

## Report and Financial Statements For the year ended 31 July 2010



**UNIVERSITY OF THE WEST OF SCOTLAND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2010**

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## FINANCIAL HIGHLIGHTS

	<b><u>2010</u></b>	<b><u>2009</u></b>
	<b>£'000</b>	<b>£'000</b>
<b>Summary Income and Expenditure Account</b>		
Funding Council Grants	68,201	66,054
Tuition Fees and Education Contracts	17,736	15,894
Research Grants and Contracts	2,910	2,576
Other Income	<u>6,632</u>	<u>7,218</u>
Total Income	95,479	91,742
Total Expenditure	(90,505)	(89,716)
Loss on Disposal of Fixed Assets	<u>(51)</u>	-
Surplus	<u><u>4,923</u></u>	<u><u>2,026</u></u>
 <b>Summary Balance Sheet</b>		
Fixed Assets	87,582	63,656
Net Current Assets	22,531	16,402
Long Term Creditors and Provisions	<u>(7,584)</u>	<u>(7,440)</u>
Net Assets Excluding Pension Liability	102,529	72,618
Pension Liability	<u>(20,953)</u>	<u>(25,506)</u>
Net Assets	<u><u>81,576</u></u>	<u><u>47,112</u></u>
Represented by:		
Deferred Capital Grants	71,380	47,542
Reserves Excluding Pension	31,149	25,076
Pension Reserve	<u>(20,953)</u>	<u>(25,506)</u>
	<u><u>81,576</u></u>	<u><u>47,112</u></u>
 <b>Net Cash Flow</b>		
Net Cash Inflow from Operating Activities	5,806	5,663
Capital Expenditure	(30,854)	(9,281)
Capital Grants and Other Movements	<u>29,826</u>	<u>13,716</u>
Increase in Cash at Bank/Net Funds	<u><u>4,778</u></u>	<u><u>10,098</u></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 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. Nearly 20,000 students study with the University each year, many of whom 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. They include pension liabilities calculated according to the FRS17 accounting requirement.

### **The Merger**

The third and final year of the merger project for costs and funding was 2008/09 and the comparative figures from 2008/09 include funding received and costs incurred from the merger. 2009/10 is the first year where the savings derived from the Merger have been available to the University's operations rather than supporting the cost of the merger.

In October 2009, UWS provided a detailed post-merger self-evaluation report on the merger implementation programme to the Scottish Funding Council (SFC). The subsequent report received from the Scottish Funding Council concluded that the merger had been a success, helped to transform and improve the University and delivered ongoing financial savings.

### **Results for the Year**

The University's results for the year ended 31 July 2010 are summarised in the Financial Highlights on page 1.

The operating surplus for the year ended 31 July 2010 was £4.923m, a significant improvement on the budget approved at the start of the financial year of £2.782m. The improvement on budget is a result of increase in income across all areas.

Student numbers were generally exceeded but there was some clawback of Scottish Funding Council funding for a shortfall in controlled numbers in Education. In the year, additional allowance for FRS17 pension cost adjustments amounted to £1.785m spread over Staff costs and Other Operating Expenses.

Other than these two matters, there was little requirement for realisation of Contingencies and Provisions and the balance of provisions was released to support the surplus.

Total income was £95.479m, of which £68.201m came from SFC grants. Most areas of income were ahead of budget.

Income was also ahead of the £91.742m in 2008/09 made up of £90.491m plus specific funding for the merger of £1.251m.

Total expenditure was £90.505m and of this, staff costs amounted to £59.200m (65%).

The Balance Sheet has remained strong despite the provision for pension liabilities. Net Assets including Pension Liability grew by £34.464m to £81.576m. Fixed assets grew by £23.926m to £87.582m, the majority of that movement being capital work in progress for the new campus in Ayr.

Cash at bank increased by £4.778m to £32.599m and the reserves increased as a result of the surplus.

Following FRS17 calculations, the pensions liability in the Balance Sheet has decreased by £4.553m from £25.506m to £20.953m.

The market value of the University's portfolio of Listed Investments in stocks and shares increased slightly from £0.747m to £0.820m. This is greater than the original cost of the portfolio, although there are some individual investments within the portfolio that are included at an amount lower than cost. The returns on the portfolio were viewed as satisfactory.

### **Impact of Pension Liability and FRS17**

The University's pension liability relating to the local government pension scheme was actuarially re-valued for FRS17 purposes at 31 July 2010. Details of this, including the underlying assumptions, are included in note 22 to the accounts. Following the revaluation, a charge has been made to the Income and Expenditure account totalling £1.785m. £0.469m relates to the unfunded provision liability and has been charged to Other Operating Expenses. £1.316m is an additional charge for pension costs for the year. £0.987m of this is a net cost on pension assets and has been included in Other Operating Expenses and £0.329m is a net operating charge added to Staff Costs.

The value of assets has increased by £13.550m and the liabilities increased by £8.997m. The result of these movements is that the net liability decreased by £4.553m from a net liability of £25.506m at 31 July 2009 to £20.953m at 31 July 2010.

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 continue to 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 resolve the liability.

### **Cash**

The cash balances increased in the year by £4.778m from £27.821m at 31 July 2009 to £32.599m at 31 July 2010. The University continues to have no borrowings.

This increase in Cash at Bank means the University has accumulated the necessary sum to meet the funding obligations for the new Ayr campus without requirement for borrowing.

### **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 £30.854m. The main areas of investment were the costs for the Ayr Campus rebuild and Ayr and Paisley Residences, which are included in assets under construction, ICT projects and various building improvements and upgrades across the University.

## Treasury Management

The University actively manages its cash flow and banking of surplus funds in accordance with its Treasury Management and Investment Policy. During the year, no loans were required and funds were spread and invested in fixed term deposits to reduce risks and achieve higher investment income. As a result of this management and despite the significant low interest rates, the University achieved £0.639m of investment income towards its surplus.

The University also received dividends of £0.032m.

## Developments

The University continued to develop its Estates and ICT Strategies during 2009/10.

### Ayr Campus Rebuild

All approvals and funding for the project to rebuild the entire campus on an adjacent site in Craigie Park are in place and construction work commenced on site in August 2009. The total cost of the project including allowances for contingency is £73.5m. Of this, £3.5m has been included as the value of land contributed by South Ayrshire Council for which no payment is required. The cash payments of £70m will 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 £33.2m.

The new campus will be built for summer 2011 and fully commissioned and operational for commencement of the academic year 2011/12. The University's bank balance and cash flow forecasts show that its £33.2m contribution to this project will be available as required.

The project is running on time and within budget. All indications are that the new building will open as planned and within budget and work is on-going to ensure successful integration of services with the Scottish Agricultural College.

### 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 are required on the Ayr Campus and the existing ones will be demolished. Improvements to residences for the Paisley campus are necessary which require a mix of new build and refurbishment. Following a full review of options, the University is pursuing its own self funded residences build programme.

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 £39m. 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 340 new units and refurbish the tenement accommodation in Paisley. The cost of this phase is planned at £26.5m out of the total of £39m.

A contract has been awarded for the Ayr build and construction work commenced on site in September 2010. The programme is scheduled to complete in time for the opening of the new campus for academic year 2011/12 and the costs are within budget.

The Paisley new build phase 1 and refurbishment projects will go to tender by the end of 2010 with the view of awarding contracts early in 2011.

Borrowing of £26.5m has been agreed at favourable rates. £20m is available for Phase 1, with the remaining £6.5m to be applied to Phase 2.

As the Ayr contract has been signed and work commenced and as significant planning work has been carried out on the Paisley projects, £10m of the loan has been fixed for 30 years.

In all aspects, including cost, finance arrangements, quality, size, flexibility and risk, this has to date 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. Work has commenced as part of the next phase of the Estates strategy to consider the future estate requirements in Hamilton and to develop a Business Case.

### 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 new approaches to one-stop advice and information for learners, 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.

## **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 and the loan drawdown.

The University will fund its share of the Ayr Campus rebuild costs from cash balances. The student residences programme is being managed internally on a ring fenced basis. Following these two projects, the University will dispose of surplus assets and use other capital receipts to support other development projects.

## **Planning and Dealing with Cuts in Future Funding**

The reported surplus for 2009/10 of £4.923m is in the range of surplus that the University included in the Business Cases for merger and the Ayr Campus rebuild and which is necessary to support the University's requirements for sustainability and new development.

The underlying position for 2009/10 is actually slightly higher than the reported position due to the impact of pension adjustments on the accounts. The underlying financial position projected for 2010/11 is back within the £4m to £5m range principally as a result of the government's decision to reduce the number of initial teacher education funded places which will result in a reduction in income to the University of over £1.2m in 2010/11.

The University has been planning to deal with anticipated cuts in central government funding from 2010/11 onwards and has a programme of activity in place. This includes the development of a 3 year financial plan, a VS/VER scheme being rolled out during 2009/10 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 and development of University facilities and services, and a new outcomes agreement with the Scottish Funding Council to ensure longer term certainty in relation to Horizon funding.

## **University Strategic Priorities**

The University has reviewed its 2008-2015 Strategic Plan and ensured that business plans and individual objectives are aligned with the priorities identified in the plan. A revised set of strategic goals has been consulted on and agreed by the University Court and associated measures developed. The University's goals are:

- Be a university of choice for students, staff and employers.
- Provide a relevant, accessible and high quality learning experience which produces confident, enterprising and skilled graduates.
- Be responsive to regional issues and needs.
- Have a strong international focus and awareness in all that we do.
- Have a diverse, skilled and effective workforce.
- Develop the skills of our staff to create, exploit and transfer knowledge.
- Develop our research capacity and capability and realise the value of our research activities through commercialisation and enterprise.
- Be a financially sound and sustainable institution.

In 2009/10, the University implemented the new academic and administrative support structures: three Faculties incorporating all academic Schools, Student Link involving student-facing services and a new Executive Group responsible for delivery of the Strategic Plan 2008-2015.

## **Principal Risks and Uncertainties**

The University has a well developed risk management policy and procedures. The 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.

As a core part of the management of each major project, a detailed exercise is carried out to separately identify risks related to the project.

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

- External financial environment.
- Funding.
- Student progression and retention.
- Development of the Hamilton campus.
- University capacity and capability.
- Student numbers.

## **Student Progression and Curriculum**

All University programmes were redesigned for a revised academic credit structure and revalidated in 2007/08. In 2009/10 UWS commenced an extensive review of its academic programmes to ensure that they are relevant to employer and student needs. Student feedback is gathered and student achievement and progression is reported to the relevant University committees, including the new Student Experience Group. For the first time, in 2009/10, the University used the National Student Survey to gauge student opinion on key aspects of their experience, comparable with UK benchmarks. The University's Progression and Retention Strategy includes building additional timetabled support for students into the revised curricula, strengthening student induction, extending student support through peer mentoring and investing in a network of effective learning advisors to support the development of student academic skills.

Partnerships with Colleges have strengthened and the University continues to develop articulation and local delivery arrangements and safeguard regional access to Higher Education.



## **Staff, Students and Equality and Diversity**

The University continues to comply fully with legislation and to embody best practice to promote equality of opportunity and respect for diversity. In 2009/10 this included the development of a Single Equality Scheme, anticipating new statutory requirements. A new action plan has been extensively consulted upon across the University and is being implemented along with impact assessments for all new policies. A number of current initiatives address equality issues for staff, including the review of flexible working policy and practice which took place during session 2008/09 and the implementation of the Rewards and Recognition Strategy from summer 2010, designed to ensure equal treatment of all staff in this regard. All services for students with disabilities have been harmonised to ensure equity across campuses.

## **Employee Involvement**

The University has a strategy for the involvement of its employees and regular internal communication with them, which is particularly important with the current external financial uncertainties. This includes Trade Union liaison through joint consultative processes, regular staff bulletins and team briefings. Staff are encouraged to participate in formal and informal consultation at University, School and Departmental level on key developments as was the case for the development of the University's Strategic Plan and the development of plans in all Schools and Departments to support the delivery of the Strategic Plan goals and targets.

## **Conclusion**

The University continued to make considerable progress in 2009/10 and remains in a position of financial stability with a sound underlying surplus and Balance Sheet and 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 capital infrastructure programme

There are going to be significant financial challenges over the next few years and some of these will commence in 2010/11. The University's current strong financial position and planning which has commenced for the financial challenges are vital to ensure the University can adequately cope with the difficulties 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  
Chairman of Court  
University of the West of Scotland  
PAISLEY PA1 2BE

14 December 2010

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## CORPORATE GOVERNANCE

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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 Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in 2006 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 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 2010 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 for Directors on the Combined Code as amended by the British Universities Finance Directors Group.

The University Court comprises lay and academic persons appointed in terms of the University of the West of Scotland Order of Council 2009. The University's Constitution was revised to reflect the new name of the institution and a revised Order of Council was approved by Parliament and the Privy Council in 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 Chairman and Vice Chairman 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 2010. 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 in 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 Group has been formed, chaired by the Principal and comprising the Vice Principals, Deans and University Secretary. This 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.

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 members of the University Executive Group.

The Audit Committee meets at least three times per year, and in the year to 31 July 2010 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 2009 meeting, the Court carried out the annual assessment for the year ended 31st July 2010 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 2010.

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

The Court assesses the effectiveness of Court on a tri-annual basis and completed its last assessment at its February 2009 meeting.

The University Court having considered the 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 Governance Code of Practice. 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, Chairman of the Court

\_\_\_\_\_ Professor Seamus McDaid, Principal & Vice Chancellor

## MEMBERSHIP OF PRINCIPAL COMMITTEES OF COURT

### Court Membership as at 31 July 2010

#### **Chairman of Court**

Professor R T Beaty OBE (retired June 2010)  
Mr R Blackburn (appointed July 2010)

Chair of Nominations Committee and Remuneration Committee. Member of Policy & Resources Committee.

#### **Ex Officio**

Principal and Vice-Chancellor  
Professor S McDaid

Member of Policy & Resources Committee and Nominations Committee.

Depute Principal  
Ms G Troup

Member of Policy & Resources Committee and Nominations Committee.

President, Students' Association  
Mr D Devlin

Member of Policy & Resources Committee.

#### **Appointed by the Students' Association**

Campus President, Ayr  
Mr C Nicol

#### **Appointed**

Mr R Blackburn (appointed Chair July 2010)

Vice Chair of Court and Chair of Policy & Resources Committee. Member of Nominations Committee and Remuneration Committee.

Mr B Clarke

Member of Policy & Resources Committee and Remuneration Committee.

Ms E Connolly

Member of Policy & Resources Committee.

Mr M Cunningham (appointed January 2010)

Mr T Davison (resigned June 2010)

Mr A Haseeb

Member of Audit Committee.

Mrs C Mackie

Mrs E McCann

Vice Chair of Policy & Resources Committee and Member of Remuneration Committee.

Mr J McDougall

Mr M O'Callaghan (appointed April 2010)

Mr J G Peterkin

Member of Audit Committee.

Councillor C Putschueary  
(appointed September 2009,  
resigned June 2010)

Member of Audit Committee.

Professor C Suckling OBE

Member of Audit Committee.

Mr J Wardrop

Member of Audit Committee.

Mr N Walker

Chair of Audit Committee.

Mr I Welsh

Member of Policy & Resources Committee.

#### **Appointed by Senate**

Professor R Williamson

Member of Policy & Resources Committee.

Dr H Simpson

Member of Policy & Resources Committee.

Appoint Vice Chairman of Court July 2010

#### **Elected by Staff from Academic Staff**

Mr J Robertson

Member of Policy & Resources Committee.

#### **Elected by Staff from Academic Support Staff**

Mr K Galbraith

## RESPONSIBILITIES OF THE UNIVERSITY'S COURT

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In accordance with the University of The West of Scotland Order of Council 2009, the Court is responsible for the administration and management of the affairs of the University, including an effective system of internal control, and is required to present audited financial statements for each financial year.

The Court 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 Statement of Recommended Practice on Accounting in Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the Court of the University, the Court, through its designated Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has taken reasonable steps to:

- ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions that the Funding Council may from time to time prescribe.
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- safeguard the assets of the University and prevent and detect fraud.
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court.
- comprehensive Financial Regulations, detailing financial controls and procedures.
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court and whose head provides the Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

## INDEPENDENT AUDITORS' REPORT TO THE UNIVERSITY'S COURT OF THE UNIVERSITY OF THE WEST OF SCOTLAND

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We have audited the financial statements for the year ended 31 July 2010 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 25. These financial statements have been prepared under the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the University Court of the University of the West of Scotland, as a body, in accordance with the Financial Memorandum of the University. 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 the University 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**

The University Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Financial Memorandum.

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

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

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

We 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 Further & Higher Education Funding Council.

We read other information contained in the 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.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Further & Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University Court in the preparation of the financial statements, and of whether the accounting

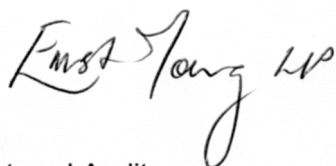
policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2010, and of the surplus of income over expenditure and the cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish Further & Higher Education 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 dated 1 January 2006 with the Scottish Further & Higher Education Funding Council.



Registered Auditor  
Ernst & Young LLP  
GLASGOW

Date: 15 December 2010



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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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 years when the accounting treatment for pensions for the new merged University, from 1 August 2007, adopted FRS17 "Retirement Benefits".

### 1. **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.

### 2. **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.

### 3. **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.

### 4. **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 there are related forward foreign contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### 5. **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.

## 6. **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, which is held freehold, is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of up 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. 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.

## 7. **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.

## 8. **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.

## 9. **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.

**10. 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.

**11. Liquid resources**

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

**12. 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.

**13. 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.

**14. 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.

INCOME AND EXPENDITURE ACCOUNT 31 JULY 2010

	Note	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
<b>INCOME</b>			
Funding Council Grants	1	68,201	66,054
Tuition Fees / Education Contracts	2	17,736	15,894
Research Grants and Contracts	3	2,910	2,576
Other Income	4	5,961	6,193
Investment Income	5	<u>671</u>	<u>1,025</u>
Total Income		<u>95,479</u>	<u>91,742</u>
<b>EXPENDITURE</b>			
Staff Costs	6	59,200	58,318
Other Operating Expenses	7	24,415	25,134
Depreciation	9	<u>6,890</u>	<u>6,264</u>
Total Expenditure		<u>90,505</u>	<u>89,716</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost		4,974	2,026
Loss on Disposal of Fixed Assets		<u>(51)</u>	<u>-</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost, Disposal of Assets before and after Tax		<u>4,923</u>	<u>2,026</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 31 JULY 2010

	Note	<u>Year Ended</u> <u>31 July 2010</u> £000	<u>Year Ended</u> <u>31 July 2009</u> £000
Surplus on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax		4,923	2,026
Unrealised Appreciation / (Depreciation) of Investments	10	73	26
Actuarial Gain / (Loss) in Pension Plan	22	<u>5,630</u>	<u>(18,477)</u>
Total Recognised Gains / (Losses) Relating to Period		<u>10,626</u>	<u>(16,425)</u>
 RECONCILIATION			
Opening Reserves		(430)	15,995
Total Recognised Gains / (Losses) Relating to Period		<u>10,626</u>	<u>(16,425)</u>
Closing Reserves		<u>10,196</u>	<u>(430)</u>

## BALANCE SHEET YEAR ENDED 31 JULY 2010

	Note	<u>Year Ended 31 July 2010</u> £000	<u>Year Ended 31 July 2009</u> £000
<b>FIXED ASSETS</b>			
Tangible Assets	9	86,762	62,909
Investments	10	<u>820</u>	<u>747</u>
		<u>87,582</u>	<u>63,656</u>
<b>CURRENT ASSETS</b>			
Stock		29	25
Debtors	11	4,361	2,074
Cash at Bank and in Hand		<u>32,599</u>	<u>27,821</u>
		36,989	29,920
<b>CREDITORS</b>			
Amounts Falling Due Within One Year	12	<u>(14,458)</u>	<u>(13,518)</u>
Net Current Assets		22,531	16,402
Total Assets Less Current Liabilities		110,113	80,058
<b>CREDITORS</b>			
Amounts Falling Due After More Than One Year		-	-
Provisions for Liabilities and Charges	13	<u>(7,584)</u>	<u>(7,440)</u>
Net Assets Excluding Pension Liability		102,529	72,618
Pension Liabilities	22	<u>(20,953)</u>	<u>(25,506)</u>
Net Assets including Pension Liability		<u><u>81,576</u></u>	<u><u>47,112</u></u>

BALANCE SHEET YEAR ENDED 31 JULY 2010

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	Note	<u>Year Ended 31 July 2010</u> £000	<u>Year Ended 31 July 2009</u> £000
DEFERRED CAPITAL GRANTS	14	<u>71,380</u>	<u>47,542</u>
RESERVES			
Income and Expenditure Account excluding Pension Reserve	16	30,960	24,960
Pension Reserve	17	<u>(20,953)</u>	<u>(25,506)</u>
Income and Expenditure Account including Pension Reserve		10,007	(546)
Revaluation Reserve	15	<u>189</u>	<u>116</u>
Total Reserves		<u>10,196</u>	<u>(430)</u>
Total Funds		<u><u>81,576</u></u>	<u><u>47,112</u></u>

The Financial Statements on pages 15 to 39 were approved by Court on 14 December 2010 and were signed on its behalf by:

\_\_\_\_\_ Richard Blackburn, Chairman of the Court

\_\_\_\_\_ Professor Seamus McDaid, Principal and Vice Chancellor

## CASH FLOW STATEMENT YEAR ENDED 31 JULY 2010

	Note	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Cash Inflow from Operating Activities	18	5,806	5,663
Returns on Investments and Servicing of Finance	19	639	986
Capital Expenditure and Financial Investment	20	<u>(1,667)</u>	<u>3,449</u>
Increase in Cash in the Year		<u><u>4,778</u></u>	<u><u>10,098</u></u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	Note	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Increase in Cash in the Year		4,778	10,098
Cash Outflow in Relation to Financing		<u>-</u>	<u>-</u>
Movement in Net Funds in the Year		4,778	10,098
Net Funds at 1 August	21	<u>27,821</u>	<u>17,723</u>
Net Funds at 31 July	21	<u><u>32,599</u></u>	<u><u>27,821</u></u>



**1. FUNDING COUNCIL GRANTS**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>
<b>Recurrent Grant from SFC</b>		
Teaching	59,904	59,236
Research	1,760	1,388
<b>Specific Grants from SFC</b>		
Greater Opportunities for Access and Learning with Schools (GOALS) and West of Scotland Wider Access Regional Forum (WoSWARF)	549	417
Science Research Infrastructure	-	(3)
Crichton Campus Strategic Funding	819	819
Other Research	275	246
Collaborative Grants	207	228
Other	255	160
<b>Deferred Capital Grants Released in Year</b>		
Buildings	2,365	1,922
Equipment	<u>2,067</u>	<u>1,641</u>
	<u><u>68,201</u></u>	<u><u>66,054</u></u>

**2. TUITION FEES AND EDUCATION CONTRACT**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>
Full Time Students – Home and EU	11,699	9,725
Full Time Students – Overseas	2,358	2,100
Part Time Fees	2,212	2,772
Short Course Fees	<u>399</u>	<u>332</u>
Total Fees Paid by or on Behalf of Individual Students	16,668	14,929
Nursing Education Contracts	<u>1,068</u>	<u>965</u>
	<u><u>17,736</u></u>	<u><u>15,894</u></u>

**3. RESEARCH GRANTS AND CONTRACTS**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>
Research Council	515	671
European Commission	320	197
UK Based Charities	206	210
Other Grants Contracts	1,588	1,252
Releases from Deferred Capital Grants	<u>281</u>	<u>246</u>
	<u><u>2,910</u></u>	<u><u>2,576</u></u>

**4. OTHER INCOME**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>
Residences, Catering and Conferences	3,323	3,060
Other Services Rendered	1,358	1,901
Released from Deferred Capital Grants	577	471
Other Income	<u>703</u>	<u>761</u>
	<u><u>5,961</u></u>	<u><u>6,193</u></u>

**5. INVESTMENT INCOME**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>
Interest Receivable	639	986
Dividends Receivable	32	36
Net return on Pension Scheme Liability	<u>0</u>	<u>3</u>
	<u><u>671</u></u>	<u><u>1,025</u></u>

As the net return on the pension scheme liability is a charge this year, it is reported under "Other Operating Expenditure" (note 7)

**6. STAFF COSTS**

	<b><u>Year Ended</u> <u>31 July 2010</u></b>	<b><u>Year Ended</u> <u>31 July 2009</u></b>
Average Staff Numbers by Major Category:	<b>Number</b>	<b>Number</b>
Academic	602	603
Technical	74	73
Administrative	225	221
Other, Including Clerical and Manual	<u>602</u>	<u>621</u>
	<u><u>1,503</u></u>	<u><u>1,518</u></u>

Staff Costs for the Above

	<b><u>Year Ended</u> <u>31 July 2010</u></b>	<b><u>Year Ended</u> <u>31 July 2009</u></b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	48,041	47,397
Social Security Costs	3,869	3,834
Pension Costs (note 22)	<u>7,290</u>	<u>7,087</u>
	<u><u>59,200</u></u>	<u><u>58,318</u></u>

Emoluments of Vice Chancellor	<u><u>212</u></u>	<u><u>205</u></u>
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The emoluments of the Vice Chancellor exclude employer's pension contributions of £31,650 (2008/09 £28,660).

Remuneration of other Higher Paid Staff Excluding Employers' NI and Pension Contributions.

	<b><u>Year Ended</u> <u>31 July 2010</u></b>	<b><u>Year Ended</u> <u>31 July 2009</u></b>
	<b>Number</b>	<b>Number</b>
£70,000 - £79,999	10	3
£80,000 - £89,999	3	4
£90,000 - £99,999	3	-
£100,000- £110,000	-	-
£110,000- £120,000	2	1

**7. OTHER OPERATING EXPENSES**

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Repairs and General Maintenance	2,223	2,060
Utilities and Insurance	3,329	3,976
Pension Provision Uplift	469	183
General Running Costs	5,274	5,119
Professional Fees	2,489	2,639
Books, Periodicals and Subscriptions	1,578	1,849
Residences, Catering and Conferences	2,029	2,455
Travel, Fellowships and Scholarships	1,636	1,296
Grant to Student Association	640	700
Fee Waivers and Discounts	1,590	1,351
SFC Specific Grants	458	1,976
Research Grant Expenses	1,713	1,530
Net Charge on Pension Scheme liability	<u>987</u>	<u>-</u>
	<u><u>24,415</u></u>	<u><u>25,134</u></u>

In 2008/09 the return on the pension scheme liability was positive and was included in Investment Income (see note 5).

Other Operating Expenses Include:

Auditors' Remuneration: External Audit - Audit Services	52	55
External Audit - Non Audit Services	0	20

**8. ANALYSIS OF EXPENDITURE BY ACTIVITY**

**2009/2010**

	<b>Staff Costs £000</b>	<b>Other Operating Expenses £000</b>	<b>Depreciation £000</b>	<b>Total £000</b>
Academic Departments	36,748	5,243	683	42,674
Academic Services	7,415	3,072	1,970	12,457
Research Grants and Contracts	1,888	1,685	354	3,927
Residences, Catering and Conferences	857	1,991	205	3,053
Premises	3,755	4,666	3,457	11,878
Administration	7,274	6,990	161	14,425
Other Services Rendered	934	756	60	1,750
Other Expenses	<u>329</u>	<u>12</u>	<u>-</u>	<u>341</u>
Total Expenditure	<u>59,200</u>	<u>24,415</u>	<u>6,890</u>	<u>90,505</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released	(Note 14)	5,290
General Income		<u>1,600</u>
		<u>6,890</u>

**2008/2009**

	<b>Staff Costs £000</b>	<b>Other Operating Expenses £000</b>	<b>Depreciation £000</b>	<b>Total £000</b>
Academic Departments	35,075	5,064	540	40,679
Academic Services	7,312	3,464	1,873	12,649
Research Grants and Contracts	1,478	1,802	367	3,647
Residences, Catering and Conferences	884	2,420	209	3,513
Premises	3,530	5,118	3,060	11,708
Administration	8,484	5,699	169	14,352
Other Services Rendered	906	1,026	46	1,978
Other Expenses	<u>649</u>	<u>541</u>	<u>-</u>	<u>1,190</u>
Total Expenditure	<u>58,318</u>	<u>25,134</u>	<u>6,264</u>	<u>89,716</u>

Total Expenditure charge has been funded by:

Deferred Capital Grants Released	4,280
General Income	<u>1,984</u>
	<u>6,264</u>

**9. TANGIBLE ASSETS**

	<b>Residences Freehold Land and Buildings £000</b>	<b>Academic and Sports Grounds Freehold Land and Buildings £000</b>	<b>Capital Work In Progress £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 August 2009	12,389	64,124	4,433	41,289	122,235
Additions	-	3,396	25,329	2,129	30,854
Disposals	-	(155)	-	-	(155)
Transfer to Buildings	-	-	-	-	-
At 31 July 2010	<u>12,389</u>	<u>67,365</u>	<u>29,762</u>	<u>43,418</u>	<u>152,934</u>
<b>Depreciation</b>					
At 1 August 2009	4,017	19,779	-	35,530	59,326
Charge for Year	260	3,517	-	3,113	6,890
Disposals	-	(44)	-	-	(44)
At 31 July 2010	<u>4,277</u>	<u>23,252</u>	<u>-</u>	<u>38,643</u>	<u>66,172</u>
<b>Net Book Value</b>					
At 31 July 2009	<u>8,372</u>	<u>44,345</u>	<u>4,433</u>	<u>5,759</u>	<u>62,909</u>
At 31 July 2010	<u>8,112</u>	<u>44,113</u>	<u>29,762</u>	<u>4,775</u>	<u>86,762</u>

Prior year building costs of £1.933m and accumulated depreciation of £0.736m have been reclassified from the academic to residences category.

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

The rent received on these leased assets was £50,000 in the year.

The cost and accumulated depreciation of the assets are as follows:

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Cost	3,532	3,532
Accumulated Depreciation	<u>(1,049)</u>	<u>(920)</u>
	<u>2,483</u>	<u>2,612</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 relates to costs incurred on the development of the new of University Campus Ayr and the Ayr and Paisley Residences.

**10. INVESTMENTS**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> £000	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> £000
Balance of Listed Investments at 1 August	747	721
Appreciation on Revaluation	<u>73</u>	<u>26</u>
Balance of Listed Investments at 31 July	<u><u>820</u></u>	<u><u>747</u></u>

**11. DEBTORS**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> £000	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> £000
Amounts Falling Due Within One Year:		
Trade Debtors	862	823
Other Debtors	7	12
Prepayments and Accrued Income	3,493	1,233
Intercompany	<u>(1)</u>	<u>6</u>
	<u><u>4,361</u></u>	<u><u>2,074</u></u>

**12. CREDITORS**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> £000	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> £000
Amounts Falling Due Within One Year:		
Trade Creditors	4,043	709
Other Creditors and Deposits	909	680
Social Security and Other Taxation Payable	1,291	1,299
Accruals and Deferred Income	8,215	9,375
Merger Loan - SFC	<u>-</u>	<u>1,455</u>
	<u><u>14,458</u></u>	<u><u>13,518</u></u>

### 13. 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 2010, provision has been made for the element of the SFC main grant for 2009/10 that the University has to repay to SFC. This liability has arisen from a shortfall in fulfilling the SFC target set for student numbers.

	<b>Unfunded Pension £000</b>	<b>Clawback £000</b>	<b>Total £000</b>
At 1 August 2009	7,413	27	7,440
Utilised in year	(448)	-	(448)
Additional Provision Required in the Year for Former Employees	459	-	459
Additional Provision Required in the Year for Employees who Transferred in 1996	10	-	10
Additional Provision Required in the Year	<u>-</u>	<u>123</u>	<u>123</u>
At 31 July 2010	<u>7,434</u>	<u>150</u>	<u>7,584</u>



**14. DEFERRED CAPITAL GRANTS**

	<b>Funding Council £000</b>	<b>Other Grants and Benefactions £000</b>	<b>Total £000</b>
At 1 August 2009			
Buildings	30,044	13,009	43,053
Equipment	<u>4,237</u>	<u>252</u>	<u>4,489</u>
Total	<u>34,281</u>	<u>13,261</u>	<u>47,542</u>
Cash Received			
Buildings	28,189	-	28,189
Equipment	<u>750</u>	<u>189</u>	<u>939</u>
Total	<u>28,939</u>	<u>189</u>	<u>29,128</u>
Released to Income and Expenditure			
Buildings	2,319	564	2,883
Equipment	2,067	294	2,361
Disposal	<u>46</u>	<u>-</u>	<u>46</u>
Total	<u>4,432</u>	<u>858</u>	<u>5,290</u>
At 31 July 2010			
Buildings	55,868	12,445	68,313
Equipment	<u>2,920</u>	<u>147</u>	<u>3,067</u>
Total	<u>58,788</u>	<u>12,592</u>	<u>71,380</u>

**15. REVALUATION RESERVE**

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Revaluations:		
Balance at 1 August	116	90
Appreciation of Investments in Year	<u>73</u>	<u>26</u>
Balance at 31 July	<u><u>189</u></u>	<u><u>116</u></u>

**16. INCOME AND EXPENDITURE ACCOUNT RESERVES**

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Income and Expenditure Account Reserve		
Balance at 1 August	24,960	22,245
Surplus after Depreciation of Assets at Cost and Tax	4,923	2,026
Transfer from Pension Reserve	<u>1,077</u>	<u>689</u>
Balance at 31 July	<u><u>30,960</u></u>	<u><u>24,960</u></u>

**17. PENSION RESERVE**

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Pensions at 1 August	(25,506)	(6,340)
Actuarial Gain / (Loss) on Pension Scheme Liability	5,630	(18,477)
Transfer to Income and Expenditure Account	<u>(1,077)</u>	<u>(689)</u>
Balance at 31 July	<u><u>(20,953)</u></u>	<u><u>(25,506)</u></u>

**18. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES**

	<b>Note</b>	<b>Year Ended 31 July 2010 000</b>	<b>Year Ended 31 July 2009 £000</b>
Operating Surplus before Tax		4,923	2,026
Exchange Loss / (Gain)		35	(69)
Loss on Disposal of Fixed Assets		51	-
Pension costs less contributions payable		1,093	689
Depreciation	9	6,890	6,264
Released Deferred Capital Grants	14	(5,290)	(4,280)
Interest Received		(639)	(986)
Increase in Stocks		(4)	-
(Increase) / Decrease in Debtors		(2,287)	4,521
Increase / (Decrease) in Creditors		940	(2,529)
Increase in Provisions		<u>94</u>	<u>27</u>
Net Cash Inflow from Operating Activities		<u><u>5,806</u></u>	<u><u>5,663</u></u>

**19. RETURN OF INVESTMENTS AND SERVICING OF FINANCE**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> £000	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> £000
Other Interest Received:		
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u>639</u>	<u>986</u>

**20. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS**

	<b><u>Year Ended</u></b> <b><u>31 July 2010</u></b> £000	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> £000
Proceeds from Sale of Fixed Assets	59	-
Purchase of Tangible Fixed Assets	(30,854)	(9,281)
Deferred Capital Grants Received	<u>29,128</u>	<u>12,730</u>
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>(1,667)</u>	<u>3,449</u>

**21. ANALYSIS OF CHANGES IN NET FUNDS**

	<b><u>At</u></b> <b><u>1 August 2009</u></b> £000	<b><u>Cash</u></b> <b><u>Flows</u></b> £000	<b><u>At</u></b> <b><u>31 July 2010</u></b> £000
Cash at Bank and in Hand	<u>27,821</u>	<u>4,778</u>	<u>32,599</u>

## 22. 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 a few academic staff in the Universities Superannuation Scheme (USS).

The total pension cost to the University was (Note 6):

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
SPF Contributions Paid & FRS17 Adjustments	3,548	3,604
STSS Contributions Paid	3,730	3,470
USS Contributions Paid	<u>12</u>	<u>13</u>
Total	<u><u>7,290</u></u>	<u><u>7,087</u></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 2008.

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 was 17.3% until 31 March 2010 and 18.2% thereafter.

The pension costs for the University for the year ended 31 July 2010 were £3.548m (2009 £3.604m). This is comprised of contributions paid of £3.219m (£2009 £2.955m) and FRS17 adjustment of £0.329m (2009 £0.649m).

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.

As a result of the adoption of FRS17, the surplus on continuing operations has been decreased by £1.316m (2009 - £0.649m) and the reserves have decreased by £20.953m (2009 £25.506m).

The assumptions used by the scheme actuary to undertake a valuation under FRS17 as at 31 July 2010 were as follows:

22. PENSION SCHEMES – continued

<b>Financial Assumptions</b>	<b>Year Ended 31 July 2010</b>	<b>Year Ended 31 July 2009</b>
	%	%
Pension Increase Rate	3.4	3.7
Salary Increase Rate	4.9	5.2
Expected Return on Assets	6.6	6.8
Discount Rate	5.4	6.0

**Mortality Assumptions**

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

	<b>Male</b>	<b>Female</b>
Current pensioners	20.3 years	23.2 years
Future pensioners	21.7 years	24.6 years

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

	<b>Year Ended 31 July 2010</b>		<b>Year Ended 31 July 2009</b>	
	<u>Long Term Rate of Return</u>	<u>Value</u>	<u>Long Term Rate of Return</u>	<u>Value</u>
	%	£000	%	£000
Equities	7.2	60,661	7.3	51,171
Bonds	4.8	11,323	5.3	10,100
Property	5.3	5,662	5.3	4,713
Cash	4.4	<u>3,235</u>	4.3	<u>1,347</u>
		<b><u>80,881</u></b>		<b><u>67,331</u></b>

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS17:

<b>Analysis of the Amount Shown in the Balance Sheet</b>	<b>Year Ended 31 July 2010</b>	<b>Year Ended 31 July 2009</b>
	£000	£000
University's Estimated Asset Share	80,881	67,331
Present Value of University's Scheme Funded Liabilities	(97,511)	(88,945)
Present Value of University's Scheme Unfunded Liabilities	<u>(4,323)</u>	<u>(3,892)</u>
Deficit in Scheme – Net Pension Liability	<b><u>(20,953)</u></b>	<b><u>(25,506)</u></b>

22. PENSION SCHEMES – continued

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
<b>Analysis of Amount Charged to Income and Expenditure Account</b>		
Analysis of Amount Charged to Staff Costs:		
Current Service Cost	3,614	2,765
Past Service Cost	-	1,162
Losses on Curtailments	29	88
Employer Contribution Adjustment	(95)	(155)
Merger Adjustment	-	(256)
	<u>3,548</u>	<u>3,604</u>
<b>Analysis of Amount Credited to Investment Income:</b>		
Interest Cost on Pension Scheme Liabilities	(5,634)	(5,320)
Expected Return on Pension Scheme Assets	4,647	5,323
Net (Charge) / Return (note 5 and 7)	<u>(987)</u>	<u>3</u>

In the current year, as the overall net return on the pension was a charge of £0.987m, this has been shown as an operating expense.

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
<b>Amounts Recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>		
Actuarial Gain / (Loss)	<u>5,630</u>	<u>(18,477)</u>

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

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
<b>Deficit in the Scheme at Beginning of Year</b>	(25,506)	(6,340)
Movement in Year:		
Current Service Costs	(3,614)	(2,765)
Employer Contributions	3,292	3,056
Unfunded contributions	261	267
Past Service Costs	-	(1,162)
Interest Costs	(5,634)	(5,320)
Net Return on Assets	4,647	5,323
Actuarial Gains / (Losses)	5,630	(18,477)
Losses on Curtailment	(29)	(88)
Deficit in the Scheme at End of Year	<u>(20,953)</u>	<u>(25,506)</u>

22. PENSION SCHEMES - continued

	<b>Year Ended 31 July 2010</b>	<b>Year Ended 31 July 2009</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of the Movement in the Fair Value of Scheme Assets</b>		
Opening Balance	67,331	72,987
Expected Return on Assets	4,647	5,323
Contributions by Members	1,238	1,096
Contributions by Employer	3,292	3,056
Contributions in Respect of Unfunded Benefits	261	267
Actuarial Gains / (Losses)	6,844	(12,996)
Unfunded Benefits Paid	(261)	(267)
Benefits Paid	<u>(2,471)</u>	<u>(2,135)</u>
Closing Balance	<u>80,881</u>	<u>67,331</u>

	<b>Year Ended 31 July 2010</b>	<b>Year Ended 31 July 2009</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of the Movement in the Present Value of Scheme Liabilities</b>		
Opening Balance	92,837	79,327
Current Service Cost	3,614	2,765
Interest Cost	5,634	5,320
Contributions by Members	1,238	1,096
Actuarial Losses	1,214	5,481
Past Service Costs	-	1,162
Losses on Curtailments	29	88
Estimated Unfunded Benefits Paid	(261)	(267)
Estimated Benefits Paid	<u>(2,471)</u>	<u>(2,135)</u>
Closing Balance	<u>101,834</u>	<u>92,837</u>
<b>Net Pension Liability</b>	<u>(20,953)</u>	<u>(25,506)</u>

**22. PENSION SCHEMES – continued**

**History of Experienced Gains and Losses**

	<u>Year Ended</u> <u>2009/10</u> £'000	<u>Year Ended</u> <u>2008/09</u> £'000	<u>Year Ended</u> <u>2007/08</u> £'000	<u>Year Ended</u> <u>2006/07</u> £'000
Present value of Defined Benefit Liabilities	(101,834)	(92,837)	(79,327)	(75,245)
Fair value of Scheme Assets	<u>80,881</u>	<u>67,331</u>	<u>72,987</u>	<u>76,907</u>
(Deficit) / Surplus in Scheme	<u>(20,953)</u>	<u>(25,506)</u>	<u>(6,340)</u>	<u>1,662</u>
Experience Gains/(Losses) on Scheme Assets Amount (£'000)	<u>6,844</u>	<u>(12,996)</u>	<u>(12,437)</u>	<u>3,658</u>
Percentage of Scheme Assets %	<u>8.5%</u>	<u>(19.3%)</u>	<u>(17.0%)</u>	<u>4.8%</u>
Experience Gains/(Losses) on Scheme Liabilities Amount (£'000)	<u>(377)</u>	<u>(4,916)</u>	<u>69</u>	<u>61</u>
Percentage of Scheme Liabilities %	<u>(0.4%)</u>	<u>(5.3%)</u>	<u>-</u>	<u>-</u>
Actuarial Gains/(Losses) Recognised in Statement of Total Recognised Gains and Losses (STRGL)				
Actuarial Gain/(Loss)	<u>5,630</u>	<u>(18,477)</u>	<u>(7,990)</u>	<u>11,154</u>
Cumulative Actuarial Gains/(Losses)	<u>(9,683)</u>	<u>(15,313)</u>	<u>3,164</u>	<u>11,154</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 2010. The pension costs to the University in respect of STSS for the current year were £3.730m (2009 £3.470m). 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 on 31 March 2008.

The total pension cost for the University for the year ended 31 July 2010 was £12k (2009: £13k). The contribution rate payable by the institution was 14% of pensionable salaries up to 31 March 2010 and 16% thereafter.



**23. CAPITAL COMMITMENTS**

	<b>Year Ended 31 July 2010 £000</b>	<b>Year Ended 31 July 2009 £000</b>
Commitments Contracted at 31 July	<u>25.854</u>	<u>4.374</u>

**24. 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.

**25. CHILDCARE FUND (CF) AND DISCRETIONARY FUND (DF)**

	<b>Year Ended 31 July 2010 £000</b>		<b>Year Ended 31 July 2009 £000</b>	
	<b>CF</b>	<b>DF</b>	<b>CF</b>	<b>DF</b>
Funds Brought Forward from Previous Year	3	(13)	33	55
Funds Received in Year	368	786	384	694
Expenditure	(273)	(855)	(229)	(947)
Virements	<u>(70)</u>	<u>70</u>	<u>(185)</u>	<u>185</u>
Funds Carried Forward as at 31 July 2010	<u>28</u>	<u>(12)</u>	<u>3</u>	<u>(13)</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.

## PROFESSIONAL ADVISORS

Our key Professional Advisors are detailed below:

1. **External Auditors**  
Ernst and Young LLP  
George House  
50 George Square  
GLASGOW  
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2. **Lawyers**  
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3. **Project Managers**  
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4. **Bank**  
Halifax Bank of Scotland  
110 St Vincent Street  
GLASGOW  
G2 5ER

## REPORT AND FINANCIAL STATEMENTS - FOR THE YEAR ENDED 31 July 2010

A copy of the Statutory Accounts for this and prior years can be obtained by contacting:

Mary Sweeney  
PA to Director of Finance  
University of the West of Scotland  
PAISLEY  
PA1 2BE

Telephone No: 0141 848 3181  
Email: [mary.sweeney@uws.ac.uk](mailto:mary.sweeney@uws.ac.uk)

The accounts can also be accessed via our website:

[www.uws.ac.uk](http://www.uws.ac.uk)

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