

## Report and Financial Statements For the year ended 31 July 2009



**UNIVERSITY OF THE WEST OF SCOTLAND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2009**

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## FINANCIAL HIGHLIGHTS

	<b><u>2009</u></b> <b><u>£'000</u></b>	<b><u>2008</u></b> <b><u>£'000</u></b>
<b>Summary Income and Expenditure Account</b>		
Funding Council Grants	66,054	64,565
Tuition Fees and Education Contracts	15,894	19,564
Research Grants and Contracts	2,576	2,566
Other Income	<u>7,218</u>	<u>8,700</u>
Total Income	91,742	95,395
Total Expenditure	(89,716)	(92,124)
Gain on Disposal of Fixed Assets	<u>-</u>	<u>306</u>
Surplus	<u><u>2,026</u></u>	<u><u>3,577</u></u>
 <b>Summary Balance Sheet</b>		
Fixed Assets	63,656	60,613
Net Current Assets	16,402	8,306
Long Term Creditors and Provisions	<u>(7,440)</u>	<u>(7,492)</u>
Net Assets Excluding Pension Liability	72,618	61,427
Pension Liability	<u>(25,506)</u>	<u>(6,340)</u>
Net Assets	<u><u>47,112</u></u>	<u><u>55,087</u></u>
Represented by:		
Deferred Capital Grants	47,543	39,093
Reserves Excluding Pension	25,075	22,334
Pension Reserve	<u>(25,506)</u>	<u>(6,340)</u>
	<u><u>47,112</u></u>	<u><u>55,087</u></u>
 <b>Net Cashflow</b>		
Net Cash Inflow from Operating Activities	5,663	3,139
Capital Expenditure	(9,281)	(10,024)
Capital Grants and Other Movements	<u>13,716</u>	<u>7,796</u>
Increase in Cash at Bank	10,098	911
Add Loans Repaid	<u>-</u>	<u>5,377</u>
Increase in Net Funds	<u><u>10,098</u></u>	<u><u>6,288</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 into 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. Around 20,000 students study with the University each year, around 50% 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 new University. They include the third and final year of the costs and savings of merger, treated as a distinct project, and 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. Income relating to the merger in 2008/09 amounted to £1.251m and costs incurred totalled £4.897m. The difference of £3.646m was funded from savings derived from the merger. The merger has been extremely successful and has helped to transform and improve the University as well as deliver ongoing financial savings.

A detailed post-merger self-evaluation report has been prepared for submission to the Scottish Funding Council in October 2009. This is the basis for post-merger evaluation.

### **Results for the Year**

The University's results for the year ended 31 July 2009 are summarised in the Financial Highlights on page 1.

The operating surplus was £2.026m, an improvement on the initial agreed budget of £0.476m. At the start of 2008/09, it was understood that it would be a difficult year financially. There were significant cost pressures taken into the year and the cost savings from the merger would not be available to support the University's surplus as they were required to assist in paying for the cost of the merger.

The improvement on budget is a result of the budget surplus being met together with little requirement for the provisions made within the budget. Student numbers were generally exceeded so there was only a small requirement for clawback of SFC funding. Only a small amount of the provision for in year pension costs and bad debts was required, with the bulk of the provision released to the surplus. There were increased one-off costs for the merger and for the FRS 17 pensions cost in-year, but these were covered by savings elsewhere.

Total income was £91.742m, of which £66.054m came from SFC grants. Excluding specific funding for the merger of £1.251m, total income was £90.491m.

The corresponding figures for 2007/08 were £95.395m total income of which £6.945m was additional funding for the merger with a net £88.450m of total funding.

Total expenditure was £89.716m and of this, staff costs amounted to £58.318m (65%).

The exceptional staff restructuring costs following merger were all included in the 2007/08 results.

The Balance Sheet has remained strong except for the impact of the increase in provision for pension liabilities. Fixed assets grew by £3m to £63.656m, the majority of that movement being capital work in progress on the University Campus in Ayr. Cash at bank increased by £10.1m to £27.821m and the reserves increased as a result of the surplus. However, as a result of FRS17 calculations, the pensions liability in the Balance Sheet has increased from £6.340m to £25.506m and this has reduced the Net Assets and Reserves of the University by £16.425m to (£0.431m).

The University's portfolio of Listed Investments in stocks and shares has been managed by Gerrard Limited, and at the year-end, the market value increased slightly from £0.721m in the previous year to £0.747m. In total, 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. In reviewing the performance of Gerrard Limited, reference has been made to the return on UK Government Securities and the FTSE All Share Indices. 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 2009. Details of this, including the underlying assumptions, are included in note 24 to the accounts. Following the revaluation, a charge has been made to the Income and Expenditure account of £0.183m for the unfunded pension liability and £0.646m as an additional charge for pension costs for the year.

The value of assets dropped by £5.656m (8%) and the liabilities increased by £13.510m (17%). The result of both the asset and liabilities moving in an unfavourable direction is that the net liability increased by £19.166m from a net liability of £6.340m in 2008 to £25.506m in 2009.

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 significantly diminish over the next few 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 Flow**

The cash balances increased in the year by £10.1m from £17.7m in 2008 to £27.8m in 2009 and the University continues to have no borrowings.

This substantial increase in the Cash at Bank balance means that the University has already nearly accumulated the necessary capital sum to meet the funding obligations for the new Ayr campus without any borrowing or requirements for funding from other sources.

### **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 £9.281m. The main areas of investment were the upfront costs for the Ayr Campus rebuild which are included in assets under construction, ICT projects as a result of merger 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 the 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 drop in interest rates, the University still achieved over £1m of investment income towards its surplus.

## **Underlying Financial Position Going Forward**

Although the reported surplus for 2008/09 is £2.026m, there were about £4m of merger related and other non-recurring costs the bulk of which will not be incurred in future years. There are though some additional pressures for the years 2009/10 onwards and the net result of this is that the underlying financial position for 2009/10 is a surplus in the region of £4m to £5m p.a. This is 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 coupled with new development.

The University is confident of this underlying financial position and believes that a surplus in the target range should be achieved for 2009/10 and 2010/11. Thereafter, however, the financial outlook is much tougher. Within the current Higher Education funding envelope, there are a number of areas that are being considered for change which could reduce the funding for the University. In addition to these changes internal to the Higher Education sector, there will be cuts to public sector funding in the medium term which may well have a negative impact on University funding. UWS is planning to ensure that it is in a position to withstand such additional pressures through cost reductions and developments to drive up additional income.

## **Current and Future Developments**

### **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 work on the construction 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 and for which no payment is required. The actual 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 the commencement of the academic year 2011/12. The University's current bank balance and short term cash flow forecasts show that its £33.2m contribution to this project will be available as required.

## Dumfries

The University has assumed responsibility for managing the higher education campus in Dumfries. Administrative staff transferred under TUPE from the University of Glasgow to UWS and UWS assumed responsibility for the estate effective from 1 August 2008. UWS has received funding from the SFC to cover a proportion of the relevant additional costs and is taking measures to constrain costs where possible.

## 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 will require a mix of new build and refurbishment. During 2008/09, following a full review of the options, the University decided that a third party option for building and operating the residences did not offer value for money and did not transfer sufficient risk. As a result, the University is pursuing its own self funded option to build 200 student units in Ayr to support the new campus and a new build/ refurbishment project in Paisley for a similar number of units. The cost of this initial phase is estimated at £18m and the University is preparing to put in place the borrowing facility required to support the development.

## Hamilton Campus

The main building on the Hamilton campus, the Almada building, is structurally sound but otherwise not suitable for modern day higher educational purposes. Work has commenced to consider options for the future.

## Other Projects

Over and above back log maintenance and statutory requirements, there are a number of smaller 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.

## **Long Term Cash Flows and Financing Requirements**

The University will fund its share of the Ayr Campus rebuild costs from cash balances. The student residences will be managed internally on a ring fenced basis and it is planned to borrow to meet future capital costs. Following these two projects, the University will dispose of surplus assets to support other development projects and long term cash flow forecasts have been prepared.

## **New Structures within the University**

During 2008, the University reviewed and reorganised the academic and administrative support structures. The University combined its academic Schools into three Faculties, restructured its student-facing services and formed an Executive Group responsible for delivery of the Strategic Plan 2008-2015. UWS has developed a balanced scorecard approach to monitor delivery of strategic plan targets supported by a range of Key Performance Indicators for each of the main themes in the plan:

- Student Experience
- Portfolio Review and Curriculum Development
- Research and Knowledge Transfer
- Estates and ICT Infrastructure
- Organisational Development
- Regional Impact
- Finance.



## **Principal Risks and Uncertainties**

The University has a well developed risk management strategy and procedures. The high level risks are reported on a monthly basis to the University Executive Group. 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.

Risks around merger and the Ayr campus rebuild have been largely over-come and the register has been up-dated accordingly.

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

- Student numbers
- Student progression and retention
- Key information systems
- Information to external parties
- Development of the Hamilton campus
- Higher Education funding regime
- University capacity and capability.

## **Student Progression and Curriculum**

All University programmes were redesigned for a revised academic credit structure and revalidated in 2007/08. In 2008/9 UWS commenced an extensive review of its academic programmes to ensure that they are relevant and of high quality. Student feedback is gathered and student achievement and progression is reported to the relevant University committees. 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.

Discussions with Further Education Colleges have continued and the University continues to strengthen articulation and local delivery arrangements. The University has continued its withdrawal from sub-degree qualifications. The timing of further withdrawal is conditional on agreement with Colleges to ensure that student flows are maintained and that regional access to Higher Education is safeguarded.

## **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. Action plans from the UWS race, gender and disability equality schemes are being implemented. An impact assessment process has been in place for new and revised policies and procedures since September 2007. 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 Rewards and Recognition Strategy, approved by Senate in July 2009, 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. 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 2008/2015 strategic plan and the development of local plans in all Schools and Departments to support the delivery of the strategic plan goals and targets.



## **Conclusion**

The University remains in a position of financial stability with a sound underlying surplus and Balance Sheet and good cash flows. It continues to strive to increase its reserves to underpin its academic strategy and capital programme. This sound financial performance and position is essential to enable the University to deliver the exciting, but stretching, objectives agreed in our Strategic Plan, and to meet the medium to longer term funding challenges. Key to achieving these objectives is the continuing commitment and effort of all staff of the University and the commitment and effort which has been very evident over 2008/09. The Court thanks all UWS staff for their continued support for the University.

Professor R T Beaty OBE  
Chairman of Court  
University of the West of Scotland  
PAISLEY PA1 2BE

8 December 2009

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 only provide reasonable and 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 2009 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 2009. 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. A 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 Court and Senate. 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.

Following a review of student related Committees in April 2008, Court agreed that the holistic student experience should sit with Senate. The Student Affairs Committee was therefore dissolved and a Student Experience Group established, reporting to Senate, to provide a forum to 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 senior staff who report directly to the Principal and of the Principal and Vice-Chancellor.

The Audit Committee meets at least three times per year, and in the year to 31 July 2009 met five times, with the University's external and internal auditors in attendance as appropriate. The Committee complies with the best practice guidance set out in the CUC handbook 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 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 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 2008 meeting, the Court carried out the annual assessment for the year ended 31st July 2009 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 2009.

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 in 2006 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.

Professor R T Beaty OBE, Chairman of the Court

Professor Seamus McDaid, Principal & Vice Chancellor

## MEMBERSHIP OF PRINCIPAL COMMITTEES OF COURT

### **Court Membership as at 31 July 2009**

#### **Chairman of Court**

Professor R T Beaty OBE

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, Hamilton  
Ms W Logan

#### **Appointed**

Ms M Allan OBE (retired September 2008)  
Mr R Blackburn

Member of Policy and Resources Committee  
Vice Chair of Court (Feb 2009), Chair of  
Policy & Resources Committee and member  
of Nominations Committee and Remuneration  
Committee

Dr I Bruce (retired July 2009)  
Councillor L Cameron (resigned April 2009)  
Mr B Clarke

Vice Chair of Court  
Member of Student Affairs Committee  
Member of Policy & Resources Committee  
and Remuneration Committee  
Member of Policy & Resources Committee

Ms E Connolly (appointed October 2008)  
Mr T Davison  
Mr A Haseeb  
Mrs C Mackie (appointed March 2009)  
Mrs E McCann

Member of Audit Committee

Mr J McDougall  
Mr G Peterkin  
Mr A J Smith (retired February 2009)

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

Professor C Suckling OBE  
Mr J Wardrop DL  
Mr N Walker DL  
Mr I Welsh

#### **Appointed by Senate**

Mrs E Kennedy  
Mr J Turner

Member of Policy & Resources Committee  
Member of Policy & Resources Committee

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

Mr J Robertson (January 2009)

Member of Policy & Resources Committee

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

Mr K Galbraith (April 2009)

## RESPONSIBILITIES OF THE UNIVERSITY'S COURT

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In accordance with the University of The West of Scotland Order of Council 2007, 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 2009 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 27. 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 2009, 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: *11 December* 2009

## 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 year 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. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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 2009

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
<b>INCOME</b>			
Funding Council Grants	1	66,054	64,565
Tuition Fees / Education Contracts	2	15,894	19,564
Research Grants and Contracts	3	2,576	2,566
Other Income	4	6,193	6,208
Investment Income	5	<u>1,025</u>	<u>2,492</u>
Total Income		<u>91,742</u>	<u>95,395</u>
<b>EXPENDITURE</b>			
Staff Costs	6	58,318	56,338
Exceptional Restructuring Cost	6	-	6,914
Other Operating Expenses	7	25,134	23,644
Depreciation	10	6,264	5,187
Interest Payable	8	<u>-</u>	<u>41</u>
Total Expenditure		<u>89,716</u>	<u>92,124</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost		2,026	3,271
Gain on Disposal of Fixed Assets		<u>-</u>	<u>306</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost, Disposal of Assets before and after Tax		<u>2,026</u>	<u>3,577</u>

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

There is no difference between the actual and historical cost surplus.

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 31 JULY 2009

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Surplus on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax		2,026	3,577
Unrealised Appreciation / (Depreciation) of Investments	11	26	(261)
Decrease in Income and Expenditure Account (restricted reserve)		-	(53)
Actuarial (Loss) / Gain in Pension Plan	24	<u>(18,477)</u>	<u>(7,990)</u>
Total Recognised (Losses) / Gain Relating to the Period		(16,425)	(4,727)
Prior year adjustment		<u>-</u>	<u>916</u>
		<u>(16,425)</u>	<u>(3,811)</u>
RECONCILIATION			
Opening Reserves		15,994	19,805
Total Recognised (Losses) / Gains Relating to Period		<u>(16,425)</u>	<u>(3,811)</u>
Closing Reserves		<u>(431)</u>	<u>15,994</u>



BALANCE SHEET YEAR ENDED 31 JULY 2009

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
<b>FIXED ASSETS</b>			
Tangible Assets	10	62,909	59,892
Investments	11	<u>747</u>	<u>721</u>
		<u>63,656</u>	<u>60,613</u>
<b>CURRENT ASSETS</b>			
Stock		25	36
Debtors	12	2,074	6,593
Cash at Bank and in Hand		<u>27,821</u>	<u>17,723</u>
		29,920	24,352
<b>CREDITORS</b>			
Amounts Falling Due Within One Year	13	<u>(13,518)</u>	<u>(16,046)</u>
Net Current Assets		16,402	8,306
Total Assets Less Current Liabilities		80,058	68,919
<b>CREDITORS</b>			
Amounts Falling Due After More Than One Year		-	-
Provisions for Liabilities and Charges	14	<u>(7,440)</u>	<u>(7,492)</u>
Net Assets Excluding Pension Liability		72,618	61,427
Pension Liabilities	24	<u>(25,506)</u>	<u>(6,340)</u>
Net Assets including Pension Liability		<u><u>47,112</u></u>	<u><u>55,087</u></u>

# BALANCE SHEET YEAR ENDED 31 JULY 2009

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
DEFERRED CAPITAL GRANTS	15	<u>47,543</u>	<u>39,093</u>
RESERVES			
Income and Expenditure Account excluding Pension Reserve	17	24,959	22,244
Pension Reserve	18	<u>(25,506)</u>	<u>(6,340)</u>
Income and Expenditure Account including Pension Reserve		(547)	15,904
Revaluation Reserve	16	<u>116</u>	<u>90</u>
Total Reserves		<u>( 431)</u>	<u>15,994</u>
Total Funds		<u><u>47,112</u></u>	<u><u>55,087</u></u>

The Financial Statements on pages 18 to 39 were approved by Court on 8 December 2009 and were signed on its behalf by:

Professor R T Beaty OBE, Chairman of the Court

Professor Seamus McDaid, Principal and Vice Chancellor

# CASH FLOW STATEMENT YEAR ENDED 31 JULY 2009

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Cash Inflow from Operating Activities	19	5,663	3,139
Returns on Investments and Servicing of Finance	20	986	1,179
Capital Expenditure and Financial Investment	21	3,449	1,970
Financing	22	-	(5,377)
Increase in Cash in the Year		<u>10,098</u>	<u>911</u>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Increase in Cash in the Year		10,098	911
Cash Outflow in Relation to Financing		-	5,377
Movement in Net Funds in the Year		10,098	6,288
Net Funds at 1 August	23	<u>17,723</u>	<u>11,435</u>
Net Funds at 31 July	23	<u>27,821</u>	<u>17,723</u>

**1. FUNDING COUNCIL GRANTS**

	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2008</u></b> <b>£000</b>
<b>Recurrent Grant from SFC</b>		
Teaching	59,236	53,774
Research	1,388	1,293
<b>Specific Grants from SFC</b>		
Greater Opportunities for Access and Learning with Schools (GOALS) and West of Scotland Wider Access Regional Forum (WoSWARF)	417	559
Strategic Change	-	6,334
Science Research Infrastructure	(3)	145
Crichton Campus Strategic Funding	819	-
Other Research	246	259
Collaborative Grants	228	90
Other	160	249
<b>Deferred Capital Grants Released in Year</b>		
Buildings	1,922	1,220
Equipment	<u>1,641</u>	<u>642</u>
	<u><u>66,054</u></u>	<u><u>64,565</u></u>

Other research and collaborative grants have been shown separately under Specific Grants. In last year's Financial Statements these Grants were included under Other. The prior year figures have been adjusted to show these separately.

**2. TUITION FEES AND EDUCATION CONTRACT**

	<b><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2008</u></b> <b>£000</b>
Full Time Students – Home and EU	9,725	8,870
Full Time Students – Overseas	2,100	2,333
Part Time Fees	2,772	2,877
Short Course Fees	<u>332</u>	<u>775</u>
Total Fees Paid by or on Behalf of Individual Students	14,924	14,855
Nursing Education Contract	<u>965</u>	<u>4,709</u>
	<u><u>15,894</u></u>	<u><u>19,564</u></u>

### 3. RESEARCH GRANTS AND CONTRACTS

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Research Council	671	545
European Commission	197	319
UK Based Charities	210	143
Other Grants Contracts	1,252	1,278
Releases from Deferred Capital Grants	<u>246</u>	<u>281</u>
	<u><b>2,576</b></u>	<u><b>2,566</b></u>

### 4. OTHER INCOME

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Residences, Catering and Conferences	3,060	2,951
Other Services Rendered	1,901	2,455
Released from Deferred Capital Grants	471	223
Other Income	<u>761</u>	<u>579</u>
	<u><b>6,193</b></u>	<u><b>6,208</b></u>

### 5. INVESTMENT INCOME

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Interest Receivable – Short Term Deposits	277	663
Interest Receivable – Other	709	557
Dividends Receivable	36	35
Net return on Pension Scheme Liability	<u>3</u>	<u>1,237</u>
	<u><b>1,025</b></u>	<u><b>2,492</b></u>

**6. STAFF COSTS**

	<b>Year Ended 31 July 2009</b>	<b>Restated Year Ended 31 July 2008</b>
Average Staff Numbers by Major Category:	<b>Number</b>	<b>Number</b>
Academic	603	619
Technical	73	88
Administrative	221	243
Other, Including Clerical and Manual	<u>621</u>	<u>567</u>
	<u>1,518</u>	<u>1,517</u>

The staff number in last year's Financial Statement was 1,633. The Hamilton campus staff numbers were overstated by 116 and the prior year numbers have been restated to the correct figure of 1,517.

**Staff Costs for the Above**

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	47,397	45,831
Social Security Costs	3,834	3,618
Pension Costs (note 24)	<u>7,087</u>	<u>6,889</u>
	<u>58,318</u>	<u>56,338</u>
Exceptional Restructuring Cost	<u>-</u>	<u>6,914</u>

There are no exceptional restructuring costs in the current year. Last year's costs related to a voluntary severance and voluntary early retirement scheme. The scheme was approved by the institution's Remuneration Committee and Court.

Emoluments of Vice Chancellor	<u>205</u>	<u>190</u>
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The emoluments of the Vice Chancellor exclude employer's pension contributions of £28,660 (2007/08 £25,650).

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

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>Number</b>	<b>Number</b>
£70,000 - £79,999	3	6
£80,000 - £89,999	4	-
£90,000 - £99,999	-	1
£100,000- £110,000	-	-
£110,000- £120,000	1	-

# 7. OTHER OPERATING EXPENSES

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Repairs and General Maintenance	2,060	2,043
Utilities and Insurance	3,976	3,116
Unfunded Pension Provision Uplift	183	338
General Running Costs	5,119	4,474
Professional Fees	2,639	2,553
Books, Periodicals and Subscriptions	1,849	1,759
Residences, Catering and Conferences	2,455	1,801
Travel, Fellowships and Scholarships	1,296	1,159
Grant to Student Union	700	620
Fee Waivers and Discounts	1,351	1,466
SFC Specific Grants	1,976	2,982
Research Grant Expenses	1,530	1,333
	<u>25,134</u>	<u>23,644</u>

Other Operating Expenses Include:

Auditors' Remuneration: External Audit - Audit Services	55	53
External Audit - Non Audit Services	20	-

All Internal Audit Services are now In-house.

# 8. INTEREST PAYABLE

	Year Ended 31 July 2009	Year Ended 31 July 2008
On Bank Loans Repaid During the Year.	<u>-</u>	<u>41</u>



# 9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2008/2009	Staff and Restructuring Costs £000	Other Operating Expenses £000	Depreciation £000	Interest Payable £000	Total £000
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	649	541	-	-	1,190
Total Expenditure	<u>58,318</u>	<u>25,134</u>	<u>6,264</u>	<u>-</u>	<u>89,716</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 15)	4,280
General Income	<u>1,984</u>
	<u>6,264</u>

2007/2008	Staff and Restructuring Costs £000	Other Operating Expenses £000	Depreciation £000	Interest Payable £000	Total £000
Academic Departments	37,494	4,018	417	-	41,929
Academic Services	7,998	2,815	1,277	-	12,090
Research Grants and Contracts	3,144	1,554	281	-	4,979
Residences, Catering and Conferences	833	1,801	256	-	2,890
Premises	3,142	3,598	2,449	-	9,189
Administration	7,450	8,592	441	-	16,484
Other Services Rendered	1,644	1,256	66	-	2,966
Other Expenses	1,547	10	-	41	1,597
Total Expenditure	<u>63,252</u>	<u>23,644</u>	<u>5,187</u>	<u>41</u>	<u>92,124</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 15)	2,366
General Income	<u>2,821</u>
	<u>5,187</u>

**10. 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 2008	10,430	63,598	2,348	36,578	112,954
Additions	<u>26</u>	<u>2,460</u>	<u>2,084</u>	<u>4,711</u>	<u>9,281</u>
At 31 July 2009	<u>10,456</u>	<u>66,058</u>	<u>4,432</u>	<u>41,289</u>	<u>122,235</u>
<b>Depreciation</b>					
At 1 August 2008	3,076	17,317	-	32,669	53,062
Charge for Year	205	3,198	-	2,861	6,264
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July 2009	<u>3,281</u>	<u>20,515</u>	<u>-</u>	<u>35,530</u>	<u>59,326</u>
<b>Net Book Value</b>					
At 31 July 2008	<u>7,354</u>	<u>46,281</u>	<u>2,348</u>	<u>3,909</u>	<u>59,892</u>
At 1 August 2009	<u>7,175</u>	<u>45,543</u>	<u>4,432</u>	<u>5,759</u>	<u>62,909</u>

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.

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
<b>Cost</b>	3,532	3,532
<b>Accumulated Depreciation</b>	<u>(920)</u>	<u>(790)</u>
	<u>2,612</u>	<u>2,742</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 comprises costs incurred on the new development of University Campus Ayr.

# 11. INVESTMENTS

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Balance of Listed Investments at 1 August 2008	721	982
Appreciation/(Depreciation) on Revaluation	26	(261)
Balance of Listed Investments at 31 July 2009	747	721

# 12. DEBTORS

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Amounts Falling Due Within One Year:		
Trade Debtors	823	1,439
Other Debtors	12	35
Prepayments and Accrued Income	1,233	5,116
Intercompany	6	3
	2,074	6,593

# 13. CREDITORS

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Amounts Falling Due Within One Year:		
Trade Creditors	709	1,093
Other Creditors and Deposits	680	890
Social Security and Other Taxation Payable	1,299	1,230
Accruals and Deferred Income	9,375	12,833
Merger Loan - SFC	1,455	-
	13,518	16,046

A loan of £1.455m was received in July 2009 from the Scottish Funding Council to fund the merger between the former University of Paisley and Bell College. This will be fully repaid by 31 July 2010.

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

The university has an obligation in respect of former employees who had 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 2009, provision has been made for the element of the SFC main grant for 2008/09 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 2008	7,492	-	7,492
Utilised in Years	(430)	-	(430)
Transfer from Income and Expenditure Account for former employees	172	-	172
Transfer from Income and Expenditure Account for employees who transferred in 1996	10	-	10
Transfer from Income and Expenditure Account Transferred from accrued charges	-	27	27
	<u>169</u>	<u>-</u>	<u>169</u>
At 31 July 2009	<u>7,413</u>	<u>27</u>	<u>7,440</u>

# 15. DEFERRED CAPITAL GRANTS

	<b>Funding Council £000</b>	<b>Other Grants and Benefactions £000</b>	<b>Total £000</b>
At 1 August 2008			
Buildings	22,494	13,466	35,960
Equipment	<u>2,912</u>	<u>221</u>	<u>3,133</u>
Total	<u>25,406</u>	<u>13,687</u>	<u>39,093</u>
Cash Received			
Buildings	9,473	-	9,473
Equipment	<u>2,966</u>	<u>291</u>	<u>3,257</u>
Total	<u>12,439</u>	<u>291</u>	<u>12,730</u>
Released to Income and Expenditure			
Buildings	1,922	457	2,379
Equipment	<u>1,641</u>	<u>260</u>	<u>1,901</u>
Total	<u>3,563</u>	<u>717</u>	<u>4,280</u>
At 31 July 2009			
Buildings	30,045	13,009	43,054
Equipment	<u>4,237</u>	<u>252</u>	<u>4,489</u>
Total	<u>34,282</u>	<u>13,261</u>	<u>47,543</u>

# 16. REVALUATION RESERVE

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Revaluations		
At 1 August 2008	90	350
(Depreciation) / Appreciation of Investments in Year	<u>26</u>	<u>(260)</u>
At 31 July 2009	<u>116</u>	<u>90</u>

**17. INCOME AND EXPENDITURE ACCOUNT RESERVES**

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Income and Expenditure Account Reserve		
Balance at 1 August 2008	22,244	18,709
Surplus after Depreciation of Assets at Cost and Tax	2,026	3,577
Transfer (to) / from Pension Reserve	689	12
Transfer Restricted Reserve to Other Creditors	<u>-</u>	<u>(54)</u>
At 31 July 2009	<u>24,959</u>	<u>22,244</u>

**18. PENSION RESERVE**

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Pensions at 1 August 2008	(6,340)	1,662
Actuarial Gain / (Loss) on Pension Scheme Liability	(18,477)	(7,990)
Transfer (To) / From Income and Expenditure Account	<u>(689)</u>	<u>(12)</u>
At 31 July 2009	<u>(25,506)</u>	<u>(6,340)</u>

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

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
	<b>Note</b>	
Operating Surplus before Tax	2,026	3,577
Exchange Gain	(69)	-
Gain on Disposal of Fixed Assets	-	(306)
Pension costs less contributions payable	689	(71)
Depreciation	10 6,264	5,187
Released Deferred Capital Grants	15 (4,280)	(2,365)
Interest Paid	-	41
Interest Received	(986)	(1,220)
(Increase) in Stocks	-	(6)
Decrease/(Increase) in Debtors	4,521	(4,303)
(Decrease)/Increase in Creditors	(2,529)	3,081
Increase/(Decrease) in Provisions	<u>27</u>	<u>(476)</u>
Net Cash Inflow from Operating Activities	<u>5,663</u>	<u>3,139</u>

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

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Other Interest Received	986	1,220
Interest Paid	-	(41)
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u>986</u>	<u>1,179</u>

**21. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS**

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Proceeds from Sale of Fixed Assets	-	449
Purchase of Tangible Fixed Assets	(9,281)	(10,024)
Deferred Capital Grants Received	<u>12,730</u>	<u>11,545</u>
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>3,449</u>	<u>1,970</u>

**22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Debt Due within a Year:		
Repayments of Amounts Borrowed	-	(4,878)
Debt Due after a Year:		
Repayments of Amounts Borrowed	<u>-</u>	<u>(499)</u>
Net Cash (Outflow) from Financing	<u>-</u>	<u>(5,377)</u>

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

	<b>At 1 August 2008 £000</b>	<b>Cash Flows £000</b>	<b>At 31 July 2009 £000</b>
Cash at Bank and in Hand	<u>17,723</u>	<u>10,098</u>	<u>27,821</u>



## 24. PENSION SCHEMES

The University participates in three multi-employer defined benefits schemes. The two principal pension schemes for 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><u>Year Ended</u></b> <b><u>31 July 2009</u></b> <b>£000</b>	<b><u>Year Ended</u></b> <b><u>31 July 2008</u></b> <b>£000</b>
SPF Contributions Paid & FRS17 Adjustments	3,604	3,511
STSS Contributions Paid	3,470	3,370
USS Contributions Paid	<u>13</u>	<u>8</u>
Total	<u><u>7,087</u></u>	<u><u>6,889</u></u>

### STRATHCLYDE PENSION FUND

The Strathclyde Pension Fund (SPF) provides benefits based on final pensionable salary for employees of local government and some other institutions. It is now possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if they were a defined benefit scheme.

#### a) Charge to the income and expenditure account

The last triennial valuation undertaken was at 31 March 2008. The employer's contribution rate payable on members' pensionable salaries was 16.8% until 31 March 2009 and 17.3% from April 2009.

The pension costs for the University for the year ended 31 July 2009 was £3.604m (2008 £3.511m). This is comprised of contributions paid of £2.955m (£2008 £2.712m) and FRS17 adjustment of £0.649m (2008 £0.799m).

#### b) Net pension liability

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 £0.649m (2008 - £0.438m) and the reserves have decreased by £25.506m (2008 £6.340m).

The pension costs are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The assumptions used by the scheme actuary to undertake a valuation under FRS17 as at 31 July 2009 were as follows:

# NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 2009

## Financial Assumptions

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>%</b>	<b>%</b>
Pension Increase	3.7	3.8
Salary Increase Rate	5.2	5.3
Expected Return on Assets	6.8	7.2
Discounted Rate	6.0	6.6

## Mortality Assumptions

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

	<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 scheme and the expected rate of return by category were:

	<b>Year Ended 31 July 2009</b>		<b>Year Ended 31 July 2008</b>	
	<u>Long Term Rate of Return</u>	<u>Value</u>	<u>Long Term Rate of Return</u>	<u>Value</u>
	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>
Equities	7.3	51,171	7.8	52,389
Bonds	5.3	10,100	5.6	10,944
Property	5.3	4,713	5.7	6,506
Cash	4.3	1,347	4.8	3,148
		<u>67,331</u>		<u>72,987</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS17:

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
Fair Value of Employer Assets	67,331	72,987
Present Value of Funded Obligations	(88,945)	(76,173)
Present Value of Unfunded Obligations	<u>(3,892)</u>	<u>(3,154)</u>
Net asset / (Liability)	<u>(25,506)</u>	<u>(6,340)</u>

## 24. PENSION SCHEMES - continued

The total movement in the surplus / (deficit) in the year is made up as follows:

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
<b>Surplus / (Deficit) in the Scheme at Beginning of Year</b>	(6,340)	1,662
<b>Movement in Year:</b>		
Current Service Costs	(2,765)	(3,037)
Employer Contributions	3,056	2,768
Unfunded contributions	267	296
Past Service Costs	(1,162)	(838)
Interest Costs	(5,320)	(4,477)
Net Return on Assets	5,323	5,714
Actuarial Gains / (Losses)	(18,477)	(7,990)
Gains / (Losses) on Curtailment	(88)	(438)
<b>Surplus / (Deficit) in the Scheme at End of Year</b>	<b>(25,506)</b>	<b>(6,340)</b>

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of the Movement in the Fair Value of Scheme Assets</b>		
Opening Balance	72,987	76,907
Expected Return on Assets	5,323	5,714
Contributions by Members	1,096	993
Contributions by Employer	3,056	2,768
Contributions in Respect of Unfunded Benefits	267	296
Actuarial Gains / (Losses)	(12,996)	(12,437)
Unfunded Benefits Paid	(267)	(296)
Benefits Paid	(2,135)	(958)
<b>Closing Balance</b>	<b>67,331</b>	<b>72,987</b>

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of the Movement in the Present Value of Scheme Obligations</b>		
Opening Balance	79,327	75,245
Current Service Cost	2,765	3,037
Interest Cost	5,320	4,477
Contributions by Members	1,096	993
Actuarial Gains / (Losses)	5,481	(4,447)
Past Service Costs / (Gains)	1,162	838
Losses / (Gains) on Curtailments	88	438
Estimated Unfunded Benefits Paid	(267)	(296)
Estimated Benefits Paid	(2,135)	(958)
<b>Closing Balance</b>	<b>92,837</b>	<b>79,327</b>
<b>Net Pension Asset / (Liability)</b>	<b>(25,506)</b>	<b>(6,340)</b>

## 24. PENSION SCHEMES – continued

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
<b>Analysis of Amounts Charged to Income and Expenditure Account</b>		
Analysis of Amount Charged to Staff Costs Within Operating Surplus:		
Current Service Cost	2,765	3,037
Past Service Cost / (Gain)	1,162	838
Losses / (Gains) on Curtailments and Settlements	88	438
	<u>4,015</u>	<u>4,313</u>
Analysis of Amounts Credited to Investment Income:		
Interest Cost	(5,320)	(4,477)
Expected Return on Employee Assets	5,323	5,714
	<u>3</u>	<u>1,237</u>
	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
<b>Analysis of Amounts Recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>		
Actuarial (Losses) / Gains	<u>(18,477)</u>	<u>(7,990)</u>
<b>History of Experienced Gains and Losses</b>	<b>31 July 2009 £000</b>	<b>31 July 2008 £000</b>
Difference between the Expected and Actual Return on Scheme Assets:		
Amount	(12,996)	(12,437)
Percentage of Scheme Assets	(19.3%)	(17.0%)
Experience Gains / (Losses) Arising on Scheme Assets:		
Amount	4,916	69
Percentage of Scheme Assets	7.3%	0.1%
Actuarial Gains / (Losses) Recognised in Statement of Total Recognised Gains and Losses:		
Amount	(18,477)	(7,990)
Percentage of Present Value of Scheme Assets / (Liabilities)	(27.5%)	(10.1%)

## 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 13.5% of members' salaries and up to 31 March 2009 and 14.9% from April 2009. The pension costs to the University in respect of STSS for the year ended 31 July 2009 were £3.470m (2008 £3.370m). 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, 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 2009 was £13k (2008: £8k). The contribution rate payable by the institution was 14% of pensionable salaries.

## 25. CAPITAL COMMITMENTS

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
Commitments Contracted at 31 July 2009	<u>4,374</u>	<u>2,086</u>

## 26. 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.

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

	<b>Year Ended 31 July 2009 £000</b>		<b>Year Ended 31 July 2008 £000</b>	
	<b>CF</b>	<b>DF</b>	<b>CF</b>	<b>DF</b>
Funds Brought Forward from Previous Year	33	55	19	51
Funds Received in Year	384	694	366	562
Expenditure	(229)	(947)	(176)	(673)
Virements	(185)	185	(171)	171
Clawback	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(56)</u>
Funds Carried Forward as at 31 July 2009	<u><u>3</u></u>	<u><u>(13)</u></u>	<u><u>33</u></u>	<u><u>55</u></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  
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2. **Lawyers**  
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4. **Bank**  
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## REPORT AND FINANCIAL STATEMENTS - FOR THE YEAR ENDED 31 July 2009

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

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The accounts can also be accessed via our website:

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