

# UNIVERSITY OF WARWICK

## STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 JULY 1991

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## TREASURER'S REPORT – UNIVERSITY OF WARWICK

In its forward plan the University had anticipated an operating surplus of £950,000 for 1990/91; with planned capital expenditure of £2,200,000 this was expected to result in an overall deficit of £1,250,000. The outcome was considerably better; there was an operating surplus of £2,500,000 and after a substantially increased level of capital expenditure at £3,200,000 there was thus a deficit, in round figures, of £700,000. I commented last year at the very small level of uncommitted reserves. That level has now been further reduced, but this results from the University's commitment to maintaining the pace of investment in academic buildings. In addition we are continuing to invest in undergraduates and graduates residences by means of loan financing. These developments are being carried out at the level necessary for our controlled but still very healthy rate of expansion.

In making comparisons with the previous year it will be noted that some of the figures in last year's accounts have been amended to bring them into line with SORP recommendations and our returns to the University Funding Council. Within the figures that have produced a better than expected result it will be seen that general income increased by £2.4m and research grants and contracts by £2.35m. The income from overseas students also substantially increased. On the expenditure side of the accounts most items were very close to plan although there was an underspending on academic salaries due to unfilled vacancies; in some subjects this reflected difficulty in filling key positions.

The University obtains a significant proportion of its income in the open market and cannot expect to be immune from the recession. Whilst the rate of growth in that income is slowing, not surprisingly, the University's policy of creating close links with industry and commerce continue to be of great benefit.

One very important development in the year is not reflected in the accounts. Scarman House, a further 200-bed post-experience training centre, with specialised teaching accommodation and excellent dining facilities, came into service. This has been developed through a wholly-owned company, Warwick University Training Limited, and the cost, substantially in excess of £10m, has been met by external borrowing backed by a major contract for the use of the facility. We expect beneficial results from this development to start to be shown in the accounts next year. The facility is an important addition to the University's assets, justified on both commercial and, all-importantly, academic grounds.

A side effect of the recession is that building contracts can be arranged at favourable prices and in 1991/92 the University is maintaining the momentum of capital investment. It is doing so, however, against a carefully balanced and cautious appraisal of the overall financial position.

Looking ahead, we must be concerned at the implications of the government's policy of lowering the unit of resource in pursuit of expanded student numbers. Whatever the problems we remain confident of maintaining Warwick's pre-eminent position in the University system.

J D M HEARTH, CBE., MA.

TREASURER

## **ACCOUNTING POLICIES**

### **Basis of Accounting**

The accounts have been prepared in accordance with the Statement of Recommended Practice on accounting in U.K. Universities.

### **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.

### **Long-term Maintenance**

Included in the income and expenditure account is an annual charge for long-term maintenance calculated so as to equalise annual costs on the basis of the University's long-term maintenance plan. The charge is credited to a provision, against which actual expenditure on long-term maintenance is met.

### **Debtors and Prepayents**

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**

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.

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 UNIVERSITY OF WARWICK**  
**INCOME AND EXPENDITURE ACCOUNT**  
for the Year ended 31 July 1991

	Notes	1991 £000	1990 £000
<b>INCOME</b>			
Grants from the Universities Funding Council	1	27,190	31,622
Contribution to Depreciation of Buildings		950	890
Academic Fees and Support Grants	2	21,986	14,781
Endowments, Donations & Subventions	3	243	185
Computer Board Grants	1	305	280
Residences, Catering and Conferences	4	7,972	7,098
Other General Income	5	10,633	8,257
Research Grants and Contracts	6	16,154	13,826
Other Services Rendered	7	5,663	5,406
Retained Net Proceeds of Sales of Buildings and Land		50	1,081
		<hr/> 91,146	<hr/> 83,426
<b>EXPENDITURE</b>			
Academic Departments	8	31,018	28,195
Academic Services	9	3,395	2,900
General Educational Expenditure	10	913	896
Maintenance of Premises	11	6,672	6,509
Administration and Central Services	12	4,646	4,886
Student and Staff Facilities and Amenities	13	1,207	991
Residences, Catering and Conferences	4	8,178	7,226
Pensions	14	560	1,078
Depreciation of Buildings		950	890
Equipment and Furniture	15	2,253	2,087
Miscellaneous Expenditure	16	8,757	7,335
Research Grants and Contracts	6	14,444	12,487
Other Services Rendered	7	5,227	4,954
		<hr/> 88,220	<hr/> 80,434
Surplus before Transfers		2,926	2,992
Transfers from/(to) Reserves	21	<hr/> (3,622)	<hr/> (2,236)
(Deficit)/Surplus for the year		<hr/> (696)	<hr/> 756

# STATEMENT OF FINANCIAL POSITION

as at 31 July 1991

	Notes	1991 £000	1990 £000
LAND AND BUILDINGS	17	44,368	42,496
LONG TERM INVESTMENTS		80	80
NET CURRENT ASSETS	18	<u>5,219</u>	<u>5,399</u>
		49,667	47,975
LESS LONG TERM LIABILITIES	19	<u>2,914</u>	<u>2,900</u>
NET ASSETS TOTAL	19	<u>46,753</u>	<u>45,075</u>
CAPITAL	20	38,889	36,636
RESTRICTED FUNDS			
Specific Endowments		5	14
GENERAL FUNDS			
Reserves	21	<u>7,859</u>	<u>8,425</u>
TOTAL FUNDS	19	<u>46,753</u>	<u>45,075</u>

C. BRUMMITT

FINANCE OFFICER

9 December 1991

# STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year ended 31 July 1991

	1991 £000	1990 £000
<b>CAPITAL</b>		
Reserves	2,813	1,767
Loans Repaid	467	244
Benefactions and Donations	24	117
Adjustment Coventry City Council	(101)	
	<u>3,203</u>	<u>2,128</u>
Expenditure on Land and Buildings	(2,821)	(2,147)
	<u>382</u>	<u>(19)</u>
<b>RESTRICTED FUNDS</b>		
Specific Endowments		
Expended during year	(9)	(34)
	<u>(9)</u>	<u>(34)</u>
<b>GENERAL FUNDS</b>		
Reserves		
Surplus before transfers	2,926	2,992
Transfers to Capital	(2,813)	(1,767)
Invested during year		(80)
Departmental Funds	(679)	977
	<u>(566)</u>	<u>2,122</u>
	<u>(575)</u>	<u>2,088</u>
<b>TOTAL FUNDS</b>	<u>(193)</u>	<u>2,069</u>
Less Reduction in long-term liabilities	13	(19)
	<u>(180)</u>	<u>2,050</u>
	<u>(180)</u>	<u>2,050</u>
<b>MOVEMENT IN WORKING CAPITAL</b>		
Stocks	166	6
Debtors and Prepayments	2,301	1,936
Provisions	57	(981)
Creditors and Accruals	(5,397)	(2,875)
	<u>(2,873)</u>	<u>(1,914)</u>
<b>Movements in Net Liquid Funds</b>		
Short-term Investments	2,151	5,249
Cash and Bank Balances	(72)	87
Bank Overdraft	614	(1,372)
	<u>2,693</u>	<u>3,964</u>
	<u>(180)</u>	<u>2,050</u>

## NOTES TO THE ACCOUNTS

### 1. GOVERNMENT GRANTS

	Received £000	1991 Included in Income £000	Included In Capital £000	Unpaid/ (Prepaid) £000
UFC Basic Recurrent Grant	21,762	21,762		
UFC Specific Grants				
Equipment & Furniture	1,133	2,108		1,156
Capital in Recurrent	184	184		
Rates	321	355		(42)
Engineering and Technology Programme	890	890		
NAAS	335	335		
Manufacturing Systems Engineering Programme	360	360		
Biotechnology	64	64		
Continuing Education	393	393		
Redundancy Compensation	160	239		153
Fees Support	285	285		
Access Funds	162	162		
Others	53	53		
Total Grants from the UFC	26,102	27,190		1,267
Computer Board Grants	232	305		(35)
	26,334	27,495		1,232
	Received £000	1990 Included in Income £000	Included In Capital £000	Unpaid/ (Prepaid) £000
UFC Basic Recurrent Grant	25,845	25,845		
UFC Specific Grants				
Equipment & Furniture	1,497	1,580		181
Capital in Recurrent	524	524		
Rates	1,091	1,015		(76)
Engineering and Technology Programme	864	864		
Books and Periodicals	58	58		
PICKUP	102	102		
NAAS	273	273		
Manufacturing Systems Engineering Programme	260	260		
Continuing Education	87	87		
Redundancy Compensation	933	1,007		74
Others	6	7		
Total Grants from the UFC	31,540	31,622		179
Computer Board Grants	348	280		(109)
	31,888	31,902		70



	1991 £000	1990 £000
<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>		
Full-time Home & EEC Students	10,645	4,438
Overseas Students	3,439	2,890
Part-time Students	341	307
Special and Short Courses	7,330	6,914
Research Training Support Grants	61	90
Other Fees and Support Grants	170	142
	<u>21,986</u>	<u>14,781</u>
<b>3. ENDOWMENTS, DONATIONS AND SUBVENTIONS</b>		
Chairs and Lectureships	58	68
Fellowships, Scholarships and Prizes	26	8
General	159	109
	<u>243</u>	<u>185</u>

**4. RESIDENCES, CATERING AND CONFERENCES INCOME AND EXPENDITURE**

	1991			
	£000	£000	£000	£000
	Residences	Catering	Conferences	Total
Income	3,056	2,179	2,737	7,972
Expenditure:-				
Salaries and Wages	1,216	1,467	254	2,937
Food and Bar purchases		1,312		1,312
Heat, Light, Water & Power	470	132		602
Loan Repayments	566			566
Repairs, Maintenance & Refurbishment	924	252	716	1,892
Other Expenses	461	173	235	869
	<u>3,637</u>	<u>3,336</u>	<u>1,205</u>	<u>8,178</u>

	1990			
	£000	£000	£000	£000
	Residences	Catering	Conferences	Total
Income	2,582	1,907	2,609	7,098
Expenditure:-				
Salaries and Wages	1,104	1,324	179	2,607
Food and Bar purchases		1,247		1,247
Heat, Light, Water & Power	397	96		493
Loan Repayments	574			574
Repairs, Maintenance & Refurbishment	1,144	168	78	1,390
Other Expenses	336	240	339	915
	<u>3,555</u>	<u>3,075</u>	<u>596</u>	<u>7,226</u>

	1991	1990
	£000	£000
<b>5. OTHER GENERAL INCOME</b>		
Post-Experience Centres & Retail Operations	8,614	7,001
Income from Short-Term Investments	809	505
Letting of Rooms & Hiring of Facilities	243	232
Charges for Administrative Services	22	42
Erasmus	65	54
Miscellaneous	880	423
	<u>10,633</u>	<u>8,257</u>

**6. RESEARCH GRANTS AND CONTRACTS**

	1991	
	Income	Expenditure
	£000	£000
Research Councils	5,671	5,516
Central Government, Local Authorities and Public Corporations	3,736	3,153
Industry and Commerce	3,526	2,912
Charitable Bodies	954	895
Overseas	1,325	1,039
Others	942	929
	<u>16,154</u>	<u>14,444</u>

	1990	
	Income	Expenditure
	£000	£000
Research Councils	4,902	4,777
Central Government, Local Authorities and Public Corporations	3,064	2,548
Industry and Commerce	3,405	2,860
Charitable Bodies	670	692
Overseas	938	835
Others	847	775
	<u>13,826</u>	<u>12,487</u>

## 7. OTHER SERVICES RENDERED

	Income £000	1991 Expenditure £000
Teaching Company Schemes	909	909
Integrated Graduate Development Scheme	892	541
Other Academic Services Rendered	<u>3,862</u>	<u>3,777</u>
	5,663	5,227

	Income £000	1990 Expenditure £000
Teaching Company Schemes	726	726
Integrated Graduate Development Scheme	1,030	667
Other Academic Services Rendered	<u>3,650</u>	<u>3,561</u>
	5,406	4,954

	1991 £000	1990 £000
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## 8. ACADEMIC DEPARTMENTS

Salaries of Academic Staff	18,591	17,141
Salaries & Wages of Other Staff	4,530	3,614
Other Expenses	<u>7,897</u>	<u>7,440</u>
	31,018	28,195

## 9. ACADEMIC SERVICES

Library	2,063	1,827
Computing Services	904	759
Other Expenses	<u>428</u>	<u>314</u>
	3,395	2,900

## 10. GENERAL EDUCATIONAL EXPENDITURE

Examinations	100	88
Fellowships, Scholarships and Prizes	63	63
Contributions to UCCA, CVCP and ACU	77	62
Music, Drama and Works of Art	123	95
Other Expenses	<u>550</u>	<u>588</u>
	913	896

	1991 £000	1990 £000
<b>11. MAINTENANCE OF PREMISES</b>		
Rates	326	1,040
Telephones	276	141
Insurance	181	172
Heat, Light, Water and Power	1,292	1,033
Cleaning and other running costs	1,637	1,476
Long Term Repairs and Maintenance	1,224	1,229
Ordinary Repairs and Maintenance	1,736	1,418
	<u>6,672</u>	<u>6,509</u>
<b>12. ADMINISTRATION AND CENTRAL SERVICES</b>		
Salaries and Wages	2,968	2,362
Advertising and Recruitment	267	353
Printing, Stationery and Postage	592	573
Other Expenses	819	1,598
	<u>4,646</u>	<u>4,886</u>
<b>13. STUDENT AND STAFF FACILITIES AND AMENITIES</b>		
Careers Advisory Service	219	183
Sports grounds and Buildings	111	148
Grants to Union of Students	503	436
Other Expenses	374	224
	<u>1,207</u>	<u>991</u>
<b>14. PENSIONS</b>		
Premature Retirement Compensation Scheme	553	1,007
Other Pension Costs	7	71
	<u>560</u>	<u>1,078</u>
<b>15. EQUIPMENT AND FURNITURE</b>		
Academic Departments	1,781	1,290
Academic Services	352	290
Furniture & Non-Academic Equipment	120	272
Other		235
	<u>2,253</u>	<u>2,087</u>

	1991 £000	1990 £000
<b>16. MISCELLANEOUS EXPENDITURE</b>		
Post-Experience Centres & Retail Operations	8,217	6,727
Hospitality and Entertainment	43	42
Debt Charges	78	79
Other Expenses	<u>429</u>	<u>487</u>
	8,767	7,335
 <b>17. FREEHOLD LAND AND BUILDINGS</b>		
Balance as at 1 August 1990	44,236	42,089
Additions during the Year:		
Student Residences	34	1,112
Academic Buildings	1,728	175
Post-Experience Centres	630	539
Other Buildings & Grounds	<u>430</u>	<u>321</u>
	47,058	44,236
	<u>2,690</u>	<u>1,740</u>
Less Accumulated Depreciation	44,368	42,496
 <b>18. NET CURRENT ASSETS</b>		
Current Assets	497	331
Stocks	11,821	9,520
Debtors and Prepayments	8,316	6,165
Short Term Investments	52	124
Cash & Bank Balances	<u>20,686</u>	<u>16,140</u>
Total Current Assets		
Current Liabilities	1,501	1,558
Provisions	11,006	7,093
Creditors and Accruals	1,484	
Current Account – Foundation Fund	<u>1,476</u>	<u>2,090</u>
Bank Overdraft	<u>15,467</u>	<u>10,741</u>
Total Current Liabilities	5,219	5,399
Net Current Assets		

19. ANALYSIS OF FUND BALANCES BETWEEN THE NET ASSETS  
as at 31 July 1991

	Land & Bldgs	Long Term Invest.	Net Current Assets	Long Term Liabilities	Total Funds
	£000	£000	£000	£000	£000
Capital	41,454		(2,565)		38,889
Restricted Funds					
Specific Endowments			5		5
General Funds					
Reserves		80	7,779		7,859
Financing of Students Accommodation					
Loans from Building Societies	2,456			(2,456)	
Financing of Staff Housing					
Loans from Building Societies	367			(367)	
Financing of Academic Buildings					
Loan from Coventry City Council	91			(91)	
Net Assets total	44,368	80	5,219	(2,914)	46,753

ANALYSIS OF FUND BALANCES BETWEEN THE NET ASSETS  
as at 31 July 1990

	Land & Bldgs	Long Term Invest.	Net Current Assets	Long Term Liabilities	Total Funds
	£000	£000	£000	£000	£000
Capital	39,596		(2,960)		36,636
Restricted Funds					
Specific Endowments			14		14
General Funds					
Reserves		80	8,345		8,425
Financing of Students Accommodation					
Loans from Building Societies	2,527			(2,527)	
Financing of Staff Housing					
Loans from Building Societies	373			(373)	
Net Assets total	42,496	80	5,399	(2,900)	45,075

	1991 £000	1990 £000
<b>20. CAPITAL</b>		
Balance as at 1 August 1990	38,376	36,248
Less Adjustment Coventry City Council	<u>101</u>	
	38,275	
Additions during the Year		
University Funds	2,813	1,767
Loans Repaid	467	244
Benefactions and Donations	<u>24</u>	<u>117</u>
	41,579	38,376
Less Accumulated Contribution to Depreciation	<u>2,690</u>	<u>1,740</u>
	<u>38,889</u>	<u>36,636</u>

	Balance 1/8/90 £000	Transfers (from)/to Income and Expenditure £000	Transfers to Capital £000	Balance 31/7/91 £000
<b>21. RESERVES</b>				
Research & Innovations	115	10		125
Study Leave	11	(14)		(3)
Catering and Conferences Account	743	(300)		443
Residential Renewals and Improvements	154	(26)		128
Other Renewals	845	210		1,055
Restructuring	102	(39)		63
Capital	157	3,450	(2,813)	794
Departmental Expenses	1,571	333		1,904
Others	<u>386</u>	<u>(2)</u>		<u>384</u>
	4,084	3,622	(2,813)	4,893
Departmental Funds	3,413	(679)		2,734
General Reserve	<u>928</u>	<u>(696)</u>		<u>232</u>
	8,425	2,247	(2,813)	7,859

## 22. Comparatives

Certain opening Reserves balances and comparative figures have been reclassified to comply with further clarification of the Statement of Recommended Practice.

### 23. Pensions

The latest actuarial valuation of the Universities Superannuation Scheme was at 31 March 1990. 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 £5,474 million and the actuarial value of the assets was sufficient to cover 90% of the benefits which had accrued to members after allowing for expected future increased 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.

The last actuarial valuation of the University's own pension scheme was at 6 April 1989. The pension costs were asseed 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 5.8% per annum compound and that pensions would increase at a minimum rate of 3% per annum compound

The market value of the assets at 6 April 1989 was £13,639,568 and the actuarial value of the assets was sufficient to cover 146% of the benefits which had accrued to members after allowing for expected future increases in earnings. To reduce this surplus the University proposes not to pay contributions from 1 May 1990 to 31 July 1993 and increase benefits for members.

The University's contribution to the various schemes in the years 1989/90 and 1990/91 were:

	1989/90 £000	1990/91 £000
USS	3,727	4,215
University of Warwick Pension Scheme	567	0
Local Government	20	38
Others	17	17
	<hr/> 4,331	<hr/> 4,270



**24. Subsidiary company**

The University holds 9831 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.

**25. Contingent Liability**

The University owns the entire issued share capital, consisting of ordinary shares, in Warwick University Training Limited, a company incorporated on 24th November 1989 in England.

The Company's principal activity is the operation of Scarman House, a post-experience management training centre. Scarman House commenced its operations on 24th June 1991. The company's first audited accounts for the period ended 31st March 1991 disclose a loss of £33,950 resulting from pre-trading and set-up costs.

On 9th February 1990 Warwick University Training Limited entered into two finance leases in respect of Scarman House and is contracted to make lease payments for 20 years commencing on 1st August 1992. The payments under the finance lease are dependent upon the total construction costs, including land and buildings, plant and equipment and capitalised interest, totalling approximately £10.1m.

**26. Capital Commitments**

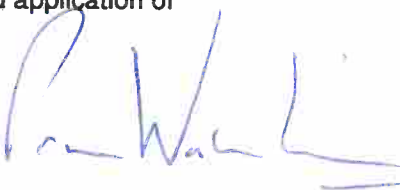
At 31st July 1991 the University had capital expenditure commitments amounting to £3.315m.

**AUDITORS' REPORT TO THE COUNCIL**  
**OF THE**  
**UNIVERSITY OF WARWICK**

We have audited the financial statements on pages 2 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 31 July 1991 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  
and Registered Auditor  
9 December 1991