities	(58,769)	48,330	48,397	43,234	34,728
Percentage of the total present value of the liabilities	0.90%	0.30%	0.00%	0.00%	0.00%
Actuarial (losses)/gains recognised in the STRGL	(7,892)	7,953	2,246	(8,457)	(3,758)
Total present value of liabilities	58,769	48,330	48,397	43,234	34,728
Percentage of the total present value of the liabilities	(13.43%)	16.50%	4.60%	(19.60%)	(10.80%)

The actuarial valuation for FRS 17 at 31 July 2012 showed an increase in the deficit from £12.144m to £20.102m.

Details of experience gains and losses for the year to 31 July 2012:

	2012 £000	2011 £000
Difference between the expected and actual return on scheme assets:		
Deficit	(1,502)	3,797
Percentage of scheme assets at the end of the period	(3.88%)	10.50%
Total amount recognised in the statement of recognised gains and losses:	£000	£000
Cumulative deficit	(8,397)	(505)
Current year (loss)/gain	(7,892)	7,953
Percentage of the present value of the scheme liabilities	(13.43%)	16.50%

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

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:

	2012 £000	2011 £000
Contributions to the Gloucestershire County Council Superannuation Scheme	2,159	2,101

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 assets; 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 made for improvements in mortality rates from 2003 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 FRS 17 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 2009 valuation, changes were made to benefits being built up in the scheme from January 2011 and the University of Gloucestershire’s contribution rate was set at 38.2% of pensionable stipends.

Contribution rates will be reviewed at the next valuation of the scheme, due no later than as at 31 December 2012.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

	2012 £000	2011 £000
Contributions to the Church of England Funded Pensions Scheme	4	8
e) Other pension schemes		
	2012 £000	2011 £000
Contributions to other schemes	6	5

