

Report and Financial Statements For the year ended 31 July 2012



REPORT AND FINANCIAL STATEMENTS for the year ended 31 JULY 2012

CONTENTS	PAGE
Financial Highlights	1
Operating and Financial Review	2
Corporate Governance	11
Court Membership	14
Responsibilities of the University Court	15
Independent Auditor's Report	16
Income and Expenditure Account	18
Statement of Total Recognised Gains and Losses	19
Balance Sheet	20
Cash Flow Statement	22
Notes to the Financial Statements	23
Professional Advisors	42

FINANCIAL HIGHLIGHTS

	<u>2012</u> <u>£000</u>	<u>2011</u> <u>£000</u>
Summary Income and Expenditure Account		
Income	91,017	95,743
Expenditure	(87,886)	(89,891)
Profit on Disposal of Fixed Assets	<u>115</u>	<u>-</u>
Net Surplus	<u>3,246</u>	<u>5,852</u>

Summary Balance Sheet

Fixed Assets	135,613	128,861
Net Current Liabilities	(1,355)	(2,847)
Long Term Creditors and Provisions	<u>(28,317)</u>	<u>(19,730)</u>
Net Assets Excluding Pension Liability	105,941	106,284
Pension Liability	<u>(31,217)</u>	<u>(8,292)</u>
Net Assets	<u>74,724</u>	<u>97,992</u>
Represented by:		
Deferred Capital Grants	66,493	69,427
Reserves Excluding Pension	39,448	36,857
Pension Reserve	<u>(31,217)</u>	<u>(8,292)</u>
Total Funds	<u>74,724</u>	<u>97,992</u>

Summary Cash and Bank

Cash at Bank at start of year	13,625	32,599
Movements in year	<u>(958)</u>	<u>(18,974)</u>
Cash at Bank at end of year	<u>12,667</u>	<u>13,625</u>
Long Term Bank Loan for Residence Development	<u>(20,000)</u>	<u>(12,000)</u>

The University of the West of Scotland and Incorporation

The University was established on 1 August 2007 when the former Bell College merged with the former University of Paisley. On 30 November 2007 the name of the University changed to the University of the West of Scotland (UWS).

The Court was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of governing the University of the West of Scotland (renamed from the University of Paisley under Scottish Statutory Instrument 2007 No. 426 Education). The University is an exempt charity for the purpose of the Charities Act 1993 (No. SC 002520).

The University is a regional higher education institution for the West of Scotland. It is multi campus in nature with campuses in Ayr, Dumfries, Hamilton and Paisley. Approximately 17,000 students study with the University each year, of whom around 5,000 (30%) are part-time learners.

The University's mission is to provide distinctive higher education through inspirational teaching and learning and excellent research and knowledge transfer.

Scope of the Financial Statements

The Financial Statements contained within this report refer only to the University.

Financial Target

The University has a goal to achieve a recurring surplus in the region of £4m to £5m per annum. This is considered the necessary minimum level of surplus to ensure financial stability and sustainability of the University.

Included within the University Strategic Plan and Targets is a requirement to achieve at least 3% surplus on total income every year.

The required level of surplus is being re-visited to take account of future capital and development requirements and the drop in capital funding. As a result, it is likely that higher future surpluses will be required.

Financial Overview

The University again had a busy and successful year in 2011/12 despite the challenging environment for higher education and significant pressures for the University.

Despite significantly reduced income, the University did achieve an operating surplus of £3.246m which was ahead of budget.

The Balance Sheet remained strong although a significant increase in the pension liability meant the Net Assets reduced.

There has been recent major investment in Fixed Assets and as a result, cash balances reduced in the year to £12.667m at 31 July 2012 and the Long Term Loan increased to £20m.

Other Key Highlights

The University achieved the opening of the new £73m Ayr Campus, new residences in Ayr, new and refurbished residences in Paisley and a positive outcome from the Enhancement Led Institutional Review.

The academic portfolio was kept under constant review and the University continued to attract a diverse student population.

Results for the Year

The University's results for the year ended 31 July 2012 are summarised in the Financial Highlights on page 1.

The operating surplus for the year ended 31 July 2012 was £3.246m on total income of £91.017m.

This is a reduction in both surplus and income from the previous year.

The reduction of £4.726m on the total income to 31 July 2011 of £95.743m is a result of reduced Funding Council Grants following cuts in public sector funding.

Although the surplus dropped from the £5.852m surplus delivered in the year to 31 July 2011 as a result of the reduction in funding, it is £1.529m better than the budgeted surplus.

There were some non-recurring transactions during the year which adjusted the bottom line surplus. In particular, there was £1.365m of re-structuring costs and a net cost impact of pension adjustments to the Income and Expenditure Account of £0.670m. These transactions reduced the underlying surplus by £2.035m.

Therefore, even in a tough financial year with reduced funding, the out-turn was in the normal required target range.

Total income of £91.017m was £4.726m less than the £95.743m received in 2010/11. £61.445m (68%) came from Scottish Funding Council grants, which is £5.049m less than the £66.494m received in 2010/11.

Total expenditure was £87.886m which was less than the £89.891m expended in 2010/11.

Staff costs amounted to £56.630m (64% of total expenditure). Staff costs were lower than the costs expended in 2010/11.

Balance Sheet

Net Assets dropped in the year by £23.268m to £74.724m at 31 July 2012.

Tangible Fixed Assets grew by £6.785m to £134.746m. The increase is due to continued capital work-in-progress on the residences development plus some other investment in equipment and facilities less the depreciation charge for the year.

The market value of the University's portfolio of Listed Investments in stocks and shares decreased slightly from £0.900m to £0.867m.

Cash at bank reduced by £0.958m from £13.625m at 31 July 2011 to £12.667m at 31 July 2012 as a result of payments made for capital projects, mainly the cash spend on the residences project.

By 31 July 2012, £20m of the Bank Loan Facility for the residency project had been drawn down to pay for the costs incurred.

The Pensions Liability in the Balance Sheet increased by £22.925m from £8.292m at 31 July 2011 to £31.217m at 31 July 2012 largely as a result of the change in the assumptions for valuing liabilities.

The decrease in Total Funds is a result of the increase in the Pension Liability.

Cash and Treasury Management

The cash balances reduced in the year by £0.958m from £13.625m at 31 July 2011 to £12.667m at 31 July 2012.

In recent years, the University actively managed its cash balances to increase them to pay for its share of the costs of the new Ayr campus. The University took ownership of the new Ayr campus on practical completion in August 2011. At 31 July 2012, other than the final retentions, the University had made all payment due for the new Ayr campus and had, therefore, accumulated the necessary sums to meet the funding obligations for the new Ayr campus without requirement for borrowing and with funds remaining in the bank.

The University continues to have no borrowings other than the amounts drawn down specifically for the residences development.

The University actively manages its cash flow and banking of surplus funds in accordance with its Treasury Management and Investment Policy. Funds are spread and invested in fixed term deposits to reduce risks and achieve higher investment income. As a result of this management and despite the low and reduced interest rates, the University achieved £0.273m of investment income towards its surplus. The University also received dividends of £0.034m.

Bank Loan Facility and Draw Down

The University has an approved business case to invest £39.5m in new and refurbished residences in Ayr and Paisley. Phase one of the project has a budget capital cost of £26.5m and at 31 July 2012 was nearly completed with an estimated total actual cost less than £25m.

To fund the project, the University entered into a Facility Agreement with Santander Bank for £26.5m of funding, £20m of which has been fully drawn down for phase one.

The University fixed the rate for the phase one £20m for a period of 30 years and agreed draw down dates, with the £20m having been drawn down by 31 July 2012.

The phase one projects are nearly fully completed and the costs are under the business case allowances which will result in the University using less of its cash balances towards the project than originally planned.

There are a number of bank covenants to be met on an on-going basis. The University monitors compliance with the covenants regularly and reports on progress and achievement to committees. The University has met all covenants to date and sees no reason for any of the covenants to be breached. The main covenants require the University to achieve certain income targets, cash operating surpluses and debt service cost ratios.

The University is now reviewing its requirement for residences and its existing stock. It is unlikely that phase two of the project will progress as contained within the Business Case. The next stages will be progressed using new and up-to-date information.

Impact of Pension Liability and FRS17

The University's pension liability relating to the local government pension scheme is actuarially re-valued for FRS17 purposes on an annual basis.

The value of assets has increased by £4.860m and the liabilities increased by £27.785m. The result of these movements is that the net liability increased by £22.925m to £31.217m at 31 July 2012 from the net liability of £8.292m at 31 July 2011.

OPERATING AND FINANCIAL REVIEW

The increase of £22.925m comprises the actuarial loss for 2011/12 of £23.547m and a transfer from the Income and Expenditure Account of £0.622m.

The liability arises from the University's share of the multi-employer scheme. It has been calculated based on estimates and assumptions and has been affected by market volatility. It is thought that the liability will diminish over the years with improvements in the main assumptions on asset valuations and liabilities and further adjustments to be taken by the fund to remove the liability.

Creditor's Payment Policy

The University's policy on paying suppliers is that payments are made in accordance with the terms and conditions agreed between the University and its suppliers, provided that suppliers have complied with all trading terms and conditions. The University investigates when suppliers claim that payment is outwith their credit terms.

There are no matters to disclose under the Late Payment of Commercial Debts (Interest) Act.

Capital Expenditure

Capital expenditure in the year totalled £14.746m.

The main area of investment was the Paisley Residences which is included in Assets Under Construction.

Investment was also made in ICT projects, purchase of equipment and various building improvements and upgrades across the University.

Developments

During 2011/12, the University continued development in line with its Estates and ICT Strategies.

The new £73m Ayr Campus was completed and ownership taken in August 2011.

The new student accommodation in Ayr and the refurbishment of 160 bed-spaces in Paisley were completed in advance of the 2011/12 Academic Year.

The 336 bed-space of new flats in Paisley continued to plan and was completed in advance of the commencement of the 2012/13 academic year.

Work continues on the development of the plan and associated estates strategy for Hamilton campus and this will be supported by an updated academic strategy.

Discussions are continuing in Dumfries with the local authority, Scottish Funding Council and other key partners to ensure a sustainable plan for the Dumfries estate.

Ayr Campus Rebuild

The rebuild of the Ayr campus on an adjacent site in Craigie Park commenced on site in August 2009 and was completed in August 2011.

The project includes accommodating the Scottish Agricultural College who moved from their campus at Auchincruive to co-locate with the University.

The original approved budget for the project including allowances for contingency was £73.9m. Of this, £3.4m is included as the value of land contributed by South Ayrshire Council for which no payment is required. The cash cost of £70.5m was planned to be met by way of £9m from the Scottish Agricultural College for their share of the building, a grant from the Scottish Funding Council of £27.8m and the University's cash contribution of £33.7m.

The new campus was fully commissioned and operational for the commencement of the academic year 2011/12 and was completed as planned, on time and under budget.

Dumfries

The University manages the higher education campus in Dumfries on behalf of the academic partners.

UWS receives funding from the SFC to cover a proportion of the relevant share of costs and is taking measures to optimise access to services for learners and constrain costs, including improved use of space.

Redevelopment of Student Residential Accommodation in Ayr and Paisley

New student residences were required for the Ayr Campus, with the demolition of the existing buildings to follow in due course.

At Paisley, the University approved plans comprising a blend of new build and refurbishment of those residences adjacent to the University campus. Following a detailed options appraisal, the chosen route was to pursue self-funded build programmes.

The full programme is to build 300 student units in Ayr to support the new campus, 540 new units in Paisley and to fully refurbish the 160 tenemental units in Paisley. This total of 1,000 student bedded accommodation has been planned and approved at a budget cost of £39.5m. To maximise project management and utilisation of assets and to ensure flexibility and good risk management, the project has been planned in two phases.

Phase 1 is to build 200 units in Ayr, build 336 new units and refurbish the tenement accommodation in Paisley. The budget for this phase is £26.5m out of the total of £39.5m.

Construction work on the Ayr phase one 200 units commenced on site in September 2010 and practical completion was achieved on 30 August 2011. Students commenced occupancy early in September 2011. The achievement of the tight timescale together with the costs coming in under budget, means this has also been a very successful project.

The Paisley refurbishment project was completed during the summer of 2011, with the Paisley new build Phase 1 complete for the commencement of academic year 2012/13.

Borrowing of £26.5m has been agreed at favourable rates. £20m is available for Phase 1, with the remaining £6.5m available for future projects. The actual total costs for Phase one will be less than £25m, a saving of over £1.5m on the approved business case.

In all aspects, including costs, finance arrangements, quality, size, flexibility and risk, this has been a very successful project and the route of managing and financing has been significantly better than a third party solution.

Hamilton Campus

The main building on the Hamilton campus, the Almada building, is structurally sound but otherwise not adequate for modern day higher educational purposes. The next major phase of the Estates strategy is to develop appropriate buildings on the Hamilton campus.

An academic strategy is being developed to help advise on the future estate requirements in Hamilton and to assist in the development of a Business Case and the building design.

Other Projects

In addition to backlog maintenance and statutory requirements, there are a number of schemes which are being developed according to the level of capital funding available. These include upgrades to classrooms, improved student learning facilities, and projects to improve efficiency.

A priority going forward is enhanced informal space for learning and social activity and improvements in the environment to support the increased number of research students.

Paisley Heating System

There has been a significant drop in the level of SFC capital funding allocation to about £1m per annum. The approved capital schemes for 2012/13 amount to £2.2m.

The Paisley Heating System, however, has reached the end of life and is at times failing. The major Estates project for 2012/13 is, therefore, to replace the system at a total estimated cost of £5m. The cost includes nearly £0.3m for the hire of temporary boilers to ensure heating throughout the 2012/13 winter.

Work will commence on site in October 2012 and is planned for completion in summer 2013.

Once fully implemented, the new system should reduce energy costs by about £0.080m per annum and allow for the addition of a Biomass facility if that is then approved.

The University has sufficient cash and deferred capital grant to cover the cost of this project.

Long Term Cash Flows and Financing Requirements

The University has produced long term cash flow forecasts to assist in controlling expenditure and to support business cases, investment strategies and the loan drawdown. The University has managed to fund its share of the Ayr Campus rebuild costs from cash balances generated internally. The student residences programme is being managed internally on a ring fenced basis and includes borrowing.

Following these two projects, the University will dispose of surplus assets and use other capital receipts and surpluses to support future development projects.

Early in financial year 2012/13, the University will produce a new five year financial plan, taking account of required developments, capital spend, planned level of surpluses and the sources of funding available and to be sought.

The Effect of Cuts in 2011/12 Funding and funding for years 2012/13 to 2014/15

The reported surplus for 2011/12 of £3.246m is at the low end of the strategic target and below what is required to support the University's sustainability and developments. It is, however, £1.529m better than budget and is pleasing when taking account of the reduction in income to the University for 2011/12.

The University did plan to deal with anticipated cuts in central government funding from 2011/12 and had a programme of activity in place.

This included the development of a three year financial plan, a VS/VER scheme which commenced during 2010 to assist with implementation of the new academic portfolio and local restructuring, across-the-board and targeted cost reductions, the introduction of a Leaning programme, increased academic commercialisation, development of University facilities and services, and an outcomes agreement with the Scottish Funding Council to ensure longer term certainty in relation to Horizon funding.

For 2011/12, the University's funding from the Scottish Funding Council dropped significantly and this included the first year of reduction in student nursing numbers. Including the impact of inflation, the financial position moving from 2010/11 to 2011/12 worsened by about £7m. This was offset by £2m of savings from the 2010 VS/VER scheme which was delivered in 2011/12.

Despite the difficulties the University managed to set a budget showing a bottom line surplus of £1.7m, which in itself was sufficient to meet the bank loan covenants.

There was concern that further cuts would be applied in future years, but the spending review announced in September 2011 increased funding to universities for the three years 2012/13 to 2014/15.

Until the grant award letters are issued by the Scottish Funding Council, planned for December 2012, the University will not know exactly how much funding it will receive. However, the overall settlement for the sector is encouraging, and the University would expect to receive its fair and proper allocation.

The funding drop for the university sector for 2011/12 of about 8% is to be recovered in 2012/13 and there are to be increases of 4% and 2% in the following two years.

This means that the university sector will receive about 6% increased funding in cash terms for the four years 2010/11 to 2014/15. Although not sufficient on its own to meet inflationary pressures, under the current global economic conditions it should be welcomed and further efficiency drives and schemes by the University will deliver further funds.

An area of concern is the decrease in capital funding and this decrease is to continue for the period of the Spending Review.

An expectation of reduced capital funding in the medium term makes it more important than ever to maintain tight financial management which will continue to deliver an adequate, annual surplus on our revenue accounts.

The University is undertaking a close examination of its asset base to identify all future options for investment.

The University is pleased to have delivered the new Ayr campus on time and to budget, and to see substantial progress on its residences portfolio. These achievements take forward the capital ambitions for UWS, but other major investment projects remain alongside the ongoing maintenance of the entire estate and associated equipment, some of which will require replacement over the coming years.

The reduced capital funding makes it more important that adequate surpluses are delivered to contribute towards developments, maintenance and replacements.

Student Experience

Student Recruitment was buoyant in 2011/2012, applications increasing from 21,536 to 23,755 and with an increase in full-time student numbers from 11,187 to 11,262. The University maintains its commitment to part-time routes into learning and currently its part-time enrolments are about 30% of total student numbers. In 2011/12, that represented 4,850 part-time learners (compared with 6,039 in 2010/11), 28% of whom were studying on part-time degree programmes.

UWS continues to provide significant learning opportunities for students from a wide range of experience and backgrounds. In 2011/12, the percentage of students entering the University from the 20% most deprived postcode areas was 22% against a Scottish sector average of 12%. About one third of undergraduate learners in their first year of study at UWS came into the University from a college (1,966 students) and over 1,000 had HNC or HND qualifications giving them accelerated entry into degree programmes at second or third year. The number of entrants to second year increased by around 27% and to third year by over 9%.

The University works in partnership with 18 local colleges and has developed new opportunities for students to study for a degree in their local college. In 2011/12, this accounted for 289 students in 9 colleges.

Through the National Student Survey the University gathers information from a large cross-section of students in their third year. In 2011/12, 66% of the students surveyed completed the questionnaire compared with 58% in 2010/11 (1,449 from the 2,186 who were surveyed).

Overall student satisfaction was 85%, an increase from 82% in 2010/11. This is in line with the overall satisfaction score of 85% for all UK universities.

Academic Quality and Learning and Teaching

An important activity for the University was its participation in the Enhancement Led Institutional Review process undertaken by a review team appointed by the Quality Assurance Agency on behalf of the Scottish Funding Council. The Review report states that there can be confidence in the University's current and likely future management of the quality of awards and the quality of the student learning experience.

The University is taking forward an action plan to continue improvements and a Learning, Teaching and Assessment Strategy was approved which will require investment by the University.

Strategies

In 2011/12, the University reviewed its strategic objectives against the backdrop of significant changes in the external environment which is different to the one that existed when the original Strategic Plan was launched in 2008. To inform the review, the University:

- Conducted an analysis of the external environment with a particular focus on understanding the prospects for the economy over the next few years, the impact of economic conditions on labour markets and employer needs for skilled graduates.
- Conducted an analysis of performance against strategic targets which shows that, from 2008/09 to 2010/11, we have reduced the initial 69 targets to 15. Nearly all targets are on track and this shows significant progress.
- Reviewed and refreshed the Learning, Teaching and Assessment Strategy which puts inspirational learning and teaching, provided within a supportive environment, at the heart of the student experience.
- Reviewed and refreshed the Research and Knowledge Exchange Strategy which commits the University to supporting a vibrant research and knowledge exchange environment across its subject disciplines.
- Reviewed and refreshed the Internationalisation Strategy which aims to expose all UWS students to a learning environment that develops them as global citizens and provides an excellent and culturally diverse experience.
- Developed an Academic Strategic Plan which sets out the aspirations for a coherent and sustainable academic portfolio and provides a clear depiction of the principles and processes which will underpin the detailed planning.

As a result of this activity, the University has revised its strategic goals and how it intends to monitor and measure success and is confident in the vision for the University.

Academic Development

Following the major investments in estates and capital projects over the past few years which have significantly enhanced the buildings and ICT infrastructure, together with the knowledge of the financial settlement for years 2012/13 to 2014/15, the University has developed a programme for investment in academic posts.

A significant number of new posts have been agreed and these will be appointed to in order to increase the University's research capacity and to increase income from commercial, knowledge exchange and research activities.

Principal Risks and Uncertainties

The University has well developed risk management policies and procedures. High level risks are reported on a monthly exception basis to the University Executive Group and on a biannual basis to the University Audit Committee. To support this process, every School and Department maintains and updates a local risk register and registers are held for significant projects.

2011/12 has again seen significant positive shifts in the reduction of risks for the University. Principal amongst these are:

- Improvements in student demand and full-time recruitment.
- Continued strong financial performance and surpluses.
- Improved management information.
- Continued delivery on time and under budget of major estates projects.

The main areas of future risk identified in the corporate risk register are in the areas of:

- Developing and growing additional income streams.
- Developing the campuses in line with strategic aims.
- Improving student progression and retention.
- Enhancing research and knowledge exchange capacity and capability.

Conclusion

The University continued to make considerable progress in 2011/12 and remains in a position of financial stability with a sound underlying surplus and Balance Sheet and with good cash flows. This financial performance and position is essential to enable the University to deliver the exciting, but stretching, objectives agreed in the Strategic Plan, particularly the academic strategy and developments and the capital infrastructure programme.

The University's strong underlying financial position and planning are vital to ensure the University can adequately cope with the challenges ahead. Key to achieving the objectives is the continuing commitment and effort of all staff of the University which has been very evident in recent years. The Court thanks the UWS staff for their continued support for the University.

Richard Blackburn
Chair of Court
University of the West of Scotland
PAISLEY PA1 2BE

11 December 2012

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 as far as it applies to universities. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University's Court is the principal financial and business authority of the University. It ensures proper accounts are kept, approves the annual budget and financial statements and has overall responsibility for the University's assets, property and estate. The University Court is responsible for the University's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss.

The Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2012 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Court and accords with the internal control guidance published by the Turnbull Committee, and as a result the Court considers that the University has adequate resources to continue in operational existence as a going concern for the foreseeable future.

The University Court comprises lay and academic persons appointed in terms of the University of the West of Scotland Order of Council 2009. There were no significant changes to the remit or membership of Court. The majority of members are non-executive lay Governors. The roles of Chair and Vice Chair of the Court are separated from the role of the University's Chief Executive; the Principal and Vice Chancellor. The matters specially reserved to the Court for decision are set out in the University of the West of Scotland Order of Council 2009, by the detailed regulation of Court and under the Financial Memorandum with the Scottish Funding Council (SFC). The Court retains the responsibilities for the ongoing strategic direction of the University, approval of major developments, Health and Safety, and the monitoring of progress against Strategic Plan Targets.

The University Court is required to meet at least four times per year and has met five times in the year to 31 July 2012. The Court has several committees, including a Policy and Resources Committee, covering finance, general policy, human resources and estates issues, a Nominations Committee, a Remuneration Committee and an Audit Committee. All of these Committees have remits and memberships formally constituted by resolutions of Court. All Court Committees have lay members of Court as the majority memberships.

Under the University's Order of Council, Court has constituted a Senate to which it has delegated academic business. Senate carries out the functions of Court that relate to the overall planning, co-ordination, development and supervision of the academic work of the University. The Principal and Vice-Chancellor, who is also a member of Court, chairs Senate.

A major restructuring of the Senate Sub Committees was approved by Senate in June 2009 and put in place in September 2009. The University Executive Committee has been formed, chaired by the Principal and is a formal group of the University's senior management which meets monthly and reports to Senate and via Senate to Court. The group is responsible for executive oversight of the Strategic Plan, integrating developments and proposals and collective overview of the development priorities.

In respect of its strategic and development responsibilities, the Court receives recommendations from the Policy and Resources Committee. The Policy and Resources Committee received recommendations from other Committees including the Financial Monitoring Committee which maintains an overview of all financial matters and the Buildings Procurement Committee which has responsibility for property developments, including the acquisition, disposal and leasing of property and major capital projects relating to the University's Estate.

The Policy and Resources Committee recommends to the Court the University's annual revenue and capital budgets. The Policy and Resources Committee monitors performance in relation to approved budgets. The detailed work on this is undertaken by the Financial Monitoring Committee.

The Financial Monitoring Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units.

The Student Experience Group, which reports to Senate, provides a forum to review and improve the student experience at the University. To enable Court to retain an overview of the student experience, a lay member of Court is included in the membership of the Student Experience Group.

The Nominations Committee considers nominations for vacancies in the Court membership in terms of the University of The West of Scotland Order of Council 2009. In terms of the Order, the majority of its members are lay members appointed by Court itself on the recommendation of its Nominations Committee for such periods as the Order in Council and the policies adopted by Court prescribe.

The Remuneration Committee determines the remuneration of the Principal and the Principal's Direct Reports.

The Audit Committee meets at least three times per year, and in the year to 31 July 2012 met five times, with the University's external and internal auditors in attendance as appropriate. The Committee complies with the best practice guidance for members of Audit Committees in higher education and considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the SFC as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee and if requested by either party the Committee meets the External Auditors and / or the Internal Auditors on their own for independent discussions.

The senior management team and the Audit Committee also receive regular reports from the internal auditors, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Court's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2012 meeting, the Court carried out the annual assessment for the year ended 31 July 2012 by considering a report from the Audit Committee, a report from the University's Internal Auditors, the University's externally audited Statements of Account and any notification of any relevant events since 31 July 2012.

The Health, Safety & Environmental Committee normally meets three times a year and produces an annual report for approval by Court at one of its statutory meetings.

CORPORATE GOVERNANCE

The Court assesses the effectiveness of Court on a tri-annual basis and will undertake a review of effectiveness during the forthcoming financial year.

The University Court having considered the CUC Guide for Members of Higher Education Governing Bodies in the UK affirmed its principles and confirmed that the University's practices were consistent with the provision of the UK Corporate Governance Code. The Court adopted the Guide as an integral part of Court's Policies and Procedures as set out in the University Court Handbook. The Court confirmed the University's conformity to the benchmarks within the parameters set by the University of the West of Scotland Order of Council 2009.

Richard Blackburn
Chair of the Court

Professor Seamus McDaid CBE
Principal and Vice Chancellor

MEMBERSHIP OF COURT AND PRINCIPAL COMMITTEES at 31 July 2012

Court Members

Chairman of Court

Mr R Blackburn

Ex Officio

Principal and Vice Chancellor
Professor S McDaid CBE

Depute Principal
Ms G Troup (resigned April 2012)
Professor P Martin (Interim)
(appointed May 2012)

President, Students' Association
Mr G Quigley

Appointed by the Students' Association

Depute President, Education and Welfare
Ms C Lee

Appointed

Mr D Boyd (appointed September 2011)
Mr B Clarke
Ms E Connolly
Mr M Cunningham
Mr R J Dinning
Mr A Haseeb
Dr W Hatton
Mrs C Mackie
Mrs E McCann

Mr J McDougall
Mr M O'Callaghan
Mr J G Peterkin
Professor C Suckling OBE
Mr N Walker (retired November 2011)
Mr I Welsh

Appointed by Senate

Professor R Williamson
Dr H Simpson

Elected by Staff from Academic Staff

Mr J Robertson (retired April 2012)
Mr T Duff (appointed May 2012)

Elected by Staff from Academic Support Staff

Mr K Galbraith

Committees

Nominations (Chair); Remuneration (Chair);
Policy & Resources

Policy & Resources; Nominations

Policy & Resources; Nominations

Policy & Resources

Audit
Remuneration
Policy & Resources
Audit
Policy & Resources
Audit

Vice Chair of Court; Policy & Resources (Vice Chair);
Remuneration
Audit

Audit (Chair) (December 2011)
Policy & Resources
Audit (Chair)
Policy & Resources (Chair); Remuneration

Policy & Resources
Policy & Resources

Policy & Resources

Policy & Resources (May 2012)

RESPONSIBILITIES OF THE UNIVERSITY COURT

In line with the recommendations contained within the CUC Guide for Members of Higher Education Governing Bodies in the UK, Court has adopted the following as its Statement of Primary Responsibilities:

To approve the mission and strategic vision of the University of the West of Scotland, its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.

To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and human resource management of the University, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.

To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible, appropriately benchmarked against other comparable institutions.

To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.

To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

To safeguard the good name and values of the University of the West of Scotland

To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.

To appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

To be the principal financial and business authority of the University to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the university's assets, property and estate.

To ensure annual financial statements are prepared which give a true and fair view of the state of affairs of the University and of its surplus or deficit and cash flows for the year.

To be the University's legal authority and, as such, to ensure that systems are in place for meeting all of the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

To make such provision as it thinks fit for the general welfare of students.

To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.

To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

INDEPENDENT AUDITORS REPORT TO THE COURT OF THE UNIVERSITY OF THE WEST OF SCOTLAND

We have audited the financial statements of the University of the West of Scotland for the year ended 31 July 2012 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 28. 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).

This report is made solely to the University Court of the University of the West of Scotland ("the University Court"), as a body, in accordance with the Financial Memorandum of the University; and in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and Auditors

As explained more fully in the Statement of Responsibilities of the University Court set out on page 15, the University Court is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditors under the Financial Memorandum of the University and also under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court; and the overall presentation of the financial statements.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Funding Council

In addition, we read other information contained in the Financial Highlights, Operating and Financial Review and Corporate Governance Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the University's affairs as at 31 July 2012, and of the surplus of income over expenditure and the cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended);

Opinion on other matters prescribed by applicable regulations

In our opinion;

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum with the Scottish Funding Council

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations (as amended) require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP
Registered auditor
Glasgow

11 December 2012

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 JULY

	Note	2012 £000	2011 £000
INCOME			
Funding Council Grants	2	61,445	66,494
Tuition Fees / Education Contracts	3	20,072	19,730
Research Grants and Contracts	4	2,688	2,983
Other Income	5	5,927	5,954
Investment Income	6	<u>885</u>	<u>582</u>
Total Income		<u>91,017</u>	<u>95,743</u>
EXPENDITURE			
Staff Costs	7	56,630	58,458
Exceptional Restructuring Cost	7	1,365	2,958
Other Operating Expenses	8	21,990	21,809
Depreciation	10	<u>7,901</u>	<u>6,666</u>
Total Expenditure		<u>87,886</u>	<u>89,891</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost		3,131	5,852
Profit on Disposal of Fixed Assets		<u>115</u>	<u>-</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost, Disposal of Assets before and after Tax		<u>3,246</u>	<u>5,852</u>

The income and expenditure of the University is related wholly to continuing operations.

There is no difference between the surplus on a historical cost basis and the surplus for the year presented above.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 JULY

	Note	2012 £000	2011 £000
Surplus on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax		3,246	5,852
Unrealised (Depreciation)/Appreciation of Investments	11	(33)	80
Actuarial (Loss)/Gain in Pension Plan	25	<u>(23,547)</u>	<u>12,437</u>
Total Recognised (Losses)/Gains Relating to Period		<u>(20,334)</u>	<u>18,369</u>
RECONCILIATION			
Opening Reserves		28,565	10,196
Total Recognised (Losses)/Gains Relating to Period		<u>(20,334)</u>	<u>18,369</u>
Closing Reserves		<u>8,231</u>	<u>28,565</u>

BALANCE SHEET as at 31 JULY

	Note	2012 £000	2011 £000
FIXED ASSETS			
Tangible Assets	10	134,746	127,961
Investments	11	<u>867</u>	<u>900</u>
		<u>135,613</u>	<u>128,861</u>
CURRENT ASSETS			
Stock		58	32
Debtors	12	1,712	1,498
Cash at Bank and in Hand		<u>12,667</u>	<u>13,625</u>
		14,437	15,155
CREDITORS			
Amounts Falling Due Within One Year	13	<u>(15,792)</u>	<u>(18,002)</u>
Net Current Liabilities		<u>(1,355)</u>	<u>(2,847)</u>
Net Assets Less Current Liabilities		134,258	126,014
CREDITORS			
Amounts Falling Due After More Than One Year	14	(20,000)	(12,000)
Provisions for Liabilities and Charges	15	<u>(8,317)</u>	<u>(7,730)</u>
Net Assets Excluding Pension Liability		105,941	106,284
Pension Liabilities		<u>(31,217)</u>	<u>(8,292)</u>
Net Assets including Pension Liability		<u>74,724</u>	<u>97,992</u>

BALANCE SHEET as at 31 JULY

	Note	2012 £000	2011 £000
DEFERRED CAPITAL GRANTS	16	<u>66,493</u>	<u>69,427</u>
RESERVES			
Income and Expenditure Account excluding Pension Reserve	18	39,212	36,588
Pension Reserve	19	<u>(31,217)</u>	<u>(8,292)</u>
Income and Expenditure Account including Pension Reserve		7,995	28,296
Revaluation Reserve	17	<u>236</u>	<u>269</u>
Total Reserves		<u>8,231</u>	<u>28,565</u>
Total Funds		<u>74,724</u>	<u>97,992</u>

The Financial Statements on pages 18 to 41 were approved by Court on 11 December 2012 and were signed on its behalf by:

Richard Blackburn
Chairman of the Court

Professor Seamus McDaid CBE
Principal and Vice Chancellor

CASH FLOW STATEMENT for the year ended 31 JULY

	Note	2012 £000	2011 £000
Cash Inflow from Operating Activities	20	3,892	14,088
Returns on Investments and Servicing of Finance	21	(103)	239
Capital Expenditure and Financial Investment	22	(12,747)	(45,301)
Financing	23	<u>8,000</u>	<u>12,000</u>
Decrease in Cash in the Year		<u>(958)</u>	<u>(18,974)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	Note	2012 £000	2011 £000
Decrease in Cash in the Year		(958)	(18,974)
Cash Inflow in Relation to Financing	23	<u>(8,000)</u>	<u>(12,000)</u>
Movement in Net Funds in the Year		(8,958)	(30,974)
Net Funds at 1 August		<u>1,625</u>	<u>32,599</u>
Net (Debts) / Funds at 31 July		<u>(7,333)</u>	<u>1,625</u>

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the University are as set out below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The policies remain unchanged from the previous year.

Basis of Preparation and Change in Accounting Policy

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards. They conform to guidance published by the Funding Council.

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed asset investments.

Recognition of Income

Funding Council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned. Any payments received in advance of such performance are recognised on the Balance Sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the Income and Expenditure Account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset, for which the grant was awarded.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses.

Maintenance of premises

The University has a long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where these are related to forward foreign contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Pension Schemes

Retirement benefits for employees of the University are provided by the Scottish Teachers Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF) and the Universities Superannuation Scheme (USS). For employee purposes, these are defined benefit schemes and are contracted out of the State Earnings Related Pension Scheme.

For accounting treatment purposes, STSS and USS are still treated as defined contribution schemes.

For the SPF, the actuaries provide a valuation of the institution's share of the underlying assets and liabilities and these have been incorporated in the accounts using FRS17.

Tangible fixed assets

Land and buildings

Land and buildings are stated at cost less depreciation and, where appropriate, any provisions for estimated losses on disposal.

Land held freehold is not depreciated, as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives within the range 10 to 50 years and leasehold land over the life of the lease. Alterations and additions to buildings are depreciated over the expected useful life of the work carried out.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July. Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of that asset. The buildings are not depreciated until they are brought into use.

Buildings which are acquired with the aid of specific grants are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful lives of the buildings.

Equipment

Equipment, including microcomputers and software, costing less than £5,000 per individual item or group of related items is expensed in the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated in annual instalments over its expected useful life, which has been taken as four years for all equipment.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased Assets

Where the University is a lessor of operating leases, the assets are included in Tangible Fixed Assets. Rents receivable under operating leases are accounted for on the straight-line basis over the period of the leases and are included in Other Operating Income.

Investments

Listed investments are included in the balance sheet at market value.

Unlisted investments are included in the balance sheet at the lower of their original cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Taxation Status

The University is an exempt charity (SC 002520) 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 ICTA1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks.

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.

Agency Arrangements

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

Key Estimations and Assumptions

The University has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. The key area of estimation is pensions, with further details of the assumptions used disclosed in the notes.

NOTES TO THE FINANCIAL STATEMENTS

2 FUNDING COUNCIL GRANTS	2012	2011
	£000	£000
Recurrent Grant from SFC		
Teaching	54,671	59,472
Research	1,712	1,821
Specific Grants from SFC		
Focus West	201	457
Dumfries Campus Strategic Funding	529	529
Other Research	55	75
Collaborative Grants	21	-
Other	120	222
Deferred Capital Grants Released in Year		
Buildings	2,051	1,953
Equipment	2,085	1,965
	61,445	66,494
3 TUITION FEES AND EDUCATION CONTRACT	2012	2011
	£000	£000
Full Time Students – Scotland and EU	14,367	13,727
Full Time Students – RUK (old fee rates)	274	265
Full Time Students – non-EU	2,168	2,508
Part Time Fees	1,742	1,985
Short Course Fees	220	355
Total Fees Paid by or on Behalf of Individual Students	18,771	18,840
Nursing Education Contracts	1,301	890
	20,072	19,730
4 RESEARCH GRANTS AND CONTRACTS	2012	2011
	£000	£000
Research Council	599	619
European Commission	342	250
UK Based Charities	189	193
Other Grants Contracts	1,400	1,784
Releases from Deferred Capital Grants	158	137
	2,688	2,983

NOTES TO THE FINANCIAL STATEMENTS

5 OTHER INCOME	2012	2011
	£000	£000
Residences, Catering and Conferences	3,929	3,390
Other Services Rendered	789	1,316
Released from Deferred Capital Grants	464	462
Other Income	745	786
	<u>5,927</u>	<u>5,954</u>

6 INVESTMENT INCOME	2012	2011
	£000	£000
Interest Receivable	273	365
Dividends Receivable	34	33
Net return on Pension Scheme Liability	578	184
	<u>885</u>	<u>582</u>

7 STAFF COSTS	2012	2011
	Number	Number
Average FTE Staff Numbers by Major Category:		
Academic	543	583
Technical	59	69
Administrative	192	224
Other, Including Clerical and Manual	523	522
	<u>1,317</u>	<u>1,398</u>

Staff Costs for the Above	2012	2011
	£000	£000
Wages and Salaries	45,748	47,410
Social Security Costs	3,794	3,839
Pension Costs (note 25)	7,088	7,209
	<u>56,630</u>	<u>58,458</u>

Exceptional Restructuring Cost	<u>1,365</u>	<u>2,958</u>
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The exceptional restructuring cost relates to a voluntary severance and voluntary retirement scheme. The scheme was approved by the institution's Remuneration Committee and Court.

Emoluments of the Principal and Vice Chancellor	<u>217</u>	<u>213</u>
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The emoluments of the Principal and Vice Chancellor exclude employer's pension contributions of £21,426 (2010/11 £31,713).

7 STAFF COSTS continued

Remuneration of other Higher Paid Staff Excluding Employers' NI and Pension contributions:

	2012 Number	2011 Number
£70,000 - £79,999	12	10
£80,000 - £89,999	-	1
£90,000 - £99,999	3	3
£100,000 - £109,999	-	-
£110,000 - £119,999	1	1
£120,000 - £130,000	-	1

8 OTHER OPERATING EXPENSES

	2012 £000	2011 £000
Repairs and General Maintenance	2,139	2,176
Utilities	1,969	1,396
Rent, rates & Insurance	1,040	948
Telephone & postage	482	488
Pension Provision Uplift	1,133	295
General Running Costs	3,823	4,457
Professional Fees	2,616	2,949
Books, Periodicals and Subscriptions	1,427	1,599
Residences, Catering and Conferences	1,621	1,837
Travel, Fellowships and Scholarships	1,859	1,886
Grant to Student Association	620	620
Fee Waivers and Discounts	948	1,202
SFC Specific Grants	152	258
Research Grant Expenses	1,785	1,698
Loan Interest Payable	376	-
	21,990	21,809

The return on the pension scheme liability for the current year was positive and has been included in Investment Income (see note 6).

Other Operating Expenses Include:

Auditors' Remuneration: External Audit - Audit Services	47	54
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9 ANALYSIS OF EXPENDITURE BY ACTIVITY**2011/2012**

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Total £000
Academic Departments	36,784	5,432	832	43,048
Academic Services	6,937	2,766	1,445	11,148
Research Grants and Contracts	1,145	1,783	255	3,183
Residences, Catering and Conferences	1,120	1,596	752	3,468
Premises	3,573	3,699	4,406	11,678
Administration	8,224	6,083	170	14,477
Other Services Rendered	212	621	41	874
Other Expenses	-	10	-	10
Total Expenditure	57,995	21,990	7,901	87,886

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 16)	4,758
General Income	3,143
	<u>7,901</u>

2010/2011

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Total £000
Academic Departments	37,849	5,769	968	44,586
Academic Services	7,495	2,717	1,905	12,117
Research Grants and Contracts	1,828	1,772	289	3,889
Residences, Catering and Conferences	854	1,811	280	2,945
Premises	4,081	3,529	3,083	10,693
Administration	8,544	5,312	94	13,950
Other Services Rendered	765	890	47	1,702
Other Expenses	-	9	-	9
Total Expenditure	61,416	21,809	6,666	89,891

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 16)	4,517
General Income	2,149
	<u>6,666</u>

10 TANGIBLE ASSETS

	Residences Freehold Land and Buildings £000	Academic and Sports Grounds Freehold Land and Buildings £000	Capital Work In Progress £000	Equipment £000	Total £000
Cost					
At 1 August 2011	12,389	68,940	73,619	45,851	200,799
Additions	-	499	12,569	1,678	14,746
Disposals	(89)	(5)	-	-	(94)
Transfers	<u>9,978</u>	<u>57,698</u>	<u>(72,404)</u>	<u>4,728</u>	<u>-</u>
At 31 July 2012	<u>22,278</u>	<u>127,132</u>	<u>13,784</u>	<u>52,257</u>	<u>215,451</u>
Depreciation					
At 1 August 2011	4,537	26,529	-	41,772	72,838
Charge for Year	578	3,903	-	3,420	7,901
Disposals	<u>(29)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(34)</u>
At 31 July 2012	<u>5,086</u>	<u>30,427</u>	<u>-</u>	<u>45,192</u>	<u>80,705</u>
Net Book Value					
At 31 July 2012	<u>17,192</u>	<u>96,705</u>	<u>13,784</u>	<u>7,065</u>	<u>134,746</u>
At 31 July 2011	<u>7,852</u>	<u>42,411</u>	<u>73,619</u>	<u>4,079</u>	<u>127,961</u>

The figures above include assets held for use in operating leases as follows:

	<u>2012</u> £000	2011 £000
Cost	3,532	3,532
Accumulated Depreciation	<u>(1,308)</u>	<u>(1,179)</u>
	<u>2,224</u>	<u>2,353</u>

Buildings with a net book value of £15 million and cost of £20 million have been funded by Treasury Sources. Should these particular buildings be sold, the University would have to either surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Scottish Funding Council.

Capital Work in Progress at the year-end relates primarily to costs incurred on the development of the new Paisley Residences.

The new Ayr Campus and Residences were operational for the start of the 2011/12 academic year, and the Paisley Residences operational for the start of the 2012/13 academic year.

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENTS	2012 £000	2011 £000
Balance at 1 August	900	820
(Depreciation)/Appreciation on Revaluation	(33)	80
Balance of Listed Investments at 31 July	867	900

12 DEBTORS	2012 £000	2011 £000
Amounts Falling Due Within One Year:		
Trade Debtors	826	820
Other Debtors	13	17
Prepayments and Accrued Income	873	653
Intercompany	-	8
	1,712	1,498

13 CREDITORS	2012 £000	2011 £000
Amounts Falling Due Within One Year:		
Trade Creditors	917	2,529
Other Creditors and Deposits	1,097	352
Social Security and Other Taxation Payable	1,296	1,388
Accruals and Deferred Income	12,475	13,733
Intercompany	7	-
	15,792	18,002

14 CREDITORS	2012 £000	2011 £000
Amounts Falling Due After More than One Year:		
After One and Within Two Years	-	-
After Two and Within Five Years	498	92
After Five Years	19,502	11,908
Bank Loans Repayable After More Than One Year	20,000	12,000

The University has a loan facility of £26.5 million and £20m of this has been fixed for 30 years. £20m has been drawn down as at 31 July 2012. It is repayable over a 30 year period.

Interest is charged at a rate of 5.03971% on the first £10m and 5.51971% on the next £10m. The total interest charged in the year was £844k of which £468k has been capitalised against the Residences Projects.

15 PROVISIONS FOR LIABILITIES AND CHARGES

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. This liability is assessed annually at the year-end by independent actuarial valuation (Hymans Robertson) and continues throughout the retirement period.

A liability in respect of employees who transferred to the University in 1996 under TUPE was identified in 2003/2004 and continues to be provided for.

At 31 July 2012, clawback provision has been retained for the element of the SFC main grant for 2010/11 that the University has to repay to SFC. This liability has arisen from a shortfall in fulfilling the SFC target set for student numbers.

Provision has been made for dilapidation costs at the Dumfries Campus.

	Unfunded Pension £000	Clawback £000	Dilapidation £000	Total £000
At 1 August 2011	7,280	150	300	7,730
Utilised in year	(577)	-	-	(577)
Transfer from Income and Expenditure Account for Former Employees	1,166	-	-	1,166
Additional Provision Required in the Year for Employees who Transferred in 1996	(34)	-	-	(34)
Transfer from Income and Expenditure Account	-	(109)	141	32
At 31 July 2012	<u>7,835</u>	<u>41</u>	<u>441</u>	<u>8,317</u>

16 DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants and Benefactions £000	Total £000
At 1 August 2011			
Buildings	54,530	11,945	66,475
Equipment	<u>2,728</u>	<u>224</u>	<u>2,952</u>
Total	<u>57,258</u>	<u>12,169</u>	<u>69,427</u>
Cash Received			
Buildings	166	-	166
Equipment	<u>1,476</u>	<u>182</u>	<u>1,658</u>
Total	<u>1,642</u>	<u>182</u>	<u>1,824</u>
Released to Income and Expenditure			
Buildings	2,051	451	2,502
Equipment	<u>2,085</u>	<u>171</u>	<u>2,256</u>
Total	<u>4,136</u>	<u>622</u>	<u>4,758</u>
At 31 July 2012			
Buildings	52,645	11,494	64,139
Equipment	<u>2,119</u>	<u>235</u>	<u>2,354</u>
Total	<u>54,764</u>	<u>11,729</u>	<u>66,493</u>

17 REVALUATION RESERVE

	2012 £000	2011 £000
Revaluations:		
Balance at 1 August	269	189
(Depreciation)/Appreciation of Investments in Year	<u>(33)</u>	<u>80</u>
Balance at 31 July	<u>236</u>	<u>269</u>

18 INCOME AND EXPENDITURE ACCOUNT RESERVE

	2012 £000	2011 £000
Income and Expenditure Account Reserve		
Balance at 1 August	36,588	30,960
Surplus after Depreciation of Assets at Cost and Tax	3,246	5,852
Transfer to Pension Reserve	<u>(622)</u>	<u>(224)</u>
Balance at 31 July	<u>39,212</u>	<u>36,588</u>

NOTES TO THE FINANCIAL STATEMENTS

19 PENSION RESERVE

	2012 £000	2011 £000
Balance at 1 August	(8,292)	(20,953)
Actuarial Gain on Pension Scheme Liability as a Result of Valuation on CPI Basis	-	6,151
Actuarial (Loss) / Gain on Pension Schemes Liability	(23,547)	6,286
Transfer From Income and Expenditure Account	<u>622</u>	<u>224</u>
Balance at 31 July	<u>(31,217)</u>	<u>(8,292)</u>

20 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	Note	2012 000	2011 £000
Operating Surplus before Tax		3,246	5,852
Profit on Disposal of Fixed Assets		(115)	-
Pension costs less contributions payable		(67)	(378)
Depreciation	10	7,901	6,666
Released Deferred Capital Grants	16	(4,758)	(4,517)
Interest Paid		376	126
Interest Received		(273)	(365)
Increase in Stocks		(26)	(3)
(Increase) / Decrease in Debtors		(214)	2,863
Increase / (Decrease) in Creditors		(2,210)	3,544
Increase in Provisions		<u>32</u>	<u>300</u>
Net Cash Inflow from Operating Activities		<u>3,892</u>	<u>14,088</u>

21 RETURN OF INVESTMENTS AND SERVICING OF FINANCE

	2012 £000	2011 £000
Other Interest Received	273	365
Interest Paid	<u>(376)</u>	<u>(126)</u>
Net Cash (Outflow)/ Inflow from Returns on Investments and Servicing of Finance	<u>(103)</u>	<u>239</u>

22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS

	2012	2011
	£000	£000
Proceeds from Sale of Fixed Assets	175	-
Purchase of Tangible Fixed Assets	(14,746)	(47,865)
Deferred Capital Grants Received	<u>1,824</u>	<u>2,564</u>
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>(12,747)</u>	<u>(45,301)</u>

23 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2012	2011
	£000	£000
Amounts Borrowed in Year	<u>(8,000)</u>	<u>(12,000)</u>
Net Cash (Inflow) from Financing	<u>(8,000)</u>	<u>(12,000)</u>

24 ANALYSIS OF CHANGES IN NET FUNDS

	At	Cash	At
	1 August 2011	Flows	31 July 2012
	£000	£000	£000
Cash at Bank and in Hand	13,625	(958)	12,667
Debt Due after one Year	<u>(12,000)</u>	<u>(8,000)</u>	<u>(20,000)</u>
Net Funds	<u>1,625</u>	<u>(8,958)</u>	<u>(7,333)</u>

25 PENSION SCHEMES

The University participates in three multi-employer defined benefits schemes. The two principal pension schemes for the majority of the staff are the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS).

There are also two academic staff in the Universities Superannuation Scheme (USS).

The total pension cost to the University was (Note 7):

	2012	2011
	£000	£000
SPF Contributions Paid & FRS17 Adjustments	3,486	3,513
STSS Contributions Paid	3,574	3,669
USS Contributions Paid	<u>28</u>	<u>27</u>
Total	<u>7,088</u>	<u>7,209</u>

STRATHCLYDE PENSION FUND

Under the definitions set out in FRS17 the Strathclyde Pension Fund (SPF) is a multi employer defined benefit pension scheme. It is valued every three years by professionally qualified independent actuaries using the project unit method. The last triennial valuation undertaken was at 31 March 2011.

In the intervening years the actuary reviews the progress of the scheme and makes assumptions to undertake a valuation at the balance sheet date, under FRS17.

The employer's contribution rate payable on members' pensionable salaries has remained unchanged since 31 March 2011 at 19.3%

The pension costs for the University for the year ended 31 July 2012 were £3.486m (2011 £3.513m). This is comprised of contributions paid of £3.324m (2011 £3.368m) and FRS17 adjustment of £0.162m (2011 £0.145m).

The accounting standard FRS17 implemented by the University is designed to produce a net pension asset or liability calculated according to a prescribed method of valuation. In particular, the discount rate applied to pension scheme liabilities differs from that used in normal actuarial valuations to determine, inter alia, the scheme's required funding rate, and generally produces a higher value for scheme liabilities.

The Strathclyde Pension Fund moved forward the adoption of the CPI as opposed to the RPI as the inflation measure for the Local Government Pension Scheme (LGPS) from April 2011.

As a result of the adoption of FRS17, the surplus on continuing operations has been increased by £0.363m (2011 – decrease of £0.033m) and the reserves have decreased by £31.217m (2011 £8.292m).

25 PENSION SCHEMES continued

The assumptions used by the scheme actuary to undertake a valuation under FRS17 as at 31 July 2012 were as follows:

Financial Assumptions

	2012 %	2011 %
	CPI	CPI
Pension Increase Rate	2.2	2.7
Salary Increase Rate	4.5	5.0
Expected Return on Assets	4.9	6.4
Discount Rate	4.1	5.3

Mortality Assumptions

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectancies at age 65 have changed from last year and are summarised below. They are based on the PMA92 / PFA92 year of birth tables:

	<u>Male</u>	<u>Female</u>
Current pensioners	21.0 years	23.4 years
Future pensioners	23.3 years	25.3 years

The assets in the SPF scheme and the expected rate of return by category were:

	2012		2011	
	Long Term Rate of Return %	Value £000	Long Term Rate of Return %	Value £000
Equities	5.5	70,530	7.0	69,735
Bonds	3.3	12,560	4.7	11,928
Property	3.7	7,729	5.1	5,505
Cash	2.8	<u>5,797</u>	4.0	<u>4,588</u>
		<u>96,616</u>		<u>91,756</u>

The following amounts at 31 July 2012 were measured in accordance with the requirements of FRS17:

Analysis of the Amount Shown in the Balance Sheet

	2012 £000	2011 £000
	CPI	CPI
University's Estimated Asset Share	96,616	91,756
Present Value of University's Scheme Funded Liabilities	(123,612)	(96,460)
Present Value of University's Scheme Unfunded Liabilities	<u>(4,221)</u>	<u>(3,588)</u>
Deficit in Scheme – Net Pension Liability	<u>(31,217)</u>	<u>(8,292)</u>

25 PENSION SCHEMES continued

	2012 £000	2011 £000
Analysis of Amount Charged to Income and Expenditure Account		
Analysis of Amount Charged to Staff Costs:		
Current Service Cost	3,308	3,477
Past Service Cost	427	192
Losses on Curtailments	62	73
Employer Contribution Adjustment	<u>(311)</u>	<u>(229)</u>
	3,486	3,513
Analysis of Amount Credited to Investment Income:		
Interest Cost on Pension Scheme Liabilities	(5,343)	(5,224)
Expected Return on Pension Scheme Assets	<u>5,921</u>	<u>5,408</u>
Net Return - Note 6	<u>578</u>	<u>184</u>
	2012 £000	2011 £000
Amounts Recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actuarial gain on pension schemes liability as a result of valuation on CPI basis	-	6,151
Actuarial (Loss) / Gain	<u>(23,547)</u>	<u>6,286</u>
	(23,547)	12,437
The total movement in the deficit in the year is made up as follows:		
	2012 £000	2011 £000
Deficit in the Scheme at Beginning of Year	(8,292)	(20,953)
Movement in Year:		
Current Service Costs	(3,308)	(3,477)
Employer Contributions	3,590	3,545
Unfunded contributions	251	237
Past service costs	(427)	(192)
Interest Costs	(5,343)	(5,224)
Net Return on Assets	5,921	5,408
Actuarial (Losses) / Gains	(23,547)	6,286
Losses on Curtailment	(62)	(73)
Gain due to change in Valuation method from RPI to CPI	-	6,151
Deficit in the Scheme at End of Year	<u>(31,217)</u>	<u>(8,292)</u>

25 PENSION SCHEMES continued

	2012 £000	2011 £000
Analysis of the Movement in the Fair Value of Scheme Assets		
Opening Balance	91,756	80,881
Expected Return on Assets	5,921	5,408
Contributions by Members	1,168	1,236
Contributions by Employer	3,590	3,545
Contributions in Respect of Unfunded Benefits	251	237
Actuarial (Losses) / Gains	(2,637)	3,283
Unfunded Benefits Paid	(251)	(237)
Benefits Paid	<u>(3,182)</u>	<u>(2,597)</u>
Closing Balance	<u>96,616</u>	<u>91,756</u>
	2012 £000	2011 £000
Analysis of the Movement in the Present Value of Scheme Liabilities		
Opening Balance	100,048	101,834
Current Service Cost	3,308	3,477
Interest Cost	5,343	5,224
Contributions by Members	1,168	1,236
Actuarial (Gains) / Losses	20,910	(3,003)
Past Service Costs	427	192
Losses on Curtailments	62	73
Estimated Unfunded Benefits Paid	(251)	(237)
Estimated Benefits Paid	<u>(3,182)</u>	<u>(2,597)</u>
Gain due to change in Valuation method from RPI to CPI	<u>-</u>	<u>(6,151)</u>
Closing Balance	<u>127,833</u>	<u>100,048</u>
Net Pension Liability	<u>(31,217)</u>	<u>(8,292)</u>

25 PENSION SCHEMES continued**History of Experienced Gains and Losses**

	2012	2011	2010	2009
	£'000	£'000	£'000	£'000
Present value of Defined Benefit Liabilities	(127,833)	(100,048)	(101,834)	(92,837)
Fair value of Scheme Assets	<u>96,616</u>	<u>91,756</u>	<u>80,881</u>	<u>67,331</u>
(Deficit) in Scheme	<u>(31,217)</u>	<u>(8,292)</u>	<u>(20,953)</u>	<u>(25,506)</u>
Experience Gains / (Losses) on Scheme Assets	<u>(2,637)</u>	<u>3,283</u>	<u>6,844</u>	<u>(12,996)</u>
Percentage of Scheme Assets	<u>(2.7%)</u>	<u>3.6%</u>	<u>8.5%</u>	<u>(19.3%)</u>
Experience Gains / (Losses) on Scheme Liabilities	<u>(7,434)</u>	<u>9,154</u>	<u>(377)</u>	<u>(4,916)</u>
Percentage of Scheme Liabilities	<u>(5.8%)</u>	<u>9.1%</u>	<u>(0.4%)</u>	<u>(5.3%)</u>
Actuarial Gains / (Losses) Recognised in STRGL	<u>(23,547)</u>	<u>12,437</u>	<u>5,630</u>	<u>(18,477)</u>
Cumulative Actuarial Gains / (Losses)	<u>(20,793)</u>	<u>2,754</u>	<u>(9,683)</u>	<u>(15,313)</u>

SCOTTISH TEACHERS SUPERANNUATION SCHEME

The Scottish Teachers Superannuation Scheme (STSS) provides benefits based on final pensionable salary for Scottish Teachers. The fund is administered by the Scottish Public Pensions Agency.

The level of contribution paid by employing institutions was 14.9% of members' salaries for the year ended 31 July 2012. The pension costs to the University in respect of STSS for the current year were £3.574m (2011 £3.669m). This is the full and total extent of the University's liability in respect of this scheme.

UNIVERSITIES SUPERANNUATION SCHEME

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as permitted by FRS17. As a result of this, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest formal triennial actuarial valuation was carried out in 31 March 2011. The total pension cost for the year ended 31 July 2012 was £28k (2011: £27k). The contribution rate payable by the institution was 16% of pensionable salaries.

NOTES TO THE FINANCIAL STATEMENTS

26 CAPITAL COMMITMENTS

	2012 £000	2011 £000
Commitments Contracted at 31 July	<u>4,069</u>	<u>16,725</u>

27 RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University Court being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

28 CHILDCARE FUND (CF) AND DISCRETIONARY FUND (DF)

	2012 £000		2011 £000	
	CF	DF	CF	DF
Funds Brought Forward from previous year	80	86	28	(12)
Refunded to SAAS from funds b/f	(29)	(21)	-	-
Write off previous year's overspend	-	-	-	12
Funds Received in Year	640	754	514	787
Expenditure	(458)	(1,048)	(312)	(851)
Virements	<u>(230)</u>	<u>230</u>	<u>(150)</u>	<u>150</u>
Funds Carried Forward as at 31 July	<u>3</u>	<u>1</u>	<u>80</u>	<u>86</u>

The Childcare and Discretionary Funds (Formerly Mature Students' Bursary and Hardship Fund), are available solely for students and are provided by Students Award Agency Scotland. The University acts only as paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

KEY PROFESSIONAL ADVISORS

External Auditors

Ernst and Young LLP
G1
5 George Square
GLASGOW
G2 1DY

Lawyers

Anderson Strathern
24 Blythwood Square
GLASGOW
G2 4BG

Project Managers

Faithful & Gould
Canning Exchange
10 Canning Street
EDINBURGH
EH3 8EG

Bank

Lloyds Bank
Level 6
110 St Vincent Street
GLASGOW
G2 5ER

Bank Loan

Santander
Corporate Banking
301 St Vincent Street
Glasgow
G2 5NB

University of the West of Scotland
High Street
Paisley
PA1 2BE

Tel: +44 (0) 141 848 3000

www.uws.ac.uk

The University of the West of Scotland is a charity registered in Scotland, number SC002520

Campus addresses

Ayr Campus

University Avenue
Ayr
KA8 0SX
Scotland
Tel 01292 886000

Hamilton Campus

Almada Street
Hamilton
ML3 0JB
Scotland
Tel 01698 283100

Dumfries Campus

Dudgeon House
Dumfries
DG1 4ZN
Scotland
Tel 01387 702100

Paisley Campus

Paisley
PA1 2BE
Scotland
Tel 0141 848 3000

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