



# University of Worcester

Report and Financial Statements  
For the year ended 31<sup>st</sup> July 2016



**REPORT AND FINANCIAL STATEMENTS 2016****CONTENTS**

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**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31<sup>st</sup> JULY 2016**

**UNIVERSITY OF WORCESTER DIRECTORATE AND PROFESSIONAL ADVISERS**

**Vice Chancellor and Chief Executive**

Professor David Green MA (Cantab.)

**Deputy Vice Chancellor and Deputy Chief Executive**

Professor Sarah Greer

**Acting University Secretary**

Helen Johnstone

**Independent Auditors**

**External**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
19 Cornwall Street  
Birmingham  
B3 2DT

**Internal**

Ernst & Young Global Limited  
1 Colmore Square  
Birmingham  
B4 6HQ

**Bankers**

Lloyds Bank  
125 Colmore Row  
Birmingham  
B3 3SF

Barclays Bank PLC  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GB

**Insurance Brokers**

Henderson Insurance Brokers Limited  
No 1 Whitehall Riverside  
Leeds  
West Yorkshire  
LS1 4BN



**REPORT AND FINANCIAL STATEMENTS 2016****MEMBERS OF THE BOARD OF GOVERNORS**

The members of the Board who were in office during the year and up to the date of signing the financial statements were:

Mr John Bateman OBE	Independent (Chair from 1 <sup>st</sup> August 2015)
Mr Lewis Arnold	Student
Mr Carl Arntzen	Independent
Mrs Michelle Chamberlain	Independent (Joint Vice Chair from 3 <sup>rd</sup> October 2016)
Mr Douglas Dale	Independent (Joint Vice Chair)
Mrs Odette Fielding	Co-opted
Mrs Diana Gant	Independent (joined 1 <sup>st</sup> August 2015)
Professor David Green	Vice Chancellor & Chief Executive
Mrs Anna Hooper	Independent
Mr Wesley Hudson	Student
Mr David Iddon	Independent
Mrs Aude Leonetti	Independent (Joint Vice Chair – retired 31 <sup>st</sup> July 2016 due to ill-health)
Dr Derek McDougall	Staff
Mr Zadvinder Padda	Independent
The Rev'd Alwyn Pettersen	Independent
Mrs Charmian Di Nunzio	Independent
Mrs Sarah Speck	Independent
Mrs Julie Swan	Independent
Dr Richard Woolley	Staff
Mr John Yelland OBE	Co-opted (joined 12 <sup>th</sup> September 2015)

## STRATEGIC REPORT

### FOR THE YEAR ENDED: 31<sup>st</sup> JULY 2016

This statement covers the period 1<sup>st</sup> August 2015 up to 14<sup>th</sup> November 2016.

#### SECTION 1: Strategies and Objectives

The University's current Strategic Plan covers the period from 2013 to 2018 and work will be undertaken in the coming year on the new Strategic Plan. The Plan, like its predecessor, was the product of a widespread consultation process involving staff, students, governors and external stakeholders, including the University's many partners – educational, business and community-based. This very inclusive process of consultation and engagement in itself reflects the strong and enduring values to which the University is committed. The Strategic Plan includes a powerful re-statement of these values:-

- Intellectual openness, honesty and love of learning;
- Human equality and dignity;
- Democracy and mutual respect;
- Educational and social inclusion;
- Environmental sustainability and social responsibility;
- Ethical and professional behaviour; and
- Active engagement and partnership.

These values continue to guide the University's priorities, vision and mission. They are expressed through the promotion of a culture of friendliness, creativity, imagination, dynamism, and effectiveness.

Our values translate into a mission for the University of Worcester that is ambitious and inspirational. The University's mission is:

- To be an outstanding University at which to be a student;
- To motivate and empower our students, graduates and staff to make a first rate contribution to society;
- To inspire our students to reach their full potential, through excellent, innovative teaching, scholarship and research;
- To foster and disseminate independent and distinctive scholarship and research, to achieve major, beneficial, social impact;
- To be an outstanding University at which to be a member of staff;
- To make a transformational contribution to the positive development of the cultural, social and economic life of the City of Worcester and wider region; and
- To stand out as a visionary and inclusive University that challenges and overcomes barriers to participation in higher education.

Our strategy has a number of cross-cutting strategic ambitions:

- **To grow the size of the University** and ensure that more students benefit from the special educational experience we provide. The University has an impressive track record in this respect as the number of students has increased threefold over the last decade and 2015/16 was another very successful year in this respect. This success is being achieved by offering a dynamic range of high quality courses that meet the needs of prospective and current students; working successfully in partnership with colleges and schools both regional and beyond; and maintaining and developing the outstanding facilities. The University has been developing a number of high quality international partnerships and is welcoming more international students, in numbers that are likely to off-set any potential changes to European Union student numbers as a result of the recent referendum concerning the UK's membership of the European Union.
- **To extend the reach of the University** by supporting the success of Worcester as a city, the regional economy and continuing to enhance the employability of our graduates. In 2015/16 it was reported



**SECTION 1: Strategies and Objectives (continued)**

that graduates from the University were more employable than the UK average. Nearly 96% of graduates were in full time work or study within six month of graduating compared to the UK average of 90%. This is a testimony to the quality of our courses, the support services we provide and the success of initiatives such as our Earn as You Learn programme.

- **To enhance the University's research base:** building on the success in REF2014 as one of the most improved Universities. The University is building strong research groups in focused areas, underpinned by strong high quality collaborations. These include: Mood Disorders with a particular focus on: Bipolar Disorder (with the Universities of Cardiff and Oxford); Dementia Care (with UCL and Nottingham University); Aerobiology (with the Universities of Birmingham, Exeter, Oxford); 20<sup>th</sup> century history (with Birmingham University); Biomedical research (with Cardiff University and the Karolinska Institute, Sweden); domestic violence and abuse (with Kings College, London); ecology and environmental management (with the Universities of Reading and Sussex). The University has benefitted from a number of key appointments of senior research leaders and is improving its track record in securing external grants to fund its research.
- **To promote inclusion and diversity:** through attracting and recruiting both staff and students and through the provision of courses and research that aim to enhance the quality of life and employability of protected groups. The University enjoys good relations with its students, who recently nominated it for inclusion in the 'WhatUni' survey where it was ranked 25<sup>th</sup> out of 125 Universities. In the recent National Student Survey of final year students 85% expressed satisfaction in terms of their overall student experience and nine courses attracted ratings of 100% satisfaction. The University has an international reputation in terms of inclusive sports through work based at the state-of-the-art University Arena, which is a unique facility designed for disabled sports persons and which recently was commended by the Minister for Disabled People in a House of Commons debate. The University has long-term aspirations to extend its inclusive sports facilities and related research and education programmes, and to develop an inclusive arts facility.

The University's academic provision extends across a very broad base. We recognise the importance of making connections between different and cognate areas. There is immense value in forging inter-disciplinary approaches to teaching and learning and research, in terms of both the academic and learning experiences of staff and students, and the roundedness of the skills and experiences that our graduates will take into the work place. We have identified four 'Areas of Distinction', and we aim to bring together educators and learners from subjects and disciplines across the University, to develop curricula and research that are cutting edge and transformative. These areas are:

- Children and Young People;
- Human Health and Well Being;
- Arts, Culture and Heritage; and
- Economic, Social and Environmental Sustainability.

Through securing the financial health of the University, making the most of the University's most important resource – the people who work here, further enhancing the University's reputation as a well-governed and well-led University, and investing purposefully in the University's facilities, the University will realise the ambitious objectives and priorities in the new Strategic Plan, building on previous successes, ensuring that the University of Worcester remains a source of pride for students, staff, alumni, partners and members of the community it seeks to serve.

In summary, the University's financial strategy is to:

- Increase income through growth in student numbers. In the medium term, construct additional student residences (as demand is significantly growing).
- Continue to manage carefully staff costs noting that costs are rising due to a number of additional employment taxations and higher pensions costs.
- Continue to make efficiency savings, for example, by building on successes in 2014/15 of achieving procurement savings of £2.4m.



**SECTION 1: Strategies and Objectives (continued)**

- Extend fundraising activities to deliver key aspects of the University's strategy related to inclusive sports and, in due course, inclusive arts. The University has a good track record in fundraising match funding for successful projects such as the Arena and the Hive.

**SECTION 2: Public Benefit Statement**

As a Higher Education Corporation, the University is listed as an exempt charity under the Charities Act 2011. As such, the University benefits from the status of a charity but it is not registered with the Charity Commission. The Higher Education Funding Council for England (HEFCE) is responsible for ensuring that universities as exempt charities fulfil their obligations under charity law.

The University's trustees, in formulating this statement, have paid due regard to the Charity Commission's public benefit guidance and their responsibility to provide information about how they have delivered their charitable purposes for the public benefit.

The powers of the University of Worcester Higher Education Corporation derive from s.124(i) of the Education Reform Act 1988. The University has the power to:

- Provide higher education
- Provide further education
- Carry out research and publish the results of research.

These also constitute the charitable objectives of the University.

The opening lines of the University's Strategic Plan 2013-2018 state: "We aim to make a truly transformational contribution to the lives of our students, staff and the people of our region, and to make a very positive impact in society more broadly."

This commitment is developed in the narrative which outlines the University's key role in generating investment in human and physical capital, but goes much further than this:

"It is therefore important that universities are able to demonstrate the wider role they play in society and their contribution to public benefit: the transformational role they play in the lives of people through widening access and inspirational learning and teaching; their contribution to the social and cultural lives of the communities they serve." Part of the University's mission is "to motivate and empower our students, graduates and staff to make a first rate contribution to society" and "to foster and disseminate independent and distinctive scholarship and research, to achieve major beneficial social impact." In its ambition to impact positively on society, the University aims to be an exemplar of how an institution of higher education can deliver outstanding public benefit, especially for the benefit of the community we serve.

The trustees identify a number of beneficiaries of the University's charitable activities: applicants (and potential applicants), its students; user of services which have benefitted from the outputs of the University's research and knowledge transfer activities; service users, especially in the Health and Education sectors; and members of the community who benefit from the University's public engagement activities.

The following information is included to demonstrate the scope and scale of the contribution made by each of the following facilities: The Hive, The Arena, and the Infirmary Museum:

**The Hive**

The Hive continues to be a cornerstone of the University's commitment to educational opportunity and inclusion. Library usage is very high and the Hive continues to be the 2<sup>nd</sup> best used public library in the UK, however visitor numbers to the building overall have slightly declined, largely due to the shift in service pattern



**SECTION 2: Public Benefit Statement (continued)**

of the Council Customer Service Centre from face to face support, to web information and timed appointments. The archives service has also reduced its service hours by 20%, which has resulted in a lower visitor number.

Over 2,300 people visit The Hive each day, and the CIPFA figures in December 2015 on book borrowing show it is the second busiest library in the country, with nearly 900,000 books being borrowed annually. In November 2015 the then Secretary of State for Education, Nicky Morgan said: "...trying to raise aspirations amongst both pupils and their parents; trying to get better results by engaging the whole family; our libraries are an ultimate place for that kind of work, and you can clearly see that here at The Hive."



Lemniscatt Exhibition, staged at the Hive

The arts and cultural programme at The Hive brings the University and community together in shared experiences: notable exhibitions organised by the University this year have included the prestigious Royal Photographic Society International Exhibition, an exhibition by Angela Landels, the fashion illustrator and former art editor of Harpers Bazaar, and the international Bratislava Illustration Bienalle Winners for 2016. University Professors have continued to give a successful series of public lectures to share their research with the wider community, while school visits, adult learning, business support and networking, family theatre performances, a book club for adults with learning difficulties, and a Summer Reading Challenge all remain as part of the extensive programme of public engagement.

**The University of Worcester Arena**

Since the University Arena opened in April 2013 it has welcomed over 1.5m visitors and hosted over 150 major events, of which over 15% were disability sport focussed. The success of the Arena derives much from the building being designed to cater for disability; a concept which made it the first UK University, or public, Sports Arena to be purpose designed with the disabled user, spectator and athlete, in mind. The Arena's innovative inclusive approach



**SECTION 2: Public Benefit Statement (continued)**

was recognised by Justin Tomlinson, Parliamentary Under-Secretary for Disabled People, in a speech to the House of Commons (12<sup>th</sup> April 2016) when he described the Arena as “platinum standard” and went on to state:

*“The facilities at Worcester Arena are fantastic. It caters for disability by design – it is not an exception, but a given. The Arena was specifically designed to be accessible to all. This is not just about the physical structure; it is also about the need to allow assistance dogs – they are welcomed throughout. There is an induction loop system throughout the building. There is also extensive training for staff and their awareness. It is just a case of disability being a given, not the exception....*

*Underlying that was the aim to ensure that the facility was commercially viable. Too often, a ribbon is cut and the great and the good turn up to celebrate the opening. Without a good business plan behind that, there would be savings on the maintenance, opening times, programmes and activities. Right from the beginning, it was understood that the facility should never lie dormant for long periods of time and should maximise commercial opportunities – students, local sports clubs and the community, as well as elite and professional athletes....*

*We want to ensure that not just the people who go along to Worcester Arena benefit but that, right across the board, accessible sporting opportunities are a given. Part of that is ensuring that the topic is part of the education of the next generation of PE teachers. The University of Worcester has led on that, because it is a given that it is part of the education process. It is integral, as it is part of modules....*

*I hope that many other organisations can look and learn, and create the same sorts of enjoyment and opportunities that Worcester Arena does. It is a real tribute to my Hon. Friend that he has highlighted that today. He will have a further opportunity to showcase all the fantastic work that is going on right at the heart of his community with the all-party parliamentary group.”*

The success of the building’s design which enables true inclusion has also been recognised by the Japanese Paralympic Committee who have sought advice from the University on the design of inclusive facilities for the Tokyo 2020 Olympics. The Vice Chancellor was invited to address the World Inclusion Summit which took place at the Paralympic Games in Rio in 2016. Meetings between University representatives, the Japanese Paralympic Committee, Paralympic Games Organising Committee, Japanese Paralympic Federation and Ministry of Education (Sport) have focussed on the legacy of the games and on the success of the Arena as a specialist accessible facility.



The Big Sing, University Arena



## SECTION 2: Public Benefit Statement *(continued)*

The Arena events profile continues to increase each year with non-sporting major events bookings increasing six fold since 2013. New bookings and relationships have been developed with England Table Tennis, resulting in the University due to host the European Youth Top 10 Competition in 2017; along with the 'Can You Dance?' convention 2017. During 2015/16 the Arena hosted a wide range of events the highlights of which were: The Big Sing; Worcester Tour Ride; British Cheerleading Spring Fest; British Student Taekwondo Federation Championships; and Can You Dance? convention.

The Arena also provides a training base for many local community clubs covering a range of sports providing on average 52 court hours per week for community led sessions. Sport England's 'Iconic Facilities' survey which surveyed Arena community facility users identified that 100% of respondents were satisfied with the facility, of these 87% were very satisfied.

### **Worcester Wolves and Severn Stars Netball**

#### **The Worcester Wolves**

In 2014, the University became the owner of the British Basketball League Club, the Worcester Wolves. The Worcester Wolves and the University have worked in partnership over the last 15 years, full ownership of the team has enabled the creation of new and expansive opportunities for community outreach.

Basketball is an increasingly popular team sport nationally and it has the power to inspire and unite future generations, with 70% of participants under 25 years old and half of its players drawn from Black and Minority Ethnic communities.

Basketball at Worcester is the centre-piece of a model that blends sport and education in an exhilarating mix that is breaking down barriers and creating a wealth of diverse opportunities. Participation in sport helps people learn crucial skills such as team-work, self-discipline and improves physical health. Taking part is enjoyable, expressive and promotes inclusion in society. The thriving running game, combined with wheelchair basketball programmes, all based at the University of Worcester Arena, provides marvellous opportunities for learning through sport.

In the past year, thousands of children in Worcester and across the UK have benefited from inclusive basketball activities. Significantly, the University in partnership with British Wheelchair Basketball and UK Sport delivered a highly successful European Wheelchair Basketball Championships in 2015.

The Wolves and the University were highlighted for excellent practice in the Basketball All Party Parliamentary Group Inquiry Report in 2014 and were commended for 'making a difference to the social challenges affecting young people.'

Specific Worcester Wolves/University highlights over the past year have included:

- The development of the partnership with Greenhouse Sports and initiatives have included engagement with 47 schools in the London area
- The launch of an innovative international partnership with Valencia Basket and a joint residential camp hosting 70 participants in the inaugural event (2016)
- Development of partnership with prestigious company GTech that has included sponsorship and collaboration with support in marketing initiatives
- Supporting failing schools with educational initiatives to lift morale of both staff and students
- Offering focused and motivational seminars to over 100 students from disadvantaged backgrounds and enabling them to attend international basketball clinics
- Further development of the UW Worcester Wolves Wheelchair Basketball Club and supporting Wheelchair Basketball outreach initiatives, which engaged 2,000 children
- Raising the wider profile of the University and highlighting its educational benefits by generating nearly 2,000 press articles (20% of the University's total annual press coverage)



**SECTION 2: Public Benefit Statement (continued)**

- BBL has secured coverage with BBC red button for the 2016/17 season, with all games being streamed throughout Europe

The basketball template has been used as the foundation for the successful Netball Superleague Franchise bid, in partnership with the University of Gloucester, which will see the Severn Stars play at the University of Worcester Arena from January 2017.

**The Infirmary Museum**

The Museum is experiencing increased demand for school and HE educational workshops, in contrast to other heritage destinations in Worcester who are experiencing a decline. 2015/16 saw a 33% increase in sessions with 102 sessions being delivered, and overall visitor increased by 30% to 7,400, which for a small Museum is very pleasing. Successful and imaginative fundraising from the Heritage Lottery Fund and the British Museum allowed employment of a part time education officer, and a trainee on a scheme which is contributing to the development of a more inclusive workforce in the heritage sector. Volunteers contribute the equivalent of 1 fte staff member. The head of the Museum is the Chair of the Worcestershire Heritage Partnership, and is extending the University's work and role within the sector. The Museum is not only making a creative contribution to the University's outreach and public engagement, but is also embedded within the undergraduate curriculum, working with subjects including education, history, heritage, drama, fine art, and health.

**Suicide Safer**

The "Suicide Safer" project referred to in the 2013/14 and 2014/15 reports has continued. The project brings together staff at the University (academic and from the University's well regarded Counselling and Mental Health Service), Worcestershire County Council, the NHS and third sector groups. It has a number of strands – student and staff support; the development, dissemination and sharing of support materials for those contemplating suicide and those affected by suicide; research and continuing professional development. It seeks to contribute to a Suicide Safer University, City and County. The project is attracting national attention and has generated opportunities for partnership locally, with other HE providers, and with a range of charitable foundations, including those which have been established by individuals and families who have experienced bereavement as a result of the suicide of a close family member. The project has secured funding for two research studentships looking at aspects of student suicide and the joint leads, Mr Ross Renton, Pro Vice Chancellor (Students) and Professor Jo Smith, Professor of Clinical Psychology have presented to the NUS and have advised Public Health England on student suicide issues.

**Student Volunteering**

Through the good offices of Worcester Students' Union 422 students achieved a total of 33,385 hours volunteering during 2015/16; of these 8 individuals reached 500 hours each and 30 reached 200 hours each. This achievement exemplifies the importance the University, and in particular its students, place on being a part of, and contributing to, the local community.

**Student Admissions Policy**

The University aims to provide fair and equal access to a university education to all those who have the potential to succeed or benefit. The University welcomes applications from motivated students with appropriate qualifications, traditional and non-traditional, academic and vocational. The Policy states that the University is committed to widening access and participation in higher education by raising awareness and expectations in the pre-University community in order to increase the number of candidates who can benefit



**SECTION 2: Public Benefit Statement (continued)**

from our provision. No student will be subjected to less favourable treatment on ground of race, ethnicity or national origins, colour, gender, sexuality, age, parental status, marital status, disability status, creed, political belief or social or economic background. The Policy also commits the University to use contextual data in considering application from pupils at schools and colleges where attainment is affected by a range of socio-economic factors.

**Widening Participation**

Widening Participation and increasing opportunities for access to higher education from under-represented groups lies at the heart of the University's values and mission. Like all institutions of higher education the University is required to have in place through the Office of Fair Access (OFFA) an approved Access Agreement. This allows the University to charge a fee above the basic fee but to do so the University must commit to spending a certain proportion of fee income on access, outreach and activity that supports student achievement and progression.

The University must also set milestones and targets relating to the proportion of students it admits from under-represented or disadvantaged groups together with the success and progression of those students. The University is required to report annually on progress against these targets. In its monitoring report to the Office of Fair Access in January 2016 the University was able to record that it has exceeded some targets and is on target to achieve others. The University remains focussed on both the intake of students and on their successful experience at the University. The targets are reviewed regularly and form the basis of our planning.

We continue to build a strong evidence base for our strategic approach to access, success and progression. We are refining our use of data and analytics in evaluating our work and for 2017 have developed a new approach to our Access Agreement which reflects the National Strategy for Widening Participation and Student Success and refocuses our targets towards addressing student achievement and progression. Our ambition to provide an outstanding student experience provides the framework for this work and includes a new approach to the financial support that we offer students.

We aim to support as many students as possible through the provision of financial support that enhances the student's engagement with, and experience of, the University. In 2015/16 we supported students through a variety of means including; fee waivers, bursaries and scholarships. For student entering the University in 2016 financial support will be delivered as part of a new scheme called Reach. The Reach scheme operates using a bursary management system and provides students with a cashless bursary which can be redeemed in an online shop. The online shop has extensive products including study materials, books, specialist equipment and a range of other generic items.

As part of the wider Reach Scheme we are running a pilot programme with a cohort of 300 students that includes the provision of textbooks and a tablet device which will be used in the classroom with students. We have included a full analysis of the impact of the scheme within our access agreement targets.

Our Access agreement targets and our institutional commitment to access success and progression include:

- An extensive outreach programme that includes specific partnerships with schools and colleges to raise aspiration, achievement and progression to higher education;
- A pre-entry advice and guidance service, providing a service to adults considering returning to full and part-time education, and to representatives from particularly under-represented groups, including Black and Minority Ethnic (BME) groups and migrant workers;
- Significant support for students from a widening participation background including: tailor-made induction courses for mature students; a disability support services; and study skills support to assist with the transition to higher education, especially those from backgrounds where there is little or no history of engagement with higher education;



**SECTION 2: Public Benefit Statement (continued)**

- A Finance and Welfare Advisory team in Student Services which provides pre-entry and on-going advice to students on all financial matters;
- A Mental Health Advisory Service which provides on-going support to students who have a mental health condition;



Children's Storytelling and Creativity Festival 2015

- An annual Children's Storytelling and Creativity Festival, now in its tenth year;
- An award winning touring production, produced, directed and acted by Drama students, entitled 'Why Bother?' which tours schools throughout the region and surrounding areas;
- Learning through Sport', a programme run through the Institute of Sport and Exercise Science, working with primary schools that feed into local secondary schools with the lowest progression rates into higher education. The programme includes fun sporting activities to support children in Key Stage 2 Maths and English, and basketball coaching by members of the Worcester Wolves basketball team and undergraduate students.

We have also been able to resource several innovative new programmes of work which seek to support the recruitment, retention and success of students entering the University from under-represented groups these include:

- A number of Graduate Ambassadors, recruited and trained to work specifically with students from backgrounds where there is no previous experience of higher education;
- Health and Society mentors working to raise the profile of non-traditional study routes, for example attending specialist conferences for groups of young carers, young people in care and on a wider scale through 'bus tours';
- Research into effective communication and marketing for Early Years training, focussing specifically on males and students from BME backgrounds;
- Various projects and outreach activities providing in excess of 100 mentoring and ambassador opportunities for University of Worcester students, all of which are supported by a full training and support programme;
- Pre-entry ambassadors working within early years settings to support students from BME backgrounds to progress to higher education;
- Intensive summer Arts workshops to enhance learners practical portfolios to support their progression to higher education programmes.



## SECTION 2: Public Benefit Statement *(continued)*

In addition we have considerably expanded our collaborative work with both our Associate Colleges, conducting research into study skill needs for students hoping to progress to higher education who have BTEC or other non-traditional qualifications. Our collaboration with other West Midlands HEIs through our engagement with the Aimhigher programme is well embedded and we have expanded our delivery of a number of our own outreach programmes to pupils in the Birmingham and Solihull area. We have delivered a number of successful Unifest summer schools in 2016 and hope to expand in 2017 with a broader range of subject focussed work. Our involvement in the National Network for Collaborative Outreach will move into a new collaborative programme; the National Collaborative Outreach Programme, through which we will lead a partnership of providers including schools, colleges and employers to target young learners in areas of high attainment but poor progression post 18.

The University offers a particularly inclusive and supportive environment to students who have a disability. Alongside the excellent physical resources the University has always endeavoured to provide timely and appropriate support to students on an individual basis. The recent announcements that changes will be made to the way in which the Disabled Student Allowance (DSA) will be administered has caused great concern for the University. We are monitoring the proposed changes and consulting widely across the Institution to ensure that the impact of any changes are clearly understood. As the information about the changes emerges we are reviewing our practice and provision to mitigate against any potential negative impact upon access, success and progression.

Through the Worcester Intergenerations Project the University is making an active contribution to the local health and social care economy by facilitating a life enhancing experience for socially isolated older people who have a spare bedroom and University students needing inexpensive accommodation. The older person benefits through having regular company, low level support with household tasks and the opportunity to learn 21st century skills. Students involved in the programme gain an increased understanding of older people and social inclusion as well as personal satisfaction from making a significant positive contribution to an older person's life and the community.

### Research and Knowledge Transfer

Part of the University's mission is "to foster and disseminate independent and distinctive scholarship and research to achieve major, beneficial, social impact". This is elaborated in the University's Research Strategy 2014-2019 which identifies six high level aims focused on: developing our research culture; developing our researchers; enhancing the quality of our research; increasing income from research; ensuring our research makes a difference to people's lives; and enhancing our governance systems to assure the quality and integrity of the research.

In 2015/16, the University has built on its success in the Research Excellence Framework 2014 (REF2014), the periodic assessment by the Higher Education Funding Councils of the quality of research in UK HEIs, highlighted in last year's review. The outcomes of REF2014 emphasised the significant progression in the quality of our research – on the measure of research power we were the most improved HEI in the UK - but also demonstrated the positive impact our research is having on people's lives. This can be demonstrated further through research undertaken in 2015/16:

#### Association for Dementia Studies

- An ongoing project funded by the Economic and Social Research Council looking [at assessing and implementing a support programme for those living with dementia and their carers in the UK, Italy and Poland](#)
- An ongoing project promoting cultural competency in the domiciliary care workforce supporting people living with dementia funded by the Department of Health



**SECTION 2: Public Benefit Statement (continued)**

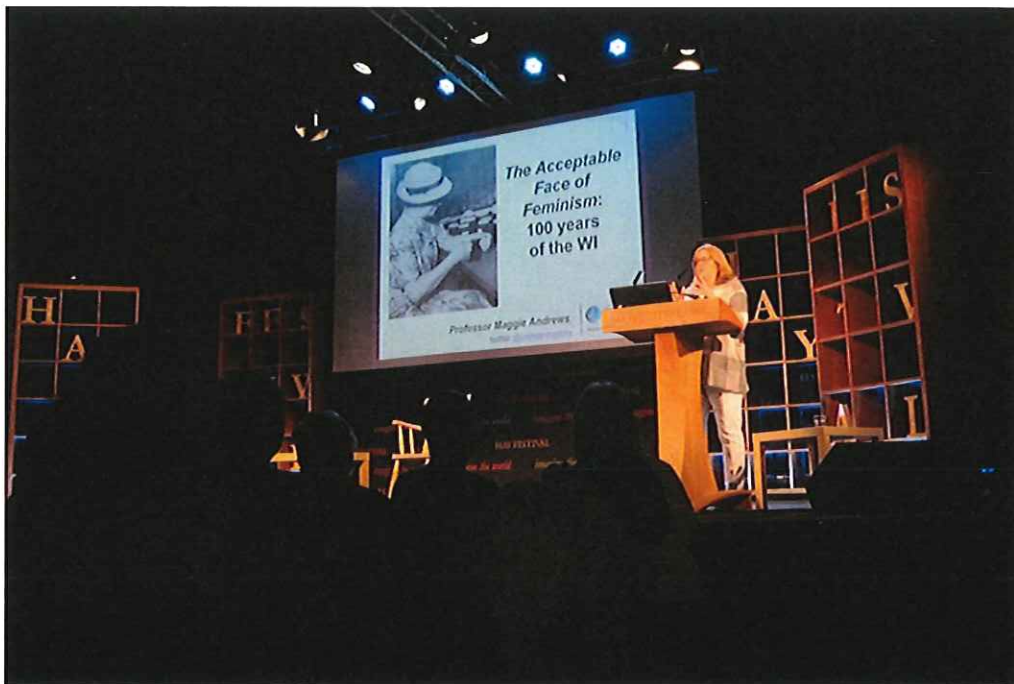
- Completion of a project, [FITS into practice](#), funded by the Alzheimer's Society, a significant element of which was to reduce the use of anti-psychotic medication for people with dementia living in care homes.

**Institute of Education**

- The 'We Are Europe' project, funded by the European Union through the Erasmus+ programme, seeks to enable children from across the continent to connect, learn about and share our common European values as well as celebrating our diversity and differences.

**Institute of Health & Society**

- The Mood Disorders Research Group is engaging in research, funded by the Stanley research Institute and the Wellcome Trust, investigating bipolar disorder (sometimes called manic depression) and other related affective and psychotic illnesses, such as schizoaffective disorder, major depression and postpartum psychosis, with a clear focus on improving diagnosis and treatment but also quality of life for those living with these illnesses.
- SHAPE (Supporting Health And Promoting Exercise), funded by the Health Foundation, is an ongoing project that has implemented and evaluated a programme, designed for young people with psychosis and bipolar disorder to enable them to maintain or lose weight, stop smoking, start exercising and introduce healthier eating and to support young people to achieve personal health goals.
- Staff in Health & Society have engaged in a series of research evaluations of educational and CPD programmes for Health Education West Midlands and NHS Education for Scotland which have led to the further development of these programmes.



Professor Maggie Andrews presenting at the Hay Festival, August 2016

**Institute of Humanities and Creative Arts**

- An ongoing project funded by the Arts and Humanities Research Council (AHRC) and BBC examines our place in the First World War.
- A project funded by the British Library's Endangered Archives programme to ensure the continued existence of important historical archives in Sierra Leone.

**SECTION 2: Public Benefit Statement (continued)****Institute of Science and Environment**

- A series of projects funded by the Agricultural and Horticultural Development Board are seeking to develop in field tests for plant pathogens that will feed through in better outcomes for growers (in terms of knowing when and where to plant) but also by extension for the environment as managed planting can lead to a reduction in the use of pesticides.
- Research funded by Waitrose and Fruition, looking at the use of wild flowers for pollination in apple orchards with potential to bring benefits for productivity but also the environment is nearing completion.
- A series of projects funded by the Biotechnology and Biological Sciences Research Council, Natural Environment Research Council and through Horizon 2020 are seeking to develop improved models for forecasting pollen and airborne pathogens which bring significant benefits for human health and for agriculture.

**Institute of Sport & Exercise Science**

- A number of staff are engaging in research looking at the impact of sedentary lifestyles and potential interventions which have significant benefits for human health in a variety of settings (e.g. schools - through physical activity interventions; the workplace – through sit-stand desk interventions; the home – through interventions to decrease sedentariness in computer gamers).

**Worcester Business School**

- Researchers are examining the issue of customer to customer interaction (CCI) and the impact this has on the consumer experience, with particular focus on CCI in online settings and in contexts where there is significant age differences between consumers. This research feeds into how companies manage the customer experience with overall benefits for the consumer but also specific benefits for particular groups (e.g. older customers).

**Sustainability**

The University of Worcester seeks to promote principles of sustainability in their broadest sense. Through teaching, research and knowledge exchange activities we promote sustainable communities, services and use of physical resources. We take our sustainability responsibilities extremely seriously and have achieved high recognition as a result:

- We have been ranked 2<sup>nd</sup> out of 151 in the UK's greenest universities in 2015 [People & Planet University League](#) and will know our 2016 ranking in October.
- We achieved [Responsible Futures](#) accreditation from the NUS for our whole institution approach to social responsibility and sustainability
- We were a [Higher Education Academy Green Academy](#) first cohort participant
- We were the first English University to achieve EcoCampus Platinum status, and the second to gain ISO14001:2015 for all our campuses. We have successfully retained this status as the University's estate has grown significantly most recently adding the Lakeside Campus.
- Accredited with FairTrade status since 2008
- We have been Green Gown finalists in 8 categories over the last 3 years and Bike loan scheme winners in 2014

We produce a dedicated annual sustainability report which summarises our activities and performance against quantitative and qualitative targets each academic year in more detail. Our Annual Sustainability Report was a finalist in the Green Gowns for 2016 and was quoted in the PriceWaterhouseCoopers 'Good practices in sustainability reporting'.



**SECTION 2: Public Benefit Statement (continued)**

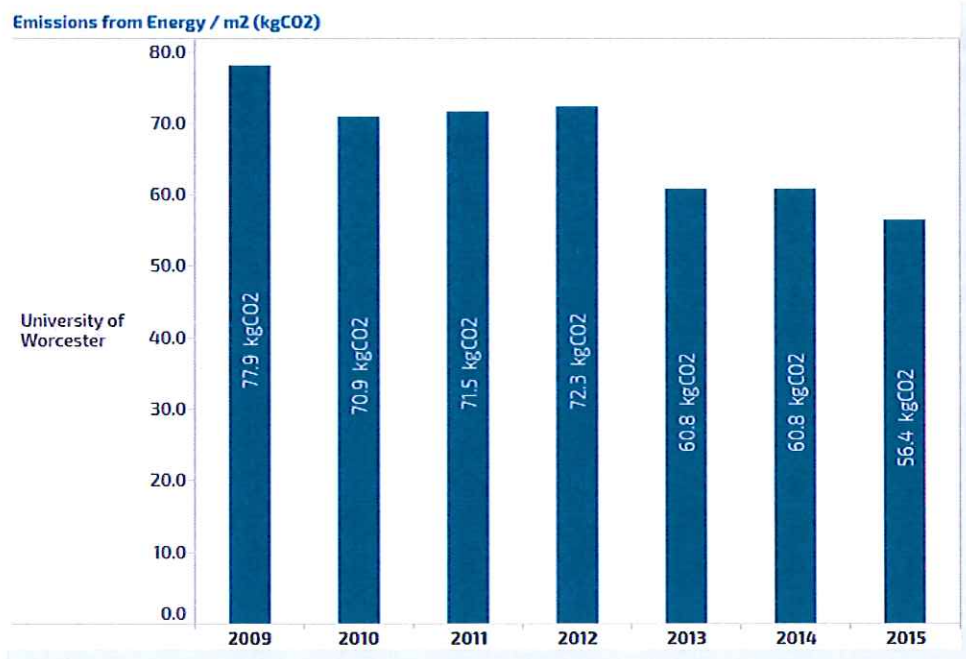
Embedding sustainability in the curriculum remains a particular focus. The University has a successful partnership with the University of Gloucestershire, 'Learning for Sustainable Futures', designed to further embed sustainability across the curriculum. All projects, which are jointly supervised by the Quality and Educational Development and Sustainability departments, include a student element, many in a paid capacity. Nearly twenty projects have been supported through this initiative and our students spoke at a June conference in Gloucestershire about their experiences of the scheme. Students have also presented at a national sustainability conference in Bristol (EAUC) and led workshops at the national launch of a new Biodiversity Guide held at the St Johns campus in Easter 2016. This successful conference gathered a wide range of institutions and specialisms to learn how to increase biodiversity in a university or college campus. The collaborative work between grounds staff, academics, technicians and external practitioners developed at UW was highlighted at this event.

There is close working between the University and the Students' Union. In 2014/15 this resulted in the University's NUS 'Responsible Futures' accreditation for the whole institution's commitment to social responsibility and environmental sustainability. Areas of particular strength are the University's outreach work, particularly with schools in the region, and leadership. A project which exemplifies this work is our collaboration with the creators of WHOLE EARTH? This is a 60 metre long external exhibition based on the premise that the future belongs to today's young people – and that students and universities everywhere have a major role in making society much more sustainable. Displayed at The Hive, and working with our City Council colleagues, we produced a volunteering guide, so that any members of the public viewing the exhibition and feeling inspired to make a difference could immediately access the myriad of local volunteering opportunities. As part of a university storytelling festival and The Big Sing, Institute of Education staff helped in devising activities for primary school children, in which the children were asked to make "one promise" inspired by WHOLE EARTH?'s images. Over 2,500 children undertook the activities and made their own promises.

Last year's report referred to the HEFCE/NUS Student Green Fund project on energy issues in the private housing sector. The University is now working on phase two of this research focusing on landlords, students, behaviours around boiler controls and decision making. NUS is using this as a case study in their national work on 'Homes Fit for Study' research and publications. A joint research project with University of Michigan on sustainability culture on campus, brings a Fulbright scholar to UW in Autumn 2016. This research is developing research instruments and a framework for measuring sustainability culture.

HEFCE made it a requirement for all HEI's to have a Carbon Management Strategy with absolute carbon reduction targets for the individual institutions and the sector as a whole. The University's CO<sup>2</sup> reduction target is 5% per year from 2010 to 2015 and 3% per year against the 2008/2009 baseline (set by the Board of Governors according to the size and profile of the estate at that time) from 2015 to 2020. These targets will achieve a 40% reduction by 2020, which is in alignment with higher education sector targets. As is the case with some other Universities that are also extending the footprint of their estate, we have not been able to meet these targets. Due directly to the growth in students and staff numbers and the estate our carbon emissions relating to transport, procurement and energy are all failing to meet absolute targets. In absolute terms our direct carbon emissions have increased from 4,018 tonnes in 2008/2009 to 4,407 tonnes in 2014/2015 an increase of 389 tonnes CO<sup>2</sup>, a 9.7% increase. However, when the performance on the management of carbon emissions is evaluated within the context of the size of the University, the success of initiatives is demonstrated:



**SECTION 2: Public Benefit Statement (continued)**

In order to achieve the 40% reduction target a number of additional performance objectives have been identified in the Energy Management Strategy (2013-2018). In particular the University seeks to ensure that all relevant buildings will achieve a DEC (Display Energy Certificate) rating of C or above by September 2017; currently 83% have a DEC rating of D, with many very close to a C rating. Initiatives to achieve this include a building by building approach to energy consumption reduction and the appointment of an Energy Manager.

In terms of Scope 3 emissions although these increased overall by 16.84% from 2013/2014 to 2014/15 there have been successes in decreasing emissions in specific areas. Notably a 2.4% decrease in emissions resulting from commuting and a 38% decrease in emissions from taxi travel. Water consumption at the St Johns Campus has decreased by 3.78% and waste GHGe (Greenhouse Gas equivalent) decreased by 45.29%. In addition there has been a 540% increase in re-use donations as a result of a substantial increase in furniture donations being made to local social enterprises.

Skills for Tomorrow, an annual event now in its fourth year bringing together employers and schoolchildren at a two day event, which focusses on sustainable careers and job roles and includes a range of workshops led by University staff and students, attracted nearly 200 schoolchildren. This event has been highlighted by GuildHE as a great example of citizenship and features in their Active Citizenship report.

University staff sit on a number of key local, regional and national fora. We are the inaugural chair of a new Sustainable Universities network, which launched in July 2016 bringing together two thriving existing networks to work collaboratively across sectors. It includes developing a leadership program for its members based on a Leadership framework developed by Harvard University. There are regular reports on the University's sustainability performance to the University/Community Forum, whose members are drawn from a broad cross-section and the University is recognised as a champion of sustainability issues locally, and is very active in regional networks making a significant contribution to addressing social responsibility and environmental issues within the community.

### SECTION 3: Financial Management and Sustainability

The key objectives of the University's financial strategy are to ensure that the University:

- Remains financially viable and sustainable;
- Maximises the use of available resources;
- Maintains appropriate levels of funding for development and investment;
- Achieves value for money in all its activities.

The University, in meeting the on-going challenges of the new funding regime and other Higher Education changes, will:

- Continue to observe the principles of prudent financial management;
- Ensure that the expansion and development plans remain achievable and affordable
- Take measures to maintain and further increase the University's popularity and student intake;
- Ensure efficient collection of cash and debtors together with prompt payments to creditors and suppliers as per the relevant agreed terms; and
- Maximise opportunities to diversify sources of income and increase income generation from these activities.

#### Results for the year

The 2015/16 consolidated financial statements confirm a healthy financial position for the University with a surplus of £6.6m (2015 restated: £3.0m). This surplus has been achieved through a continued increase in student numbers, efficient management of resources and strategic long term planning regarding investment in the physical estate. The consolidated results shown in the accompanying financial statements consist of the main University and its trading subsidiaries (U W Developments Limited, U W Enterprises Limited and UW Worcester Wolves Limited) along with the joint venture UW UP LLP, formerly UW Wrenbridge LLP.

U W Developments Limited is the entity through which the University manages its capital development programme. During the year the main activity undertaken was the continued refurbishment of Barrington House. Barrington House was a bed and breakfast establishment located close to the University. The building was purchased by the University in December 2014 with the intention of converting it to student accommodation. This project is now completed and the building is now operational.

U W Enterprises Limited is the entity through which the University's commercial activities are channelled. Following a steady decline over the past few years in full commercial trading the University made the decision at the beginning of 2015/16 that the on-going minimal amount of trading related to the National Pollen and Aerobiology Research Unit would in the short term be filtered through the University rather than the subsidiary company due to its links to educational services. This decision will be reviewed in the future if trading activity increases.

UW Worcester Wolves Limited is a 100% subsidiary company of U W Enterprises Limited. The company was incorporated on 13<sup>th</sup> June 2014, with its first year of trading ending on 31<sup>st</sup> July 2015. This is the second year of trading for the company and following losses of £164K in the first year, the company has succeeded in improving its financial performance with losses of £120K in the year ended 31<sup>st</sup> July 2016. The company continues to build strong relationships with local organisations, which has resulted in an increase in external sponsorship income, with the main sponsor supporting the club for the coming 2016/17 season. The company continues to provide support to the University in relation to both student and community activities.



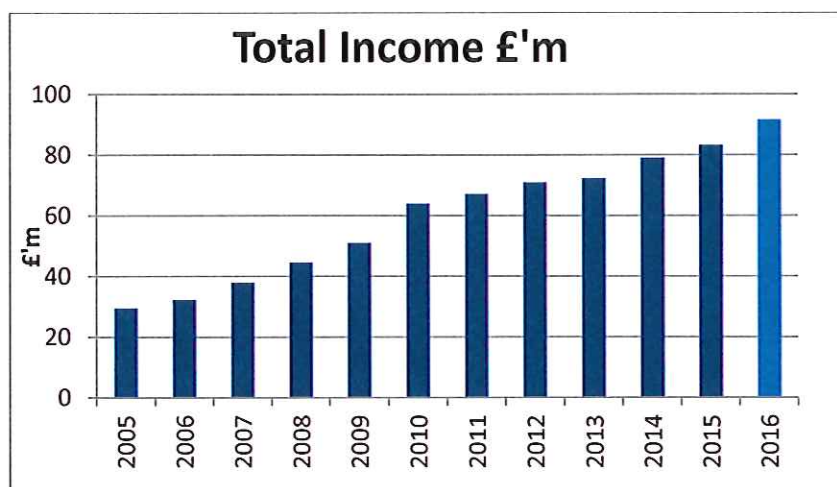
**SECTION 3: Financial Management and Sustainability (continued)**

**Income and Expenditure**

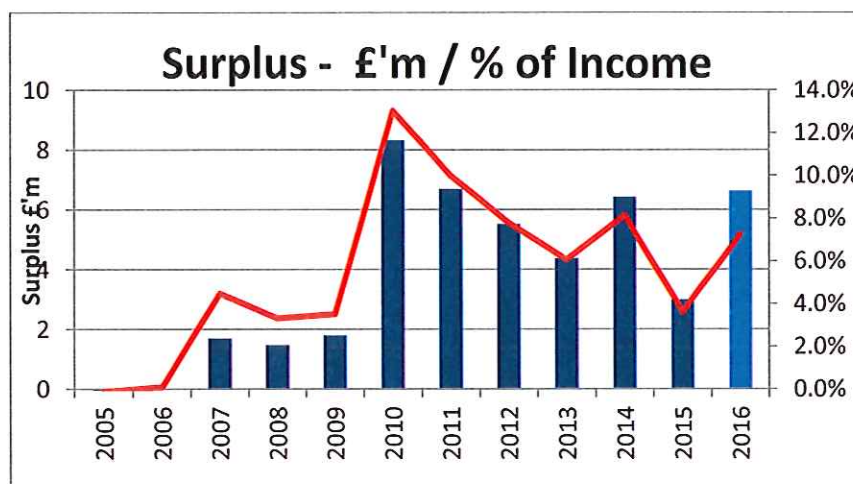
Analysis of the 2015/16 financial result shows a substantial annual growth of £8.5m (10.2% growth) with the majority of income being received directly from tuition fees. Research income has remained constant and the University continues to focus on opportunities to increase the level of research related income in the future.

Total expenditure increased by £4.5m (5.6%) which compared to the overall increase in income has resulted in a surplus: income ratio of 7.2% (2015 restated: 3.6%). During 2015/16 the University benefited from several non-recurrent income streams which contributed to the higher than anticipated surplus.

This is the twelfth set of financial statements produced since Worcester gained its University status and as the graphs below show the growth and success of the University has been phenomenal, especially against a backdrop of both world financial instability and radical changes in the UK's Higher Education provision.

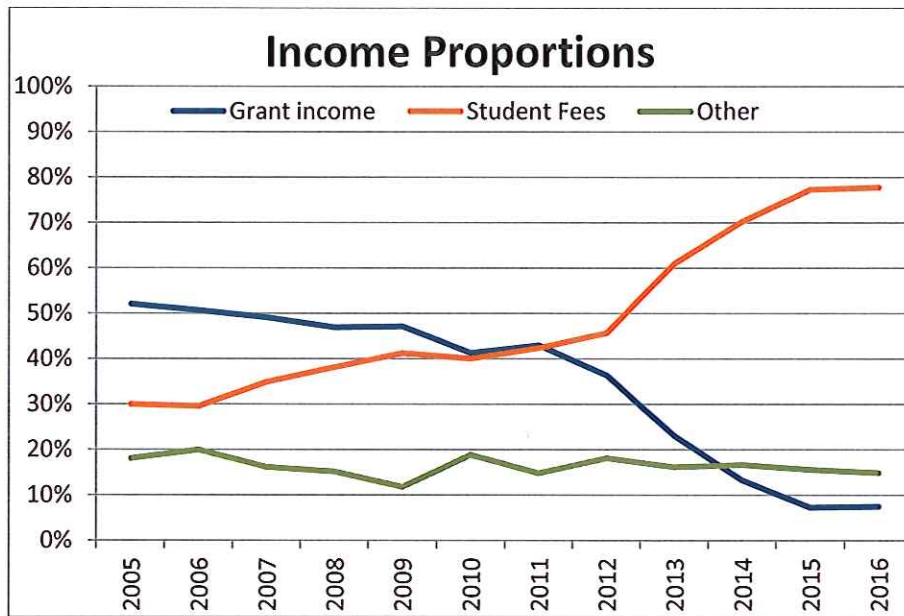


Income has grown from £29m in 2005 to £92m in 2016. This has been achieved through a sustained strategy by the University to invest in its people and infrastructure, which in turn leads to a rewarding student experience and increased popularity to study at the University. Associated with the income growth the level of surplus generated has grown from breakeven in 2005 to £6.6m in 2016. The University's long term financial plans show an average annual growth rate in the region of 7.5% and a surplus: income ratio around 6% which is felt to be a sustainable growth rate over the coming years.

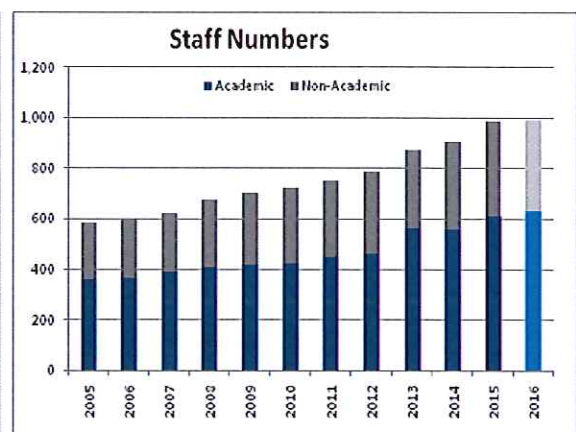
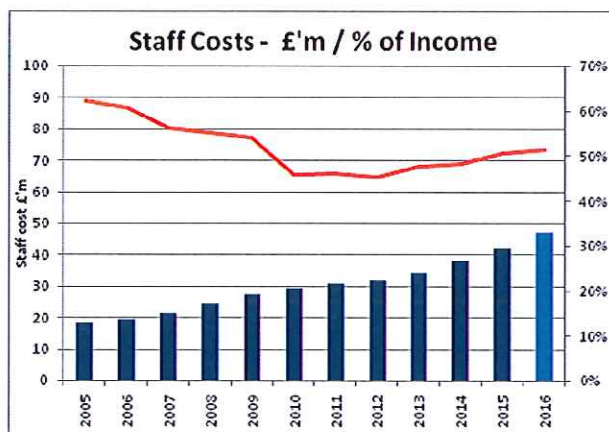


**SECTION 3: Financial Management and Sustainability (continued)**

The majority of the University's income derives from the students with now only a small percentage coming from direct government sources. The shift between grant income to student fees has now been fully realised, as 2014/15 was the first year where all student fees were based on the new funding regime. This has meant that the comparative figures between 2014/15 and 2015/16 tuition fee income is mainly a result of student number growth. This is illustrated on the graph below that highlights the relative proportions of the income received by the University. Student fees now represent some 78% of total income. This trend is expected to continue in future years as the majority of student income will be relating to fees.



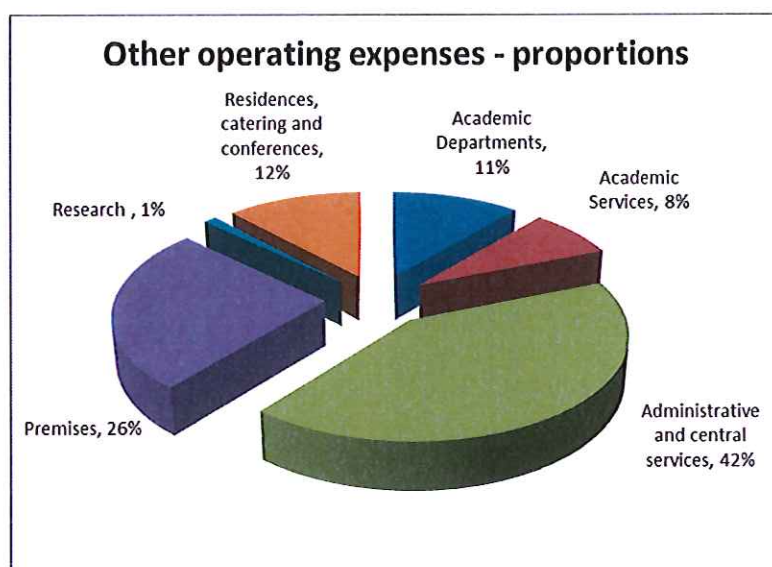
Total expenditure for the year increased by £4.5m (5.6%) to £84.4m (2015 restated: £79.9m). Staff costs remain the University's largest annual area of expenditure and have risen by £4.8m (11.5%) to £46.9m (2015 restated: £42.1m) due to an increase in staff numbers which reflect the increase in activity in almost all departments and Institutes, together with the continued increase in pension contributions and national insurance taxation changes made by the University. Overall the ratio of staff cost: income at 51.3% (2015 restated: 50.7%) remains favourable compared with other Higher Education Institutions (HEIs). This level had been held below the 50% mark for a number of years, however due to the University's continued investment in its staff along with the continuous increase in pension contributions this year has seen a further slight increase in this ratio. The University continues to focus on maintaining a sustainable level of staff costs, which is likely to become increasingly important over the coming years due to the defined benefit pensions liabilities.





### SECTION 3: Financial Management and Sustainability *(continued)*

Other operating expenses were well controlled with an overall slight decrease of £0.7m from £30.1m to £29.4m. The overall decrease in this area of costs was partly related to a VAT refund being received during 2015/16 in relation to costs associated with the Hive. General operating expenses are constantly managed and monitored in order that the University continues to ensure value for money is achieved. The split of these non-pay costs is shown below with the majority relating to central administrative functions which in turn contains all the payments made for scholarships, bursaries and payments to Partner Colleges. Expenditure on premises not only includes utility payments but also substantial maintenance programmes to ensure that all the University's properties are kept in good condition for students, staff and visitors.



The depreciation and amortisation charge continued to rise compared to previous years, which was expected due to the on-going increased level of capital investment. The University's long term plans to increase the number of student accommodation units available will ultimately lead to the development of several new buildings, which in turn will directly result in a continued increase in this area of non cash expenditure in the coming years.

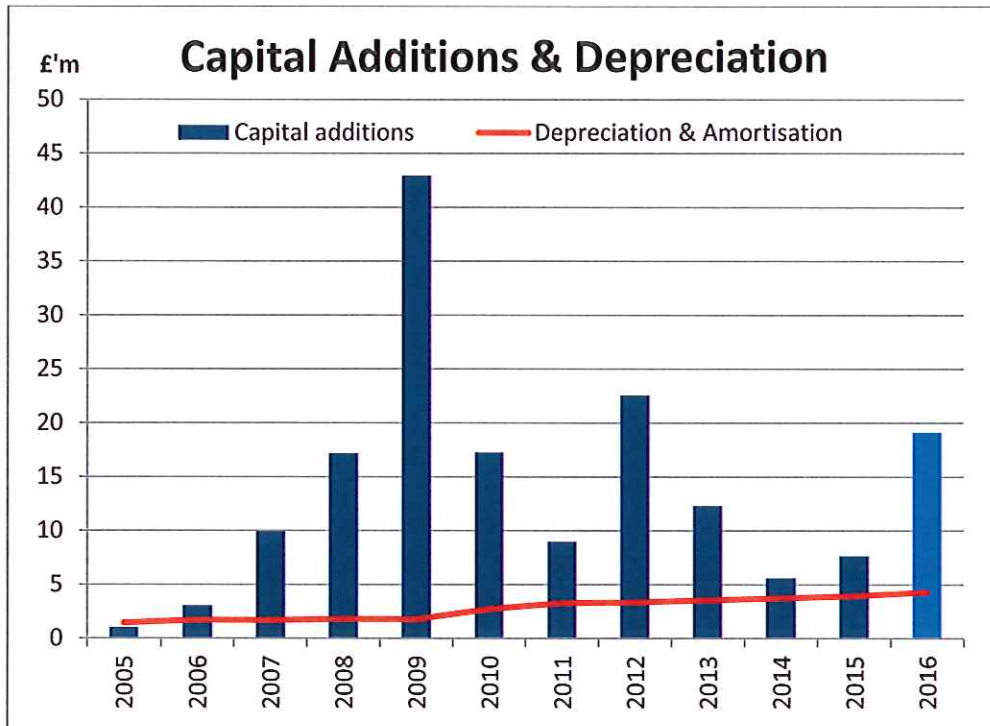
Good treasury management and ever improving prompt collection of outstanding debts allowed the University to save on interest payments.

#### Balance sheet

The University Group balance sheet showed a strong position with net assets at £42.5m (2015 restated: £44.1m). The main aspects of this were total fixed assets of £149.3m mostly relating to the physical estate of the University and associated equipment along with the land held at University Park.

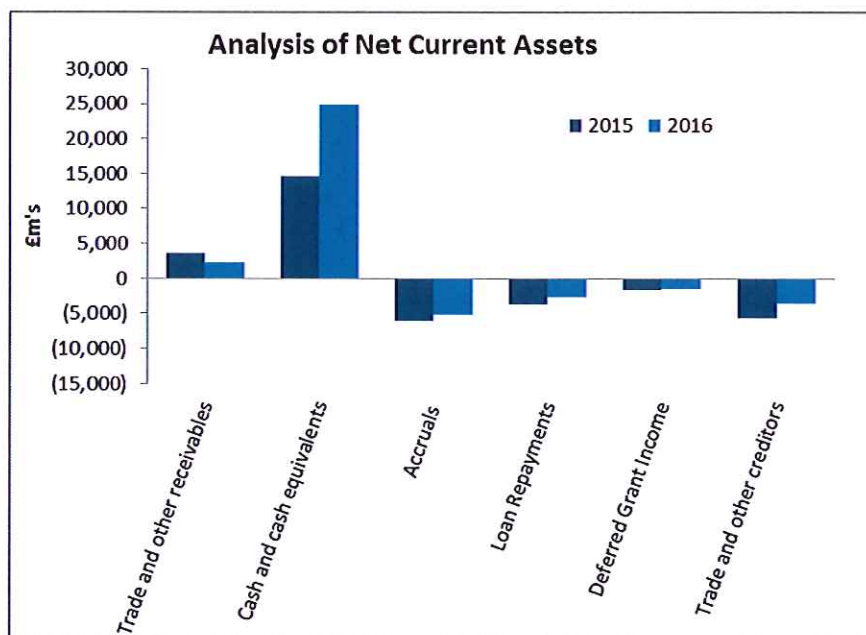
The University's capital investment programme continued during the year with further additions of £19.1m (2015: £7.6m), of which £11.4m related to land purchases in connection with the proposed Halls of Residence development at University Court. Further purchases included the acquisition of the new Lakeside Campus, the upgrading and refurbishment of the science laboratories, and general equipment replacements. A chart of capital additions since 2005 is shown below and highlights the significant amounts spent in recent years, well in excess of the annual depreciation charge.

**SECTION 3: Financial Management and Sustainability (continued)**



There is an on-going strategy to continue with the investment in infrastructure and a number of significant projects should be undertaken over the coming few years.

Net Current assets were £14.4m (2015 restated: £1.2m) with the majority of this relating to the cash balance held at the year end, which was a result of the Barclays tranche C loan draw down on 27<sup>th</sup> July 2016. The chart below identifies how the net current assets balance is made up:



- Trade and other receivables £2.2m (2015: £3.7m)



**SECTION 3: Financial Management and Sustainability (continued)**

The level of debtors at the end of this financial year was substantially lower than the previous year due to the continued implementation of additional credit control processes and additional resource allocated to handle SLC related issues.

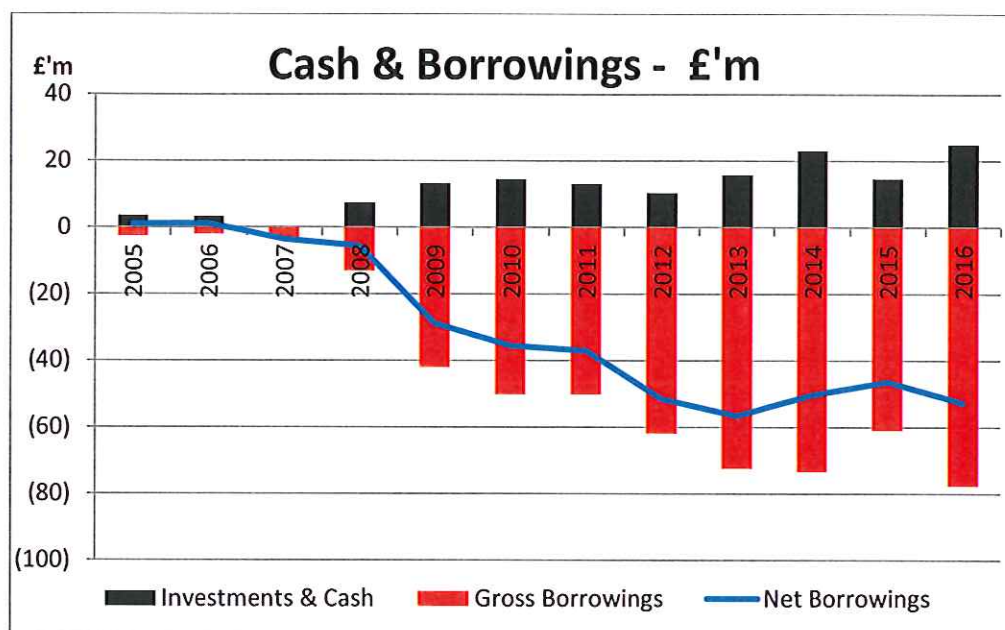
- Creditors (amounts falling due within one year) £(12.7)m (2015 restated: £(17.0)m)

The creditor balance has decreased compared to that of the previous year. Included within the overall creditor balance is £2.8m of loan repayments due within the year 2016/17 in accordance with the terms of the overall borrowing facility. All tax and social security payments for the year were paid prior to the year end, unlike in 2014/15 where the July liabilities were not paid until August. Due to the new accounting regulations government deferred capital grants are no longer held as a separate reserve and are now split between short term and long term creditors. Within the £12.7m creditors figure above is £1.5m (2015 restated: £1.7m) relating to deferred grants which will be released to income during 2016/17. General accruals also decreased compared to the previous year.

Longer term liabilities are related to loan borrowings, the Hive finance lease and government deferred capital grants which will be released to income from 2017/18 onwards.

The total loan drawn down out of the bank facility as at 31<sup>st</sup> July 2016 was the full £80.0m although some has been repaid, (with the remaining long term creditors relating to other funding connected to the Hive). This was consistent with the overall investment strategy of the University with the borrowings used to successfully fund the expansion in the physical estate of the University and facilitate the substantial increase in both student numbers and resulting income as outlined above.

Most of the borrowings are due for repayment over a considerable number of years and The Board of Governors are satisfied at the University's ability to meet these repayments together with the associated interest charges as they fall due. The good financial performance in the year ended 31<sup>st</sup> July 2016 meant that all bank and related covenant tests were comfortably achieved.





### **SECTION 3: Financial Management and Sustainability (continued)**

#### **Provisions for liabilities**

The University has accounted for several provisions in relation to pensions, VAT and legal costs associated with on-going claims. The overall pension liability provision as at 31<sup>st</sup> July 2016 was £(29.9)m (31<sup>st</sup> July 2015 restated: £(20.2)m) which includes the University's liabilities relating to the Worcestershire County Council Pension Fund, the liability to fund the pension deficit regarding the University's Superannuation Scheme, and the on-going provision regarding past early retirement benefits. The in year movement of £(9.7)m relates mainly to the increase in liabilities associated with the Worcestershire County Council Pension Fund. The performance of the fund's assets during the year was positive, however, due to the substantial increase in future liabilities the overall fund liability has increased substantially over the past year. The continued increase in pension costs for the University remains a concern and is a key factor in the long term financial planning of the University.

#### **Consolidated Cash flow**

The cash inflow for the year from operating activities (i.e. the surplus after the non-cash items had been adjusted for together with the movements in the balance sheet) was £14.1m (2015 restated: £13.8m). This cash inflow was used to invest in capital expenditure and to service the loan facility (interest and loan repayments).

### **SECTION 4: Academic Review**

The University continues to offer an innovative and wide ranging portfolio of academic courses. During the past year, we have begun the process of reviewing all of our academic offering, investing in and refreshing some courses and recognising that others have run their course. In 2016/17, a series of new single honours courses, including Law, will begin in September 2016 for the first time at Worcester. Applications for Law in particular have been very strong and students will enjoy excellent teaching facilities and a purpose built courtroom for legal skills training.

In our health courses, we continue to work closely with our local and regional partners, such as the Worcestershire Acute Hospitals NHS Trust. This year, in addition to our usual Nursing and Midwifery programmes, we have jointly developed a number of new initiatives to support, grow and sustain the local workforce. These include collaborating on a new project supporting a 'band 4' healthcare assistant development scheme in preparation for the new and emerging role of the 'Associate Nurse'. Excitingly, in September 2016, our first Physician Associate post graduates have taken up roles in the Trust as a new role within the health workforce.

We continue to work closely with local, regional and national employers to ensure that all of our courses will develop highly employable graduates. This year has been an exceptional one for employability with the University exceeding all major HEFCE employability benchmarks. In addition, this year, Worcester graduates achieved their best ever levels of employment. The percentage of UK domiciled leavers in full-time work rose by 4.8% to 95.8%, significantly higher than the national performance indicator of 93.9%. The unemployment rate for UK domiciled leavers has dropped to a record low of just 2.5%. We were also delighted that 90.2% of our graduates felt they were prepared either 'very well' or 'well' for further study or work.

These improvements have been supported by a focused approach to student employability across the University. The careers team have been working closely with the academic Institutes, including increased careers support sessions, industry led subject specific conferences and job application clinics for students. Specialist careers staff have been available to speak to students at graduation ceremonies and a new employability skills short course has been developed to support students who are seeking work within the first six months of graduation.



**SECTION 4: Academic Review (continued)**

The University has been most active internationally, particularly with the development of partnerships. There are now two dual degree partnerships with Chinese universities; the first cohort of these students will come to Worcester for their final undergraduate year in September 2016. UW has continued to develop exchange partnerships to meet increased demand from our students for a semester or a year of study abroad in order to broaden their perspectives internationally; there are students going to and coming from new partners in Melbourne, Ontario and California. Next year the exchange partnership expansion will include universities in Japan, Korea and China to provide opportunities for Worcester students to study and live in the Asia-Pacific region.

International recruitment has been buoyant particularly from Europe. The implications of Brexit will be a major theme for the University over next year and there will be a focus on trans-national education and on collaborations that will deliver increased numbers of well-prepared international students to study on degree courses at Worcester.

In 2015/16, our National Student Survey response rate was our highest ever, 77.81%, with an overall satisfaction score of 85%. This was slightly lower than our record level in 2015 (87%), which reflects a national dip in satisfaction and a significantly larger cohort graduating in 2015.

Most individual subject performances improved, with nine of our subject areas achieving an impressive 100% overall satisfaction score, including Art and Design, Physiotherapy and Occupational Therapy. Only in the area of personal development did we see a relatively significant dip in satisfaction, and this is in line with the national pattern. Despite this our score for personal development remains in the top quartile. Our investment in our learning resources has resulted in impressively improved scores (87%). Assessment and Feedback scores show steady continuous growth (76% in 2015 compared to 74% in 2014) and are above average for England (74%). Pleasingly, our scores in all six elements in the NSS are above the average for English HEIs.

The aim for 2016/17 will be to continue to improve across the institution at all levels, and our ambitious target is 90% overall satisfaction. A systematic approach to this work will be adopted, supported by the planned review of our course portfolio. We will work closely with the Students' Union in supporting them in their work with students and we will ensure that enhancements can be made swiftly and effectively communicated to our students.

We recognise we have a role in developing students outside the academic curriculum. In 2014/15, we worked with the Students' Union to increase the number of student clubs and societies, and in 2015/16, this rose from 68 to 77, with individual membership increasing from 1,831 to 2,180.

**SECTION 5: Infrastructure and Capital Development Programme**

During 2015/16 the University has developed an ambitious capital development programme which will span the following 10 years. The programme will deliver a significant increase in student residential accommodation, an expansion of the sport, health and art facilities with all new facilities being designed to be fully inclusive.

The major project for the coming period is University Court which is sited on land acquired by the University on Oldbury Road, just 7 minutes walk from its St John's Campus. The primary purpose of the development will be to provide additional student residential accommodation of between 1,200 – 1,500 rooms. All rooms will be accessible by a wheelchair user and all 8 bedroomed flats will have at least one bedroom which is fully accessible. The site, which was masterplanned during the second half of 2015/16, will also incorporate a non-residential building which will house a 'Student Hub' providing essential facilities to the site including: reception, security, café and bar, events space, social learning space, laundry and also teaching rooms. The outline plan for the site has exceeded the required 40% green infrastructure requirement imposed by the South Worcestershire



**SECTION 5: Infrastructure and Capital Development Programme (continued)**

Development Plan and provides a significant amount of park land which will be available for public enjoyment, as well as University use. The outline planning application will be submitted early in 2016/17 with a view to the first phase being ready for occupation at the start of 2019/2020.

The University has continued to consolidate its holdings adjacent to the Severn Campus with the intention of developing the site into the International Centre for Inclusive Sport, Physical Activity and Health. The masterplanning of the site will commence in September 2016 with a view to the Board signing off the outline plans in early 2017. The new developments will include an inclusive indoor cricket facility with a particular focus on Blind Cricket; a Sports and Health Hub; and additional basketball/netball/badminton courts.

In addition to the sports facilities at the Severn Campus the University has purchased 50 acres, which includes a 10 acre lake, at a site to the north of the city that was previously used for outdoor sports activities. The University's intention is to develop the site for outdoor activity with a particular focus on inclusive participation.

In 2014/15 the University purchased a property adjacent to its City Campus which had originally been constructed in the 1930s as a car show room but in recent years had been used as a retail outlet. The design of the listed building with two large open plan spaces, both of which have large skylights bringing in a wealth of natural light, lends the building to being used for art and design. An application for the refurbishment of the existing listed building and construction of a new addition to the site will be submitted in Autumn 2016 with a view to students with a specialism in art and design being able to use the new facility from 2017/18.



Recently installed, fully inclusive, moot law court at Jenny Lind

The University has also completed the second phase of the refurbishment of the former Council offices in the City Centre, now known as the Jenny Lind Building. The first stage of the refurbishment created office accommodation and teaching spaces which have been in use since September 2015. The second phase of the refurbishment will provide facilities for the new Law School including a fully inclusive mock court room.



## SECTION 6: Corporate Governance

The University of Worcester is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act of 1988 and the Further and Higher Education Act of 1992. Its objectives, powers and framework of governance are set out in the Instrument and Articles of Government, which are available on the University's web-site: <http://www.worc.ac.uk/dpfoi/656.htm>. The Board of Governors is the governing body of the University.

The Board of Governors has a majority of independent members and the Chair is elected for a term of four years from the independent members. Membership also includes co-opted members and representatives of the teaching and support staff and two student members. The Vice Chancellor and Chief Executive is an ex-officio member. No members of the Board receive any payment for the work they do as Governors apart from the reimbursement of travel expenses. During 2015/16 a new Chair took up office from 1<sup>st</sup> August 2015 and a new appointment was made to a new role of a dedicated Clerk to the Board of Governors.

In accordance with the University's Articles of Government, the Board is responsible for determining the educational character and the strategy of the University, and has oversight of its activities. It is also responsible for ensuring the University's financial sustainability and compliance with legal and regulatory requirements, including the effective operation of internal controls, risk management and corporate governance.

In the preparation of the financial statements, the Board of Governors has ensured that:-

- Suitable accounting policies are in place and are applied;
- Appropriate accounting standards have been followed; and
- Financial statements are prepared on the going concern basis.

The Board has taken reasonable steps to:-

- Ensure that funds received from HEFCE and other public funding bodies are used only for the purpose for which they are given;
- Ensure that there are appropriate financial controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and to prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University's resources.

The Board of Governors meets five times a year, with occasional special meetings to address specific issues. The Clerk to the Board maintains a Register of Interest of members of the Board, which may be consulted by arrangement with the Clerk.

As stated in the University's Strategic Plan 2013-18, The University is committed to operating the highest standards of corporate governance and continuously improving its governance arrangements. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (the so-called Nolan Principles), namely: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

At its meeting in July 2015, the Board adopted formally the *Higher Education Code of Governance* published by the Committee of University Chairs (CUC) in December 2014. At the same time the Board received and approved a report which confirmed the University's compliance with the seven primary elements of governance identified in the Code. The report pertaining to the annual review of compliance with the *Higher Education Code of Governance* will be received by the Board at its meeting in October 2016.

The work of the Board is supported by system of sub-committees, as described below.



**SECTION 6: Corporate Governance (continued)****Academic Board**

The University's governance arrangements include an Academic Board which, subject to the overall responsibility of the Board of Governors, has oversight of the academic affairs of the institution and draws its membership from the staff and students of the University. The Academic Board is particularly concerned with general issues relating to the learning, teaching and research work of the University. An independent member of the Board of Governors attends meetings of the Academic Board in an observer capacity. The Board of Governors has mechanisms in place to assure itself that the University has in place arrangements to safeguard the quality and standards of its academic provision. It receives reports of each meeting of the Academic Board and an annual report from the Academic Board on quality and standards.

**Nominations Committee**

The Nominations Committee is responsible for ensuring that the membership of the Board is maintained and that the spectrum of members includes appropriate knowledge and expertise. There is a matrix of members' skills and expertise to assist decision making, which is reviewed on annual basis. In accordance with the Lambert Report (2003) and best practice in the *Higher Education Code of Governance* (2014), the University continues to advertise nationally against defined person specifications and role descriptors. All vacancies for independent board members are advertised on national recruitment boards and on the University's website.

**Finance and Development Committee**

The Finance and Development Committee meets five times each year. It reviews in detail the University's budget, Financial Forecasts and Accounts prior to formal approval by the Board of Governors, including consideration of accounting principles, judgements and disclosures. On behalf of the Board it monitors the development and implementation of strategic projects approved by the Board including the capital development programme.

**Audit Committee**

The Audit Committee meets four times a year, with the University's External and Internal Auditors in attendance. The University appointed Ernst Young in 2016/17 for its internal audit services. Whist members of the Executive attend meetings of the Audit Committee, they are not members of the Committee and the Committee members may meet the External Auditors on their own for independent discussions. During 2015/16 one 'in camera' session of this type was held.

The Committee approves Internal Audit Strategy and the Annual Internal Audit Plan, and receives detailed reports with recommendations for improvements to the institution's internal control systems. It also receives the Corporate Risk Register and the annual financial statements and the management letter from the external auditors, prior to their formal approval by the Board of Governors. It reports to each meeting of the Board and also presents an annual report that is part of the annual assurance process required by HEFCE, which is submitted along with the Annual Opinion statement from the Internal Auditors. The Annual Report of the Audit Committee includes an assurance on the quality of the University's data management and the accuracy of data returned to external agencies.

**Personnel Committee**

The Personnel Committee oversees the development and implementation of the human resources strategy, and receives reports from the Director of HR and from the Equality and Diversity and the Health and Safety Committees. It discusses and recommends to the Board of Governors changes in conditions of service which are determined locally, and also changes in procedures which regulate industrial relations (e.g. disciplinary and



**SECTION 6: Corporate Governance (continued)**

grievance procedures). The Committee also keeps under review national arrangements for pay bargaining and makes recommendations to the Board on the appropriateness of the University's continued participation in the national bargaining arrangements. In July 2016 the Board approved a change of name for the Committee. From 2016/17 onwards it will be known as the HR Committee.

**Remunerations Committees**

The University has two Remunerations Committees: one responsible for determining the annual remuneration of the Board appointed staff (i.e. the Vice Chancellor and Chief Executive and the Clerk) and another considering the remuneration of other members of the senior leadership who report to the Vice Chancellor and Chief Executive. The Remunerations Committee (Senior Staff) also sets the parameters for the reward and remunerations of staff on the University of Worcester salary scale; whose individual salaries are determined by a group of senior staff chaired by the Vice Chancellor and Chief Executive.

In addition to the formal sub-committees of the Board, there is also governor representation on the Equality and Diversity Committee, University Community Forum and Honorary Awards Committee. The Board of Governors also has a nominated observer representative on the Boards of all the University's wholly owned active subsidiary companies.

**Internal control and risk management**

The Board has responsibility for maintaining a sound system of internal control that support the achievement of institutional strategies and policies, whilst safeguarding public and other funds and the assets of the University. The system of internal control is designed to manage rather than eliminate risk and can only provide reasonable rather than absolute assurance of effectiveness. Operationally, the University Risk Manager is currently the Clerk to the Board, who works closely with the University Executive and heads of Institute and Professional Service department to ensure that the University's Risk Management Policy is implemented.

An institutional Risk Register is maintained, which is presented on a six-monthly basis to the Audit Committee and Board of Governors for approval. Each corporate risk is mapped to the University's Strategic Plan and the annual planning process included a review by each Department and Institute of major risks and how these are being managed. Separate and detailed risk registers are maintained for key capital developments and risk assessments are also undertaken alongside any proposals for new partnerships.

During 2015/16 a review was undertaken of the structure and format of the Corporate Risk Register and a number of new features were introduced:

- further definition of risk and details of the risk rating mechanism;
- Introduction of a risk assurance map providing details of where assurance is provided concerning the management of the key controls;
- Inclusion of the risk response in the Register;
- details of evidence next to each Key Control.

A routine review of the Risk Management Policy will be undertaken in 2016/17.

The Board's oversight of the effectiveness of the system of internal controls is informed directly by the work of the Internal Auditors and the University Executive that has responsibility for the development and maintenance of the internal control framework, and by feedback provided by the External Auditors in their management letter and in other reports to the Audit Committee. The Internal Audit Strategy approved annually by Audit Committee, sets out priorities over a four year period and includes the agreed priority audit areas for the coming year, and is based on a review of sector and University developments, audit work in the previous year and the Risk Assurance Map. The Annual Internal Audit Plan is reviewed at each meeting of Audit Committee



**SECTION 6: Corporate Governance (continued)**

because it is recognised that it is dynamic and needs to be continuously revisited to reflect the changing environment and risk profile facing the University. Key responsibilities by the Executive relating to the operation of the internal control environment are included within the Schedule of Delegation that is approved on at least an annual basis by the Board. The Board receives a report by the Vice Chancellor and Chief Executive at each meeting of the Board concerning the operation of the University and emerging risks and opportunities affecting the University.

**Governance Developments in 2015/16**

During 2015/16 HEFCE undertook its routine Assurance Review of the University's governance arrangements and accountability information. The outcome report from HEFCE concluded that reliance can be placed on the University's accountability information and no formal recommendations were proposed. A number of suggestions were made in relation to sector best practice and these are being implemented.

Strategic development work was initiated in 2015/16 to broaden further equality and diversity on the Board. Recently specialist websites have been targeted to promote applications from groups that are under-represented, currently these include members from ethnic minorities and those with disabilities. Whilst the Board of Governors has a relatively positive gender balance, it recognises the need to build on success and bring forward talented women for more senior Board roles, as was highlighted this year in Norma Jarboe's review: *Women Count: Leaders in Higher Education Leadership 2016*. Of the Board membership in 2015/16 50 % of independent members and 40% of the overall Board were female and one of the two Vice Chairs is a woman.

A review of the Board's own effectiveness was initiated in May 2016 and a report will be received by the Board in the Autumn. This draws together feedback from individual Board members and each of the main sub-committees (Audit Committee, Finance and Development Committee and Personnel Committee). Prior to consideration by the Board, the draft findings and draft recommendations will also be reviewed by an external consultant working nationally promoting best practice in higher education governance.

In February 2016 the Board established a Constitutional Review Group to draft proposals to amend both the Instrument and Articles of Government. The Board passed a Special Resolution at its meeting in July 2016 to recommend amendments to the governing instrument for formal approval by the Privy Council.



Mr John Bateman OBE  
Chair of the Board of Governors



Professor David Green  
Vice Chancellor and Chief Executive

## Independent auditors' report to the Board of Governors of The University of Worcester (the "institution")

### Report on the financial statements

#### Our opinion

In our opinion, the University of Worcester's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2016 and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

#### What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2016;
- the consolidated Statement of Comprehensive Income and Expenditure for the year then ended;
- the consolidated Statement of changes in Reserves for the year then ended;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed in the HEFCE Audit Code of Practices issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's articles of government; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability, and any other terms and conditions attached to them.

#### Other matters on which we are required to report by exception

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report from this responsibility.

#### Responsibilities for the financial statements and the audit

Respective responsibilities of the Governing Body and auditors

As explained more fully in the Strategic Report set out on page 28, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



**Independent auditors' report to the Board of Governors of The University of Worcester (continued)**

This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing Body; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Governing Body judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Alison Breadon (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court,  
19 Cornwall Street,  
Birmingham,  
B3 2DT

16 November 2016

- (a) The maintenance and integrity of the University of Worcester's website is the responsibility of the Governing body; 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Consolidated and University Statement of Comprehensive Income and Expenditure****For the year ended 31<sup>st</sup> July 2016**

	Notes	Group		University	
		2016 £000	2015 £000	2016 £000	2015 £000
<b>INCOME</b>					
Funding Body Grants	2	6,804	6,028	6,804	6,028
Tuition fees and education contracts	3	71,136	64,152	71,136	64,152
Research grants and contracts	4	1,026	1,120	1,026	1,120
Other income	5	12,529	11,709	12,616	11,846
Investment Income	6	66	92	133	163
<b>Total income before endowments and donations</b>		<b>91,561</b>	<b>83,101</b>	<b>91,715</b>	<b>83,309</b>
Donations and endowments	7	24	5	24	5
<b>TOTAL INCOME</b>		<b>91,585</b>	<b>83,106</b>	<b>91,739</b>	<b>83,314</b>
<b>EXPENDITURE</b>					
Staff Costs	8	46,943	42,115	46,805	41,994
Other operating expenses	9 & 11	29,384	30,056	29,775	30,165
Depreciation and amortisation	9,12 & 13	4,263	3,927	4,381	4,044
Interest and other finance costs	10	3,784	3,819	3,784	3,819
<b>TOTAL EXPENDITURE</b>	11	<b>84,374</b>	<b>79,917</b>	<b>84,745</b>	<b>80,022</b>
<b>Surplus before other gains losses</b>		<b>7,211</b>	<b>3,189</b>	<b>6,994</b>	<b>3,292</b>
Loss on disposal of fixed assets	13	(577)	(97)	(577)	(97)
Result on investments	14	-	-	-	-
Share of Operating (Deficit)/ Surplus in Joint Venture	15	(7)	(108)	-	-
Surplus before tax		6,627	2,984	6,417	3,195
Taxation	16	-	-	-	-
<b>Surplus for the year</b>		<b>6,627</b>	<b>2,984</b>	<b>6,417</b>	<b>3,195</b>
Actuarial Loss in respect of pension schemes	26	(8,220)	(3,191)	(8,220)	(3,191)
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,593)</b>	<b>(207)</b>	<b>(1,803)</b>	<b>4</b>
Represented by:					
Restricted comprehensive income for the year		15	-	15	-
Unrestricted comprehensive (expense)/ income for the year		(1,608)	(207)	(1,818)	4
		<b>(1,593)</b>	<b>(207)</b>	<b>(1,803)</b>	<b>4</b>
<b>Surplus for the year attributable to:</b>					
Non-controlling interest		-	-	-	-
University		6,627	2,984	6,417	3,195
<b>Total comprehensive (expense)/ income for the year attributable to</b>					
Non-controlling interest		-	-	-	-
University		(1,593)	(207)	(1,803)	4

The Income and Expenditure of the Group and the University relates wholly to continuing operations.

**Consolidated and University Balance Sheet as at 31 July 2016**

	Note	Group		University	
		2016 £000	2015 £000	2016 £000	2015 £000
<b>Non-current assets</b>					
Intangible assets	12	94	130	94	130
Tangible fixed assets	13	146,905	134,463	152,878	140,413
Investments	14	2,283	2,283	2,294	2,294
Investments in joint venture	15	5	(259)	-	-
<b>Total Non-current assets</b>		<b>149,287</b>	<b>136,617</b>	<b>155,266</b>	<b>142,837</b>
<b>Current assets</b>					
Stock	17	12	10	5	7
Trade and other receivables	18	2,240	3,659	3,826	5,100
Cash and cash equivalents		24,829	14,533	24,323	14,035
<b>Total Current assets</b>		<b>27,081</b>	<b>18,202</b>	<b>28,154</b>	<b>19,142</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(12,701)	(17,047)	(12,614)	(16,858)
<b>Net Current assets</b>		<b>14,380</b>	<b>1,155</b>	<b>15,540</b>	<b>2,284</b>
<b>Total assets less current liabilities</b>		<b>163,667</b>	<b>137,772</b>	<b>170,806</b>	<b>145,121</b>
Creditors: amounts falling due after more than one year	20	(90,924)	(73,408)	(90,924)	(73,408)
<b>Provisions</b>					
Pension	21	(29,893)	(20,159)	(29,893)	(20,159)
Other	21	(363)	(125)	(363)	(125)
<b>Total net assets</b>		<b>42,487</b>	<b>44,080</b>	<b>49,626</b>	<b>51,429</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment		-	-	-	-
Income and expenditure reserve - restricted	22	28	13	28	13
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		31,350	32,717	38,489	40,066
Revaluation reserve		11,109	11,350	11,109	11,350
		<b>42,487</b>	<b>44,080</b>	<b>49,626</b>	<b>51,429</b>
Non-controlling interest		-	-	-	-
<b>Total Reserves</b>		<b>42,487</b>	<b>44,080</b>	<b>49,626</b>	<b>51,429</b>

The financial statements on pages 34 to 71 were approved by the Board of Governors on 14<sup>th</sup> November 2016 and signed of their behalf:

Mr John Bateman OBE  
Chair of the Board of Governors

Professor David Green  
Vice Chancellor and Chief Executive



### Consolidated and University Statement of Changes in Reserves For the year ended 31<sup>st</sup> July 2016

Group	Income and expenditure reserve		Revaluation reserve	Total excluding Non-Controlling Interest	Non-controlling interest	Total Reserves
	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2015</b>	<b>13</b>	<b>32,717</b>	<b>11,350</b>	<b>44,080</b>	-	<b>44,080</b>
Surplus/(deficit) from the income and expenditure statement	15	6,612	-	6,627	-	6,627
Other comprehensive income	-	(8,220)	-	(8,220)	-	(8,220)
Transfers between revaluation and income and expenditure reserve	-	241	(241)	-	-	-
Release of restricted funds spent in year	-	-	-	-	-	-
<b>Total comprehensive income/ (expense) for the year</b>	<b>15</b>	<b>(1,367)</b>	<b>(241)</b>	<b>(1,593)</b>	-	<b>(1,593)</b>
<b>Balance at 31 July 2016</b>	<b>28</b>	<b>31,350</b>	<b>11,109</b>	<b>42,487</b>	-	<b>42,487</b>

University	Income and expenditure reserve		Revaluation reserve	Total excluding Non-Controlling Interest	Non-controlling interest	Total Reserves
	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2015</b>	<b>13</b>	<b>40,066</b>	<b>11,350</b>	<b>51,429</b>	-	<b>51,429</b>
Surplus/(deficit) from the income and expenditure statement	15	6,402	-	6,417	-	6,417
Other comprehensive income	-	(8,220)	-	(8,220)	-	(8,220)
Transfers between revaluation and income and expenditure reserve	-	241	(241)	-	-	-
Release of restricted funds spent in year	-	-	-	-	-	-
<b>Total comprehensive income/ (expense) for the year</b>	<b>15</b>	<b>(1,577)</b>	<b>(241)</b>	<b>(1,803)</b>	-	<b>(1,803)</b>
<b>Balance at 31 July 2016</b>	<b>28</b>	<b>38,489</b>	<b>11,109</b>	<b>49,626</b>	-	<b>49,626</b>

**Consolidated Cash flow Statement for the year ended 31<sup>st</sup> July 2016**

	<u>2016</u>	<u>2015</u>
	£000	£000
<b>Cash flow from operating activities</b>		
Surplus for the year	6,627	2,984
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	4,263	3,927
Decrease in stock	(2)	(1)
Decrease/(increase) in debtors	1,418	(183)
Increase/(decrease) in creditors	(3,456)	2,930
Increase in pension provision	1,514	907
Increase/(decrease) in other provisions	238	(59)
Share of operating deficit in joint venture	-	108
<b>Adjustment for investing or financing activities</b>		
Investment income	(66)	(92)
Interest payable	3,036	3,150
Endowment income	(24)	(5)
Loss on the sale of fixed assets	577	97
<b>Net cash flow from operating activities</b>	<u>14,125</u>	<u>13,763</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of tangible fixed assets	-	-
VAT adjustment/ refund	1,755	-
Impairment of tangible fixed assets	-	568
Disposal of joint venture investments	(271)	-
Withdrawal of deposits	-	10,000
Investment income	66	92
Payments made to acquire tangible and intangible fixed assets	(19,003)	(7,441)
New deposits	-	(5,000)
<b>Net cash flow used in investing activities</b>	<u>(17,453)</u>	<u>(1,781)</u>



**Consolidated Cash flow Statement for the year ended 31<sup>st</sup> July 2016 (continued)**

	<b>2016</b>	<b>2015</b>
	£000	£000
<b>Cash flows from financing activities</b>		
Interest paid	(3,003)	(2,879)
Interest element of finance lease and service concession payments	(32)	(271)
Endowment cash received	24	6
New secured loans	21,000	4,104
Repayments of amounts borrowed	(3,643)	(16,357)
Capital element of finance lease and service concession payments	(722)	(96)
	<hr/>	<hr/>
<b>Net cash flow from/(used) in financing activities</b>	<b>13,624</b>	<b>(15,493)</b>
	<hr/>	<hr/>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>	<b>10,296</b>	<b>(3,511)</b>
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	14,533	18,044
Cash and cash equivalents at end of the year	24,829	14,533
	<hr/>	<hr/>
<b>In year movement</b>	<b>10,296</b>	<b>(3,511)</b>

**Notes to the financial statements**  
**Year ended 31<sup>st</sup> July 2016**

## **1. Statement of Principal Accounting Policies**

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets.

### **Basis of consolidation**

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31<sup>st</sup> July 2016. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

### **Income recognition**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Grant funding**

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.



## 1. Statement of Principal Accounting Policies *(continued)*

### Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income and applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### Accounting for retirement benefits

The three principal pension schemes for the University's employees are the Universities Superannuation Scheme (USS), the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The schemes are defined benefit schemes which are externally funded and up until April 2016 are contracted out of the State Second Pension (S2P).

The USS and TPS are multi-employer schemes for which the assets are held in separate trustee-administered funds. Because of the nature of the schemes, the schemes assets are not hypothecated to individual institutions and scheme wide contribution rates are set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore as required by FRS 102 "Retirement Benefits", accounts for the schemes as if they are defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the schemes in respect of the accounting period. A liability is also recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts section 28 of FRS102 'post-employment benefits'.

The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit credit method, for the LGPS and the USS and on the basis of quadrennial valuations using a prospective benefit method for the TPS.



## 1. Statement of Principal Accounting Policies *(continued)*

The University maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement. The pensions paid are charged against the provision and interest accrued is added to the provision.

### Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

### Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

### Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.



## 1. Statement of Principal Accounting Policies (*continued*)

### Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### Fixed assets

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use in addition to any irrecoverable VAT.

The University's buildings are largely specialised buildings and therefore it is not appropriate to value them on the basis of open market value. A valuation of the educational land and buildings was carried out by GVA Grimley International Property Advisers and Chartered Surveyors as at 31<sup>st</sup> July 1995 on the basis of depreciated replacement cost. The three houses owned by the University were valued on an open market value for existing use basis. Other buildings constructed since 1995 are included in the Balance Sheet at cost. The option under the transitional provisions of FRS 15, and more recently the 2015 HE SORP, to retain the book values of land and buildings based on the 1995 revaluation has been adopted and the valuation has not been updated subsequently.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Where land is acquired with the aid of specific grants it is capitalised but not depreciated therefore the related grant is credited to the Statement of Comprehensive Income at the time of purchase.

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the University over 60 years. Where parts of a fixed asset have different useful economic lives, they are accounted for as separate items of fixed assets. New major refurbishments are depreciated as follows:

Mechanical and Electrical Infrastructure installations or upgrades	15 - 25 years
IT Infrastructure installations or upgrades	15 years
Roof replacements	60 years
Window replacements	15 years
Reconfiguration and general refurbishments	10 years

Assets in the course of construction are accounted for at cost, based on the value of the architects' certificates and other direct costs incurred to the Balance Sheet date. They are not depreciated until they are brought fully into use.

## 1. Statement of Principal Accounting Policies *(continued)*

### Equipment

Equipment, including computers and software, costing less than £5,000 per individual item is recognised as expenditure. All other equipment which has a useful life of greater than one year is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer Equipment	3 years
Fixtures and Fittings	8 years
General Equipment	8 years
Specialist Equipment	5 – 10 years
Motor Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

### Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. General borrowing costs are recognised as expenditure in the period in which they are incurred.

### Intangible assets

Intangible assets are amortised over a straight line basis over 3 years representing the remaining estimated economic life of the assets. Intangible assets are subject to periodic impairment reviews as appropriate.

### Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering educational services. Halls of residences are classified as tangible fixed assets rather than investment assets as they are integral to the operations of the University.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31<sup>st</sup> July each year.

### Investments

Non- current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

### Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.



## 1. Statement of Principal Accounting Policies (*continued*)

### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the Notes.

### Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is therefore a charity within the meaning of Paragraph 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Most of the services provided to students are, however, exempt from VAT. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial or corporate organisations.

## 1. Statement of Principal Accounting Policies *(continued)*

### Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### Transition to 2015 SORP

The University is preparing its Financial Statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 30.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The University has not chosen to take any of the available exemptions.

### Critical accounting judgements and estimation uncertainty

Re-classification of Land (note 14) – Following an update to the University's long term capital development programme the likelihood of University Park being developed for the benefit and use of the University is now not considered a priority. As the land is currently not being used by the University on a continuing operational basis, management have reviewed options in relation to the possible sale of the land in the future. In the meantime, the University is not generating any cash flow from the land and therefore until the point of sale the land is deemed as being held for capital appreciation and therefore has been reclassified as investment land.

Provisions - Provision has been made for early retirement obligations, the University's element of the Universities' Superannuation Scheme (USS) past deficit and legal fees in relation to on-going employee claims. Further details regarding each provision are shown in note 21. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme - The University has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management are provided with actuarial estimates in relation to these factors, by the administrators of the fund. A judgement is then taken to assess if the information and factors used centrally are appropriate in determining the net pension obligation in the balance sheet.

Consolidation treatment of UW UP LLP - The Group has continued to consolidate the trading activities and assets and liabilities of UW UP LLP consistent with the accounting treatment of a joint venture, on the basis of consistency, comparability and legal constitution.

Transition options in relation to asset values and government grants – As part of the transition to FRS102 the University made a judgement on which accounting choices to take in relation to the valuation of fixed assets and the accounting treatment of government grants. Both of these choices were based on management judgement of the long term benefits associated with each accounting option.



**2. Funding body grants**

	Group and University			Total 2015 £000
	HEFCE	NCTL	Total	
	£000	£000	2016 £000	
<b>Recurrent</b>	4,929	-	4,929	4,566
<b>Specific Grants:</b>				
Fellowship Monies	427	-	427	270
Access to Learning fund administration	-	-	-	43
Higher Education Innovation Fund	338	-	338	-
Widening Participation	54	-	54	-
NCTL Projects	-	236	236	317
<b>Deferred Capital Grants released:</b>				
Buildings	580	-	580	510
Equipment	240	-	240	322
	<u>6,568</u>	<u>236</u>	<u>6,804</u>	<u>6,028</u>

NCTL = National College of Teaching and Learning (formerly Teaching Agency)

**3. Tuition fees and education contracts**

	<b>Group</b>		<b>University</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	£000	£000	£000	£000
Full Time students (Home and EU) fees	58,977	53,368	58,977	53,368
Full Time students (Overseas) fees	1,752	1,334	1,752	1,334
Part Time fees	2,663	2,169	2,663	2,169
Short course fees	634	953	634	953
Other fees	667	452	667	452
Contract Income Strategic Health Authority	6,443	5,876	6,443	5,876
	<u>71,136</u>	<u>64,152</u>	<u>71,136</u>	<u>64,152</u>

**4. Research grants and contracts**

	<b>Group</b>		<b>University</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	£000	£000	£000	£000
Research Councils	91	139	91	139
UK Industry	3	130	3	130
UK Government	506	444	506	444
UK Based Charities	236	242	236	242
Other Grants & Contracts	190	165	190	165
	<u>1,026</u>	<u>1,120</u>	<u>1,026</u>	<u>1,120</u>

**5. Other Income**

	<b>Group</b>		<b>University</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	£000	£000	£000	£000
Residences, catering and conferences	8,840	7,510	8,840	7,510
Other services rendered	168	227	168	227
Release of other deferred capital grants	374	125	374	125
Other income	3,147	3,847	2,969	3,675
Inter Company Sales	-	-	265	309
	<u>12,529</u>	<u>11,709</u>	<u>12,616</u>	<u>11,846</u>



**6. Investment income**

	<b>Group</b>		<b>University</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Other investment income	64	89	62	82
Interest from Subsidiaries and Joint Ventures	-	-	70	80
Interest from joint venture	2	3	1	1
	<u>66</u>	<u>92</u>	<u>133</u>	<u>163</u>

**7. Donations and endowments**

	<b>Group</b>		<b>University</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Donations with restrictions	17	-	17	-
Unrestricted donations	7	5	7	5
	<u>24</u>	<u>5</u>	<u>24</u>	<u>5</u>

**8. Staff costs**

	<b>Group</b>		<b>University</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Wages and Salaries	37,360	34,482	37,239	34,373
Social Security Costs	3,201	2,665	3,184	2,653
Other Pension Costs	6,324	4,968	6,324	4,968
Termination Costs	58	-	58	-
	<u>46,943</u>	<u>42,115</u>	<u>46,805</u>	<u>41,994</u>

The termination costs above relate to 6 individual ex-gratia payments made during the year.

**Emoluments of the Vice Chancellor and Chief Executive:**

	<u>2016</u>	<u>2015</u>
	£000	£000
Salary	<u>319</u>	<u>301</u>

**8. Staff costs (continued)**

Emoluments of higher paid staff:	<u>2016</u> number	<u>2015</u> number
£100,001 - £110,000	2	2
£110,001 - £120,000	1	-
£120,000 - £130,000	1	-
£300,001 - £310,000	-	1
£310,001 - £320,000	1	-

Governors are entitled to reimbursement of travel expenses. During the year £4,029 were claimed by one individual (2015: nil)

The average monthly number of persons (including senior post holders) employed by the Group and University during the year, expressed as full time equivalents (fte), was:

	<b>Group</b>		<b>University</b>	
	<u>2016</u> fte	<u>2015</u> fte	<u>2016</u> fte	<u>2015</u> fte
Academic Departments	529	489	529	489
Academic Services	78	75	78	75
Administrative and central services	263	251	256	244
Premises	98	89	98	89
Research	43	46	43	46
Residences, catering and conferences	45	41	45	41
	<u>1,056</u>	<u>991</u>	<u>1,049</u>	<u>984</u>



**9. Other operating expenses**

	<b>Group</b>		<b>University</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Residences, catering and conferences	3,511	2,438	3,511	2,457
Consumables and laboratory expenditure	987	916	987	907
Books and periodicals	894	751	894	751
Heat, light, water and power	1,648	1,764	1,648	1,764
Repairs and general maintenance	3,514	3,433	3,514	3,433
Grants to UW Students' Union	420	370	420	370
Auditors remuneration:				
External	27	41	22	34
Internal	24	24	24	24
Property operating leases	584	935	584	935
Equipment operating leases	156	152	156	152
Payments to Partner Colleges	5,657	5,459	5,657	5,459
Student Bursaries	1,314	4,337	1,314	4,337
Other expenses	10,648	9,436	11,044	9,542
	<u>29,384</u>	<u>30,056</u>	<u>29,775</u>	<u>30,165</u>
Depreciation and Amortisation	<u>4,263</u>	<u>3,927</u>	<u>4,381</u>	<u>4,044</u>

**10. Interest and other finance costs**

	<b>Group</b>		<b>University</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Loans not wholly repayable within 5 years	2,918	2,771	2,918	2,771
Lease Finance Costs	32	271	32	271
Pension Interest	748	669	748	669
Non-utilisation fee	86	108	86	108
	<u>3,784</u>	<u>3,819</u>	<u>3,784</u>	<u>3,819</u>

## 11. Analysis of Expenditure by Activity

	Group				<u>2016 Total</u>	<u>2015 Total</u>
	Staff costs	Other expenses	Depreciation and amortisation	Interest and other finance costs		
	£000	£000	£000	£000		
Academic Departments	27,835	3,306	294	-	31,435	29,396
Academic Services	2,760	2,292	261	32	5,345	5,701
Administrative and central services	11,548	12,308	580	3,752	28,188	28,395
Premises	3,150	7,642	3,116	-	13,908	12,386
Research	1,505	337	11	-	1,853	1,527
Residences, catering and conferences	145	3,499	1	-	3,645	2,512
	<u>46,943</u>	<u>29,384</u>	<u>4,263</u>	<u>3,784</u>	<u>84,374</u>	<u>79,917</u>

	University				<u>2016 Total</u>	<u>2015 Total</u>
	Staff costs	Other expenses	Depreciation and amortisation	Interest and other finance costs		
	£000	£000	£000	£000		
Academic Departments	27,835	3,306	294	-	31,435	29,397
Academic Services	2,760	2,292	261	32	5,345	5,701
Administrative and central services	11,297	12,724	580	3,752	28,353	28,383
Premises	3,263	7,642	3,234	-	14,139	12,502
Research	1,505	337	11	-	1,853	1,527
Residences, catering and conferences	145	3,474	1	-	3,620	2,512
	<u>46,805</u>	<u>29,775</u>	<u>4,381</u>	<u>3,784</u>	<u>84,745</u>	<u>80,022</u>



**12. Intangible assets****Group and University**

	<u>2016</u>	<u>2015</u>
	£000	£000
<b>Cost</b>		
At beginning of year	903	1,028
Additions at cost	17	33
Assets in course of construction	16	-
Disposals	(6)	(158)
At end of year	<u>930</u>	<u>903</u>
<b>Accumulated amortisation</b>		
At beginning of year	773	768
Charge for year	69	101
Amortisation on disposals	(6)	(96)
At end of year	<u>836</u>	<u>773</u>
<b>Net book value</b>		
At end of year	<u>94</u>	<u>130</u>
Previous Year	<u>130</u>	<u>260</u>

**13. Tangible Fixed Assets**

	Group					Total 2016 £000
	Freehold Land and Buildings £000	Service concession arrangement Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	
Cost or valuation at beginning of year	133,981	13,086	328	12,451	2,788	162,634
Additions at cost	16,234	-	98	1,202	1,545	19,079
Transfers (reclassification)	2,679	-	-	-	(2,788)	(109)
Disposals at cost	-	-	(37)	(4,007)	-	(4,044)
Adjustment	-	(1,755)	-	-	-	(1,755)
At end of year	<u>152,894</u>	<u>11,331</u>	<u>389</u>	<u>9,646</u>	<u>1,545</u>	<u>175,805</u>
Accumulated depreciation						
At beginning of year	19,516	778	153	7,724	-	28,171
Charge for year	2,730	209	53	1,202	-	4,194
Depreciation on disposals	-	-	(34)	(3,431)	-	(3,465)
At end of year	<u>22,246</u>	<u>987</u>	<u>172</u>	<u>5,495</u>	<u>-</u>	<u>28,900</u>
Net Book Value						
At end of year	<u>130,648</u>	<u>10,344</u>	<u>217</u>	<u>4,151</u>	<u>1,545</u>	<u>146,905</u>
Previous Year	<u>114,465</u>	<u>12,308</u>	<u>175</u>	<u>4,727</u>	<u>2,788</u>	<u>134,463</u>

During the year the University recovered overcharged VAT in relation to the Hive. The successful outcome resulted in a cash refund of £1,847K, which has been allocated based on the original costs. £1,755K of that refund has been credited against the asset value, which is shown in the above table, therefore reducing the net book value.

As a result of the University increasing its capitalisation limit from £2K to £5K, all assets which had an original costs of between £2K -£5K have now been removed from the asset register resulting in a charge to the income and expenditure account of £577K.



**13. Tangible Fixed Assets (continued)**

	University					Total
	Freehold Land and Buildings	Service concession arrangement Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	<u>2016</u> £000
	£000	£000	£000	£000	£000	£000
Cost or valuation at beginning of year	140,157	13,086	328	12,451	2,679	168,701
Additions at cost	16,266	-	98	1,202	1,545	19,111
Transfers (reclassification)	2,679	-	-	-	(2,679)	-
Disposals at cost	-	-	(37)	(4,007)	-	(4,044)
Adjustment	-	(1,755)	-	-	-	(1,755)
At end of year	<u>159,102</u>	<u>11,331</u>	<u>389</u>	<u>9,646</u>	<u>1,545</u>	<u>182,013</u>
Accumulated depreciation						
At beginning of year	19,633	778	153	7,724	-	28,288
Charge for year	2,848	209	53	1,202	-	4,312
Depreciation on disposals	-	-	(34)	(3,431)	-	(3,465)
At end of year	<u>22,481</u>	<u>987</u>	<u>172</u>	<u>5,495</u>	<u>-</u>	<u>29,135</u>
Net Book Value						
At end of year	<u>136,621</u>	<u>10,344</u>	<u>217</u>	<u>4,151</u>	<u>1,545</u>	<u>152,878</u>
Previous Year	<u>120,524</u>	<u>12,308</u>	<u>175</u>	<u>4,727</u>	<u>2,679</u>	<u>140,413</u>

**Note 14. Investments**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Investment Land	2,274	2,274	2,274	2,274
Investments in subsidiary companies	-	-	20	20
Investment in BBL Franchise for UW Worcester Wolves Limited	9	9	-	-
	<u>2,283</u>	<u>2,283</u>	<u>2,294</u>	<u>2,294</u>

The Investment land value stated above relates to the land held at University Park. The University no longer has any intentions of developing this land for operational purposes, due to focusing on other capital development projects, and therefore it is now classified as an Investment asset. In June 2016 the University signed a sale option agreement, covering a period of 10 years, relating to the majority of this land.

**Subsidiaries**

Name	University holding	Business activity
U W Enterprises Limited	100%	Research and experimental development of natural sciences and engineering and commercial activities relating thereto
U W Developments Limited	100%	Development of building projects
UW Worcester Wolves Limited	100% (*)	Worcester Wolves basketball club
National Pollen and Aerobiology Research Unit Limited	100%	Dormant

(\*) Held indirectly

**Joint venture**

UW UP LLP (formerly UW Wrenbridge LLP)	50%	Development of building projects 50% held by U W Developments Limited and 50% held by the University of Worcester, due to the resignation of the original partner Wrenbridge Land Limited.
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**15. Investment in Joint Venture**

	Group	
	2016 £000	2015 £000
<b>Income and Expenditure account</b>		
Deficit before tax	(7)	(108)
Write off of outstanding liabilities	271	-
<b>Balance Sheet</b>		
Currents assets	25	458
Liabilities: due within one year	(20)	(717)
Share of net Assets/ (Liabilities)	5	(259)

During the year UW UP LLP did not undertake any new trading activities. The minimal financial activities that took place related to the settlement of outstanding debtors and creditors, along with additional net transactions amount to a deficit of £7K as shown above. The purpose of the LLP has now been achieved and therefore once the final creditor retention has been paid in January 2017, the LLP will be wound up. In preparation of closing the LLP all unpaid inter-company liabilities have been written off in the year and the remaining entries on the balance sheet relate solely to a sufficient cash balance to pay the remaining creditor along with the VAT which will later be recovered.

**16. Taxation**

The Group was not liable for any corporation tax arising out of its activities during the year of these financial statements. Accordingly no provision has been made for any deferred tax balances.

**17. Stocks**

	Group		University	
	<u>2016</u> £000	<u>2015</u> £000	<u>2016</u> £000	<u>2015</u> £000
Stock (wine for ceremonies and events and merchandise)	12	10	5	7

**18. Trade and other receivables**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Other trade receivables	1,705	2,547	1,720	2,530
Amounts owed by subsidiary undertakings	-	250	-	1,186
Prepayments and accrued income	535	519	535	514
	<u>2,240</u>	<u>3,316</u>	<u>2,255</u>	<u>4,230</u>
<b>Due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	343	1,571	870
	<u>2,240</u>	<u>3,659</u>	<u>3,826</u>	<u>5,100</u>

**Short Term Deposits**

Investments	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
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**19. Creditors: Amounts falling due within one year**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Payments received on account	403	1,315	403	1,315
Trade Creditors	1,259	2,296	1,249	2,284
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	104	12
Finance Lease	88	101	88	101
Tax and Social Security	54	1,503	54	1,503
Accruals and deferred income	6,644	7,752	6,463	7,563
Other Creditors	1,494	437	1,494	437
Bank Loan	2,679	1,429	2,679	1,429
Other Loan repayments (HEFCE and Salix)	80	2,214	80	2,214
	<u>12,701</u>	<u>17,047</u>	<u>12,614</u>	<u>16,858</u>

**Deferred income**

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions are met.

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Research grants received on account	391	358	391	358
Grant income	133	297	133	297
Other income	934	1,007	934	1,007
	<u>1,458</u>	<u>1,662</u>	<u>1,458</u>	<u>1,662</u>



**20. Creditors: Amounts falling due after more than one year**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Obligations under finance lease	2,958	3,667	2,958	3,667
Secured loans	71,778	53,537	71,778	53,537
Deferred Income in relation to Government Capital Grants	16,188	16,204	16,188	16,204
	<u>90,924</u>	<u>73,408</u>	<u>90,924</u>	<u>73,408</u>

**Analysis of secured and unsecured loans:**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Due within one year or on demand	<u>2,759</u>	<u>3,643</u>	<u>2,759</u>	<u>3,643</u>
Due between one and two years	2,750	1,509	2,750	1,509
Due between two and five years	8,035	4,957	8,035	4,957
Due in five years or more	<u>60,993</u>	<u>47,071</u>	<u>60,993</u>	<u>47,071</u>
Due after more than one year	<u>71,778</u>	<u>53,537</u>	<u>71,778</u>	<u>53,537</u>
Total secured and unsecured loans	<u>74,537</u>	<u>57,180</u>	<u>74,537</u>	<u>57,180</u>

**Analysis of finance lease repayments**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Due within one year	302	366	302	366
Due between one and two years	303	363	303	363
Due between two and five years	897	1,082	897	1,082
Due in five years or more	<u>4,199</u>	<u>5,443</u>	<u>4,199</u>	<u>5,443</u>
Total gross payments	5,701	7,254	5,701	7,254
Less finance charges included above	<u>(2,655)</u>	<u>(3,486)</u>	<u>(2,655)</u>	<u>(3,486)</u>
	<u>3,046</u>	<u>3,768</u>	<u>3,046</u>	<u>3,768</u>

**Finance lease liability**

	Group		University	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£000	£000	£000	£000
Opening balance	3,768	3,864	3,768	3,864
VAT Adjustment	(627)	-	(627)	-
Payments	(95)	(96)	(95)	(96)
Closing balance	<u>3,046</u>	<u>3,768</u>	<u>3,046</u>	<u>3,768</u>

**20. Creditors: Amounts falling due after more than one year (continued)**

The University has a loan facility with Barclays Bank PLC of £80 million for capital development works, of which all has now been drawn down. The outstanding balance as at 31<sup>st</sup> July 2016 is £74 million. Of the loan drawn down £49 million is at a fixed interest rate of 4.952%, with the remaining £25 million subject to interest at LIBOR. The repayment schedule of the £49 million includes a bullet payment of £12.5 million payable on 31<sup>st</sup> July 2042. The repayment schedule of the more recent £25 million drawn down assumes an amortisation profile of 20 years until its maturity date of February 2022 when the balance of £18 million will fall due.

The University has a 25 year finance lease in respect of the joint library with Worcestershire County Council. The finance lease liability relates to the University share of the library facility, The Hive which opened in July 2012. The Hive has been developed through a partnership between the University of Worcester (UoW) and Worcestershire County Council (WCC) and has been financed through a Private Finance Initiative (PFI). The project partnership is for the provision of a fully integrated public and University library. The PFI agreement is between the contractor, Galliford Try Investments Ltd and WCC for the construction and provision of the library. During the life of the contract the unitary payment value is £4.65m, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. A stakeholder agreement exists between WCC and UoW for the 25 year term of the development project. The partners are committed to the project in the share WCC 70% and UoW 30%, or as altered by mutual agreement to reflect actual usage of The Hive by the various parties. The cost is reflected in these proportions after PFI credits have been applied. The value on the balance sheet of £3.046 million relates to a 30% share of the total PFI contract. During the year the University recovered overcharged VAT in relation to the PFI agreement, which has resulted in a reduction in the original assets value (as shown in note 13), and also a reduction in the future liabilities payable due to the services now being exempt from VAT. The finance lease cost represents the UoW obligation to the project for the building element of the agreement plus any allocated depreciation for the period.



**21. Provisions for liabilities****Group and University**

	Obligation to fund deficit on USS Pension £000	Pension enhancements on termination £000	Defined Benefit Obligations (Note 26) £000	Total Provisions £000	Legal £000	VAT £000	Total Other £000
At 1 August 2015	378	552	19,229	20,159	-	125	125
Utilised in year	-	(57)	-	(57)	-	(25)	(25)
Additions in 2015/16	72	-	9,719	9,791	263	-	263
At 31 July 2016	450	495	28,948	29,893	263	100	363

**USS deficit**

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

**Pension enhancement**

The University has provided for future pension costs associated with the granting of additional years of service to certain members of staff taking early retirement. The pension costs are charged directly against the provision. Interest on the balance of the provision is added annually to the provision through a charge to the Income and Expenditure Account. This provision covers pension costs not met by the Teachers' Pension Scheme, Universities Superannuation Scheme and the Local Government Pension Scheme. This provision is expected to be utilised during the staff members' retirement.

**Defined benefit obligations - See note 26****Legal**

A legal provision has been created following recent employment claims in relation to holiday pay for hourly paid employees. The outcome of any on-going claims is anticipated to be resolved and settled within the coming 12 months.

**VAT**

The VAT provision relates to the Capital Goods Scheme in respect of the Motion Performance Centre which is expected to be utilised during the coming year and also facilities at the Charles Darwin building which is expected to be utilised over the next five years.

## 22. Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	2016 Total	2015 Total
	£000	£000	£000	£000
Balances at 1 August 2015	-	13	13	18
New grants	-	-	-	-
New donations	-	15	15	-
Investment income	-	-	-	-
Capital grants utilised	-	-	-	-
Expenditure	-	-	-	(5)
	-	-	-	(5)
<b>At 31 July 2016</b>	<b>-</b>	<b>28</b>	<b>28</b>	<b>13</b>

All of the University's non-government capital grants have either been released to income, due to the performance conditions already being met, or are held as deferred income. No restricted grants have been included within income for which the purpose of the restriction has not been achieved.

## 23. Capital and other commitments

Provision has not been made for the following capital commitments at year end:

	2016 £000	2015 £000
Commitments contracted for:		
AV Equipment	-	132
Infrastructure Works	646	1,356
City Campus S106	49	65
Equipment	-	59
IT Equipment	62	67
Refurbishment Works	965	1,729
Access Control Equipment	-	31
CCTV Equipment	-	82
3G Pitch upgrade	6	-
Severn Campus Car Park	18	-
	<b>1,746</b>	<b>3,521</b>

The City Campus, Section 106 commitment above, relates to the 2008 agreement whereby an annual fee of £16.2K per annum is payable for a further 3 years.



**24. Contingent liabilities**

The University has given written undertakings to support the subsidiary companies at twelve months from the date of approval of these financial statements.

**25. Lease obligations**

Total rentals payable under operating leases:

	31 July 2016					31 July 2015
	Land and Buildings	Vehicles	Equipment	Student Accommodation	Total	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Payable during the year</b>	120	12	142	356	630	576
<b>Future minimum lease payments due:</b>						
Not later than 1 year	126	7	49	363	545	624
Later than 1 year and not later than 5 years	650	-	5	363	1,018	1,999
Later than 5 years	2,030	-	-	-	2,030	6,919
<b>Total lease payments due</b>	<b>2,806</b>	<b>7</b>	<b>54</b>	<b>726</b>	<b>3,593</b>	<b>9,542</b>

## 26. Pension schemes

The three principal pension schemes for the University's staff are provided by the Local Government Pension Scheme (LGPS) administered by the Worcestershire County Council Pension Fund (WCCPF), the Teachers' Pension Scheme (TPS), and the Universities Superannuation Scheme (USS). The assets of the Schemes are held in separately administered funds.

### Worcestershire County Council Pension Fund (WCCPF)

WCCPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the WCCPF actuary reviews the progress of the WCCPF scheme.

For WCCPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable remained at 12.7% (2015: 12.7%).

Under the definitions set out in FRS 102, the WCCPF is a multi-employer defined benefit pension scheme. In the case of the WCCPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31<sup>st</sup> July 2016.

The pension scheme assets are held in a separate Trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

A full actuarial valuation was carried out at 31<sup>st</sup> March 2013 on a FRS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2016	2015
Rate of CPI inflation	1.70%	2.20%
Rate of increase in salaries	3.20%	3.70%
Rate of increase in pensions	1.80%	2.20%
Discount Rate	2.60%	3.80%

### Mortality Assumptions

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	As at 31st July 2016	As at 31st July 2015
Males		
Current Pensioner	23.5	23.4
Future pensioner aged 65 in 20 years' time	25.8	25.6
Females		
Current Pensioner	25.9	25.8
Future pensioner aged 65 in 20 years' time	28.2	28.1



**26. Pension schemes (continued)**

The assets in Worcestershire County Council Pension Fund (WCCPF) scheme were:

	% at 31st July 2016	Value at 31st July 2016	% at 31st July 2015	Value at 31st July 2015
	%	£000	%	£000
Equities	83.40	35,997	89.30	32,446
Government Bonds	0.00	-	0.10	36
Other Bonds	6.30	2,719	6.10	2,216
Property	4.50	1,942	0.00	-
Cash/Liquidity	2.30	993	1.00	363
Other	3.50	1511	3.50	1272
		43,162		36,333

**Reconciliation of fair value of assets**

	<b>2016</b>	<b>2015</b>
	£000	£000
Fair Value of assets at beginning of period	36,333	31,654
Interest on plan assets	1,430	1,401
Administration expenses	(54)	(49)
Expected return on assets	2,875	1,489
Employer Contributions	2,226	2,082
Member Contributions	906	827
Benefits/transfers	(554)	(1,071)
Fair Value of assets at end of year	43,162	36,333

**Reconciliation of present value of scheme liabilities**

	<b>2016</b>	<b>2015</b>
	£000	£000
Benefit Obligation at beginning of year	55,562	46,787
Current Service Cost	2,983	2,372
Interest on Pension Liabilities	2,118	2,006
Member Contributions	906	827
Past Service Costs	-	-
Actuarial losses / (gains) on liabilities	11,095	4,632
Curtailments	-	9
Benefits/transfers paid	(554)	(1,071)
benefit obligation at end of year	72,110	55,562

	<b>2016</b>	<b>2015</b>
	£000	£000
Total market value of assets	43,162	36,333
Present value of scheme liabilities	(72,110)	(55,562)
Deficit – Net pension liability	(28,948)	(19,229)

The value of pension payments made in year to the Worcestershire County Council Pension Fund was £3,134,023 (2015: £2,888,685).

**26. Pension schemes (continued)**

	<u>2016</u>	<u>2015</u>
	£000	£000
Provision for pensions		
As at beginning of year	19,229	15,133
Increase in pension liability	9,719	4,096
As at end of year	<u>28,948</u>	<u>19,229</u>

**Amount recognised in the Statement of Comprehensive Income (SOCl)**

	<u>2016</u>	<u>2015</u>
	£000	£000
Current service Cost	2,983	2,372
Net interest cost	688	605
Administration expenses	54	49
Total pension cost recognised Income & Expenditure	<u>3,725</u>	<u>3,026</u>
Remeasurements (liabilities & assets)	8,220	3,191
Total pension costs recognised in SOCl	<u>11,945</u>	<u>6,217</u>

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

	<u>2016</u>	<u>2015</u>
	£000	£000
Deficit on scheme at beginning of year	(19,229)	(15,133)
Current service cost	(2,983)	(2,372)
Contributions	2,226	2,082
Net interest cost	(688)	(605)
Remeasurements (liabilities & assets)	(8,220)	(3,143)
Administration expenses	(54)	(49)
Effect of curtailments	-	(9)
Deficit at end of year	<u>(28,948)</u>	<u>(19,229)</u>



## 26. Pension schemes (continued)

### Teachers' Pension Scheme (TPS)

A formal actuarial review of the TPS is undertaken by the Government Actuary not less than every four years. Contributions are paid by the University at the rate specified. The Scheme is Unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. As from 1<sup>st</sup> January 2007, and as part of the cost-sharing agreement, the contribution rate was assessed at 20.5% which translates to an employee contribution of 6.4% and an employer contribution of 14.1% payable.

Following the latest actuarial valuation that was carried out as at 31<sup>st</sup> March 2012, the valuation results specify the rate of employer contribution payable for the four year period from 1<sup>st</sup> April 2015 and the employer cost cap, both of which are to be set in regulations. The employer contribution rate payable from April 2015 has been set at 16.4% of pensionable pay, with an average employee contribution rate of 9.6%, giving a total contribution rate of 26%. Following agreement between the Department for Education and HM Treasury, the employer contribution rate was implemented on 1<sup>st</sup> September 2015. The employer contribution rate is based on the implementation period specified in the Directions and has not been adjusted for later implementation. In isolation, this will result in a small deficit at the next valuation.

The employer contribution rate is expected to be reassessed at the actuarial valuation to be carried out as at 31<sup>st</sup> March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1<sup>st</sup> April 2019. The financial position relative to the employer cost cap will also be reconsidered at each four yearly valuation.

Under the definitions set out in Section 28 of FRS 102, the TPS is a multi-employer defined benefit pension scheme, the assets of which are held separately from those of the University in independently administered funds. As the University is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions are charged to the Income and expenditure account in the year to which they relate. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of anticipated contribution rates.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest Actuarial Valuation	31 <sup>st</sup> March 2014
Gross rate of return	5.06%
Real rate of return	3.00%
Long term salary growth	4.75% pa, 2.75% pa in excess of assumed CPI
Aggregated scheme assets	£176.6bn
Aggregate scheme liabilities	(£191.5bn)

During the year all employers paid the same contribution rate;	14.1%
During the year all employees' contribution varied dependent on full time equivalent salary	between 6.4% and 12.4% members

The value of pension payments made in year to the Teachers' Pension Scheme was £4,960,383 (2015: £4,101,962).

**26. Pension schemes (continued)****Universities' Superannuation Scheme (USS)****Principal accounting policies**

The institution participates in the Universities Superannuation Scheme. Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

**Pension Costs**

The total cost charged to the Income and Expenditure account is £310K (2015: £360K), which is made up of the following entries:

	<u>2016</u>	<u>2015</u>
	£000	£000
Employer contributions paid	238	256
Interest Payable - Unwinding of discount	7	13
Element of employer contributions allocated against the deficit	(19)	(35)
Difference between actual contribution and past expectations	84	126
<b>Total amount charged to the Income and Expenditure Account</b>	<b><u>310</u></b>	<b><u>360</u></b>
Brought Forward Pension Provision	(378)	(274)
Movement	(310)	(360)
Cash payments made to USS	238	256
Carried Forward Pension Provision (Note 21)	<b><u>(450)</u></b>	<b><u>(378)</u></b>

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.



## 26. Pension schemes (continued)

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

## 27. Access to learning fund

Funding Council Grants received in respect of the Access to Learning Fund are available solely for students; the University acts only as a paying agent. Due to a change in Government policy no funding was received during the 2015/16 academic year and instead the University funded the equivalent support under the Access agreement.

## 28. NCTL Training salaries and bursaries

Funding received from the Teaching Agency for Schools in respect of the PGCE Training Salaries and Subject Knowledge Enhancement bursaries are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	<u>2016</u>	<u>2015</u>
	£000	£000
Funding	2,051	2,299
Disbursements to Students	(1,892)	(2,206)
	<hr/>	<hr/>
Balance unspent as at 31st July	<u>159</u>	<u>93</u>

## 29. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (with members drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest.

All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest. However there have been no material transactions with members of the board during the accounting year.

The University has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 102 section 33, 'Related Party Disclosures', on the grounds that its subsidiary undertakings are wholly owned by the group.

### University of Worcester Students' Union:

In accordance with FRS 102 section 33, the activities of Worcester Students' Union have not been consolidated on the grounds that the University does not operate dominant influence over its activities. During the year, the University contributed grants of £420,000 to the Students' Union. In addition, the Students' Union occupies the building on a rent free basis under a licence agreement, subject to the Union maintaining the building in a good state of repair. The President and Vice President (Education) occupy a position on the Board of Governors.

## 30. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31<sup>st</sup> July 2016, the comparative information presented in these financial statements for the year ended 31<sup>st</sup> July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1<sup>st</sup> August 2014. In preparing the FRS 102, SORP based Statement of Financial Position; the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.



## 30. Transition to FRS102 and the 2015 SORP (continued)

## Consolidated and University Statement of Comprehensive Income and Expenditure

	UK GAAP (2007 HE SORP)		Effect of transition to 2015 HE SORP		FRS102 (2015 HE SORP)	
	Year ended 31 July 2015				Year ended 31 July 2015	
	Group	University	Group	University	Group	University
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Tuition fees and education contracts	64,152	64,152	-	-	64,152	64,152
Funding body grants	6,013	6,013	15	15	6,028	6,028
Research grants and contracts	1,039	1,039	81	81	1,120	1,120
Other income	10,779	10,916	930	930	11,709	11,846
Investment income	92	163	-	-	92	163
<b>Total income before endowments and donations</b>	<b>82,075</b>	<b>82,283</b>	<b>1,026</b>	<b>1,026</b>	<b>83,101</b>	<b>83,309</b>
Donations and endowments	-	-	5	5	5	5
<b>TOTAL INCOME</b>	<b>82,075</b>	<b>82,283</b>	<b>1,031</b>	<b>1,031</b>	<b>83,106</b>	<b>83,314</b>
<b>Expenditure</b>						
Staff costs	41,933	41,812	182	182	42,115	41,994
Other operating expenses	29,095	29,204	961	961	30,056	30,165
Depreciation	3,927	4,044	-	-	3,927	4,044
Interest and other finance costs	3,152	3,152	667	667	3,819	3,819
<b>TOTAL EXPENDITURE</b>	<b>78,107</b>	<b>78,212</b>	<b>1,810</b>	<b>1,810</b>	<b>79,917</b>	<b>80,022</b>
<b>Surplus/deficit before other gains losses</b>	<b>3,968</b>	<b>4,071</b>	<b>(779)</b>	<b>(779)</b>	<b>3,189</b>	<b>3,292</b>
Gain/(loss) on disposal of fixed assets	-	-	(97)	(97)	(97)	(97)
Share of operating surplus/(deficit) in joint venture	(108)	-	-	-	(108)	-
<b>Surplus / (Deficit) before tax</b>	<b>3,860</b>	<b>4,071</b>	<b>(876)</b>	<b>(876)</b>	<b>2,984</b>	<b>3,195</b>
Taxation	-	-	-	-	-	-
<b>Surplus / (Deficit) for the year</b>	<b>3,860</b>	<b>4,071</b>	<b>(876)</b>	<b>(876)</b>	<b>2,984</b>	<b>3,195</b>
Actuarial (loss)/gain in respect of pension schemes	-	-	(3,191)	(3,191)	(3,191)	(3,191)
<b>Total comprehensive income for the year</b>	<b>3,860</b>	<b>4,071</b>	<b>(4,067)</b>	<b>(4,067)</b>	<b>(207)</b>	<b>4</b>
Represented by:						
Restricted comprehensive income for the year	-	-	-	-	-	-
Unrestricted comprehensive income for the year	3,860	4,071	(4,067)	(4,067)	(207)	4
	<b>3,860</b>	<b>4,071</b>	<b>(4,067)</b>	<b>(4,067)</b>	<b>(207)</b>	<b>4</b>
<b>Surplus for the year attributable to:</b>						
Non-controlling interest	-	-	-	-	-	-
University	3,860	4,071	-	-	2,984	3,195
<b>Total Comprehensive income for the year attributable to</b>						
Non-controlling interest	-	-	-	-	-	-
University	3,860	4,071	-	-	(207)	4

## 30. Transition to FRS102 and the 2015 SORP (continued)

## Consolidated and University Balance Sheet

	UK GAAP (2007 HE SORP)		Effect of transition to 2015 HE SORP		FRS102 (2015 HE SORP)	
	Year ended 31 July 2015				Year ended 31 July 2015	
	Group £'000	University £'000	Group £'000	University £'000	Group £'000	University £'000
<b>Non-current assets</b>						
Intangible assets	192	192	(62)	(62)	130	130
Fixed assets	136,737	142,687	(2,274)	(2,274)	134,463	140,413
Heritage assets	-	-	-	-	-	-
Investments	9	20	2,274	2,274	2,283	2,294
Investment in joint venture	(259)	-	-	-	(259)	-
	<b>136,679</b>	<b>142,899</b>	<b>(62)</b>	<b>(62)</b>	<b>136,617</b>	<b>142,837</b>
<b>Endowment assets</b>	<b>100</b>	<b>100</b>	<b>(100)</b>	<b>(100)</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>						
Stock	10	7	-	-	10	7
Trade and other receivables	3,659	5,100	-	-	3,659	5,100
Investments	10,000	10,000	(10,000)	(10,000)	-	-
Cash and cash equivalents	4,438	3,940	10,095	10,095	14,533	14,035
	<b>18,107</b>	<b>19,047</b>	<b>95</b>	<b>95</b>	<b>18,202</b>	<b>19,142</b>
Less: Creditors: amounts falling due within one year	(14,904)	(14,715)	(2,143)	(2,143)	(17,047)	(16,858)
<b>Net current (liabilities)/assets</b>	<b>3,203</b>	<b>4,332</b>	<b>(2,048)</b>	<b>(2,048)</b>	<b>1,155</b>	<b>2,284</b>
<b>Total assets less current liabilities</b>	<b>139,982</b>	<b>147,331</b>	<b>(2,210)</b>	<b>(2,210)</b>	<b>137,772</b>	<b>145,121</b>
Creditors: amounts falling due after more than one year	(57,204)	(57,204)	(16,204)	(16,204)	(73,408)	(73,408)
<b>Provisions</b>						
Pensions	(19,229)	(19,229)	(930)	(930)	(20,159)	(20,159)
Other	(676)	(676)	551	551	(125)	(125)
<b>Total net assets</b>	<b>62,873</b>	<b>70,222</b>	<b>(18,793)</b>	<b>(18,793)</b>	<b>44,080</b>	<b>51,429</b>
<b>Deferred capital grants</b>	<b>20,187</b>	<b>20,187</b>	<b>(20,187)</b>	<b>(20,187)</b>	<b>-</b>	<b>-</b>
<b>Restricted Reserves</b>						
Income and expenditure reserve – restricted	100	100	(87)	(87)	13	13
Income and expenditure reserve - endowment	-	-	-	-	-	-
<b>Unrestricted Reserves</b>						
Income and expenditure reserve - unrestricted	31,236	38,585	1,481	1,481	32,717	40,066
Revaluation reserve	11,350	11,350	-	-	11,350	11,350
	<b>62,873</b>	<b>70,222</b>	<b>(18,793)</b>	<b>(18,793)</b>	<b>44,080</b>	<b>51,429</b>
Non-controlling interest	-	-	-	-	-	-
<b>Total Reserves</b>	<b>62,873</b>	<b>70,222</b>	<b>(18,793)</b>	<b>(18,793)</b>	<b>44,080</b>	<b>51,429</b>



### Consolidated and University Statement of Changes in Reserves For the year ended 31<sup>st</sup> July 2015

Consolidated	New Statement under FRS102 (2015 HE SORP)					
	Income and expenditure reserve		Revaluation reserve	Total excluding Non-controlling Interest	Non-controlling interest	Total Reserves
	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014</b>	13	32,682	11,592	44,287	-	44,287
Surplus/(deficit) from the income and expenditure statement	-	2,984	-	2,984	-	2,984
Other comprehensive income	-	(3,191)	-	(3,191)	-	(3,191)
Transfers between revaluation and income and expenditure reserve	-	242	(242)	-	-	-
Release of restricted funds spent in year	-	0	-	-	-	-
<b>Total comprehensive income for the year</b>	-	35	(242)	(207)	-	(207)
<b>Balance at 31 July 2015</b>	<b>13</b>	<b>32,717</b>	<b>11,350</b>	<b>44,080</b>	<b>-</b>	<b>44,080</b>
<b>University</b>	<b>Restricted</b> £'000	<b>Unrestricted</b> £'000	<b>Revaluation reserve</b> £'000	<b>Total excluding Non-controlling Interest</b> £'000	<b>Non-controlling interest</b> £'000	<b>Total Reserves</b> £'000
<b>Balance at 1 August 2014</b>	13	39,820	11,592	51,425	-	51,425
Surplus/(deficit) from the income and expenditure statement	-	3,195	-	3,195	-	3,195
Other comprehensive income	-	(3,191)	-	(3,191)	-	(3,191)
Transfers between revaluation and income and expenditure reserve	-	242	(242)	-	-	-
Release of restricted funds spent in year	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	246	(242)	4	-	4
<b>Balance at 31 July 2015</b>	<b>13</b>	<b>40,066</b>	<b>11,350</b>	<b>51,429</b>	<b>-</b>	<b>51,429</b>





