

# annual accounts 06/07

# Contents

Financial highlights .....	3
Board of Governors.....	4
Finance and Resources Committee.....	4
Audit Committee .....	4
Remuneration Committee .....	5
Employment Committee .....	5
Nominations Committee .....	5
Senior Management Team.....	5
Advisors.....	5
Report of the Board of Governors for the year ended 31 July 2007 incorporating the Corporate Governance Statement .....	6
Independent auditors' report.....	14
Statement of principal accounting policies and estimation techniques.....	15
Consolidated income and expenditure account for the year ended 31 July 2007.....	17
Note of historical cost surpluses and deficits .....	18
Statement of consolidated total recognised gains and losses.....	18
Consolidated balance sheet as at 31 July 2007 .....	19
Corporation balance sheet as at 31 July 2007 .....	20
Consolidated cash flow statement .....	21
Notes to the financial statements.....	22

# Financial highlights

## Results

During the year to 31 July 2007 (2006 figures in brackets) the University group:

- generated turnover of £133.6 million (£124.7 million)
- generated an operating surplus of £4.1 million (£3.1 million)
- generated a historical cost surplus of £6.1 million (£4.3 million)
- increased income by £8.9 million, or 7% (£7.9 million)
- increased expenditure by £7.3 million, or 6% (£3.2 million)
- generated a net inflow of cash from operating activities of £16.7 million (£12.4 million).

## Financial strength

At the balance sheet date the University group had:

- cash and short-term deposits of £20.6 million (£14.1 million)
- net current assets of £4.4 million (£1.3 million)
- total net assets of £85.5 million (£68.5 million).

## Investments and borrowings

During the year the University group:

- invested £13.8 million in tangible fixed assets (£11.0 million).

## Staff and students

During the year the University group:

- employed 2,649 members of staff (2,703)
- taught, directly or through collaborative provision and distance learning, higher education students, analysed as follows:

	Full-time	Other	2006-07 Total	2005-06 Total	Increase / (Decrease)
<b>Home/EU</b>					
Undergraduate	9,704	2,664	12,368	12,327	0%
Postgraduate	1,152	2,934	4,086	4,037	1%
<b>International</b>					
Undergraduate	1,107	172	1,279	1,384	(8)%
Postgraduate	730	305	1,035	979	6%
<b>2006-07 Total HE students</b>	<b>12,693</b>	<b>6,075</b>	<b>18,768</b>	<b>18,727</b>	<b>0%</b>
<b>2005-06 Totals</b>	<b>12,955</b>	<b>5,772</b>	<b>18,727</b>		
<b>Increase / (Decrease)</b>	<b>(2)%</b>	<b>5%</b>	<b>0%</b>		

# Board of Governors

---

After the year-end Professor Graham Upton retired from the post of Vice-Chancellor and was succeeded by Professor Janet Beer who took up the positions on the Board and Committees vacated by the previous Vice-Chancellor. The membership of the Board for the year ended 31 July 2007 was as follows:

## Independent Members

<b>Lorna Beckford</b>	International Diversity Consultant
<b>Geoff Donnelly</b>	Various directorships and self-employed management consultant
<b>Jill Judson</b>	Headteacher, Cherwell School
<b>David Laskow-Pooley</b>	Chief Executive Officer, Surface Therapeutics Ltd
<b>Glen McFarlane</b>	Chief Executive of Angell Security & Surveillance Ltd
<b>Susan Purves</b>	Retired Vice President, Human Resources, Astra Zeneca Limited
<b>Tim Stevenson</b> (Chair)	Chairman of Travis Perkins plc and Chairman of Morgan Crucible plc
<b>Alan White</b> (from January 2007)	Director of Lenborough Consultants
<b>Martin Wilkinson</b>	Self-employed financial and management consultant

## Co-opted Members

<b>Ann Black</b> (to January 2007)	Elected representative of the non-teaching staff Senior analyst/programmer, Directorate of Learning Resources
<b>Jock Coats</b> (from January 2007)	Elected representative of the non-teaching staff Office Systems Analyst, Oxford Brookes University
<b>Tim Field</b>	President of Students' Union
<b>Shereen Karmali</b>	Director of Fahamu
<b>Angie Pears</b> (from January 2007)	Elected representative of the teaching staff Senior Lecturer in Religion, Theology and Culture, Oxford Brookes University
<b>Robert Langridge</b> (to January 2007)	Elected representative of the teaching staff Senior Lecturer in Economics within the Planning Department, School of Built Environment
<b>Frances Young</b>	Chair of the Westminster Trust and Retired Professor of University of Birmingham

## Ex-officio Member

<b>Professor Graham Upton</b>	Vice-Chancellor, Oxford Brookes University
-------------------------------	--

# Finance and Resources Committee

---

<b>Jill Judson</b> (from June 2007)	Governor
<b>David Laskow-Pooley</b>	Governor
<b>Tim Stevenson</b>	Governor
<b>Alan White</b> (from February 2007)	Governor
<b>Martin Wilkinson</b> (Chair)	Governor

# Audit Committee

---

<b>Alyson Coates</b> (from November 2006)	Non-Executive Director, NHS South Central
<b>Stephen Dexter</b>	Retired partner, Grant Thornton
<b>Geoff Donnelly</b> (Chair)	Governor
<b>Shereen Karmali</b>	Governor
<b>Robert Kirtland</b> (from May 2007)	Partner, Critchleys Chartered Accountants, Oxford
<b>Robert Langridge</b> (to November 2006)	Governor
<b>Glen McFarlane</b>	Governor
<b>Angie Pears</b> (from November 2006)	Governor
<b>Rebecca Scott</b>	Accountant, Mazars

## Remuneration Committee

---

<b>Susan Purves</b>	Governor
<b>Tim Stevenson</b> (Chair)	Governor
<b>Professor Graham Upton</b>	Vice-Chancellor and Governor
<b>Frances Young</b>	Governor

## Employment Committee

---

<b>Lorna Beckford</b>	Governor
<b>Shereen Karmali</b>	Governor
<b>Angie Pears</b> (from January 2007)	Governor
<b>Susan Purves</b> (Chair)	Governor
<b>Tim Stevenson</b>	Governor
<b>Martin Wilkinson</b>	Governor

## Nominations Committee

---

<b>Lorna Beckford</b>	Governor
<b>Ann Black</b> (to January 2007)	Governor
<b>Jock Coats</b> (from January 2007)	Governor
<b>Jill Judson</b>	Governor
<b>Tim Stevenson</b> (Chair)	Governor
<b>Professor Graham Upton</b>	Governor
<b>Dr Petra Wend</b>	Senior Management Team

## Senior Management Team

---

<b>Professor Graham Upton</b>	Vice-Chancellor
<b>Dr Petra Wend</b>	Deputy Vice-Chancellor, Academic
<b>Rex Knight</b>	Deputy Vice-Chancellor and Registrar
<b>Professor Diana Woodhouse</b>	Pro Vice-Chancellor, Research
<b>Professor John Raftery</b>	Pro Vice-Chancellor, External Affairs

## Advisors

---

<b>Bankers</b>	<b>Barclays Bank plc</b> Oxford Corporate Banking Centre PO Box 858 11 West Way Oxford OX2 0XP		
<b>Registered Auditors</b>	<b>Tenon Audit Limited</b> Clifton House Bunnian Place Basingstoke Hampshire RG21 7JE	<b>Internal Auditors</b>	<b>KPMG</b> 2 Cornwall Street Birmingham B3 2DL

# Report of the Board of Governors for the year ended 31 July 2007

---

## Scope and period of accounts

The Board of Governors of Oxford Brookes University presents its results, including the results of its subsidiaries and associated companies, for the year ended 31 July 2007.

## Strategic and operational review

The University operates within the strategy developed and approved by the Board.

The University's **mission** is *to contribute to the intellectual, social and economic development of the communities it serves through teaching, research and enterprise of the highest standards.*

Oxford Brookes' mission is expressed through three **aims**: *that by serving regional, national and international communities, the University will be by 2010:*

1. *a premier learning and teaching institution that is student centred*
2. *a research community that equally values research and knowledge transfer*
3. *a responsive higher education partner playing a leading role in the socio-economic development of our regional community.*

The University upholds the following **values**:

1. *excellence – delivering the highest standards and rewarding excellence*
2. *innovation – developing and incorporating new ideas and ways of operating*
3. *enterprise – being resourceful and nurturing talent*
4. *equality – promoting inclusivity and valuing diversity*
5. *social responsibility – ensuring the understanding and care of people and stewardship of environmental and public resources.*

The University's mission and three aims are underpinned by eight **objectives**:

1. *to deliver a distinctive and sustainable academic portfolio of the highest quality*
2. *to develop research excellence in all academic schools*
3. *to increase the range and volume of knowledge transfer from the University's research activities and expertise*
4. *to secure a leading role in the social, economic and cultural development of our region*
5. *to increase the diversity of the student body to represent a wider range of backgrounds, cultures and countries*
6. *to develop the quality and increase the diversity of staff*
7. *to be financially self-sustaining*
8. *to increase the quality and effective use of the University facilities.*

The University's specific targets in relation to the eight objectives are set out annually in 31 key performance indicators (KPIs) against which targets or aspirations are set, and 24 monitoring indicators. The University's Executive Board and Board of Governors monitor achievements in relation to the KPIs. Achievements against target are assessed by the use of a 'traffic light' system. In 2006–07, 21 KPIs were rated green (on target), six KPIs were rated amber (significant risk that the KPI might not be achieved) and four KPIs were rated as red (KPI unlikely to be achieved).

The University is implementing actions to improve performance on its KPIs by:

- improving the flow of information between the University and its franchise partners to ensure that earlier action can be taken if any part of the franchise looks to be under-recruiting in future years
- taking action to improve recruitment of international students both for the short and medium term, including enhancing significantly its international marketing. The University remains a very significant recruiter of international students and its future plans are reliant on this remaining the case, although significant increases in international student numbers do not form part of the plans
- using the Widening Participation Steering Group, which identifies and promotes the changes needed to achieve its objectives for widening participation
- improving the condition of the estate, which depends upon the delivery of major new build projects to meet the objective.

Six KPIs relate directly to the University's financial performance: of these, four were rated green and two were rated amber at the beginning of 2006–07. By the end of the year one amber KPI had been reassessed as green.

**Objective 7: To be financially self-sustaining**

	2005	2006	2007	Status 2005	Status 2006	Status 2007
Achieve £2 million historical cost surplus	£2.9m <sup>1</sup>	£4.3m	£6.1m	Green	Green	Green
Contain staff costs below 65% income and aim for 60% <sup>2</sup>	65.2%	65.2%	62.5%	Amber	Amber	Amber
Generate at least £3.5 million cash each year	£4.7m	£9.1m	£13.8 m	Green	Green	Green
Generate at least £12 million from asset sales by 2010	Now achieved in full			Green	Green	Green
Maintain net current assets and aim for 1 : 1.25	1 : 0.87	1 : 1.06	1: 1.17	Red	Amber	Green
Cash cover for loan repayments at least 1.3	2.2	3.3	4.4	Green	Green	Green

Notes:

1. Prior to the full adoption of FRS 17.
2. The definition of staff costs and income used here excludes Residences, Catering and Conferences.

**Financial review**

At the beginning of 2006–07 the University was hit by the financial turbulence within the NHS education and training budgets. As the NHS nationally sought to make sure that it eliminated its in-year deficits, it was acknowledged at the highest levels that cutting education and training budgets was a soft area for reductions, as reduced nurse training, for example, has no immediate consequences for patient care, with the negative effects unlikely to be felt for three years. Like many other training providers the University was faced with reductions in the number of funded students with little notice, and also faced significant reductions in the funding per student. In real terms funding fell by over £500,000 in 2006–07 and further significant falls were indicated for subsequent years. The School of Health and Social Care immediately undertook a review of structures, staffing needs and programmes. With the co-operation of the recognised trade unions and the aid of a voluntary severance scheme, the School was able to bring costs into line with future income expectations.

Recruitment of undergraduate students from the UK/EU remains buoyant and easily exceeded funding body targets. During the year the new variable fees regime came into operation for new full-time undergraduate students. The University, in accordance with its agreement with the Office for Fair Access, opted to charge £3,000 for all courses, except those provided through franchise partnerships, foundation year courses in science and technology and for study abroad and work placement – franchise partnerships and foundation year courses to help us maintain and widen participation and study abroad and work placement to encourage an international perspective and promote valuable work experience. The changes in the fees regime generated around £4 million additional income in the year. The University was pleased to be able not only to introduce an income-related bursary scheme which distributed £890,000 to more than 760 students – over 85% of whom received the maximum £1,200 award – but also to increase the funds available to alleviate in-year student hardship and provide additional grant to the Students' Union to increase the level of staffing for financial counselling.

The international student markets remained highly competitive but the University continued to maintain its income from these sources and invested heavily in marketing and recruitment activity to achieve its aspirations for 2007–08. The University views the postgraduate market (within the EU and internationally) as the key area for development and growth over the next five years and is reviewing and refreshing its offer to achieve its potential.

The Board considers the performance for the year compared to the original budget to be highly satisfactory. The key financial target for the University's core accounts (£2 million surplus) was achieved and a significant additional surplus was generated by devolved budget centres. Under the University's scheme of delegation these funds can be spent by the budget centre generating them, after meeting certain conditions.

	2007 Budget	2007 Actual	Variance
	£000	£000	£000
Income	136,838	133,625	(3,212)
Expenditure	136,288	128,952	7,336
Operating surplus	550	4,129	3,579
Historical cost surplus	1,503	6,129	4,626

The historical cost surplus is the largest made by the University since its incorporation as an independent body in 1989 and, we believe, places it towards the upper quartile of higher education institutions for financial performance. The good performance of the local government pension scheme saw our portion of the pension deficit fall by over £7 million and helped increase our total net assets by £17 million in the year.

## Financial performance in 2006–07 compared to previous years

The University's performance in 2006–07 is also considered highly satisfactory when compared to performance in previous years and continues the strengthening trend of recent years:

	2007	2006	2005	2004	2003
	£000	£000	£000	£000	£000
Income	133,625	124,711	116,787	111,059	98,849
Expenditure	128,952	121,660	118,469	110,623	99,985
Operating surplus/(deficit)	4,129	3,051	(1,682)	436	(1,136)
Exceptional gain/(loss) on the sale of assets	-	279	921	1,926	377
Historical cost surplus/(deficit)	6,129	4,299	1,212	4,615	354

The University's income grew by seven per cent in the year and costs increased by five per cent. The new fees regime and bursary system accounted for close to half of the increase in income and nearly 20% of the increase in costs.

Overall:

- There was an encouraging increase in income from Funding Councils.
- Academic fees and support grants showed remarkable resilience given the difficulties experienced in the international markets and at home with NHS contracts – but of course they were assisted by the new fees regime.
- Disappointingly the value of research grants and contracts work completed in the year fell sharply despite the value of work won continuing to increase. This is probably a reflection of the concentration on the research assessment exercise submission. Activity is expected to increase sharply in 2007–08.
- Residences, catering and conferences showed four per cent growth.
- Despite the strong upward pressure on pay costs due to the introduction of the single framework agreement and the 2006 pay award, the increase in staffing costs was restricted to 3.3% due to the overall reduction in staffing and the lower level of FRS 17 pension provision required.
- Other operating expenses increased by less than five per cent if the impact of the new bursary scheme is excluded.

During the year the University identified the need to raise a further £32.5 million in loan financing to support the investment in student halls of residence. As part of that process we considered the benefits that could be realised from refinancing some or all of the current bank loans. In October 2007 this process concluded with the University entering into a £32.5 million five-year revolving credit facility convertible to a 30-year term loan at the end of that period, and refinanced all current bank loans over a 30-year term, on a range of fixed interest rate arrangements linked to the thirty year fixed cost of funds, with about 15% of loans linked to movements in the retail price index. It is anticipated that in the first year of the new loans the University's interest charges for bank loans will fall to about £2.2 million compared to over £2.6 million in 2007.

## Financial outlook for 2007–08 and beyond

The Board is determined to ensure that the University achieves the level of financial performance necessary to ensure that it can fund the planned level of investment in the estate, infrastructure and human capital of the University. We believe that the expected level of performance is adequate to achieve the level of investment that will class the University as truly financially self-sustaining. The Board, staff, students and other stakeholders can look forward to an exciting period of investment, development and achievement. The University faces the future with enthusiasm and confidence.

The forecasts submitted to the Higher Education Funding Council for England (HEFCE) in July 2007 identified planned future performance as follows:

	2008	2009	2010	2011
	£000	£000	£000	£000
Income	147,181	149,178	151,487	154,686
Expenditure	144,422	145,376	149,428	153,398
Operating surplus	2,759	3,802	2,059	1,288
Historical cost surplus	3,712	4,755	3,012	2,241

## Risk

The University's strategic risk management process continues to provide effective systems for the identification of the major strategic and financial risks facing the University. During 2006–07 the University's Executive Board and Board of Governors proactively managed the three highest level strategic risks, whilst other risks continued to be managed as part of the established management arrangements.

The key financial risks which materialised in the year had been identified in the financial risk and contingency workshop in May 2006. No significant risks materialised that had not been identified through the risk management process.

## Capital programme

The University has a major capital programme, with planned expenditure of £152 million in the six years 2006–12. During 2006–07 there was an underspend on the planned expenditure of £7.5 million. This was due to projects starting later than originally envisaged, although at present this is not expected to have any major consequences. The programme is constructed on a financially prudent basis and includes a number of projects which are at an early stage of inception and may develop and evolve significantly before they are finally approved.

One major project was subject to post-implementation review during the year and whilst lessons were learned for the future, it was concluded that the project provided good value for money for the University.

## The University's estate

The University's estate currently falls below the median for the sector in terms both of condition and suitability for current use. The estates strategy was agreed in 2003 and work to address its implementation has commenced. During 2006–07 the University concluded a master planning exercise for its Headington campus and made significant progress with a master plan for the Wheatley campus. During the year the local planning authority accepted the Headington master plan as the basis for future development of the site and gave planning consent for the demolition of the Darcy building. Implementing the master plans will see the gradual replacement of a large portion of the current estate over the next 20 years. In addition during 2007–08 the Board will consider detailed plans to eliminate all backlog maintenance and bring the estate into line with the condition and suitability standard of the HE sector's upper quartile by 2015.

Work continued on the refurbishment of accommodation at the Headington campus, after the vacation of premises resulting from moves to the newly completed Buckley building and the demolition of the Darcy building had commenced. At Wheatley the new Technology Building was completed, as was the new Simon Williams' Undergraduate Centre – part of one of our Centres for Teaching and Learning Excellence.

The University is developing its plans to improve the quality and further increase the amount of student accommodation, whether by developing directly or entering into partnerships with others.

## Diversity

The University's commitment to equality of opportunity is expressed in one of its core values: *promoting inclusivity and valuing diversity*. The University has committed itself to providing a supportive environment where respect is shown to all, and where all staff and students, regardless of their gender, race, ethnic background, culture, (dis)ability, age, faith or any other factor are encouraged to perform at their potential.

The University continues to recognise its social duty to promote equality of opportunity and treatment in race, disability and gender, and its current and already enacted future statutory responsibilities. The University's policies and actions are driven through a network of Equal Opportunity and Diversity Co-ordinators, with each linked to a school or directorate within the University and working with local management on the development of action plans to effect change.

The Executive Board receives an annual report on diversity from the Diversity Action Group which sets out achievements over the last year and plans for the coming year. The 2006 report highlighted the following points:

- female staff hold over half of academic posts and two-thirds of support posts but are under-represented in senior posts
- 2.7% of staff report that they have a disability, but there is believed to be under-reporting
- the proportion of staff who identify themselves as from a black or ethnic minority background has increased from 5.8% in 2004 to 6.5% in 2006. However, such staff are under-represented at senior management level
- over 60% of students are female
- 8% of students report they have a disability
- 11% of the University's UK students identify themselves as from black or ethnic minority backgrounds.

The report also highlighted a wide range of actions and reviews to be undertaken in 2006–07 and set out plans for training and rolling out a University-wide Equality Impact Assessment methodology for implementation in 2007–08 – initially looking at policies and practices related to staff and student recruitment.

## Communication with staff

The University is conscious of the need to keep employees informed of the progress and future plans of the University and of the mutual benefit that is engendered by good internal communications. This is achieved through staff representation on the Board of Governors and the Academic Board. In addition, the Joint Committee of Management and Staff provides a valuable channel for communication and consultation on all matters. Employees are also informed of major developments by a variety of means including direct distribution of papers, consultation exercises and reports in the staff newsletter.

## Vice-Chancellor

The University's new Vice-Chancellor, Professor Janet Beer, took up her post from 1 September 2007.

## Health and safety

The University has agreed a Health and Safety Policy to meet its obligations as a corporate body. A Health and Safety Committee exists to ensure that the policy is followed and that issues of concern are investigated and resolved. The University has a Health and Safety Officer and an Occupational Health Nurse who produce an annual health and safety report for consideration by the Committee. In 2006 the report focused on:

- analysing details of accidents reported on University premises
- the University's reporting responsibilities to the Health and Safety Executive
- annual reports on health and safety from each school and directorate
- the impact of new regulations
- occupational health activities
- provision of induction training on health and safety issues to new staff and other training courses and assessments.

## Environmental responsibility

The University takes seriously its responsibilities for its impact on the environment and seeks to reflect this responsibility in the curriculum.

The University has an Environmental Policy and this is implemented through annual action plans and targets. An annual report is produced and is available within the University to demonstrate the extent to which plans and targets have been implemented.

The report covering activity in the 2006 calendar year highlighted the following achievements:

- success in maintaining total energy and water consumption broadly in line with 2005
- all electricity used by the University is sourced from renewable sources
- the development and launch of a new sustainable travel plan for the University
- our success in recycling and progress in rolling out a University-wide scheme from a pilot scheme funded through the Vice-Chancellor's Innovation Fund
- 75% of paper purchased being recycled, and the photocopier contract including the planting of a tree for every 120,000 copies made
- a 'Fair trade' fortnight which ran events for staff and students
- the formal adoption of the draft policy for sustainable University buildings.

The areas for major development in 2007 are the implementation of a formal environmental management system and the roll-out of a new waste management system.

## Insurance of Governors

The University maintains insurance for its Governors in respect of their duties as Governors of the University.

## Creditor payment policy

The University generally pays creditors 30 days from invoice date unless specified otherwise in the terms of the contract. Group creditor days at 31 July 2007 amounted to 12 days (2006: 10 days).

## Charitable status

Where activities undertaken by the University may fall outside the terms of its charitable status, these are undertaken through Oxford Brookes Enterprises Limited. The majority of the profits of that company are gift aided annually to the University, thereby minimising corporation tax on the profits generated. All the activities operated directly by the University are of a charitable nature and as such not liable to corporation tax.

## Statement of Board of Governors' responsibilities

In accordance with the Education Reform Act 1988 the Board is responsible for the overall administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the requirements of HEFCE and the Statement of Recommended Practice on accounting in HE institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with HEFCE, the Board, through its designated office holder, 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 Board has to ensure 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 Board has taken reasonable steps to:

- ensure that funds from HEFCE, the Learning and Skills Council (LSC) and the Training and Development Agency for schools (TDA) are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and the funding agreements with the LSC and TDA, and any other conditions that the funding councils or Agency 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.

## Disclosure of information to auditors

The governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

## Corporate governance

### Introduction

The University is committed to best practice in all aspects of its corporate governance. This summary describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance issued by the Committee of Corporate Governance in July 2003. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

### The Board of Governors and Senior Management Team

The Board of Governors, which meets formally five times a year, is responsible for the University's long-term objectives and for strategies in relation to the educational character and mission of the University and for providing overall financial and organisational control. The Board comprises 11 non-executive Governors, the Chief Executive (the Vice-Chancellor) and two Governors representing University staff, and there is a clear separation of the role of the non-executive Chair from that of the Vice-Chancellor. The Board has determined that the Vice-Chancellor shall be the person designated as responsible for satisfying the Board that all conditions of receiving and using grant aid from HEFCE have been met. The Board has also delegated the responsibility for the University's operations to the Vice-Chancellor who, supported by the Senior Management Team, implements the Board's policies and develops and manages the University's business.

A majority of Board members must by law be independent of the University, and they bring with them a wealth of expertise from their respective fields of business and professional activity. Board members are appointed in accordance with the requirements of the Education Reform Act 1988 and appointment processes and terms of office are laid out in the procedures for the appointment of Governors adopted by the Board. The normal term of appointment is four years, after which members may be eligible for reappointment. No Board member may serve for more than two consecutive terms of four years, other than the Vice-Chancellor and the student Governor, who may remain members as long as they hold the position of Vice-Chancellor and President of the Students' Union respectively.

### Finance and Resources Committee

The purpose of the Finance and Resources Committee is to:

- advise the Vice-Chancellor on a recommendation to the Board for the coming year's recurrent and capital budgets, and on the cash flow forecast and draft balance sheet arising therefrom
- consider for approval by the Board a rolling five-year strategic plan, including financial plans (both revenue and capital), projected cash flow and balance sheets, taking account of the requirements of the funding councils
- recommend an estates strategy to the Board
- review and recommend to the Board borrowing or other financial vehicles necessary to fund the strategy, and the release of funds for specific projects
- approve the acquisition or disposal of land and buildings
- advise the Board in their consideration of budget monitoring statements.

### Audit Committee

The Audit Committee meets at least three times a year and is currently chaired by Geoff Donnelly, a non-executive Governor of the University. A further three non-executive Governors, plus four co-opted members, comprise the Committee. The Committee is responsible for advising the Board on:

- the effectiveness of the internal audit service and ensuring that its recommendations are appropriately executed
- the effectiveness of internal control and risk management procedures
- the work of the external auditors and whether they are effectively carrying out their responsibilities to the Board of Governors by reporting that the University's financial statements present a true and fair view of the year's activities
- the existence of satisfactory arrangements to promote economy, efficiency and effectiveness. The Committee is also responsible for recommending the approval of the Annual Accounts.

## Remuneration Committee

The Remuneration Committee, chaired by the Chair of the Board of Governors, and comprising two other non-executive Governors and the Vice-Chancellor, meets as necessary to review the policy for the remuneration of the senior staff appointed by the Board of Governors. The Vice-Chancellor is excluded from matters concerning his/her own remuneration.

## Employment Committee

The Employment Committee, chaired by Susan Purves and comprising four other non-executive Governors, meets three times a year. It is responsible for overseeing the University's Human Resources (HR) Strategy for delivering policy, for the implementation of the HR Strategy and for such industrial relations and employment issues as may be referred to it by the Board of Governors or the Vice-Chancellor.

## Nominations Committee

The Nominations Committee is chaired by the Chair of the Board of Governors and comprises four non-executive and one executive Governor. It is responsible for advising the Board on the appointment of new Governors and members of the University Court.

## Senior Management Team and Executive Board

The Senior Management Team of the University comprises the Vice-Chancellor, who has overall managerial responsibility, two Deputy Vice-Chancellors, each with a specific area of responsibility which when combined cover all the activities of the University, and two Pro Vice-Chancellors with specific responsibility for, respectively, external relations and research. The Team meets formally on a fortnightly basis. On alternate weeks the Team meets with the Deans of School and Directors, and is constituted as the Executive Board. The Executive Board's role derives from the executive powers of the Vice-Chancellor. It is constituted in order to focus on decision-making and also serves as a body which can be used by the Vice-Chancellor for briefing, consultation and communication with senior managers as a group. The objective of the Executive Board is to ensure that an appropriate level of consideration is given to strategic decisions, that there is accountability for those decisions and that improved communication with the wider senior management group is achieved. Specifically, the Executive Board determines:

- strategic and operational plans
- the annual budget and financial forecasts for the Vice-Chancellor to propose to the Board of Governors for approval
- the implementation of policies as necessary and monitoring of the University's performance against plans
- the nature and oversight of the processes by which strategic and operational planning are undertaken, resources allocated, and targets, including student numbers, are achieved
- implementation and monitoring of the University's risk management strategy
- consideration of reports on value for money
- day-to-day 'business as usual' matters concerning the management of the University.

## Academic Board

The Academic Board of the University is chaired by the Vice-Chancellor and comprises representatives of both the academic and related areas of the University, a proportion of whom are elected representatives. The Academic Board is responsible for:

- general issues relating to the research, scholarship, teaching and courses at the University, including criteria for the admission of students; the appointment and removal of internal and external examiners; policies and procedures for assessment and examination of the academic performance of students; the content of the curriculum; academic standards and the validation and review of courses; procedures for the award of qualifications and honorary academic titles; and procedures for the exclusion of students for academic reasons
- considering the development of the academic activities of the University and the resources needed to support them, and advising the Vice-Chancellor and the Board of Governors thereon
- advising on such other matters as the Board of Governors or the Vice-Chancellor may refer to the Academic Board.

## Internal control

The key elements of the University's systems of internal financial control, which are designed to discharge the responsibilities of the Board of Governors, 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 academic performance and monthly 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
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Governors
- a professional internal audit team whose annual programme is approved by the Audit Committee.

Any systems of internal financial control can, however, only provide reasonable, but not absolute, assurance against material mis-statement or loss.

## Risk management

The key elements of the University's approach during the year, designed to discharge the responsibilities of the Board of Governors, were:

- a review of the University's approach and attitude to risk, which included active participation from senior management
- two workshops to identify, evaluate and categorise by severity risks which impacted on the achievement of strategic objectives
- the production of an updated risk register
- the development of risk improvement plans to address the two highest categories of risk, and the confirmation of the delegation of responsibility to manage the less significant risks
- regular monitoring by the Executive Board of the risk register and of the implementation of improvement plans for the risks in the highest category of severity
- regular meetings of the Risk Management Working Group, a small group of senior managers chaired by the Deputy Vice-Chancellor (Academic), both to review the output of the risk management process and to consider improvements and developments to the process itself and the development of additional risk management procedures at an operational level. The Group assisted the Executive Board by evaluating the adequacy of responses to the most severe risks and directly monitoring the second highest category of risks. The Group also advised on the reports to the Board of Governors and Audit Committee, and reviewed the University's risk management policy. The Group has no delegated authority itself but provides an effective forum to allow the Deputy Vice-Chancellor (Academic) and the Director of Finance and Legal Services to fulfil their responsibilities
- regular reports to both the Board and the Audit Committee on the development of the process, the most severe risks and progress with improvement plans
- training courses on project risk management, as part of the regular provision offered by the University's dedicated training unit, the Oxford Centre for Staff Learning and Development
- high level involvement and support: this included the Vice-Chancellor taking an active part in one of the risk workshops and chairing the Executive Board, which considered the risk register, improvement plans and other reports on key aspects of the University's performance. Most members of the Executive Board took an active part in at least one of the various workshops
- that the Internal Audit team based their plan of work on the University's risk analysis, modified by their assessment. In addition, the Internal Audit Team reviewed the University's system of risk management
- that the University implemented a plan of improvement and refinement of its system of risk management for 2006–07 based upon the evaluation of the effectiveness of the system in operation for 2005–06
- a workshop convened specifically to review the main risks to the University's financial plans, and to predetermine what actions might be taken if certain events occurred.

## Review of the effectiveness of internal control and risk management

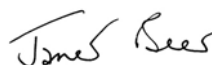
At its meeting in November 2007 the Board considered the effectiveness of the arrangements for internal control and risk management that had been in place for the financial year to 31 July 2007. The Board concluded, based upon the report from the Vice-Chancellor, endorsed by Executive Board and the Annual Report of the Audit Committee, that the arrangements in place were satisfactory to provide effective internal control and risk management throughout the year.

## Going concern

After making appropriate enquiries, the Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the accounts.



Tim Stevenson  
**Chair of Governors**  
 22 November 2007



Professor Janet Beer  
**Vice-Chancellor**  
 22 November 2007

# Independent auditors' report

---

We have audited the financial statements on pages 17 to 38, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 15 and 16.

This report is made solely to the University's Board of Governors, as a body in accordance with our statutory requirements. Our audit work has been undertaken so that we might state to the University's Board of Governors 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 and the University's Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board of Governors and auditors

The Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Audit Code of Practice issued by the Higher Education Funding Council for England (HEFCE), and our profession's ethical guidance.

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 on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants, and income for specific purposes and from other restricted funds administered by the University, have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with HEFCE and with the Funding Agreement with the Training and Development Agency for schools (TDA).

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

We read the other information contained in the Governors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by HEFCE. 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 judgements made by the University's Board of Governors 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the affairs of the University and the group as at 31 July 2007 and of the surplus and cash flows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions
- in all material respects income from HEFCE and TDA, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received
- in all material respects income has been applied in accordance with the University's Articles of Government and, where appropriate, with the Financial Memoranda dated July 2006 with HEFCE, and with the Funding Agreement with the TDA covering 1 August 2006 to 31 July 2007.

Tenon Audit Limited  
**Registered Auditor**  
Basingstoke  
28 November 2007

# Statement of principal accounting policies and estimation techniques

---

## Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of inherited land and buildings at valuation and in accordance with both the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions and applicable Financial Reporting Standards (FRS's).

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its subsidiaries and joint venture companies. The University's interests in joint ventures have been accounted for under the equity method.

The consolidated financial statements do not include those of the Oxford Brookes University Students' Union as it is an entity in which the University has no financial interest and no control or significant influence over policy decisions.

## Recognition of income

Recurrent grant income from HEFCE, TDA and the LSC represents the support receivable towards the education, training and research activities of the University and is credited directly to the income and expenditure account.

Income from research, other services rendered and specific donations has been included in the financial statements to the extent of related expenditure incurred during the period, including any contribution towards overhead costs. HEFCE research income is credited directly to the income and expenditure account.

Grants receivable for capital purposes are credited to the deferred capital grants account and released to match the related depreciation charges. Grants due but not received for expenditure incurred on tangible fixed assets are shown as other debtors, and grants received but not yet utilised are shown as payments received on account.

All tuition fee income is presented on an accruals basis.

Income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

## Tangible fixed assets

Assets are shown at cost, or, in the case of freehold and leasehold properties vested in the University under the Education Reform Act 1988, at valuation. The valuation as at 1 April 1991 was carried out by an independent firm of chartered surveyors and rating consultants on the basis of depreciated replacement cost in the case of buildings, except where a market value was more appropriate, and current use market value in the case of land.

The University has adopted the transitional arrangements under FRS 15 (Tangible Fixed Assets). Those assets presented in the accounts based on valuation at 1 April 1991 will be retained at that valuation and will not be revalued in future years.

All buildings are regularly reviewed for indications of impairment. Where there is impairment the difference between the assessed recoverable value of the building and its written down cost is charged to the income and expenditure account.

Equipment costing less than £5,000 is written off in the year of acquisition. All other equipment is capitalised. Depreciation is provided on all capitalised tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	10 to 50 years
Leasehold property	The lower of the length of the lease or 50 years
Building alterations and improvements	5 to 20 years
Educational equipment	3 to 10 years
Fixtures and fittings	5 to 10 years
Computer equipment	3 to 5 years
Motor vehicles	3 to 5 years.

No depreciation is charged on assets in the course of construction.

## Stocks and work in progress

Catering, building maintenance, trading and other bulk stock holdings are included at the lower of cost and net realisable value. Work in progress is valued at actual cost. Library books and other consumable stocks held by academic departments are excluded. Research projects are valued at cost or net book value, whichever is the lower.

## Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506 (1) of the Taxes Act 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 Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University is registered for value-added tax (VAT) but is unable to recover input tax on the majority of its purchases, education and research being exempt activities under VAT legislation.

## Maintenance of premises

The cost of maintenance is charged to the income and expenditure account as incurred.

## **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

## **Pension schemes**

Retirement benefits to employees of the University are provided by defined benefit schemes that are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme (TPS), the Universities' Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) administered by Oxfordshire County Council. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

The University has adopted FRS 17 (Retirement Benefits) in the financial statements.

The TPS and USS are multi-employer pension schemes and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS and USS are therefore treated as defined contribution schemes and the contributions are recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from the employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in the pension finance costs. Actuarial gains and losses are recognised in the statement of recognised gains and losses

## **Revaluation reserve**

The revaluation reserve represents the net book value at the balance sheet date of the tangible fixed assets to which the University acquired unrestricted title on 1 April 1989 as a result of the Education Reform Act 1988. A sum equal to the depreciation charge on these assets is transferred from the revaluation reserve to the income and expenditure account each year. The assets were revalued in 1991.

## **Operating leases**

Rental costs in respect of operating leases are charged to the income and expenditure account in equal annual instalments over the periods of the leases.

## **Finance leases**

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the purchase price of the leased assets at the inception of the lease. The excesses of lease payments over recorded lease obligations are treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of obligations.

## **Investments**

Both short-term and long-term investments are included in the balance sheet at the lower of cost and net realisable value.

## **Agency arrangements**

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

# Consolidated income and expenditure account for the year ended 31 July 2007

	Notes	2007 £000	2006 as restated £000
<b>INCOME</b>			
Funding council grants	1	45,887	43,618
Academic fees and support grants	2	50,305	45,979
Research grants and support contracts	3	4,530	5,341
Other operating income	4	31,705	29,091
Interest receivable	5	1,198	682
Total income		<u>133,625</u>	<u>124,711</u>
<b>EXPENDITURE</b>			
Staff costs	6	76,009	73,568
Depreciation	11	8,044	5,762
Other operating expenses	8	41,380	38,864
Interest payable	9	3,519	3,466
Total expenditure	10	<u>128,952</u>	<u>121,660</u>
Surplus after depreciation of assets at valuation and before tax		4,673	3,051
Taxation	29	<u>(300)</u>	-
Surplus after depreciation of assets at valuation and after tax		4,373	3,051
Share of (loss)/profit of joint ventures	13	<u>(244)</u>	16
Operating surplus after depreciation of assets at valuation		4,129	3,067
Exceptional item: gain on disposal of assets		-	279
Operating surplus after depreciation of assets at valuation and exceptional item	21	<u>4,129</u>	<u>3,346</u>

## Note of historical cost surpluses and deficits

	Notes	2007	2006
		£000	£000
Operating surplus after depreciation of assets at valuation		4,129	3,346
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	<u>2,000</u>	<u>953</u>
Historical cost surplus for the year		<u>6,129</u>	<u>4,299</u>

## Statement of consolidated total recognised gains and losses

	2007	2006
	£000	£000
Operating surplus after depreciation of assets at valuation and tax	4,129	3,346
Actuarial gain in respect of pension scheme	8,230	24
Impairment of buildings	-	<u>(712)</u>
Total gains and losses recognised since last report	<u>12,359</u>	<u>2,658</u>
<b>Reconciliation</b>		
Opening reserves and endowments	14,365	39,942
Prior year adjustment	-	(29,900)
Total recognised gains for the year	<u>14,359</u>	<u>4,323</u>
Closing reserves and endowments	<u>28,724</u>	<u>14,365</u>

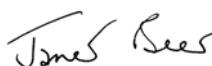
# Consolidated balance sheet as at 31 July 2007

	Notes	2007	2006
		£000	£000
<b>Fixed assets</b>			
Tangible assets	11	153,114	147,395
Investments	12	34	34
Share in gross assets of joint ventures		207	418
Share in gross liabilities of joint ventures		<u>(410)</u>	<u>(377)</u>
Share of net (liabilities)/assets in joint venture	13	<u>(203)</u>	41
		<b>152,945</b>	<b>147,470</b>
<b>Current assets</b>			
Stocks and work in progress	14	1,680	985
Debtors – amounts falling due after more than one year	15	763	617
Debtors – amounts falling due within one year	15	7,617	7,986
Current asset investments	16	20,104	13,523
Cash at bank and in hand	26	<u>512</u>	<u>542</u>
		<b>30,676</b>	<b>23,653</b>
Creditors – amounts falling due within one year	17	<u>(26,232)</u>	<u>(22,319)</u>
<b>Net current assets</b>		<b>4,444</b>	<b>1,334</b>
<b>Total assets less current liabilities</b>		<b>157,389</b>	<b>148,804</b>
Creditors – amounts falling due after more than one year	18	<u>(47,773)</u>	<u>(49,026)</u>
Net assets excluding pension liability		<b>109,616</b>	<b>99,778</b>
Pension liability		<u>(24,140)</u>	<u>(31,290)</u>
<b>Net assets including pension liability</b>		<b>85,476</b>	<b>68,488</b>
Deferred capital grants	19	21,741	17,111
<b>Reserves</b>			
Revaluation reserves	20	35,011	37,012
General reserves including pension reserve	21	<u>28,724</u>	<u>14,365</u>
<b>Total funds</b>		<b>85,476</b>	<b>68,488</b>

These financial statements were approved by the Board on 22 November 2007 and signed on its behalf by:



Tim Stevenson  
Chair of Governors



Professor Janet Beer  
Vice-Chancellor

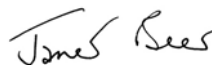
# Corporation balance sheet as at 31 July 2007

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	11	152,191	145,481
Investments	12	1,034	1,034
		<u>153,225</u>	<u>146,515</u>
<b>Current assets</b>			
Stocks and work in progress	14	1,527	887
Debtors – amounts falling due after more than one year	15	763	617
Debtors – amounts falling due within one year	15	7,179	10,677
Current asset investments	16	19,986	13,523
		<u>29,455</u>	<u>25,704</u>
Creditors – amounts falling due within one year	17	<u>(25,097)</u>	<u>(22,057)</u>
<b>Net current assets</b>		<u>4,358</u>	<u>3,647</u>
<b>Total assets less current liabilities</b>			
Creditors – amounts falling due after more than one year	18	<u>(47,773)</u>	<u>(49,026)</u>
Net assets excluding pension liability		109,810	101,136
Pension liability		<u>(24,140)</u>	<u>(31,290)</u>
<b>Net assets including pension liability</b>		<u>85,670</u>	<u>69,846</u>
Deferred capital grants	19	21,741	17,111
<b>Reserves</b>			
Revaluation reserves	20	35,011	37,012
General reserves including pension reserve	21	<u>28,918</u>	<u>15,723</u>
<b>Total funds</b>		<u>85,670</u>	<u>69,846</u>

These financial statements were approved by the Board on 22 November 2007 and signed on its behalf by:



Tim Stevenson  
Chair of Governors



Professor Janet Beer  
Vice-Chancellor

# Consolidated cash flow statement

	Notes	2007	2006
		£000	£000
<b>Net cash inflow from operating activities</b>	23	<u>16,695</u>	12,435
<b>Returns on investments and servicing of finance</b>			
Interest received		1,198	682
Interest paid		<u>(2,939)</u>	(2,926)
<b>Total cash outflow after investment return and servicing of finance</b>		<u>(1,741)</u>	(2,244)
<b>Capital expenditure and financial investment</b>			
Tangible fixed assets acquired		(13,161)	(10,986)
Proceeds from sale of fixed assets		-	5,119
Deferred capital grants received		<u>5,925</u>	5,984
<b>Net cash outflow from investing activities</b>		<u>(7,236)</u>	117
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		7,718	10,308
<b>Management of liquid resources</b>	26	(6,581)	(8,971)
<b>Financing</b>			
Capital element of leases	25	26	(160)
Repayment	25	<u>(1,193)</u>	(953)
	26	<u>(1,167)</u>	(1,113)
<b>(Reduction)/increase in cash</b>		<u>(30)</u>	224

Note: The principles of FRS 1 (Cash Flow Statements) have been adopted in presenting the cash flow statement.

# Notes to the financial statements

## 1 – Funding Council grants

	2007	2006
	£000	£000
<b>Recurrent grants</b>		
Teaching: HEFCE	32,914	31,464
Teaching: TDA	4,806	4,520
Teaching: LSC	210	197
Research: HEFCE	2,588	2,397
<b>Specific grants</b>		
Special initiatives	4,034	3,944
<b>Deferred grants released in year (note 19)</b>		
HEFCE	1,335	1,096
	<b>45,887</b>	43,618

## 2 – Academic fees and support grants

	2007	2006
	£000	as restated £000
Full-time undergraduate students charged home fees	14,397	9,939
Full-time undergraduate students charged overseas fees	6,969	7,078
Part-time students	844	877
Research student tuition fees	796	851
Health Authorities	9,336	9,447
Postgraduate, short and full-cost course fees	17,623	17,501
Research training grants	340	286
	<b>50,305</b>	45,979

Note: Validation and other academic fees have been reclassified from postgraduate, short and full-cost fees to other income under note 4, as this is considered to better reflect the nature of the income. The total amount reclassified is £1.5 million. Research training grants have been reclassified from note 3 as this better reflects the nature of the income.

## 3 – Research grants and support contracts

	2007	2006
	£000	as restated £000
Research councils	1,789	1,912
UK-based charities	733	1,012
UK central government, local authorities	832	1,154
UK industry, commerce, public corporations	675	688
European Commission	273	194
EU other	139	27
Other overseas	40	103
Other sources	49	251
	<b>4,530</b>	5,341

Note: Research training grants have been reclassified with academic fees and support grants as this is considered to better reflect the nature of the income. The amount reclassified is £286,000 and was formerly classified in Research Councils.

#### 4 – Other operating income

	2007	2006
	£000	as restated £000
Residences, catering and conferences	17,725	17,171
Other services rendered	5,962	4,282
Released from deferred capital grants (note 19)	354	193
Other income	7,664	7,445
	<b>31,705</b>	<b>29,091</b>

Note: Validation and other academic fees have been reclassified to other income from note 2 – postgraduate, short and full-cost fees as this is considered to better reflect the nature of the income. The total amount reclassified is £1.5 million.

#### 5 – Interest receivable

	2007	2006
	£000	£000
Bank interest	1,198	682

#### 6 – Staff

	2007	2006
	£000	£000
<b>(a) Employment costs</b>		
Wages and salaries	61,296	59,832
Social security costs	4,945	4,784
Other pension costs (including FRS 17 adjustments)	8,376	7,749
Severance payments	1,066	926
Recruitment costs etc	327	277
	<b>76,009</b>	<b>73,568</b>

#### (b) Number of staff

The average number of employees during the year was made up as follows:

Teaching and research including management	856	877
Part-time lecturers	545	569
Support	1,248	1,257
	<b>2,649</b>	<b>2,703</b>

#### (c) Remuneration of higher paid staff (excluding employers' pension contributions)

£70,001–£80,000	10	6
£80,001–£90,000	6	5
£90,001–£100,000	2	2
£100,001–£110,000	1	2
£110,001–£120,000	2	1
£120,001–£130,000	2	-
£160,001–£170,000	-	1
£170,001–£180,000	1	1
£190,001–£200,000	1	-

## 7 – Emoluments of Governors

(a) The remuneration received by Governors of the University is wholly in respect of their duties as members of staff.

(b) Governors receiving emoluments (excluding employers' pension contributions) were as follows:

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Ann Black	20	38
Jock Coats	17	-
Robert Langridge	20	38
Angie Pears	21	-
Professor Graham Upton	196	177
	<hr/> <b>274</b>	<hr/> <b>253</b>

The other Governors received only directly reimbursable expenses arising out of the performance of their duties of £2,415 (2006: £2,075).

(c) The emoluments of the Chair and highest paid Governors were:

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Chair: Tim Stevenson	-	-
Highest paid Governor: Graham Upton:		
Salary	196	177
Employers' pension contribution	26	17
	<hr/> <b>222</b>	<hr/> <b>194</b>

(d) Governors are eligible to join the pension scheme applicable to their post in the University. Details of these schemes are set out in note 28.

## 8 – Other operating expenses

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>as restated</b>
	<b>£000</b>	<b>£000</b>
Premises related:		
Maintenance	7,537	7,283
Rent	4,241	4,853
Books, publications and periodicals	1,487	1,349
Information technology related equipment; supplies and consumables	2,199	2,084
Other equipment supplies and consumables	767	759
Food and catering supplies and services	1,801	1,875
Stationery, photocopying and printing	1,504	1,427
Temporary staff, professional services and consultants	4,159	3,974
Other hired and contracted services	3,291	2,226
Examiners' fees	210	166
Communications and marketing	912	1,565
Placements, teaching practice and educational visits	810	733
Conferences, training and tuition fees	976	814
Subscriptions and copyright fees	620	565
Transport and travel related	2,336	2,003
Students' Union grant	813	923
External auditors' remuneration in respect of audit services	36	40
External auditors' remuneration in respect of other services	20	25
Equipment operating lease rentals	1,331	1,284
Insurance	568	568
Bursaries, scholarships and other financial support to students	2,988	1,916
Other costs	2,774	2,432
	<b>41,380</b>	<b>38,864</b>

Note: Bursaries, scholarships and other financial support to students, formerly classified as other costs, are identified separately.

## 9 – Interest payable

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Bank loans (repayable wholly or partly in more than five years)	2,672	2,647
Pension finance costs	580	540
Lease (repayable wholly or partly in more than five years)	267	279
	<b>3,519</b>	<b>3,466</b>

## 10 – Analysis of expenditure by activity

	Staff costs	Other operating	Depreciation	Interest payable	Net
	£000	£000	£000	£000	£000
Academic departments	46,094	11,367	605	-	58,066
Academic services	5,557	2,859	676	-	9,092
Administration and central services	12,410	8,904	289	580	22,183
Residences, catering and conferences	3,506	8,724	997	2,419	15,646
Premises	3,560	5,113	5,361	520	14,554
Research	2,126	2,220	49	-	4,395
Other costs	2,756	2,193	67	-	5,016
	<u>76,009</u>	<u>41,380</u>	<u>8,044</u>	<u>3,519</u>	<u>128,952</u>

The depreciation charge has been funded by:

	Note	2007	2006
		£000	£000
Deferred capital grants released	19	1,689	1,289
Revaluation reserve released	20	2,000	953
General income		4,355	3,520
		<u>8,044</u>	<u>5,762</u>

## 11 – Tangible fixed assets

	Assets in course of construction	Freehold land and buildings	Long leasehold property	Equipment	Total
	£000	£000	£000	£000	£000
<b>Group</b>					
<b>Cost or valuation</b>					
At 1 August 2006	5,564	151,684	21,226	26,669	205,142
Reclassifications	(5,564)	5,564	-	-	-
Additions	7,748	2,533	146	3,335	13,762
At 31 July 2007	<b>7,748</b>	<b>159,781</b>	<b>21,372</b>	<b>30,004</b>	<b>218,904</b>
<b>Depreciation</b>					
At 1 August 2006	-	(27,948)	(6,333)	(23,466)	(57,747)
Charge for the year	-	(5,347)	(930)	(1,767)	(8,044)
At 31 July 2007	-	<b>(33,295)</b>	<b>(7,263)</b>	<b>(25,233)</b>	<b>(65,791)</b>
<b>Net book value</b>					
At 31 July 2007	<b>7,748</b>	<b>126,486</b>	<b>14,109</b>	<b>4,771</b>	<b>153,114</b>
At 31 July 2006	5,564	123,736	14,893	3,203	147,395
<b>Corporation</b>					
<b>Cost or valuation</b>					
At 1 August 2006	5,564	149,884	20,989	25,044	201,481
Reclassifications	(5,564)	5,564	-	-	-
Additions	7,748	3,307	218	3,292	14,565
At 31 July 2007	<b>7,748</b>	<b>158,755</b>	<b>21,207</b>	<b>28,336</b>	<b>216,046</b>
<b>Depreciation</b>					
At 1 August 2006	-	(27,701)	(6,176)	(22,123)	(56,000)
Charge for the year	-	(5,324)	(921)	(1,610)	(7,855)
Diminution in value	-	-	-	-	-
At 31 July 2007	-	<b>(33,025)</b>	<b>(7,097)</b>	<b>(23,733)</b>	<b>(63,855)</b>
<b>Net book value</b>					
At 31 July 2007	<b>7,748</b>	<b>125,730</b>	<b>14,110</b>	<b>4,603</b>	<b>152,191</b>
At 31 July 2006	5,564	122,183	14,813	2,921	145,481

As a result of the Education Reform Act 1988, freehold and leasehold properties occupied by the University together with the equipment contained therein were vested in the University with effect from 1 April 1989. A professional valuation was carried out in 1992 on the inherited buildings. The valuation, which was as at 1 April 1991, was on the basis of depreciated replacement costs in the case of buildings, except where a market value was more appropriate, and current use market value in the case of land. The total valuation amounted to £64,380,000.

A Private Finance Initiative relating to the construction and management of Cheney Student Village on land owned by the University was undertaken in 2001. The design and construction of the accommodation was undertaken by a private sector provider which also operates the halls over a thirty year period. The construction costs totalled £18.2 million. Under the agreement the University has the right to reserve all or part of the accommodation each year. At the end of the thirty year agreement the legal ownership of the property will revert to the University at no cost. A long-term debtor contains a valuation of this reversionary interest of £607,000 (2006: £455,000). The application of this accounting policy results in a net book value in 2034 of £4.6 million.

The risks and rewards have been assessed in accordance with FRS 5 (Substance of Transactions). The Governors consider that the substantial risks and rewards associated with the accommodation project have been transferred to the private sector provider. The accounts do not therefore include the Cheney Student Village as a tangible asset of the University.

## 12 – Investments

	2007		2006	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
At 1 August	34	1,034	34	1,034
At 31 July	34	1,034	34	1,034

Investments include £34,000 for 34,093 ordinary shares in CVCP Properties plc and £250 for 250 ordinary shares in Wildkey Limited. The remaining investment of the corporation represents 1,000,100 £1 shares in Oxford Brookes Enterprises Limited, a wholly owned subsidiary.

## 13 – Share of net liabilities of joint ventures – group

Joint ventures	Issued share capital	% control	Country of incorporation	Activities
Oxford Institute of Legal Practice Limited	Limited by guarantee	50	England and Wales	Legal courses
			2007 £000	2006 £000
Share of net liabilities at 1 August			41	25
Share of (loss)/profit for the year			(244)	16
Taxation			-	-
Balance at 31 July			(203)	41
Group share of joint venture's turnover			885	1,376
Group share of joint venture's interest payable			14	14

## 14 – Stocks

	2007		2006	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
Raw materials and consumables	381	301	299	216
Research work-in-progress	1,298	1,226	686	671
	1,680	1,527	985	887

## 15 – Debtors

	2007		2006	
	Group £000	Corporation £000	Group £000	Corporation £000
<b>Amounts falling due after more than one year</b>				
Amount due from joint venture company	156	156	162	162
Cheney Student Village residual value	607	607	455	455
	<b>763</b>	<b>763</b>	617	617
<b>Amount falling due within one year</b>				
Trade debtors	4,296	4,004	4,136	3,567
Amount due from subsidiary companies	-	401	-	3,695
Amount due from joint ventures	277	277	223	223
Prepayments and accrued income	1,294	1,261	1,121	903
Other debtors	1,750	1,236	2,506	2,289
	<b>7,617</b>	<b>7,179</b>	7,986	10,677

## 16 – Current asset investments

	2007		2006	
	Group £000	Corporation £000	Group £000	Corporation £000
Short-term deposits	20,104	19,986	13,523	13,523

## 17 – Creditors: amounts falling due within one year

	2007		2006	
	Group £000	Corporation £000	Group £000	Corporation £000
Bank loans and overdraft	1,066	1,066	1,006	1,006
Finance leases and other loans	211	211	185	185
Payments received in advance	9,647	9,498	7,296	7,244
Trade creditors	2,099	2,080	2,251	2,138
Social security costs	1,900	1,900	1,720	1,720
Accruals	8,072	7,493	6,156	5,856
Other creditors	3,238	2,848	3,705	3,908
	<b>26,232</b>	<b>25,097</b>	22,319	22,057

The University has entered into an arrangement with a financial training organisation and the Association of Chartered Certified Accountants to provide an accredited MBA course. As part of the arrangement a bank account has been opened in the name of Oxford Brookes University. At the year end the account held fees in advance of £581,000. The bank balance and associated deferred income have been shown within debtors in the financial statements, although the University does not have unfettered access to these funds.

## 18 – Creditors: amounts falling due after more than one year

	2007		2006	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
Long-term bank loans (a)	41,158	41,158	42,411	42,411
Lease (b)	6,615	6,615	6,615	6,615
	<b>47,773</b>	<b>47,773</b>	49,026	49,026

- (a) The interest rates on the bank loans currently vary between 4.25% and 7.41%. The loans are due to be repaid by 2029 according to an agreed repayment schedule. These loans are secured on certain freehold properties.
- (b) In May 1999 the University granted a lease on a hall of residence for ten years, extendable for a further 20 years by the University, to CITYTWOINC, a wholly owned subsidiary of a finance company, in exchange for a lease premium. In return CITYTWOINC granted a reciprocal lease to the University for a similar period for the payment of an annual lease that increases each year at the rate of 3%. If the University does not extend the lease at year 10, or for any reason it is necessary under the lease contract to cancel the lease, then the University is obliged to purchase the shares of CITYTWOINC at a price that ensures the return of any remaining net investment to the finance company.

### Maturity analysis of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors and accruals at 31 July 2007, was as follows:

	2007		2006	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
Within one year	1,277	1,277	1,179	1,179
Between two and five years	5,649	5,649	5,468	5,468
Over five years by instalments	37,724	37,724	39,170	39,170
Over five years not by instalments	4,400	4,400	4,400	4,400
	<b>49,050</b>	<b>49,050</b>	50,217	50,217

## 19 – Deferred capital grants: group and corporation

	HEFCE £000	Other grants £000	Total £000
<b>At 1 August 2006</b>			
Buildings	11,798	3,553	15,350
Equipment	855	906	1,761
<b>Total</b>	<b>12,653</b>	<b>4,459</b>	<b>17,111</b>
<b>Due within one year (transferred from short-term creditors)</b>			
Buildings	113	-	113
Equipment	297	316	613
<b>Total</b>	<b>410</b>	<b>316</b>	<b>726</b>
<b>Receivable</b>			
Buildings	5,206	380	5,586
Equipment	109	230	339
<b>Total</b>	<b>5,315</b>	<b>610</b>	<b>5,925</b>
<b>Released to income and expenditure</b>			
Buildings	(791)	(88)	(879)
Equipment	(544)	(266)	(810)
<b>Total</b>	<b>(1,335)</b>	<b>(354)</b>	<b>(1,689)</b>
<b>At 31 July 2007</b>			
<b>Due within one year (transferred to short-term creditors)</b>			
Buildings	(290)	(43)	(333)
Equipment	-	-	-
<b>Total</b>	<b>(290)</b>	<b>(43)</b>	<b>(333)</b>
<b>Due after more than one year</b>			
Buildings	16,036	3,802	19,838
Equipment	717	1,186	1,903
<b>Total</b>	<b>16,753</b>	<b>4,988</b>	<b>21,741</b>

## 20 – Revaluation reserve: group and corporation

This reserve relates to fixed assets transferred from Oxfordshire County Council at valuation.

	2007 £000	2006 £000
At 1 August	37,012	38,677
Transfer from income and expenditure account in respect of depreciation	(2,000)	(953)
Impairment of buildings	-	(712)
At 31 July	<b>35,012</b>	37,012

## 21 – General reserves including pension reserve

	2007		2006	
	Group £000	Corporation £000	Group £000	Corporation £000
Balance at 1 August as previously stated	14,365	15,723	10,042	10,562
Surplus/(deficit) after tax and exceptional items	4,129	2,965	3,346	4,184
Depreciation on revalued assets	2,000	2,000	953	953
Actuarial gain/(loss)	8,230	8,230	24	24
At 31 July	<b>28,724</b>	<b>28,918</b>	14,365	15,723
Balance represented by:				
Pension reserve	(24,140)	(24,140)	(31,290)	5,468
Income and expenditure reserve excluding pension reserve	52,864	53,058	45,655	39,170
	<b>28,724</b>	<b>28,918</b>	14,365	15,723

## 22 – Financial commitments: group and corporation

### (a) Capital commitments

	2007 £000	2006 £000
Contracted for	10,697	5,455
Authorised but not contracted for	46,215	17,474

### (b) Operating leases

At 31 July 2007 the group had annual commitments under operating leases as follows:

	2007		2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring within one year	1,071	-	-	-
Expiring within two and five years	91	-	115	1,233
Expiring after five years	3,220	-	2,891	-
	<b>4,382</b>	-	3,006	1,233

### (c) Lease commitments

The University has entered into a contract with a private sector provider to build, operate and service halls of residence. In accordance with the provisions of FRS 5 these halls are not shown as assets in the balance sheet and no associated financing has been recognised. Under the agreement the University can commit to renting the accommodation on an annual basis. The amount committed is £3,220,000 in 2008 (2007: £2,891,151).

## 23 – Reconciliation of consolidated operating profit/(deficit) to net cash inflow from operating activities

	Notes	2007 £000	2006 £000
Operating surplus after depreciation of assets at valuation		4,129	3,346
Share of surplus/(deficit) of joint venture companies		244	(16)
Interest receivable	5	(1,198)	(682)
Interest payable	9	3,519	3,466
Release of capital grant	19	(1,689)	(1,517)
Depreciation	11	8,044	5,762
Profit on disposal of fixed assets		39	(399)
Taxation		300	-
Pension costs less contributions payable		500	850
(Increase)/decrease in stocks and work in progress		(695)	601
Decrease/(increase) in debtors		224	(661)
Increase in creditors		3,278	1,685
Net cash inflow from operating activities		<u>16,695</u>	<u>12,435</u>

## 24 – Reconciliation of net cash flow to movements in net debt

	Notes	2007 £000	2006 £000
Decrease/(increase) cash in the year		(30)	224
(Decrease)/increase in short-term deposits		6,581	8,971
Repayment of debt	25	<u>1,167</u>	1,113
Change in net debt		7,718	10,308
Net debt at 1 August	26	<u>(36,152)</u>	(46,460)
Net debt at 31 July	26	<u>(28,434)</u>	(36,152)

## 25 – Analysis of changes in consolidated financing during the year

	Property finance leases £000	Bank loans £000	Finance leases etc £000	Total £000
At 1 August 2005	6,960	44,370	-	51,330
Repayments	<u>(160)</u>	<u>(953)</u>	-	<u>(1,113)</u>
At 31 July 2006	6,800	43,417	-	50,217
Repayments	<u>26</u>	<u>(1,193)</u>	-	<u>(1,167)</u>
At 31 July 2007	<u>6,826</u>	<u>42,224</u>	-	<u>49,050</u>

## 26 – Analysis of changes in net debt

	2007		Cash flow		2006	
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand		512		(30)		542
Short-term deposits		20,104		6,581		13,523
Debt due within one year	(1,277)		(86)		(1,191)	
Debt due after one year	(47,773)		1,253		(49,026)	
		<u>(49,050)</u>		<u>1,167</u>		<u>(50,217)</u>
		<u>(28,434)</u>		<u>7,718</u>		<u>(36,152)</u>

## 27 – Interests in group undertakings

Listed below are the University's interests in subsidiaries and joint ventures consolidated in the financial statements. All companies are registered in England and have a financial year-end of 31 July unless otherwise stated.

Name of company	Nature of business	Percentage of voting rights held by University
<b>Subsidiaries</b>		
Oxford Brookes Enterprises Limited	Trading activities, including consultancy, library and print services	100
Oxford Brookes Services Limited	Provision of nurse training	100
<b>Joint ventures</b>		
Oxford Institute of Legal Practice Limited	Education	50

## 28 – Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are both independently administered schemes. They are defined benefit schemes which are funded by contributions from the University and its employees.

The TPS is valued every five years by the Government Actuary. Contributions are paid by the University at the rate specified by the Government Actuary. The LGPS is valued every three years by a professionally qualified independent actuary using the projected unit method. The rates of contribution are determined by the actuary.

The institution also participates, for a strictly limited membership, in the Universities' Superannuation Scheme (USS), a pension scheme that also provides benefits based on final pensionable salary. The assets of the USS are held in a separate trustee-administered fund. The pension valuation is assessed using the projected unit method. The level of contributions paid by the employing institutions takes into account the surpluses disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

Pension summary	TPS	LGPS	USS
Latest actuarial valuation	31/3/04	31/3/04	31/3/05
Investment returns per annum	6.5%	7.4%	4.5%
Salary rate increase per annum	5.0%	4.4%	3.9%
Pension increase per annum	3.5%	2.9%	2.9%
Market value of assets at date of last valuation	£163,240m*	£638m	£21,740m
Proportion of members' actual benefits covered by the actual valuation of the assets:	98%	65%	77%

\* The assets of TPS are notional assets.

The total pension cost for the University and its subsidiaries was:

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Contributions to TPS	<b>3,330</b>	3,092
Contributions to LGPS	<b>4,330</b>	3,636
Pension charge to income and expenditure account (staff costs)	<b>500</b>	874
Contributions to USS and other schemes	<b>247</b>	147
	<b>8,407</b>	7,749

The contributions of the institution are presently 14.1% of pensionable salary to TPS, 14% for USS, and for LGPS since 1 April 2007 17.7% for salaried staff and 14.75% for manual staff. Between 1 April 2006 and 31 March 2007 the institution's contribution rates to the LGPS were 15.6% for salaried staff, 13% for manual staff and 13.5% for teaching staff.

#### **FRS 17**

##### **Teachers Pension Scheme (TPS)**

Under the definitions set out in FRS 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has used the exemption in FRS 17 and has accounted for its contribution to the scheme as if it were a defined contribution scheme. The University has set out above the information available on the deficit in the scheme.

##### **Universities' Superannuation Scheme (USS)**

The USS is a defined benefits scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify its share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme.

##### **Local Government Pension Scheme (LGPS)**

The LGPS is regulated by statute, with separate regulations for (a) England and Wales, and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme.

It is a funded scheme, with some 100 separate funds administered locally by administering authorities. Each fund has many employing authorities. The Oxfordshire County Council is the administering authority, with the district councils in the county being employing authorities within that scheme. Each fund will also have scheduled and admitted bodies, such as education institutions, whose employees are members of the LGPS. The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme.

In line with the requirements of FRS 17, the University has obtained actuarial valuations of its share of the scheme assets and liabilities as at 31 July 2007 and 31 July 2006. The required disclosures are set out below:

##### **Major assumptions:**

	<b>2007</b>	<b>2006</b>
	<b>% pa</b>	<b>% pa</b>
Inflation rate	<b>3.30</b>	3.10
Discount rate	<b>5.70</b>	5.10
Expected return on assets	<b>7.30</b>	6.70
Expected rate of salary increases	<b>4.80</b>	4.60
Rate of pension increases in payment	<b>3.30</b>	3.10
Rate of pension increases in deferment	<b>3.30</b>	3.10

##### **Scheme assets and expected rate of return**

	<b>At 31 July 2007</b>		<b>At 31 July 2006</b>	
	<b>£000</b>	<b>% pa</b>	<b>£000</b>	<b>% pa</b>
Equities	<b>54,263</b>	<b>7.90</b>	47,152	7.40
Property	<b>5,344</b>	<b>6.90</b>	4,250	6.40
Corporate bonds	<b>14,732</b>	<b>5.70</b>	10,547	5.10
Cash	<b>4,342</b>	<b>6.00</b>	4,591	4.70
<b>Total</b>	<b>78,680</b>		66,540	

The following amounts were measured in accordance with the requirements of FRS 17 at 31 July:

	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>
Total market value of assets	<b>78.7</b>	66.5
Present value of scheme liabilities	<b>(102.8)</b>	(97.8)
<b>Deficit in the scheme – net pension deficit</b>	<b>(24.1)</b>	(31.3)

**Analysis of amounts charged to the income and expenditure account**

	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>
Current service costs	<b>4,790</b>	4,430
Past service costs	<b>10</b>	80
Financing:		
– expected return on pension scheme	<b>(4,540)</b>	(3,840)
– interest on expected scheme liabilities	<b>5,120</b>	4,380
– net return	<b>580</b>	540
Total charge to income and expenditure before deduction for tax	<b>5,380</b>	5,050

**Analysis of amounts recognised in statement of total recognised gains and losses (STRGL):**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Actual return less expected return on pension scheme assets	<b>2,880</b>	3,690
Experience gains and losses arising on scheme liabilities	<b>(100)</b>	(130)
Changes in assumptions underlying the present value of scheme liabilities	<b>5,450</b>	(3,536)
Total actuarial gain recognised in STRGL	<b>8,230</b>	24

The total movement in the institution's share of the scheme's deficit during the year is made up as follows:

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Deficit in scheme at beginning of the year	<b>(31,290)</b>	(29,900)
Movement in year:		
– current service cost	<b>(4,790)</b>	(4,430)
– contributions	<b>4,300</b>	3,640
– past service costs	<b>(10)</b>	(80)
– other financial income/(charge)	<b>(580)</b>	(540)
– actuarial gain/(loss)	<b>8,230</b>	20
Deficit in scheme as at end of year	<b>(24,140)</b>	(31,290)

### History of experience gains and losses

Difference between the expected and actual return on scheme assets:

	2007	2006	2005	2004	2003
Amount (£000)	<b>2,880</b>	3,690	6,350	1,842	1,213
% of scheme assets	<b>3.70%</b>	5.5%	11.5%	4.3%	3.5%

Experience gains and losses on scheme liabilities:

	2007	2006	2005	2004	2003
Amount (£000)	<b>(100)</b>	(130)	(1,200)	(330)	-
% of the present value of scheme liabilities	<b>0%</b>	0%	-1%	0%	0%

Change in assumptions:

	2007	2006	2005	2004	2003
Amount (£000)	<b>5,430</b>	(3,460)	(5,810)	(1,131)	5,847
% of the present value of scheme liabilities	<b>5.3%</b>	-3.5%	-6.8%	-1.6%	9.7%

Total amount recognised in STRGL:

	2007	2006	2005	2004	2003
Amount (£000)	<b>8,210</b>	100	660	1,131	7,059
% of the present value of scheme liabilities	<b>8.0%</b>	0.1%	-0.8%	1.6%	11.7%

### 29 – Provision for corporation tax liability

A provision for £300,000 corporation tax liability has been included in the accounts of a University subsidiary company – Oxford Brookes Enterprises Limited.

### 30 – Amounts dispersed as agents: Access to Learning funds

The University received and distributed HEFCE Access to Learning funds as follows:

	2007	2006
	£000	£000
At 1 August	1	-
Grant received	564	653
Interest accrued	4	5
Distributed to students	(557)	(657)
At 31 July	<b>12</b>	<b>1</b>

Access to Learning funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account.

### 31 – Amounts dispersed as agents: TDA bursary funds

The University received and distributed TDA bursary funds as follows:

	2007	2006
	£000	£000
At 1 August	286	243
Income	2,720	2,569
Payments to students	(2,713)	(2,526)
Balance as at 31 July	<b>293</b>	<b>286</b>

TDA bursary funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account.

## 32 – Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (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 Board of Governors may have an interest. A register of Governors' interests is maintained by the University. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procedures. The following transactions, relating to the Oxford Institute of Legal Practice Limited, were identified which should be disclosed under FRS 8 (Related Party Disclosures):

### **Oxford Institute of Legal Practice Limited**

Four of the Institute's directors are appointed by the University. These are listed below with their positions in the University:

Rex Knight	Deputy Vice-Chancellor and Registrar
Diana Woodhouse	Pro Vice-Chancellor, Research
Carol Brennan	Principal Lecturer, School of Social Science and Law
Derek Elsom	Dean of School, Social Science and Law

The Institute was financed by interest-bearing loans from the University and the University of Oxford. The loan balances due to this University are shown in Note 15.

In addition, some of the Institute's expenses are borne by the University in the first instance and recharged to them monthly. The value of these recharges for the year was £575,130 (2006: £1,246,424).

