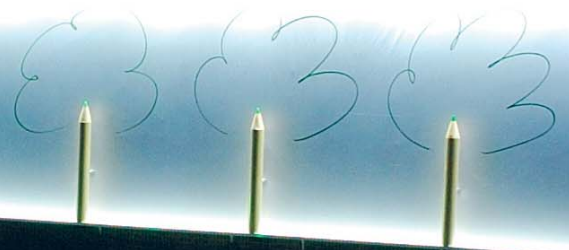


# ANNUAL ACCOUNTS

# 07/08

## Space to Think Oxford Brookes

In 2015 we'll celebrate 150 years since we took root as Oxford School of Art. And along with a big party, we're planning major changes to bring our campus up to the standard of our work. So you'll be seeing a lot more trees – real ones as well as illustrations – showcasing the inspirational things we do here at Brookes. The grounds of Brookes is full around the world, but we're always bit proud of our home here in Oxford. So rest assured, our local roots will just be getting deeper.



**OXFORD  
BROOKES  
UNIVERSITY**

**Financial Statements**

**Year ended 31 July 2008**

# 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 2008 incorporating the Corporate Governance Statement .....	6
Independent auditors' report.....	14
Statement of principal accounting policies and estimation techniques.....	15
Consolidated income and expenditure account.....	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 2008.....	19
Corporation balance sheet as at 31 July 2008 .....	20
Consolidated cash flow statement.....	21
Notes to the financial statements.....	22-36

# Financial highlights

## Results

During the year to 31 July 2008 (2007 figures) the university group:

- Generated turnover of £146.9 million (£133.6 million)
- Generated an operating surplus of £6.8 million (£4.1 million)
- Generated an historical cost surplus of £7.5 million (£6.1 million)
- Increased income by £13.3 million, or 10% (£8.9 million)
- Increased expenditure by £11.4 million, or 8.5% (£7.3 million)
- Generated a net inflow of cash from operating activities of £14.9million (£16.7 million)

## Financial strength

At the balance sheet date the university group had:

- Cash and short-term deposits of £25.9 million (£20.6 million)
- Net current assets of £9.7 million (£4.4 million)
- Total net assets of £77.3 million (£85.5 million)

## Investments and borrowings

During the year the university group:

- Invested £13.1 million in tangible fixed assets (£13.2 million)

## Staff and students

During the year the university group:

- Employed 2,632 members of staff (2,649)
- Taught directly or through collaborative provision and distance learning higher education students, analysed as follows:

	Full-time	Other	2007-08 Total	2006-07 Total	Increase / (Decrease)
<b>Home/EU</b>					
Undergraduate	10,236	2,615	<b>12,851</b>	<b>12,368</b>	4%
Postgraduate	820	2,384	<b>3,204</b>	<b>4,086</b>	(21)%
<b>International</b>					
Undergraduate	1,074	169	<b>1,243</b>	<b>1,279</b>	(3)%
Postgraduate	640	111	<b>751</b>	<b>1,035</b>	(27)%
<b>2007-08 Total HE students</b>	<b>12,770</b>	<b>5,279</b>	<b>18,049</b>	<b>18,768</b>	(4)%
<b>2006-07 Totals</b>	<b>12,693</b>	<b>6,075</b>	<b>18,768</b>		
<b>Increase / (Decrease)</b>	1%	(13)%	(4)%		

The fall in postgraduate numbers is due to the re-categorisation of PGCE students as undergraduates. The overall fall in numbers is due to the exclusion of students in writing-up mode in line with the Higher Education Statistics Agency guide for 2007-08.

# Board of Governors

---

The membership of the board for the year ended 31 July 2008 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, PharmaFor Ltd
<b>Glen McFarlane</b>	Chief Executive of Angell Security & Surveillance Ltd
<b>Michael O'Regan</b> (from May 2008)	Chair of Hamilton Trust, Co-Founder of PEEP, Non-Executive Director of the four Oxford Technology VCTs
<b>Susan Purves</b>	Retired Vice President, Human Resources, Astra Zeneca Limited
<b>Joanna Simons</b> (from Dec 2007)	Chief Executive, Oxfordshire County Council
<b>Tim Stevenson</b> (Chair)	Chairman of Travis Perkins plc and Chairman of Morgan Crucible Plc
<b>Alan White</b>	Director of Lenborough Consultants
<b>Martin Wilkinson</b>	Self-employed financial and management consultant

## Co-opted members

<b>Jock Coats</b>	Office Systems Analyst, Oxford Brookes University
<b>Shereen Karmali</b>	Director of Fahamu
<b>Antoinette Kyuchukova</b>	President of Students' Union, Oxford Brookes University
<b>Angie Pears</b> (to Dec 2007)	Senior Lecturer in Religion, Theology and Culture, Oxford Brookes University
<b>Mitchell Sedgwick</b> (from Mar 2008)	Senior Lecturer in Anthropology, Oxford Brookes University
<b>Frances Young</b>	Chair of the Westminster Trust & Retired Professor of University of Birmingham

## Ex-officio member

<b>Professor Janet Beer</b>	Vice-Chancellor, Oxford Brookes University
-----------------------------	--

# Finance and Resources Committee

---

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

# Audit Committee

---

<b>Alyson Coates</b>	Non-Executive Director, NHS South Central
<b>Stephen Dexter</b> (to Nov 2007)	Partner, Grant Thornton
<b>Geoff Donnelly</b> (Chair)	Governor
<b>Shereen Karmali</b>	Governor
<b>Robert Kirtland</b>	Partner, Crichtleys Chartered Accountants, Oxford
<b>Glen McFarlane</b>	Governor
<b>Angie Pears</b> (to Dec 2007)	Governor
<b>Rebecca Scott</b>	Director, Mazars

## Remuneration Committee

---

<b>Susan Purves</b>	Governor
<b>Tim Stevenson</b> (Chair)	Governor
<b>Professor Janet Beer</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> (to Dec 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>Jock Coats</b>	Governor
<b>Jill Judson</b>	Governor
<b>Tim Stevenson</b> (Chair)	Governor
<b>Professor Janet Beer</b>	Governor
<b>Dr Petra Wend</b>	Senior Management Team

## Senior Management Team

---

<b>Professor Janet Beer</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>External 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 2008

---

## 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 2008.

## 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. *Deliver a distinctive and sustainable academic portfolio of the highest quality.*
2. *Develop research excellence in all academic schools.*
3. *Increase the range and volume of knowledge transfer from the university's research activities and expertise.*
4. *Secure a leading role in the social, economic and cultural development of our region.*
5. *Increase the diversity of the student body to represent a wider range of backgrounds, cultures and countries.*
6. *Develop the quality and increase the diversity of staff.*
7. *To be financially self-sustaining.*
8. *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 28 key performance indicators (KPIs) against which targets or aspirations are set, and 16 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 2008, 21 KPIs were rated green (on target) six KPIs were rated amber (significant risk that the KPI might not be achieved) and one KPI was 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.
- 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 and is reliant on delivering a number of major new build projects to achieve its objective.

Six KPIs relate directly to the university's financial performance; of these, five are rated green and one is rated amber.

**Objective 6: To be financially self-sustaining**

	2006	2007	2008	Status 2006	Status 2007	Status 2008
Achieve £2 million historical cost surplus rising to £3m in 2008	£4.3m	£6.1m	£7.5m	Green	Green	Green
Contain staff costs below 65% income and aim for 60% <sup>1</sup>	65.2%	62.5%	64.5%	Amber	Amber	Amber
Generate at least £3.5 million cash each year rising to £5m in 2008	£9.1m	£13.8 m	£13.4m	Green	Green	Green
Generate at least £12 million from assets sales by 2010	Now achieved in full			Green	Green	Green
Maintain net current assets and aim for 1:1.25	1 :1.06	1: 1.17	1:1.38	Amber	Green	Green
Cash cover for loan repayments at least 1.3	3.3	4.4	5.6	Green	Green	Green

Note: 1. The definition of staff costs and income used here excludes residences, catering and conferences

**Public benefit**

As an exempt charity there are a number of ways that the university provides benefits both to the wider public good and to groups including those who might otherwise be excluded from higher education because of financial circumstances. In addition to its contribution to individual and wider society through its teaching, learning and specific research projects, in 2008 it:

- Provided means tested bursaries totalling £2 million to 1,455 students.
- Promoted positive role models in state secondary schools and further education colleges in the region through the awarding of Community Scholarships totalling £16,000 to 16 students.
- Supported the raising of aspirations of those living in areas of under representation in higher education through the innovative Learning Communities Initiative, working with partners, including Oxfordshire County Council and the South East England Development Agency, delivering an education experience in the community – in the year 99 students studied on nine higher education courses delivered in centres in the community.
- Supported, through the Brookes Youth Summer University, state school students in Oxfordshire and partner London Boroughs in realising the opportunities provided by higher education – with approximately 400 participants in 2008.
- Supported 532 current students in financial hardship during the year with the allocation of £539,464 in grants in addition to the government funded Access to Learning Fund.
- Promoted the exploration and communication of knowledge through its annual public lecture series that is open to all at no cost. During the year there were 17 public lectures attended by 2,049 people.
- Encouraged its staff to participate fully in public service through providing up to 12 days paid time off for staff to take up voluntary public duties such as lay magistrates, school and college governors, local councillors and members of public bodies. In addition we support staff who participate as members of the non-regular forces.

**Key events in the year**

The university's new Vice-Chancellor, Professor Janet Beer, took up post at the beginning of the year and towards the end of the year commenced a process for developing the institution's strategy to 2020, through consultation with the university community and external partners – the process will continue to run throughout 2009.

The university entered into an agreement with the University of Oxford for our long-standing joint venture, Oxford Institute of Legal Practice (OxILP), to transfer to the sole control of Oxford Brookes University at the end of the year. The university also entered into an agreement with the trustees of OxILP for the business activities of the company to be transferred to the university and to be fully integrated into the School of Social Sciences and Law. OxILP activities are now housed in Headington Hill Hall at our Headington Campus.

The demolition of the Darcy building was completed as scheduled and marks the commencement of the implementation of the masterplan for the Headington Campus.

The university refinanced all of its bank loans during the year; this resulted in a charge in the Income and Expenditure account of £774,000, the cost of breaking certain fixed interest swap arrangements embedded in the original loans. In addition the university put in place a further revolving loan facility of £32.5 million, which will convert to a 30 year term loan in 2012, to fund capital investment over the next five years – none of which had been drawn at the year end. As a result of the refinancing annual interest repayments will fall by around £400,000 per annum.

**Financial review**

Recruitment of undergraduate students from the UK/EU remains buoyant and easily exceeded funding body targets. This was the second year of the new variable fees arrangements which resulted in around £4 million additional income in the year. The university was pleased to be able to enhance its income related bursary, already one of the most generous in the sector, so that those in the greatest need could get a maximum of £1,500, up from £1,200 in 2007, pushing the average bursary in the year to over £1,370 per beneficiary. The university also continued to support the Students' Union to increase the level of staffing for financial counselling.

Tuition fees from international students are a significant and important source of income for the university. The international student markets remained highly competitive but the university continued to maintain its income from this source and invested heavily in marketing and recruitment activity to achieve its aspirations for 2009. 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.



During the year the university used its restructuring fund to conclude the restructuring of the School of Technology commenced in 2007 and also started and largely concluded the restructuring of the Westminster Institute of Education – the latter prompted by the conclusion of a number of significant long-term contracts with DIUS (formerly DfES), the progressive and predicted reduction in the number of Initial Teaching Training places and the reshaping and refreshing of the institute's strategy. In total severance payments in the year totalled £1.8 million, up from £1.1 million in the previous year.

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 (£3 million surplus) was achieved and in addition 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.

	2008 Budget £000	2008 Actual £000	Variance £000
Income	147,181	146,948	(233)
Expenditure	144,422	140,380	4,042
Operating surplus	2,759	6,771	4,012
Historical cost surplus	3,712	7,499	3,787

The historical cost surplus is the largest made by the university since its incorporation as an independent body in 1989 both in absolute terms and as a percentage of total income (5.2%) and, we believe, places it towards the upper quartile of higher education institutions for financial performance. Unfortunately the good performance of the Local Government Pension Scheme acknowledged in last year's financial statements more than reversed this year with the movement in our portion of the scheme's liabilities increasing by nearly £18 million to £42 million. Consequently the university's assets fell by a net £7 million in the year, despite the strong performance on the Income and Expenditure account.

### Financial performance in 2008 compared to prior years

The university's performance in 2008 is also considered highly satisfactory when compared to performance in previous years and continues the strengthening trend of recent years:

	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
Income	111,059	116,787	124,711	133,625	146,948
Expenditure	110,623	118,469	121,660	128,952	140,380
Operating surplus / (deficit)	449	(1,682)	3,051	4,129	6,771
Exceptional gain on the sale of assets	1,926	921	279	-	-
Historical cost surplus	4,615	1,212	4,299	6,129	7,499

The university's income grew by 10% in the year and costs increased by 8.5%. The new fees regime and bursary system accounted for about a third of the increase in income and about 10% of the increase in costs. Costs increased also because of the sharp rise in severance payments and one-off loan breakage charges - these two items accounted for a further 15% of the increase in costs.

Overall:

- There was an increase in income from Funding Councils - teaching and research grants from HEFCE increased around 5%, but funding from the TDA actually fell. However this source of income continues to fall as a proportion of total income;
- Academic fees increased only in line with expected increase through the second cohort of variable fees students;
- The value of research grants and contracts work completed increased slightly following the sharp fall in 2007 and remains at disappointing levels – though strong bidding performance in the year gives some expectation that 2009 should see a stronger return to the pre 2008 trend;
- Residences, catering and conferences showed 8.9% growth;
- Interest receivable increased very strongly as we have built up significant cash reserves in advance of the masterplan implementation and interest rates stayed higher than expected due to the difficulties in the inter-bank markets. The university's Treasury Management Policy however places priority on retaining the university's capital intact rather than pursuing the highest possible returns;
- Wages and salaries costs increased 5.7% in the year but pension costs increased by 16%
- Other operating expenses increased by less than 10% if the impact of the new bursary scheme and the one-off charge for removing asbestos from the Darcy building prior to demolition is excluded.

### Financial outlook for 2009 and beyond

The future is uncertain. There will undoubtedly be pressures on income because of the competition for international students and the state of public finances putting downward pressure on public funding. Costs, in particular pay, face upward pressure from inflation and raised expectations. The potential impact of a recession in the UK and in the global markets cannot be ignored but equally it is rather difficult to predict what the impacts will be. The board is determined, whatever the uncertainty, to ensure that the university achieves the level of financial performance necessary to ensure that it can fund the planned level of investment in its estate, infrastructure and staff. We believe that the expected level of

performance is adequate to achieve the level of investment to 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. We face the future with enthusiasm and confidence.

The forecasts submitted to HEFCE in November 2008 identified planned future performance as follows:

	2009	2010	2011	2012
	£000	£000	£000	£000
Income	154,563	157,569	163,209	167,882
Expenditure	150,600	152,705	157,631	162,765
Operating surplus	3,963	4,864	5,578	5,057
Historical cost surplus	4,838	5,739	6,453	5,932

## 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 2008 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 June 2007. 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 £185 million in the six years 2008-2013 which represents a significant increase over the historical rate of capital expenditure. During 2008 there was an underspend on the planned expenditure of £5.8 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 a number of projects included within the programme 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 the suitability for current use. The estates strategy was agreed in 2003 and work to address the implementation of the strategy has commenced. During 2008 the university commenced the implementation of its masterplan for its Headington Campus and made significant progress with the development of a masterplan for the Wheatley Campus and a development plan for the Harcourt Hill Campus. Implementing the masterplans will see the gradual replacement of a large portion of the current estate over the next 20 years.

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.

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 recognises 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 latest report highlighted:

- that female staff hold over half of academic posts and two thirds of support posts but are under-represented in senior posts
- that 2.7% of staff report that they have a disability, but there is believed to be under-reporting
- that the proportion of staff who identify themselves as from a black and 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
- that over 60% of students are female
- that 8% of students report they have a disability
- that 11% of the university's UK students identify themselves as from black and ethnic minority backgrounds.

The report also highlighted a wide range of actions and reviews to be undertaken and set out plans for training and rolling out a university-wide Equality Impact Assessment methodology for implementation – initially focusing on policies and practices around 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.

### **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 Occupational Health Nurse who produce an annual health and safety report for consideration by the committee. In 2008 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 2007 calendar year highlighted:

- signing the Green Education Declaration – committing the university to cutting carbon emissions by 80% by 2050, amongst other things
- being a pilot university in the Ecocampus initiative
- success in maintaining total energy and water consumption broadly in line with 2005
- that all electricity used by the university is sourced from renewable sources
- the development and launch of a new university sustainable travel plan
- our success in re-cycling and the progress in rolling out a university-wide scheme
- achieving 75% of paper purchased being recycled and the photocopier contract including the planting of a tree for every 120,000 copies made – 195 trees were planted in the year
- that a 'Fairtrade' fortnight ran with events for staff and students

The area for major development in 2009 is the continued implementation of a formal environmental management system, roll-out of a new waste management system and the appointment of an Energy and Carbon Officer.

### **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 2008 amounted to 13 days. (2007: 12 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 the 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 to prevent and detect fraud
- secure the economical, efficient and effective management of the university's resources and expenditure.

### **Disclosure of information to auditors**

The members 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 and has regard to the voluntary Governance Code of Practice contained in the Committee of University's Chairmen's 'Guide for Members of Higher Education Governing Bodies in the UK', published in November 2004. The summary below 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 eleven non-executive governors, the Chief Executive (the Vice-Chancellor), two governors representing university staff and a further three co-opted members 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 the board 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 board on the following matters:

- advising 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
- considering 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
- recommending an estates strategy to the board
- reviewing and recommending to the board borrowing or other financial vehicles necessary to fund the strategy, and the release of funds for specific projects
- approving the acquisition or disposal of land and buildings
- advising 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 two non-executive governors, plus three co-opted members, comprise the current committee. The committee is responsible for advising the board on:

- the effectiveness of the internal audit service and ensuring that their recommendations are appropriately executed
- the effectiveness of the 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 her own remuneration.

## **Employment Committee**

The Employment Committee is 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 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
- determination 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 validations and review of courses; the procedures for the award of qualifications and honorary academic titles; and the 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 for 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. This 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), to review both the output of the risk management process but also 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 both to 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 which included the Vice-Chancellor taking an active part in one of the risk workshops and chairing the Executive Board which considered the risk register and improvement plans and other reports on key aspects of the university's performance. Most members of 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 2007-08 based upon the evaluation of the effectiveness of the system in operation for 2006-07.
- a workshop convened to specifically 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 2008 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 2008. 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, they continue to adopt the going concern basis in preparing the accounts.

Joanna Simons  
**Chair of Governors**  
27 November 2008

Professor Janet Beer  
**Vice-Chancellor**  
27 November 2008

# Independent auditors' report

---

We have audited the financial statements on pages 17 to 36, 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 misstatement, 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 2008 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 2007 to 31 July 2008.

Tenon Audit Limited  
**Registered Auditor**  
Basingstoke  
28 November 2008

# 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 accounting standards.

## 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 direct 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 direct 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, the Universities' Superannuation Scheme and the Local Government Pension Scheme 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 excess 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 2008

	Notes	2008 £000	2007 £000
<b>INCOME</b>			
Funding council grants	1	49,067	45,887
Academic fees and support grants	2	54,864	50,305
Research grants and support contracts	3	4,657	4,530
Other operating income	4	36,583	31,705
Interest receivable	5	1,777	1,198
Total income		<u>146,948</u>	<u>133,625</u>
<b>EXPENDITURE</b>			
Staff costs	6	81,927	76,009
Depreciation	11	7,328	8,044
Other operating expenses	8	47,598	41,380
Interest payable	9	3,527	3,519
Total expenditure	10	<u>140,380</u>	<u>128,952</u>
Surplus after depreciation of assets at valuation and before tax		6,568	4,673
Taxation		-	(300)
Surplus after depreciation of assets at valuation and after tax		6,568	4,373
Share of profit / (loss) of joint ventures	13	203	(244)
Operating surplus after depreciation of assets at valuation		<u>6,771</u>	<u>4,129</u>

## Note of historical cost surpluses and deficits

---

	Notes	2008 £000	2007 £000
Operating surplus after depreciation of assets at valuation and tax		6,771	4,129
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	<u>728</u>	<u>2,000</u>
Historical surplus after depreciation of assets at valuation		<u>7,499</u>	<u>6,129</u>

## Statement of consolidated total recognised gains and losses

---

	2008 £000	2007 £000
Operating surplus after depreciation of assets at valuation and tax	6,771	4,129
Actuarial (loss) / gain in respect of pension scheme	<u>(17,820)</u>	<u>8,230</u>
Total (losses) / gains recognised since last report	<u>(11,049)</u>	<u>12,359</u>

# Consolidated balance sheet as at 31 July 2008

	Notes	2008 £000	2007 £000
<b>Fixed assets</b>			
Tangible assets	11	158,847	153,114
Investments	12	34	34
Share in gross assets of joint ventures	-	207	
Share in gross liabilities of joint ventures	-	(410)	
Share of net liabilities in joint venture	13	-	(203)
		<b>158,881</b>	<b>152,945</b>
<b>Current assets</b>			
Stocks and work in progress	14	1,429	1,680
Debtors - amounts falling due after one year	15	759	763
Debtors - amounts falling due before one year	15	6,809	7,617
Current asset investments	16	24,745	20,104
Cash at bank and in hand	26	1,152	512
		<b>34,894</b>	<b>30,676</b>
Creditors - amounts falling due within one year	17	(25,240)	(26,232)
<b>Net current assets</b>		<b>9,654</b>	<b>4,444</b>
<b>Total assets less current liabilities</b>		<b>168,535</b>	<b>157,389</b>
Creditors - amounts falling due after more than one year	18	(48,347)	(47,773)
Net assets excluding pension liability		<b>120,188</b>	<b>109,616</b>
Pension liability		(42,900)	(24,140)
<b>Net assets including pension liability</b>		<b>77,288</b>	<b>85,476</b>
Deferred capital grants	19	24,601	21,741
<b>Reserves</b>			
Revaluation reserves	20	34,284	35,011
General reserves including pension reserve	21	18,403	28,724
<b>Total funds</b>		<b>77,288</b>	<b>85,476</b>

These financial statements were approved by the board on 27 November 2008 and signed on its behalf by:

Joanna Simons  
Chair of Governors

Professor Janet Beer  
Vice-Chancellor

# Corporation balance sheet as at 31 July 2008

	Notes	2008	2007
		£000	£000
<b>Fixed assets</b>			
Tangible assets	11	157,984	152,191
Investments	12	1,035	1,034
		<u>159,019</u>	<u>153,225</u>
<b>Current assets</b>			
Stocks and work in progress	14	1,292	1,527
Debtors - amounts falling due after one year	15	759	763
Debtors - amounts falling due before one year	15	6,988	7,179
Current asset investments	16	25,041	19,986
		<u>34,080</u>	<u>29,455</u>
Creditors - amounts falling due within one year	17	<u>(23,989)</u>	<u>(25,097)</u>
Net current assets		<u>10,091</u>	<u>4,358</u>
Total assets less current liabilities		169,110	157,583
Creditors - amounts falling due after more than one year	18	<u>(48,347)</u>	<u>(47,773)</u>
Net assets excluding pension liability		120,763	109,810
Pension liability		<u>(42,900)</u>	<u>(24,140)</u>
<b>Net assets including pension liability</b>		<u><u>77,863</u></u>	<u><u>85,670</u></u>
Deferred capital grants	19	24,601	21,741
<b>Reserves</b>			
Revaluation reserves	20	34,284	35,011
General reserves including pension reserve	21	<u>18,978</u>	<u>28,918</u>
<b>Total funds</b>		<u><u>77,863</u></u>	<u><u>85,670</u></u>

These financial statements were approved by the board on 27 November 2008 and signed on its behalf by:

Joanna Simons  
Chair of Governors

Professor Janet Beer  
Vice-Chancellor

# Consolidated cash flow statement

	Notes	2008 £000	2007 £000
<b>Net cash inflow from operating activities</b>	23	<b>14,887</b>	16,695
<b>Returns on investments and servicing of finance</b>			
Interest received		1,777	1,198
Interest paid		(3,337)	(2,939)
<b>Total cash outflow after investment return and servicing of finance</b>		<b>(1,560)</b>	(1,741)
<b>Corporation tax paid</b>		<b>(303)</b>	-
<b>Capital expenditure and financial investment</b>			
Tangible fixed assets acquired		(13,060)	(13,161)
Proceeds from sale of fixed assets		12	-
Deferred capital grants received		5,243	5,925
<b>Net cash outflow from investing activities</b>		<b>(7,805)</b>	(7,236)
<b>Cash inflow before use of liquid resources and financing</b>		<b>5,219</b>	7,718
<b>Management of liquid resources</b>	26	<b>(4,641)</b>	(6,581)
<b>Financing</b>			
New loans drawn	25	42,708	-
Loans repaid	25	(41,659)	-
Capital element of leases	25	(422)	26
Scheduled loan repayments	25	(565)	(1,193)
<b>Net cash inflow / (outflow) from financing</b>		<b>62</b>	(1,167)
<b>Increase / (reduction) in cash</b>		<b>640</b>	(30)

The principles of FRS 1 (Cash Flow Statements) have been adopted in presenting the cash flow statement. Cash at bank and in hand includes cash in hand and bank deposits repayable within 24 hours without penalty. All other bank deposits are included in liquid resources.

# Notes to the financial statements

## 1 – Funding council grants

	2008	2007
	£000	£000
<b>Recurrent grants</b>		
Teaching: HEFCE	34,647	32,914
Teaching: TDA	4,697	4,806
Teaching: LSC	279	210
Research: HEFCE	2,708	2,588
<b>Specific grants</b>		
Special initiatives	4,314	4,034
<b>Deferred grants released in year</b> (notes 12 and 19)		
HEFCE	2,422	1,335
	<b>49,067</b>	<b>45,887</b>

## 2 – Academic fees and support grants

	2008	2007
	£000	as restated £000
Full time undergraduate students charged home fees	18,668	14,397
Full time postgraduate students charged home fees	3,645	3,796
Part time undergraduate students charged home fees	826	844
Part time postgraduate students charged home fees	3,059	2,655
Non EU domicile students	16,543	16,260
Health Authorities	9,924	9,336
Research student tuition fees	911	796
Non credit bearing course fees	999	1,881
Research training grants	289	340
	<b>54,864</b>	<b>50,305</b>

Note: postgraduate, short and full cost course fees have been reclassified to full-time postgraduate students charged home fees, part time postgraduate students charged home fees, non-EU domicile students, and non-credit bearing course fees.

Full-time undergraduate students charged overseas fees have been reclassified to non-EU domicile students.

## 3 – Research grants and support contracts

	2008	2007
	£000	£000
Research councils	1,800	1,789
UK-based charities	929	733
UK central government, local authorities	734	832
UK industry, commerce, public corporations	649	675
European Commission	304	273
EU other	160	139
Other overseas	42	40
Other sources	39	49
	<b>4,657</b>	<b>4,530</b>

#### 4 – Other operating income

	2008	2007
	£000	£000
Residences, catering and conferences	19,295	17,725
Other services rendered	5,838	5,962
Released from deferred capital grants (note 19)	553	354
Other income	10,897	7,664
	<u>36,583</u>	<u>31,705</u>

#### 5 – Interest receivable

	2008	2007
	£000	£000
Bank interest	1,777	1,198

#### 6 – Staff

	2008	2007
	£000	£000
<b>a) Employment costs</b>		
Wages and salaries	64,812	61,295
Social security costs	5,175	4,945
Other pension costs (including FRS 17 adjustments)	9,798	8,376
Severance payments	1,823	1,066
Recruitment costs etc	319	327
	<u>81,927</u>	<u>76,009</u>

#### (b) Number of staff

The average number of employees during the year was made up as follows:  
(headcount basis used)

	Number	Number
Teaching and research including management	849	856
Part-time lecturers	522	545
Support	1,261	1,248
	<u>2,632</u>	<u>2,649</u>

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

	Number	Number
£100,001 - £110,000	1	1
£110,001 - £120,000	3	2
£120,001 - £130,000	2	2
£170,001 - £180,000	-	1
£190,001 - £200,000	1	1
£200,001 - £210,000	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) The other governors received only directly reimbursable expenses arising out of the performance of their duties. These amounted to £1,300 (2007: £2,415).
- (c) The emoluments of the chair and highest paid governor were:

	<b>2008 £000</b>	<b>2007 £000</b>
Chair: Tim Stevenson	-	-
Highest paid governor (Vice-Chancellor): Professor Janet Beer:		
salary	<b>177</b>	-
employers' pension contribution	<b>25</b>	-
	<b>202</b>	-
Highest paid governor (Vice-Chancellor): Professor Graham Upton:		
salary	<b>16</b>	<b>196</b>
employers' pension contribution	<b>2</b>	<b>26</b>
	<b>18</b>	<b>222</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>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Premises related:		
Maintenance	8,211	7,537
Rent	4,329	4,241
Books, publications and periodicals	1,805	1,487
Information technology related equipment; supplies and consumables	2,027	2,199
Other equipment supplies and consumables	820	767
Food and catering supplies and services	1,821	1,801
Stationery, photocopying and printing	1,424	1,504
Temporary staff, professional services and consultants	5,407	4,159
Other hired and contracted services	3,719	3,291
Examiners' fees	223	210
Communications and marketing	970	912
Placements, teaching practice and educational visits	791	810
Conferences, training and tuition fees	1,090	976
Subscriptions and copyright fees	848	620
Transport and travel related	2,539	2,336
Students' Union grant	851	813
External auditors' remuneration in respect of audit services	56	56
External auditors' remuneration in respect of other services	19	-
Equipment operating lease rentals	1,382	1,331
Insurance	533	568
Bursaries, scholarships and other financial support to students	4,347	2,988
Other costs	4,386	2,774
	<b>47,598</b>	<b>41,380</b>

## 9 – Interest payable

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Bank loans (repayable wholly or partly in more than five years)	2,294	2,672
Loan breakage costs	774	-
Pension finance costs	190	580
Lease (repayable wholly or partly in more than five years)	269	267
	<b>3,527</b>	<b>3,519</b>

## 10 – Analysis of expenditure by activity

	Staff costs	Other operating	Depreciation	Interest payable	Net
	£000	£000	£000	£000	£000
Academic departments	47,443	12,735	1,003	-	61,181
Academic services	6,076	3,601	409	-	10,086
Administration and central services	13,097	12,029	133	-	25,259
Residences, catering and conferences	3,877	8,802	996	2,563	16,238
Premises	3,842	5,688	4,739	774	15,043
Research	2,853	1,321	48	-	4,222
Other costs	4,739	3,422	-	190	8,351
	<u>81,927</u>	<u>47,598</u>	<u>7,328</u>	<u>3,527</u>	<u>140,380</u>

The depreciation charge has been funded by:

	Notes	2008 £000	2007 £000
Deferred capital grants released	19	2,513	1,689
Revaluation reserve released	20	728	2,000
General income		4,087	4,355
		<u>7,328</u>	<u>8,044</u>

## 11 – Tangible fixed assets

Group	Assets in course of construction	Freehold land and buildings	Long leasehold property	Equipment	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2007	7,748	159,781	21,372	30,004	218,905
Reclassifications	(6,899)	6,899	-	-	-
Additions	2,370	6,458	1,302	2,931	13,061
Disposals	-	-	-	(30)	(30)
At 31 July 2008	<b>3,219</b>	<b>173,138</b>	<b>22,674</b>	<b>32,905</b>	<b>231,936</b>
<b>Depreciation</b>					
At 1 August 2007	-	(33,295)	(7,263)	(25,233)	(65,791)
Charge for the year	-	(4,516)	(1,049)	(1,763)	(7,328)
Diminution in value	-	-	-	-	-
Disposals	-	-	-	30	30
At 31 July 2008	-	<b>(37,811)</b>	<b>(8,312)</b>	<b>(26,966)</b>	<b>(73,089)</b>
<b>Net book value</b>					
At 31 July 2008	<b>3,219</b>	<b>135,327</b>	<b>14,362</b>	<b>5,939</b>	<b>158,847</b>
At 31 July 2007	7,748	126,486	14,109	4,771	153,114
<b>Corporation</b>					
<b>Cost or valuation</b>					
At 1 August 2007	7,748	158,755	21,207	28,336	216,046
Reclassifications	(6,899)	6,899	-	-	-
Additions	2,370	6,458	1,302	2,927	13,057
Disposals	-	-	-	(30)	(30)
At 31 July 2008	<b>3,219</b>	<b>172,112</b>	<b>22,509</b>	<b>31,233</b>	<b>229,073</b>
<b>Depreciation</b>					
At 1 August 2007	-	(33,025)	(7,097)	(23,733)	(63,855)
Charge for the year	-	(4,499)	(1,049)	(1,716)	(7,264)
Diminution in value	-	-	-	-	-
Disposals	-	-	-	30	30
At 31 July 2008	-	<b>(37,524)</b>	<b>(8,146)</b>	<b>(25,419)</b>	<b>(71,089)</b>
<b>Net book value</b>					
At 31 July 2008	<b>3,219</b>	<b>134,588</b>	<b>14,363</b>	<b>5,814</b>	<b>157,984</b>
At 31 July 2007	7,748	125,730	14,110	4,603	152,191

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 halls of residence on land owned by the university was undertaken in 2001. The design and construction of the accommodation was undertaken by a private sector provider who 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 £759,000 (2007: £607,000). 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 halls of residence as a tangible asset of the university.

## 12 – Investments

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
At 1 August	34	1,035	34	1,034
At 31 July	34	1,035	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.

During the year the university acquired 34,290 ordinary shares in Oxford Expression Technologies Limited at nominal cost. In addition, the university made an investment in a limited liability partnership called South East Seed Fund. Its purpose is to invest in small business start-ups in the South East region. The seven members of the partnership (five universities, South East England Development Agency and a private sector company) each made investments in the form of a nominal capital contribution and participating loan. HEFCE awarded monies under the HEIF3 programme to specifically fund the university's participation. The university's capital contribution confers a 9.13% share of the partnership and the loan was £461,995. By their nature the underlying investments are high risk and the university does not expect a return on these for the foreseeable future and therefore has made a full provision against the loan.

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 & Wales	Legal courses
			<b>2008</b>	<b>2007</b>
			<b>£000</b>	<b>£000</b>
Share of net liabilities at 1 August			(203)	41
Share of profit / (loss) for the year			203	(244)
Balance at 31 July			-	(203)
Group share of joint venture's turnover			1,060	885
Group share of joint venture's interest payable			-	14

Note: On the last day of the financial year 2008 Oxford Brookes University took full control of the Oxford Institute of Legal Practice Limited.

## 14 – Stocks

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
Raw materials and consumables	398	319	382	301
Research work-in-progress	1,031	973	1,298	1,226
	<b>1,429</b>	<b>1,292</b>	<b>1,680</b>	<b>1,527</b>

## 15 – Debtors

	2008		2007	
	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
Cheney Hall residual value	759	759	607	607
	<b>759</b>	<b>759</b>	<b>763</b>	<b>763</b>
<b>Amount falling due within one year</b>				
Trade debtors	4,737	3,647	4,296	4,004
Amount due from subsidiary companies	-	1,220	-	401
Amount due from joint ventures	37	179	277	277
Prepayments and accrued income	724	643	1,294	1,261
Other debtors	1,311	1,299	1,750	1,236
	<b>6,809</b>	<b>6,988</b>	<b>7,617</b>	<b>7,179</b>

## 16 – Current asset investments

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
Short term deposits	24,745	25,041	20,104	19,986

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

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
Bank loans and overdraft	523	523	1,066	1,066
Finance leases and other loans	241	241	211	211
Payments received in advance	8,388	8,262	9,647	9,498
Trade creditors	2,206	2,204	2,099	2,080
Social security costs	1,993	1,993	1,900	1,900
Accruals	7,724	6,935	8,072	7,493
Other creditors	4,165	3,831	3,237	2,849
	<b>25,240</b>	<b>23,989</b>	<b>26,232</b>	<b>25,097</b>

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

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
Long-term bank loans (a)	42,185	42,185	41,158	41,158
Lease (b)	6,162	6,162	6,615	6,615
	<b>48,347</b>	<b>48,347</b>	<b>47,773</b>	<b>47,773</b>

(a) During 2008 the long-term loans with Barclays and National Westminster were repaid. New loans with Barclays, Lloyds and Abbey National were negotiated. These loans are repayable in 2037, 2042, and 2037 respectively. The loans are unsecured. Of the loans outstanding £6 million is fixed at a rate of 4.8%, £6.1 million is fixed at 5.05%, £6.1 million is fixed at 5.16%, £6.1 million is fixed at 5.215%, £12.5 million is fixed at 5.34% and £6.3 million is an RPI inflation linked loan.

(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 2008, was as follows:

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
Due between one and two years	764	764	1,277	1,277
Between two and five years	2,326	2,326	4,372	4,372
Over five years by instalments	40,061	40,061	37,724	37,724
Over five years not by instalments	5,196	5,196	4,400	4,400
	<b>48,347</b>	<b>48,347</b>	<b>47,773</b>	<b>47,773</b>

#### 19 – Deferred capital grants – group and corporation

	HEFCE £000	Other grants £000	Total £000
<b>At 1 August 2007</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>
<b>Due within one year (transferred from short term creditors)</b>			
Buildings	290	43	333
Equipment	-	-	-
	<b>290</b>	<b>43</b>	<b>333</b>
<b>Receivable</b>			
Buildings	4,525	234	4,759
Equipment	484	-	484
<b>Total</b>	<b>5,009</b>	<b>234</b>	<b>5,243</b>
<b>Released to Income and Expenditure</b>			
Buildings	(1,603)	(172)	(1,775)
Equipment	(357)	(381)	(738)
<b>Total</b>	<b>(1,960)</b>	<b>(553)</b>	<b>(2,513)</b>
<b>At 31 July 2008</b>			
<b>Due within one year (transferred to short term creditors)</b>			
Buildings	(53)	(63)	(116)
Equipment	(87)	-	(87)
<b>Total</b>	<b>(140)</b>	<b>(63)</b>	<b>(203)</b>
<b>Due greater than one year</b>			
Buildings	19,195	3,844	23,039
Equipment	757	805	1,562
<b>Total</b>	<b>19,952</b>	<b>4,649</b>	<b>24,601</b>

#### 20 – Revaluation reserve – group and corporation

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

	2008 £000	2007 £000
At 1 August	35,012	37,012
Transfer from income and expenditure account in respect of depreciation and impairment of buildings	(728)	(2,000)
At 31 July	<b>34,284</b>	35,012

## 21 – General reserves including pension reserve

	2008		2007	
	Group £000	Corporation £000	Group £000	Corporation £000
Balance at 1 August as previously stated	28,724	28,918	14,365	15,723
Surplus after tax and exceptional items	6,771	7,152	4,129	2,965
Depreciation on revalued assets	728	728	2,000	2,000
Actuarial gain / (loss)	(17,820)	(17,820)	8,230	8,230
<b>At 31 July</b>	<b>18,403</b>	<b>18,978</b>	<b>28,724</b>	<b>28,918</b>
<b>Balance represented by :</b>				
Pension reserve	(42,900)	(42,900)	(24,140)	(24,140)
Income and expenditure reserve excluding pension reserve	61,303	61,878	52,864	53,058
<b>Total</b>	<b>18,403</b>	<b>18,978</b>	<b>28,724</b>	<b>28,918</b>

## 22 – Financial commitments – group and corporation

	2008 £000	2007 £000
Contracted for	25,240	10,697
Authorised but not contracted for	38,508	46,215

### (b) Operating leases

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

	2008 Land and buildings £000	2007 Land and buildings £000
Expiring within one year	1,180	1,071
Expiring within two and five years	59	91
Expiring after five years	3,465	3,220
	<b>4,704</b>	<b>4,382</b>

### (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 £3,465,000 in 2009 (2008: £3,220,000).

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

	Notes	2008 £000	2007 £000
Operating surplus after depreciation of assets at valuation		6,771	4,129
Share of (deficit) / surplus of joint venture companies		(203)	244
Interest receivable	5	(1,777)	(1,198)
Interest payable	9	3,527	3,519
Release of capital grant	19	(2,513)	(1,689)
Depreciation	11	7,328	8,044
Profit on disposal of fixed assets		(12)	39
Taxation		-	300
Pension costs less contributions payable		750	500
Decrease / (increase) in stocks and work in progress		251	(695)
Decrease in debtors		812	224
(Increase) / decrease in creditors		(47)	3,278
<b>Net cash inflow from operating activities</b>		<b>14,887</b>	<b>16,695</b>



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

	Notes	2008 £000	2007 £000
Increase / (decrease) in cash in the year		640	(30)
Increase in short-term deposits		4,641	6,581
Repayment of debt	25	(62)	1,167
Change in net debt		5,219	7,718
Net debt at 1 August	26	(28,434)	(36,152)
Net debt at 31 July	26	(23,215)	(28,434)

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

	Property finance leases £000	Bank loans £000	Total £000
At 1 August 2006	6,800	43,417	50,217
Repayments	26	(1,193)	(1,167)
At 31 July 2007	6,826	42,224	49,050
Scheduled loan repayments	-	(565)	(565)
Repayments	(422)	(41,659)	(42,081)
New loans drawn	-	42,708	42,708
At 31 July 2008	6,404	42,708	49,112

## 26 – Analysis of changes in net debt

	2008 £000	Cash flows £000	2007 £000
Cash at bank and in hand	1,152	640	512
Short-term deposits	24,745	4,641	20,104
Debt due within one year	(765)	512	(1,277)
Debt due after one year	(48,347)	(574)	(47,773)
	(23,215)	5,219	(28,434)

## 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. On 31 July 2008 the operations of Oxford Institute of Legal Practice were transferred to the university.

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. The schemes are defined benefit schemes that 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	31/3/07	31/3/05
Investment returns per annum	6.5%	5.7%	4.5%
Salary rate increase per annum	5.0%	4.7%	3.9%
Pension increase per annum	3.5%	3.2%	2.9%
Market value of assets at date of last valuation	£163,240m*	£1,049m	£21,740m
Proportion of members actual benefits covered by the actual valuation of the assets:	98%	78%	77%

\* The assets of TPS are notional assets.

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

	2008 £000	2007 £000
Contributions to TPS	3,729	3,330
Contributions to LGPS	4,993	4,330
FRS 17 adjustment charge to Income and Expenditure Account (staff costs)	717	469
Contributions to USS and other schemes	358	247
	<b>9,797</b>	<b>8,376</b>

The contributions of the institution are presently 14.1% of pensionable salary to TPS, 14% for USS, and for LGPS since 1 April 2008 18.5% for all staff. Between 1 April 2007 and 31 March 2008 the institution's contribution rates to the LGPS were 17.7% for salaried staff and 14.75% for manual 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 contributions to the scheme 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 being 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 their 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 2008 and 31 July 2007. The required disclosures are set out below:

**Major assumptions:**

	2008 % pa	2007 % pa
Inflation rate	3.80	3.30
Discount rate	6.50	5.70
Expected return on assets	7.20	7.30
Expected rate of salary increases	5.30	4.80
Rate of pension increases in payment	3.80	3.30
Rate of pension increases in deferment	3.80	3.30

**Scheme assets and expected rate of return**

	At 31 July 2008		At 31 July 2007	
	£000	% pa	£000	% pa
Equities	47,583	7.80	54,262	7.90
Property	3,919	6.80	5,344	6.90
Corporate bonds	17,810	6.50	14,732	5.70
Cash	5,887	5.90	4,342	6.00
<b>Total</b>	<b>75,199</b>		<b>78,680</b>	

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

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

	2008 £000	2007 £000
Current service costs	5,850	4,790
Past service costs	-	10
Financing:		
- expected return on pension scheme	(5,810)	(4,540)
- interest on expected scheme liabilities	6,000	5,120
- net return	190	580
Total charge to income and expenditure before deduction for tax	6,040	5,380

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

	2008 £000	2007 £000
Actual return less expected return on pension scheme assets	(13,380)	2,880
Experience gains and losses arising on scheme liabilities	(3,730)	(100)
Changes in assumptions underlying the present value of scheme liabilities	(350)	5,450
Total actuarial gain recognised in STRGL	(17,460)	8,230

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

	2008 £000	2007 £000
Deficit in scheme at beginning of the year	(24,140)	(31,290)
Movement in year:		
- change in valuation method	(360)	-
- current service cost	(5,850)	(4,790)
- contributions	5,100	4,300
- past service costs	-	(10)
- other financial income/ (charge)	(190)	(580)
- actuarial gain / (loss)	(17,460)	8,230
<b>Deficit in scheme as at end of year</b>	<b>(42,900)</b>	<b>(24,140)</b>

### History of experience gains and losses

Difference between the expected and actual return on scheme assets:

	2008	2007	2006	2005	2004
Amount (£000)	<b>(13,380)</b>	2,880	3,690	6,350	1,842
Per cent of scheme assets	<b>17.8%</b>	3.7%	5.5%	11.5%	4.3%

Experience gains and losses on scheme liabilities:

Amount (£000)	-	(100)	(130)	(1,200)	(330)
Per cent of the present value of scheme liabilities	<b>0%</b>	0%	0%	-1%	0%

Change in assumptions:

Amount (£000)	<b>(350)</b>	5,450	(3,460)	(5,810)	(1,131)
Per cent of the present value of scheme liabilities	<b>0.0%</b>	5.3%	-3.5%	-6.8%	-1.6%

Total amount recognised in STRGL:

Amount (£000)	<b>(17,460)</b>	8,230	100	660	1,131
Per cent of the present value of scheme liabilities	<b>-14.8%</b>	8.0%	0.1%	-0.8%	1.6%

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

The university received and distributed HEFCE access to learning funds as follows:

	2008 £000	2007 £000
At 1 August	12	1
Grant received	508	564
Interest accrued	1	4
Distributed to students	<b>(510)</b>	<b>(557)</b>
At 31 July	<b>11</b>	<b>12</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.

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

The university received and distributed TDA bursary funds as follows:

	2008 £000	2007 £000
As at 1 August	293	286
Income	2,725	2,720
Payments to students	<b>(2,905)</b>	<b>(2,713)</b>
Balance as at 31 July	<b>113</b>	<b>293</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.

### **31 – 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 Sciences and Law
Derek Elsom	Dean, School of Social Sciences and Law

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 £307,000 (2007: £575,130). The Business of the Institute was fully transferred to Oxford Brookes University at the end of the financial year.

