



UNIVERSITY OF  
GLOUCESTERSHIRE

at Cheltenham and Gloucester

# FINANCIAL STATEMENTS

## 2006/2007



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# KEY FINANCIAL HIGHLIGHTS

- **Deficit for year £77,000**  
(2005-6: deficit £1,558,000)

The deficit is after charging for fixed asset impairments of £457,000

- **Key features contributing to the result were:**

Shortfall in part time, postgraduate and overseas recruitment

Planned delays to the capital programme

Profit on sale of Fullshaw Lodge

Increased pay costs offset by income generation and reductions in non pay expenditure

- **Impact of FRS 17 pension scheme accounting:**

Charge to Income and Expenditure account of £612,000 (2005-6: £496,000)

Balance Sheet liability of £7,991,000 (2005-6: £10,718,000)

- **Balance Sheet:**

Net assets of £55,857,000  
(2005-6: £52,151,000)

Fixed Assts of £99,628,000  
(2005-6: £93,646,000)

Long term creditors of £30,884,000  
(2005-6: £27,827,000)

- **Cash flow:**

Net cash inflow from operating activities of £5,078,000 (2005-6: £3,373,000)



# MEMBERS OF COUNCIL

## MEMBERS OF COUNCIL DURING THE YEAR

M Bell  
 K Blake  
 Professor P Broadfoot  
*(Appointed 1 September 2006)*  
 J Bull *(Appointed 1 September 2006)*  
 P Brooke  
 J Catford  
 Lady Mavis Dunrossil  
 A Farnell  
 C Fenton *(Resigned 31 August 2006)*  
 The Venerable A Hawker *(Vice Chair)*  
 Revd M Herbert  
 C Jones  
 A Longhurst  
 Revd P Mounstephen  
 D Noble, President of Students' Union  
 Professor R Ryan  
 D Setchell *(Chair)*  
 M Sharma  
 Professor S Tomlinson  
 Dame Janet Trotter *(Resigned 31 August 2006)*

## MEMBERSHIP OF MAJOR COUNCIL COMMITTEES AS AT 31 JULY 2007

### Audit Committee

P Mounstephen \*  
 J Catford  
 M Sharma  
 Lady Mavis Dunrossil  
 Vacancy

### Employment Committee

Professor S Tomlinson \*  
 K Blake  
 C Jones  
 P Mounstephen  
 M Sharma  
 Professor R Ryan  
 J Bull

### Finance and General Purposes Committee

D Setchell \*  
 M Bell  
 Professor P Broadfoot  
 A Hawker  
 A Longhurst

### Governance and Nominations Committee

D Setchell \*  
 M Bell  
 A Farnell  
 M Herbert

### Honorary Awards Committee

Professor P Broadfoot \*  
 K Blake

### Professorial Board Committee

Professor P Broadfoot \*  
 Professor S Tomlinson

### Remuneration Committee

D Setchell \*  
 K Blake  
 C Jones  
 P Mounstephen  
 M Sharma  
 Professor S Tomlinson

\* denotes Chair

# OFFICERS AND ADVISERS

## OFFICERS

### The Directorate at 31 July 2007

*Vice-Chancellor*

Professor P Broadfoot

*Director (Student Services and External Relations)*

P Drake

*Pro Vice-Chancellor (Academic)*

P Hartley

*Director (Resources)*

M Jesnick

*University Registrar and Secretary*

P van Rossum

### Deans of Faculty

*Francis Close Hall*

*Faculty of Education, Humanities and Sciences*

K Sharp

*Park Campus*

*The University of Gloucestershire Business School*

J Simpson

*Pittville Campus*

*Faculty of Media, Art and Communications*

D Howard

*Oxstalls Campus*

*Faculty of Sport, Health and Social Care*

M Cogger

## ADVISERS

### Solicitors

Rickerbys

Ellenborough House

Wellington Street

CHELTENHAM

Gloucestershire

GL50 1YD

### Registered External Auditors

Grant Thornton UK LLP

Centre City Tower

7 Hill Street

Birmingham

B5 4UU

### Registered Internal Auditors

Mazars LLP

Clifton Down House

Beaufort Buildings

Clifton Down

Clifton

BRISTOL

BS8 4AN

### Bankers

The Royal Bank of Scotland plc

PO Box 9

31 The Promenade

CHELTENHAM

Gloucestershire

GL50 1LH

# OPERATING & FINANCIAL REVIEW

## HIGHLIGHTS

This report reviews the University's activities in the year 2006-07 in the context of the challenges and risks within which it operates.

### Section 1. Context

The appointment of a new Vice-Chancellor, Professor Patricia Broadfoot, has led to a re-evaluation of the University's Strategic Plan in the light of the challenges facing both Higher Education in general and the University specifically.

The University's Council has articulated five major risks which it monitors on a regular basis: student recruitment and retention, finances, reputation, Government policy and disaster planning.

### Section 2. Academic Review

Full-time undergraduate recruitment remained stable following the introduction of variable tuition fees.

There has been increased activity with collaboration and partnerships being a key development area in the year.

The introduction of a teaching pattern based on a year long academic delivery rather than semester based will enable the University to more easily facilitate the development and launch of new two year fast track degrees in designated areas.

Preparation for RAE (Research Assessment Exercise) 2008 continued.

### Section 3. Staff

Application of job evaluation using HERA (Higher Education Role Analysis) thus objectively ensuring equal pay for work of equal value.

Completion of staff perception survey.

### Section 4. Physical infrastructure

Completion of new build at Oxstalls, operational from September 2007.

Opening of new student residential accommodation in Cheltenham, providing 99 ensuite study bedrooms with telephone and internet access.

### Section 5. Financial

Deficit of £77,000 after charging fixed asset impairment £457,000. The resulting operational surplus is £380,000.

Pension liabilities in respect of the Gloucestershire County Council Superannuation Scheme reduced by £2,727,000.

### Section 6. Corporate Responsibility

The University is working towards the publication of an annual environmental report.

Progress has also been made in relation to Community activity and Education for Sustainable Development.

### Section 7. Corporate Governance

The University is able to make a fully compliant statement of internal control.



# OPERATING & FINANCIAL REVIEW



## SECTION 1: CONTEXT

### Strategic Plan

With the appointment of Professor Patricia Broadfoot as Vice Chancellor on 1st September 2006, the University undertook a review of its strategic position and its options for future development.

There are a number of driving factors which affect both the opportunities available to the University, and the threats to its long term sustainability. Higher Education (HE) in the UK must respond to the impact of:

- Globalisation and increasing competition from private HE providers.
- Marketisation and competition between institutions exacerbated greatly by the new fee regime and perhaps even more post 2009 if the 'cap' comes off.
- Demographic change: fewer young people; many more middle aged and older people. Up to 30 years of non-work time after retirement.
- The Government skills agenda and the changing role of Further Education (FE) and employers in relation to HE.

Specific threats to the University of Gloucestershire include:

- A weak brand profile.
- Competition from other providers.
- Financial pressures.
- Being too risk averse.
- Procedures and processes that are inflexible and cumbersome.

There are significant new opportunities for the University to exploit, including:

- Our position as a 'Green' leader in UK Higher Education
- The opportunities to expand postgraduate and post experience programmes
- The opportunities to expand our international activities
- The opportunities to work more closely with FE Colleges and regional businesses
- The high quality estate and collegial environment

In response to this agenda the University has three overall priorities:

*Growth - Service - Profile*

Measures of Success for each of these priorities over the next five years are:

### Growth

- Size:
  - o To reach an overall size of 15,000 students (10,000 FTEs);
- Finances:
  - o To have the University finances in a sustainable state with an operating surplus of at least 3% of turnover;

### Service

- Balance:
  - o Serving learners of all ages and stages, including significantly increased post-graduates (taught, research and CPD); part-time students and 'all-life' leisure learning students;
- Facilities:
  - o Active use of campus 7 days a week and all year round;
- Academic Focus:
  - o Based on the development of several innovative new areas of study and the

university-wide implementation of active learning linking study and real world practice;

- Research and Knowledge Transfer:
  - o Acknowledged reputation as a leading institution in four or five key fields and able to sell this expertise commercially as well as academically;
- Student experience:
  - o League table position that reflects outstanding, customer-focused, provision;

### Profile

- Partnerships:
  - o Leading a federated partnership of FE Colleges and major employers in Gloucestershire and beyond;
- Profile:
  - o Strong local and national and growing international profile as one of the leading sustainable modern business facing universities. Seen as a key partner in Gloucestershire's development;
- Sustainability:
  - o Recognised as a leading expert on sustainability which also operates in a sustainable manner.

The overall priorities will be delivered through actions in the following 10 areas of activity. In many cases an area contributes to the achievement of more than one of the overall priorities.

- a) Partnerships
- b) Sustainability
- c) Student experience
- d) Innovative teaching and learning
- e) Research knowledge and exchange
- f) Flexible learning



# OPERATING & FINANCIAL REVIEW

- g) Postgraduate provision
- h) Internationalisation
- i) Processes and systems
- j) Brand, profile, internal and external communications

Increasingly, the University must maintain its adaptive capacity to ensure that it remains flexible in its approach so that the ambitions of the University can be realised.

## Risk analysis

The University's Council has articulated the following risks, which it monitors on a regular basis, and is confident that the risks are managed or mitigated to ensure that the University's ambitions can be delivered.

- The University is sensitive to changes in the numbers of students. The intention to achieve an increase in numbers overall, through growth in part time, overseas and postgraduate numbers also implies stability in the University's core full time undergraduate market. Demographic change shows that there will be fewer 18 year olds in the near future and unless participation rates continue to rise, there will be a need to expand market share to maintain recruitment in a period when competition is increasing. The introduction of new programmes and the continuous review of academic provision, supported by increased marketing activity in the overseas and postgraduate arenas will help mitigate this risk.

- Finances will continue to be tight until the impact of variable fees is fully realised with a full complement of students in the new regime. However, with the development of bursaries, the increased expectations for pay settlements and potential pension cost increases, and the desire to improve services further, it is unlikely that the additional income by itself will be sufficient for the University to achieve a sustainable financial position in the short term and strict financial control will need to continue. The planned growth in overseas student numbers will support the move towards sustainability. It is planned that the University will increase its surplus year on year to support additional investment.
- Reputational risk arises from virtually all of the University's activities. Quality issues, league table positions and press coverage could all affect a University's reputation, both positively and negatively. The University's relatively weak brand profile affects the ability to build reputation, and addressing identified weaknesses of risk aversion and bureaucratic procedures could increase the level of reputational risk.
- Changes to Government policy could affect the overall Higher Education market, with the introduction of private providers and greater employer involvement, and of course the University is still significantly dependent on grant funding. The long term future of public funding is uncertain, with changes to

both research and teaching funding under consideration, and whether possible changes to the fees policy could affect funding overall. As a primarily teaching institution, changes in policy for teaching funds and criteria for distribution between institutions can have a significant impact.

- Disaster planning comprises two elements: the ability to deal with a crisis in a way which does not adversely affect reputation, and the ability to continue operations in the aftermath of a crisis. The University has a disaster recovery plan which is subject to testing. At present, this allows for crisis management but does not fully incorporate business continuity plans which currently exist on a departmental level. These plans are reviewed and enhanced to ensure that they are comprehensive. Because the University operates over a number of campuses, it is envisaged that an incident on a single campus would not have a detrimental effect on the University as a whole, as facilities on other campuses would be available.



# OPERATING & FINANCIAL REVIEW

## SECTION 2: ACADEMIC REVIEW

### Students

The University has a stable level of applications and recruitment to full-time undergraduate programmes. This was particularly pleasing following the introduction of variable tuition fees. However, current recruitment levels for part-time and postgraduate programmes remain disappointing, as does the ability to attract increased numbers of overseas students.

Full-time students	6,331	
Part-time students	2,781	
Total	9,112	
Postgraduate research students	155	(2%)
Postgraduate taught students	1,510	(17%)
Undergraduate students	7,097	(78%)
Further Education students	350	(4%)
Total	9,112	
Male students	3,744	(41%)
Female students	5,368	(59%)
Total	9,112	
Disabled students	755	(8%)
Ethnic minority students	55	(6%)

The University's student population profile is consistent with previous years.

The University consistently performs at or above HEFCE benchmarks on many widening participation and completion benchmarks.

As the Higher Education market matures the University is actively exploring the development of new academic programmes to meet the needs of future learners.

In the National Student Survey for 2007 the University again scored 3.9 out of 5, the same as in 2006. It is pleasing to note that in Psychology the University returned the highest level of satisfaction in the UK. The survey indicates that there are areas for improvement, particularly in assessment and feedback and course organisation and management.

A major strategic project has been to analyse the student experience and develop services to respond to changing needs and expectations. An action plan will be developed and implemented during this year.

### Academic Portfolio

As in previous years careful attention was paid to recruitment trends to specific courses in determining our future strategy for course development. Analysis of some under-recruiting areas has led to significant rationalization of provision and a more resource-efficient delivery of the academic programmes concerned. The trend towards increasing the number of single honours courses with a limited number of joint honours courses has continued, and has resulted in further simplification of the portfolio. An advantage of this has been the greater development of a cohort-driven approach (for example in Law and Psychology) with significant benefits for the student experience.

Work has continued on refreshing the portfolio wherever possible, but we need to make further progress in evaluating the performance of the academic areas in which student recruitment has been or is in decline, and taking more rapid corrective action. Academic planning has hitherto been predominantly on a short-term basis which has not resulted in optimum matching of resource needs to the academic portfolio. An Academic Development Group has been established, which will commence its work in 2007-8 and have the task of providing a more focused strategic direction to academic planning, with a longer term planning horizon of five years.

We have completed the preparations for the implementation of the new Academic Year structure from September 2007, which will see the move away from the semester-based system to a year-long academic delivery pattern, with three teaching blocks. This change will significantly reduce the amount of time and effort absorbed by examination and assessment boards, and permit better use of the summer block for delivery of 'non-standard' academic programmes and for summer schools. It will also enable us to deliver two-year 'fast track' honours degrees in designated areas, and we have been successful in securing £250,000 from the HEFCE to develop and launch a number of such degrees alongside other initiatives in flexible learning.

### Collaborative partners

A number of new partnership links have been established with institutions in the UK and abroad with a view to increasing the total numbers of students following University of Gloucestershire courses. It is intended to grow this collaborative provision further, and to ensure appropriate risk management of the partnership links, a cross-university collaborative partnership has been established to oversee developments.

New Foundation Degree courses have been validated with Gloucestershire College (Construction; Hospitality and Tourism) as part of the increasingly close working relationship with the College, and the validated provision at Herefordshire College of Arts has been expanded with the addition of further Foundation Degrees, making this College the largest partner institution in terms of numbers of students on University of Gloucestershire validated awards. We have worked towards validation of the postgraduate programmes at Markfield Institute (Leicestershire) with a view to taking over the validation of the courses from the University of Loughborough in summer 2008. Other current UK partners include Stroud College; Royal Forest of Dean College; and New College Swindon. We have also continued our active involvement in the Western Vocational Lifelong Learning Network.

There have been promising developments in the establishment of partnerships with institutions abroad. The Business School has developed an International Learning Partnership Programme (ILPP) whereby students at selected institutions abroad can complete the final year of a number of Business Studies courses 'in country'. The first of these partnerships to be formally approved is with New Era College in Kuala Lumpur, Malaysia, and the first students are expected on the programme in 2008. Discussions are well advanced with a number of other partners in Singapore, Malaysia and China.

The increased risks of operating partnership links of any kind, and particularly at a distance, are well documented in the sector, but we are confident that we have in place sufficiently robust processes for approval and ongoing monitoring of the links, and shall ensure that we continue to learn from dialogue with other HEIs and the relevant agencies in the UK and abroad.

# OPERATING & FINANCIAL REVIEW

## Quality and standards

The Academic Standards and Quality Committee and the collaborative partnership have seen a very busy year in terms of the validation of new courses and the approval of new partnership arrangements with a variety of providers in the UK and abroad. There are still some concerns that we are each year adding significantly to our overall course and module provision without ensuring that we cease delivery in areas which are in decline, and further work is needed in this direction. This will be taken onboard as part of our new academic planning process from September 2007.

We have prepared a response for the Quality Assurance Agency's 'Mid-Cycle Review' following the Institutional Audit of 2005, and are confident that we have made progress towards addressing all of the recommendations contained in the Audit Report.

The cycle of Thematic Reviews of aspects of our provision has continued, with recommendations made to Academic Board (and to the University Executive) on enhancement of our systems and practices. One review focused on the English writing skills of University students, and the outcome has been the establishment of a Centre for Academic Writing to provide support for those students in need of assistance in improving the quality of their written English.

## Teaching and Learning

We have seen a number of successes in achieving external recognition of our work: a member of University staff has been awarded a National Teaching Fellowship, continuing our run of successes in this area, and we have also secured funding for a National Teaching Fellowship project on undergraduate student research. The Centre for Active Learning at Francis Close Hall campus has continued its work in engaging with colleagues in other faculties to create a shared understanding of active learning and its implications for the development of the curriculum.

There has been enhanced focus on the quality of the student experience, and a Leadership Foundation Fellowship project was successfully completed, which evaluated the student academic support systems within the devolved

faculty structure and made recommendations for modifications to our current practice. This was taken forward as part of a Change Academy event (supported by the Leadership Foundation for Higher Education) and will inform our thinking as we put in place enhanced support systems during 2007-8. Further enhancements to the student support systems which underpin academic delivery are critically important if we are to maintain and develop our position in an increasingly demanding student market.

We have demonstrated our commitment to more flexible patterns of teaching and learning through the appointment of a Director of Flexible Learning, who will lead our development of flexible and 'all-age' learning and take us forward as we attempt to interpret and address the messages emerging from Government with regard to 'employer engagement' and 'co-funded' study. The development of this agenda provides significant challenges, not least the need to ensure that our campuses are increasingly geared up to meet the requirements of students who do not form part of the 'standard' 18-21 undergraduate cohort.

## Research

Work has continued on preparation for the Research Assessment Exercise 2008, which has included a detailed evaluation of the quality of the research output in each of the Units of Assessment to which we hope to submit. The Pedagogic Research and Scholarship Institute has developed well and has already been the focus of successful bids for external funding. We have also established a Sustainability Research Institute, and a Director of the Institute / Professor of Sustainability has been appointed and will join us in October 2007. This will assist us greatly in developing this key part of the University's development strategy.

The staff base of the Countryside and Community Research Unit (CCRU) has been expanded as we move towards agreement with the University of the West of England on the establishment of a Countryside and Community Research Institute as part of a joint venture. A Director of the Institute has been appointed and is located with the other staff of the CCRU on the University's Park Campus.

A Postgraduate Research Centre has been established to provide improved support for

postgraduate research students and a more consistent approach to research degree policies and strategy. A Head of Centre has been appointed following internal advertisement and interview. The Centre should provide an invaluable resource for current and prospective research students and for the four faculties of the University.

We have continued to work on a new Research Strategy as part of the University's new Strategic Development Plan, and strategic funding has been made available for the development of research across the institution from 2007 on. The establishment of the Postgraduate Research Centre (see above) has been an early step in that development. The challenge remains, however, of ensuring a closer relationship between research and knowledge exchange, and this must be a key priority for 2007-8.

## Knowledge Exchange (KE)

The Centre for Enterprise and Innovation has continued its role in leading KE strategy and policy, and has ensured the maintenance of our external profile in engaging in regional networks, including Gloucestershire First. The funding from the Higher Education Innovation Fund (HEIF) and Knowledge Exploitation South West (KESW) has been partly diverted to the four faculties to secure enhanced ownership of the KE agenda.

It has been difficult to follow the success of last year in securing new Knowledge Transfer Partnerships (KTPs), although we retain an enviable national position, in particular in the light of the size and discipline make-up of the institution. A total of more than 20 KTPs remains a commendable achievement.

The Project Implementation and Management System (PIMS) is now embedded across the institution and has resulted in the generation of a significantly improved contribution from KE activity. The system has been the subject of internal audit and will continue to be modified as we seek to improve our KE turnover.

We are continuing to develop the relationship between research and KE and to develop far more effectively the synergies between the two. This will be taken forward as we develop the research and KE policies within the University's overall strategic plan.

# OPERATING & FINANCIAL REVIEW

## SECTION 3: STAFF

The University places high priority on effective recruitment, retention and development policies and seeks to operate in a way which promotes safe, healthy and sustainable working practices.

The University seeks to work in partnership with the University's trade unions, UCU and UNISON, and Management Common Interest Group. Many developments are easy to take for granted but they do, nevertheless, provide an important contribution to the current and future welfare of all members of staff and, indirectly, students. Examples during 2006-7 have included:

- the completion of the application of formal job evaluation using HERA (Higher Education Role Analysis) thus objectively ensuring equal pay for work of equal value. Where the work was completed after 1 August 2006 any resulting increases in salary were back dated to 1 August 2006;
- the introduction of new arrangements for considering applications for accelerated increments which apply to all staff;
- the introduction of additional contribution points to all salary grades for all staff and the consideration of applications;
- harmonisation of sick leave and pay schemes, and holiday leave;
- development of arrangements for post graduate assistants (PGAs);
- the development of comprehensive Flexible Working Arrangements which include a range of work-life balance options including job sharing, career breaks, flexitime and flexible hours;
- revised retirement arrangements to respond to the Employment Equality (Age) Regulations 2006;
- revised arrangements for maternity, adoption and carers entitlements to respond to the Work and Families Act 2006;
- a limited number of voluntary redundancy opportunities using the agreed Avoidance of Redundancy Procedures to help the University rebalance its staffing and ensure sustainable workloads;

- the implementation of the first year of the nationally agreed three year pay settlement which runs from August 2006 to July 2009. In 2006-7 this included general increases of 3% from 1 August 2006 and a further 1% from 1 February 2007. Increases in the remaining two years are 3% from 1 August 2007, 3% from 1 May 2008 and 2.5% (or RPI if higher) from 1 October 2008;
- the formal transfer of all staff from the previous unincorporated trust to the new University company on 1 August 2007 under TUPE regulations.

Our partnership with the trade unions and Management Common Interest Group is seen nationally as an example of good practice and we are committed to continuing to enhance this approach to the benefit of staff and students.

Pay costs represent a high proportion of total expenditure and are closely managed.

A staff perception survey was undertaken during the year carried out by Priority Research Ltd, who also undertook the previous survey in 2003. The survey considered employees' satisfaction with their jobs, training and development, working environment, physical environment, leadership and management, and communications and information.

Although the results are currently being evaluated, the overall result shows an increase in satisfaction levels from the 2003 survey, from 68% to 76%. This result is also higher than the level of staff satisfaction typically found in similar HE surveys (67%).

Staff Numbers (University)	Full-Time Equivalent
Male	397
Female	517
<b>Total</b>	<b>914</b>

Contract Types (University)	Full-Time Equivalent
Full-Time	666
Part-time	189
Part-time hourly paid	38
Fee Based	22
<b>Total</b>	<b>914</b>



# OPERATING & FINANCIAL REVIEW

## SECTION 4: PHYSICAL INFRASTRUCTURE

During the year the University continued its development programme with capital investment of £10.8 million.

The major expenditure was the extension of the Oxstalls campus in Gloucester which became operational in September 2007. This development provided new accommodation designed to support informal and group learning, together with significant enhancements to sports laboratory and research facilities.

The second area of major planned expenditure was development of residential accommodation and additional teaching space at the Urban Learning Foundation in London; however, this project was delayed with a further review of the business case for the development. Work began on site in June 2007 with an anticipated completion for September 2008.

Residential accommodation at Pittville was upgraded, and in September 2006 Regency Hall, new student accommodation in the centre of Cheltenham, was opened providing 99 ensuite study bedrooms with telephone and internet access.

The swimming pool at Hardwick was finally written off as costs of reinstatement were considered prohibitive. Fullshaw Lodge, a peripheral building in Cheltenham, was sold.

Work continued on a range of maintenance programmes.

The revised priorities emerging from the Strategic Plan and the subsequent academic plans will result in a fundamental review of the Estates Strategy, and work on this will take place during 2007-8.

In the National Student Survey, Learning Resources scored highest of all categories, particularly access to general IT resources. This reflects the ongoing investment in facilities and services. Technological change provides many challenges, and it is inevitable that the University will need to continue to prioritise use of resources in adapting its services to take advantage of new technology. Current areas of development are communications and access to services through

expanding wireless connection areas, pod casting and increasing use of PDAs and 3G phones.

ICT was also used to support the creation of an imaginative learning environment in the Oxstalls development.

A new Library Management System introduced in August 2006 has improved direct services to students for both access to books and to electronic resources.

The University has also invested in a substantial upgrade to its telephony service which will enable improved handling of voice and data traffic.

The physical infrastructure was affected by the severe weather conditions experienced in the summer, with flood damage to some of the Oxstalls campus. Water ingress following heavy rain earlier in the year also affected Park and Pittville campuses. Despite these events, facilities were restored for September 2007. With these experiences, the University is undertaking a reassessment of the physical location of key plant and equipment.

Overall, investment was lower than budgeted, both as a result of delays in the ULF project and in response to the reduced cash generation from lower than budgeted recruitment. Planned investment over the next five years is estimated at a level of 5-6% of insurance replacement values, although the proposed re-evaluation of the Estates Strategy will possibly change priority expenditure areas.

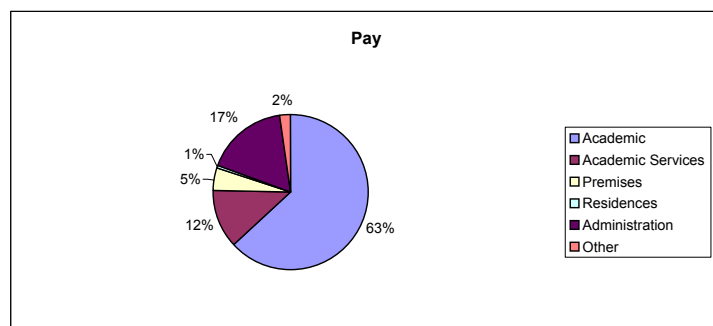
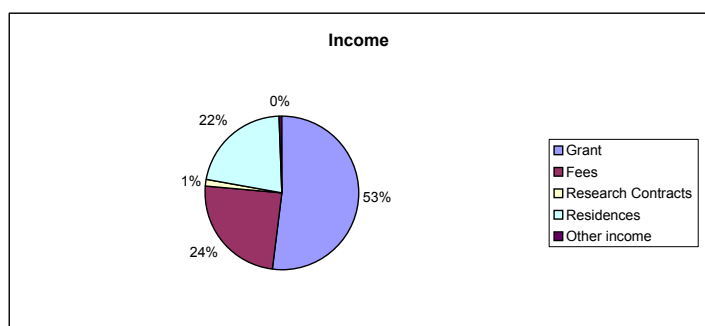
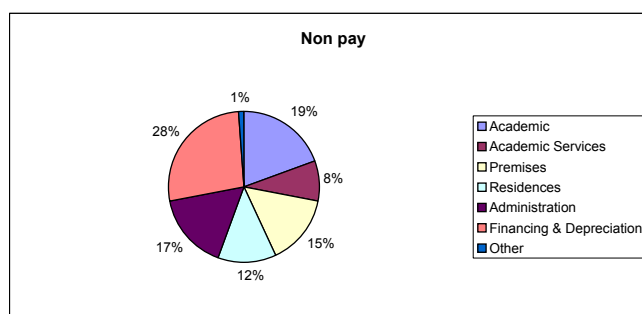
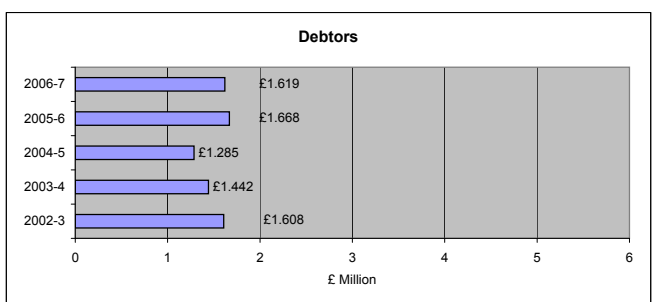
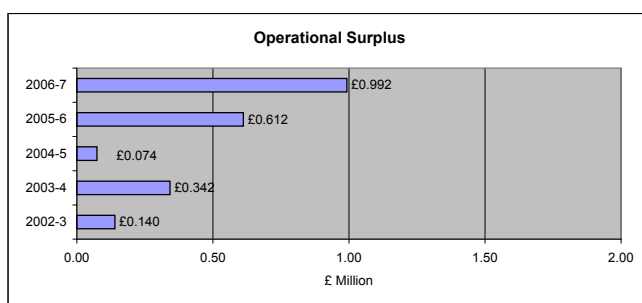
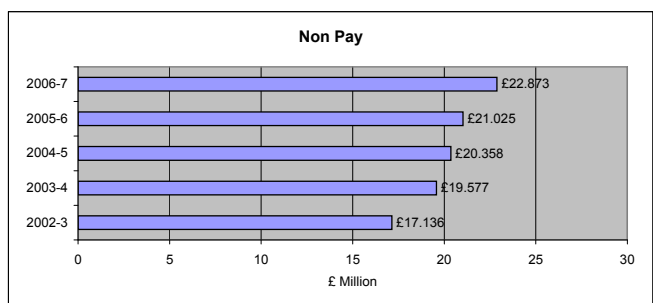
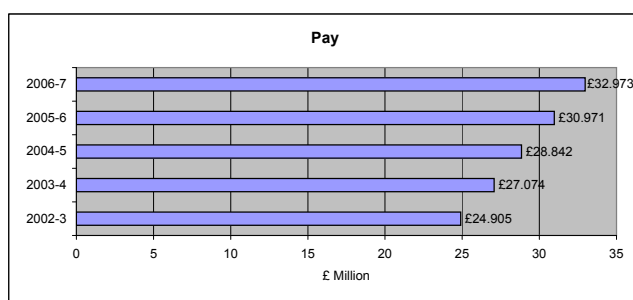
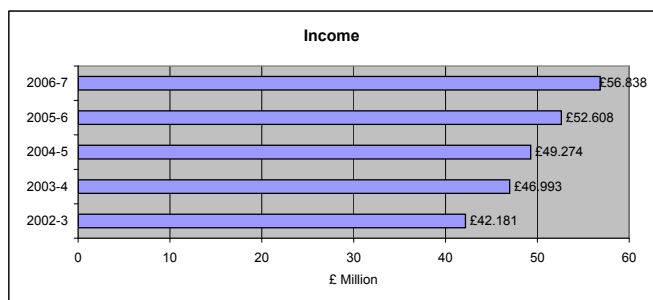


# OPERATING & FINANCIAL REVIEW

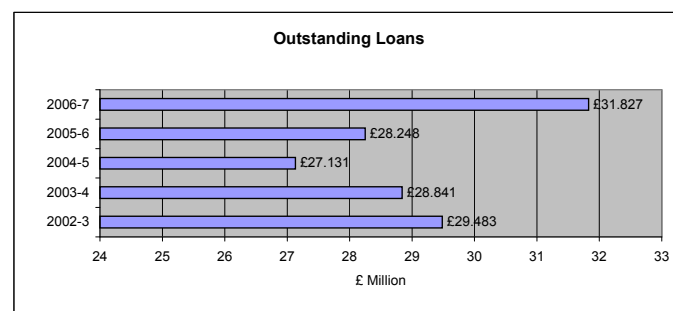
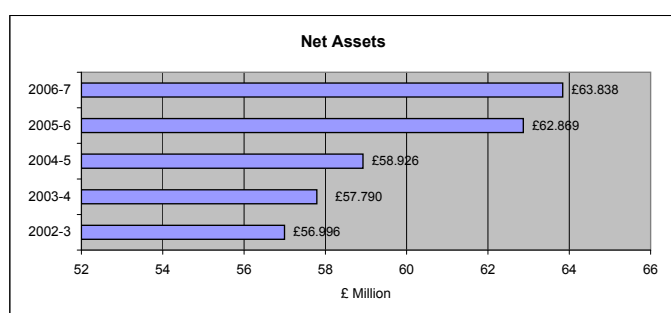
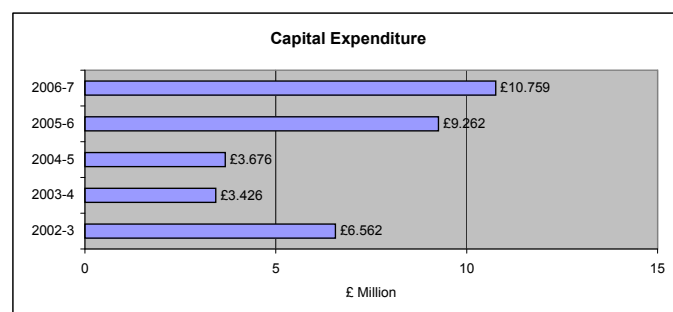
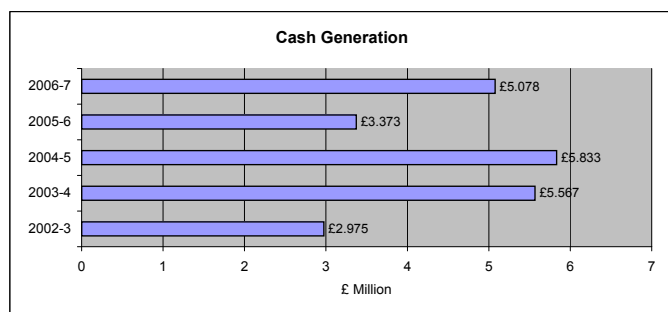
## SECTION 5: FINANCIAL

### Five-Year Trends

Excluding the impact of the Gloucestershire County Council Superannuation Scheme retirement benefits, an explanation of which can be found in note 32 to the financial statements, the charts below set out changes in the University's financial position over the last 5 years.

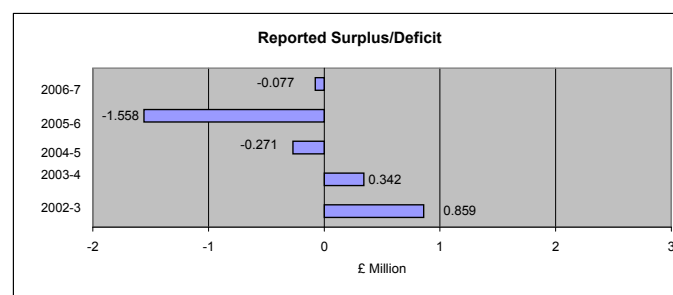


# OPERATING & FINANCIAL REVIEW



The chart for the operational surplus taking into account the effects of FRS17: Retirement Benefits, fixed asset impairment charges and the costs of restructuring is shown opposite.

The results show steady increases in income, offset by growth in pay and, to a lesser extent, non pay. The most significant change is the increase in capital expenditure funded through increased debt, to support the continued development of the University's physical infrastructure.



## Review of the Year

The University has reported a deficit of £77,000 for the year under review, after taking into account impairment costs, profit on property sale, and the impact of reporting requirement for pensions.

	2007	2006
	£000	£000
Consolidated operating surplus before exceptional items	<b>380</b>	116
Consolidated operating surplus is after crediting:		
Adjustment to grant release	-	499
Profit on sale of fixed assets	<b>873</b>	-
And after charging:		
Gloucestershire County Council Superannuation Scheme retirement benefit costs	<b>(612)</b>	(496)
Exceptional items:		
Reorganisation costs	-	(1,178)
Fixed asset impairment charges	<b>(457)</b>	(496)
Consolidated deficit on continuing operations after depreciation of fixed assets at valuation and exceptional items	<b>(77)</b>	(1,558)

# OPERATING & FINANCIAL REVIEW

## Operating performance

The main influence on performance for the year was a shortfall against budget of recruitment of postgraduate, part time and overseas students. Although some of this adverse variation was offset by additional income from other contracts, the additional work resulted in increased pay costs. Nevertheless, the budget was achieved, before the impact of reporting requirement for pensions, as a result of the reduction in capital expenditure which depressed depreciation charges and required less in terms of cost of debt.

Tuition fee income has risen substantially following the introduction of variable fees, and it is pleasing to record that recruitment has not been adversely affected. This increase has been offset by bursary payments amounting to 30% of the additional income.

## Other income and expenditure

An impairment charge of £457,000 arose from the writing down of the swimming pool which is now uneconomic to return to use.

The sale of Fullshaw Lodge generated a profit of £873,000.

The Gloucestershire County Council Superannuation Scheme charge has risen to £612,000 (2005-6: £496,000) reflecting changes in actuarial assumptions and current service costs.

## Balance Sheet

The increase in fixed assets is mainly as a result of the development at Oxstalls. This has also contributed to a reported growth in net current liabilities which reflects capital expenditure funded from internal resources which will be mitigated by the drawdown of the remaining loan facility of £3.6 million early in 2007-8.

Long term borrowing has also increased to support investment in the University's infrastructure.

The pension liability has decreased by nearly £3 million, primarily to reflect an actuarial gain based on changes in assumptions arising from options to commute a proportion of future pension payments. Changes to the Gloucestershire County Council Superannuation

Scheme have been made which are intended to reduce the pressure on scheme fundability. The reduction in the revaluation reserve arises from the transfer of the revaluation components of the properties sold or impaired.

## Cash flow

Cash generation from operations has improved from last year. This is mainly due to the impact in 2005-6 of reorganisation costs.

## Sustainability

The University is planning to increase its surplus over the next three years whilst continuing to invest in key operational areas as determined by the Strategic Plan. The current stability in full time undergraduate recruitment, which has also been realised in September 2007, will allow the University to benefit from the introduction of variable fees but the primary financial threat will come from changing demographics and the possible removal of the cap on fees.

## Changes in Reporting

In accordance with Financial Reporting Standard 18: Accounting Policies, the University has reviewed its accounting policies to ensure that they remain appropriate.

The University has introduced an asset component life-cycle methodology for depreciation.

## Investments

The University manages its investment portfolio through Barclays Wealth, brokers. The portfolio performance is reported to, and monitored by, the Finance and General Purposes Committee on a regular basis. The portfolio has stabilised and has now reported an improvement in three successive years.

The University has adopted an ethical investment policy which states that there should be no investment in companies or organisations associated with tobacco, armaments or abuses of human rights or which, in the view of the fund manager, conflict with values espoused by the University. The governing body will regularly consider whether there is a need to revise this policy statement.

## Payment of Creditors

The University is a member of the Gloucestershire Development Agency's Gloucestershire Voluntary Payment Charter. The University will continue 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.

## Post Balance Sheet Events

The University was managed as an unincorporated trust until 31 July 2007. From 1 August 2007 it has operated as a company limited by guarantee, incorporated under the Companies Act 1985. The company is an exempt charity with HEFCE as its principal regulator. The members of the University Council are both members and directors of the new company. All assets and liabilities of the previous trust, except the permanent endowed properties, have been transferred to the new company. The title to the permanent endowed properties is held by the company as trustee of the charity. Transfer of all staff from the previous unincorporated trust to the new company took place on 1 August 2007 under TUPE regulations.

David Setchell retired as Chair of the Governing Body on 31 August 2007. Anthony McClaran was appointed Chair from 1 September 2007. Patrick Brooke resigned from the University Council on 28 August 2007.

The balance of the outstanding loan facility of £3.6 million was drawn down in October 2007.

The University has purchased a new finance and procurement system which became operational in October 2007.





# OPERATING & FINANCIAL REVIEW

## SECTION 6: CORPORATE RESPONSIBILITY

### Environment

Significant progress has been made against the plan that was set out in 2005, when the University achieved certification to the international environmental management standard ISO 14001:2004, displaying the University's ongoing commitment to improving the management of its environmental impacts over time. Performance in respect of the University's significant environmental impacts is outlined in the following sections with progress against the plan summarised in tables at the end.

The University received no environmental enforcement notices or prosecutions during the period and there were no significant environmental incidents. Improvements in the University's environmental performance during the period include:

- Reductions in energy consumption through energy efficiency measures, achieving a 26.9% reduction in carbon output against baseline figures
- An increase in the amount of waste being recycled to 17.6%, and an 18.6% reduction in the amount of waste going to landfill.

### Environmental Key Performance Indicators

Climate change is the single biggest environmental challenge we face and there are increasing demands for organisations to account for their environmental performance. In the UK, however, there are no rules on how this should be done and organisations are able to choose how and what they report, making stakeholders vulnerable to 'green wash'. In order to avoid this, and to be consistent in future reporting, the University reporting is based on the Defra's publication, *Environmental Key Performance Indicators, Reporting Guidelines for UK Business*, and uses the related *Guidelines to Defra's GHG conversion factors for company reporting* updated in June 2007.

The Guidelines set out 22 environmental KPIs, but state that the majority of companies will only need to report on 5 or fewer. Those relevant to the University are:

- Greenhouse Gases (KPI 1) – direct emissions from the on-site combustion of natural gas and oil and indirect emissions from purchased 'grid' electricity and water use;
- Waste (KPI 12) – recycling, recovery and landfill.

Where available, comparisons with 2005-6 are given.

#### Greenhouse Gases (Defra KPI 1)

Direct (from the on-site combustion of natural gas and oil) 1,593 tonnes of CO<sub>2</sub>.

Indirect (from purchased 'grid' electricity) 68 tonnes of CO<sub>2</sub>.

#### Emissions comprise the following gases:

	2006-7	2005-6
Carbon dioxide	86%	-
Methane	6%	-
Nitrous Oxide	6%	-
Hydrofluorocarbons	2%	-

#### Waste – recycling, recovery and landfill (Defra KPI 12)

	2006-7	2005-6
Total waste arising	626 tonnes	726 tonnes
Waste to landfill	516 tonnes	634 tonnes
Waste recycled	110 tonnes	92 tonnes
Recycling Rate	18%	13%

#### Recycled waste comprised:

	2006-7	2005-6
Cardboard	7 tonnes	-
Plastics	5 tonnes	-
Paper	78 tonnes	-
Cans	3 tonnes	-
Glass	17 tonnes	-

The University publishes an annual environment report providing further details of the University's performance and in particular its progress towards meeting its targets across a range of activities, including curriculum development, utilities, waste management and transport.

### Education for Sustainable Development (ESD)

Substantial work has been completed in the year with the introduction of a staff development programme for ESD. An audit of ESD activity was followed by the publication of a book *Greener by Degrees; Exploring Sustainability through Higher Education Curricula*.

The Quality Assurance Handbook has been updated to reflect ESD in course validation requirements, and there is now a stipulation to report on ESD as part of Annual Reviews.

Further developments are planned following the appointment of a Professor of Sustainability.

### Community

Community engagement continues to flourish through key partnerships and a developing sponsorship programme.

The University is sponsoring a new community charity being established by Cheltenham Town Football Club and has agreed a sponsorship package with the Cheltenham Festivals, providing a platform for further developments.

The University has joined Business in the Community (BiTC) and will be developing a corporate responsibility policy, working with other organisations across Gloucestershire.

### Equality & Diversity

The University has developed a full suite of equality plans across disability, race and gender. A rolling programme of Equality Impact Assessments (EIAs) is taking place.

Progress is monitored by the Equality and Diversity Committee which consists of representatives from all parts of the University.

During the course of the coming year the University anticipates developing a single equality scheme to mirror the establishing of the Commission for Equality and Human Rights.

The University continues to be a key partner in the national Aim Higher initiative and delivers a range of outreach projects with schools and other community partners.

# OPERATING & FINANCIAL REVIEW

## SECTION 7: CORPORATE GOVERNANCE

### Responsibilities of the University's Council

In accordance with the University's Articles of Government, the Council is responsible for the strategic direction, administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enables it to ensure that the financial statements are prepared in accordance with the the Statement of Recommended Practice on Accounting in Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council of the University, through its designated officer holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, the Training and Development Agency for Schools, and the Learning and Skills Council are used only for the

purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council for England and any other conditions which the Funding Council may from time to time prescribe;

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The corporate governance statement summarises how the University's system of internal control aims to discharge these responsibilities. In 2006-7 the Council carried out a review of its effectiveness in accordance with the Committee of University Chairmen (CUC) guidance was satisfied that Council was effective in carrying out its responsibilities and the requirements of the Governance Code of Practice and the Statement of Primary Responsibilities.

### Disclosure of information to auditors

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

- so far as each Member of Council is aware, there is no relevant information needed by the University's auditors in connection with preparing their report which the University's auditors are unaware; and,
- 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 auditors are aware of that information.

### 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.

The University's Council comprises lay and academic persons appointed under the University's Articles of Government, the majority of whom are non-executive. The roles of Chair and Vice-Chair of Council are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the Articles of Government of the University.

It has also adopted the revised Guide for Governors prepared by the Council for University Chairmen. The Council specifically holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies. The Council meets four times a year; and has several Committees. The structure includes (inter alia) a Finance and General Purposes Committee, Governance and Nominations Committee, Audit Committee, Employment Committee and a Remuneration Committee. All of these committees are constituted with formal terms of reference and membership.

The Finance and General Purposes Committee headed by the Chair of Council recommends inter alia to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets on a regular basis; it also approves major project decisions and monitors progress. In addition it recommends formal authorisation levels for expenditure, project approval and tendering.

The Governance and Nominations Committee led by the Chair of Council recommends inter alia to the Council any matters of Governance and performance measurement arising from its remit. It also makes recommendations for Council vacancies in the category of Business, Commercial and Industrial members.

# OPERATING & FINANCIAL REVIEW

The Audit Committee operates within the HEFCE Audit Code of Practice and is, therefore, responsible for meeting with the External Auditors, at least twice annually, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the University's systems of risk management and internal control, together with management's response and implementation plans, and ensures that the University's Financial Regulations & Procedures remain effective through Internal Audit comment and periodic review. The Committee recommends the appointment of External and Internal Auditors to Council. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence with the regulatory requirements. It reviews the University's financial statements together with the regulatory requirements and accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Employment Committee is responsible to the Council for the formulation of human resource strategy, policies and procedures.

The Remuneration Committee recommends to the Council the remuneration, terms, and conditions and all other benefits of the directorate and all staff who are the direct responsibility of the Council.

All committees' terms of reference include the consideration of Equal Opportunities and Risk arising from their work.

All Committees have reviewed their terms of reference and membership and have made appropriate recommendations to the Council.

## Statement of Internal Control

The guidance provided by the Turnbull Committee and HEFCE has provided a useful platform on which the Council can continue to formalise the effectiveness of its system of internal control within its existing framework of corporate governance. The Council recognises that the requirement of the Combined Code as applied to the University includes the need to:

- maintain a sound system of internal control to safeguard stakeholders' investment and University assets;
- at least annually, conduct a review of the effectiveness of the system of internal control and report to stakeholders that it has done so. The review should cover all controls including financial, operational and compliance controls and also risk management.

The Council is satisfied that good progress has been made in this direction and recognises the responsibilities of the Council members in this regard. The Council also recognises that the system of internal control can only provide reasonable and not absolute assurance that the University will not be hindered in achieving its objectives and in the orderly and legitimate conduct of its activities. The Council also recognises that a system of internal control cannot provide protection with certainty against a failure to achieve objectives or against all material errors, losses, fraud or breaches of laws or regulations.

The University has continued to develop its processes for maintaining a sound system of internal control. It has established a basis for reporting on the effectiveness of its systems of internal control, which builds on the good governance practice already implemented. Development of this reporting is considered to be a progressive and continuous process, which will draw on the work of the Turnbull Committee and HEFCE guidance.

The University has a Risk Management Policy, which seeks to control the potential causes of loss or damage to which the University is exposed by:

- embedding risk management in University procedures;
- carrying out a formal review by Council of risk and its likelihood and impact and of internal control systems.

The Risk Management Policy is achieved by:

- recognition of existing risk assessment activities;
- formalising risk assessment in project management and appraisal;
- reviewing risk as part of the Strategic Planning process;
- specific monitoring and reporting of risk management activities;
- reporting changes in the assessment of risk as a result of changing conditions;
- promoting risk awareness amongst University staff through review processes;
- developing documentation to recognise control of risk and provision of suitable information;
- incorporating a specific risk management role into the remits of University Committees.

Within this policy framework, University Committees oversee the implementation and operation of the objectives and the process set out above by:

- considering risk and recommending or implementing arrangements by which it can be minimised;
- overseeing the implementation of risk improvements and monitoring the results.

An internal audit report presented to the Audit Committee in June 2004 concluded that the University had established a robust framework for corporate governance and risk management. It identified that the University needed to develop its review of risk to consider its risk appetite. In considering this issue, the Council instigated a broader review of risk management in the University with the intention of further enhancing the Council's understanding of the risks facing the University, the controls in place for managing

# OPERATING & FINANCIAL REVIEW

them, and the processes by which the Council receives assurance. Resulting from this review the Council established a revised reporting procedure, which concentrated on reporting high-level risk to the Council. Performance Indicators have been developed to provide appropriate quantifiable evidence of the status of the risks to assist in their management. These are presented to the Council at each of its meetings.

During the year under review and up to the date of approval of the financial statements the Council continued to monitor the University's Risk Management Policy.

The outcomes of Committee considerations are reported as recommendations to Council for amendments to the risk register. Audit Committee reviews and determines the assurances of which it requires to be confident, and effectiveness of the risk management process and internal audit programme in order to identify any concerns in terms of assurance, which might need to be addressed.

This includes ongoing refinement of the process to allow greater understanding of the factors or combinations of factors, which could trigger each risk. In 2006-7 the University established a cycle of engagement between risk managers and the Audit Committee to provide the Committee with an opportunity to explore further areas of concern or uncertainty.

The Audit Committee has considered the role of internal audit in the context of risk management and the level of assurance it would seek in order to be able to make an internal control statement to the Council. It identified the need for a risk based approach to audit and tendered for the provision of internal audit services to reflect this change in approach. Internal audit reports now include specific comments on implications of audit recommendations for the University's Risk Register.

The Strategic Planning process within the University includes the consideration of risk at School and Department level and the monitoring of Performance Indicators at local level.

The Strategic Plan is normally reviewed by the Council on an annual basis. In addition to the oversight of the Strategic Plan and monitoring of progress, the Council formally reviews risk and internal control systems. It also receives, either directly or through its Committees, regular reports from management on key developments and has established a programme of presentations by senior managers on specific areas of activity.

The Council is informed by comments and reports made by internal and external auditors and by auditors from other bodies such as HEFCE. Through its Committees, it also receives annual reports on various University activities and processes including insurance and procurement. In addition the University regularly assesses its

performance against self-assessment guidelines issued by, amongst others, HEFCE, and these are received by Council or its Committees.

The Audit Committee gives an opinion annually to Council on whether assurance can be given that the systems and controls of the University and its subsidiaries are working as intended to promote economy, efficiency and effectiveness.

The Council has reviewed the budget for the year to 31 July 2008 and financial forecasts for the following three years. Based on information and knowledge available to the Council in carrying out this review the Council has reasonable expectation that the University will continue in operational existence for the foreseeable future. For this reason the Council continues to adopt the going concern basis for preparing the accounts.



Anthony McClaran  
Chair of Council



Professor Patricia Broadfoot  
Vice-Chancellor



# INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF GLOUCESTERSHIRE

We have audited the financial statements of the University of Gloucestershire for the year ended 31 July 2007 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated statement of historical costs surpluses and deficits, the balance sheet, the consolidated cash flow statement and the notes to the financial statements. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the Council. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' 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 University and the University's Council for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the Council and Auditors

The Council's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and

whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England and Training and Development Agency.

We also report to you if, in our opinion, the Operating and Financial Review is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Operating and Financial Review. Our responsibilities do not extend to any other information.

## Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice of the state of affairs of the University as at 31 July 2007, and of the deficit of income over expenditure for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.
- In all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency, and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied only for the purposes for which they were received.
- In all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England

## GRANT THORNTON UK LLP

Registered Auditors  
Chartered Accountants  
Birmingham

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

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

# FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2007

## 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 Changes in financial reporting

There have been no changes in financial reporting for the year under review.

### 4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the University, Fullwood Park Limited, Foundation Services Limited, the University of Gloucestershire Students' Union, the Janet Trotter Trust and the Cheltenham and Gloucester College Development Trust Limited for the financial year to 31 July 2007.

Cheltenham & Gloucester College Primary Research Company Limited, Cheltenham & Gloucester College Development Trust Limited, Foundation Services 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.

The transfer of the net assets of the Urban Learning Foundation on 31 December 2003 has been accounted for as a merger under the accounting provisions for public-interest entities.

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

### 5 Grants

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

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

Capital building grants are capitalised and released as follows:

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

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

### 6 Recognition of income

Income from Specific Endowments and Donations, Research Grants including RAE related Contracts and Other Services Rendered, where the contract or grant covers a period extending beyond the current financial year is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

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

Tuition fees and other income are credited to revenue in the period to which the activity generating the income arises. Accordingly, fees received in advance are carried forward to the relevant period.

Income due to 3rd 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 FRS15, 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.

### 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.

# FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2007

The lives used for this purpose are:

		Pre July 2006 Acquisitions	Post July 2006 Acquisitions
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
Apparatus and equipment		5 years	5 years
Plant	Up to 1994-1995	10 years	
Plant	From 1994-1995	20 years	Component life 10-30 years
Computer equipment		3 years	Component life 4-15 years
Motor vehicles		5 years	5 years
Furniture, fixtures and fitting		10 years	Component life 10-15 years

Freehold land is considered to have an indefinite life and is not depreciated.

## 9 Stocks

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

## 10 Taxation

The University is established as a Charitable Trust with the Instrument and Articles of Government approved by the Secretary of State for Education and Science under the Education Reform Act 1988 and in the case of the Instrument, by the Charity Commission. The University is not subject to income tax, corporation tax and capital gains tax on the basis that the various exemptions available to Charitable Trusts will apply 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 and Foundation Services Limited are liable for UK corporation tax. The companies have agreed to pay the lower of its accounting and tax profits to the University of Gloucestershire, which is a registered charity, under corporate gift aid regulations introduced April 2000.

## 11 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 can be readily ascertained, the investment is stated at cost except where a permanent diminution of value has taken place.

## 12 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.

## 13 Interest Payable and Financial Instruments

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

## 14 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.

# FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2007

The University has adopted in full the requirements of FRS17 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 a defined contribution schemes.

## 15 Repairs and maintenance costs

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

## 16 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.

## 17 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.

## 18 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.

## 19 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.



# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2007

<b>Income</b>	Notes	<b>2007 £000</b>	2006 £000
Funding Council grants	1	<b>29,578</b>	29,333
Tuition fees and education contracts	2	<b>13,906</b>	10,784
Research grants and contracts	3	<b>716</b>	709
Other income	4	<b>12,363</b>	11,366
Endowment and investment income	5	<b>275</b>	416
<b>Total income</b>		<b>56,838</b>	52,608
<b>Expenditure</b>			
Staff costs	6	<b>33,358</b>	31,207
Depreciation	10	<b>3,881</b>	3,652
Other operating expenses	7	<b>16,925</b>	15,435
Interest payable	8	<b>2,294</b>	2,198
Exceptional items:			
Fixed asset impairment	9	<b>457</b>	496
Reorganisation costs	9	-	1,178
<b>Total Expenditure</b>		<b>56,915</b>	54,166
Deficit on continuing operations after depreciation of fixed assets at valuation and exceptional items		<b>(77)</b>	(1,558)

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

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2007

	Notes	2007 £000	2006 £000
Deficit on continuing operations after depreciation of fixed assets at valuation and exceptional items		(77)	(1,558)
Unrealised loss on exchange	20	(7)	(5)
Revaluation of endowment asset investments	12	77	74
Endowment gains	12	100	39
Total recognised gain/(loss) for the year		93	(1,450)
Actuarial pension gain/(loss)		3,339	(257)
<b>Total recognised gain/(loss) since last accounts</b>		<b>3,432</b>	<b>(1,707)</b>
<b>Reconciliation</b>			
Opening reserves and endowments		36,203	37,910
Total recognised loss since last accounts		3,432	(1,707)
<b>Closing reserves and endowments</b>		<b>39,635</b>	<b>36,203</b>
<b>Closing reserves and endowments:</b>			
Endowments		2,084	1,907
Revaluation Reserves		14,801	16,820
Income & Expenditure Account		22,750	17,476
		<b>39,635</b>	<b>36,203</b>

# CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2007

	Notes	2007 £000	2006 £000
Deficit on continuing operations after depreciation of fixed assets at valuation and exceptional items		(77)	(1,558)
Difference between the historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	20	1,107	1,035
<b>Historical cost surplus/(deficit) for the year</b>		<b>1,030</b>	<b>(523)</b>

# BALANCE SHEET AS AT 31 JULY 2007

	Notes	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
<b>Fixed Assets</b>					
Tangible assets	10	99,623	93,641	99,222	93,540
Investments	11	5	5	5	5
		<u>99,628</u>	<u>93,646</u>	<u>99,227</u>	<u>93,545</u>
<b>Endowment assets</b>	12	<u>2,084</u>	<u>1,907</u>	<u>1,766</u>	<u>1,615</u>
<b>Current Assets</b>					
Stocks		109	111	100	98
Debtors	13	2,998	3,312	3,052	3,278
Investments	27	1,318	3,449	1,315	3,446
Bank and cash in hand	27	1,037	148	560	(432)
		<u>5,462</u>	<u>7,020</u>	<u>5,027</u>	<u>6,390</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(10,651)</u>	<u>(9,483)</u>	<u>(10,247)</u>	<u>(9,150)</u>
<b>Net current liabilities</b>		<u>(5,189)</u>	<u>(2,463)</u>	<u>(5,220)</u>	<u>(2,760)</u>
<b>Total assets less current liabilities</b>		<b>96,523</b>	<b>93,090</b>	<b>95,773</b>	<b>92,400</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(30,884)</b>	<b>(27,827)</b>	<b>(30,884)</b>	<b>(27,827)</b>
<b>Provision for liabilities and charges</b>	16	<b>(1,791)</b>	<b>(2,394)</b>	<b>(1,791)</b>	<b>(2,394)</b>
<b>Net Assets before Pension Liability</b>		<u><b>63,848</b></u>	<u>62,869</u>	<u><b>63,098</b></u>	<u>62,179</u>
<b>Pension Liability</b>	32	<b>(7,991)</b>	<b>(10,718)</b>	<b>(7,991)</b>	<b>(10,718)</b>
<b>TOTAL NET ASSETS</b>		<b>55,857</b>	<b>52,151</b>	<b>55,107</b>	<b>51,461</b>
<b>Deferred capital grants</b>	17	<u><b>16,222</b></u>	<u>15,948</u>	<u><b>16,222</b></u>	<u>15,948</u>
<b>Specific endowments</b>	18	<u><b>2,084</b></u>	<u>1,907</u>	<u><b>1,766</b></u>	<u>1,615</u>
<b>Reserves</b>					
Revaluation reserve	19	14,801	16,820	14,801	16,820
General reserve	20	22,750	17,476	22,318	17,078
		<u><b>37,551</b></u>	<u>34,296</u>	<u><b>37,119</b></u>	<u>33,898</u>
<b>TOTAL FUNDS</b>		<b>55,857</b>	<b>52,151</b>	<b>55,107</b>	<b>51,461</b>

The Financial Statements on pages 20-47 were approved by the Council of the University of Gloucestershire on 28 November 2007, and were signed on its behalf by:



Anthony McClaran  
Chair of Council



Professor Patricia Broadfoot  
Vice-Chancellor

# CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

	Notes	Consolidated 2007 £000	Consolidated 2007 £000	Consolidated 2006 £000	Consolidated 2006 £000
<b>Net cash inflow from operating activities</b>	25		<b>5,078</b>		<b>3,373</b>
<b>Returns on investment and servicing of finance</b>					
Income from short term investments	5	97		161	
Other interest received	5	178		159	
Interest paid	8	(1,516)		(1,393)	
Interest element of finance lease rentals	8	(778)		(805)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(2,019)</b>		<b>(1,878)</b>
<b>Tax paid</b>			-		-
<b>Investing activities</b>					
Payment to acquire tangible assets (other than lease equipment)		(10,759)		(9,262)	
Payment to acquire asset investments	11&12	(387)		(495)	
Total payments to acquire fixed assets and asset investments		(11,146)		(9,757)	
Receipts from the sales of tangible assets		1,304		-	
Receipts from the sale of investment assets		181		1,205	
Deferred capital grants received	17	1,651		6,652	
Endowments received	18	130		89	
<b>Net cash outflow from capital expenditure and investments</b>			<b>(7,880)</b>		<b>(1,811)</b>
<b>Net cash outflow before use of liquid resources and financing</b>			<b>(4,821)</b>		<b>(316)</b>
<b>Management of liquid resources</b>	27		<b>2,131</b>		<b>(960)</b>
<b>Financing</b>					
Capital element of finance lease repayments	26	(63)		(54)	
Mortgages and loans capital repayments	26	(358)		(1,040)	
Mortgages and loans acquired	26	4,000		1,768	
<b>Net cash inflow from financing</b>			<b>3,579</b>		<b>674</b>
<b>Increase/(decrease) in cash</b>			<b>889</b>		<b>(602)</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

	Notes	2007 £000	2006 £000
<b>1 Funding Council grants</b>			
Recurrent grant		28,200	27,894
Specific grant			
Redundancy compensation		60	58
Deferred capital grants			
Buildings	17	375	493
Equipment	17	943	888
		29,578	29,333
<b>2 Tuition fees and education contracts</b>			
Full-time EU students		9,916	6,582
Full-time overseas students		1,785	2,057
Part-time EU students		1,566	1,593
Other (short course) fees		622	531
UK Further Education students		17	21
		13,906	10,784
<b>3 Research grants and contracts</b>			
Research Councils		162	72
UK based charities		59	27
European Commission grants		142	39
Other grants and contracts		353	571
		716	709
<b>4 Other income</b>			
Residences, catering and conferences		5,451	5,347
Deferred capital grants released in the year	17	59	374
Other services rendered		1,201	723
Profit on sale of fixed assets		873	-
Other income		4,779	4,922
		12,363	11,366
<b>5 Endowment and investment income</b>			
Income from specific endowment asset investments		97	144
Dividends from investments		-	17
Profit on disposal of endowment investment assets		-	96
Other interest received		178	159
		275	416

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

	2007 £000	2006 £000
<b>6 Staff</b>		
Staff Costs		
Wages and salaries	27,502	25,848
Social security costs	2,176	2,075
Other pension costs	3,295	3,048
Gloucestershire County Council Superannuation Scheme retirement benefits	385	236
	<b>33,358</b>	31,207
Staff numbers	<b>Numbers</b>	Numbers
Academic	560	566
Administrative	348	352
Other including manual	27	29
Total Staff numbers	<b>935</b>	947
The staff numbers above relate to full time equivalents including senior post holders		
Senior post holders including the Vice-Chancellor	<b>£000</b>	£000
The remuneration paid to senior post holders including pension contributions:		
Emoluments including benefits in kind £Nil (2006: £518)	516	491
Pension contributions	72	68
	<b>588</b>	559
Senior post holders including the Vice-Chancellor	<b>Numbers</b>	Numbers
	5	5
Emoluments of the Vice-Chancellor:	<b>£000</b>	£000
Salary including benefits in kind of £Nil (2006: £518)	147	154
Pension contributions	21	21
	<b>168</b>	175
The number of higher paid staff who received emoluments (excluding pension contributions) in the following ranges was:		
£70,001 - £80,000	<b>Numbers</b>	Numbers
	4	-
£80,001 - £90,000	-	4
£90,001 - £100,000	4	-
£140,001 - £150,000	1	-
£150,001 - £160,000	-	1
	<b>9</b>	5

The Chair and other non-executive members of Council receive no emoluments.

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

	2007 £000	2006 £000
<b>7 Other operating expenses</b>		
Consumable and non-capital items	866	686
Academic administration	306	345
Books and periodicals	760	726
Rents and premises	3,078	2,907
Heat, light, water and power	903	888
Repairs and general maintenance	1,289	1,259
Staff development and training	521	390
Staff travel and subsistence	1,191	1,051
Student travel and subsistence	932	826
Student recruitment, scholarships and prizes	1,439	625
Postage, telephone, printing and reprographics	744	773
Finance, insurance and banking	360	183
Professional fees	1,395	1,346
Course franchising and partnerships	817	761
Purchases for resale	1,213	1,500
Equipment operating lease rentals	191	215
Other expenses	803	831
	<b>16,808</b>	15,312
Auditors' professional fees:		
Auditors' remuneration – University	34	45
Auditors' remuneration – Other group	8	15
Auditors' remuneration – Non-audit services	11	2
Internal Auditors' remuneration	64	61
	<b>117</b>	123
<b>Total other operating expenses</b>	<b>16,925</b>	15,435
<b>8 Interest Payable</b>		
Loans not wholly repayable within five years	1,289	1,133
Finance lease	778	805
Pension finance and interest costs	227	260
	<b>2,294</b>	2,198



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

	Staff Costs	Depreciation	Other operating expenses	Interest Payable	Exceptional Items	Total
	£000	£000	£000	£000	£000	£000
<b>9 Analysis of expenditure by activity for the year</b>						
Academic departments	20,779	2,591	4,286	-	-	27,656
Academic services	4,016	165	1,933	-	-	6,114
Research grants and contracts	299	-	173	-	-	472
Residences, catering and conferences	191	698	2,810	655	-	4,354
Premises	1,555	29	3,480	1,639	-	6,703
Administration	5,795	347	3,794	-	-	9,936
Other expenses	723	51	449	-	-	1,223
Fixed asset impairment	-	-	-	-	457	457
<b>Total consolidated income and expenditure account</b>	<b>33,358</b>	<b>3,881</b>	<b>16,925</b>	<b>2,294</b>	<b>457</b>	<b>56,915</b>

## Exceptional items

Fixed asset impairment charges of £457,000 arose from the writing down of the Hardwick swimming pool as costs of reinstatement were considered prohibitive.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## 10 Tangible fixed assets

	Freehold Land and buildings	Short Leasehold land and buildings	Equipment	Leased Equipment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
<b>a) Consolidated</b>						
<b>Cost/valuation</b>						
At beginning of year	86,963	7,924	24,252	531	4,838	124,508
Additions at cost	1,169	-	2,219	-	7,371	10,759
Transfers at cost	4,831	-	163	-	(4,994)	-
Disposals at cost	(440)	-	(113)	-	(27)	(580)
At year end	92,523	7,924	26,521	531	7,188	134,687
<b>Depreciation and Impairment</b>						
At beginning of year	10,036	1,162	19,138	531	-	30,867
Charge for the year	1,739	129	2,013	-	-	3,881
Impairment	457	-	-	-	-	457
Disposals at cost	(41)	-	(100)	-	-	(141)
At year end	12,191	1,291	21,051	531	-	35,064
<b>Net Book Value</b>						
At year end	80,332	6,633	5,470	-	7,188	99,623
At beginning of year	76,927	6,762	5,114	-	4,838	93,641
<b>b) University</b>						
<b>Cost/valuation</b>						
At beginning of year	86,963	7,924	23,806	531	4,834	124,058
Additions at cost	1,169	-	2,083	-	7,167	10,419
Transfers at cost	4,831	-	163	-	(4,994)	-
Disposals	(440)	-	-	-	(27)	(467)
At year end	92,523	7,924	26,052	531	6,980	134,010
<b>Depreciation and Impairment</b>						
At beginning of year	10,036	1,162	18,789	531	-	30,518
Charge for the year	1,739	129	1,986	-	-	3,854
Impairment	457	-	-	-	-	457
Disposals	(41)	-	-	-	-	(41)
At year end	12,191	1,291	20,775	531	-	34,788
<b>Net Book Value</b>						
At year end	80,332	6,633	5,277	-	6,980	99,222
At beginning of year	76,927	6,762	5,017	-	4,834	93,540

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## 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 University 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 FRS15 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	
	2007 £000	2006 £000
Cost	76,075	70,925
Aggregate depreciation based on cost	10,033	8,684

## 11 Investments

### a) Investments

#### Cost/valuation

	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
At beginning of year	5	773	5	773
Additions at cost	-	79	-	79
Disposals	-	(847)	-	(847)
At end of year	5	5	5	5

### b) Investment in subsidiary companies

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

<b>12 Endowment asset investments</b>	<b>Consolidated 2007 £000</b>	Consolidated 2006 £000	<b>University 2007 £000</b>	University 2006 £000
<b>a) Investments</b>				
<b>Cost/valuation</b>				
At beginning of year	1,907	1,794	1,615	1,523
Additions at cost	387	416	350	386
Disposals	(287)	(377)	(276)	(368)
Revaluation	77	74	77	74
<b>At end of year</b>	<b>2,084</b>	<b>1,907</b>	<b>1,766</b>	<b>1,615</b>
<b>Represented by:</b>				
Fixed interest stocks and equities at valuation	1,259	1,108	1,259	1,108
Church of England investments and deposits	710	656	420	380
Bank balances	190	225	160	211
Other liabilities	(75)	(82)	(73)	(84)
<b>Total endowment asset investments at end of year</b>	<b>2,084</b>	<b>1,907</b>	<b>1,766</b>	<b>1,615</b>

## b) Endowment asset investments in group trusts

The Janet Trotter Trust is incorporated as part of the University's consolidated endowment assets. The accounts of the Janet Trotter Trust for the year to 31 July 2007 show total net assets of £311,645 (2006: £291,802) and a surplus for the year of £19,843 (2006: £21,025).

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 2007 show total net assets of £ 5,651 (2006: £94) and net incoming resources for the year of £5,557 (2006:£70).

<b>13 Debtors: amounts falling due within one year</b>	<b>Consolidated 2007 £000</b>	Consolidated 2006 £000	<b>University 2007 £000</b>	University 2006 £000
Trade debtors	1,619	1,668	1,562	1,595
Other debtors	191	343	165	301
Amounts owed by subsidiary companies	-	-	148	102
Prepayments and accrued income	1,188	1,301	1,177	1,280
<b>At end of year</b>	<b>2,998</b>	<b>3,312</b>	<b>3,052</b>	<b>3,278</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

<b>14 Creditors: amounts falling due within one year</b>	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>£000</b>	£000	<b>£000</b>	£000
Mortgages and unsecured loans	<b>860</b>	358	<b>860</b>	358
Obligations under finance leases	<b>83</b>	63	<b>83</b>	63
Payment received on account	<b>365</b>	356	<b>365</b>	356
Trade creditors	<b>1,246</b>	1,507	<b>1,056</b>	1,468
Amounts due to subsidiary companies	-	-	<b>37</b>	26
Social security and other taxation payable	<b>729</b>	798	<b>710</b>	782
Pensions	<b>409</b>	370	<b>409</b>	370
Accruals and deferred income	<b>6,959</b>	6,031	<b>6,727</b>	5,727
<b>At end of year</b>	<b>10,651</b>	9,483	<b>10,247</b>	9,150

<b>15 Creditors: amounts falling due after one year</b>	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>£000</b>	£000	<b>£000</b>	£000
Mortgages and loans secured on residential and other property and fixed investment assets	<b>23,560</b>	20,380	<b>23,560</b>	20,380
Unsecured loans	<b>514</b>	554	<b>514</b>	554
	<b>24,074</b>	20,934	<b>24,074</b>	20,934
Obligations under finance leases	<b>6,810</b>	6,893	<b>6,810</b>	6,893
	<b>30,884</b>	27,827	<b>30,884</b>	27,827

	Balance due less than 1 year £000	Balance due within 1 & 2 years £000	Balance due within 2 & 5 years £000	Balance due more than 5 years £000
The maturity profile of the loans at 31 July 2007 was as follows:	860	862	2,537	20,675

The University renegotiated its loans with the Royal Bank of Scotland in December 2005, resulting in a consolidation of existing loans plus an additional borrowing facility giving a total of £23 million. The new arrangement has extended the loan to December 2030 and comprises a mix of variable, fixed term and discounted rates at LIBOR +0.45%. The University has at the balance sheet date drawn £19,325,000 of the new facility.

There are two loans with the Bank of Scotland, one of which has a fixed rate of 6.783% to December 2008 before reverting back to variable rate LIBOR + 1.500% and one at a variable rate of LIBOR + 1.250%.

The University has an unsecured loan with the Central Board of Finance of the Church of England, which is fixed to maturity December 2017 at a rate of 4.68%.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## 16 Provisions

	Consolidated & University Pensions £000	Consolidated & University Restructuring £000	Consolidated & University Total £000
At beginning of year	1,749	645	2,394
Utilised during the year	(229)	(645)	(874)
Transfer from income and expenditure account	179	92	271
<b>At end of year</b>	<b>1,699</b>	<b>92</b>	<b>1,791</b>

## 17 Deferred capital grants

	Consolidated & University Funding Councils £000	Consolidated & University Other grants & benefactions £000	Consolidated & University Total £000
At beginning of year			
Buildings	11,499	2,536	14,035
Equipment	1,905	8	1,913
<b>Total</b>	<b>13,404</b>	<b>2,544</b>	<b>15,948</b>
Cash received			
Buildings	1,059	25	1,084
Equipment	567	-	567
<b>Total</b>	<b>1,626</b>	<b>25</b>	<b>1,651</b>
Released to income and expenditure			
Buildings	(375)	(59)	(434)
Equipment	(943)	-	(943)
<b>Total</b>	<b>(1,318)</b>	<b>(59)</b>	<b>(1,377)</b>
At end of year			
Buildings	12,183	2,502	14,685
Equipment	1,529	8	1,537
<b>Total</b>	<b>13,712</b>	<b>2,510</b>	<b>16,222</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

<b>18 Specific endowments</b>	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>£000</b>	£000	<b>£000</b>	£000
At beginning of year	<b>1,907</b>	1,794	<b>1,615</b>	1,523
Donations	<b>130</b>	89	<b>107</b>	71
Revaluation of endowment asset investments	<b>77</b>	74	<b>77</b>	74
Income for the year	<b>70</b>	94	<b>56</b>	82
Transferred to income and expenditure account	<b>(100)</b>	(144)	<b>(89)</b>	(135)
<b>At end of year</b>	<b>2,084</b>	1,907	<b>1,766</b>	1,615
<b>Representing:</b>				
Fellowships and scholarship prizes	<b>124</b>	110	<b>124</b>	110
Prize funds	<b>78</b>	77	<b>78</b>	77
Other funds	<b>1,882</b>	1,720	<b>1,564</b>	1,428
	<b>2,084</b>	1,907	<b>1,766</b>	1,615
<b>19 Revaluation reserve</b>				
	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Revaluations</b>				
At beginning of year	<b>25,005</b>	25,299	<b>25,005</b>	25,299
Transfer to income and expenditure account from sale of investments	-	(62)	-	(62)
Transfer to income and expenditure account due to the impairment of fixed assets	<b>(512)</b>	-	<b>(512)</b>	-
Transfer to income and expenditure account due to the sales of fixed assets	<b>(400)</b>	(232)	<b>(400)</b>	(232)
At end of year	<b>24,093</b>	25,005	<b>24,093</b>	25,005
<b>Contributions to depreciation</b>				
At beginning of year	<b>(8,185)</b>	(7,150)	<b>(8,185)</b>	(7,150)
Released in year	<b>(1,107)</b>	(1,035)	<b>(1,107)</b>	(1,035)
At end of year	<b>(9,292)</b>	(8,185)	<b>(9,292)</b>	(8,185)
<b>Revaluation reserve</b>				
<b>At end of year</b>	<b>14,801</b>	16,820	<b>14,801</b>	16,820
At beginning of year	<b>16,820</b>	18,149	<b>16,820</b>	18,149

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

<b>20 General reserve</b>	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>£000</b>	£000	<b>£000</b>	£000
At beginning of year	<b>17,476</b>	17,967	<b>17,078</b>	17,685
Deficit after depreciation of fixed assets at valuation	<b>(77)</b>	(1,558)	<b>(111)</b>	(1,674)
Unrealised loss on exchange	<b>(7)</b>	(5)	<b>(7)</b>	(5)
Unrealised actuarial gain/(loss) on pensions	<b>3,339</b>	(257)	<b>3,339</b>	(257)
Release from revaluation reserve: sale of investments	-	62	-	62
Release from revaluation reserve: sale of fixed assets	<b>400</b>	232	<b>400</b>	232
Release from revaluation reserve: impairment of fixed assets	<b>512</b>	-	<b>512</b>	-
Release from revaluation reserve: depreciation contribution	<b>1,107</b>	1,035	<b>1,107</b>	1,035
<b>At end of year</b>	<b>22,750</b>	17,476	<b>22,318</b>	17,078
Balance represented by:				
Pension Reserve	<b>3,339</b>	(257)	<b>3,339</b>	(257)
Income & Expenditure Account Reserve excluding Pension Reserve	<b>19,411</b>	17,733	<b>18,979</b>	17,335
<b>At end of year</b>	<b>22,750</b>	17,476	<b>22,318</b>	17,078
<b>21 Lease obligations</b>	<b>Consolidated</b>	Consolidated	<b>University</b>	University
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>£000</b>	£000	<b>£000</b>	£000
Obligations under finance leases for land and buildings	<b>£000</b>	£000	<b>£000</b>	£000
falling due as follows:				
Within 1 year	<b>83</b>	63	<b>83</b>	63
Between 2 and 5 years	<b>611</b>	531	<b>611</b>	531
Over 5 years	<b>6,199</b>	6,362	<b>6,199</b>	6,362
	<b>6,893</b>	6,956	<b>6,893</b>	6,956
Operating lease commitments expiring:				
Within 1 year	<b>31</b>	45	<b>30</b>	45
Between 2 and 5 years	<b>45</b>	48	<b>40</b>	42
	<b>76</b>	93	<b>70</b>	87
Representing:				
Land and buildings	-	-	-	-
Other operating leases	<b>76</b>	93	<b>70</b>	87
	<b>76</b>	93	<b>70</b>	87



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

<b>22 Capital commitments</b>	<b>Consolidated 2007 £000</b>	Consolidated 2006 £000	<b>University 2007 £000</b>	University 2006 £000
Authorised but not contracted				
<b>At end of year</b>	<b>15,717</b>	15,300	<b>15,700</b>	15,300
<b>23 Contingent liabilities</b>				
<b>At end of year</b>	<b>292</b>	292	<b>292</b>	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.

## 24 Post balance sheet events

The University was managed as an unincorporated trust until 31 July 2007. From 1 August 2007 it has operated as company limited by guarantee, incorporated under the Companies Act 1985. The company is an exempt charity with HEFCE as its principal regulator. The members of the University Council are both members and directors of the new company. All assets and liabilities of the previous trust, except the permanent endowed properties, have been transferred to the new company. The title to the permanent endowed properties is held by the company as trustee of the charity. Transfer of all staff from the previous unincorporated trust to the new company took place on 1 August 2007 under TUPE regulations.

David Setchell retired as Chair of the Governing Body on 31 August 2007. Anthony McClaran was appointed Chair from 1 September 2007. Patrick Brooke resigned from the University Council on 28 August 2007.

The balance of the outstanding loan facility of £3.6 million was drawn down in October 2007.

The University has purchased a new finance and procurement system which became operational in October 2007.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

<b>25 Reconciliation of consolidated operating surplus to net cash from operating activities</b>	<b>2007</b>	2006
	<b>£000</b>	£000
Deficit on continuing operations after depreciation of fixed assets at valuation	<b>(77)</b>	(1,558)
Depreciation	<b>3,881</b>	3,652
Impairment loss on fixed assets (buildings)	<b>457</b>	498
Profit on disposal of fixed assets (buildings)	<b>(873)</b>	-
Loss on sale of fixed assets (equipment)	<b>7</b>	-
Net investment income from specific endowments	<b>70</b>	59
Profit on sale of endowment assets	<b>7</b>	-
Profit on sale of investment assets	<b>-</b>	(90)
Unrealised loss on exchange	<b>(7)</b>	(5)
Deferred capital grants released to income	<b>(1,377)</b>	(1,755)
Investment income	<b>(275)</b>	(320)
Interest payable	<b>2,294</b>	2,198
Capitalised loan interest	<b>-</b>	443
Gloucestershire County Council Superannuation Scheme actuarial gain/(loss)	<b>3,339</b>	(257)
(Decrease)/increase in Gloucestershire County Council Superannuation Scheme pension provision	<b>(2,727)</b>	753
Decrease/(increase) in stocks	<b>2</b>	(4)
Decrease/(increase) in debtors	<b>314</b>	(314)
Increase/(decrease) in creditors less than 1 year	<b>646</b>	(182)
(Decrease)/increase in provisions	<b>(603)</b>	255
<b>Net cash inflow from operating activities</b>	<b>5,078</b>	3,373

<b>26 Financing</b>	Finance Leases	Mortgages & Loans
	£000	£000
At beginning of prior year	6,983	20,148
Capital repayments	(54)	(1,040)
Net amounts acquired in the prior year	-	1,768
Capitalised interest	27	416
At beginning of year	6,956	21,292
Capital repayments	(63)	(358)
Net amounts acquired in the year	-	4,000
<b>At end of year</b>	<b>6,893</b>	<b>24,934</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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

	<b>Consolidated 2007 £000</b>	Consolidated 2006 £000	<b>Change in year £000</b>
<b>Consolidated</b>			
Short term investments	1,318	3,449	(2,131)
Bank balances	1,037	148	889
	2,355	3,597	(1,242)
<b>University</b>			
Short term investments	1,315	3,446	(2,131)
Bank balances	560	5	555
Bank overdrafts	-	(437)	437
	1,875	3,014	(1,139)

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

	<b>Consolidated 2007 £000</b>	Consolidated 2006 £000
Increase/(decrease) in cash in the period	<b>889</b>	(602)
(Decrease)/increase in short term deposits	<b>(2,131)</b>	960
Net repayment of debt	<b>(3,579)</b>	(674)
Capitalised interest	-	(443)
Change in net debt	<b>(4,821)</b>	(759)
At beginning of year	<b>(24,651)</b>	(23,892)
<b>At end of year</b>	<b>(29,472)</b>	(24,651)

## 29 Analysis of changes in net debt

	<b>At beginning of year £000</b>	<b>Cash flows £000</b>	<b>Other changes £000</b>	<b>At end of year £000</b>
Cash at bank and in hand	148	889	-	1,037
Short term deposits	3,449	(2,131)	-	1,318
Debts due within 1 year	(421)	421	(943)	(943)
Debts due after 1 year	(27,827)	(4,000)	943	(30,884)
	<b>(24,651)</b>	<b>(4,821)</b>	-	<b>(29,472)</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## 30 Access to Learning Fund

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

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

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

	£000
Balance unspent at beginning of year	100
Funds received in the year	279
Interest received	4
	383
Disbursed to students	(323)
Administration fees	(8)
Balance unspent at end of year	52

## 31 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 2007 there were no material transactions between the University of Gloucestershire and any related parties.

## 32 Pension Schemes

### (a) Teachers' Pension Scheme

Academic staff contribute to the Teachers' Pension Scheme (TPS) which is valued every 5 years by the Government Actuary and was last valued at 31 March 2001. The Government Actuary's report of March 2003 revealed that total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £142,880 millions. The value of assets (estimated future contributions together with the proceeds from notional investments held at the valuation date) was £142,880 millions. The assumed real rate of return is 1.8% in excess of prices and 0.3% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 4.6%.

A copy of the TPS financial statements for 2006-7 and the Government Actuary's report can be found on the Department for Education and Skill's web site at [www.dfes.gov.uk/aboutus/reports](http://www.dfes.gov.uk/aboutus/reports)

Contributions are paid by the University at the rate specified by the Government Actuary. The employers' contribution is currently 14.1%, effective from 1 February 2007 (2006: 13.5%). The Scheme is administered by Teachers' Pensions and is a defined benefit scheme and is externally funded.

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

	2007	2006
	£000	£000
Contributions to Teachers' Pensions	1,933	1,826

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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## (b) Universities Superannuation Scheme

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

The institution 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 FRS17 '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 actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have been the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% 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. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pensions Protected Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if the USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate of 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment.

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 participating employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £30,116 (2006: £nil). This includes £3,113 (2006: £nil) outstanding contributions at the balance sheet date. The contribution rate payable by the university was 14% of pensionable salaries.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## (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 2004 by a qualified independent actuary, Hymans Robertson and projected forward to 31 July 2007.

Latest actuarial valuations	31 March 2004
Market value of assets at date of last valuation	£637m
Investment returns per annum	6.30%
Salary scale increases per annum	4.25%
Pension increases per annum	2.90%
Price Inflation	2.90%
University contribution rate	14.30%

The major assumptions used by the Actuary were:	31 July 2007	31 July 2006	31 July 2005
Rate of increase in salaries	4.80 %	4.60 %	4.30 %
Rate of increase in pensions in payment	3.30 %	3.10 %	2.80 %
Discount rate (after retirement)	5.80 %	5.10 %	5.00 %
Inflation assumption	3.30 %	3.10 %	2.80 %

The Actuary has provided the assets and liabilities data for the purposes of FRS17 disclosures. The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected 31 July 2007	Value £000 31 July 2007	Long-term rate of return expected 31 July 2006	Value £000 31 July 2006	Long-term rate of return expected 31 July 2005	Value £000 31 July 2005
Equities (UK & Overseas)	8.00 %	620,200	7.70 %	538,100	7.30%	491,100
Bonds	5.20 %	230,000	4.70 %	219,300	4.70%	198,200
Property	6.00 %	93,000	5.70 %	62,300	5.40%	46,300
Cash	5.10 %	17,400	4.80 %	22,900	4.50%	19,800
		960,600		842,600		755,400

The assets attributable to the University were:

	Value 31 July 2007 £000	Value 31 July 2006 £000	Value 31 July 2005 £000
Equities (UK & Overseas)	15,122	12,682	10,699
Bonds	5,609	5,168	4,317
Property	2,267	1,467	1,008
Cash	424	539	432
	23,422	19,856	16,456

The following amounts at 31 July 2007, 31 July 2006 and 31 July 2005 were measured in accordance with the requirements of FRS17:

	31 July 2007 £000	31 July 2006 £000	31 July 2005 £000
Total market value of assets	23,422	19,856	16,456
Actuarial value of scheme liabilities	(31,413)	(30,574)	(26,421)
Deficit in the scheme-Net pension liability	(7991)	(10,718)	(9,965)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

The following amounts have been recognised in the performance statements in the year to 31 July 2007 under the requirements of FRS17:

	2007 £000	2006 £000
<i>Analysis of amounts charged to the Income &amp; Expenditure Account</i>		
Current service cost	1,787	1,504
Past service cost	-	1
Loss due to curtailments	48	-
	1,835	1,505
<i>Other finance income</i>		
Expected return on pension scheme assets	(1,382)	(1,100)
Interest on pension scheme liabilities	1,609	1,360
Net charge to other finance income	227	260
<b>Total Income &amp; Expenditure charge before taxation</b>	<b>2,062</b>	<b>1,765</b>
<i>Statement of total recognised gains and losses (STRGL)</i>		
Gain on assets	585	951
Experience gain/(loss) arising on the Scheme Liabilities	8	(3)
Gain/(loss) on change of assumption	2,746	(1,205)
Actuarial gain/(loss) recognised in STRGL before taxation	3,339	(257)
<i>Movement in deficit during the year</i>		
Deficit in scheme at beginning of the year	(10,718)	(9,965)
Movement in the year:		
Current service cost	(1,787)	(1,504)
Employer Contributions	1,400	1,219
Contributions in respect of Unfunded Benefits	50	50
Past service cost	-	(1)
Impact of Settlements and Curtailment	(48)	-
Net Return on Assets	(227)	(260)
Actuarial gain/(loss)	3,339	(257)
Deficit in scheme at end of the year	(7,991)	(10,718)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

History of Experience Gains and Losses:	Year to July 2007	Year to July 2006	Year to July 2005	Year to July 2004	Year to July 2003
	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets	585	951	1,825	349	(231)
Value of assets	23,422	19,856	16,456	13,058	10,656
<b>Percentage of assets</b>	2.5%	4.8%	11.1%	2.7%	(2.2%)
Experience gains/(losses) on liabilities	8	(3)	(905)	14	-
Total present value of liabilities	31,413	30,574	26,421	20,728	18,185
<b>Percentage of the total present value of the liabilities</b>	0.0%	0.0%	(3.4%)	0.1%	-
Actuarial gains/(losses) recognised in the STRGL	3,339	(257)	(1,950)	329	(1,599)
Total present value of liabilities	31,413	30,574	26,421	20,728	18,185
<b>Percentage of the total present value of the liabilities</b>	10.6%	(0.8%)	(7.4%)	1.6%	(8.8%)

The actuarial valuation for FRS 17 at 31 July 2007 showed decrease in the deficit from £10,718,000 to £7,991,000.

## Details of experience gains and losses for the year to 31 July 2007

	2007	2006
	£000	£000
Difference between the expected and actual return on scheme assets:		
Gain	585	951
Percentage of scheme assets at the end of the period	2.5%	4.8%
Total amount recognised in the statement of recognised gains and losses:	£000	£000
Gain/(deficit)	3,339	(257)
Percentage of the present value of the scheme liabilities	10.6%	0.8%

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:-	2007	2006
	£000	£000
Contributions to the Gloucestershire County Council Superannuation Scheme	1,400	1,219

## Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in pension scheme. Consequently, the valuation of the University's retirement benefit liabilities as at 31 July 2006 does not include any allowance for this change to the pension scheme.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

## (d) Church of England Funded Pensions Scheme

The University of Gloucestershire participates in the Church of England Funded Pensions Scheme and employs 2 members of the Scheme out of a total membership of approximately 10,000 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. The latest valuation of the Scheme was carried out as at 31 December 2003. This revealed a shortfall of £91 million, with assets of £196 million and a funding target of £287 million, assessed using the following assumptions:

Investment returns	6.80% pa
Increase in pensionable stipends	3.80% pa
Pension increases	3.80% pa

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the University of Gloucestershire to account for pension costs on the basis of contributions actually paid to the Scheme in the year. Following the results of the valuation, the University of Gloucestershire's contribution rate increased from 29.50% to 33.80% of pensionable stipends with effect from the 1 April 2005.

Following a subsequent informal review of the Scheme's funding position, the University of Gloucestershire's contribution rate increased again to 39.80% of pensionable stipends with effect from 1 January 2007 as an interim measure, pending the results of the next formal valuation of the Scheme as at 31 December 2006.

	2007	2006
	£000	£000
Contributions to the Church of England Funded Pensions Scheme	13	17

## (e) Other Pension Schemes

	2007	2006
	£000	£000
Contributions to other schemes	4	19

## 33 Training and Development Agency for Schools

The University, acting as agent for the Training and Development Agency for Schools, disbursed £1,458,555 (2006: £1,329,389) training bursaries to students undergoing Initial Teacher Training for the year ended 31 July 2007. The training bursaries have not been included in the Income & Expenditure account of the University.







UNIVERSITY OF  
GLOUCESTERSHIRE

at Cheltenham and Gloucester

# FINANCIAL STATEMENTS

## 2006/2007

