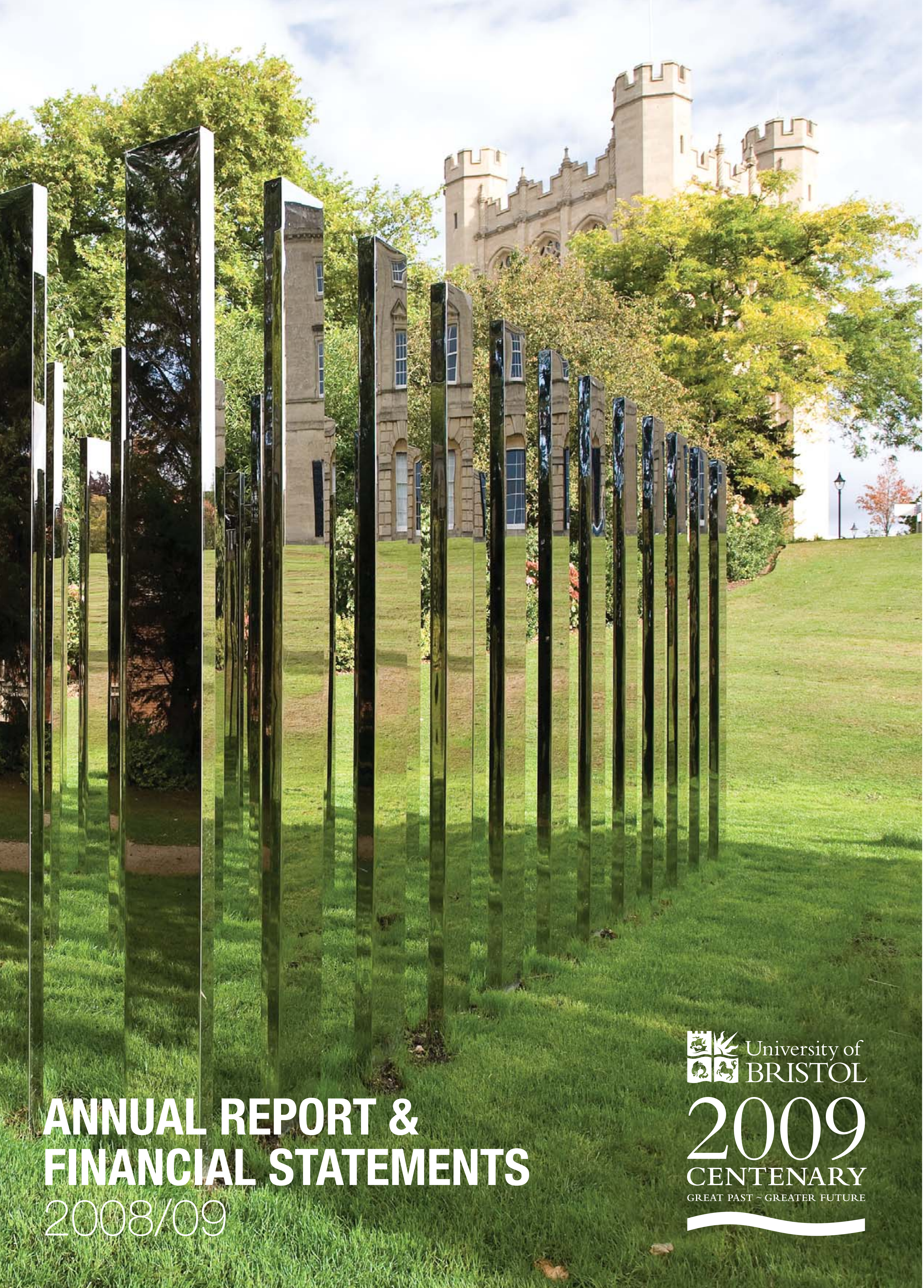


ANNUAL REPORT & FINANCIAL STATEMENTS
2008/09

University of BRISTOL

2009 CENTENARY

GREAT PAST ~ GREATER FUTURE

CONTENTS

Scope of financial statements
The consolidated financial statements cover all of the results and net assets of the University's subsidiary companies as detailed in Note 30.

Annual Review
The University publishes a separate Annual Review of the Year that provides detail of academic achievements and other University developments during 2008/09.

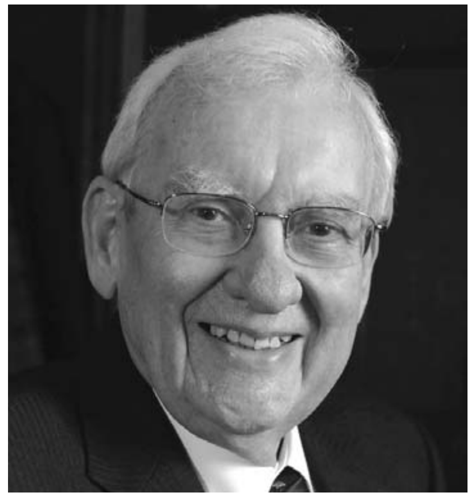
VICE-CHANCELLOR'S & CHAIRMAN OF COUNCIL'S STATEMENT

The University and the higher education sector generally have experienced a prolonged period of financial stability and growth. The financial pressures now faced by the UK government and their likely impact on the funding of the public sector, together with the impact of the current wider economic recession mean that we are now facing a period of significant financial challenge and uncertainty.

Our objective over the next few years is to continue to deliver our academic vision and continue to make substantial investments in our academic and residential estate whilst at the same time ensuring that we operate in a financially responsible and sustainable manner. This will not be easy but it is a balance that we believe we are well placed to achieve.

Professor Eric Thomas
Vice-Chancellor
20 November 2009

Mr Jim Foulds
Chairman, University Council



Top: Eric Thomas, Vice-Chancellor
Below: Jim Foulds, Chairman, University Council

OPERATING & FINANCIAL REVIEW 2008/09

Mission and strategy

Full detail of the University's strategy is set out in our **Vision & Strategy 2009-16**, which is available on our website. In summary:

Our **mission** is to pursue and share knowledge and understanding for their own sake and to help individuals and society fulfil their potential.

Our **vision** is – The University is an international powerhouse of learning, discovery and enterprise. Its vision is of a University whose excellence is acknowledged locally, nationally and globally and that is:

- Dedicated to academic achievement across a broad range of disciplines, and to continuous innovation and improvement
- Research intensive, supporting both individual scholarship and interdisciplinary or thematic research of the highest quality
- A centre for intellectually demanding, research informed education that nurtures independence of mind and helps students achieve their personal goals and service society's needs, both during and after their time here
- An inclusive and collaborative community of scholarship that attracts and retains people with outstanding talent and potential from all walks of life and all parts of the world
- A stimulating and supportive environment for all students and staff, distinguished by a commitment to high standards, respect for the individual and a strong sense of collegiality
- Committed to operating in a sustainable manner
- Engaged with society's interests, concerns, priorities and aspirations
- A major contributor culturally, environmentally and economically to Bristol and the South West
- Well led and responsibly run, with an emphasis on consultative decision making and open communication as well as personal responsibility and accountability

Organisation

The University is organised into six faculties, each led by a Dean:

- Arts
- Engineering
- Medicine and Dentistry
- Medical and Veterinary Sciences
- Science
- Social Sciences and Law

Responsibility for overall day-to-day management of the University is through the Vice-Chancellor, supported by a senior team which includes the Deputy Vice-Chancellor, the three Pro Vice-Chancellors, the Registrar and Secretary and the Finance Director.

Further details of the governance structure of the University are set out on pages 11 to 15.

Key facts – students, research and staff

	2008/09	2007/08	2006/07
Students			
Undergraduates			
– Home	11,834	11,504	11,218
– Overseas	1,129	1,012	951
Postgraduates			
– Home	3,895	3,810	3,766
– Overseas	1,286	1,334	1,197
Total student numbers	**18,144**	**17,660**	**17,132**
National Student Survey results			
Overall satisfaction levels	84%	83%	83%
Research contracts			
Income in year	£101m	£91m	£81m
Awards in year	£102m	£121m	£107m
Staff (Average full time equivalents)			
Academics	2,271	2,286	2,294
Technical	524	568	569
Administrative and operational support	2,243	2,177	2,109
Total	**5,038**	**5,031**	**4,972**
Total staff costs	**£229m**	**£211m**	**£194m**
Staff costs as a % of income	**61%**	**61%**	**62%**

OPERATING & FINANCIAL REVIEW 2008/09 CONTINUED

Financial strategy and future prospects

Over recent years the University has benefited from significant increases in income, from a combination of increased home undergraduate student fees, funding council grants and research income. These increases have enabled us to make substantial investments in both staff and new academic facilities.

In December 2008 the results of the national Research Assessment Exercise (RAE) were announced. The RAE is an independent assessment of the quality of research in UK universities carried out on behalf of the higher education funding bodies. A panel of experts produces a quality profile for each area of research within a university. The profile determines how much quality related funding will ultimately be received by that university. The 2008 assessment confirmed Bristol as one of the UK's top research universities and means a welcome increase in quality related funding in 2009/10.

Despite the RAE result, we are entering a much more challenging and uncertain financial period. The levels of funding council grants are likely to be much more constrained and our research income, from research councils, charities and industry are expected to come under pressure. At the same time, we face substantial cost pressures through increases in staff costs, pensions and the financing of a major capital investment programme.

The uncertainty means that we have to plan for a range of financial scenarios and ensure that our plans are sufficiently flexible to adapt to the external environment.

We have embarked on a programme to reduce our core operating cost base, with an initial target to achieve net savings of around £15m per annum. The first steps completed during the year included a voluntary severance and early retirement programme through which approximately 100 members of staff have left the University and will reduce costs by approximately £4m per annum for 2009/10 onwards. We are working on a programme to achieve further savings over the next two years or so and envisage that these savings will come from:

- A fundamental review of the way in which support services and processes are delivered across the University
- Review and challenge of the efficiency of delivery of our academic activities

We need to continue to make substantial capital investments in both maintaining and enhancing the academic and student facilities across the University. We are currently planning for a total investment of around £50m to £60m pa over the next decade. Of this total, around £20m pa is required to maintain the estate, equipment and IT systems. The capital investment programme will be financed by a combination of:

- Cashflow from operations
- Funding council grants
- Utilisation of £250m of long-term bank loans

Key financial facts

	2008/09 £m	2007/08 £m	Restated 2006/07 £m
Total income	373.3	347.3	314.8
Total expenditure	375.4	341.8	309.9
Exceptional items (including fundamental restructuring costs)	(3.1)	–	–
Transfer from endowment funds	1.1	0.6	0.6
(Deficit)/surplus after transfers from endowments	(4.1)	6.1	5.5
Cashflow generated from operations	19.8	25.6	18.7
Capital investment	45.2	52.3	56.7
Borrowings and cash at year end			
Gross debt	194.3	201.8	76.5
Cash and deposits	124.6	139.2	25.0
Net debt	69.7	62.6	51.5
Net assets	482.5	538.2	530.7

Financial performance 2008/09

2008/09 has been a difficult financial year. We planned for an operating surplus of £6.2m, but results were adversely affected by a number of factors including lower than expected overseas student income, a higher than budgeted 5% national pay award for staff and the costs of an early retirement/voluntary severance programme. After these factors, the actual result for the year was a deficit of £4.1m (2008: surplus £6.1m).

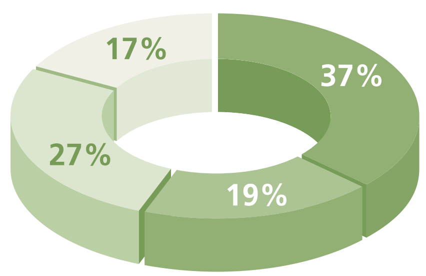
Total income for the year was £373.3m (2008: £347.3m), the £26.0m increase included:

- Funding body grants – increase of £6.3m (5%)
- Tuition fees and support grants – increase of £7.7m (12%) reflecting the third year impact of top-up fees
- Research grants and contracts – increase of £10.0m (11%)

Total expenditure was £375.4m (2008: £341.8m), the £33.6m increase included:

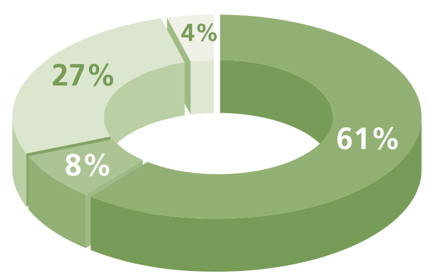
- Staff costs – increase of £17.4m (8%), including the effect of a 5% pay award from October 2008
- Other operating expenses – increases of £9.0m (10%), largely reflecting expenditure on the increased volume of research contracts

Income 2008/09



- Funding council grants
- Tuition fees and support grants
- Research grants and contracts
- Other income

Expenditure 2008/09



- Staff costs
- Depreciation
- Other operating costs
- Financing costs

OPERATING & FINANCIAL REVIEW 2008/09 CONTINUED

Capital investment and property valuation

Capital investment in the year was £45.2m (2008: £ 52.3m). Expenditure covered a large number of projects, many with relatively small individual values.

During the year we completed the £12m Centre for Nanoscience and Quantum Information building. The building is a unique, interdisciplinary centre, designed to keep Bristol at the forefront of research in science, engineering and medicine. It houses state of the art laboratories where temperature, air movement, vibration and acoustic noise levels are strictly controlled to produce conditions suitable for working at the nanoscale.

There was considerable focus during the year on the design and specification of a major new £50m Biological Sciences building. Planning permission has now been received and we anticipate construction work beginning during late 2010.

Fixed assets (mainly land and buildings) are included on the balance sheet on a revaluation basis. During the year, economic conditions have adversely affected the valuation of property and accordingly a net charge for unrealised losses, after depreciation of £12m, has been reflected within the consolidated statement of total recognised gains and losses.

Cashflow, treasury strategy and management

Cashflow from operations for the year was £19.8m (2008: £25.6m). After receipts from capital grants of £22.4m, cash outflows in respect of capital expenditure of £45.2m and loan repayments of £8.2m, net cash outflow was £14.6m.

Over the two previous years we arranged long-term bank loans for a total value of £250m. Of this, £190m has been drawn down to date. A further £40m was originally planned to be drawn down in March 2009 but with agreement from the lender this was deferred, and the remaining £60m is currently planned to be drawn down in March 2010. The loans mature in 2037 (£100m) and 2047 (£150m) and are at fixed interest rates.

In addition, the University has a Euro 20m revolving credit facility due for final repayment in 2011. At 31 July, the balance outstanding was £4.3m.

The two long-term loans and the Euro revolving facility are subject to a common set of conditions and financial covenants. The University fully complied with these requirements during the year.

Total gross debt at 31 July was £194.3m (2008: £201.8m).

At the year end, the University had cash/money market balances totalling £124.6m, bringing net debt to £69.7m (2008: £62.6m).

The Higher Education Funding Council for England (HEFCE) sets limits through its financial memorandum process for borrowing by universities. Currently HEFCE has set a net debt limit for the University of £150m. To fully utilise the long-term loans described above, the University will, in due course, seek the relevant approvals from HEFCE to increase or remove the net debt limit.

The University currently holds substantial cash balances; it invests these balances in money market deposits and financial instruments with UK banks or UK subsidiaries of overseas banks. The University operates to an agreed schedule of investment counterparties; this is based on credit ratings and other relevant factors. In the current uncertain financial banking climate, the counterparty policy has been monitored closely and amended to achieve an appropriate balance of counterparty risk and diversification. The maximum deposit term at 31 July was 2 years. With short-term interest rates at historically low levels, the University is currently earning lower interest on balances than the interest rates payable on its long-term loans. Within the constraints of the investment management approach described above, we are seeking to minimise the negative arbitrage.

The University was rated by Standard & Poors rating agency in its August 2008 annual review as AA stable. The University has decided not to renew the rating as it does not anticipate a need to raise further funds in the foreseeable future.

Endowments

The value of endowment funds fell by some 10% during the year to £41.9m (2008: £46.4m). The decline in value reflects the turmoil within the worldwide equity markets over the past 12 months.

Pensions

Pensions for the majority of the University’s staff are provided either through the University of Bristol Pension and Assurance Scheme (UBPAS) or the Universities Superannuation Scheme (USS).

UBPAS is a final salary defined benefit scheme, specifically for University of Bristol employees. On an FRS17 basis, at 31 July the scheme had assets of £119.2m and liabilities of £197.4m giving a deficit of £78.2m (2008: £35.8m). UBPAS’s triennial actuarial valuation is due as at 31 July 2009 and is currently being developed by the scheme actuary. The University anticipates a significant increase in the level of employer’s contributions to the scheme.

The funding position of UBPAS has been adversely affected by a combination of a fall in the value of investments, increases in staff pay levels, increased longevity and changes in the discount rates and inflation factors used to value scheme liabilities. Relatively small movements in discount rates and/or inflation factors have very significant impacts on the overall funding position. A summary of the increase in the FRS17 deficit for UBPAS reflects the following:

	£m
July 2008 deficit	35.8
Actuarial returns on scheme assets lower than expected	20.4
Experience losses on scheme liabilities	5.7
Changes in assumptions used to assess scheme liabilities including discount and inflation rates	13.8
Pension charge for year in excess of contributions to the scheme	2.5
July 2009 deficit	**78.2**

USS is also a final salary defined benefit scheme. It is a national multi-employer scheme providing pensions for the UK higher education sector. As USS is a multi-employer scheme, the University does not reflect a share of the assets and liabilities of the scheme on its own balance sheet. University of Bristol employees represent around 2.3% of the total active membership of USS. The last triennial actuarial valuation of the scheme was at March 2008. At that time the scheme had a technical provisions surplus of £0.7bn (103% funded) and an FRS17 surplus of £1.1m (104% funded). Since that date the funding position of the scheme has deteriorated for similar reasons to the UBPAS experience and at March 2009 the scheme specific funding basis had fallen from 103% to 74% funded and on an FRS17 basis, had fallen from 104% to 86% funded. Employer contributions to the scheme have increased by 2% to 16% of pensionable pay with effect from October 2009.

The ongoing costs and risks associated with both pension schemes is an important element of the future financial sustainability of the University.

For UBPAS we are considering a number of potential changes to the structure of the scheme to achieve a more sustainable risk and cost profile.

For USS, the constitutional structure of the scheme make changes complex, but national negotiations are under way about a series of potential changes to reduce the future cost and risks associated with the scheme.

PUBLIC BENEFIT STATEMENT

The University of Bristol is an exempt charity under the terms of Charities Act 2006.

In setting and reviewing the University's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. This statement has been included in anticipation of a formal reporting requirement likely to be introduced from 2009/10 by the Higher Education Funding Council for England (HEFCE) as the principal regulator of English higher education institutions under the Charities Act 2006.

Aims and Objectives

The overall aim of the University is that set out in the 1909 Charter, namely "the promotion of Arts, Sciences and Learning". The powers set out in the Charter make specific provisions for the advancement of education and knowledge, including:

- "To provide for instruction in such branches of learning as the University may think fit and also to make provision for research and for the advancement and dissemination of knowledge."
- "To make provision for Research and to furnish Scientific Advice for public purposes and for these objects to enter into such arrangements with other institutions or public bodies as may be thought desirable."

The University mission and strategy, summarised above and expanded further in the Vision & Strategy 2009-16, builds on the provisions and powers outlined in the Charter. Specific objectives for the year 2008/09 are given in the Corporate Planning Statement 2008, available on the University website. These objectives included:

- The enhancement of the student experience in response to the 2008 National Student Survey;
- The expansion and development of postgraduate provision through the establishment of new Graduate Schools;
- The implementation of the University's revised Access Agreement for the period from 2008/09 to 2010/11, which underlines the University's commitment to widening participation and fair access and incorporates extended eligibility for University bursary schemes and increased investment in outreach work;
- The further development of the University's portfolio of multidisciplinary research themes, including major themes of global importance;
- The further development of local and regional links in support of enterprise activities;
- The development of a new People Strategy, complementing the overall objectives in the University's Vision & Strategy and including further refinement of the University's Positive Working Environment (PWE) initiative;
- Preparations for the University Centenary, including the organisation and implementation of a wide-ranging programme of public lectures and other events for University students, staff and alumni and the local community.

The Annual Review 2008/09 provides further information on our progress and achievements against these and other objectives.

In implementing our aims and objectives, the University is guided by the values set out in its Vision & Strategy and Council is mindful of its responsibility to ensure that the University acts for the benefit of the public.

Student Admissions and Widening Participation

The University is committed to having a student body that is balanced and diverse in terms of background and experience, with all the educational and cultural benefits that this brings. We encourage applications from all those with the motivation and academic ability to thrive at Bristol, whatever their background. Each application is assessed carefully and fairly, and places are offered to applicants who have the potential to do well at Bristol. Further information on our admissions policy for both home and overseas students is available in our Admissions Principles and Procedures on the University website. In accordance with this policy, each department has produced a 'Departmental Admissions Statement' describing the selection processes for undergraduate degree programmes, which are described in our Undergraduate Prospectus.

As part of our strategy for widening participation, we have made a clear commitment to ensuring that, as fees increase, students with genuine financial need are in receipt of good advice and appropriate financial assistance. Our aim is to ensure that no student has legitimate reason to be deterred from applying to Bristol because of the costs of living and studying here. In 2008/09, the University disbursed over £5m in financial support for students from low-income groups, scholarships and bursaries. The University has a well-established programme of outreach activities designed to raise levels of attainment, aspirations and applications among under-represented groups. Further information can be found in our Access Agreement 2010/11-2013/14 and in our Widening Participation Strategy, available on the University website.

Once they are at the University, we are committed to ensuring that all our students benefit from an excellent teaching and learning experience as well as extra-curricular opportunities, including a range of community volunteering programmes, that enable students to develop as individuals and enhance future employability. We provide a range of student services to ensure student welfare and a successful passage through university life and beyond, including health services, counselling, specialist provision for disabled students, sport and exercise facilities, and careers and financial advice. Further information can be found in our Education Strategy and our Student Handbook, both available on the University website.

Environmental sustainability policy

The University believes that environmental sustainability is the foundation of wider economic and social sustainability and is an integral part of good institutional practice. We have a duty to satisfy ourselves that all our operations and activities are conducted with proper regard for the environment. We are committed to maintaining and, wherever possible, improving the quality of this environment both for the people who live and work in the University, and for the wider community now and in the future. We seek to make the most effective and efficient use of all resources, encouraging all members of the University community to develop a sustainable approach to their work. Our aims are to:

- Reduce the environmental impact of the University through better management of its resources
- Integrating environmental and sustainable principles into the University's operational procedures, educational activities and research endeavours, promoting best practice at every level
- Meet the requirements of all relevant legislation and other requirements and exceed these requirements where they best support the University's other objectives
- Adopt best practice to ensure the prevention of pollution
- Monitor and regularly review our environmental performance, and set objectives and targets to ensure continual improvement
- Communicate both internally and externally about our environmental performance, including training and awareness for staff and students

PUBLIC BENEFIT STATEMENT CONTINUED

To achieve these aims, the University will devise and implement strategies to reduce environmental impact and enhance management of resources, which will include, energy, water and waste management, sustainable purchasing, sustainable construction, transport and biodiversity. We have set ourselves targets; key ones include:

- Place the University's building stock on a path consistent with Government targets for a reduction in carbon emissions of 80% by 2050, thus 15% by 2016
- Cut the amount of waste sent to landfill to 30% by 2016 from the 2007/8 baseline figure
- Ensure that under the University's capital investment programme, we build and refurbish buildings to high environmental standards achieving "Excellent" and "Very Good" respectively, according to Building Research Establishment criteria (BREEAM)
- Develop a framework to support sustainable modes of transport to work and study at the University

Ethical investment and banking policies

Council (and as trustees of the University's endowment funds) is expected to act in the best interests of the beneficiaries of the funds for which they are responsible. The beneficiaries include the University itself, staff and students. Council's policy is to aim for the best possible financial return from investments, consistent with an appropriate risk profile and may exclude investments from their investment portfolios, if the aims of the bodies concerned are directly contrary to the objectives of their trusts. To this end, Council has approved investment and banking policies which encompass:

- Not investing the University's endowment assets in the stocks, shares, bonds or units of companies, trusts, governments or other institutions, if the aims of the bodies concerned are contrary to the research, education and wider aims or objectives of the University or their activities are illegal under UK law;
- Not investing in the stocks, shares, bonds or units of companies, trusts, governments or other institutions, if, by so doing, the wider interests of the University, in particular its ability to raise funds or obtain grants, are likely to be materially harmed;
- Not entering banking arrangements with institutions, if the aims of the institutions concerned are contrary to the research, education or wider aims or objectives of the University or if, by so doing, the wider interests of the University, in particular its ability to raise funds or obtain grants, are likely to be materially harmed.

RESPONSIBILITIES OF COUNCIL

In accordance with the Royal Charter of Incorporation 1909, the Council of the University of Bristol is responsible for the administration and management of the affairs of the University of Bristol and is required to present audited financial statements for each financial year.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University of Bristol and enable it to ensure that the financial statements are prepared in accordance with the University of Bristol Acts 1909, 1960 and 1974, the Statement of Recommended Practice: Accounting for Further and Higher Education, and all relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum which sets out the conditions of funding from the Higher Education Funding Council for England (HEFCE), Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University of Bristol and of the surplus or deficit and cash flows for that year.

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

- The most appropriate accounting policies are selected, applied consistently and regularly reviewed;
- The most appropriate estimation techniques are used;
- 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 of Bristol will continue in operation.

Council has taken reasonable steps to:

- Ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which they 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 of Bristol and prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University of Bristol's resources and expenditure.

Council recognises its responsibility for the maintenance and integrity of the University's website when publishing the financial statements through this medium and notes that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE

The following corporate governance statement provides information about the University's governance and legal structure.

Principles

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The University has complied with guidance to universities provided by the Committee of University Chairs (CUC), in particular the CUC Governance Code of Practice last issued in March 2009, save that:

- The University Council has 32 members. Council regularly reviews its size, composition and role, and has recently re-affirmed its view that it works effectively with its current membership
- Lay members' appointments to Council are managed by the Nominations Committee of Court, which is chaired by a Pro Chancellor. This is a more independent procedure than the use of a Nominations Committee chaired by the Chair of Council

Legal status of the University

The University is a chartered corporation, whose legal status derives from a Royal Charter granted in 1909. The University's objects, powers and framework of governance are set out in the Charter and supporting statutes and ordinances.

The Charter and statutes require the University to have four separate bodies, Court, Council, Senate and Convocation, each with clearly defined functions and responsibilities, to oversee and manage its activities.

For many years, the University has been an exempt charity that is not required to register with the Charity Commission. Under the Charities Act 2006, universities in England will be regulated on behalf of the Charity Commission by HEFCE.

Court

The Chancellor is the President of Court. There are some 550 members, which include officers of the University, members of Council and Senate, emeritus professors, benefactors, members of the Society of Merchant Venturers, representatives of local authorities, persons appointed by the Privy Council, persons appointed by the Chancellor of the University, representatives of other universities, local Members of Parliament, representatives of local and national bodies, and members elected by Convocation.

Court receives annual reports from Council and an annual audited statement of accounts. Court may comment on the affairs of the University, advise Council on any matter and invite Council to review a decision.

Council reports to Court and is required to take into consideration any views expressed by Court. The constitution of Court is defined by statute.

Court appoints the Chancellor, Pro Chancellors and Treasurer on the nomination of Council, appoints annually the external auditors and elects 15 lay members of Council. Court may for good cause remove members of Court or Council, other than those who are members by virtue of their office or members of the academic staff.

Court normally meets once a year in December, but may hold special meetings at the request of members. The Chancellor presides.

Council

There are 32 members of Council, with a lay majority. The members are the Vice-Chancellor, Deputy Vice-Chancellor, 2 Pro Vice-Chancellors, and the following lay members: the Treasurer appointed by Court, 15 lay members elected by Court, a member appointed by Bristol City Council, a member appointed by the Society of Merchant Venturers and a member appointed by Convocation; 4 elected members of the academic staff, 2 elected members of the non-academic staff and 3 elected students. Elected and appointed members serve for renewable three-year terms, except the Treasurer and students who are appointed annually. The lay members do not receive any payment for the work they do for the University, apart from the reimbursement of expenses. All new members of Council are given appropriate induction and training sessions.

Council is the governing body of the University, responsible for financial affairs, borrowings, investments, buying, selling, leasing and mortgaging property, contracts and the general business of the University. In consultation with Senate and on the recommendation of the Vice-Chancellor, Council sets the strategic direction of the institution. Council appoints the Vice-Chancellor, Deputy Vice-Chancellor and Pro Vice-Chancellors after consultation with Senate. Council may make, amend or repeal statutes subject to the approval of the Privy Council.

Council normally meets six times a year. It elects a lay Chair and Vice-Chair to serve on an annual basis. Council committees advise Council in a wide range of areas, including Finance, Estates, Personnel and Staff Development, Remuneration, Health and Safety, and Audit. These committees have written terms of reference and include a significant proportion of lay members of Council and in some cases external lay members.

Audit Committee

Council's Audit Committee normally meets three times a year, with senior officers and the external and internal auditors in attendance. The committee considers detailed reports from the auditors, which include recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. The Committee also receives and considers reports from the Higher Education Funding Council for England (HEFCE) as they affect the University's business and monitors adherence to regulatory requirements. The Committee meets the auditors without the University officers present at least once a year.

Senate

There are just over 100 members of Senate, comprising the Vice-Chancellor, Pro Vice-Chancellors, academic staff and students. Senate is responsible to Council for teaching, examinations and research. Senate advises Council on changes to ordinances and regulations. Academic ordinances may be made only with Senate's consent. Senate may declare an opinion on any matter relating to the University and Council must take Senate's views into consideration. Senate normally meets five times a year. Its chair is the Vice-Chancellor. Senate has various committees, the most important being the University Planning and Resources Committee, which assists the Vice-Chancellor with academic planning and prioritisation, and whose membership comprises the Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellors, Registrar and Secretary, Finance Director, Personnel & Staff Development Director, Bursar and the Deans of each of the six Faculties.

Convocation

The members of Convocation are the Chancellor, Pro Chancellors, Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellors, honorary fellows, members of Senate, academic staff, University officers, graduates, honorary graduates and such other former students as Convocation determines – currently those who have received academic awards requiring at least nine months of full-time study or an equivalent period of part-time study. There are also associate members, including all the academic-related staff of the University.

Convocation may give an opinion on any matter relating to the University and may communicate directly with Council, Court, or Senate. The Annual General Meeting of Convocation is held in July each year. The Chancellor presides if present, but normally the Chair of Convocation takes the chair.

CORPORATE GOVERNANCE CONTINUED

Vice-Chancellor

The Chief Executive and academic leader of the University is the Vice-Chancellor. He has a general responsibility for ensuring that all public funds are properly used and that in its activities the University achieves value for money.

Under the terms of the formal Financial Memorandum between the University and the HEFCE, the Vice-Chancellor is the Designated Officer of the University. In that capacity he is required to advise Council on the discharge of all its responsibilities under the Financial Memorandum and the Audit Code of Practice and is required, jointly with Council, to ensure that all such responsibilities are discharged. He is required to advise Council if, at any time, any action or policy under consideration by Council appears to him to be incompatible with the terms of the Financial Memorandum. He is required to inform the Accounting Officer of the HEFCE in writing forthwith should Council decide nevertheless to proceed with such an action or policy. The Vice-Chancellor may be summoned to appear before the Public Accounts Committee of the House of Commons.

Internal control

Council has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives, and it can therefore provide only a reasonable and not an absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the University's goals, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

In order to implement the risk management strategy, Council has adopted a risk management policy in line with advice from the internal auditors. The University conducts an annual risk review each July, which sets out the University's most significant risks for the coming year, together with actions currently being taken to control the risks and a future action plan. The risk management policy is subject to oversight by the Risk Review Group, whose membership includes a Pro Vice-Chancellor, the Registrar and Secretary and a lay member appointed by Council. The risk process feeds into the University Vision & Strategy and is the basis of the work of internal audit.

The University has internal auditors who submit regular reports, which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. Council, including by reference to these reports, derived the opinion that overall the University has adequate and effective arrangements for risk management, control and governance.

Register of Interests

The University maintains a Register of Interests of members of Council, Council Committees and senior officers. The register is available for inspection under the Freedom of Information Act 2000.

Further information

Any enquiries about the constitution and governance of the University or request to inspect the Register of Interests should be addressed to the Registrar and Secretary, who is Secretary to Court, Council and Convocation.

MEMBERS OF THE COUNCIL

For year to 31 July 2009

Class I: Lay Members

Treasurer, appointed by Court:
Mr James Wadsworth (Chair of Audit Committee)

Appointed by Bristol City Council:
Councillor Royston Griffey

Appointed by Society of Merchant Venturers:
Mr Denis Burn

Appointed by Convocation:
Dr Stuart Goldsmith (Chair of Standing Committee of Convocation)

Elected by Court:
Mrs Alison Bernays (Vice Chair and Chair of Student Affairs Committee)
Mr John Bramhall (Chair of Information Services and Systems Committee)
Mr Chris Curling
Mr Jim Foulds (Chairman and Chair of Remuneration and Nominations Committees)
Mr Colin Green C.B.E.
Mrs Dinah Moore
Mr Bob Morton (Chair of Personnel and Staff Development Committee)
Mr George Morton
Mr David Ord (Chair of Finance Committee)
Mrs Cindy Peck
Mr Tim Ross (Chair of Health and Safety Committee)
Ms Anne Stephenson
Mr Tim Stevenson (Chair of Estates Committee)
Mrs Cathy Waithe
Mr James Wetz

Class II: University Staff

Ex officio:
Professor Eric Thomas (Chair of Honorary Degrees Committee)
Professor David Clarke
Professor Malcolm Anderson (Chair of Ethics of Research Committee)
Professor Avril Waterman-Pearson

Elected members of the academic staff:
Professor Paula Booth
Professor Rosemary Deem (to 31 January 2009)
Dr Stephen Lyne
Dr David Newbold

Elected members of the non-academic staff:
Mr Tony Macdonald
Mr Robert Massie

Class III:

Students
Mr Tobin Webb
Ms Ruth Jackson
Vacancy

INDEPENDENT AUDITORS' REPORT

TO THE COUNCIL OF THE UNIVERSITY OF BRISTOL

We have audited the financial statements of the University of Bristol for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses & Deficits, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Council and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the institution in accordance with the Charters and Statutes of the institution and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you whether, in our opinion, the information given in the Annual Report is consistent with those financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the 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 Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Vice-Chancellor's & Chairman of Council's Statement, the Operating and Financial Review 08/09, the Public Benefit Statement, Responsibilities of Council, the Corporate Governance Statement and Members of Council.

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

Our responsibilities do not extend to any other information.

The maintenance and integrity of the University of Bristol 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

i. the financial statements give a true and fair view of the state of affairs of the institution at 31 July 2009, and of the institution's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;

ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;

iii. in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and

iv. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Bristol, 23 November 2009

EXPLANATORY NOTES & PRINCIPAL ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice – Accounting for Further and Higher Education 2007 (SORP) and applicable Accounting Standards.

Basis of consolidation

The consolidated financial statements include the results of the University and all subsidiary undertakings for the financial year to 31 July.

The consolidated financial statements do not include those of the University of Bristol Students' Union, as the University does not have dominant influence over their policy decisions.

Recognition of Income

Income from the Funding Council is recognised in the period in which it is receivable.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. Services Rendered income is included to the extent of the completion of the contract or service concerned.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred for specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

All income from short-term deposits and endowments is credited to the income and expenditure account on a receivable basis.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Land and buildings

Land and Buildings are stated at valuation or cost. Annually the University undertakes a professional review of the underlying value of its portfolio of properties and carries out revaluation when and where appropriate. The basis of valuation is a combination of depreciated replacement cost, existing use and open market value depending on the nature of the property. Where the depreciated replacement cost basis is used, an element of irrecoverable VAT has been added to the valuation to reflect the full cost to the University. In previous years, 25% of the estate was valued as at 31 July by professional Chartered Surveyors, with specific regard to the requirements of the Royal Institution of Chartered Surveyors Valuation Standards. This process is repeated each year so that the whole estate is revalued every four years. For the year ended 31 July 2009, due to the general economic conditions and its impact on the property market, a full valuation was performed.

Land held freehold is not depreciated as it is considered to have an indefinite useful life.

Buildings are depreciated over their average expected useful life of 50 years.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

The cost of buildings includes the cost of interest capitalised during the course of construction.

Leasehold and laboratory refurbishments

Leasehold and laboratory refurbishments are identified and capitalised separately from the main land and building costs. They are depreciated over their expected useful life of 10 years.

Where the capitalised refurbishments are funded with the aid of specific grants, these grants are treated as deferred capital grants. They are released to income over the same period.

Maintenance of premises

The University has a long-term maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. The University also plans in its capital programme to meet the cost of major upgrade expenditure which occurs on an irregular basis; such expenditure is treated either as additions to land and buildings or laboratory refurbishments and depreciated over expected useful lives.

Equipment

Equipment, including computers and software, costing less than £5,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of five years. When five years have elapsed the costs and associated depreciation are eliminated from the University's accounts. Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above, except that the minimum value is £25,000 and the useful life is three years. The related grant is released to income over the expected useful life of the equipment.

Leases

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 income and expenditure in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

The University does not have any material operating leases.

Intangible assets

The value of internally generated patents, licences, and other similar rights over assets is recognised on the balance sheet by capitalising the costs of registering such rights and amortising over a period of three years.

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value.

Current asset investments

Current asset investments are included in the balance sheet at the lower of cost and net realisable value. Where properties are appropriated to investments, they are transferred at the lower of carrying value and net realisable value.

Stocks

All stocks have been valued at the lower of cost or net realisable value.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits. Some deposits are held in the form of certificate of deposits of up to 2 years in length. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

EXPLANATORY NOTES AND PRINCIPAL ACCOUNTING POLICIES CONTINUED

Financial instruments

The University uses derivative financial instruments such as interest rate swaps to reduce exposure to interest rate movements on its loans. Such derivative financial instruments are not held for speculative purposes and relate to actual liabilities, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

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 either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. Any resulting translation differences are dealt with in the determination of income and expenditure for the financial year.

Pension schemes

The University participates in the University of Bristol Pension and Assurance Scheme (UBPAS), the Universities Superannuation Scheme (USS), and the National Health Service Pension Scheme (NHSPS).

All are defined benefit schemes based on final salaries, contracted out of the State Earnings Related Pension Scheme. USS and UBPAS have assets held in separate trustee-administered funds, whilst NHSPS is a non-funded occupational scheme backed by the Exchequer. The costs are financed by contributions from the University and its staff. For USS, the University is unable to identify its share of the underlying assets and liabilities in the schemes on a reasonable basis, it accounts as if this scheme were defined contribution scheme, so that the cost is equal to the total contributions payable in the year, and the University does not reflect a share of the assets and liabilities of the scheme on its own balance sheet. For NHSPS the University accounts as if the scheme were a defined contribution scheme.

For UBPAS, the assets of the scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an appropriate rate of return. The surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. The net of the expected return on assets, being the actuarial forecast of the total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities, is accounted as interest receivable or payable. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

The costs of pension increases paid to some former employees under the Federated Superannuation Scheme for Universities (FSSU) and the University of Bristol Superannuation Scheme for non-academic staff, are also met by the University and charged to the Income and Expenditure account as pension costs.

Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

for the year ended 31 July 2009

	Notes	2008/2009 £m	2007/2008 £m
Income			
Funding body grants	1	137.2	130.9
Tuition fees and support grants	2	70.1	62.4
Research grants and contracts	3	100.5	90.5
Other income	4	59.8	55.8
Endowment and other financing income	5	5.7	7.7
Total income		**373.3**	**347.3**
Expenditure			
Staff costs	6	228.7	211.3
Other operating expenses	8	101.7	92.7
Depreciation	10	31.0	27.2
Interest payable and other financing costs	7	14.0	10.6
Total expenditure	8	**375.4**	**341.8**
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation before exceptional items		(2.1)	5.5
Exceptional items: continuing operations	9		
Disposal of fixed assets		0.2	–
Fundamental restructuring costs		(3.3)	–
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and disposal of assets		(5.2)	5.5
Transfer from accumulated income within endowment funds	19	1.1	0.6
(Deficit)/Surplus for the year retained within income and expenditure reserves	21	**(4.1)**	**6.1**

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

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES & DEFICITS

for the year ended 31 July 2009

	Notes	2008/2009 £m	2007/2008 £m
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		(5.2)	5.5
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	0.9	2.1
Realisation of property revaluation gains of previous years		0.3	–
Historical cost (deficit)/surplus for the year		**(4.0)**	**7.6**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

for the year ended 31 July 2009

	Notes	2008/2009 £m	2007/2008 £m
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets		(5.2)	5.5
Increase/(Decrease) in deferred capital grants		5.3	(0.1)
New endowments	19	1.8	1.6
Reduction in market value of endowment asset investments	19	(5.2)	(0.4)
Unrealised (losses)/gains on revaluation of properties	20	(27.2)	2.1
Depreciation written back on revaluation of properties	20	15.2	3.4
Revaluation of other investments	20	(0.5)	–
Actuarial loss in respect of pension scheme	28	(39.9)	(4.6)
Total recognised (losses)/gains relating to the year		**(55.7)**	**7.5**

	2008/2009 £m	2007/2008 £m
Reconciliation		
Net assets as at 1 August	538.2	530.7
Total recognised (losses)/gains for the year	(55.7)	7.5
Net assets as at 31 July	**482.5**	**538.2**

BALANCE SHEETS

as at 31 July 2009

		Consolidated		University	
	Notes	2009 £m	2008 £m	2009 £m	2008 £m
Fixed assets					
Tangible assets	10	628.3	626.3	598.8	594.3
Intangible assets	11	0.3	0.4	0.3	0.4
Investments	12	0.4	0.4	28.5	28.5
		629.0	627.1	627.6	623.2
Endowment assets	13	41.9	46.4	41.9	46.4
Current assets					
Stocks		1.3	1.1	1.1	1.1
Debtors	14	44.0	38.4	46.9	40.2
Investments	15	0.1	0.2	0.1	0.1
Cash at bank and in hand		124.6	139.2	121.9	137.4
		170.0	178.9	170.0	178.8
Creditors: amounts falling due within one year	16	(85.9)	(76.6)	(91.1)	(81.4)
Net current assets		84.1	102.3	78.9	97.4
Total assets less current liabilities		755.0	775.8	748.4	767.0
Creditors: amounts falling due after more than one year	17	(194.3)	(201.8)	(194.3)	(201.8)
Net assets excluding net pension liability		560.7	574.0	554.1	565.2
Net pension liability	28	(78.2)	(35.8)	(78.2)	(35.8)
Net assets including net pension liability		**482.5**	**538.2**	**475.9**	**529.4**
Represented by:					
Deferred capital grants	18	179.3	174.0	179.3	174.0
Endowments					
Expendable	19	6.0	6.7	6.0	6.7
Permanent	19	35.9	39.7	35.9	39.7
Total endowments		41.9	46.4	41.9	46.4
Reserves					
Revaluation reserve	20	233.6	247.0	227.4	238.7
Income and expenditure reserve	21	105.9	106.6	105.5	106.1
Pension reserve	21, 28	(78.2)	(35.8)	(78.2)	(35.8)
Total reserves		261.3	317.8	254.7	309.0
Total funds		**482.5**	**538.2**	**475.9**	**529.4**

The financial statements on pages 18 to 44 were approved by the Council on 20 November 2009, and signed on its behalf by:

Professor Eric Thomas Vice-Chancellor

Mr Jim Foulds Chairman of Council

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2009

	Notes	2008/2009 £m	2007/2008 £m
Net cash inflow from operating activities	23	19.8	25.6
Returns on investments and servicing of finance	26	(4.8)	(0.6)
Capital expenditure and financial investment	27	(21.4)	(36.3)
Cash outflow before financing		(6.4)	(11.3)
Financing – (repayment of)/new loans	24	(8.2)	125.5
(Decrease)/Increase cash in the year	25	**(14.6)**	**114.2**

	Notes	2008/2009 £m	2007/2008 £m
Reconcilation of net cash flow to movements in net debt			
(Decrease)/Increase in cash in the year	25	(14.6)	114.2
Cash inflow/(outflow) from change in net debt	24	8.2	(125.5)
Change in net debt arising from cash flows		(6.4)	(11.3)
Translation difference on foreign currency loans		(0.7)	0.2
Change in net debt		(7.1)	(11.1)
Net debt at 1 August		(62.6)	(51.5)
Net debt at 31 July		**(69.7)**	**(62.6)**

NOTES TO THE ACCOUNTS

for the year ended 31 July 2009

1. Funding body grants

	2008/2009 £m	2007/2008 £m
Recurrent grant		
Higher Education Funding Council for England	110.5	107.2
Training and Development Agency for Schools	1.4	1.4
Specific grants		
Joint Information Systems Committee	9.4	5.2
Higher Education Innovation Fund	1.6	1.4
Higher Education Academy Subject Centres	1.0	1.1
Centres for Excellence in Teaching and Learning	0.7	1.1
Teaching Quality Enhancement Fund	0.5	0.4
Other	0.5	2.3
Deferred capital grants released in the year		
Buildings (Note 18)	9.3	8.3
Equipment (Note 18)	2.3	2.5
	137.2	**130.9**

2. Tuition fees and support grants

	2008/2009 £m	2007/2008 £m
Full-time students charged home fees	41.2	34.6
Full-time students charged overseas fees	24.6	24.0
Part-time students	0.4	0.7
Research training support grant	2.4	1.5
Short course fees	1.5	1.6
	70.1	**62.4**

3. Research grants and contracts

	2008/2009 £m	2007/2008 £m
Research councils	46.2	39.9
UK-based charities	22.1	21.4
European Commission and other Euro-denominated contracts	6.5	6.2
Other grants and contracts	25.7	23.0
	100.5	**90.5**

Income from research grants and contracts includes the release of deferred grants for equipment amounting to £2.1m (2007/2008: £1.9m).

4. Other income

	2008/2009 £m	2007/2008 £m
Residences, catering and conferences	16.6	15.8
Other services rendered	13.0	13.9
Contracts with health and hospital authorities	8.6	7.6
Funded teaching and general research	5.2	5.0
Departmental and other income	11.0	8.4
Donations	2.0	1.8
Deferred grants released (Note 18)	3.4	3.3
	59.8	**55.8**

5. Endowment and other financing income

	2008/2009 £m	2007/2008 £m
Income from expendable endowments (Note 19)	0.1	0.2
Income from permanent endowments (Note 19)	0.7	1.1
Interest from deposits	4.9	6.2
	5.7	7.5
Unrealised translation difference on foreign currency loans	–	0.2
	5.7	**7.7**

Unrealised translation difference on foreign currency loans represents exchange differences on the University's Euro denominated loans.

6. Staff

	2008/2009 £m	2007/2008 £m
Staff costs		
Wages and salaries	189.6	173.5
Social security costs	15.8	14.6
Other pension costs (Note 28)	23.3	23.2
	228.7	**211.3**

	2008/2009 £'000	2007/2008 £'000
Emoluments of the Vice-Chancellor		
Remuneration (including benefits in kind £1,000 (2007/2008: £1,000))	271	251
Pension costs (on the same basis as for other academic staff)	38	35
	309	**286**

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

6. Staff (continued)

Remuneration of other higher paid members of staff, excluding employer's pension contributions (payments in respect of distinction awards and other payments under separate NHS contracts of employment are excluded from the University's income and expenditure account):

	Excluding distinction awards and other NHS payments		Including distinction awards and other NHS payments	
	2008/2009 Number	2007/2008 Number	2008/2009 Number	2007/2008 Number
£100,000-£109,999	30	20	21	24
£110,000-£119,999	11	7	20	14
£120,000-£129,999	1	2	5	8
£130,000-£139,999	3	2	6	10
£140,000-£149,999	2	–	9	6
£150,000-£159,999	–	–	10	7
£160,000-£169,999	–	–	7	6
£170,000-£179,999	–	1	2	5
£180,000-£189,999	1	–	5	3
£190,000-£199,999	–	1	2	1
£200,000-£209,999	–	–	3	–
£210,000-£219,999	1	–	1	–

Compensation for loss of office to a higher paid member of staff:

	2008/2009 £m	2007/2008 £m
Enhanced pension benefits	0.1	–
Compensation payable	–	–
	0.1	**–**

	2008/2009 Number	2007/2008 Number
Average full-time equivalent staff numbers by major category		
Academic/Clinical	2,271	2,286
Technical	524	568
Administrative and operational support	2,243	2,177
	5,038	**5,031**

7. Interest payable and other financing costs

	2008/2009 £m	2007/2008 £m
Bank loans wholly repayable within five years	0.8	0.7
Bank loans not wholly repayable within five years	9.7	7.4
	10.5	8.1
Net exchange losses in the year	0.7	2.5
Net pension scheme financing charge (Note 28)	2.8	–
	14.0	**10.6**

Interest payable includes the amortisation of fees associated with long-term financing arrangements.

8. Analysis of expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest & financing costs £m	2008/2009 Total £m	2007/2008 Total £m
Academic departments	111.5	20.6	2.5	9.4	144.0	131.3
Academic services	19.9	9.7	0.3	–	29.9	26.0
Research grants	46.3	29.7	2.1	–	78.1	71.3
Services rendered	5.7	5.0	–	–	10.7	11.4
Residences, catering and conferences	7.5	5.3	0.3	1.1	14.2	13.6
Premises	10.9	14.3	25.5	–	50.7	44.7
Administration	18.2	8.8	0.2	3.5	30.7	27.3
Other including general endowment expenditure	8.7	8.3	0.1	–	17.1	16.2
Total per income and expenditure account	**228.7**	**101.7**	**31.0**	**14.0**	**375.4**	**341.8**

	2008/2009 £'000	2007/2008 £'000
Other operating expenses included		
Audit fees payable to the University's external auditors for University main audit	47	40
Audit fees payable to the University's external auditors for audit of subsidiaries	10	5
Other fees payable to the University's external auditors (including advice related to implementation of Salary Exchange Scheme)	70	–
Audit fees payable to other external auditors	4	10

9. Restructuring costs

	2008/2009 £m	2007/2008 £m
Surplus on disposal of land and buildings	0.2	–
Fundamental restructuring costs	(3.3)	–
	(3.1)	**–**

During the year a property surplus to requirement was sold.

During the year the University as part of its structural review, initiated a programme of voluntary severance and early retirements. Staff were given severance packages which in some cases included enhanced pension benefits.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

10. Tangible assets

	Consolidated				University			
	Freehold land & buildings £m	Leashold & laboratory refurbishment £m	Equipment £m	Total £m	Freehold land & buildings £m	Leashold & laboratory refurbishment £m	Equipment £m	Total £m
Valuation/Cost								
At 1 August 2008	534.4	120.3	35.2	689.9	504.8	120.2	31.7	656.7
Additions at cost	21.0	11.8	12.4	45.2	21.0	11.8	12.3	45.1
Disposal at valuation/cost	(0.2)	–	–	(0.2)	(0.2)	–	–	(0.2)
Eliminations at cost	–	–	(8.9)	(8.9)	–	–	(8.9)	(8.9)
Revaluations in year	(27.2)	–	–	(27.2)	(24.4)	–	–	(24.4)
At 31 July 2009	**528.0**	**132.1**	**38.7**	**698.8**	**501.2**	**132.0**	**35.1**	**668.3**
Consisting of								
At valuation	516.8	–	–	516.8	490.0	–	–	490.0
At cost	11.2	132.1	38.7	182.0	11.2	132.0	35.1	178.3
	528.0	**132.1**	**38.7**	**698.8**	**501.2**	**132.0**	**35.1**	**668.3**
Accumulated depreciation								
At 1 August 2008	9.2	38.7	15.7	63.6	8.9	38.7	14.8	62.4
Charge for year	7.6	13.3	10.1	31.0	7.2	13.2	10.1	30.5
Disposals	–	–	–	–	–	–	–	–
Eliminations	–	–	(8.9)	(8.9)	–	–	(8.9)	(8.9)
Written back on revaluation	(15.2)	–	–	(15.2)	(14.5)	–	–	(14.5)
At 31 July 2009	**1.6**	**52.0**	**16.9**	**70.5**	**1.6**	**51.9**	**16.0**	**69.5**
Net book value								
At 31 July 2009	**526.4**	**80.1**	**21.8**	**628.3**	**499.6**	**80.1**	**19.1**	**598.8**
At 31 July 2008	**525.2**	**81.6**	**19.5**	**626.3**	**495.9**	**81.5**	**16.9**	**594.3**

Annually the University undertakes a professional review of the underlying value of its portfolio of properties and carries out revaluation when and where appropriate. The estate has been fully revalued at 31 July 2009 by Alder King, Chartered Surveyors, on the basis of either market value or existing use value using the Depreciated Replacement Cost methodology.

Freehold buildings include £5.6m of buildings in the course of construction. The additions during the year included £0.2m (2007/2008: £0.6m) of interest capitalised during the course of construction of new buildings, charged at a rate of 5.25% (2007/2008: 5.25%).

Leasehold and laboratory refurbishments included £7.1m cost and £2.1m accumulated depreciation (2007/2008: £6.1m and £1.4m) of leasehold land and buildings.

11. Intangible assets (patents and copyrights)

	Consolidated & University	
	2009 £m	2008 £m
Cost		
At 1 August	0.8	0.8
Additions at cost	0.2	0.4
Eliminations at cost	(0.4)	(0.4)
At 31 July	**0.6**	**0.8**
Amortisation		
At 1 August	0.4	0.4
Charge for year	0.3	0.4
Eliminations	(0.4)	(0.4)
At 31 July	**0.3**	**0.4**
Net book value		
At 31 July	**0.3**	**0.4**

12. Fixed asset investments

	Consolidated		University	
	2009 £m	2008 £m	2009 £m	2008 £m
Shares in University's subsidiary companies	–	–	28.1	28.1
Shares in listed and unlisted companies	0.4	0.4	0.4	0.4
Total fixed asset investments	**0.4**	**0.4**	**28.5**	**28.5**

13. Endowment asset investments

	Consolidated & University	
	2009 £m	2008 £m
Market value at 1 August	46.4	45.8
New endowments	1.8	1.6
Decrease in market value of investments	(5.2)	(0.4)
Decrease in cash balances held for endowment funds	(1.1)	(0.6)
Market value at 31 July	**41.9**	**46.4**
Fixed interest stocks	6.4	6.7
Equities	20.3	17.3
Hedge funds	4.1	5.2
Property	0.5	0.5
Cash	10.6	16.7
Total endowment asset investments	**41.9**	**46.4**

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

14. Debtors

	Consolidated 2009 £m	Consolidated 2008 £m	University 2009 £m	University 2008 £m
Amounts falling due within one year				
Research grants recoverable	31.0	25.4	31.0	25.4
Other debtors	13.0	13.0	12.5	12.9
Amounts owed by subsidiary undertakings	–	–	3.4	1.9
	44.0	38.4	46.9	40.2

15. Current asset investments

	Consolidated 2009 £m	Consolidated 2008 £m	University 2009 £m	University 2008 £m
Shares in listed companies	0.1	0.2	0.1	0.1

16. Creditors: amounts falling due within one year

	Consolidated 2009 £m	Consolidated 2008 £m	University 2009 £m	University 2008 £m
Obligations under finance leases	–	0.1	–	–
Research grants received in advance	29.0	23.3	29.0	23.3
Other creditors	34.9	32.5	35.2	32.5
Social security and other taxation payable	6.7	6.9	6.7	6.9
Accruals and other deferred income	15.3	13.8	14.3	13.3
Amounts owed to subsidiary undertakings	–	–	5.9	5.4
	85.9	76.6	91.1	81.4

17. Creditors: amounts falling due after more than one year

	Consolidated & University 2009 £m	Consolidated & University 2008 £m
Analysis of unsecured loans		
Due within one year or less	–	–
Due between one and two years	4.3	–
Due between two and five years	–	11.8
Due in five years or more	190.0	190.0
	194.3	201.8
Due within one year or less	–	–
Due after more than one year	194.3	201.8

£4.3m of the above loans at 31 July 2009 (31 July 2008: £11.8m) were denominated in Euros. The University has the option of early repayment in full or part.

In 2007/08, the University replaced all its sterling loans with a new fixed term loan totalling £250m with an effective fixed interest rate of approximately 5%. This fixed term loan is in two parts. The first part of £150m, repayable in October 2047, has been drawn down. Only £40m of the second part of £100m, repayable in March 2037, has been drawn down with the balance currently expected to be drawn in March 2010.

18. Deferred capital grants

Consolidated & University	Funding council £m	Other grants & benefactions £m	Total £m
At 1 August 2008			
Buildings	118.9	48.9	167.8
Equipment	4.2	2.0	6.2
	123.1	50.9	174.0
Cash received			
Buildings	17.5	0.7	18.2
Equipment	2.2	2.0	4.2
	19.7	2.7	22.4
Released to income and expenditure accounts			
Buildings	(9.3)	(3.4)	(12.7)
Equipment	(2.3)	(2.1)	(4.4)
	(11.6)	(5.5)	(17.1)
At 31 July 2009			
Buildings	127.1	46.2	173.3
Equipment	4.1	1.9	6.0
Total	131.2	48.1	179.3

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

19. Endowments

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	Consolidated & University 2009 Total £m	2008 Total £m
At 1 August						
Capital	1.3	36.3	37.6	6.7	44.3	43.1
Accumulated income	0.1	2.0	2.1	–	2.1	2.7
	1.4	**38.3**	**39.7**	**6.7**	**46.4**	**45.8**
New endowments	–	1.6	1.6	0.2	1.8	1.6
Investment income	–	0.7	0.7	0.1	0.8	1.3
Expenditure	–	(1.7)	(1.7)	(0.2)	(1.9)	(1.9)
Transfer to income & expenditure account	–	(1.0)	(1.0)	(0.1)	(1.1)	(0.6)
Decrease in market value of investments	(0.1)	(4.3)	(4.4)	(0.8)	(5.2)	(0.4)
At 31 July	**1.3**	**34.6**	**35.9**	**6.0**	**41.9**	**46.4**
Represented by						
Capital	1.2	32.8	34.0	5.9	39.9	44.3
Accumulated income	0.1	1.8	1.9	0.1	2.0	2.1
	1.3	**34.6**	**35.9**	**6.0**	**41.9**	**46.4**

20. Revaluation reserve

	Consolidated 2009 £m	2008 £m	University 2009 £m	2008 £m
At 1 August	247.0	243.6	238.7	235.4
Revaluation of properties	(27.2)	2.1	(24.4)	2.0
Cumulative depreciation of properties written back on revaluation	15.2	3.4	14.5	3.4
Revaluation of investments	(0.5)	–	(0.5)	–
Transfer to income and expenditure reserve in respect of:				
– Depreciation on revalued assets	(0.9)	(2.1)	(0.9)	(2.1)
At 31 July	**233.6**	**247.0**	**227.4**	**238.7**

21. Movement on reserves

	Consolidated 2009 £m	2008 £m	University 2009 £m	2008 £m
Income and expenditure reserve				
At 1 August	106.6	97.2	106.1	96.6
(Deficit)/Surplus for year retained within reserve	(4.1)	6.1	(4.0)	6.2
Add back FRS17 charge in excess of contributions	2.5	1.2	2.5	1.2
Transfer to income and expenditure reserve in respect of:				
– Depreciation on revalued assets	0.9	2.1	0.9	2.1
At 31 July	**105.9**	**106.6**	**105.5**	**106.1**

	Consolidated & University 2009 £m	2008 £m
Pension reserve		
At 1 August	(35.8)	(30.0)
Deficit for year retained within reserve	(2.5)	(1.2)
Actuarial losses in year	(39.9)	(4.6)
At 31 July	**(78.2)**	**(35.8)**

22. Capital commitments

	Consolidated & University 2009 £m	2008 £m
Commitments contracted at 31 July	**9.5**	**22.1**

23. Reconciliation of consolidated operating surplus to net cash from operating activities

	Consolidated & University 2009 £m	2008 £m
(Deficit)/Surplus after depreciation of assets at valuation and disposal of assets	(5.2)	5.5
Adjustments for non cash items in Income and Expenditure Account:		
Depreciation (Note 10)	31.0	27.2
Amortisation of intangible assets (Note 11)	0.3	0.4
Deferred capital grants released to income (Note 18)	(17.1)	(16.0)
FRS17 charge in excess of contributions	2.5	1.2
Investment income (Note 5)	(5.7)	(7.5)
Interest payable (Note 7)	10.5	8.1
Translation difference on foreign currency loans	0.7	(0.2)
Working capital movements:		
Increase in stocks	(0.2)	(0.1)
(Increase)/Decrease in debtors	(5.6)	1.8
Increase in creditors due within one year	9.3	5.2
Non operating activity items:		
Revaluation of investments	(0.5)	–
Surplus on disposal of fixed assets	(0.2)	–
Net cash inflow from operating activities	**19.8**	**25.6**

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

24. Analysis of changes in financing during the year

	Consolidated & University	
	2008/2009 £m	2007/2008 £m
Balances at 1 August	201.8	76.5
New loans	–	206.0
Capital repayments	(8.2)	(80.5)
	(8.2)	125.5
Unrealised translation difference on foreign currency loans	0.7	(0.2)
Balances as at 31 July	**194.3**	**201.8**

25. Analysis of changes in net debt

	Consolidated & University			
	At 1 August 2008 £m	Cashflow in year £m	Unrealised translation difference £m	At 31 July 2009 £m
Cash at bank and in hand	139.2	(14.6)	–	124.6
Debts due within one year	–	–	–	–
Debts due after one year	(201.8)	8.2	(0.7)	(194.3)
Total net debt	**(62.6)**	**(6.4)**	**(0.7)**	**(69.7)**

26. Returns on investment and servicing of finance

	Consolidated & University	
	2008/2009 £m	2007/2008 £m
Income from endowments (Note 19)	0.8	1.3
Other interest received (Note 5)	4.9	6.2
Interest paid (Note 7)	(10.5)	(8.1)
	(4.8)	**(0.6)**

27. Capital expenditure and financial investment

	Consolidated & University	
	2008/2009 £m	2007/2008 £m
Tangible assets acquired (Note 10)	(45.2)	(52.3)
Intangible assets acquired (Note 11)	(0.2)	(0.4)
Net endowment assets acquired	(0.7)	(1.0)
Other investment assets acquired	–	(0.1)
Total fixed and endowment asset investments acquired	(46.1)	(53.8)
Deferred capital grants received (Note 18)	22.4	15.9
Receipt from sale of fixed asset	0.5	–
Endowments received (Note 19)	1.8	1.6
	(21.4)	**(36.3)**

28. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Bristol Pension and Assurance Scheme (UBPAS). In addition, for some clinical staff, contributions are paid to the National Health Service Pension Scheme (NHSPS).

The total pension costs for the University and its subsidiaries recognised within the consolidated Income and Expenditure account were:

	2008/2009 £m	2007/2008 £m
Employer's cost for USS	17.4	16.0
Employer's cost for UBPAS	4.9	5.9
Employer's cost for NHSPS	1.0	1.3
Total pension costs (Note 6)	**23.3**	**23.2**
Outstanding pension contributions at 31 July, subsequently paid	**2.2**	**2.0**

USS

The University participates in the USS, a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustees, Universities Superannuation Scheme Limited. USS has over 130,000 active members and the University has 2,957 active members participating in the scheme as at 31 March 2009.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of four are co-opted directors appointed by the management committee. Under the Scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the University 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 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, and the University does not reflect a share of the assets and liabilities of the scheme on its own balance sheet.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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

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

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

28. Pension schemes (continued)

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males/females currently aged 65	22.8/24.8 years
Males/females currently aged 45	24.0/25.9 years

At the valuation date, the value of the assets of the scheme was £28,843m and the value of the scheme's technical provisions was £28,135m indicating a surplus of £707m. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

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

The University contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the University contribution rate from 14% to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:

Assumptions	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Decrease/increase by £2.2 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. the strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with ongoing flow of new entrants into the scheme and the strength of covenant of the employers enable it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

28. Pension schemes (continued)

UBPAS

UBPAS is a defined benefit pension scheme that the University operates in-house and is offered to all staff who are not eligible to join the USS. UBPAS is approved by the Inland Revenue and is contracted-out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by a board of seven trustees. UBPAS currently has over 2,000 active members.

The trustees, acting separately from the University, hold and manage UBPAS assets for the members of the scheme. Of the seven trustees, three are active members of the scheme, nominated and elected by all members of the Scheme for a three-year term; and three are appointed by Council of the University to represent the University. The Chairman is an independent person recommended by Council of the University for appointment by the other trustees. Under the Scheme trust deed and rules, the employer contribution rate is determined by agreement between the trustees and the University, acting on actuarial advice.

The latest available actuarial valuation of the scheme was at 31 July 2006. This was the first valuation for UBPAS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The next triennial actuarial valuation of the scheme is due as at July 2009, the valuation is currently being prepared.

The 2006 valuation was carried out using the projected unit method. the assumptions and other data relevant to the determination of the contribution levels of the schemes were as follows:

Investment returns per annum	5.3%
Salary scale increases per annum	3.8%
Pension increases per annum	3.0%

Standard mortality tables were used as follows:

Male members' mortality	Standard table AM92 Ultimate
Female members' mortality	Standard table AF92 Ultimate

Use of these mortality tables reasonably reflects the actual UBPAS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males/females currently aged 65	21.4/23.8 years

At the valuation date, the value of the assets of the scheme was £130.6m and the value of the scheme's technical provisions was £164.3m indicating a deficit of £33.7m. The assets therefore were sufficient to cover 79% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 58% of the amount necessary to secure all the UBPAS benefits with an insurance company.

The valuation set the contribution rate payable by the University to UBPAS at 14.26% of pensionable salaries.

UBPAS has been accounted for within these financial statements in accordance with FRS 17. The 2006 full actuarial valuation was updated to 31 July 2009 by the actuary, using appropriate assumptions agreed by the University. For this purpose the discount rate used is based on the rate of return of an AA rated corporate bond and the investments have been valued at mid market value.

Demographic assumptions are the same as those adopted for the funding valuation, except in relation to post retirement mortality. As in the 2008 FRS 17 disclosures, the "00 series" year of use tables along with an allowance for future improvements in life expectancy in line with the Medium Cohort projections have been used, subject to an underpin allowance for improvement in mortality rates of at least 1% p.a. for males and 0.5% p.a. for females. The assumptions are that a member who retires at age 65 will live on average for a further 22 years after retirement if they are male and for a further 24 years after retirement if they are female.

Other major assumptions used for this FRS 17 actuarial review were:

	31 July 2009 %	31 July 2008 %	31 July 2007 %
Rate of increase in employee earnings	4.15	4.30	4.05
Rate of increase in pensions	3.40	3.80	3.30
Discount rate	6.20	6.80	5.80
Inflation rate	3.40	3.80	3.30

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS 17.

The fund value in UBPAS on 31 July 2009 was based on average bid prices. Previously these were valued at closing market prices but as the difference was not material, no adjustments were made to the fund values in previous years. The expected rates of return were as chosen by the University based on advice received from its own actuaries (net of the costs charged by investment managers). They advocated that the sustainable long-term future return from UK equities is a highly subjective and uncertain assumption. Their current view suggested an assumption of 8.25% for equities.

	31 July 2009		31 July 2008		31 July 2007	
	Expected rate of return %	Fund value £m	Expected rate of return %	Fund value £m	Expected rate of return %	Fund value £m
Equities	8.25	85.5	7.80	88.1	8.00	102.2
Bonds	4.25	27.8	4.80	36.4	5.00	33.7
Properties	7.55	3.9	6.80	5.8	6.00	7.0
Cash	7.55	2.0	5.80	0.5	6.00	(0.1)
Total market value of assets		119.2		130.8		142.8
Present value of scheme liabilities		(197.4)		(166.6)		(172.8)
Net FRS 17 scheme deficit – net pension liability		**(78.2)**		**(35.8)**		**(30.0)**

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

28. Pension schemes (continued)

	2009 £m	2008 £m
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	4.9	5.9
Past service cost	–	–
Total operating charge	**4.9**	**5.9**
Analysis of amount that is charged to other finance income		
Expected return on pension scheme assets	8.6	10.1
Interest on pension scheme liabilities	(11.4)	(10.1)
Net return	**(2.8)**	**–**
Analysis of the amount that would be recognised in statement of consolidated total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(20.4)	(22.7)
Experience gains and losses	(5.7)	–
Changes in assumptions underlying the present value of the scheme liabilities	(13.8)	18.1
Actuarial loss recognised in STRGL	**(39.9)**	**(4.6)**
Movement in deficit during the year		
Deficit in scheme at the beginning of the year	(35.8)	(30.0)
Movement in the year:		
– Current service cost	(4.9)	(5.9)
– Contributions	5.2	4.7
	0.3	(1.2)
– Past service costs	–	–
– Net finance (charge)/income	(2.8)	–
– Actuarial loss	(39.9)	(4.6)
Deficit in scheme at the end of the year	**(78.2)**	**(35.8)**
Analysis of the movement in the present value of the scheme liabilities		
At beginning of the year	166.6	172.8
Current service cost	4.9	5.9
Past service cost	–	–
Contributions by members	2.0	2.0
Settlements	0.1	(0.3)
Interest on scheme liabilities	11.4	10.1
Actuarial losses/(gains)	19.5	(18.1)
Benefits paid	(7.1)	(5.8)
At end of year	**197.4**	**166.6**

	2009 £m	2008 £m
Analysis of the movement in the fund value of the scheme assets		
At beginning of the year	130.8	142.8
Expected rate of return on scheme assets	8.6	10.1
Actuarial losses	(20.4)	(22.7)
Contributions by the University	5.2	4.7
Contributions by members	2.0	2.0
Settlements	0.1	(0.3)
Benefits paid	(7.1)	(5.8)
At end of year	**119.2**	**130.8**

	2009	2008	2007	2006	2005
History of experienced gains and losses					
Difference between the expected and actual return on scheme assets					
Amount (£m)	(20.4)	(22.7)	3.8	4.4	13.5
Percentage of scheme assets	17.1%	17.3%	2.6%	3.4%	11.4%
Experience gains and losses on scheme liabilities					
Amount (£m)	5.7	–	(3.0)	0.1	–
Percentage of present value of the scheme liabilities	2.8%	0.0%	1.7%	0.0%	0.0%
Total amount recognised in STRGL					
Amount (£m)	(39.9)	(4.6)	(6.3)	(3.9)	(3.4)
Percentage of present value of the scheme liabilities	20.2%	2.8%	3.6%	2.5%	2.5%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £59.7m (2008: £19.8m).

The UBPAS assets do not include any of the University's own financial instruments, or any property occupied by the University.

The estimate for the University's contribution to UBPAS for the year to 31 July 2010 is £5.3m.

The actual return on UBPAS assets in the year was £12.1m loss (2008: £12.2m loss).

NHSPS

The NHSPS is a non-funded occupational scheme backed by the Exchequer, which is restricted to some clinical staff. Under the definitions set out in FRS 17, the NHSPS is a multi-employer defined benefit 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 as if it were a defined contribution scheme.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 July 2009 (continued)

29. Access funds and teacher training salaries

	2009 £m	2008 £m
Access funds		
Funding council grants (including interest earned)	0.2	0.3
Disbursed to students	(0.2)	(0.3)
Balance at 31 July	–	–

Access funds are provided by the Higher Education Funding Council for England and are used to pay supplementary grants to students.

During the year, £1.8 (2007/2008: £1.9m) was provided by the Training and development Agency for Schools and paid as salaries to trainee teachers. In addition, £0.01m (2007/2008: £0.01m) was received and spent on minority ethnic recruitment.

For these fundings, the University's acts as a paying agency only and therefore the receipts and payments are excluded from the University's income and expenditure account.

30. Subsidiary undertakings

The University holds ordinary shares in the following companies, all of which have been incorporated in England, and consolidated into the University's accounts.

Company	Class of share	% Holding	Nature of business
Bristol Innovations Ltd	Ordinary	100%	Development and commercial exploitation of intellectual property
Langford Veterinary Services Ltd	Ordinary	100%	Provison of clinical veterinary services
Oval (717) Ltd	Ordinary	100%	Property management, construction and sport centre operator
Park Row Ltd	Ordinary	100%	Property and project management
Science Research Foundation Ltd	N/A – company limited by guarantee	100%	Promoting of new research companies
University of Bristol Services Ltd	Ordinary	100%	Library services and property management

31. Related party transactions

During the year, the University of Bristol made a block grant payment and support services costs of £1.2m (2007/2008: £1.3m) to the University of Bristol Union. On 31 July 2009, the current account outstanding of £0.4m (2008: £0.2m) from the Union was written off in full, of which £0.2m was provided for in previous year. In addition to the provision of services (portering, housekeeping, etc), the University provides the building (from 1 August 2008, this included all utilities costs), in which the Union operates.

Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures. The University maintains a Register of Interests of members of Council, Council Committees and senior officers. The register is available for inspection under the Freedom of Information Act 2000.

Written and produced by
Finance Office
Senate House
Tyndall Avenue
Bristol BS8 1TH
www.bristol.ac.uk

Cover image
'Follow Me' by Jeppe Hein, a public sculpture in Royal Fort Gardens, commissioned as part of the University's centenary celebrations and photographed by Jamie Woodley.

Design
www.pelotondesign.co.uk

Print
This publication is printed on Revive Pure White Offset, a 100% recycled paper stock using vegetable/mineral oil-based, environmentally friendly inks by Portishead Press.

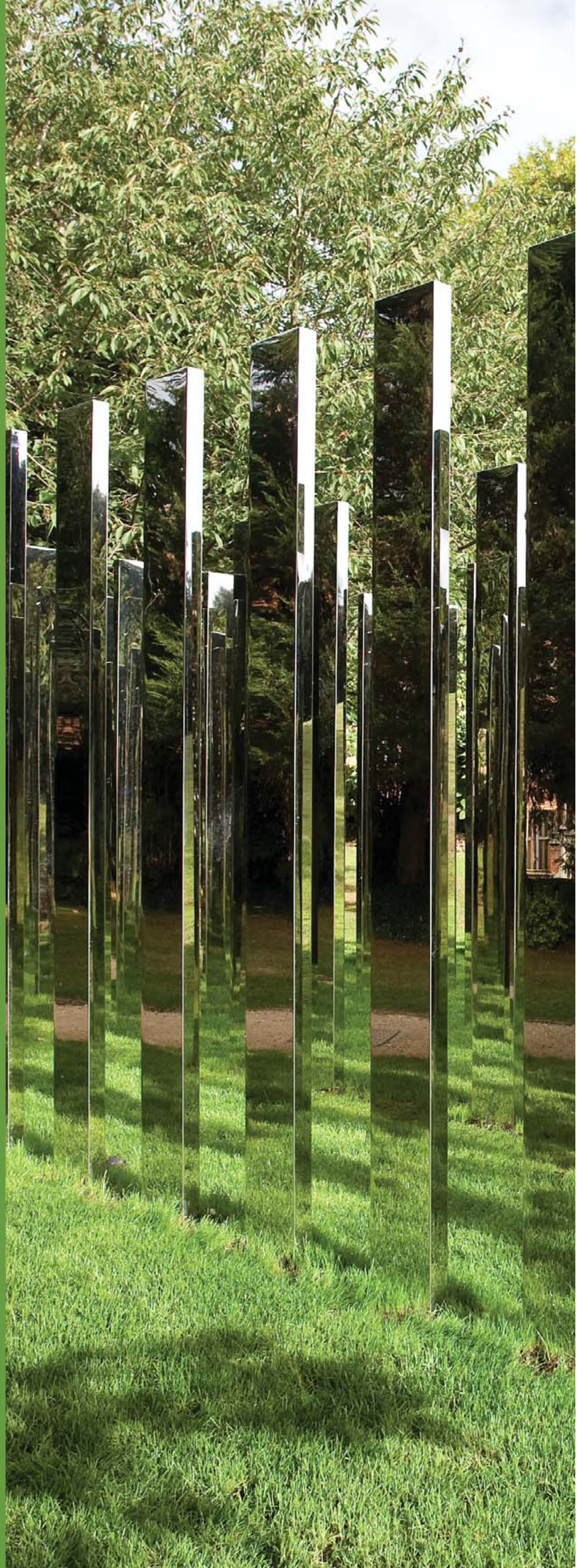
recycle
When you have finished with this document please recycle it.

100% recycled
This document is printed on 100% recycled paper

Accessibility

If you need all or part of this publication in an accessible format (eg in Braille, in larger print or on tape), please contact the Public Relations Office on 0117 928 8895.

Learning Discovery Enterprise



bristol.ac.uk