

2012·13

Annual report and
financial statements ▶▶



University of the
West of England

bettertogether

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Front cover left
Paisley Pooch, Gromit designed by talented UWE student Nia Samuel-Johnson.
www.gromitunleashed.org.uk
Photo: Oliver Edwards

Front cover centre
Vashti Seth, UWE graduate, who set up the charity Deki to help people out of poverty by providing ethical micro-loans to start their own businesses. www.deki.org.uk

Front cover right
Real world experiences for students including internships, work placements and volunteering have helped UWE to become the 6th best English university for graduate employment. (Source: HESA)

▶▶ Vice-Chancellor's statement

Delivering an excellent real world experience

The year 2012/13 saw the implementation of fundamental changes to the financial structure of higher education. Coupled with wider economic volatility and uncertainty, these changes have a significant impact on the University's financial operating environment and prospects.

For home undergraduate students, the new fee regime reduced the recruitment numbers of most UK universities including us. However, we are able to mitigate this by our buoyant recruitment figures in the previous year, increasing international students and a solid intake for our January starters. In addition, our work on retentions is delivering significant improvements. However, we are not complacent as very significant changes to the regulation of student intake numbers will be a major factor influencing the future of the HE sector.

We are maintaining our drive to deliver excellent real world experience to our students and developed our Strategy 2020 to ensure our graduates and staff are well positioned for the future. The strategy sets out a confident and ambitious future for UWE Bristol and builds on our academic heritage, strengths and achievements to date. It places the student experience and engagement at the heart of our thinking; and it places our academic focus on the delivery of outstanding learning and teaching which is practice-oriented, professionally recognised and informed by high impact research and scholarship.

Our financial strategy is a key enabler to deliver our ambitions. We aim to set and deliver robust financial key performance targets for areas of our activities. Collectively, such targets are to ensure that UWE Bristol achieves financial sustainability, generating cash from our operations to invest in both our operating activities and capital estate.

Despite the challenges posted by the introduction of the new fee regime, our financial performance in 2012/13 remained strong and we outperformed our financial targets for the year.

Our financial objective over the next few years is to deliver robust financial returns in order to make substantial investments in our academic and residential estate, whilst at the same time ensuring that we operate in a financially responsible and sustainable manner. We are aware of the challenges ahead in the context of the wider economy, both in the UK and beyond; however we have a strong financial base and our graduates are doing well (the University is in the top six English universities for employment of its graduates and has been in the top 12 for the last three years). This will ensure that UWE Bristol is in a strong position to face the challenges and thrive both now and in the future.

Professor Steve West
Vice-Chancellor



Professor Steve West, Vice-Chancellor

▶▶ Board of Governors

Independent Members

Chris Booy
 Gillian Camm (Chair, Chair of Nominations and Governance Committee,
 Chair of Remuneration Committee)
 Sandra Forbes
 Iain Gray
 Dr Martin Hagen (Chair of Audit Committee)
 John Laycock
 Sonia Mills (Chair of Strategic Planning and Performance Committee)
 Simon Moore
 Trevor Smallwood (to 31 July 2013)
 Jocelyn McNulty (from 1 August 2013)
 David Lamb (from 1 September 2013)

Ex-Officio

Professor Steve West

Academic Board Nominees

Dr Jane Harrington
 Professor Paul Olomolaiye (to 31 July 2013)
 Alex Gilkison (from 1 August 2013)

Student Nominees

Charles Roper (from 1 July 2013)
 Emanuel Okon (to 30 June 2013)

Co-opted Members

Professor Graham Upton (Deputy Chair, Chair of Finance, Estate and IT Committee)
 Graham van der Lely

▶▶ Operating and financial review

Principal objectives

The principal objectives of the University, in accordance with Section 124 of the Education Reform Act 1988, are concerned with the provision of higher education and the conduct of research. In addition, the University also undertakes other activities in support of those principal objectives. These include knowledge transfer, consultancy and the provision of accommodation, catering and conference services.

Strategic priorities and achievements

For UWE Bristol, higher education is about developing knowledge and skills, expanding the mind and cultural awareness, and instilling a thirst for new knowledge and its creation – a thirst and passion which runs throughout people's lives. The outstanding learning experience that we generate supports the development of innovative, creative and courageous graduates who are passionate about their subject and curious to grow their knowledge and skills through critical enquiry and application.

Over the past three years we have focused on developing opportunities through our strategic partnerships and networks, alongside the implementation of significant structural and business change. Our primary aim has been, and continues to be, to support the delivery of an outstanding learner experience. Through our strategic partnerships and networks we are transforming and expanding learner opportunities, strengthening our reputation, and enhancing the global standing, health, sustainability and prosperity of UWE Bristol and the Bristol city-region.

We are increasingly known for how we connect with our regional economy and communities and how we work in partnership with organisations across the globe. In particular, we are recognised for our commitment to inclusivity, social justice and equality of opportunity.

Through our success, we have made sure that UWE Bristol is in a strong position to thrive now and in the future. Our connectivity, engagement and commitment to delivering excellent research-informed learning opportunities will continue to define our position going forward.

We must compete with the best and be the best in the areas we prioritise. In doing so we differentiate this University and maximise our potential in what is a fast-moving, unpredictable and competitive global environment, where:

- Student choice will continue to be more empowered
- Student demand and diversity will continue to shift
- Digital technologies will revolutionise what we do and how we do it at every level of the organisation
- Strong connectivity and networks with businesses and the professions will be critical to create opportunities and economic growth
- UWE Bristol and the city-region will compete as a global University and city, in a global knowledge economy focused on research, creativity, innovation and excellence.

We are focusing our activities on four priorities:

- 1. Outstanding learning:** All our students experiencing engaging and outstanding learning, teaching and support services throughout their student journey, fully utilising advances in technology to support their academic, professional and social growth and development
- 2. Ready and able graduates:** Graduates ready and able to realise their full potential, make a positive contribution to society and their chosen field of employment or further study, and play their full part in the development of a sustainable global society and knowledge economy

3. Research with impact: World-class performance in selected areas of research that meets the needs of a sustainable economy and society, and feeds the scholarship and enquiry that underpins our learning and teaching








4. Strategic partnerships, connections and networks: Strategic partnerships, connections and networks that differentiate our academic activity and enhance the global reputation, health, sustainability and prosperity of the University, Bristol and its city-region.

These priorities are in keeping with our core purpose of “advancing knowledge, inspiring people, transforming futures.” They respond to the external environment, build on our strengths, and will help us achieve our ambition.

Main achievements in 2012-13

In October 2012, UWE Bristol celebrated 20 successful years as a university, with a raft of memorable achievements to look back on and great hopes for the future. Since 1992, the then fledgling University has grown and expanded, establishing itself regionally and nationally for teaching quality, the range and breadth of courses and its excellent relationships with partners and the local community.

Facts about UWE Bristol

	The University is one of the largest providers of Higher Education in the UK
	On average the University and its students bring around £325 million into the local economy each year
	The University offers over 600 courses at undergraduate and postgraduate level
	The University works with 1,125 business and community organisations including the BBC, Hewlett-Packard, Oxfam, The Prince's Trust, NHS, Aardman Animations, Airbus UK and other aerospace industries
	The University's students contribute some 10,000 volunteering hours every year to community projects
	The University and its partners are investing some £300 million in new infrastructure over the next few years
	Through the Alumni network, the University stays in touch with its 170,000 alumni

The University has achieved numerous successes during the year. These include:

- We are proud to have been recognised by the Daily Telegraph in 2013 as having achieved the 8th highest percentage of graduates in employment among universities in the UK. The latest Destinations of Leavers of Higher Education figures show that despite the recession and a very challenging year for graduate jobs, unemployment levels among recent UWE Bristol graduates in 2012 fell to 5%. This compares very favourably to the national picture of 9% for all UK graduates. The University has been consistently in the top 12 of English universities on this graduate employment measure over the last 3 years.
- Our vision to build a university for the 21st Century was endorsed by South Gloucestershire Council who granted outline planning permission for the University's estate master plan in June 2013. The plan aims to satisfy UWE Bristol's changing needs over the next 25 years with a range of building proposals. The proposals will transform the way the University works, providing a modern environment which will support students in their learning journey as well as providing services available to employers and the local community. It makes the most of the adjoining land acquired by the University in 2008 at the Frenchay Campus. This additional 70 acres of land nearly doubled the size of the Frenchay Campus and provided the means for a much needed footprint for expansion.

The plan, which has been subject to a public consultation process, covers capital estate development spanning several years; these include a new Students' Union Building, a new £50 million Business School, a central plaza and transport hub with landscaping and walkways at the heart of the Campus, new student accommodation, refurbished academic teaching and learning spaces, upgrades to existing faculty buildings, a central academic zone including the library and other learning resources, consolidation of other faculties onto the Frenchay Campus and, in partnership with Bristol Rovers Football Club, a new 21,700 seat sports stadium. The Campus development will be a strong boost for inward investment for the region with the additional provision in the plan for conference accommodation shared by the University on its existing successful Exhibition and Conference Centre facilities. Other investment proposals include additional food and drink outlets for students and the local community.



The UWE Stadium, future home of Bristol Rovers Football Club

- In July, we were honoured with an award for 'Outstanding Achievement' for an impressive 10% in energy savings from 2009 – 2012. The award was given by environmental champion Sir Jonathon Porritt at the Carbon Champion Awards 2013, where a number of businesses and organisations in the West of England were recognised for their impressive contributions towards cutting energy use and greenhouse gas emissions. We achieved this accolade by campus wide installation of LEDs, lighting controls, phase-change cooling in computer labs, cavity wall and roof insulation, boiler replacements and site-wide metering and monitoring to improve energy management.
- Our Robotics programme and the Bristol Robotics Laboratory (BRL), officially opened last year by the Rt Hon David Willetts MP, has delivered a number of successes during the year. These include:
 - A robot underwater submarine built by a team of BSc Robotics students which was awarded second prize in a prestigious European challenge competition. Called Phoenix, the robot outmanoeuvred six teams in the week-long challenge to win the €2,000 runner-up prize. This is the fourth time that UWE has been invited to take part and is its biggest success to date, having previously won the prize for innovation.
 - Winning part of a new £1.2 million project which aims to ensure future robotic systems can be trusted by humans. The Engineering and Physical Sciences Research Council (EPSRC) is funding the three-and-a-half-year project, which will explore how robots can interact with humans in a safe and trustworthy manner. Robots are increasingly being developed to serve as active 'helpers' in situations where humans require assistance, such as personal care robots that help patients during recovery.
 - Developing a novel way of charging mobile phones using urine as the power source to generate electricity.



Bristol Robotics Laboratory – at the forefront of multi-disciplinary robotics research

- We were proud to be recognised as one of the top 50 employers in the 2013 Stonewall workplace equality index.
- The Centre for Appearance Research (CAR) at UWE Bristol is leading one of the research strands into psychological healing and rehabilitation at the new £1.5 million research centre launch at Frenchay Hospital to find new advances in the prevention and treatment of children's burns. The Healing Foundation Centre for Children's Burns Research will develop new techniques and approaches to prevent burns and scalds and improve the clinical care and recovery of children who have suffered burns.
- Jake Tudge, a UWE Bristol student in the third year of his MEng Aerospace Engineering degree, received the title of E.ON Engineering Undergraduate of the Year. Jake saw off competition from nine other finalists to scoop the top honour at the event. This is the first time a UWE Bristol student has won the prestigious title and Jake had to complete a rigorous application process to be included amongst the ten finalists.



Jake Tudge, recipient of the E.ON Engineering Undergraduate of the Year Award

- UWE Bristol students swept the board at RTS West of England Student Awards that was open to universities and colleges across the West of England. UWE Bristol was represented by five films in three categories; factual, fiction and animated short film, which were directed, produced and edited by students studying on the BA Media Practice and BA Animation programmes. In all three categories, our students won the top honour.
- The University has been recognised as a Centre of Excellence in Finance Teaching by the Chartered Institute for Securities and Investment (CISI). Subject to the content of the degree programme, UWE Bristol's MSc Finance graduates will be eligible for full Membership (MCSI) of CISI and UWE undergraduate degrees will be eligible for Associate (ACSI) Membership of CISI, which will provide them with a firm foundation for a career in finance.
- To celebrate the UWE Bristol's 20th anniversary of becoming a university, the Development and Alumni Development Office invited 500 former students to Frenchay Campus to talk about their time at UWE and hear from famous alumni such as ceramicist Kate Malone.
 - A direct mail to our alumni appeal raised funds to support UWE's work in robotics as well as student hardship bursaries. Alumnus Peter Fane made a generous donation to set up the Nurture Business Plan Awards, supporting three second year students from Bristol Business School. The Tony Papadopoulos Foundation also supported second year students of computing and the trustees were able to see the first two students graduate with first class honours in July 2013.
 - Many were able to offer their non-financial support to current students by offering placements or work shadowing. Where they were able, they recruited UWE graduates and some alumni even returned to tell their 'career story' as an inspiration to the next generation.
- We would like to acknowledge the generosity of all our alumni who support our work financially or otherwise such as by offering placements or work shadowing opportunities to current students. We are also grateful to all our corporate sponsors including the Underwood Trust, Hewlett-Packard and Wallscourt Foundation.

Key facts – students, research and staff	2012/13	2011/12	2010/11
Students (full time equivalent, credit bearing courses)			
Undergraduate			
Home and EU	19,536	20,742	20,458
Overseas and Offshore	1,522	1,338	1,035
Trans National Education	2,965	1,564	1,077
Postgraduate taught			
Home and EU	2,548	2,789	3,109
Overseas and Offshore	576	531	482
Trans National Education	65	28	39
Postgraduate research			
Home and EU	278	243	260
Overseas and Offshore	99	93	103
Total student numbers (fte)			
	27,589	27,328	26,563
National Student Survey results			
Overall satisfaction levels	86%	82%	83%
Research contracts			
Income in year (£ million)	11.5	9.8	9.8
Awards in year (£ million)	13.9	11.2	11.8
Staff (average full time equivalents)			
Academic	1,253	1,405	1,724
Learning and other support services	540	480	433
Administrative and operational support	815	734	641
Total numbers			
	2,608	2,619	2,798
Total staff costs (£ million)			
	123	122	130

Public benefit statement

The University is an exempt charity under the terms of the Charities Act 2011.

The Board of Governors has had due regard to the Charity Commission guidance on public benefit in discharging its duties, including in the development of the UWE Bristol Strategy 2020, during 2012/13. This statement has been included in conformance with the formal reporting requirement introduced by the Higher Education Funding Council for England (HEFCE) as the principal regulator of English higher education institutions under the Charities Act 2011.

Objectives

The principal objectives of the University, in accordance with Section 124 of the Education Reform Act 1988, are concerned with the provision of higher education and the conduct of research. The operating and financial review in these statements provides information on our progress and achievements against these and other objectives.

The Board of Governors recognise that students, both undergraduate and postgraduate, are the principal beneficiaries of the provision of higher education while the public at large are beneficiaries of the University's research and knowledge exchange provision.

Student admissions and widening participation

The University engenders wider access to higher education through activities designed to reduce the considerable financial and intangible barriers that may prevent individuals becoming students or impeding their success as graduates. It does this through its widening participation, preparing students for work and life after graduation, its engagement and wide range of activities with partners in business, the public sector and communities, knowledge exchange and research projects. Priority target groups include students from low participation neighbourhoods, carers, disabled students, students from black and minority ethnic groups.

In specifically considering the principles above, the University commits £13 million rising to £15 million a year to reach out and support students who despite obtaining the qualifications are still missing out on higher education because of their background. Examples of the University's activities include:

- Committing £7 million in bursaries which provide students with direct support during their studies and ease financial hardship. The University is doubling the number of bursaries worth £3,000 in the first year to 1,000 with cash of £1,000 or £2,000 towards accommodation costs. Over 200 bursaries between £250 and £750 are provided for part-time students in their first year. All students who receive a bursary in their first year will be entitled to a Progression Bursary in the subsequent years of study.
- Over 700 students from low income backgrounds, care leavers, refugee students, Access programme and disabled students received considerable learning and support including a financial package worth up to £5,000 over their 3 years. The commitment builds on the University's partnerships with the region's schools and colleges, and aims to widen participation among those who might not otherwise aspire to or progress to higher education. These initiatives are designed to help students achieve their qualifications and obtain graduate level employment when they graduate.
- £0.7 million is allocated to the Learner's Support Fund, which supports students who are facing financial hardship and disabled students.
- Investment of £0.45 million (doubling to £0.9 million in 2014/15) in additional measures to boost students' employment prospects including paid internships, placements and career mentoring from regional businesses for target students, following this year's successful pilot schemes.
- Additional investment in outreach to schools and colleges building awareness of the personal and career benefits of higher education. These investments build on UWE's strong record of high levels of employability in graduate level jobs. Other support comes from UWE's internationally recognised peer assisted learning, leadership programme and advice and guidance.
- Award grants and bursaries through the established fundraising initiative, the UWE Better Together Fund. This year the fund has:
 - awarded £16,400 for 14 hardship bursaries to allow students to continue with their studies
 - awarded £4,750 for 19 student experience projects which have, among other things, supported the UWE Tube Society to allow students to access film-making equipment, and allowed UWE Badminton to set up Raveminton to tempt new people to try the sport
 - awarded £28,875 to 15 projects in the community that, among other things, have been used to involve UWE student volunteers with communities in Bristol, support local conservation projects and set up public art projects in our local community
 - worked with UnLtd to award £35,000 to support 19 students to develop social enterprises ranging from a British sign language school to a class inspiring young people to get involved in robotics

The University does not currently incur private benefit from its activities undertaken in pursuance of its purposes, however it is alive to the possibility of commercialising propriety technology or intellectual property that may arise as part of its activities as a means of increasing investment in pursuance of the primary objectives.

The Board of Governors has due regard to any detrimental harm that may arise from the activities and is particularly alive to the impact of its campus developments on its immediate locality. It aims to mitigate this impact through extensive community discussion and consultation in addition to working closely with South Gloucestershire Council to ensure any negative impact from its activities is kept to a minimum.

The Board also maintains a standing Ethics Forum which would be in a position to advise the University should an issue arise which required careful consideration of whether or not they would contribute to the University's delivery of a public benefit.

Financial strategy and future prospects

Strategy

The UWE Bristol Strategy 2020 recognises finance as a key strategic enabler. As with the Strategic Plan our financial strategy is to support the University to reach its potential and its ambition. Our financial priorities, in support of the long-term viability and sustainability of the University, are to:

1. Maintain and continue to build on the successful financial management in meeting the challenges and opportunities of an increasingly changing higher education operating and economic environment. To do this, we will generate the cash required to support our strategic investment relating to both our academic and infrastructure needs. We will control pay and non-pay costs, making strategic decisions on activities that are either financially unsustainable or not in alignment with the University Strategic Plan.
2. Ensuring financial sustainability of the University by borrowing for investment at a level that will not put the University at risk. We will maintain a sustainable recurrent investment in the academic, corporate and support operations and will dispose of properties surplus to requirement. We will control costs by establishing and funding agreed staffing levels throughout the University, with regular critical review, and will invest in creating adaptive capacity in staff.
3. Enabling the financial management of the University by continuing our on-going programme of process reviews, and our programme of investment in information systems development and maintenance of systems, enhancing our business processes and increasing efficiencies, delivering good student and staff experiences.

In short, our financial strategy is to generate and maintain operating surpluses that generate sufficient operating cashflows which together with proceeds from sale of excess properties, donations and the use of borrowing facilities are sufficient to finance our capital programme that enables the long term sustainability of the University's estate and infrastructure.

The University has identified a number of key financial ratios which it monitors as part of its financial strategy. Performance over the last 3 years shows:

Key financial ratios – as a % of income	2012/13	2011/12	2010/11
Operating surplus	4.1%	5.5%	3.0%
Operating surplus pre FRS17 pension charges	5.3%	6.8%	4.1%
Cashflow generation (net of financing costs)	8.3%	8.7%	4.0%
Staff costs	55%	55%	58%

Prospects

For 2013/14 the changing financing and regulation of Home undergraduate student numbers continues. The standard Home undergraduate fee has been capped by the Government at £9,000; after taking into account a range of scholarships and bursaries for students from lower income families, our average actual fee level will be substantially lower.

As expected, Government funding through HEFCE recurrent and capital grants has reduced and will continue to do so in advance of additional income from the new Home undergraduate fee arrangements. Concerns remain in the sector about the potential for a further level of funding cuts. In the June 2013 Spending Review statement, it was announced that the Department for Business, Innovation and Skills will take a 5.9% cut (real terms) for 2015-16. There is little detail on the implications on universities as the Department has two years to think about how to implement the cut. However, it is known that the Department will seek to protect science from the worst of the cuts, and that the National Scholarship Programme will be reduced from £150m to £50m and will be earmarked for postgraduates instead of undergraduates.

Deregulation of places for higher performing students continues in 2013/14, with Higher Education Institutions able to recruit virtually unlimited numbers of students with educational attainment at 'A' level 'ABB' grades or higher and equivalent qualifications. The University is meeting ambitious targets in this respect across a number of disciplines.

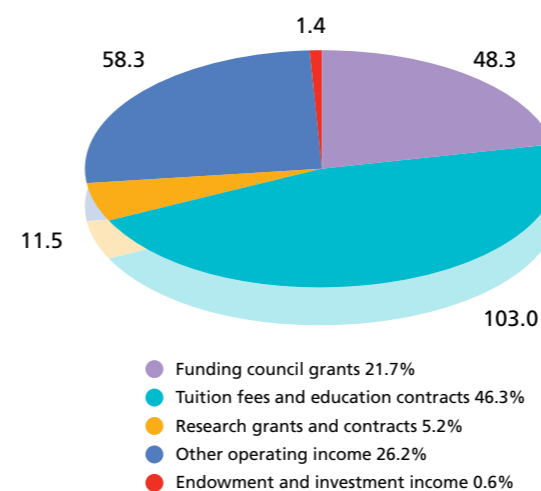
It is expected that Home undergraduate fees level will remain at £9,000 for the next few years. Together with the cash limited nature of HEFCE funding this means that a very significant proportion of our income will not move in line with inflation. This inevitably creates financial pressure in an inflationary environment against assumptions of pay awards of 1% per annum on top of estimated incremental drift of 1.5% arising from scale increases and promotions, additional pension costs, inflation on energy and rising depreciation charges (resulting from our capital investment). It is increasingly challenging to maintain the University's financial surplus strategy; as staff constitute 55% of income. Continued control of both staff numbers and pay levels over the next few years will be critical.

Over the past few years we have been working on a number of initiatives to strengthen the University's financial base, both to deal with existing pressures and to put it into the best possible position to deal with the rapidly changing and uncertain financial environment. These have included:

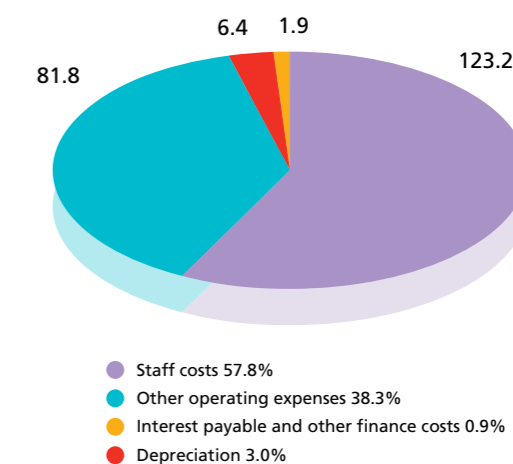
- A fundamental restructuring of the way in which support services and processes are delivered across the University and we will seek further continuous improvement
- New structures are now in place which resulted in a reduction in costs of £8m per annum
- Review and challenge of the portfolio of our academic activities

Key financial facts	2012/13 £m	2011/12 £m	2010/11 £m
Total income	222.5	220.6	223.4
Total expenditure	213.3	208.4	216.7
Surplus from operations	9.2	12.2	6.7
Cashflow generated from operations	17.7	18.2	8.3
Cashflow generated after net interest	18.5	19.1	9.0
Borrowings and cash at year end:			
Gross debt	78.9	82.6	86.5
Cash, deposits and short term investments	99.6	86.3	73.9
Net (cash)/debt	(20.7)	(3.7)	12.6
Net assets at year end	118.1	96.7	97.0

Income by type 2012/13 (£m)



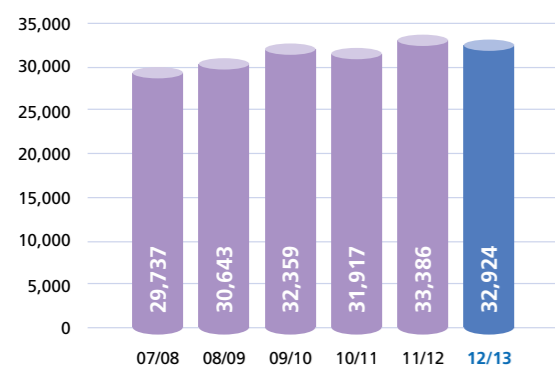
Expenditure by type 2012/13 (£m)



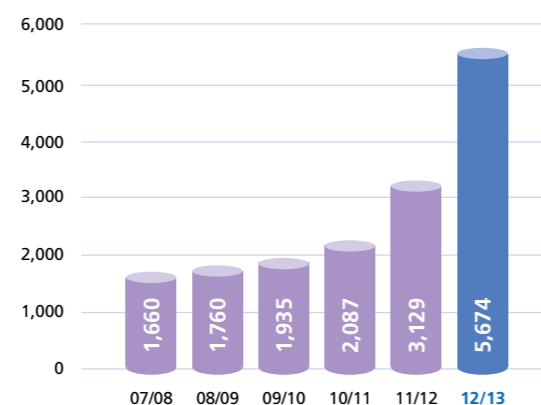
Enrolments

In 2012/2013 the University enrolled a total of 32,924 students, of which 24,878 were full-time and sandwich students and 8,046 part-time students. Within the full-time student numbers were 2,952 overseas students including Trans National Education (“TNE”) students based abroad. For Home undergraduate students, the new fee regime reduced the recruitment numbers of most UK universities including us. However, we were able to mitigate this by our buoyant recruitment figure in the previous year, increasing international students and a solid intake for our January starters.

Student numbers



Overseas student numbers



Financial performance 2012/13

Financial performance during the year was positive with an operating surplus after accounting pensions charges of £9.2m (2012: £12.2m). The reduction from 2011/12 was expected and reflects the impact of HEFCE funding reductions together with the impact of challenging Home undergraduate student recruitment in the first year of the new fee regime.

Total income for the year was £222.5m (2012: £220.6m) – a £1.9m (0.9%) increase included:

- Funding body grants – decrease of £22.5m (32%), mainly reflecting funding cuts by HEFCE.
- Tuition fees and support grants – increase of £23.2m (29%), due to an increase in home tuition fee and increases in overseas undergraduate intake. The increase compensated a fall in tuition fee income as a result of a lower intake of Home and EU students.
- Research grants and contracts – increase of £1.7m (17.3%).

Total expenditure was £213.3m (2012: £208.4m) – a £4.9m (2.3%) increase included:

- Other operating expenses – an increase of £4.4m (5.7%), reflecting increases in energy costs for the enlarged campus and provisions for financial obligations at the year end.

Capital investment

Capital investment in the year remained low at £3.1m (2012: £3.0m). This is due to a planned delay as the University is assessing its capital project meticulously. A number of these projects are now approved by the Board of Governors to proceed in 2013/14. These include:

- Strategic academic space refurbishment £4.5m
- Students’ Union Building £9.2m
- Bower Ashton Campus redevelopment phase 2 £4.8m
- Phase 1 of a new student accommodation complex £15m
- IT systems - master data management £1.2m
- HeartZone and campus infrastructure £8.4m

Cashflow and treasury management

Cashflow from operations for the year was £17.7m (2012: £18.2m). After receipts from capital grants of £1.7m, cash outflows in respect of capital expenditure of £3.1m and other items, net cash inflow before management of liquid resources was £17.1m (2012: inflow of £16.2m).

The University has a long-term bank loan of £95m on a repayment basis. The loan matures in March 2034 and is currently linked to the Base Rate. The University has the right to fix the interest rate for a proportion or the whole of the loan, at a time of its choosing. The loan is subject to a set of conditions and financial covenants; the University complied with these requirements during the year.

Total gross debt at 31 July was £78.9m (2012: £82.6m). At the year end, the University had cash/money market and financial instrument balances totalling £99.6m (2012: £86.3m).

The University currently holds substantial cash balances; our treasury strategy is determined in the context of expected future revenue and capital plans and the need to ensure that sufficient funds are available to meet commitments on a day to day basis.

We adopt a prudent approach to invest surplus funds. In order to manage risk, cash deposits are spread amongst a range of counterparties. To protect capital sums invested, we make full use of reports compiled by leading Credit Rating Agencies and only institutions carrying at least short-term ratings of A1 (Standard & Poors) and F1 (Fitch IBCA) are considered sufficiently secure. In order to ensure adequate liquidity, deposits are placed to mature over a range of maturity dates.

In the current uncertain financial climate, the counterparty policy is monitored closely to achieve an appropriate balance of counterparty risk and diversification. Due to its ambitious and imminent capital expenditure plans, the University has restricted its short term deposits to no longer than 1 year. During the year the University achieved an average interest return that was higher than interest payable on its borrowings.

At July 2013 the University continued to maintain a positive net current asset ratio of 1.8 (2012: 1.6).

Pensions

Pensions for the majority of the University’s staff are currently provided either through the Teachers’ Pension Scheme (TPS) or the Avon Pension Fund (APF). The on-going costs and risks associated with both pension schemes are a very important element of the future financial sustainability of the University.

Teachers’ Pension Scheme (TPS)

The TPS is a non-funded occupational scheme backed by the Exchequer. It is a national multi-employer scheme providing pensions for the UK education sector and is restricted to our academic and research staff. The on-going service costs are financed by contributions from the University and its staff. The University accounts for the scheme as if it were a defined contribution scheme.

Avon Pension Fund (APF)

The APF is a Local Government Pension Scheme (LPGS) and is a funded defined benefit scheme, with assets held in separate trustee administered funds.

On an FRS17 basis, at 31 July the scheme had assets of £158.9m and liabilities of £218.5m giving a deficit of £59.6m (2012: £68.1m).

A summary of the decrease in the FRS17 deficit since July 2012 for Avon Pension Fund shows:

	£m
July 2012 deficit	68.1
Actuarial gains – mainly the impact of the lower inflation and higher discount rate used to value liabilities	(11.2)
Deficit related contribution by University	1.4
Other net changes	1.3
July 2013 deficit	59.6

At the last actuarial valuation as at 31 March 2010, on a Trustee's funding basis, APF had a deficit of £552m, of which £26m is attributable to the University. To deal with the funding deficit the University agreed a 20 year deficit recovery plan whereby the University is required to make additional deficit related contributions of £1.5m per annum rising with inflation.

The process for the triennial valuation as at 31 March 2013 is underway and will be finalised during 2013/14. Given the deterioration of the discount rates, despite above expectation returns from investment, it is expected that the deficit of the scheme will increase (as indicated by our annual FRS17 valuation). Accordingly, we are planning for a potential increase in contributions to current service costs and deficit related contributions.

Other pension matters

On 1 May 2013, we implemented the new pension auto enrolment regulations. All staff who had opted out of pension schemes when offered in the previous 3 years were auto-enrolled back into the respective schemes.

Equal Opportunities, Diversity and Health and Safety

The Board of Governors has approved a Single Equality Scheme covering all aspects of the life and work of the University, with the aim of becoming an inclusive university, and it sets out our equality objectives to 2015. These objectives are being delivered and amongst the many achievements in the last 2 years we have:

- Achieved 45th place in the top 100 Stonewall Workplace Diversity Index
- Achieved Athena Swan Bronze award for the University and the Department of Applied Sciences
- Begun addressing differential attainment through "the learning for all hub"
- Provided e-learning for all staff
- Established the Disability Working Group to address the low satisfaction of disabled staff
- Reduced the gender pay gap
- Offered staff a number of mentoring opportunities

The University's Equality and Diversity Unit plays a pivotal role in communicating and promoting the culture of the inclusive university, monitoring delivery of the Single Equality Scheme and leading on key equality objectives.

There continues to be the embedding of health and safety across all Faculties and Professional Services at the University. The audit programme that commenced in 2011-2012 has been key in producing the University's health and safety risk profile and has provided the foundations for more targeted support from the central Health and Safety Team. This improved partnership working has sought to continue to ensure that health and safety remains a key focus for the University.

Key achievements for 2012-2013 include:

- Launch of the new strategy for health and safety entitled the 'Safe Places, People and Practice Strategy 2013 – 2020';
- Further enhancement to the University's central Health and Safety Team (HST) with the centralisation of health and safety advice with regards to construction safety;
- An active focus on two key UWE Bristol risks, construction safety and work-related stress;
- Continuation of the audit programme and the implementation of audit action plans by Faculties and Professional Services;
- An H&S/Property inspection visit by UMAL, the outcome being the best ever for UWE Bristol with both areas scoring above the UMAL risk rating.

The most visible indicators of health and safety management were:

- An upward trend in reported accidents, 155 compared with 104; however the process for the reporting of accidents at the University was improved in 2012-2013, with a new on-line accident reporting system launched in August 2012. It was predicted given the ease of reporting that numbers would increase;
- That the more serious accidents (RIDDOR) have reduced, from 11 to 5;
- 49 first-time near miss accidents were reported. The main causes were analogous to the main causes of accidents that resulted in injury, highlighting the significance of the reporting of near misses in the prevention of accidents.

The University is committed to continuing improvements in health and safety and there is a comprehensive schedule of enhancement activity agreed for implementation through the 'Safe Places, People and Practice Strategy 2013 – 2020'.

Sustainability

The University is committed to working in a socially responsible way considering the impact of its work on the environment and society. This commitment is embedded in various enabling strategies and policies that underpin the University's strategic plan including the sustainability strategy and environmental policy. The sustainability and human resources strategies are mutually dependent, and provide future opportunities for joint working and sharing outcomes.

The University's Senior Management Team and Sustainability Board is responsible for ensuring that these opportunities are taken up, and that managers and staff are fully engaged in the delivery of the sustainability strategy and in line with this, the University has an Assistant Vice-Chancellor with responsibility for environment and sustainability.

The University follows a holistic approach to sustainability that covers all aspects of sustainability across all functions of the University. This enables continuous, innovative, genuine and embedded performance improvements which have been successful to date. The approach has enhanced the University's reputation externally, and encouraged faculties, services, students and wider stakeholders to work in partnership.

Whilst there will always be room to improve further, the University is proud that during 2011/12 we achieved a 50% recycling rate and a continued reduction in overall waste, complemented by a 30% increase in term time bus usage and an 80% increase in non-term time usage, demonstrating the attractiveness of the service to local people as well as students. A rethink of the way we manage our grounds and gardens, aligning to a less intensive, sustainable biodiversity friendly approach, has further delivered an annual cost reduction of £0.25m. We have also achieved phase 3 of BS8555 Environmental Management System and our Annual Sustainability Week is one of the largest events of its kind in the UK.

Student and staff Involvement

The University places considerable value on the active participation of its employees in policy making and on good communication with them. Following a staff survey at the start of 2012, a revised approach to communication with staff has been adopted which has seen the staff news magazine, Voice, launched and a fresh approach to email communication.

2012/13 has seen a number of initiatives to further enhance the employee voice including the approval by Academic Board and the Board of Governors of changes to the Academic Board structure to significantly increase both the space for the academic voice and the number of elected positions within the structure. Elections to the Staff/Governor Forum maintained by the Board of Governors also generated a record electoral turnout following the introduction of an e-elections system.

The University has a number of mechanisms in place to facilitate communication with students and it makes extensive use of email and the internet to disseminate information, receive, and act upon, feedback not least through partnership with the Students' Union to recognise the contribution made by over a thousand student representatives on the University's programmes.

The Students' Union President is an ex officio member of the Board of Governors of the University and a number of Student Union representatives are members of the Academic Board and other committees. There are regular formal and informal consultations with the Students' Union and a Student/Governor Forum is maintained by the Board of Governors under the leadership of the Students' Union President.

Both the Student and Staff Governor Forums meet three times a year and provide the Board of Governors with an opportunity to engage with a wide audience of the University's most critical stakeholders.

Conclusion

The University's financial position remains healthy and the Board of Governors is satisfied that the University has sufficient resources to continue its operations for the foreseeable future. However, in common with similar institutions, continuing changes to the student recruitment controls and a challenging regulatory environment in relation to the recruitment of overseas students mean that UWE Bristol must be highly responsive in order to maintain and enhance its reputational and financial standing in the higher education marketplace. With continued monitoring of its financial position and by implementing cost saving measures the University maintains the ability to weather the continued changes occurring within the higher education sector.

The University's achievements reflect the efforts and success of its staff and students and the Board of Governors thanks and congratulates them all.

Professor Steve West
Vice-Chancellor

Professor Graham Upton
Deputy Chair, Board of Governors

▶▶ Corporate governance and internal control

Organisation

The University is organised into four faculties, each led by a Pro Vice-Chancellor and Executive Dean:

- Arts, Creative Industries and Education
- Business and Law
- Environment and Technology
- Health and Applied Sciences

Responsibility for overall day-to-day management of the University is through the Vice-Chancellor, supported by a senior team which includes the Deputy Vice-Chancellors, Pro Vice-Chancellors, Directors and Heads of Professional Services.

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with, and with due regard to, the principles identified by the Committee on Standards in Public Life and with the Committee of University Chairs' 'Guide for Members of Higher Education Governing Bodies in the UK'.

Constitution and powers

The University is a statutory corporation, established as a Higher Education Corporation as defined by the Education Reform Act 1988 which also sets out its powers. The activities of the University are conducted in accordance with: the provisions of the Education Acts; orders or directions made by the Secretary of State; other enactments or regulations from time to time in force; and its Instrument and Articles of Government ("Articles") and internal rules and bye-laws.

The Articles set out the requirements, and define the responsibilities of, a Board of Governors and Academic Board alongside the responsibilities of the Vice-Chancellor.

Charitable status

In accordance with the 1988 Act, the University enjoys exempt charitable status. Members of the Board of Governors are therefore charitable trustees and responsible for ensuring that the University's activities are conducted in compliance with charity legislation and for the public benefit. The University is required to comply with the reporting and other requirements of the Higher Education Funding Council for England (HEFCE) in its role as principal regulator under the Charities Act 2011.

The Board of Governors

The Board of Governors is responsible for determining the educational character and mission of the University and for its ongoing strategic direction and development. It is responsible for the efficient use of resources, safeguarding the University's assets, approving the macro budget for the institution and setting the framework for the pay and conditions of all staff. The Board of Governors and its Committees meet regularly.

The Board comprises lay (independent) staff and student members appointed in accordance with the Instrument of Government. The majority of members are non-executive including the Chair and the Deputy Chair. The University's Chief Executive, the Vice-Chancellor, is an ex-officio member of the Board. Appointments to the Board of Governors are considered by the Nominations and Governance Committee which makes recommendations for the Board's approval.

The Board is entitled to establish committees for any purpose or function, other than those which are assigned elsewhere in the Articles to the Vice-Chancellor or to the Academic Board or designated as the sole responsibility of the Board of Governors. The main committees which operated during the 2012/13 year were: Audit Committee; Finance Estates and IT Committee; Strategic Planning and Performance Committee; Nominations and Governance

Committee; and Remuneration Committee. All of these committees are formally constituted with written terms of reference. The decisions of the Committees are formally reported to the Board. The membership of committees consists mainly of lay members of the Board of Governors, one of whom is designated as Chair.

An Emergency Committee, consisting of the Chair and Deputy Chair of Governors and the Chair of Finance Estates and IT Committee, may exercise certain powers between meetings of the Board of Governors, on the advice of the Vice-Chancellor. Its membership is augmented when appropriate by the Chair of the Strategic Planning and Performance Committee. Once again it was not necessary to convene the Emergency Committee in 2012/13.

In accordance with the Articles, the Board has appointed a Clerk to the Governors who provides independent advice on matters of governance to all members of the Board.

Academic Board

During the year to 31 July 2013 there was an Academic Board of 40 members, chaired by the Vice-Chancellor. The Articles stipulate that half of the membership are individuals with primarily executive and managerial responsibilities with the remainder being nominated or elected non-executive staff or students. Subject to the Articles, the overall responsibility of the Board of Governors, and the responsibilities of the Vice-Chancellor, the Academic Board oversees academic policy and affairs. It is particularly concerned with issues relating to the quality and enhancement of the University's learning and teaching, and research provision.

Leadership and management

The Vice-Chancellor is the chief executive officer of the University, and is accountable to the Board of Governors for the organisation, direction and management of the University. The Vice-Chancellor is the Accountable Officer under the terms of the Financial Memorandum between the University and HEFCE.

The Vice-Chancellor's Executive is the University's Executive Board and assists the Vice-Chancellor in discharging his responsibilities as Chief Executive. In 2012/13 the Executive Group included the Deputy Vice-Chancellors, the Pro Vice-Chancellors and Executive Deans, the Assistant Vice-Chancellor (Finance and Commercial Projects and Corporation Secretary), Directors and Heads of Professional Services. The Vice-Chancellor's Executive co-ordinates the organisation, direction and management of the University and meets regularly.

Faculty and professional service are treated as individual planning and budgetary units.

Register of interests

The University maintains a register of interests of members of the Board of Governors and key post holders, which may be requested from the Clerk to the Board of Governors.

Expenses paid to or on behalf of Trustees

Members of the Board of Governors, the Trustees of the University do not receive any remuneration for their service on the Board. Those Trustees who are also employees of the University receive no supplementary payment for trusteeship.

Trustees are entitled to claim reasonable expenses incurred in undertaking their duties as Trustees in accordance with the University's financial regulations. In 2012/13 a total of £7,791 (£6,329 in 2011/12) for expenses was paid to or on behalf of 15 Trustees. This covered: travel expenses to formal and informal meetings and other University events; fees for training and development events; travel, accommodation and other expenses incurred in representing the University at external events; subscriptions and costs of publications to assist them in carrying out their role.

Internal control

The Board of Governors is responsible for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, while safeguarding the public and other funds and assets for which it has responsibility.

The Board of Governors is committed to the continuous development of a comprehensive process for identifying, evaluating and managing the University's significant risks, both financial and non-financial, in line with HEFCE requirements. The Risk Management Policy is linked to the University's Strategy 2020 and explicitly recognises that it is neither possible, nor in many cases desirable, to eliminate risk and can, therefore, only provide reasonable and not absolute assurance.

The Board of Governors regularly discusses risk and related reports from its Committees, in particular the Audit Committee. These discussions set the tone and influence the culture of risk management and determine the risk appetite of the University, what types of risk are acceptable and what are not, and set the standards and expectations of staff with regard to conduct and probity in relation to risk management.

The Board of Governors is advised and assisted in its review of internal control by the work of the internal auditors, Audit Committee and the Vice-Chancellor's Executive both of whose agendas ensure regular monitoring of the risk and control processes and that these accord with the internal control guidance for directors as included in the Stock Exchange's 'Combined Code', as deemed applicable to higher education.

In 2011/12 the Board approved a refreshed Risk Management Policy for the University; the policy was launched during a risk management workshop run for all senior managers of the University. The main components of the risk management policy are summarised below:

- The University focuses on the active management of risk as an integral part of the management process within every part of the organisation;
- The system of internal control is based on an ongoing process to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. These risks may be strategic or operational and may present potential implications for the University's reputation, its financial position or its day to day operations or any combination thereof;
- Where necessary policies and internal control processes are aligned to significant risks to ensure they are managed effectively;
- The Corporate Risk Register is compiled by the Vice-Chancellor's Executive from information provided by senior managers, and reported to the Audit Committee to help facilitate the identification, assessment and monitoring of risks of significant importance to the University. Both Audit Committee and the Board of Governors also receive periodic narrative reporting of key risks to facilitate a greater depth of understanding of the challenges posed by them. Emerging risks are added as required, and improvement actions and risk indicators are monitored on an on-going basis through line management;
- Risk management is addressed on a University wide basis but individual faculties and professional services help facilitate the identification, assessment and monitoring of risks by maintaining their own risk registers;
- The Audit Committee is required to report to the Board of Governors on internal controls and to alert it to any emerging issues. Amongst other responsibilities the Audit Committee is responsible for oversight of risk management and ensuring that the Risk Management Policy is applied.
- The University has agreed with its internal auditors that their programme of work and the approach to internal control will be risk based. Their internal audit plan is guided by the assessment of risks identified through risk management.

On behalf of the Board of Governors, the Audit Committee considers reports, recommendations and reviews on the effectiveness of the University's arrangements for risk management, internal control and governance and it has expressed itself satisfied that they can provide reasonable though not absolute assurance that the systems and controls are effective. The Audit Committee also considers reports and updates from HEFCE as they affect the University's business and monitors adherence to the regulatory requirements.

A professional internal audit team, provided by KPMG, undertakes an annual programme approved by the Audit Committee. External auditors are appointed and other audit work conducted in accordance with the requirements of HEFCE.

The above policy and related procedures have continued to be developed and the Board of Governors is satisfied that the University's internal control and risk management processes meet the requirements set out by HEFCE in their circular 21/2012 "HEFCE's Accounts Direction to higher education institutions for 2012-13 financial statements and revised Accounts Direction for 2011-12."

The financial statements include a statement on the University's position with regard to the implementation of the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange. The Board of Governors is required to express a view as to whether its processes are adequate in accordance with the direction from the Higher Education Funding Council for England for identifying, evaluating and managing the University's risks during the year. The appropriate committees of the Board of Governors have considered those processes and are of the view that they are adequate for the needs of the university.

Responsibilities of the Board of Governors

In accordance with the Education Reform Act 1988, the Board of Governors of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, the terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Governors require the University, through its Accountable Officer the Vice-Chancellor, to present financial statements for the financial year which give a true and fair account of the state of affairs of the University and the results and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates are reasonable and prudent; and
- applicable accounting standards have been applied subject to disclosure and explanation in the financial statements of any material departures therefrom.

The Board of Governors has taken reasonable steps to:

- fulfil its responsibilities under the Articles and to ensure that funds from HEFCE, the National College for Teaching and Leadership (NCTL) and other publicly funded bodies, including research councils, are used only for the purposes for which they have been granted and in accordance with the Financial Memorandum issued by HEFCE and any other conditions which it may from time to time prescribe;
- ensure that appropriate financial and management controls are in place to safeguard public and other funds;
- safeguard the assets of the University and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control include:

- Board of Governors' approval of annual estimates of income and expenditure and monitoring of the financial performance of the University;
- an internal financial memorandum, which defines the responsibilities and delegated authority of management post holders;
- a comprehensive planning process, which integrates the preparation of annual income, expenditure and capital budgets;
- regular reviews of the performance of each of the University's Planning and Budgetary Units, including monthly reviews of financial results involving variance reporting and the updating of forecasts;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions being subjected to detailed appraisal and review; and,
- comprehensive financial regulations approved by the Board of Governors which detail financial controls, procedures and guidelines.

Professor Steve West
Vice Chancellor

Professor Graham Upton
Deputy Chair, Board of Governors

▶▶ Independent Auditors' Report to the Board of Governors of the University of the West of England

We have audited the group and parent institution financial statements (the "financial statements") of the University of the West of England for the year ended 31 July 2013 which comprise the consolidated income and expenditure account, the consolidated balance sheet, the University's balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board of Governors and Auditors

As explained more fully in the Statement of Corporate Governance, the Board of Governors are responsible for the preparation of 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 of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of Governors as a body in accordance with paragraph 14(2) of the University's articles and section 124B of the Education Reform Act 1988 and for no other purpose. We do not, in giving these opinions, accept or assume any 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.

Scope of the audit of the financial statements

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's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2013, and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice 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 Financial Memorandum and any other terms and conditions attached to them.

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us 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.

Mazars LLP
Chartered Accountants and Statutory Auditors
Bristol

▶▶ Statement of accounting policies

1. General policies

a. Accounting convention

The financial statements have been prepared on the historical cost basis of accounting, modified by (i) the revaluation of certain fixed assets for which a cost is not readily ascertainable and (ii) the revaluation of Investment Properties, both in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education 2007.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

b. Basis of consolidation

The consolidated accounts incorporate the accounts of the institution and those of its subsidiaries which are active and material on a line by line basis. Intra-group sales and profits are eliminated fully on consolidation. The consolidated accounts do not include those of: (i) The University of the West of England Students' Union, which is an autonomous body not under the control of the University or (ii) The Wallscourt Foundation which have charitable objectives primarily concerned with assisting the provision of higher education at the University of the West of England but are legally independent of the University and not under its control.

c. Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 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. No provision for corporation tax or income tax (deferred or otherwise) is therefore considered necessary. The University receives no similar exemption in respect of Value Added Tax ("VAT"). As a result the major part of VAT paid by the University is irrecoverable, since the provision of education is an 'exempt' activity for VAT purposes. The subsidiaries of the University are potentially liable to both corporation tax and VAT.

d. Pension costs

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and its employees. Payments are made to the Department for Business, Innovation and Skills in respect of staff who are members of the Teachers' Superannuation Scheme, the Universities Superannuation Scheme (USS) and the Avon Pension Fund (administered by Bath and North East Somerset Council). The financial positions of all these funds are disclosed in their audited financial statements.

Where the University is unable to identify its share of the underlying assets and liabilities of a relevant superannuation scheme on a consistent and reasonable basis, as required by FRS 17, it accounts for the scheme as if it were a defined contribution scheme. As a result, the annual amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Where the University is able to identify its share of the underlying assets and liabilities in a scheme it accounts for the scheme in accordance with FRS17. The University's share of any surplus or deficit is recognised as an asset or liability in the balance sheet. The current service cost, being the actuarially determined present value of the pension benefit earned by the employees in the current period and the past service cost, is included in staff costs. The expected return on the University's share of scheme assets and interest on its liabilities is netted off and shown as a net return in the income and expenditure account. All changes in the pension surplus or deficit due to changes in actuarial assumptions are reported in the statement of total recognised gains and losses. The rate of employer's contribution on any relevant superannuation scheme is reviewed periodically on the basis of actuarial valuations.

2. Income and Expenditure Account

a. Block grants and other recurrent grants

Block grants and other recurrent grants are included in income in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

b. Tuition fees

Income from tuition fees represents the sum attributable to the financial period. Fee income is stated gross. Financial assistance to students in the form of bursaries and fee waivers is included in operating expenses.

c. Research grants and contracts

Income from research grants and contracts is accounted for on an accruals basis and is included to the extent of the completion of the contract or service concerned. Payments received in advance of such performance are recognised in the balance sheet as a liability. Expenditure incurred by the University on research grants and contracts is charged to the income and expenditure account as it is incurred.

d. Investment income

Income from investments and deposits is calculated on an accruals basis.

e. Release of capital grants

HEFCE capital grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants on receipt and annual transfers are made to the income and expenditure account over the lives of the assets concerned.

f. Long term contract income

Income from long term contracts is deemed to accrue evenly over the life of the contract.

g. Sale of property

Income from the sale of property is recognised on completion of the contract.

h. Maintenance of premises

The University has a rolling maintenance plan which forms the basis of the ongoing maintenance of the University's estate. The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred.

i. Finance and operating leases

Where the University leases out buildings for less than their useful economic life or does not substantially transfer all the risks and rewards, the lease is accounted for as operating lease. Rental income is taken to the Income and Expenditure account on a straight line basis over the period of the lease. The cost of the building is treated as a fixed asset and depreciated on the basis calculated to give an approximately constant rate of return on the funds invested.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

Finance leases which substantially transfer all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitment are shown as obligations under the finance lease.

j. Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Any resulting translation differences are dealt with in the determination of income and expenditure for the financial year.

k. Access funds and Training and Development Agency bursaries

The University acts as agent on behalf of HEFCE with regard to the disbursement of access funds and the Training and Development Agency for its bursaries. The receipt and payment of these funds are therefore not included in the Income and Expenditure account.

3. Balance Sheet

a. Land and buildings

Buildings inherited from the former Avon County Council on 1 April 1989 were valued at that date at their depreciated replacement cost, which was calculated by applying 'rebuild costs' to each building's floor area. These rebuild costs were based on authoritative tables of such costs published by the Royal Institution of Chartered Surveyors. An estimate was made of the remaining useful economic life of each building which was applied to a total life of 50 years, or a longer period for buildings already exceeding that age, in order to arrive at the depreciated value. It is not proposed to adjust this valuation until it is clear that there has been a material change. Depreciation is charged at 2% per annum on that valuation. Expenditure on buildings (including refurbishments

and expenditure needed to bring a building into full operation) since that valuation is capitalised if it is probable that increased future economic benefits will arise as a result of the expenditure. Such expenditure is depreciated on a straight line basis over the estimated useful life of the corresponding asset. All other expenditure on buildings is treated as an expense in the accounting period in which it is incurred.

Assets subject to a finance lease are depreciated over the term of the lease.

Buildings under construction are accounted for at cost based on architects' certificates and other direct costs incurred at the balance sheet date. These costs are not depreciated until the building concerned has been brought into use.

Finance costs attributable to the construction of buildings are capitalised as part of the cost of the corresponding asset.

In accordance with Statement of Standard Accounting Practice (SSAP) 4 and the Statement of Recommended Practice (SORP) restricted capital grants received are held as deferred capital grants and released to the income and expenditure account over the estimated life of the asset concerned.

Land is stated at cost and is not depreciated.

b. Investment properties

Investment Properties are included in the Balance Sheet at their open market value. Any changes in the market value of investment properties are shown as movements on the Investment Revaluation Reserve unless a deficit is expected to be permanent in which case it is charged to the Income and Expenditure account. In accordance with SSAP 19 Investment Properties are not depreciated.

c. Roads and car parks

Expenditure on roads and car parks is capitalised if it is probable that increased future economic benefits will arise as a result of the expenditure. Depreciation is charged at 2% per annum on a straight line basis. All other expenditure on roads and car parks is treated as an expense in the accounting period in which it is incurred.

d. Equipment, furniture and software

Expenditure on items or groups of items of equipment, furniture and software costing more than £25,000 is capitalised, and then depreciated on a straight line basis over a 3 year period. Items or groups of items costing less than £25,000 are written off in the year of acquisition. Depreciation is not charged in the year of acquisition of a capitalised asset. Expenditure funded by research grants and contracts and similar external sources of funds is not capitalised.

e. Disability Discrimination Act (DDA) assets

Expenditure on DDA assets is capitalised if it is probable that increased future economic benefits will arise as a result of the expenditure. Depreciation is charged on a straight line basis over its 15 years useful economic life.

f. Designated reserves

The University exercises its discretion in the creation of designated reserves, in anticipation of future needs, and in the utilisation of those reserves.

g. Stocks

Stocks of consumables for catering, printing and stationery, or for sale to students, and computing equipment held for issue to faculties are valued at cost or, if lower, at net realisable value. No account is taken of other stocks as they are not material to the financial statements.

h. Term deposits and cash at bank

The heading "Cash at bank and in hand" includes deposits repayable within 24 hours' notice without penalty, all other deposits are included within the heading "Current Asset Investments". Term Deposits comprise sums on short-term deposit with approved banks and building societies and UK government securities and they are included within "Current Asset Investments" in the balance sheet. Current Asset Investments are stated at market value.

i. Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

j. Provisions

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

▶▶ Consolidated Income and Expenditure for the year ending 31 July 2013

	Note	2012/13 £m	2011/12 £m
Income			
Funding Council grants	1	48.3	70.8
Tuition fees and education contracts	2	103.0	79.8
Research grants and contracts	3	11.5	9.8
Other operating income	4	58.3	58.7
Endowment and investment income	5	1.4	1.5
Total Income		222.5	220.6
Expenditure			
Staff costs	6	123.2	122.2
Other operating expenses	7	81.8	77.4
Depreciation	7	6.4	6.3
Interest payable and other finance costs	7	1.9	2.5
Total Expenditure		213.3	208.4
		9.2	12.2
Surplus Transferred to General Reserve			

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations. There were no material surpluses or deficits arising in the subsidiaries in the year.

No note of historical cost surplus is given, as there was no difference between the results as set out in the Consolidated Income and Expenditure Account and their historical cost equivalents.

▶▶ Consolidated Balance Sheets at 31 July 2013

	Note	Group		University	
		2013 £m	2012 £m	2013 £m	2012 £m
Fixed Assets					
Tangible fixed assets	8	201.6	205.0	191.7	194.9
Investments	9	-	-	12.7	12.7
		201.6	205.0	204.4	207.6
Endowment Asset	10	1.8	1.8	1.8	1.8
Current Assets					
Stocks		0.2	0.2	0.2	0.2
Debtors	11	13.4	14.4	13.9	14.8
Current asset investments		97.5	78.3	95.4	77.2
Cash at bank and in hand		2.1	8.0	1.4	6.7
		113.2	100.9	110.9	98.9
Creditors:					
Amounts falling due within one year	12	(62.5)	(62.2)	(62.4)	(62.2)
Net Current Assets		50.7	38.7	48.5	36.7
Total Assets less Current Liabilities		254.1	245.5	254.7	246.1
Creditors:					
Amounts falling due after more than one year	13	(76.2)	(80.5)	(76.2)	(80.5)
Provision for liabilities and charges	14	(0.2)	(0.2)	(0.2)	(0.2)
Net Assets excluding Pension Liability		177.7	164.8	178.3	165.4
Pension liability	19	(59.6)	(68.1)	(59.6)	(68.1)
Net Assets		118.1	96.7	118.7	97.3
Deferred Capital Grants	15	40.6	39.6	40.6	39.6
Reserves					
Avon endowment	16	46.6	46.6	46.6	46.6
Permanent endowment	17	1.8	1.8	1.8	1.8
		48.4	48.4	48.4	48.4
Income and expenditure excluding pension liability	18	88.7	76.8	89.3	77.4
Pension reserve	19	(59.6)	(68.1)	(59.6)	(68.1)
		29.1	8.7	29.7	9.3
Total Reserves		77.5	57.1	78.1	57.7
Total Funds		118.1	96.7	118.7	97.3

The financial statements were approved by the Board of Governors on 26 November 2013 and signed on its behalf by:

Professor Steve West
Vice-Chancellor

Professor Graham Upton
Deputy Chair, Board of Governors

▶▶ Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2013

	Note	2012/13 £m	2011/12 £m
Surplus on continuing operations after depreciation of assets at cost		9.2	12.2
Actuarial gain/(loss) in respect of pension schemes in the year	19	11.2	(11.9)
Total Recognised Gains		20.4	0.3
Closing Reserves and Deferred Capital Grants			
Reserves:			
Opening reserves and endowments		57.1	56.8
Total recognised gain in the year		20.4	0.3
Closing Reserves		77.5	57.1
Deferred capital grants:			
Opening deferred capital grants		39.6	40.3
Net increase/(decrease) in the year		1.0	(0.7)
Closing deferred capital grants		40.6	39.6
Net Assets as at 31 July		118.1	96.7

▶▶ Consolidated Cash Flow Statement for the year ended 31 July 2013

	Note	2012/13 £m	2011/12 £m
Net cash inflow from operating activities	20	17.7	18.2
Returns on investments and servicing of finance			
Interest received		1.4	1.5
Interest paid		(0.6)	(0.6)
		0.8	0.9
Capital expenditure and financial investment			
Tangible fixed assets acquired		(3.1)	(2.9)
Deferred capital grant received		1.7	-
		(1.4)	(2.9)
Net cash inflow before management of liquid resources		17.1	16.2
Management of liquid resources: current asset investments		(19.2)	(4.4)
Cash (outflow)/inflow before financing		(2.1)	11.8
Financing		(3.8)	(3.8)
(Decrease)/Increase in cash		(5.9)	8.0
Reconciliation of net cash flow to movement in net funds		2012/13 £m	2011/12 £m
(Decrease)/Increase in cash		(5.9)	8.0
Increase in investments		19.2	4.4
Repayment of bank loan		3.8	3.8
Change in net funds in the year		17.1	16.2
Net funds at 1 August		3.6	(12.6)
Net Funds at 31 July	21	20.7	3.6

▶▶ Notes to the Financial Statements

	2012/13 £m	2011/12 £m
1. Funding Council Grants		
Basic recurrent grant	44.0	64.0
Training and Development Agency	1.6	3.8
Other grants	2.0	2.3
Release of capital grants	0.7	0.7
	48.3	70.8
2. Tuition Fees and Education Contracts		
Full time students - home and offshore	75.6	55.4
Full time students - EU	3.2	2.2
International students	13.9	12.4
Part time students	6.0	7.9
Short course fees	4.3	1.9
	103.0	79.8
3. Research Grants and Contracts		
Research Councils	4.3	2.5
UK based charities	1.0	0.8
European Commission	1.7	1.9
Other research grants and contracts	4.5	4.6
	11.5	9.8
4. Other Operating Income		
Residences and catering	18.0	18.1
NHS contract	23.9	24.0
Other services rendered	6.6	6.3
Other income	9.8	10.3
	58.3	58.7
5. Endowment and Investment Income		
Income from cash and term deposits	1.4	1.5
6. Staff Costs		
Salaries and wages	103.0	101.4
Social security costs	7.8	7.7
Other pension costs	12.4	13.1
	123.2	122.2
Average FTE staff numbers by category	2012/13 Numbers	2011/12 Numbers
Academic faculties	1,253	1,405
Learning support services	250	263
Other support services	290	217
Administration, central services and premises	815	734
	2,608	2,619

The increase in administration and central staff numbers relates to the One University Administration ("OUA") project, that resulted in transferring administrative staff from faculties and learning support services to central services.

▶▶ Notes to the Financial Statements (continued)

6. Staff Costs (continued)
Emoluments of the Vice-Chancellor

	2012/13	2011/12
	£	£
Vice-Chancellor		
Salary	241,572	239,180
Performance related pay	24,158	-
Benefits in kind	583	536
Pension adjustment	10,851	-
Pension costs	37,468	22,482
	314,632	262,198

The performance related pay was awarded by measurements against targets set by the Board of Governors. The pension adjustment was in respect of 2011/12 which was not accrued in that year.

Remuneration of higher paid staff excluding the Vice-Chancellor

	2012/13	2011/12
	Numbers	Numbers
£100,000-£110,000	4	7
£110,001-£120,000	3	1
£120,001-£130,000	1	-
£130,001-£140,000	1	-
£140,001-£150,000	1	2

Expenses paid to or on behalf of Trustees

Members of the Board of Governors, the Trustees of the University do not receive any remuneration for their service on the Board. Those Trustees who are also employees of the University receive no supplementary payment for trusteeship.

Trustees are entitled to claim reasonable expenses incurred in undertaking their duties as Trustees in accordance with the University's financial regulations. In 2012/13 a total of £7,791 (£6,329 in 2011/12) for expenses was paid to or on behalf of 15 Trustees. This covered: travel expenses to meetings and other University events; fees for training and development events; travel, accommodation and other expenses incurred in representing the University at external events; subscriptions and costs of publications to assist them in carrying out their role.

7. Analysis of expenditure by activity

	Staff	Other		Interest	Total	Total
	Costs	Operating	Dep'n	Payable	2012/13	2011/12
	£m	Expenses	£m	£m	£m	£m
Academic faculties	67.3	17.4	0.2	-	84.9	89.4
Academic support services	11.3	7.5	1.6	-	20.4	19.4
Research grants and contracts	4.2	4.6	-	-	8.8	7.1
Administration and central services	27.1	21.6	-	-	48.7	43.4
Premises	5.3	19.0	2.2	-	26.5	26.2
Residences and catering	4.1	5.8	2.4	0.6	12.9	13.6
Other services rendered	2.3	3.5	-	-	5.8	5.7
Other	0.2	2.4	-	-	2.6	0.8
FRS 17 change (Note 27)	1.4	-	-	1.3	2.7	2.8
	123.2	81.8	6.4	1.9	213.3	208.4

Operating expenditure includes:

	2012/13	2011/12
	£000	£000
External auditors- audit	40	38
External auditors- non audit	7	-
Internal auditors	101	134
	148	172

▶▶ Notes to the Financial Statements (continued)

8. Tangible Fixed Assets

Group	Investment Property £m	Freehold Land and Buildings £m	Assets in Course of Construction £m	Equipment £m	Total £m
Cost or Valuation					
At 1 August 2012	7.7	241.1	1.2	14.8	264.8
Additions	-	-	0.8	2.3	3.1
Loss on revaluation	(0.1)	-	-	-	(0.1)
Write offs & disposal	-	-	(1.2)	(0.2)	(1.4)
	7.6	241.1	0.8	16.9	266.4
At 31 July 2013	7.6	241.1	0.8	16.9	266.4
Depreciation					
At 1 August 2012	-	49.3	1.2	9.3	59.8
Charge for the year	-	4.4	-	2.0	6.4
Write offs & disposal	-	-	(1.2)	(0.2)	(1.4)
	-	53.7	-	11.1	64.8
At 31 July 2013	-	53.7	-	11.1	64.8
Written Down Value					
At 31 July 2013	7.6	187.4	0.8	5.8	201.6
Written Down Value					
At 31 July 2012	7.7	191.8	-	5.5	205.0

University	Investment Property £m	Freehold Land and Buildings £m	Assets in Course of Construction £m	Equipment £m	Total £m
Cost or Valuation					
At 1 August 2012	7.7	229.9	1.2	14.6	253.4
Additions	-	-	0.8	2.3	3.1
Loss on revaluation	(0.1)	-	-	-	(0.1)
Write offs & disposal	-	-	(1.2)	(0.1)	(1.3)
	7.6	229.9	0.8	16.8	255.1
At 31 July 2013	7.6	229.9	0.8	16.8	255.1
Depreciation					
At 1 August 2012	-	48.2	1.2	9.2	58.6
Charge for the year	-	4.1	-	2.0	6.1
Write offs & disposal	-	-	(1.2)	(0.1)	(1.3)
	-	52.3	-	11.1	63.4
At 31 July 2013	-	52.3	-	11.1	63.4
Written Down Value					
At 31 July 2013	7.6	177.6	0.8	5.7	191.7
Written Down Value					
At 31 July 2012	7.7	181.7	-	5.4	194.9

▶▶ Notes to the Financial Statements (continued)

8. Tangible Fixed Assets (continued)

The investment property, Northavon House, was valued by the District Valuer in accordance with RICS Appraisal and Valuation Standards as at 31 July 2013. The District Valuer confirmed the valuation of Northavon House at that date at £7.55m based on existing use and open market value. The decrease of £0.1m in the valuation has been charged to revenue as depreciation.

'Freehold Land and Buildings' includes capitalised interest of £1.8m in respect of the cost of the Student Village at Frenchay Campus.

'Freehold Land and Buildings' includes land at cost of £39m, which has not been depreciated.

Tangible fixed assets include equipment held under finance lease as follows:

	2013	2012
	£000	£000
Cost	4,144	3,928
Accumulated depreciation	1,041	234
Charge for the year	829	807

9. Investments

	Group		University	
	2013	2012	2013	2012
	£m	£m	£m	£m
Subsidiary companies	-	-	12.7	12.7

The University holds 38,049 £1 shares in CVCP Properties plc, called up and fully paid representing 0.89% of the company's share capital.

Wholly owned subsidiary companies

The following companies, all of which are incorporated in England and Wales, were wholly owned by the University at 31 July 2013.

Bristol Polytechnic Enterprises Limited	Property Management
Bristol UWE Health Training Limited	Dormant
Bristol UWE Sport Limited	Non Trading

The results of the above companies have been consolidated with those of the University. The accounting surplus/(loss) is as shown below:

	2013	2012
	£000	£000
Bristol Polytechnic Enterprises Limited	60	49
Bristol UWE Health Training Limited	-	-
Bristol UWE Sport Limited	-	-

10. Endowment Assets

	Group and University	
	2013	2012
	£m	£m
At 1 August and 31 July	1.8	1.8

The endowment held as cash deposit, is to support a Chair for 'Languages and Communication Impairment'. All interest income received in the year has been used for the Chair.

▶▶ Notes to the Financial Statements (continued)

11. Debtors

	Group		University	
	2013	2012	2013	2012
	£m	£m	£m	£m
Amount due from subsidiary	-	-	0.4	0.4
Other debtors	10.5	11.8	10.6	11.8
Other prepayments	2.9	2.6	2.9	2.6
	13.4	14.4	13.9	14.8

12. Creditors: Amounts falling due within one year

Research grants received in advance	17.8	18.4	17.7	18.4
Social security and taxation	4.3	4.2	4.3	4.2
Bank loan	3.8	3.8	3.8	3.8
Obligations under finance lease	0.5	0.7	0.5	0.7
Other receipts in advance	7.2	6.0	7.2	6.0
Accruals and deferred income	28.9	29.1	28.9	29.1
	62.5	62.2	62.4	62.2

13. Amounts falling due after more than one year

	Group and University	
	2013	2012
	£m	£m
Bank loan	75.1	78.8
Obligations under finance lease	1.1	1.7
	76.2	80.5

Analysis of Loan and net Finance Lease

Due between one and two years	8.7	4.9
Due between two and five years	11.5	11.9
Due in five years or more	56.0	63.7
	76.2	80.5

The University has a long-term bank loan of £95m on a repayment basis. The loan matures in March 2034 and is currently linked to the Base Rate. The University has the right to fix the interest rate for a proportion or the whole of the loan, at a time of its choosing.

14. Provision for Liabilities and Charges

	Group and University	
	2013	2012
	£m	£m
At 1 August	0.2	0.2
Transfer to Income and Expenditure account	-	-
At 31 July	0.2	0.2

Early Retirement Costs represents the present value of the University's future obligation in relation to staff who have taken early retirement. This represents the SSAP24 provision not covered by the FRS 17 actuarial valuation. No valuation has been carried out for this fund as the values are not considered material.

▶▶ Notes to the Financial Statements (continued)

15. Deferred Capital Grants

	Group and University	
	2013	2012
	£m	£m
At 1 August	39.6	40.3
Received during the year	1.7	-
Released to Income and Expenditure Account	(0.7)	(0.7)
	40.6	39.6

All capital grants received are from the Higher Education Funding Council.

16. Reserves: Avon Endowment

	Group and University	
	2013	2012
	£m	£m
Avon Endowment	31.0	31.0
Loan Principal Reimbursed by HEFCE	15.6	15.6
	46.6	46.6

As a consequence of the Education Reform Act 1988 all freehold interests in land and buildings used by Bristol Polytechnic were transferred from Avon County Council on 1 April 1989 to what is now the University. The buildings were brought into the Balance Sheet at their depreciated replacement cost, and the amount shown as Avon Endowment represents the difference between that value and the outstanding loan debt inherited from the County Council.

17. Permanent Endowment

	Group and University	
	2013	2012
	£m	£m
At 1 August and 31 July	1.8	1.8

18. Reserves Group	At 1 August 2012	Surplus for the year	Transfers	FRS 17 net change	At 31 July 2013
	£m	£m	£m	£m	£m
General Reserve	31.8	9.2	(3.8)	2.7	39.9
Strategic investment fund	26.1	-	-	-	26.1
Long term investment fund	12.5	-	0.8	-	13.3
Student accommodation maintenance	4.2	-	2.8	-	7.0
Other	2.2	-	0.2	-	2.4
Total specific reserves	45.0	-	3.8	-	48.8
Total reserves	76.8	9.2	-	2.7	88.7

▶▶ Notes to the Financial Statements (continued)

18. Reserves (continued) University	At 1 August 2012	Surplus for the year	Transfers	FRS 17 net change	At 31 July 2013
	£m	£m	£m	£m	£m
General Reserve	32.4	9.2	(3.8)	2.7	40.5
Strategic investment fund	26.1	-	-	-	26.1
Long term investment fund	12.5	-	0.8	-	13.3
Student accommodation maintenance	4.2	-	2.8	-	7.0
Other	2.2	-	0.2	-	2.4
Total specific reserves	45.0	-	3.8	-	48.8
Total reserves	77.4	9.2	-	2.7	89.3

19. Pension Reserve

	2013	2012
	£m	£m
At 1 August	68.1	53.4
Actuarial (gain)/loss	(11.2)	11.9
FRS17 net change	2.7	2.8
At 31 July	59.6	68.1

20. Reconciliation of Surplus for the Year to Net Operating Cash Flows

	2013	2012
	£m	£m
Operating surplus for the year before exceptional income	9.2	12.2
Depreciation	6.4	6.1
FRS 17 change in the year	2.7	2.8
Deferred capital grants released to income	(0.7)	(0.7)
Interest received	(1.4)	(1.5)
Interest paid	0.6	0.6
Decrease/(Increase) in debtors	1.0	(0.3)
Increase/(Decrease) in creditors falling due within one year	0.3	(1.6)
(Decrease)/Increase in creditors falling due after one year	(0.5)	0.4
Loss on revaluation of investment property	0.1	0.2
Net Cash Inflow from Operating Activities	17.7	18.2

21. Analysis of Changes in Net Funds

	2013	Cash Flows	2012
	£m	£m	£m
Cash at bank and in hand	2.1	(5.9)	8.0
Current asset investments	97.5	19.2	78.3
Bank loan falling due after one year	(75.1)	3.8	(78.9)
Bank loan falling due within one year	(3.8)	-	(3.8)
	20.7	17.1	3.6

▶▶ Notes to the Financial Statements (continued)

22 Access Funds	Group and University	
	2012/13	2011/12
	£m	£m
HEFCE	0.6	0.6
Interest earned	-	-
Disbursement to students	<u>0.6</u>	<u>0.6</u>

23 Training and Development Agency Bursaries	Group and University	
	2012/13	2011/12
	£m	£m
Grant received	2.3	0.5
Disbursement to students	(2.3)	(0.5)
	<u>-</u>	<u>-</u>

24 Obligations under Operating Leases of Land and Buildings	Group and University	
	2012/13	2011/12
	£m	£m
Commitment expires within 1 year	0.5	0.2
Commitment expires between 2 to 5 years	0.8	1.2
Commitment expires after 5 years	0.4	0.4
	<u>1.7</u>	<u>1.8</u>

25 Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being primarily 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 of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

26 Contingent Liability

- (a) The University is a member of U M Association Ltd (UMAL). UMAL is a discretionary Mutual Association owned by Higher and Further Education Institutions. By self-managing the pool created by retaining funds in respect of such claims, the Members have gained control of costs and pricing, the cover provided, underwriting and claims data. Traditional insurance is purchased in the general insurance market by the Association for catastrophe claims. The Mutual offers all classes of material damage, business interruption and liability cover, together with accident and travel cover.

The University is a member of the HE sector owned mutual UM Association (Special Risks) Ltd (UMSR) which specialises in the provision of Terrorism insurance cover in respect of Material Damage and Business Interruption risks. UMSR is a company limited by guarantee with no share capital.

If the company as a whole suffers a shortfall in any underwriting year, members are liable for their pro rata share. No liability has yet arisen under this membership.

- (b) In 2001/02 the University has entered into an agreement with its subsidiary Bristol UWE Health Training Limited ("BUHT") in connection with its request that BUHT purchase shares in BQC Performance Management Limited ("BQC") for £0.44m. As sole shareholder in BUHT, the University guarantees the purchase of shares in BQC for the same consideration in the event that BUHT is deemed insolvent.
- (c) At 31 July 2013 value of capital commitments were £0.7m (31 July 2012 £2m)

▶▶ Notes to the Financial Statements (continued)

27 Pension Schemes

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from both the University and employees. Payments are made to the Teachers' Pension Scheme (TPS) for academic staff, the Avon Pension Fund (administered by Bath and North East Somerset Council) for non-academic staff and the Universities Superannuation scheme (USS). All three schemes are independently administered.

The pension cost for the University was as follows:

	2012/13	2011/12
	£m	£m
Teachers' Pension Scheme	6.4	6.5
Avon Pension Fund	5.6	6.3
USS	0.4	0.3
	<u>12.4</u>	<u>13.1</u>

Teachers' Pension Scheme

Contributions to the TPS are assessed not less than every 5 years by the Government Actuary. Contributions are paid by the University at the rate specified by the Government Actuary. During the year to March 2012, the University's contribution was 14.1% of pensionable salaries and the employees' contribution was 6.4%. Since April 2012, employees' contribution rates ranged from 6.4% to 8.8% depending on the individuals' full time equivalent pay. The scheme is unfunded and, therefore, no valuations of the fund's assets are published.

The Avon Pension Fund

The Avon Pension Fund is a Local Government Pension Scheme ("LPGS") and is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2013 was £8.2m of which the employers' contribution totalled £5.6m and the employees' contribution totalled £2.6m. The agreed rates of contribution for the current year are 11% for employers and banded contribution rates for employees ranging from 5.5% to 7.5%, depending on an individual's full time pay. In addition the University made a deficit recovery payment of £1.6m (2012: £1.5m).

The Avon Pension Fund is valued every 3 years by a professionally qualified actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The latest actuarial assessment was at 31 March 2010. At the valuation date, the value of assets was £2,459 million and the value of the fund's technical provision was £3,011 million resulting in a deficit of £552 million. The assets therefore were sufficient to cover 82% of the benefits which had accrued to members after allowing for expected future earnings. Following the valuation, the University agreed with the actuary a deficit recovery plan aiming to remove the shortfall attributable to members by 2033, by means of deferred recovery payments. The fund is currently undertaking its actuarial valuation for 31 March 2013, the results of which will be finalised early 2014.

The fund has been accounted for within these financial statements in accordance with the provisions of FRS 17.

The material assumptions used by the actuary for FRS17 purposes at 31 July 2013 were:

	31 July 2013	31 July 2012
Inflation CPI	2.4%	2.1%
Rate of increase in salaries	3.9%	3.6%
Rate of increase in pensions	2.4%	2.1%
Discount rate for liabilities	4.5%	4.3%

▶▶ Notes to the Financial Statements (continued)

27 Pension Schemes (continued)

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

	31 July 2013	31 July 2012
Retiring today		
Males	22.9	22.8
Females	25.9	25.7
Retiring in 20 years		
Males	25.2	25.1
Females	28.2	28.1

The University's share of assets in the scheme and expected rate of return were:

	Rate of return expected at 31 July 2013	Value at 31 July 2013 £m	Rate of return expected at 31 July 2012	Value at 31 July 2012 £m	Rate of return expected at 31 July 2011	Value at 31 July 2011 £m
Equities	7.0%	102.5	7.0%	77.2	7.0%	78.0
Bonds-Government	2.5%	17.0	2.5%	16.4	3.9%	16.7
Bonds-Other	3.4%	14.0	3.4%	16.0	4.9%	10.1
Property	6.0%	11.3	6.0%	9.8	6.0%	8.5
Cash/Liquidity	0.5%	2.8	0.5%	2.4	0.5%	2.1
Other	7.0%	11.3	7.0%	10.3	7.5%	10.2
		158.9		132.1		125.6

The University's share of the scheme's assets and liabilities were:

	31 July 2013 £m	31 July 2012 £m
Market value of assets	158.9	132.1
Present value of the liabilities	(218.5)	(200.2)
Deficit in the scheme - Net pension liability	(59.6)	(68.1)

▶▶ Notes to the Financial Statements (continued)

27 Pension Schemes (continued)

	31 July 2013 £m	31 July 2012 £m
Amounts charged to the income and expenditure account		
Current service cost	(7.3)	(6.4)
Settlements and curtailments	-	(0.4)
Total operating charge	(7.3)	(6.8)
Analysis of finance income and charges		
Expected return on pension scheme assets	7.4	7.6
Interest on pension liabilities	(8.7)	(9.6)
Net change	(1.3)	(2.0)
Analysis of amounts recognised in statement of recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	15.5	(4.2)
Changes in assumptions underlying the present value of the scheme liabilities	(4.3)	(7.7)
Actuarial gain/(loss) recognised in STRGL	11.2	(11.9)
Movement in deficit is as follows:		
Deficit in scheme at 1 August	(68.1)	(53.3)
Movement in the year:		
Current service cost	(7.3)	(6.4)
Contributions	5.9	5.9
Curtailments or settlements	-	(0.4)
Net Interest/return on assets	(1.3)	(2.0)
Actuarial gain/(loss)	11.2	(11.9)
Deficit in scheme at 31 July	(59.6)	(68.1)
Analysis of the movement in the present value of the scheme's liabilities:		
At 1 August	(200.2)	(179.0)
Current service cost	(7.3)	(6.4)
Interest cost	(8.7)	(9.6)
Contribution by the scheme participants	(2.6)	(2.5)
Actuarial gains and losses	(4.3)	(7.7)
Benefits paid	4.6	5.4
Curtailments	-	(0.4)
At 31 July	(218.5)	(200.2)
Analysis of the movement in the present value of the scheme's assets:		
At 1 August	132.1	125.6
Expected rate of return on scheme assets	7.4	7.6
Actuarial gains and losses	15.5	(4.1)
Contribution by the employer	5.9	5.9
Contribution by the scheme participants	2.6	2.5
Benefits paid	(4.6)	(5.4)
At 31 July	158.9	132.1

►► Notes to the Financial Statements (continued)

27 Pension Schemes (continued)

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Difference between the expected and actual return on assets					
Amount	15.5	(4.2)	5.3	8.9	(9.9)
Percentage of scheme assets	9.7%	3.1%	4.2%	8.2%	11.2%
Experience gains/(losses) on scheme liabilities					
Amount	(4.3)	(7.7)	(8.5)	(9.4)	14.4
Percentage of the present value of scheme liabilities and assets	1.9%	3.8%	4.8%	6.0%	10.1%
Actuarial gain/(loss) recognised in STRGL					
Amount	11.2	(11.8)	(3.2)	10.3	4.5
Percentage of present value of year end scheme liabilities	5.1%	5.9%	1.8%	3.0%	3.2%

Universities Superannuation Scheme (USS)

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

Further disclosure is not made in these financial statements as there are only a small number of University employees in the scheme.



Back cover left

An artist's impression of the proposed focal point of the new Frenchay Campus – Heartzone.

Back cover centre

UWE's Centre for Appearance Research leads research into psychological healing and rehabilitation at the new Healing Foundation Centre for Children's Burns Research at Frenchay Hospital.

Back cover right

UWE students, funded by the 'Better Together' scheme, visit Uganda as part of their studies to work on a project to provide abundant and clean water for poor communities.

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