

UNIVERSITY OF WARWICK

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31 JULY 2000

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TREASURER'S REPORT

The year under review was not, in financial terms, an easy one. Continued downwards pressure by the Government on student funding combined with a less than favourable climate for some of our earned income activities put a premium on the need for firm action on costs. The result of the latter is reflected in 'Other Operating Expenses' which showed a reduction on the previous year of some £3.3 million. It is true that a part of that reduction represents deferred expenditure but the majority is the result of positive actions taken to contain expenditure.

On the subject of student funding, five years ago in 1994/95 we received academic fees and grants from the Higher Education Funding Council, equating to an average of £7,750 at 1999/2000 prices for each of our 7000 UK and EU students entitled to central support. In 1999/2000 the figures were £6,100 and 8,200 students - a reduction in funding per student of 21%.

In the face of these difficulties the surplus for the year of nearly £4.7 million may be considered a good performance and though it is swollen, as previously mentioned, by planned expenditure which was merely deferred, it benefitted to the extent of about £2 million by our actions on costs.

Overall, turnover showed a relatively modest increase of 2.5% (£165.3m from £161.3m) and that is almost wholly accounted for by the growth of our earned income activities. Here our conference business and a number of our retail outlets produced excellent results as did our Post-experience Centres which counter-balanced a difficult year, for reasons to a large extent beyond their control, for some of our income earning academic activities including both the Business School and the Manufacturing Group. In total the Earned Income Group substantially met its fairly demanding turnover budget and, vitally, met its contribution target.

The increase in staff costs of 8.6% (£87.2m from £80.3m) partly reflects the University's reaction to market forces and the need to recruit the highest quality staff as well as reflecting general inflationary and discretionary increases and the cost of additional staff numbers within the earned income areas.

The shape of the Balance Sheet has changed somewhat. It now shows Deferred Capital Grants 'below the line' rather than as a deduction from Total Net Assets - to some extent a cosmetic change but one which better reflects the true situation. There is also an amended note on the funding arrangements in respect of Scarman House.

New borrowings were £4.7 million during the year which partly funded additions to the inventory of buildings and equipment costing £10 million. They are likely to rise again in the current year during which we have a capital expenditure programme of £20 million to fund, the more significant elements being accommodation for the Medical School, the completion of the International Manufacturing Centre, and Phase 2 of the Business School expansion.

As in the past we have continued our measured approach to interest rate exposure, and cash management remains a priority. Debtor control has improved especially in the management of some of our larger overseas contracts. Our net cash inflow from Operating Activities was in excess of £7 million - not enough to support our capital expenditure and hence the need for increased borrowing which, though much increased over the past few years, is, even now, only at a level which is about average for the sector when looked at as a percentage of income.

As I mentioned in my last report a new finance system has been installed and, though its full benefits have yet to be felt, there has already been a significant improvement in the quality of financial information available and in the timeliness of its production. Great credit is due to all those involved in its installation not least the staff of the Finance Office. It was not an easy exercise.

Finally, the current year has started well with student recruitment on target including, of course, the first 67 students admitted to the Leicester Warwick Medical School. Our financial plan indicates a much reduced surplus for the year and to achieve that will require a continuing war on costs and an improved performance from our larger income earning activities. The outlook can be described as challenging.

P DODD
TREASURER

15 December 2000

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 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 Chair 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 research work 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.

RESPONSIBILITIES OF THE COUNCIL
OF THE
UNIVERSITY OF WARWICK

In accordance with the University's Charter of Incorporation, the Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University. It therefore ensures that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, 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, Council ensures 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 Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Teacher Training Agency are used only for the purpose for which they have been given in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council or the 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 of Warwick and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, 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 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 according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee and Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

We have audited the financial statements on pages 8 to 23 which have been prepared in accordance with the accounting policies set out on pages 6 and 7.

Respective responsibilities of the members of the Council and auditors

The University Council is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England 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 the Higher Education Funding Council.

We also report to you if, in our opinion, the Treasurer's 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 Treasurer's 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 Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 Council 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 which we considered necessary in order to provide us with sufficient evidence to give us 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 information in the financial statements.

Opinion

In our opinion:

the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2000 and of the surplus of income over expenditure and cash flows of the group 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:

income from the Higher Education Funding Council for England and the Teacher Training Agency 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:

income has been applied in accordance with the University statutes and, where appropriate, with the financial memorandum dated July 2000 with the Higher Education Funding Council.

KPMG
15 December 2000
Chartered Accountants
Registered Auditors

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 (SORP): Accounting in Further and Higher Education Institutions and applicable Accounting Standards.

2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to July 2000. The consolidated financial statements do not include those of the University of Warwick Students' Union nor Warwick Students' Union Services Ltd. and other subsidiaries of the Union, as these are separate organisations in which the University has no control or significant influence over policy decisions.

3. Comparative Figures

During 1999/2000 the University implemented a new computerised financial accounting system. The implementation process has resulted in the reclassification of a number of income and expenditure categories within the general ledger. It is likely that, as a result of this implementation, certain of the breakdowns of income and expenditure in the notes to the financial statements are not directly comparable year on year. However, the figures on the face of the Income and Expenditure Account are comparable.

4. 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.

5. 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.

6. 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.

7. 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.

8. Land and Buildings

Land and buildings are stated at cost with the exception of one property in a subsidiary undertaking. Buildings are depreciated over their expected useful lives of 50 years and laboratory refurbishments over 20 years. 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. The University has no inherited assets.

9. 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. Works of Art donated to or purchased by the University are not capitalised.

10. 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.

11. 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.

12. Long-term Maintenance

In line with FRS 12, the University charges long term maintenance costs to the income and expenditure account as they are incurred.

13. 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.

14. Deferred Capital Grants

In accordance with the latest SORP, the treatment of Deferred Capital Grants has been changed to reflect the reality that such grants are generally seen as increasing the permanent funding base. Accordingly the grants, being the portion of grants received not yet released to Income and Expenditure Account, have been moved from their previous position on the Balance Sheet as a deduction in arriving at Total Net Assets to the bottom half of the Balance Sheet. The comparative figures have been restated.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2000

	Note	1999/00 £000	1998/99 £000 As restated
INCOME			
Funding Council Grants	1	44,568	44,218
Academic Fees and Support Grants	2	39,442	37,422
Research Grants and Contracts	3	25,090	25,177
Other Operating Income	4	54,494	52,732
Endowment Income and Interest Receivable	5	1,701	1,704
Total Income		165,295	161,253
EXPENDITURE			
Staff Costs	6	87,214	80,323
Depreciation	12	6,538	6,233
Other Operating Expenses	7	64,620	67,902
Interest Payable	8	2,244	1,962
Total Expenditure	10	160,616	156,420
Surplus after Depreciation of Assets at Cost and before Tax		4,679	4,833
Taxation	11	0	0
Surplus after Depreciation of Assets at Cost and Tax		4,679	4,833

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Year Ended 31 July 2000

		1999/00 £000	1998/99 £000 As restated
Surplus after Depreciation of Assets at Cost and Tax		4,679	4,833
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued amount.	22	6	6
Historical Cost Surplus after Tax		4,685	4,839

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

The consolidated surplus includes £4,740k (1999: £3,437k) that has been dealt with in the accounts of the University.

BALANCE SHEET AS AT 31 JULY 2000

	Note	<u>Consolidated</u>		<u>University</u>	
		2000 £000	1999 £000 As restated	2000 £000	1999 £000
FIXED ASSETS					
Tangible Assets	12	117,380	113,905	98,592	99,433
Investments	13	251	51	376	176
		117,631	113,956	98,968	99,609
ENDOWMENT ASSET INVESTMENTS	14	3,254	2,899	0	0
CURRENT ASSETS					
Stocks		978	638	939	599
Debtors	15	24,766	22,755	36,300	30,014
Short Term Deposits		6,000	8,000	6,000	8,000
Cash at Bank and in Hand		10,766	7,172	7,884	3,064
		42,510	38,565	51,123	41,677
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(28,535)	(27,530)	(31,029)	(29,248)
NET CURRENT ASSETS		13,975	11,035	20,094	12,429
TOTAL ASSETS LESS CURRENT LIABILITIES		134,860	127,890	119,062	112,038
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(29,938)	(25,695)	(29,873)	(25,321)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(223)	(366)	(223)	(366)
TOTAL NET ASSETS		104,699	101,829	88,966	86,351
DEFERRED CAPITAL GRANTS	20	23,854	26,018	20,332	22,457
ENDOWMENTS					
Specific	21	3,165	2,863	0	0
General	21	89	36	0	0
		3,254	2,899	0	0
RESERVES					
Revaluation Reserve	22	272	278	0	0
Income and Expenditure Account	23	77,319	72,634	68,634	63,894
TOTAL RESERVES		77,591	72,912	68,634	63,894
TOTAL FUNDS		104,699	101,829	88,966	86,351

The financial statements on pages 8 to 23 were approved by the Council on 15 December 2000, 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 2000

	Note	1999/00 £000	1998/99 £000 As restated
Net Cash Inflow/(Outflow) from Operating Activities	27	7,061	11,606
Returns on Investments and Servicing of Finance	28	(864)	(519)
Taxation	11	0	0
Capital Expenditure and Financial Investment	29	(9,298)	(17,384)
Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		(3,101)	(6,297)
Management of Liquid Resources (net contributions to/withdrawals from short term investments)		2,000	2,095
Financing	30	4,761	6,570
Increase/(Decrease) in Cash		3,660	2,368

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

For the Year Ended 31 July 2000

	Note	1999/00 £000	1998/99 £000
Increase/(Decrease) in Cash in the Period		3,660	2,368
Increase/(Decrease) in Short Term Deposits		(2,000)	(2,095)
New Loan		(6,300)	(7,900)
Repayment of Debt		1,539	1,330
Change in Net Funds/(Debt)		(3,101)	(6,297)
Net Funds/(Debt) at 1 August		(11,030)	(4,733)
Net Funds/(Debt) at 31 July	31	(14,131)	(11,030)

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 2000

	Note	1999/00 £000	1998/99 £000
Surplus after Depreciation of Assets at Valuation and Tax		4,679	5,237
Appreciation of Endowment Asset Investments	21	129	28
Endowment Income Retained for Year	21	(380)	(489)
New Endowments	21	606	1,358
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		5,034	6,134
Prior Year Adjustment (Note 34)		(1,004)	2,199
TOTAL RECOGNISED GAINS SINCE LAST ACCOUNTS		4,030	8,333

NOTES TO THE ACCOUNTS

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

	1999/00 £000	1998/99 £000
Recurrent Grants		
Higher Education Funding Council:		
Teaching	22,526	21,483
Research	17,208	17,222
Teacher Training Agency	2,845	3,161
Specific Grants:		
Joint Research Equipment Initiative	66	170
C.V.E. Development	0	313
Minority Subject	23	22
Development of Teaching and Learning	313	100
Teaching and Learning Technology Programme	100	75
Collaboration and Restructuring	97	0
Joint Information Systems Committee	174	393
Library Research Support	80	0
Others	37	108
Deferred Capital Grants Released in Year		
Buildings (Note 20)	310	326
Equipment (Note 20)	789	845
	44,568	44,218

2. ACADEMIC FEES AND SUPPORT GRANTS

	1999/00 £000	1998/99 £000
Full-time Students charged home fees	11,143	10,545
Full-time Students charged overseas fees	10,301	10,086
Part-time fees	796	742
Research Training Support Grants	638	545
Short Course Fees	15,852	15,368
Other Fees	712	136
	39,442	37,422

3. RESEARCH GRANTS AND CONTRACTS

	1999/00 £000	1998/99 £000
Income		
Research Councils	9,902	9,877
Central Government, Local Authorities and Public Corporations	5,086	4,402
Industry and Commerce	4,678	4,727
Charitable Bodies	2,150	2,515
European Union	2,312	2,943
Overseas	461	380
Others	442	310
Endowments	59	23
	25,090	25,177
Expenditure		
Research Councils	7,909	7,776
Central Government, Local Authorities and Public Corporations	4,217	3,738
Industry and Commerce	3,286	3,812
Charitable Bodies	2,104	2,450
European Union	2,017	2,575
Overseas	386	335
Others	346	255
Endowments	59	23
	20,324	20,964

Income from Research Grants and Contracts includes £1,567k in respect of Deferred Capital Grants released in the year (1999: £1,497k) - see also Note 20

4. OTHER OPERATING INCOME	1999/00 £000	1998/99 £000
Residences, Catering and Conferences	17,963	16,156
Other Services Rendered	10,679	8,995
Released from Deferred Capital Grants (Note 20)	316	313
Retail Operations	11,015	10,675
Post -Experience Centres	9,763	10,748
Other Income	4,758	5,845
	54,494	52,732
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	1999/00 £000	1998/99 £000
Chairs and Lectureships	86	39
Fellowships, Scholarships and Prizes	37	85
General	301	441
Income from Short Term Investments	1,277	1,139
	1,701	1,704
6. STAFF	1999/00 £000	1998/99 £000
Staff Costs:		
Wages and Salaries	73,447	67,502
Social Security Costs	5,737	5,459
Other Pension Costs	8,030	7,362
	87,214	80,323
Emoluments of the Vice-Chancellor	£124,075	£114,112

(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 £16,958 (1998/99 - £15,626)

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).

£120,000 - £129,999	1	0
£110,000 - £119,999	0	1
£100,000 - £109,999	1	0
£90,000 - £99,999	4	2
£80,000 - £89,999	2	6
£70,000 - £79,999	13	12
£60,000 - £69,999	30	19
£50,000 - £59,999	76	66

There were no amounts paid as compensation for loss of office to higher paid staff.

7. OTHER OPERATING EXPENSES	1999/00 £000	1998/99 £000 As restated
Residences, Catering and Conferences Operating Expenses	5,831	6,574
Consumables and Laboratory Expenditure	15,057	19,221
Books, Periodicals and Binding	2,120	1,701
Fellowships, Scholarships and Prizes	1,343	1,030
Heat, Light, Water and Power	2,390	1,762
Repairs and General Maintenance	2,835	3,671
Long-Term Maintenance	1,698	1,954
Grants to University of Warwick Students' Union	852	929
Rents, Rates and Insurance	509	690
Auditors' Remuneration	42	31
Previous Auditors' Remuneration in respect of Non-Audit Services	255	109
Retail Operations	9,757	8,213
Post - Experience Centres	3,970	3,605
Other Expenses	17,961	18,412
	64,620	67,902

8. INTEREST PAYABLE

	1999/00 £000	1998/99 £000
Loans not wholly repayable within five years	2,184	1,883
Finance Leases	60	79
	<u>2,244</u>	<u>1,962</u>

9. RESTRUCTURING COSTS

	1999/00 £000	1998/99 £000
Premature Retirement Compensation Scheme	154	1,164

10. ANALYSIS OF 1999/00 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	46,968	1,200	15,057	0	63,225
Academic Services	4,681	217	5,199	0	10,097
Research Grants and Contracts	11,965	1,566	6,793	0	20,324
Residences, Catering and Conferences	6,533	1,018	5,831	2,034	15,416
Premises	4,157	1,635	8,692	0	14,484
Administration	6,410	204	3,766	0	10,380
Retail Operations	2,290	7	9,757	150	12,204
Post -Experience Centres	2,716	622	3,970	60	7,368
Other Expenses	1,494	69	5,555	0	7,118
Total per Income and Expenditure Account	<u>87,214</u>	<u>6,538</u>	<u>64,620</u>	<u>2,244</u>	<u>160,616</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 20)	2,982
Revaluation Reserve Released (Note 22)	6
General Income	3,550
	<u>6,538</u>

11. TAXATION

	1999/00 £000	1998/99 £000
UK Corporation Tax payable on the profits of the subsidiary companies	0	0

12. TANGIBLE FIXED ASSETS

Consolidated

	Freehold Land and Buildings £000	Equipment £000	Leased Equipment £000	Total £000
Cost				
At 1 August 1999	131,434	17,170	3,709	152,313
Additions at Cost	8,159	1,854	0	10,013
At 31 July 2000	139,593	19,024	3,709	162,326
Depreciation				
At 1 August 1999	25,725	9,435	3,248	38,408
Charge for Year	2,782	3,526	230	6,538
At 31 July 2000	28,507	12,961	3,478	44,946
Net Book Value at 31 July 2000	111,086	6,063	231	117,380
Net Book Value at 1 August 1999	105,709	7,735	461	113,905

The balance for 'Freehold Land and Buildings' includes the land comprising the site of Scarman House, a post-experience centre. Legal title to the Scarman House building currently rests with Barclays Mercantile. The building has been leased to Warwick University Training Limited (the Company), which operates Scarman House.

The Company is responsible for lease payments totalling £6.82m over the remaining term of the lease, which expires in 2011. The University has entered into a contract with Barclays Mercantile to guarantee these payments for the remainder of the lease term.

At the termination of the lease, title to the building will pass to the University. At that time, the net book value of the building is projected to be £4.34m

The consolidated expenditure on Land and Buildings in 1999/00 was :-
£000

Student Residences	659
Medical School	320
Major Refurbishments	1,706
Business School Development	984
Computer Sciences	3,367
Other	1,123
	<u>8,159</u>

University

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost			
At 1 August 1999	116,257	16,010	132,267
Additions at Cost	3,459	1,420	4,879
At 31 July 2000	119,716	17,430	137,146
Depreciation			
At 1 August 1999	24,174	8,660	32,834
Charge for Year	2,434	3,286	5,720
At 31 July 2000	26,608	11,946	38,554
Net Book Value at 31 July 2000	93,108	5,484	98,592
Net Book Value at 1 August 1999	92,083	7,350	99,433

13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	2000	1999	2000	1999
	£000	£000	£000	£000
Investment in University Challenge Fund	200	0	200	0
Investment in Subsidiary Companies at Cost	0	0	125	125
Investment in CVCP Properties PLC at Cost	51	51	51	51
	251	51	376	176

14. ENDOWMENT ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	2000	1999	2000	1999
	£000	£000	£000	£000
Balance at 1 August 1999	2,899	2,002	0	0
Additions	238	870	0	0
Disposals	(212)	(114)	0	0
Appreciation/Depreciation on Disposals/Revaluation	129	28	0	0
Increase in Cash Balances	200	113	0	0
Balance at 31 July 2000	3,254	2,899	0	0
Composed of :-				
Fixed Interest Stocks	262	121	0	0
Equities	1,390	1,377	0	0
Bank Balances	1,602	1,401	0	0
Total Endowment Asset Investments	3,254	2,899	0	0
Fixed Interest and Equities at Cost	1,405	1,232	0	0

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2000	1999	2000	1999
	£000	£000	£000	£000
Amounts falling due within one year:		As restated		
Trade Debtors	14,605	12,843	13,124	11,642
Amounts owed by group undertakings	0	0	6,379	4,049
Prepayments and accrued income	8,522	8,574	7,350	7,955
Amounts falling due after one year:				
Debtors and Prepayments	1,639	1,338	1,639	1,338
Amounts owed by group undertakings	0	0	7,808	5,030
	24,766	22,755	36,300	30,014

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

	<u>Consolidated</u>		<u>University</u>	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank Overdraft	1,424	1,289	0	0
Mortgages and Unsecured Loans	1,412	1,149	1,412	1,149
Obligations Under Finance Leases (Note 25)	382	357	0	0
Payments Received in Advance	9,418	6,891	9,280	6,688
Trade Creditors	12,520	13,988	11,358	12,741
Social Security and Other Taxation Payable	2,144	2,320	1,897	2,047
Accruals and Deferred Income	1,235	1,536	324	497
Amounts owed to group undertakings	0	0	6,758	6,126
	28,535	27,530	31,029	29,248

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

	<u>Consolidated</u>		<u>University</u>	
	2000 £000	1999 £000	2000 £000	1999 £000
Mortgages secured on residential and other property	26,616	21,765	26,616	21,765
Unsecured loans	2,342	2,503	2,342	2,503
Payments received on account	657	809	0	0
Obligations Under Finance Leases (Note 25)	323	618	0	0
Amounts owed to group undertakings	0	0	915	1,053
	29,938	25,695	29,873	25,321

18. FINANCIAL INSTRUMENTS AND BORROWINGS

The University's borrowings are in respect of certain student residences and the plant and equipment at the Scarman House Management training centre.

The University takes professional advice on the hedging of interest rates on its borrowings, with a view to reducing the risk of unexpected increases in finance costs. It therefore makes decisions to fix or hedge through the use of interest rate swaps, or caps the rates on certain borrowings from time to time.

At 31 July 2000 the consolidated borrowings are analysed as follows:

(a) Borrowings analysed by maturity date

	<u>Total</u>	<u>Totally Repayable</u>		
		Between one and two years	Between two and five years	After five years
	£000	£000	£000	£000
Amounts falling due within one year (note 16):				
Mortgages and Unsecured Loans	1,412	10	3	1,399
Obligations under Finance Leases	382	382	0	0
Amounts falling due after more than one year (note 17):				
Mortgages secured on residential and other property	26,616	0	0	26,616
Unsecured Loans	2,342	0	2	2,340
Obligations under Finance Leases	323	323	0	0
Total borrowing	31,075	715	5	30,355

18. FINANCIAL INSTRUMENTS AND BORROWINGS- continued

(b) Borrowings analysed by interest rate after taking account of various financial instruments

	Total	Capped and Floating	Fixed Borrowings		
			Principal	Weighted Average Interest	Weighted Average Period
	£000	£000	£000	%	Years
Secured Loans	27,867	8,875	18,992	7.18	7.84
Unsecured Loans	2,503	2,493	10	0.00	1.00
Obligations under Finance Leases	705	353	352	6.07	1.00
	31,075	11,721	19,354	7.16	7.71

Secured loans are secured on the residential property to which the borrowing relates.
Capped and floating rate borrowings bear interest based on LIBOR.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	University and Consolidated
At 1 August 1999	£000
Utilised in Year	366
Transfer from Income & Expenditure Account (Note 9)	(297)
	154
At 31 July 2000	223

20. DEFERRED CAPITAL GRANTS

	University			Consolidated		
	Funding Council £000	Other Grants & Benefactions £000	Total £000	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 1999						
Buildings	7,133	10,039	17,172	7,133	13,600	20,733
Equipment	2,165	3,120	5,285	2,165	3,120	5,285
Total	9,298	13,159	22,457	9,298	16,720	26,018
Cash Received						
Buildings	144	202	346	144	202	346
Equipment	-	472	472	-	472	472
Total	144	674	818	144	674	818
Released to Income and Expenditure						
Buildings (Notes 1,3, & 4)	310	277	587	310	316	626
Equipment (Notes 1,3, & 4)	789	1,567	2,356	789	1,567	2,356
Total (Note 10)	1,099	1,844	2,943	1,099	1,883	2,982
At 31 July 2000						
Buildings	6,967	9,964	16,931	6,967	13,486	20,453
Equipment	1,376	2,025	3,401	1,376	2,025	3,401
Total	8,343	11,989	20,332	8,343	15,511	23,854

21. ENDOWMENTS

	<u>Consolidated</u>		
	Specific £000	General £000	Total £000
At 1 August 1999	2,863	36	2,899
Additions	484	122	606
Appreciation of Endowment Asset Investments	129	0	129
Income for Year	102	1	103
Transferred to Income and Expenditure Account	(413)	(70)	(483)
At 31 July 2000	3,165	89	3,254

22. REVALUATION RESERVE

	<u>Consolidated</u>		<u>University</u>	
	2000 £000	1999 £000	2000 £000	1999 £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	24	18	0	0
Released in Year (Note 10)	6	6	0	0
At 31st July	30	24	0	0
Net Revaluation Amount				
At 31 July	272	278	0	0
At 1 August	278	284	0	0

The revaluation reserve relates to one property professionally revalued some years ago at open market value.

23. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Balance at 1st August 1999 as previously reported	73,638	63,894
Prior year adjustment (Note 34)	(1,004)	0
Balance at 1st August 1999 as restated	72,634	63,894
Surplus after Depreciation of Assets at Valuation and Tax Released from Revaluation Reserve	4,679 6	4,740 0
Historical Cost Surplus after Tax	4,685	4,740
Balance at 31st July 2000	77,319	68,634

24. INCOME AND EXPENDITURE ACCOUNT RESERVES

	2000 £000	1999 £000
Committed Reserves:		
Departmental Funds	10,356	11,033
Long Term Maintenance Provision	2,470	2,176
Residential Renewals Fund	2,872	2,824
Other Renewals Funds	640	438
Research and Teaching Development Funds	534	441
Others	634	1,471
	17,506	18,383
Other Reserves:	59,813	54,251
	77,319	72,634

25. LEASE OBLIGATIONS

	<u>Consolidated</u>		<u>University</u>	
	2000 £000	1999 £000	2000 £000	1999 £000
Obligations under finance leases fall due as follows:				
Between one and five years	323	618	0	0
Over five years	0	0	0	0
Total over one year (Note 17)	323	618	0	0
Within one year (Note 16)	382	357	0	0
	705	975	0	0
Operating lease commitments in respect of buildings for the 2000 financial year, on leases expiring:				
Within one year	0	0	0	0
Between one and five years	14	17	0	0
Over five years	848	955	0	0
	862	972	0	0

26. CAPITAL COMMITMENTS

	<u>Consolidated</u>		<u>University</u>	
	2000 £000	1999 £000	2000 £000	1999 £000
Commitments contracted at 31 July	19,818	3,136	2,834	2,069
Authorised but not contracted at 31 July	6,592	10,462	6,442	10,462
	26,410	13,598	9,276	12,531

**27. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1999/2000 £000	1998/99 £000
Surplus before tax	4,679	4,833
Depreciation (Note 12)	6,538	6,233
Deferred Capital Grants Released to Income (Note 20)	(2,982)	(2,977)
Investment Income	(1,277)	(1,727)
Interest Payable	2,244	1,962
Decrease/(Increase) in Stocks	(340)	(84)
Decrease/(Increase) in Debtors	(2,011)	477
Increase/(Decrease) in Creditors	353	3,128
Increase/(Decrease) in Provisions	(143)	(239)
Net Cash Inflow from Operating Activities	7,061	11,606

28. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	1999/00 £000	1998/99 £000
Income from Endowments (Note 21)	103	99
Income from Short Term Investments	1,277	1,371
Interest Paid	(2,244)	(1,989)
	(864)	(519)

29. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	1999/00 £000	1998/99 £000
Tangible Assets Acquired	(10,013)	(19,806)
Investments Acquired	(200)	0
Endowment Asset Investments Acquired (Note 14)	(238)	(870)
Total Fixed and Endowment Asset Investments Acquired	(10,451)	(20,676)
Receipts from Sales of Endowment Assets (Note 14)	212	114
Receipts from Disposal of Fixed Assets	0	3
Deferred Capital Grants Received (Note 20)	818	2,405
Endowments Received (Note 21)	606	1,358
Endowments transferred to Income and Expenditure Account (Note 21)	(483)	(588)
	(9,298)	(17,384)

30. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Total £000	Finance Leases £000	Mortgages & Loans £000
Balances at 1 August 1998	19,745	1,157	18,588
New Leases/Loans	7,900	0	7,900
Capital Repayments	(1,331)	(260)	(1,071)
Net Amount Acquired in Year	6,569	(260)	6,829
Balances at 31 July 1999	26,314	897	25,417
New Leases/Loans	6,300	0	6,300
Capital Repayments	(1,539)	(192)	(1,347)
Net Amount Acquired in Year	4,761	(192)	4,953
Balances at 31 July 2000	31,075	705	30,370

31. ANALYSIS OF CHANGES IN NET FUNDS/ (DEBT)

	At 1 August 1999 £000	Cash Flows £000	At 31 July 2000 £000
Cash at Bank and in Hand			
Endowment Assets	1,401	201	1,602
Others	7,172	3,594	10,766
	8,573	3,795	12,368
Short-Term Deposits	8,000	(2,000)	6,000
Bank Overdrafts	(1,289)	(135)	(1,424)
Debt due within one year	(1,428)	(366)	(1,794)
Debt due after one year	(24,886)	(4,395)	(29,281)
Net Debt	(11,030)	(3,101)	(14,131)

32. PENSION SCHEMES

- (a) The latest actuarial valuation available at the time of these accounts of the Universities Superannuation Scheme was at 31 March 1999. 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 5.5% per annum, that salary increases would be 3.5% per annum, and that pensions would increase by 2.5% 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 £18,870 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 surplus. The pension contribution charged in the accounts has been 14% of pensionable salaries since January 1997.
- (b) The last actuarial valuation of the University's own pension scheme was at 6 April 1998. The pension costs were assessed using the projected unit method. The major financial assumptions used were that the long term investment returns would average 8.5% per annum compound, that long term earnings increases would average 7% per annum compound and that pensions would increase at a rate of 5% per annum compound. The actuarial value of the assets was sufficient to cover 106% of the benefits which had accrued to members after allowing for expected future increases in earnings. The University is paying contributions at the rate of 14% of pensionable earnings from 1 January 1999. (The rate was 8% for the period 1 October 1995 to 30 September 1998 and 13.15% from 1 October 1998 to 31 December 1998). This rate will rise to 15.25% in January 2002 subject to the next valuation in 2001. The market value of the scheme's assets at 5 April 2000 was £54,336,994. The University's contributions to the various schemes in the years 1998/99 and 1999/2000 were:

	1999/00 £000	1998/99 £000
Universities Superannuation Scheme	6,124	5,660
University of Warwick Pension Scheme	1,879	1,669
Local Government Superannuation Scheme	19	23
Others	8	10
	<hr/> 8,030 <hr/>	<hr/> 7,362 <hr/>

33. SUBSIDIARY COMPANIES

The University owns 100% of the issued share capital of the following companies which are registered in England and operating in the UK, unless dormant as stated:

	No. of £1 Ordinary Shares
Warwick University Training Limited	4
Warwick University Services Limited	125,000
Warwick Retail Services Limited	1
Graduate Residences of Warwick Limited (Dormant)	3
Warwick Conferences Limited	2
The University of Warwick Press Limited (Dormant)	2

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. This investment has been included in the accounts at nil value. In addition, the consolidated accounts include the accounts of The University of Warwick Foundation, an exempt Charity, and its subsidiary UW Construction Limited.

34. PRIOR YEAR ADJUSTMENT

The financial statements for the year ended 31 July 1999 have been adjusted to reflect a change in accounting method used to calculate the operating lease charges to the Income and Expenditure Account in a subsidiary company.

The impact on retained surpluses and net assets is as follows:

	Surplus for the year ended 31 July 1999	Net Assets as at 31 July 1999	Income and expenditure reserves as at 31 July 1999
	£000	£000	£000
As previously reported	5,237	102,833	73,638
Prior year adjustment	(404)	(1,004)	(1,004)
As restated	4,833	101,829	72,634

The impact of this change in accounting method on the operating surplus for the year ended 31 July 2000 is to reduce the surplus by £333k.

35. ACCESS FUNDS

	1999/00 £000	1998/99 £000
Funding Council Grants	600	390
Interest Earned	29	7
	629	397
Disbursed to Students	(629)	(397)
Audit Fees	0	0
Balance Unspent at 31 July 2000	0	0

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.

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>1999/00</u>	<u>1998/99</u>	<u>1997/98</u>	<u>1996/97</u>	<u>1995/96</u>
(a) % Ratio of Total HEFC & TTA Grants to Total Income	26.96%	27.42%	28.57%	29.28%	30.71%
(b) % Ratio of Total Full-time Home & EC Fees to Total Income	6.74%	6.54%	6.92%	7.25%	7.51%
(c) % Ratio of Total Overseas Student Fees to Total Income	6.23%	6.26%	5.83%	5.98%	5.60%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	15.18%	15.61%	15.28%	15.51%	14.69%
(e) % Ratio of Total Other Services Rendered Income to Total Income	6.46%	5.58%	5.62%	3.96%	4.71%
(f) % Ratio of Total Residences and Catering Income to Total Income	10.87%	10.20%	10.22%	9.69%	9.14%
(g) % Ratio of Total all Other Income to Total Income	27.56%	28.57%	27.56%	28.33%	27.64%
(h) % Ratio of Surplus/(Deficit) to Total Income	2.83%	3.00%	3.75%	2.81%	3.04%

INDICATORS RELATING TO FINANCIAL STRENGTH

(i) Days Ratio of General Funds to Total Expenditure	175.71	169.49	173.84	165.69	160.56
(j) % Ratio of Long Term Liabilities to Total General Funds	39.01%	35.88%	30.23%	19.76%	20.98%

INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY

(k) Ratio of Liquid Assets to Current Liabilities	0.59	0.58	0.61	0.57	0.81
(l) Days Ratio of Net Liquid Assets to Total Expenditure	34.86	32.40	34.64	25.33	44.37
(m) Ratio of Current Assets to Current Liabilities	1.49	1.41	1.55	1.45	1.47
(n) Days Ratio of Increase/(Decrease) in Cash & Liquid Resources to Total Expenditure	3.77	0.63	11.05	(18.19)	(20.96)
(o) Days of Total Income represented by Debtors	54.69	51.51	54.32	47.92	44.74
(p) Days of Total Expenditure represented by Creditors	64.85	64.24	61.39	57.79	72.50