

UNIVERSITY OF WARWICK
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31 JULY 1989

INDEX OF CONTENTS

	Page
Accounting Policies	1
Revenue Income & Expenditure Account	4
Supplementary Accounts	8
Balance Sheet	11
Source & Application of Funds	13
Notes to the Accounts	14
Auditors' Report	17

ACCOUNTING POLICIES

Basis of Accounting

The accounts have been prepared on an historical cost basis.

Income

Income represents all revenue grants, fees and other income receivable for the year.

Research Grants

Income from research grants is included to the extent of expenditure incurred during the year.

Capital Expenditure

Capital expenditure, to the extent it is not covered by specific grants and loans, loan interest and capital repayments are charged to the income and expenditure account.

Debtors and Prepayments

Specific provisions are made for any debts considered to be doubtful and known bad debts are written off.

Stocks

Stocks include goods for resale in catering departments, bars and the bookshop and are valued at the lower of cost and net realisable value. Stocks of consumable materials are written off to revenue as incurred.

Restricted Funds

Restricted funds represent income on funds which is for specific purposes designated by the donor and can only be applied to that specific purpose.

General Funds

General funds represent income on funds which can be applied to any activity of the University at the discretion of the University.

Provisions

Provisions represent amounts retained as being reasonably necessary in order to provide for any liability or loss that is either likely or certain to be incurred, but is uncertain as to either amount or timing.

Taxation

No current or deferred taxation has been provided as the University is a charity registered under the Charities Act 1960, and thereby exempt from United Kingdom taxation on its income.

The University of Warwick Foundation Fund

The University of Warwick Foundation Fund is vested in and administered separately by the Trustees. It does not therefore form part of these accounts.

Pension Arrangements

- a) The Institution participates in the Universities Superannuation Scheme, a pension scheme which provides benefits based on final pensionable salary for the employees of all UK universities and some other employers. The assets of the Scheme are held in a separate trustee-administered fund.

The latest actuarial valuation of the Scheme was at 31st March 1987. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments and the rates of increase in salary and pensions. It was assumed that the investment return would be 8.1/2% per annum, that salary scale increases would be 6.1/2% per annum and that pensions would increase by 5% per annum.

At the date of the last actuarial valuation, which was carried out using the aggregate method, the market value of the assets of the scheme was £3,783 million and the actuarial value of the assets was sufficient to cover 81% of the benefits which had accrued to Members after allowing for expected future increases in earnings. The level of contributions paid by the employing Institutions takes into account this actuarial deficiency.

The pension contribution charged in the accounts is comprised of a regular cost of 10.5% plus 8.05% which is calculated to result in the shortfall on costs below liabilities being allocated over approximately 10 years.

- b) Staff not eligible for membership of USS are superannuated through either the University's own pension scheme or various local government schemes.

The University's own scheme is an exempt-approved pension scheme for the benefit of its non-academic staff. The scheme provides retirement benefits (based on final pensionable salary) and lump sum and spouse's death in service benefits. The scheme is set up under trust and the assets are held in a separate trustee administered fund.

The last actuarial valuation was at 6th April 1986. The pension costs were assessed using the Attained Age method. The major financial assumptions used were that the long term investment returns would average 9% per annum compound, that long term salary increases (both promotional and inflationary) would average 8% per annum compound and that pensions would increase at a minimum rate of 2.5% per annum compound.

The market value of the assets at 6th April 1986 was £8,265,602 and the actuarial value of the assets was sufficient to cover 135% of the benefits which had accrued to members after allowing for expected future increases in earnings. To reduce this surplus the University did not pay contributions from 1st April 1988 to 31st December 1988 and increased benefits for members.

The University's contribution to the various schemes in the years 1987/88 and 1988/89 were:

	1987/88 <u>£000</u>	1988/89 <u>£000</u>
USS	3,223	3,484
University of Warwick Pension Scheme	473	427
Local Government	23	22
Others	15	16
	<u>3,734</u>	<u>3,949</u>

REVENUE INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 JULY 1989

INCOME

1988 £000		1989 £000
25,521	Grants from University Funding Council	27,590
6,590	Academic Fees and Support Grants	7,338
10,005	Research Grants & Contracts	11,352
6,573	Other Services Rendered	9,006
224	Endowment Donations and Subventions	254
174	Computer Board Grant	177
5,339	Residences and Catering Operations	5,880
280	Other General Income	
	Investment Income	368
351	Net Income from Separable Activities	321
653	Miscellaneous Income	1,202
<hr/>		<hr/>
1,284		1,891
-	Contribution to Depreciation of Buildings	850
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55,710		64,338
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EXPENDITURE

1988 £000		1989 £000
Academic Departments		
13,652	Salaries of academic staff	15,349
2,727	Salaries & wages of other staff	3,034
2,412	Other expenses	3,285
18,791		21,668
Academic Services		
1,672	Library	1,769
715	Computing Services	748
246	Other expenses	336
2,633		2,853
9,175	Research Grants & Contracts	10,343
6,026	Other Services Rendered	7,608
General Educational Expenditure		
64	Examinations	81
57	Fellowships, scholarships and prizes	61
61	Contribution to U.C.C.A and C.V.C.P.	62
166	Contribution to Arts Centre	172
166	Music, Drama and Works of Art	172
48	Other Expenses	54
562		602
Premises		
1,578	Rates	1,771
87	Telephones	249
164	Insurance	158
1,050	Heat, light, water and power	1,007
1,221	Cleaning and other running costs	1,330
1,899	Long term repairs and maintenance	1,065
1,218	Ordinary repairs and maintenance	1,315
7,217		6,895
44,404	forward	49,969

EXPENDITURE - Continued

1988 £000		1989 £000
44,404	forward	49,969
	Administration and Central Services	
2,002	Salaries and wages	2,116
217	Advertising and recruitment	306
407	Printing, stationery and postage	469
523	Other expenses	848
<hr/>		
3,149		3,739
	Staff and Student Facilities and Amenities	
167	Careers Advisory Service	177
124	Sports Grounds and Buildings	131
395	Grants to Union of Students	411
252	Other expenses	210
<hr/>		
938		929
5,619	Residences and Catering Operations	5,956
1,607	Expenditure from Equipment Grant	1,644
124	Pensions	183
	Miscellaneous Expenditure	
284	Capital expenditure met from Income	216
24	Hospitality and entertainment	29
184	Non-recurrent expenditure	410
80	Debt charges	79
257	Other expenses	157
<hr/>		
829		891
-	Depreciation of buildings	850
(960)	Surplus/(Deficit) before transfers	177
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55,710		64,338
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EXPENDITURE - Continued

1988 £000		£000	1989 £000
(960)	Surplus/(Deficit) before transfers		177
(2,524)	Transfers to Reserves	(2,145)	
3,685	Transfers from Reserves	2,348	
<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px; margin-bottom: 5px;"/> 1,161		<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px; margin-bottom: 5px;"/>	203
<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px; margin-bottom: 5px;"/> 201	Surplus/(Deficit) balance transferred to General Reserve (Note 5)		<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px; margin-bottom: 5px;"/> 380
<hr style="width: 100%; border: 1.5px solid black; margin-top: 5px; margin-bottom: 5px;"/>			<hr style="width: 100%; border: 1.5px solid black; margin-top: 5px; margin-bottom: 5px;"/>

SUPPLEMENTARY ACCOUNTS

YEAR ENDED: 31 JULY 1989

1988 £000		1989 £000
	Catering Account	
2,779	Income	2,956
	Expenditure	
1,117	Staffing	1,214
1,410	Food & drink	1,433
442	Improvements & renewals	117
217	Other expenses	258
3,186		3,022
(407)	Surplus/(Deficit) for the year	(66)
(88)	Allocation to Renewals & Improvements Fund	(51)
495	Withdrawal from Renewals & Improvements Fund	117
407		66
-		-
Any surplus or deficit on trading is transferred to the Renewals & Improvements Fund.		
	Residential Account	
2,560	Income	2,924
	Expenditure	
801	Salaries & wages	925
395	Heat, light, water & power	404
604	Maintenance & repairs	724
340	Loan interest & repayments	525
293	Other expenses	356
2,433		2,934
127	Surplus/(Deficit) for the year	(10)

SUPPLEMENTARY ACCOUNTS - Continued

1988		1989
£000		£000
127	Surplus/(Deficit) for the year	(10)
(332)	Allocation to Renewals Fund	(284)
205	Withdrawal from Renewals Fund	294
<hr/>		
(127)		10
<hr/>		
-		-
<hr/>		
	Any surplus on trading is transferred to the Renewals and Improvements Fund	
	Arts Centre Account	
1,013	Income	1,180
	Expenditure	
654	Production costs	822
347	Administration	384
<hr/>		
1,001		1,206
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12	Surplus/(Deficit) for the year	(26)
(14)	Allocation to Renewals & Development fund	-
2	Withdrawal from Renewals & Development Fund	26
<hr/>		
12		26
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-		-
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	Any surplus or deficit on trading is transferred to the Renewals & Development Fund.	

SUPPLEMENTARY ACCOUNTS - Continued

1988		1989
£000		£000 £000
Bookshop Accounts		
905	Income	1,005
	Expenses	
140	Salaries	142
621	Purchases	686
52	Other expenses	89
813		917
92	Surplus for the year	88
(10)	Allocation to Renewals Fund	(20)
-	Withdrawal from Renewals Fund	15
(10)		(5)
82	Surplus for the year	83

The surplus has been included in University Miscellaneous Income.

BALANCE SHEET

AS AT: 31 JULY 1989

1988 £000		1989 £000
37,851	Land and Buildings	41,239
	Long Term Loans	
1,215	Loan to University of Warwick Foundation (Note 1)	570
	Current Assets	
4,833	Debtors and prepayments	6,855
282	Stocks	326
2,140	Money at call and short notice	795
26	Bank balance and cash	37
179	Deposit account with H.M. Paymaster General	121
7,460		8,134
	Current Liabilities	
3,445	Creditors and accrued liabilities	4,047
746	Bank overdraft	718
4,191		4,765
3,269	Net Current Assets	3,369
42,335		45,178
(2,314)	Less Long Term Liabilities (Note 7)	(2,919)
40,021	Total Net Assets	42,259

As a result of the change in accounting policy, land and buildings have been included at cost (£37.851m) in the Balance Sheet from 1st August 1988. Depreciation is charged on the cost of land and buildings on a straight line basis over their estimated effective life being a maximum of 50 years from 1st August 1988.

BALANCE SHEET - continued

1988		1989
£000		£000
34,269	Capital	35,385
226	Restricted Funds (Note 2)	(15)
2,523	Reserves (Note 3)	2,949
3,211	Provisions (Note 4)	3,768
(208)	General Reserve (Note 5)	172
<u>5,526</u>		<u>6,889</u>
<u>40,021</u>	Total Funds	<u>42,259</u>

C. Brummitt
Finance Officer

SOURCE AND APPLICATION OF FUNDS
For the year ended: 31 July 1989

1988		1989
£000		£000
	Source of Funds	
201	Surplus of Funds	380
3	Sale of Investments	-
	Capital	
-	Universities Funding Council	600
1,640	Building Society Loans	605
2,171	Other Sources	3,033
<u>3,811</u>		<u>4,238</u>
(296)	Decrease in Restricted Funds	(241)
534	Increase in Reserves	426
(815)	(Recrease)/Increase in Provisions	557
<u>(577)</u>		<u>742</u>
<u>3,438</u>		<u>5,360</u>
	Application of Funds	
3,811	Capital Expenditure of Land and Buildings	4,238
<u>(373)</u>		<u>1,122</u>
	Movement in Working Capital	
249	Increase in Projects Temporarily Unfinanced	1,667
(343)	Decrease in Long Term Loans	(645)
115	Increase in Debtors and Prepayments	2,022
(11)	(Decrease)/Increase in Stocks	44
173	Decrease/(Increase) in Creditors	(602)
<u>183</u>		<u>2,486</u>
	Movement in Net Liquid Funds	
42	Increase/(Decrease) in Short - term deposits	(1,403)
(598)	Increase/(Decrease) in Bank Balance & Cash	39
<u>(556)</u>		<u>(1,364)</u>
<u>(373)</u>		<u>1,122</u>

NOTES TO THE ACCOUNTS

1. Loan to University of Warwick Foundation

The University acts as a paying agent for the Foundation Fund and the current account reflects the net indebtedness between the two parties.

2. Restricted Funds

	Balance 1 August 1988 £000	Receipts & Allocations during the year £000	Expenditure & Transfers during the year £000	Balance 31 July 1989 £000
Premature Retirement Compensation Scheme	140	169	200	109
Furniture & Equipment	86	1,513	1,655	(56)
Rates	-	1,703	1,771	(68)
	226	3,385	3,626	(15)
	226	3,385	3,626	(15)

3. Reserves

	Balance 1 August 1988 £000	Receipts & Allocations during the year £000	Expenditure & Transfers during the year £000	Balance 31 July 1989 £000
Research & Innovations	116	58	68	106
Study Leave	14	62	61	15
Conference Account	381	61	-	442
Departmental Balances	2,012	374	-	2,386
	2,523	555	129	2,949
	2,523	555	129	2,949

Departmental Balances represent surplus balances accumulated externally by academic departments

NOTES TO THE ACCOUNTS
(Continued)

4. Provisions

	Balance 1 August 1988 £000	Receipts & Allocations during the year £000	Expenditure & Transfers during the year £000	Balance 31 July 1989 £000
Long Term Maintenance	225	887	535	577
Residential Renewals and Improvements	470	338	294	514
Catering Renewals and Improvements	130	51	117	64
Other Renewals	523	393	194	722
Sale of Land and Property	189	301	291	199
Administrative Computer	1	491	358	134
Westwood Development	202	-	178	24
Other Provisions	1,471	346	283	1,534
	<u>3,211</u>	<u>2,807</u>	<u>2,250</u>	<u>3,768</u>

Projects having balances or movements of less than £100,000 are included in Other Provisions.

5. General Reserve

	Balance 1 August 1988 £000	Surplus for the year £000	Balance 31 July 1989 £000
General Reserve	(208)	380	172

NOTES TO THE ACCOUNTS
(Continued)

6. Expenditure on buildings and equipment during the year ended 31 July 1989 has been financed as follows:

	Expenditure		Source of Finance
	£000		£000
Buildings (Capital)	4,191	University Funding Council	2,261
Furniture and equipment (Revenue)	4,780	Grants & loans from Foundation Fund & other sources	2,462
Site Works & services (Capital)	47	Contribution from revenue & specific funds	4,295
	<hr style="width: 10%; margin: 0 auto;"/>		<hr style="width: 10%; margin: 0 auto;"/>
	9,018		9,018
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Capital expenditure in 1988/89 was £4.238m. This increases the cost of land and buildings to £41,239m after allowing for cumulative depreciation of £.85m.

7. At 31 July 1989 loans in respect of capital expenditure previously incurred and outstanding to the Foundation Fund were £1,237,000 (1988 £1,326,000) and secured loans repayable to Building Societies were £2,919,000 (1988 £2,314,000)
8. For insurance purposes, the buildings and equipment are valued at £163,047,000
9. The University holds 9,677 shares of £1 each (representing 35% of the total shares issued) and a 1% debenture loan of £820,710 issued by University of Warwick Science Park Limited. The investment has been included in the accounts at nil value.
10. The University is involved in a legal dispute over faults which have developed in tiling facades to a number of University buildings. The cost of the rectification work and legal costs paid to 31st July 1989 have been included in the University's Income & Expenditure Account. No provision for continuing legal costs has been made however, as the University considers that it is likely that such costs will be recovered. The Appeal hearing is likely to be held in March 1990.

AUDITORS' REPORT TO THE COUNCIL
OF THE UNIVERSITY OF WARWICK

We have audited the financial statements on pages 1 to 16 in accordance with Auditing Standards.

In our opinion these financial statements give a true and fair view of the state of affairs of the University as at 31st July 1989 and of its income and expenditure and source and application of funds for the year then ended.

Livery House
169 Edmund Street
Birmingham

Price Waterhouse
Chartered Accountants
11th December 1989