

UNIVERSITY OF WARWICK

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED  
31 JULY 1998

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## TREASURER'S REPORT

My predecessor described the financial results for 1996/97 - a surplus of £3.9m representing 2.8% of income - as 'reasonably satisfactory'. By that yardstick the surplus for the year under review, 1997/98, is, at first sight, rather better and probably rates a 'very satisfactory'. It amounted to a little over £5.0m which, at 3.36% of income, is modestly ahead of HEFCE's indicative target of 3%.

I hesitate to describe it as such, however, since two key investment projects (the Academic Investment Fund and the new Finance System) were, merely because of timing differences, significantly underspent at the year-end which boosted the surplus by over £1.7m. Adjusting for that sum, which will largely be spent in the current year, means the underlying surplus was of the order of £3.3m or about 2.2% of turnover - another 'reasonably satisfactory' year but no more than that. Once again our Earned Income activities came to our rescue producing a contribution well above budget and almost 6% up on the previous year. There were particularly strong performances from Research Contracts, Conferences and Scarman House.

The surpluses that these activities generate have always been vital to the development of the University and are particularly so at present when our capital spending programme continues apace. In 1997/98 expenditure on new buildings and equipment amounted to £16.9m bringing the total spend over the last five years to in excess of £62m. But the end is not in sight. Over £26m of further capital expenditure has been authorised nearly half of which has been contracted.

A substantial part of our capital expenditure has, of necessity, been funded by increased borrowing and our long term liabilities under this heading now total almost £20m. Since the year-end we have drawn down a further £7.9m of bank borrowing. We have continued our cautious approach by hedging or capping our exposure to interest rate rises on a substantial part of our debt. Borrowings will continue to rise for some time yet to fund our extensive development plans, the more so if we are successful in our bid, made jointly with Leicester University, to establish a Medical School. A decision on that bid is not now expected until mid-1999.

The current year has started well, the University having successfully recruited to fill its student places. The arrangements for the collection of the new £1000 per annum tuition fee are running smoothly though not without incurring considerable additional costs.

The Government's decision, in November 1997, to increase funding to Higher Education by roughly the equivalent of the fees collected from students and parents is welcomed but though it improves the University's projected surpluses it does so from a low base and our Financial Plan shows that they remain at unsatisfactory levels in the medium term.

The impact on the University of the additional resources provided to Higher Education following the Comprehensive Spending Review in 1998 is not yet known but it is unlikely to change the outlook dramatically, except possibly on research funding where more detailed announcements are awaited.

It seems reasonable to suppose that the surpluses we generate for ourselves from our Earned Income activities will play an increasingly important role in the University's efforts constantly to improve the physical environment of its students and the quality of education they receive. As a matter of interest, the Government provided (through the block grants from HEFCE/TTA plus the Home/EC fees borne by the Treasury) only £35.43 of each £100 of the University's income in 1997/98. Five years ago that amount was £40.21 - a significant reduction over the period.

A university-wide programme, designed to address the impact of the year 2000 on the business, has been commissioned and is under way. Resources have been allocated and the University receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all the University's activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business. Priority is given to those systems which could cause a significant financial or legal impact on the university's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on the University's business of year 2000 related failure by significant suppliers and customers.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However, the University believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

P DODD  
TREASURER

NOVEMBER 1998

## CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Annual Report and Accounts of the University to obtain a better understanding of governance and legal structure of the University.

1. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

2. The University is an independent corporation, whose legal status derives from a Royal charter originally granted in March 1965. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, which was approved by the Privy Council in 1989/90 in its current form.

3. The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** - is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of members from outside the University, (described as lay members), from whom its Chairman and Treasurer must be drawn. Also included in its membership are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University.

- **The Senate** - is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and researchwork of the University.
- **The Court** - is a large, mainly formal body. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the Annual Report and Accounts of the University.

A majority of the members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

4. The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

5. Although the Council meets at least 4 times each academic year, much of its detailed work is initially handled by committees, in particular the Finance and General Purposes Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council.

6. These Committees are formally constituted as Committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom the Chair will be selected).

7. As chief executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors and the senior administrative officers all contribute in various ways to this aspect of the work, but ultimate responsibility for what is done rests with the Vice-Chancellor.

8. The University maintains a Register of Interests of members of the Council which may be consulted by arrangement with the Registrar.

9. The Statutes of the University specify that the Registrar should act as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the Registrar.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

### **1. Accounting Convention**

The financial statements have been prepared under the historical cost convention as amended by the revaluation of certain fixed asset investments and in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions (SORP) and applicable Accounting Standards.

### **2. Basis of Consolidation**

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings, including the University Foundation, for the financial year to 31 July 1998. The consolidated financial statements do not include those of the University of Warwick Students' Union nor Warwick Students' Union Services Ltd. and its subsidiary company, as these are separate organisations in which the University has no control or significant influence over policy decisions.

### **3. Recognition of Income**

Income from Specific Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis.

### **4. Pension Schemes**

The University participates in the Universities Superannuation Scheme (USS), a pension scheme which provides benefits based on final pensionable salary for the academic and academic-related 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 offered membership of the University's own pension scheme. A small number of staff remain in other pension 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.

### **5. Foreign Currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rate. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### **6. Leases**

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

### **7. Land and Buildings**

Land and buildings are stated at cost. Buildings are depreciated over their expected useful lives of 50 years, and leasehold land over the life of the lease. Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

### **8. Equipment**

Equipment, including micro-computers and software, costing less than £15,000 per individual item or group of related items and vehicles costing less than £5,000 are written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over 5 years. Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over 5 years.

## **9. Investments**

Endowment Asset Investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost and net realisable value.

## **10. Stocks**

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

## **11. 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.

## **12. 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 exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax.

# **CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

**For the Year Ended 31 July 1998**

	Note	<u>1997/98</u> £000	<u>1996/97</u> £000
<b>INCOME</b>			
Higher Education Funding Council (England) & Teacher Training Agency Grants	1	42,641	40,618
Academic Fees and Support Grants	2	32,880	31,937
Research Grants and Contracts	3	22,807	21,508
Other Operating Income	4	47,813	43,096
Endowment Income and Interest Receivable	5	3,104	1,547
Total Income		<u>149,245</u>	<u>138,706</u>
<b>EXPENDITURE</b>			
Staff Costs	6	74,440	71,687
Depreciation	12	5,319	4,018
Other Operating Expenses	7	62,946	57,831
Interest Payable	8	1,530	1,276
Total Expenditure	10	<u>144,235</u>	<u>134,812</u>
Surplus after Depreciation of Assets at Cost and before Tax		5,010	3,894
Taxation	11	<u>0</u>	<u>0</u>
Surplus after Depreciation of Assets at Cost and Tax		<u>5,010</u>	<u>3,894</u>

## **NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

**For the Year Ended 31 July 1998**

		<u>1997/98</u> £000	<u>1996/97</u> £000
Surplus after Depreciation of Assets at Cost and Tax		5,010	3,894
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued amount.	21	<u>6</u>	<u>6</u>
Historical Cost Surplus after Tax		<u>5,016</u>	<u>3,900</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

The consolidated surplus includes £3,090k that has been dealt with in the accounts of the University.

BALANCE SHEET AS AT 31 JULY 1998

		<u>Consolidated</u>		<u>University</u>	
	<u>Note</u>	<u>1998</u> £000	<u>1997</u> £000	<u>1998</u> £000	<u>1997</u> £000
FIXED ASSETS					
Tangible Assets	12	101,959	90,377	89,823	79,991
Investments	13	139	132	176	176
		<u>102,098</u>	<u>90,509</u>	<u>89,999</u>	<u>80,167</u>
ENDOWMENT ASSET INVESTMENTS	14	<u>2,002</u>	<u>1,843</u>	<u>0</u>	<u>0</u>
CURRENT ASSETS					
Stocks		553	485	517	447
Debtors	15	22,986	18,208	26,446	20,281
Short Term Deposits		10,347	11,629	10,341	11,627
Cash at Bank and in Hand		4,409	643	4,168	281
		<u>38,295</u>	<u>30,965</u>	<u>41,472</u>	<u>32,636</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(24,935)</u>	<u>(21,344)</u>	<u>(28,480)</u>	<u>(23,344)</u>
NET CURRENT ASSETS		<u>13,360</u>	<u>9,621</u>	<u>12,992</u>	<u>9,292</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>117,460</u>	<u>101,973</u>	<u>102,991</u>	<u>89,459</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	<u>(19,585)</u>	<u>(11,383)</u>	<u>(18,939)</u>	<u>(10,441)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(2,804)</u>	<u>(2,614)</u>	<u>(2,804)</u>	<u>(2,701)</u>
TOTAL ASSETS LESS LIABILITIES		<u>95,071</u>	<u>87,976</u>	<u>81,248</u>	<u>76,317</u>
DEFERRED CAPITAL GRANTS	19	<u>(26,590)</u>	<u>(24,663)</u>	<u>(22,990)</u>	<u>(21,149)</u>
TOTAL NET ASSETS		<u>68,481</u>	<u>63,313</u>	<u>58,258</u>	<u>55,168</u>
Represented by:					
ENDOWMENTS					
Specific	20	1,976	1,826	0	0
General	20	26	17	0	0
		<u>2,002</u>	<u>1,843</u>	<u>0</u>	<u>0</u>
RESERVES					
Revaluation Reserve	21	284	290	0	0
Income and Expenditure Account	22	66,195	61,180	58,258	55,168
		<u>66,479</u>	<u>61,470</u>	<u>58,258</u>	<u>55,168</u>
TOTAL FUNDS		<u>68,481</u>	<u>63,313</u>	<u>58,258</u>	<u>55,168</u>

The financial statements on pages 8 to 21 were approved by the Council on 21 December 1998, and signed on its behalf by:

Professor Sir Brian Follett, Vice-Chancellor

P Dodd, Treasurer

# **CONSOLIDATED CASH FLOW STATEMENT**

**For the Year Ended 31 July 1998**

	<u>Note</u>	<u>1997/98</u> £000	<u>1996/97</u> £000
Net Cash Inflow/(Outflow) from Operating Activities	26	6,023	3,010
Returns on Investments and Servicing of Finance	27	(292)	323
Taxation	11	0	0
Capital Expenditure and Financial Investment	28	(10,141)	(9,062)
Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		(4,410)	(5,729)
Management of Liquid Resources(net withdrawals from short term investments)		(4,011)	11,994
Financing	29	8,380	(990)
Increase/(Decrease) in Cash		(41)	5,275

## **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)**

	<u>1997/98</u> £000	<u>1996/97</u> £000
Increase/(Decrease) in Cash in the Period	(41)	5,275
Increase/(Decrease) in Short Term Deposits	4,011	(11,994)
New Loan	(12,350)	0
Repayment of Debt	3,970	990
Change in Net Funds/(Debt)	(4,410)	(5,729)
Net Funds/(Debt) at 1 August	(322)	5,407
Net Funds/(Debt) at 31 July	(4,732)	(322)

## **STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**

**For the Year Ended 31 July 1998**

	<u>Note</u>	<u>1997/98</u> £000	<u>1996/97</u> £000
Surplus after Depreciation of Assets at Valuation and Tax		5,010	3,894
Appreciation of Endowment Asset Investments	20	105	99
Endowment Income Retained for Year	20	(1,681)	(244)
New Endowments	20	1,735	17
Unrealised Surplus on Revaluation of Properties		0	0
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>5,169</b>	<b>3,766</b>



## NOTES TO THE ACCOUNTS

### 1. HIGHER EDUCATION FUNDING COUNCIL (ENGLAND) & TEACHER TRAINING AGENCY GRANTS

	<u>1997/98</u>	<u>1996/97</u>
	£000	£000
Recurrent Grants		
Higher Education Funding Council:		
Teaching	20,901	19,158
Research	15,575	14,565
Teacher Training Agency	3,257	3,436
Specific Grants:		
Formula Capital Funding	0	1,869
Joint Research Equipment Initiative	27	4
Specialised Research Collection in the Humanities	25	25
C.V.E. Development	305	300
Minority Subject	22	22
Development of Teaching and Learning	55	60
Teaching and Learning Technology Programme	25	0
Backlog Maintenance	1,126	0
C.T.I. Centre	51	50
Joint Information Systems Committee	276	533
Others	0	4
Deferred Capital Grants Released in Year		
Buildings (Note 19)	288	288
Equipment (Note 19)	708	304
	<u>42,641</u>	<u>40,618</u>

### 2. ACADEMIC FEES AND SUPPORT GRANTS

	<u>1997/98</u>	<u>1996/97</u>
	£000	£000
Full-time Students	10,332	10,062
Full-time Students charged overseas fees	8,705	8,296
Part-time fees	731	727
Research Training Support Grants	473	467
Short Course Fees	12,475	12,226
Other Fees	164	159
	<u>32,880</u>	<u>31,937</u>

### 3. RESEARCH GRANTS AND CONTRACTS

	<u>1997/98</u>	<u>1996/97</u>
	£000	£000
<b>Income</b>		
Research Councils	9,465	9,662
Central Government, Local Authorities and Public Corporations	3,629	3,581
Industry and Commerce	4,249	3,238
Charitable Bodies	2,174	1,779
European Union	2,629	2,615
Overseas	417	423
Others	223	176
Endowments	21	34
	<u>22,807</u>	<u>21,508</u>
<b>Expenditure</b>		
Research Councils	7,471	7,678
Central Government, Local Authorities and Public Corporations	2,985	2,821
Industry and Commerce	3,396	2,747
Charitable Bodies	2,097	1,758
European Union	2,366	2,361
Overseas	348	373
Others	218	129
Endowments	21	34
	<u>18,902</u>	<u>17,901</u>

Income from Research Grants and Contracts includes Deferred Capital Grants released in the year - see also Note 19

<b>4. OTHER OPERATING INCOME</b>		<b>1997/98</b>	<b>1996/97</b>
		<b>£000</b>	<b>£000</b>
Residences, Catering and Conferences		15,256	13,446
Other Services Rendered		8,391	5,498
Released from Deferred Capital Grants (Note 19)		310	302
Retail Operations		9,673	9,067
Post -Experience Centres		9,233	8,930
Other Income		4,950	5,853
		<b>47,813</b>	<b>43,096</b>
<b>5. ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>		<b>1997/98</b>	<b>1996/97</b>
		<b>£000</b>	<b>£000</b>
Chairs and Lectureships		(37)	44
Fellowships, Scholarships and Prizes		114	126
General		1,723	148
Income from Short Term Investments		1,304	1,229
		<b>3,104</b>	<b>1,547</b>
<b>6. STAFF</b>		<b>1997/98</b>	<b>1996/97</b>
		<b>£000</b>	<b>£000</b>
Staff Costs:			
Wages and Salaries		62,676	59,660
Social Security Costs		5,021	4,891
Other Pension Costs		6,743	7,136
		<b>74,440</b>	<b>71,687</b>
Emoluments of the Vice-Chancellor (excluding the University's pension contributions to USS but including benefits-in-kind). The University's pension contributions to USS for the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £14,906 (1996/97 - £15,945).		<b>£109,137</b>	<b>£103,134</b>
Emoluments of other Higher Paid Staff, (excluding the employer's pension contributions but including benefits-in-kind and payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment).			
£100,000 - £109,999		1	3
£90,000 - £99,999		1	0
£80,000 - £89,999		8	0
£70,000 - £79,999		7	6
£60,000 - £69,999		11	12
£50,000 - £59,999		35	29
There were no amounts paid as compensation for loss of office to higher paid staff.			
<b>7. OTHER OPERATING EXPENSES</b>		<b>1997/98</b>	<b>1996/97</b>
		<b>£000</b>	<b>£000</b>
Residences, Catering and Conferences Operating Expenses		6,369	5,725
Consumables and Laboratory Expenditure		16,844	15,908
Books, Periodicals and Binding		1,486	1,440
Fellowships, Scholarships and Prizes		544	514
Heat, Light, Water and Power		1,740	1,662
Repairs and General Maintenance		6,055	4,181
Provision for Long-Term Maintenance		1,616	1,314
Grants to University of Warwick Students' Union		924	811
Rents, Rates and Insurance		684	706
Auditors' Remuneration		28	23
Auditors' Remuneration in respect of Non-Audit Services		59	44
Retail Operations		7,427	7,157
Post - Experience Centres		3,146	2,812
Other Expenses		16,024	15,534
		<b>62,946</b>	<b>57,831</b>

## 8. INTEREST PAYABLE

	1997/98 £000	1996/97 £000
Bank and other loans wholly repayable within five years	0	0
Loans not wholly repayable within five years	1,424	1,191
Finance Leases	106	85
	<u>1,530</u>	<u>1,276</u>

## 9. RESTRUCTURING COSTS

	1997/98 £000	1996/97 £000
Premature Retirement Compensation Scheme	819	1,071

## 10. ANALYSIS OF 1997/98 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	41,326	882	16,844	0	59,052
Academic Services	3,291	68	2,962	0	6,321
Research Grants and Contracts	10,479	1,302	7,121	0	18,902
Residences, Catering and Conferences	4,991	799	6,369	1,385	13,544
Premises	3,402	1,549	9,331	0	14,282
Administration	5,712	247	3,835	0	9,794
Retail Operations	1,955	4	7,427	22	9,408
Post -Experience Centres	2,371	403	3,737	106	6,617
Other Expenses	913	65	5,320	17	6,315
Total per Income and Expenditure Account	<u>74,440</u>	<u>5,319</u>	<u>62,946</u>	<u>1,530</u>	<u>144,235</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 19)	2,608
Revaluation Reserve Released (Note 21)	6
General Income	<u>2,705</u>
	<u>5,319</u>

## 11. TAXATION

	1997/98 £000	1996/97 £000
UK Corporation Tax payable on the Profits of University of Warwick Training Ltd. and University of Warwick Services Ltd.	0	0

## 12. TANGIBLE ASSETS

### Consolidated

	Land and Buildings Freehold £000	Long Leasehold £000	Equipment £000	Leased Equipment £000	Total £000
<b>Cost</b>					
At 1 August 1997	104,805	0	8,719	3,709	117,233
Additions at Cost	11,433	0	5,468	0	16,901
At 31 July 1998	116,238	0	14,187	3,709	134,134
<b>Depreciation</b>					
At 1 August 1997	20,828	0	3,241	2,787	26,856
Charge for Year	2,278	0	2,811	230	5,319
At 31 July 1998	23,106	0	6,052	3,017	32,175
Net Book Value at 31 July 1998	93,132	0	8,135	692	101,959
Net Book Value at 1 August 1997	83,977	0	5,478	922	90,377

Included within Fixed Assets is land relating to the site of Scarman House, a post-experience centre. Title to the Scarman House building, valued at £6.8m, is currently held by Barclays Mercantile and will revert to the University in 2011. As such the building will not be included in the consolidated accounts until this date.

The consolidated expenditure on Land and Buildings in 1997/98 was :-

	£000
Student Residences	6,943
Retail Services/Student Union	2,069
Sports Pavilion/Changing Rooms/Pitches	1,123
Hospitality Services	294
Business School Development	222
Social Studies	117
Other	665
	<u>11,433</u>

### University

	Land and Buildings Freehold £000	Long Leasehold £000	Equipment £000	Leased Equipment £000	Total £000
<b>Cost</b>					
At 1 August 1997	94,654	0	7,910	0	102,564
Additions at Cost	9,252	0	5,286	0	14,538
At 31 July 1998	103,906	0	13,196	0	117,102
<b>Depreciation</b>					
At 1 August 1997	19,755	0	2,818	0	22,573
Charge for Year	2,067	0	2,639	0	4,706
At 31 July 1998	21,822	0	5,457	0	27,279
Net Book Value at 31 July 1998	82,084	0	7,739	0	89,823
Net Book Value at 1 August 1997	74,899	0	5,092	0	79,991

## 13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	1998 £000	1997 £000	1998 £000	1997 £000
Fixed Interest and Equities at Market Value	88	81	0	0
Investment in Subsidiary Companies at Cost	0	0	125	125
Investment in CVCP Properties PLC at Cost	51	51	51	51
	<u>139</u>	<u>132</u>	<u>176</u>	<u>176</u>

#### 14. ENDOWMENT ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£000	£000	£000	£000
Balance at 1 August	1,843	1,971	0	0
Additions	269	228	0	0
Disposals	(281)	(203)	0	0
Appreciation/Depreciation on Disposals/Revaluation	105	99	0	0
Increase/(Decrease) in Cash Balances	66	(252)	0	0
	<u>2,002</u>	<u>1,843</u>	<u>0</u>	<u>0</u>
Composed of :-				
Fixed Interest Stocks	75	70	0	0
Equities	638	550	0	0
Bank Balances	<u>1,289</u>	<u>1,223</u>	<u>0</u>	<u>0</u>
Total Endowment Asset Investments	<u>2,002</u>	<u>1,843</u>	<u>0</u>	<u>0</u>
Fixed Interest and Equities at Cost	<u>574</u>	<u>491</u>	<u>0</u>	<u>0</u>

#### 15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors	14,881	11,978	18,150	11,269
Prepayments and accrued income	6,192	4,459	6,983	7,485
Amounts falling due after one year:	0	0	0	0
Debtors and prepayments	<u>1,913</u>	<u>1,771</u>	<u>1,313</u>	<u>1,527</u>
	<u>22,986</u>	<u>18,208</u>	<u>26,446</u>	<u>20,281</u>

#### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£000	£000	£000	£000
Bank Overdraft	1,120	2,914	0	1,982
Mortgages and Unsecured Loans	834	438	960	562
Obligations Under Finance Leases (Note 24)	267	273	0	0
Payments Received on Account	5,306	5,453	5,134	5,254
Creditors	4,130	4,777	10,631	6,736
Social Security and Other Taxation Payable	3,458	1,712	3,458	1,712
Accruals and Deferred Income	<u>9,820</u>	<u>5,777</u>	<u>8,297</u>	<u>7,098</u>
	<u>24,935</u>	<u>21,344</u>	<u>28,480</u>	<u>23,344</u>

**17. CREDITORS: AMOUNTS FALLING DUE  
AFTER MORE THAN ONE YEAR**

	<u>Consolidated</u>		<u>University</u>	
	1998 £000	1997 £000	1998 £000	1997 £000
Mortgages secured on residential and other property	15,090	6,199	15,090	6,199
Unsecured loans	2,664	2,932	3,849	4,242
Payments received on account	941	1,110	0	0
	18,695	10,241	18,939	10,441
Accruals (Operating Leases )	0	0	0	0
Obligations Under Finance Leases (Note 24)	890	1,142	0	0
	890	1,142	0	0
	19,585	11,383	18,939	10,441

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>Consolidated</u>		
	Long Term Maintenance £000	Other £000	Total £000
At 1 August 1997	1,531	1,083	2,614
Utilised in Year	(948)	(1,291)	(2,240)
Transfer from Income & Expenditure Account	1,616	814	2,430
At 31 July 1998	2,199	605	2,804

  

	<u>University</u>		
	Long Term Maintenance £000	Other £000	Total £000
At 1 August 1997	1,618	1,083	2,701
Utilised in Year	(1,034)	(1,291)	(2,325)
Transfer from Income & Expenditure Account	1,616	814	2,430
At 31 July 1998	2,199	605	2,804

**19. DEFERRED CAPITAL GRANTS**

	<u>University</u>		<u>Consolidated</u>		
	Funding Council & Benefactions £000	Other Grants £000	Funding Council & Benefactions £000	Other Grants £000	Total £000
At 1 August 1997					
Buildings	6,984	10,149	6,984	13,663	20,647
Equipment	1,015	3,001	1,015	3,001	4,016
Total	7,999	13,150	7,999	16,664	24,663
Cash Received					
Buildings	0	465	0	589	589
Equipment	2,018	1,928	2,018	1,928	3,946
Total	2,018	2,393	2,018	2,517	4,535
Released to Income and Expenditure					
Buildings (Notes 1,3, & 4)	288	275	288	313	601
Equipment (Notes 1,3, & 4)	708	1,299	708	1,299	2,007
Total (Note 10)	996	1,574	996	1,612	2,608
At 31 July 1998					
Buildings	6,696	10,340	6,696	13,940	20,636
Equipment	2,325	3,629	2,325	3,629	5,954
Total	9,021	13,969	9,021	17,569	26,590

## 20. ENDOWMENTS

	<u>Consolidated</u>		
	Specific £000	General £000	Total £000
At 1 August 1997	1,826	17	1,843
Additions	1,688	47	1,735
Appreciation of Endowment Asset Investments	105	0	105
Income for Year	138	1	139
Transferred to Income and Expenditure Account (Notes 3 & 5)	(1,781)	(39)	(1,820)
At 31 July 1998	1,976	26	2,002

## 21. REVALUATION RESERVE

	<u>Consolidated</u>		<u>University</u>	
	1998 £000	1997 £000	1998 £000	1997 £000
Revaluations				
At 1 August	302	302	0	0
Revaluation in Year	0	0	0	0
At 31 July	302	302	0	0
Contributions to Depreciation				
At 1st August	12	6	0	0
Released in Year (Note 10)	6	6	0	0
At 31st July	18	12	0	0
Net Revaluation Amount				
At 31 July	284	290	0	0
At 1 August	290	296	0	0

## 22. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Surplus/(Deficit) after Depreciation of Assets at Valuation and Tax	5,010	3,090
Released from Revaluation Reserve	6	0
Historical Cost Surplus/(Deficit) after Tax	5,016	3,090
Balance at 1st August	61,180	55,168
Balance at 31st July	66,196	58,258

## 23. INCOME AND EXPENDITURE ACCOUNT RESERVES

	1998 £000	1997 £000
Committed Reserves:		
Research and Teaching Development Funds	291	237
Study Leave	41	4
Catering and Conferences	1,607	525
Residential Renewals and Improvements	2,175	1,907
Other Renewals	907	1,066
Premature Retirement Compensation Scheme	30	35
Departmental Expenses	5,046	3,347
Departmental Funds	4,271	2,961
Others	1,548	797
	15,916	10,879
Other Reserves:	50,279	50,301
	66,195	61,180

## 24. LEASE OBLIGATIONS

	<u>Consolidated</u>		<u>University</u>	
	<u>1998</u> £000	<u>1997</u> £000	<u>1998</u> £000	<u>1997</u> £000
Obligations under finance leases fall due as follows:				
Between one and five years	890	1,142	0	0
Over five years	0	0	0	0
Total over one year (Note 17)	890	1,142	0	0
Within one year (Note 16)	267	273	0	0
	1,157	1,415	0	0
Operating lease commitments in respect of equipment for the 1998 financial year, on leases expiring:				
Within one year	0	0	0	0
Between one and five years	11	0	0	0
Over five years	939	915	0	0
	950	915	0	0

## 25. CAPITAL COMMITMENTS

	<u>Consolidated</u>		<u>University</u>	
	<u>1998</u> £000	<u>1997</u> £000	<u>1998</u> £000	<u>1997</u> £000
Commitments contracted at 31 July	12,861	14,129	12,861	14,129
Authorised but not contracted at 31 July	13,752	4,951	13,752	4,951
	26,613	19,080	26,613	19,080

## 26. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	<u>1997/98</u> £000	<u>1996/97</u> £000
Surplus before tax	5,010	3,894
Depreciation (Note 12)	5,319	4,018
Deferred Capital Grants Released to Income (Note 19)	(2,608)	(1,807)
Investment Income	(3,125)	(1,582)
Interest Payable	1,529	1,276
Decrease/(Increase) in Stocks	(70)	58
Decrease/(Increase) in Debtors	(4,438)	(1,807)
Increase/(Decrease) in Creditors	4,216	(967)
Increase in Provisions	190	(73)
Net Cash Inflow from Operating Activities	6,023	3,010

## 27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<u>1997/98</u> £000	<u>1996/97</u> £000
Income from Endowments (Note 20)	139	108
Income from Short Term Investments	1,079	1,531
Interest Paid	(1,510)	(1,316)
	(292)	323



## 28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	1997/98 £000	1996/97 £000
Tangible Assets Acquired (Other than Leased Equipment)	(16,425)	(13,884)
Endowment Asset Investments Acquired (Note 14)	(269)	(228)
Total Fixed and Endowment Asset Investments Acquired	(16,694)	(14,112)
Long Term Investments Acquired	0	0
Receipts from Sales of Endowment Assets (Note 14)	281	203
Receipts from Disposal of Fixed Assets	2	0
Deferred Capital Grants Received (Note 19)	4,535	4,830
Endowments Received (Note 20)	1,735	17
	(10,141)	(9,062)

## 29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Total £000	Finance Leases £000	Mortgages & Loans £000
Balances at 1 August 1996	11,975	1,988	9,987
New Leases/Loans	0	0	0
Capital Repayments	(990)	(573)	(417)
Net Amount Acquired in Year	(990)	(573)	(417)
Balances at 31 July 1997	10,985	1,415	9,570
New Leases/Loans	12,350	0	12,350
Capital Repayments	(3,970)	(259)	(3,711)
Net Amount Acquired in Year	8,380	(259)	8,639
Balances at 31 July 1998	19,365	1,156	18,209

## 30. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1 August £000	Cash Flows £000	At 31 July £000
Cash at Bank and in Hand			
Endowment Assets	1,223	66	1,289
Others	644	3,765	4,409
	1,867	3,831	5,698
Short-Term Deposits	11,710	(1,275)	10,436
Bank Overdrafts	(2,914)	1,794	(1,121)
Debt due within one year	(712)	(389)	(1,101)
Debt due after one year	(10,273)	(8,371)	(18,644)
	(322)	(4,410)	(4,732)

### 31. PENSION SCHEMES

- (a.) The latest actuarial valuation available at the time of these accounts of the Universities Superannuation Scheme was at 31 March 1996.

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 8.5% per annum, that salary scale increases would be 6.5% 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 projected unit method, the market value of the assets of the scheme was £12,087 million and the actuarial value of the assets was sufficient to cover 108% 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 was 14% of pensionable salaries.

- (b.) The last actuarial valuation of the University's own pension scheme was at 6 April 1995. The pension costs were assessed using the projected unit method. The major financial assumptions used were that the long term investment returns would average 9% per annum compound, that long term earnings increases would average 7.5% per annum compound and that pensions would increase at a rate of 6% per annum compound.

The actuarial value of the assets was sufficient to cover 107% 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 6 April 1995 to 30 September 1995 and increased benefits for members. From 1 October 1995, the University has started to pay contributions at the rate of 8% of pensionable earnings. This rate will rise to 13.15% in October 1998, subject to the next valuation in April 1998. The market value of the assets at 5 April 1997 was £35,111,626.

The University's contributions to the various schemes in the years 1996/97 and 1997/98 were:

	1997/98	1996/97
	£000	£000
Universities Superannuation Scheme	5,248	6,161
University of Warwick Pension Scheme	847	794
Local Government Superannuation Scheme	24	28
Others	10	10
	<hr/> 6,129	<hr/> 6,993

### 32. SUBSIDIARY COMPANIES

The University owns 100% of the issued share capital of 4 £1 ordinary shares of Warwick University Training Ltd. and 100% of the 125000 £1 ordinary shares of Warwick University Services Ltd., companies registered in England and operating post-experience centres in the UK. The University also 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. The University also owns the entire issued share capital of Warwick Retail Services Limited, The University of Warwick Press Limited and Graduate Residences of Warwick Limited, all dormant companies, and 1 £1 ordinary share in Microbial Systems Limited, a biotechnology company, whose activities have been excluded from the consolidated accounts on the grounds of immateriality.

### 33. CONTINGENT LIABILITIES

The University owns the entire issued share capital, consisting of ordinary shares, in Warwick University Training Limited, a company incorporated on 24 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 24 June 1991. On 9 February 1990 Warwick University Training Limited entered into leases in respect of Scarman House and is contracted to make lease payments for 20 years commencing on 1 August 1992. The payments under the leases are dependent upon the total construction costs, including land and buildings, plant and equipment and capitalised interest, totalling approximately £10.1m.

#### 34. ACCESS FUNDS

	<u>1997/98</u>	<u>1996/97</u>
	£000	£000
Funding Council Grants	190	190
Interest Earned	2	0
	<hr/>	<hr/>
	192	190
Disbursed to Students	(192)	(190)
Audit Fees	0	0
	<hr/>	<hr/>
Balance Unspent at 31 July	0	0
	<hr/>	<hr/>

Funding Council grants 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.

#### 35. SUBSEQUENT EVENTS

On 8 October 1998 the University entered into a loan agreement of £7.9m. The loan is secured on certain student residences and is repayable in equal quarterly instalments over 25 years.

#### 36. RELATED PARTIES

The University has no related party transactions requiring disclosure under FRS 8.

## **INDICATORS OF FINANCIAL HEALTH**

### **INDICATORS RELATING TO SOURCES OF INCOME**

	<u>1997/98</u>	<u>1996/97</u>	<u>1995/96</u>	<u>1994/95</u>	<u>1993/94</u>
(a) % Ratio of Total HEFC & TTA Grants to Total Income	28.57%	29.28%	30.71%	33.69%	29.30%
(b) % Ratio of Total Full-time Home & EC Fees to Total Income	6.92%	7.25%	7.51%	7.75%	10.91%
(c) % Ratio of Total Overseas Student Fees to Total Income	5.83%	5.98%	5.60%	5.54%	5.14%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	15.28%	15.51%	14.69%	13.95%	14.69%
(e) % Ratio of Total Other Services Rendered Income to Total Income	5.62%	3.96%	4.71%	4.38%	4.09%
(f) % Ratio of Total Residences and Catering Income to Total Income	10.22%	9.69%	9.14%	8.89%	8.51%
(g) % Ratio of Total all Other Income to Total Income	27.55%	28.33%	27.64%	25.80%	27.35%
(h) % Ratio of Surplus/(Deficit) to Total Income	3.36%	2.81%	3.04%	4.25%	7.20%

### **INDICATORS RELATING TO FINANCIAL STRENGTH**

(i) Days Ratio of General Funds to Total Expenditure	167.58	165.69	160.56	162.07	155.90
(j) % Ratio of Long Term Liabilities to Total General Funds	31.24%	19.76%	20.98%	24.44%	20.05%

### **INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY**

(k) Ratio of Liquid Assets to Current Liabilities	0.59	0.57	0.81	1.32	1.21
(l) Days Ratio of Net Liquid Assets to Total Expenditure	34.51	25.33	44.37	75.73	53.61
(m) Ratio of Current Assets to Current Liabilities	1.54	1.45	1.47	1.92	2.08
(n) Days Ratio of Increase/(Decrease) in Cash & Liquid Resources to Total Expenditure	11.01	(18.19)	(20.96)	25.61	1.98
(o) Days of Total Income represented by Debtors	56.22	47.92	44.74	37.31	41.87