

Annual accounts

2005 – 2006

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Financial highlights

Results

During the year to 31 July 2006 (2005 figures are bracketed) the University group:

- Generated turnover of £124.7 million (£116.8 million)
- Generated an operating surplus of £3.1 million (£1.7 million deficit)
- Generated an historical cost surplus of £4.3 million (£1.2 million)
- Increased income by £7.9 million, or 7% (£5.7 million)
- Increased expenditure by £3.2 million, or 3% (£6.1 million)
- Generated a net inflow of cash from operating activities of £12.4 million (inflow 2005: £8.1 million)
- Generated a profit on sale of assets of £0.3 million (£0.9 million)

Financial strength

At the balance sheet date the University group had:

- Cash and short-term deposits of £14.1 million (£4.9 million)
- Net current assets of £1.3 million (£2.7 million liabilities)
- Total net assets of £68.5 million (£60.1 million)

Investments and borrowings

During the year the University group:

- Invested £11.0 million in acquiring tangible fixed assets (£14.3 million)
- Decreased borrowing by £1.2 million (decreased by £1.0 million)
- Through asset sales raised cash of £5.1 million (£1.7 million)

Staff and students

During the year the University group:

- Employed 2,703 members of staff (2,736)
- Taught directly or through collaborative provision and distance learning higher education students, analysed as follows:

	Full-time	Other	2005-06 Total	2004-05 Total	Increase / (Decrease)
Home/EU					
Undergraduate	9,725	2,602	12,327	12,286	0%
Postgraduate	1,303	2,734	4,037	3,945	2%
International					
Undergraduate	1,174	210	1,384	1,399	(1)%
Postgraduate	753	226	979	939	4%
2005-06 Total HE students	12,955	5,772	18,727	18,569	1%
2004-05 Totals	12,302	6,267	18,569		
Increase / (Decrease)	5%	(8)%	1%		

Board of Governors

The membership of the Board for the year ended 31 July 2006 was as follows:

Independent members

Tim Stevenson	Chairman of Travis Perkins plc
Neil Ashley (to December 2005)	Chairman of a number of public companies
John Bateman (to May 2006)	Chief Executive of Milton Park
Lorna Beckford	International Diversity Consultant
Angela Coulter	Chief Executive, Picker Institute Europe
Geoff Donnelly	Self-employed management consultant
Jill Judson	Head teacher, Cherwell School
David Laskow-Pooley	Managing Director of OSI Pharmaceuticals
Glen McFarlane	Chief Executive of Angell Security & Surveillance Limited
Susan Purves	Retired Vice President, Human Resources, AstraZeneca plc
Martin Wilkinson	Finance Director of SQW Group Limited

Co-opted members

Jon Lucas (from August 2005)	President of the Students' Union
Ann Black	Elected representative of the non-teaching staff Senior analyst/programmer, Directorate of Learning Resources
Shereen Karmali	Former Oxfordshire County Councillor
Robert Langridge	Elected representative of the teaching staff Senior Lecturer in Economics within the Planning Dept , School of Built Environment
Frances Young	Chair of the Westminster Trust and former Pro Vice-Chancellor, now Emeritus Professor University of Birmingham

Ex officio

Professor Graham Upton	Vice-Chancellor, Oxford Brookes University
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Finance and Resources Committee

Martin Wilkinson (Chair)	Governor
John Bateman (to May 2006)	Governor
Geoff Donnelly (to December 2005)	Governor
Tim Stevenson	Governor
Angela Coulter	Governor
David Laskow-Pooley (from December 2005)	Governor

Audit Committee

Neil Ashley (Chair – to December 2005)	Governor
Geoff Donnelly (Chair – from January 2006)	Governor
Stephen Dexter (Deputy Chair)	Partner, Grant Thornton
William Alden (to December 2005)	Managing Director, The Alden Group
David Shelmerdine (to July 2006)	Managing Director of Central England Audit & Consultancy
Ray Mackie	Chairman of Universe Group plc
Robert Langridge	Governor
Shereen Karmali	Governor
Glen McFarlane (from March 2006)	Governor
Rebecca Scott (from April 2006)	Accountant, Mazars

Remuneration Committee

Tim Stevenson (Chair)	Governor
Shereen Karmali (to December 2005)	Governor
Professor Graham Upton	Vice-Chancellor and Governor
Susan Purves	Governor

Employment Committee

Susan Purves (Chair)	Governor
Shereen Karmali	Governor
Tim Stevenson	Governor
Lorna Beckford	Governor
Martin Wilkinson	Governor

Nominations Committee

Tim Stevenson (Chair)	Governor
Jill Judson	Governor
Lorna Beckford	Governor
Ann Black	Governor
Professor Graham Upton	Governor
Dr Petra Wend	Senior Management Team

Senior Management Team

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

Advisers

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

Report of the Board of Governors for the year ended 31 July 2006

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 2006.

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 31 key performance indicators (KPIs) against which targets or aspirations are set, and 24 monitoring indicators. The University's Executive Board and Board of Governors monitor its achievements in relation to the KPIs. Achievements against target are assessed by the use of a 'traffic light' system. In 2005-06, 23 KPIs were rated green (on target) three KPIs were rated amber (significant risk that the KPI might not be achieved) and five KPIs were rated as red (KPI unlikely to be achieved).

Actions implemented by the University to improve performance on its KPIs:

- 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.
- The University has taken 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.
- The University has a Widening Participation Steering Group, which identifies and promotes the changes needed to achieve its objectives for widening participation.
- The University has made some progress in 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, four were rated green, one was rated amber and one was rated red at the beginning of 2005-06. By the end of the year the red KPI had been reassessed as amber.

Objective 7: To be financially self-sustaining

	2004	2005	2006	Status 2004	Status 2005	Status 2006
Achieve £2 million historical cost surplus	£4.6m	£2.9 m ¹	£4.3m	Green	Green	Green
Contain staff costs below 65% income and aim for 60% ²	63.5%	65.2%	65.2%	Amber	Amber	Amber
Generate at least £3.5 million cash each year	£5.2m	£4.7m	£9.1m	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 : 0.96	1 : 0.87	1 : 1.06	Amber	Red	Amber
Cash cover for loan repayments at least 1.3	2.3	2.2	3.3	Green	Green	Green

Notes:

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

Financial review

The 2005-06 year generated significant financial challenges and the final results demonstrate the effectiveness of the University's risk management and contingency planning arrangements. In October 2005 the University identified major variations against its target recruitment of international students and took immediate compensating action to ensure that the key financial targets for 2005-06 would still be met notwithstanding the loss of income from this source. This prompt action was aided by the financial risk and contingency planning workshop held in May 2005 at which key financial risks were identified and a prioritised list of contingency actions agreed. The contingency action plans implemented by the Executive Board at a meeting in November 2005 led to lower than originally budgeted spends on both pay- and non-pay items. In addition, other income streams were successfully increased during the year.

The Board considers the actual performance for the year compared to the original budget to be highly satisfactory. The key financial target for the University's core accounts (£2 million surplus) was achieved and 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.

	2006 Budget £000	2006 Actual £000	Variance £000
Income	126,009	124,711	(1,298)
Expenditure	125,298	121,660	3,638
Operating surplus	711	3,051	2,340
Exceptional gain on the sale of assets	3	279	276
Historical cost surplus	1,746	4,299	2,553

Financial performance in 2005-06 compared to prior years

The University's performance in 2005-06 is also considered satisfactory when compared to performance in previous years:

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
Income	124,711	116,787	111,059	98,849	91,076
Expenditure	121,660	118,469	110,623	99,985	94,113
Operating surplus / (deficit)	3,051	(1,682)	436	(1,136)	(3,037)
Exceptional gain on the sale of assets	279	921	1,926	377	222
Historical cost surplus / (deficit)	4,299	1,212	4,615	354	(1,058)

The University's income grew by seven per cent in the year and costs increased by less than three per cent. Overall:

- There was an encouraging increase in income from Funding Councils.
- Academic fees and support grants showed remarkable resilience given the difficulties experienced in the international markets and at home with NHS contracts.
- Residences catering and conferences showed good growth after virtually stagnating in the previous year.
- Other income increased significantly.

- Despite the strong upward pressure on pay costs due to the introduction of the single framework agreement, the increase in the year was limited to under four per cent due to staff recruitment restrictions imposed in November 2005 which were lifted in May 2006.
- Other operating expenses increased by less than two per cent.

Financial outlook for 2006-07 and beyond

The Board is determined to ensure that the University achieves the level of financial performance necessary to ensure that it can fund the planned level of investment in the estate, infrastructure and human capital of the University.

The forecasts submitted to HEFCE in July 2006 identified planned future performance as follows:

	2007	2008	2009	2010
	£000	£000	£000	£000
Income	136,838	143,613	148,440	151,748
Expenditure	136,288	141,280	145,386	148,988
Operating surplus	550	2,333	3,054	2,760
Historical cost surplus	1,503	3,286	4,007	3,713

Risk

The University's risk management process continues to provide effective systems for the identification of the major strategic and financial risks facing the University. During 2005-06 the University identified and proactively managed the four highest level strategic risks.

The key financial risks which materialised in the year had been identified in the financial risk and contingency workshop in May 2005. 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 £70 million in the six years 2005-2011. During 2005-06 there was an underspend on the planned expenditure of £5.1 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 are included within the programme at an early stage of inception and may develop and evolve significantly before they are finally approved.

Two major projects were subject to post implementation review during the year and whilst in both cases lessons were learned for the future, it was concluded that both projects provide 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 now commenced. During 2005-06 the University commenced master planning exercises for its Headington and Wheatley campuses; during 2006-07 the Board will consider detailed plans to eliminate all backlog maintenance and bring the estate into line with the condition and suitability standard of the HE sector's upper quartile by 2015.

Work commenced on the refurbishment of accommodation at Headington campus, after the vacation of premises resulting from moves to the newly completed Buckley building. The scope of this work will expand once the new Engineering building is completed at Wheatley and the school vacates its accommodation in Headington late in 2006.

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 2006 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 2.5% 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 belonging to an ethnic minority group has increased from 5.8% in 2004 to 6.3% in 2006. However, ethnic minority 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 belonging to minority ethnic groups.

The report also highlighted a wide range of actions and reviews to be undertaken in 2006-07.

Communication with staff

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

Vice-Chancellor

In March 2006 the Vice-Chancellor, Professor Graham Upton, announced his intention to retire at the end of the 2006-07 academic year. The Board commenced a search and recruitment process to find a successor and at its meeting in October 2006 appointed Professor Janet Beer as Vice-Chancellor Designate.

Professor Beer will join the University from her current role as Pro Vice-Chancellor of Manchester Metropolitan University with responsibility for learning and teaching, students and continuing professional development, and is also Dean of Humanities, Law and Social Sciences. She has an established record of research in her academic field of late nineteenth / early twentieth century American literature.

Professor Beer is one of two special advisers in higher education to the House of Commons Select Committee on Education and Skills, having acted in this capacity through the last three inquiries into higher education. A recent former panellist for the Arts and Humanities Research Council, she is currently Chair of the Audit Committee and Board member for the Higher Education Academy.

The Board is pleased that it has been able to appoint a high calibre Vice-Chancellor to build further on the University's achievements under the leadership of Professor Upton.

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 2006 the report focused on:

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

Environmental responsibility

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

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

The report covering activity in the 2005 calendar year highlighted:

- success in bringing down total energy and water consumption to the lowest level since the University started setting targets in this area
- that all electricity used by the University was now sourced from renewable sources

- the University's Green Commuter Plan was 'Highly Commended' in the 2004 Green Gown Awards (awarded in 2005)
- our success in recycling and the introduction of a pilot scheme aimed at further increasing the amount recycled which has been funded through the Vice-Chancellor's Innovation Fund
- achieving the benchmark of 80% of paper purchased being recycled
- that a Fairtrade Fortnight ran with events for staff and students
- that the draft policy for sustainable University buildings should be formally adopted in 2006.

The area for major development in 2006 is the implementation of a formal environmental management system and the roll-out of a new waste management system.

Insurance of Governors

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

Creditor payment policy

The University generally pays creditors 30 days from invoice date unless specified otherwise in the terms of the contract. Group creditor days at 31 July 2006 amounted to 10 days. (2005: 10 days).

Charitable status

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

Statement of Board of Governors' responsibilities

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the requirements of HEFCE and the Statement of Recommended Practice on accounting in HE institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with HEFCE, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has to ensure that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board has taken reasonable steps to:

- ensure that funds from HEFCE, the Learning and Skills Council (LSC) and the Training and Development Agency for schools (TDA), are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and the funding agreements with the LSC and TDA, and any other conditions that the Funding Councils or Agency may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and to prevent and detect fraud
- secure the economical, efficient and effective management of the University's resources and expenditure.

Corporate governance

Introduction

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

The Board of Governors and Senior Management Team

The Board of Governors, which meets formally five times a year, is responsible for the University's long-term objectives and for strategies in relation to the educational character and mission of the University and for providing overall financial and organisational control. The Board comprises three executive and fourteen non-executive governors and there is a clear separation of the role of the non-executive Chair from that of Chief Executive, 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 three non-executive Governors, plus four co-opted members, comprise the Committee. The Committee is responsible for advising the Board on:

- the effectiveness of the internal audit service and ensuring that 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 his/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.

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 2005-06 based upon the evaluation of the effectiveness of the system in operation for 2004-05.
- 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

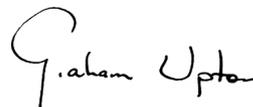
At its meeting in November 2006 the Board considered the effectiveness of the arrangements for internal control and risk management that had been in place for the financial year to 31 July 2006. The Board concluded, based upon the report from the Vice-Chancellor, endorsed by Executive Board and the Annual 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.



Tim Stevenson
Chair of Governors
24 November 2006



Professor Graham Upton
Vice-Chancellor
24 November 2006

Independent auditor's report

We have audited the financial statements on pages 15 to 34, 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. 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

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

The financial statements give a true and fair view of the state of the affairs of the University at 31 July 2006 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 October 2003 with HEFCE, and with the Funding Agreement with the TDA covering 1 August 2005 to 31 July 2006.

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.

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 FRS15 (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 an 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.

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 FRS17 (Retirement Benefits), in the financial statements. The full adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting FRS17 are given in Note 29.

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 is 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.

Consolidated income and expenditure account for the year ended 31 July 2006

	Notes	2006 £000	2005 as restated £000
INCOME			
Funding Council grants	1	43,618	40,837
Academic fees and support grants	2	47,193	46,280
Research grants and support contracts	3	5,627	5,783
Other operating income	4	27,591	23,312
Interest receivable	5	682	574
Total income		124,711	116,786
EXPENDITURE			
Staff costs	6	73,568	70,916
Depreciation	11	5,762	5,766
Other operating expenses	8	38,864	37,893
Interest payable	9	3,466	3,894
Total expenditure	10	121,660	118,469
Surplus / (deficit) after depreciation of assets at valuation and before tax		3,051	(1,682)
Share of profit of joint ventures	13	16	216
Operating surplus / (deficit) after depreciation of assets at valuation		3,067	(1,466)
Exceptional item: Gain on disposal of assets		279	921
Operating surplus / (deficit) after depreciation of assets at valuation and exceptional item	21	3,346	(545)

The results for the year ended 31 July 2005 have been restated to reflect the full implementation of FRS 17 (see note 21).

Note of historical cost surpluses and deficits

		2006	2005
	Notes	£000	as restated £000
Operating surplus / (deficit) after depreciation of assets at valuation		3,346	(545)
Realisation of revaluation gain		-	671
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	953	1,086
		<u>4,299</u>	<u>1,212</u>

Consolidated statement of total recognised gains and losses

	2006	2005
	£000	as restated £000
Operating surplus / (deficit) after depreciation of assets at valuation and tax	3,346	(545)
Actuarial gain / (loss) in respect of pension scheme	24	(660)
Impairment of buildings on Wheatley Tower / Gipsy Lane site	(712)	(3,612)
Total gains and (losses) recognised since last report	<u>2,658</u>	<u>(4,817)</u>
Reconciliation		
Opening reserves and endowments	39,942	
Prior year adjustment	(29,900)	
Total recognised gains for the year	<u>4,323</u>	
Closing reserves and endowments	<u>14,365</u>	

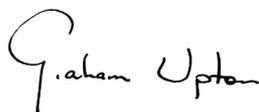
Consolidated balance sheet as at 31 July 2006

	Notes	2006 £000	2005 as restated £000
Fixed assets			
Tangible assets	11	147,395	142,885
Investments	12	34	34
Share in gross assets of joint ventures		418	730
Share in gross liabilities of joint ventures		(377)	(703)
Share of net assets in joint venture	13	41	27
		<u>147,470</u>	<u>142,946</u>
Current assets			
Stocks and work in progress	14	985	1,586
Debtors - amounts falling due after one year	15	617	515
Debtors - amounts falling due before one year	15	7,986	7,427
Current asset investments	16	13,523	8,802
Cash at bank and in hand	26	542	318
		<u>23,653</u>	<u>18,648</u>
Creditors - amounts falling due within one year	17	(22,319)	(21,391)
Net current assets / (liabilities)		<u>1,334</u>	<u>(2,743)</u>
Total assets less current liabilities			
		148,804	140,203
Creditors - amounts falling due after more than one year	18	(49,026)	(50,229)
Net assets excluding pension liability		99,778	89,974
Pension liability		(31,290)	(29,900)
Net assets including pension liability		<u>68,488</u>	<u>60,074</u>
Deferred capital grants	19	17,111	11,355
Reserves			
Revaluation reserves	20	37,012	38,677
General reserves including pension reserve	21	14,365	10,042
Total funds		<u>68,488</u>	<u>60,074</u>

These financial statements were approved by the Board on 24 November 2006 and signed on its behalf by:



Tim Stevenson
Chair of Governors



Professor Graham Upton
Vice-Chancellor

Corporation balance sheet as at 31 July 2006

	Notes	2006 £000	2005 as restated £000
Fixed assets			
Tangible assets	11	145,481	140,761
Investments	12	1,034	1,034
		<u>146,515</u>	<u>141,795</u>
Current assets			
Stocks and work in progress	14	887	1,488
Debtors - amounts falling due after one year	15	617	515
Debtors - amounts falling due before one year	15	10,677	8,926
Current asset investments	16	13,523	8,802
		<u>25,704</u>	<u>19,731</u>
Creditors - amounts falling due within one year	17	(22,057)	(20,803)
Net current assets / (liabilities)		<u>3,647</u>	<u>(1,072)</u>
Total assets less current liabilities		150,162	140,723
Creditors - amounts falling due after more than one year	18	(49,026)	(50,229)
Net assets excluding pension liability		101,136	90,494
Pension liability		(31,290)	(29,900)
Net assets including pension liability		<u>69,846</u>	<u>60,594</u>
Deferred capital grants	19	17,111	11,355
Reserves			
Revaluation reserves	20	37,012	38,677
General reserves including pension reserve	21	15,723	10,562
Total funds		<u>69,846</u>	<u>60,594</u>

These financial statements were approved by the Board on 24 November 2006 and signed on its behalf by:



Tim Stevenson
Chair of Governors



Professor Graham Upton
Vice-Chancellor

Consolidated cash flow statement

	Notes	2006 £000	2005 as restated £000
Net cash inflow from operating activities	23	12,435	8,134
Returns on investments and servicing of finance			
Interest received		682	574
Interest paid		(2,926)	(3,014)
Total cash outflow after investment return and servicing of finance		(2,244)	(2,440)
Capital expenditure and financial investment			
Tangible fixed assets acquired		(10,986)	(14,314)
Proceeds from sale of fixed assets		5,119	1,713
Deferred capital grants received		5,984	2,704
Net cash outflow from investing activities		117	(9,897)
Cash inflow / (outflow) before use of liquid resources and financing		10,308	(4,203)
Management of liquid resources	26	(8,971)	5,142
Financing			
Capital element of leases	25	(160)	(136)
Repayment	25	(953)	(875)
		(1,113)	(1,011)
Increase / (reduction) in cash	26	224	(72)

The principles of FRS1 (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

	2006 £000	2005 £000
Recurrent grants		
Teaching: HEFCE	31,464	28,151
Teaching: TDA	4,520	4,096
Teaching: LSC	197	211
Research: HEFCE	2,397	1,896
Specific grants		
Special initiatives	3,944	5,490
Deferred grants released in year (note 19)		
HEFCE	1,096	993
	43,618	40,837

2 – Academic fees and support grants

	2006 £000	2005 £000
Full time undergraduate students charged home fees	9,939	9,101
Full time undergraduate students charged overseas fees	7,078	6,966
Part time students	877	804
Research student tuition fees	851	810
Health authorities	9,447	9,483
Postgraduate, short and full-cost course fees	19,001	19,116
	47,193	46,280

3 – Research grants and support contracts

	2006 £000	2005 £000
Research Councils	2,198	1,985
UK-based charities	1,012	986
UK Central Government, Local Authorities	1,154	980
UK Industry, commerce, Public Corporations	688	871
European Commission	194	485
EU other	27	210
Other overseas	103	83
Other sources	251	183
	5,627	5,783

4 – Other operating income

	2006 £000	2005 £000
Residences, catering and conferences	17,171	16,000
Other services rendered	2,782	2,843
Released from deferred capital grants (note 19)	193	130
Other income	7,445	4,339
	27,591	23,312

5 – Interest receivable

	2006 £000	2005 £000
Bank interest	682	574

6 – Staff

	2006 £000	2005 as restated £000
(a) Employment costs		
Wages and salaries	59,832	58,031
Social security costs	4,784	4,634
Other pension costs (including FRS17 adjustments)	7,749	6,969
Severance payments	926	905
Recruitment costs, etc	277	377
	73,568	70,916

Note: severance payments have been reclassified from other operating expenses to staff costs in line with HESA reporting requirements

(b) Number of staff	No.	No.
The average number of employees during the year was made up as follows:		
Teaching and research including management	877	893
Part-time lecturers	569	534
Support	1,257	1,309
	2,703	2,736

(c) Remuneration of higher paid staff (excluding employers' pension contributions)	No.	No.
£70,001 - £80,000	6	5
£80,001 - £90,000	5	7
£90,001 - £100,000	2	3
£100,001 - £110,000	2	-
£110,001 - £120,000	1	-
£140,001 - £150,000	-	1
£160,001 - £170,000	1	1
£170,001 - £180,000	1	-

7 – Emoluments of Governors

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

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

	2006 £000	2005 £000
Ann Black	38	36
Robert Langridge	38	37
Professor Graham Upton	177	162
	253	235

The other Governors received only directly reimbursable expenses arising out of the performance of their duties.

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

	2006 £000	2005 £000
Chair: Tim Stevenson	-	-
Highest paid governor: Graham Upton:		
salary	177	162
employers' pension contribution	17	14
	194	176

(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

	2006	2005
	£000	as restated £000
Premises related:		
Maintenance	7,283	6,809
Rent	4,853	4,982
Books, publications and periodicals	1,349	1,323
Information technology related equipment; supplies and consumables	2,084	2,260
Other equipment supplies and consumables	759	818
Food and catering supplies and services	1,875	1,751
Stationery, photocopying and printing	1,427	1,512
Temporary staff, professional services and consultants	3,974	4,385
Other hired and contracted services	2,226	1,733
Examiners' fees	166	197
Communications and marketing	1,565	1,404
Placements, teaching practice and educational visits	733	623
Conferences, training and tuition fees	814	931
Subscriptions and copyright fees	565	578
Transport and travel related	2,003	2,061
Students' Union grant	923	476
External auditor's remuneration in respect of audit services	40	37
External auditor's remuneration in respect of other services	25	7
Key operating lease rentals	1,284	1,225
Insurance	568	593
Other costs	4,348	4,188
	38,864	37,893

9 – Interest payable

	2006	2005
	£000	as restated £000
Bank loans (repayable wholly or partly in more than five years)	2,647	2,719
Pension finance costs	540	880
Lease (repayable wholly or partly in more than five years)	279	295
	3,466	3,894

10 – Analysis of expenditure by activity

	Staff costs	Other operating	Depreciation	Interest payable	Net
	£000	£000	£000	£000	£000
Academic departments	45,433	10,000	326	-	55,759
Academic services	5,278	2,570	864	-	8,712
Administration and central services	11,720	6,734	290	540	19,284
Residences, catering and conferences	3,504	8,456	988	2,486	15,434
Premises	3,414	5,687	3,293	440	12,834
Research	2,409	2,654	-	-	5,063
Other costs	1,810	2,763	1	-	4,574
	73,568	38,864	5,762	3,466	121,660

The depreciation charge has been funded from:

	2006	2005
	£000	£000
	Notes	
Deferred capital grants released	19	1,289
Revaluation reserve released	20	953
General income		3,520
		5,762
		5,766

11 – Tangible fixed assets

Group	Assets in course of construction £000	Freehold land and buildings £000	Long leasehold property £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2005	5,930	142,733	21,226	25,665	195,554
Reclassifications	(5,930)	5,930	-	-	0
Diminution in value	-	(1,360)	-	-	(1,360)
Additions	5,564	4,381	-	1,041	10,986
Disposals	-	-	-	(37)	(37)
At 31 July 2006	5,564	151,684	21,226	26,669	205,143
Depreciation					
At 1 August 2005	-	(25,361)	(5,396)	(21,912)	(52,669)
Charge for the year	-	(3,234)	(937)	(1,591)	(5,762)
Diminution in value	-	647	-	-	647
Disposals	-	-	-	37	37
At 31 July 2006	-	(27,948)	(6,333)	(23,466)	(57,747)
Net book value					
At 31 July 2006	5,564	123,736	14,893	3,203	147,395
At 31 July 2005	5,930	117,372	15,830	3,753	142,885
Corporation					
Cost or valuation					
At 1 August 2005	5,930	140,933	20,989	24,032	191,884
Reclassifications	(5,930)	5,930	-	-	0
Diminution in value	-	(1,360)	-	-	(1,360)
Additions	5,564	4,381	-	1,030	10,975
Disposals	-	-	-	(18)	(18)
At 31 July 2006	5,564	149,884	20,989	25,044	201,481
Depreciation					
At 1 August 2005	-	(25,150)	(5,263)	(20,710)	(51,123)
Charge for the year	-	(3,198)	(913)	(1,431)	(5,542)
Diminution in value	-	647	-	-	647
Disposals	-	-	-	18	18
At 31 July 2006	-	(27,701)	(6,176)	(22,123)	(56,000)
Net book value					
At 31 July 2006	5,564	122,183	14,813	2,921	145,481
At 31 July 2005	5,930	115,783	15,726	3,322	140,761

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.

The reduction in value during the year results from a review of the future value of buildings situated on the Wheatley site. This has resulted in a reduction in net book value in use of an inherited building of £712,000.

A Private Finance Initiative relating to the construction and management of the new Cheney halls of residence on land owned by the University has been undertaken.

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 £18.2m. 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. The application of this accounting policy results in a net book value in 2034 of £4.6m.

The risks and rewards have been assessed in accordance with FRS5 (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

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
At 1 August	34	1,034	34	1,034
At 31 July	34	1,034	34	1,034

Investments include £34,000 for 34,093 ordinary shares in CVCP Properties plc. 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

	2006 £000	2005 £000
Share of net liabilities at 1 August	25	(189)
Share of profits for the year	16	216
Taxation	-	-
Balance at 31 July	41	27
Group share of joint venture's turnover	1,376	1,532
Group share of joint venture's interest payable	14	21

14 – Stocks

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
Raw materials and consumables	299	216	292	205
Research work-in-progress	686	671	1,294	1,283
	985	887	1,586	1,488

15 – Debtors

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
Amounts falling due after more than one year				
Amounts due from joint venture company	162	162	211	211
Cheney Hall residual value	455	455	304	304
	617	617	515	515
Amounts falling due within one year				
Trade debtors	4,136	3,567	3,713	3,306
Amount due from subsidiary companies	-	3,695	-	3,661
Amount due from joint ventures	223	223	349	349
Prepayments and accrued income	1,121	903	1,228	568
Other debtors	2,506	2,289	2,137	1,042
	7,986	10,677	7,427	8,926

16 – Current asset investments

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
Short term deposits	13,523	13,523	4,552	4,552
Land held for resale	-	-	4,250	4,250
	13,523	13,523	8,802	8,802

17 – Creditors: amounts falling due within one year

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
Bank loans and overdraft	1,006	1,006	941	1,062
Finance leases and other loans	185	185	160	160
Payments received in advance	7,296	7,244	7,825	7,802
Trade creditors	2,251	2,138	2,669	2,500
Social security costs	1,720	1,720	1,717	1,717
Accruals	6,156	5,856	5,056	4,670
Other creditors	3,705	3,908	3,023	2,892
	22,319	22,057	21,391	20,803

The University has entered into an arrangement with a financial training organisation and the Association of Chartered Certified Accountants to provide an accredited MBA course. As part of the arrangement a bank account has been opened in the name of Oxford Brookes University. At the year end the account held fees in advance of £564,000. The bank account and associated deferred income have not been shown in the financial statements as the University do not have unfettered access to these funds.

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

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
Long-term bank loans (a)	42,411	42,411	43,429	43,429
Lease (b)	6,615	6,615	6,800	6,800
	49,026	49,026	50,229	50,229

(a) The interest rates on the bank loans currently vary between 4.25% and 7.41%. The loans are due to be repaid by 2029 according to an agreed repayment schedule. These loans are secured on certain freehold properties.

(b) In May 1999 the University granted a lease on a hall of residence for ten years, extendable for a further 20 years by the University, to CITYTWOINC, a wholly owned subsidiary of a finance company, in exchange for a lease premium. In return CITYTWOINC granted a reciprocal lease to the University for a similar period for the payment of an annual lease that increases each year at the rate of 3%. If the University does not extend the lease at year 10, or for any reason it is necessary under the lease contract to cancel the lease, then the University is obliged to purchase the shares of CITYTWOINC at a price that ensures the return of any remaining net investment to the finance company.

Maturity analysis of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors and accruals at 31 July 2006, was as follows:

	2006		2005	
	Group £000	Corporation £000	Group £000	Corporation £000
Within one year	1,179	1,179	1,101	1,101
Between two and five years	5,468	5,468	5,239	5,239
Over five years by instalments	39,170	39,170	40,590	40,590
Over five years not by instalments	4,400	4,400	4,400	4,400
	50,217	50,217	51,330	51,330

19 – Deferred capital grants – group and corporation

	HEFCE £000	Other grants £000	Total £000
At 1 August 2005			
Buildings	7,659	2,250	9,909
Equipment	928	518	1,446
Total	8,587	2,768	11,355
Due within one year (transferred from short term creditors)			
Buildings	428	91	519
Equipment	513	30	543
Total	941	121	1,062
Receivable			
Buildings	4,200	1,300	5,500
Equipment	21	463	484
Total	4,221	1,763	5,984
Released to Income and Expenditure			
Buildings	(489)	(88)	(577)
Equipment	(607)	(105)	(712)
Total	(1,096)	(193)	(1,289)
At 31 July 2006			
Due within one year (transferred from short term creditors)			
Buildings	(113)	-	(113)
Equipment	(297)	(316)	(613)
Total	(410)	(316)	(726)
Due greater than one year			
Buildings	11,798	3,553	15,350
Equipment	855	906	1,761
Total	12,653	4,459	17,111

20 – Revaluation reserve – group and corporation

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

	2006 £000	2005 £000
At 1 August	38,677	44,046
Realisation of gain on asset disposal	-	(671)
Transfer from income and expenditure account in respect of depreciation	(953)	(1,086)
Impairment of buildings on the Wheatley Tower / Gipsy Lane site	(712)	(3,612)
At 31 July	37,012	38,677

21 – General reserves including pension reserve

	2006		2005	
	Group £000	Corporation £000	Group as restated £000	Corporation as restated £000
Balance at 1 August as previously states	10,042	10,562	37,030	37,620
Prior year adjustments in respect of FRS17	-	-	(27,540)	(27,540)
Surplus / (deficit) before tax and exceptional items	3,346	4,184	(545)	(615)
Realisation of gain on asset disposal	-	-	671	671
Depreciation on revalued assets	953	953	1086	1,086
Actuarial gain / (loss)	24	24	(660)	(660)
At 31 July	14,365	15,723	10,042	10,562
Balance represented by				
Pension reserve	(31,290)	(31,290)	(29,900)	(29,900)
Income and expenditure reserve excluding pension reserve	45,655	47,013	39,942	40,462
Total	14,365	15,723	10,042	10,562

22 – Financial commitments – group and corporation

(a) Capital commitments

	2006 £000	2005 £000
Contracted for	5,455	6,899
Authorised but not contracted for	17,474	17,110

(b) Operating leases

At 31 July 2006 the group had annual commitments under operating leases as follows:

	2006		2005	
	Lands and buildings £000	Other £000	Lands and buildings £000	Other £000
Expiring within one year	-	-	38	-
Expiring within two and five years	115	1,233	145	1,233
Expiring after five years	2,891	-	2,869	-
	3,006	1,233	3,052	1,233

(c) Lease commitments

The University has entered into a contract with a private sector provider to build, operate and service halls of residence. In accordance with the provisions of FRS5 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 £2,891,151 in 2007 (2006: £2,803,596).

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

	Notes	2006 £000	2005 as restated £000
Operating profit / (deficit) after depreciation of assets at valuation		3,346	(545)
Share of profit of joint venture companies		(16)	(216)
Interest receivable	5	(682)	(574)
Interest payable	9	3,466	3,894
Release of capital grant	19	(1,517)	(1,123)
Depreciation	11	5,762	5,766
Profit on disposal of fixed assets		(399)	(921)
Pension costs less contributions payable		850	820
Decrease / (increase) in stocks and work in progress		601	(651)
(Increase) in debtors		(661)	(328)
Increase in creditors		1,685	2,012
Net cash inflow from operating activities		12,435	8,134

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

	Notes	2006 £000	2005 £000
Decrease / (increase) cash in the year		224	(72)
(Decrease) / increase in short-term deposits		8,971	(5,142)
Repayment of debt	25	1,113	1,011
Change in net debt		10,308	(4,203)
Net debt at 1 August	26	(46,460)	(42,257)
Net debt at 31 July	26	(36,152)	(46,460)

25 – Analysis of changes in consolidated financing during the year

	Property finance leases £000	Bank loans £000	Total £000
At 1 August 2004	7,096	45,245	52,341
Repayments	(136)	(875)	(1,011)
At 31 July 2005	6,960	44,370	51,330
Repayments	(160)	(953)	(1,113)
At 31 July 2006	6,800	43,417	50,217

26 – Analysis of changes in net debt

	2006 £000	£000	Cash flow £000	£000	2005 £000	£000
Cash at bank and in hand		542		224		318
Short-term deposits		13,523		8,971		4,552
Debt due within one year	(1,191)		(90)		(1,101)	
Debt due after one year	(49,026)		1,203		(50,229)	
		50,217		1,113		(51,330)
		(36,152)		10,308		(46,460)

27 – Interests in group undertakings

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

Name of company	Nature of Business	Percentage of voting rights held by University
Subsidiaries		
Oxford Brookes Enterprises Limited	Trading activities, including the supply of library, print services and nurse training contracts	100
Oxford Brookes Services Limited	Dormant	100
Joint Ventures		
Oxford Institute of Legal Practice Limited	Education	50
Oxford Centre for Rugby Excellence Limited (year end is 30 November)	Dormant	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.

28 – Pension schemes (contd)

Pension summary

	TPS	LGPS	USS Past Service Liabilities	USS Future Service Liabilities
Latest actuarial valuation	31/3/01	31/3/04	31/3/02	31/3/02
Investment returns per annum	7.0%	7.4%	5%	6%
Salary rate increase per annum	5.0%	4.4%	3.7%	3.7%
Pension increase per annum	5.0%	2.9%	2.7%	2.7%
Market value of assets at date of last valuation	£142,880m*	£638m	£19,938m	
Proportion of members actual benefits covered by the actual valuation of the assets:	100%	65%	101%	

* The assets of TPS are notional assets.

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

	2006 £000	2005 £000
Contributions to TPS	3,092	3,021
Contributions to LGPS	3,636	3,049
Pension charge to income and expenditure account (staff costs)	874	821
Contributions to UBS and other schemes	147	78
	7,749	6,969

The contributions of the institution are presently 13.5% of pensionable salary to TPS, 14% for USS, and for LGPS since 1 April 2006 15.6% for salaried staff and 13.0% for manual staff. Between 1 April 2005 and 31 March 2006 the institution's contribution rates to the LGPS were 13.5% for salaried staff and 11.25% for manual staff.

FRS17

Teachers' Pension Scheme (TPS)

Under the definitions set out in FRS17 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 FRS17 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 FRS17, 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 FRS17, the University has obtained actuarial valuations of its share of the scheme assets and liabilities as at 31 July 2006 and 31 July 2005. The required disclosures are set out below:

Major assumptions:

	2006 % pa	2005 % pa
Inflation rate	3.10	2.70
Discount rate	5.10	5.00
Expected return on assets	6.70	6.70
Expected rate of salary increases	4.60	4.20
Rate of pension increases in payment	3.10	2.70
Rate of pension increases in deferment	3.10	2.70

28 – Pension schemes (contd)

Scheme assets and expected rate of return

	At 31 July 2006		At 31 July 2005	
	£000	% pa	£000	% pa
Equities	47,152	7.40	39,848	7.40
Property	4,250	6.40	2,451	6.40
Corporate bonds	10,547	5.10	9,251	4.60
Cash	4,591	4.70	3,900	4.70
Total	66,540		55,450	

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

	2006 £m	2005 £m
Total market value of assets	66.5	55.5
Present value of scheme liabilities	(97.8)	(85.4)
Deficit in the scheme – net pension deficit	(31.3)	(29.9)

Analysis of amounts charged to the income and expenditure account

	2006 £000	2005 £000
Current service costs	4,430	3,870
Past service costs	80	-
Financing		
- expected return on pension scheme	(3,840)	(3,290)
- interest on expected scheme liabilities	4,380	4,170
- net return	540	880
Total charge to income and expenditure before deduction for tax	5,050	4,750

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

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	3,690	6,350
Experience gains and losses arising on scheme liabilities	(130)	(1,200)
Changes in assumptions underlying the present value of scheme liabilities	(3,536)	(5,810)
Total actuarial gain / (loss) recognised	24	(660)

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

	2006 £000	2005 £000
Deficit in scheme at beginning of the year	(29,900)	(27,580)
Movement in year:		
- current service cost	(4,430)	(3,870)
- contributions	3,640	3,010
- past service costs	(80)	-
- other financial income / (charge)	(540)	(800)
- actuarial gain / (loss)	20	(660)
Deficit in scheme at 31 July 2006	(31,290)	(29,900)

The full actuarial valuation at 31 July 2006 showed an increase in the deficit from £29,900,000 to £31,290,000. Employer contributions increased to 15.6% of pensionable pay for salaried staff and 13.0% for manual staff on 1 April 2005.

28 – Pension schemes (contd)

The gains and losses for the year ended 31 July 2006 were as follows:

Difference between the expected and actual return on scheme assets:

	2006	2005
Amount (£000)	3,690	6,350
% of scheme assets	5.50%	11.50%

Experience gains and losses on scheme liabilities:

	2006	2005
Amount (£000)	(130)	(1,200)
% of the present value of scheme liabilities	0%	-1%

Total amount recognised in the statement of total recognised gains and losses:

	2006	2005
Amount (£000)	10	(660)
% of the present value of scheme liabilities	0.1%	-0.80%

The prior year adjustment relates to the full implementation of FRS17.

29 – Prior year adjustment note

The prior year adjustment relates to the full implementation of FRS17.

FRS17 requires the assets of defined benefit pension schemes, such as the local government scheme, to be measured at market value at each balance sheet date, and the liabilities to be measured using a specific valuation method and to be discounted using a corporate bond rate. Any resulting share of the pension scheme surplus or deficit is recognised on the college balance sheet. Any resulting gains and losses are recognised in the statement of total recognised gains and losses rather than being recognised gradually in the income and expenditure account.

The adoption of FRS17 has resulted in the following impact on the income and expenditure account and statement of total recognised gains and losses. In accordance with the transitional arrangements of FRS17, these figures have been reported in the notes to the University's accounts since the year ending 31 July 2001.

	2005 Group £000	2005 Corporation £000
General reserves as previously stated (note 21)	39,942	40,462
Pension liability at 1 August 2004	(27,540)	(27,540)
Movement during 2004-05		
- employer service costs	(3,870)	(3,870)
- employer contributions	3,010	3,010
- net interest / return on assets	(840)	(840)
- actuarial gain or (loss)	(660)	(660)
Income and expenditure account reserve as restated at 31 July	10,042	10,562
Analysis of prior year adjustment		
Adjustments to opening general reserves at 1 August 2004	(27,580)	(27,580)
Adjustments to I&E accounts for year ended 31 July 2005	(1,660)	(1,660)
Adjustments to STRGL for the year ended 31 July 2005	(660)	(660)
Total	(29,900)	(29,900)

30 – Access to learning funds

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

	2006 £000	2005 £000
At 1 August	-	-
Grant received	653	687
Interest accrued	5	9
Distributed to students	(657)	(696)
At 31 July	1	-

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

31 – TDA bursary fund

The University received and distributed TDA bursary funds as follows:

	2006 £000	2005 £000
At 1 August	243	253
Income	2,569	2,539
Payments to students	(2,526)	(2,549)
At 31 July	286	243

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

32 – Contingent liabilities

For a number of years, a University subsidiary company, Oxford Brookes Enterprises Ltd (OBE), has provided nurse training to the NHS. Most of the staff and services used to deliver these contracts have been provided by the University to OBE, and the University has made charges on an agreed basis to OBE for this service. These charges have been treated as a taxable supply by the University for VAT purposes. Her Majesty's Revenue and Customs (HMRC) are seeking to challenge this arrangement although they had originally approved it. Should the challenge be successful, the effect could be that the University may have to repay VAT amounting to around £692,000. HMRC do not have a legal precedent for the claim, and the University has lodged an appeal with the VAT Tribunal. The matter is unlikely to be resolved for at least a year.

33 – 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 FRS8 (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
Susan McRae (resigned 1 August 2005)	Pro Vice-Chancellor, Research
Derek Elsom (from 1 August 2005)	Dean of School, Social Sciences and Law

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

In addition, most 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 £1,246,424 (2005: £1,555,061).