



Annual report and financial statements

2012/13

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# Vice-Chancellor's and Chair of Council's statement

**Right:** Professor Sir Eric Thomas, Vice-Chancellor

**Far right:** Denis Burn, Chair, University Council



From 2012/13, the financing and regulation of home undergraduate student numbers has changed radically with the first cohort of home undergraduates subject to a £9,000 fee arriving in the year.

Under the new arrangements we successfully increased our home undergraduate intake by 600 compared to the previous year, this has been followed by a further increase of 200 in 2013/14. This underlines the academic reputation and attractiveness of the University.

Financial performance in 2012/13 was relatively strong and we outperformed our budget assumptions.

Looking to the future, the Higher Education Sector faces significant challenges and uncertainty including future levels of HEFCE funding, the continued capping of the new home undergraduate fee at £9,000 with no inflation adjustment, and pressures on pay and pension costs.

Against this background we have to plan carefully. Our major capital programme is progressing well with flagship projects including a new Life Sciences Building and a complete refurbishment of the Richmond Building (home of the Student Union) nearing completion.

Our objective over the next few years remains to continue to deliver our academic vision and to continue to make substantial investments in our academic and residential estate, whilst at the same time ensuring that we operate in a financially responsible and sustainable manner. We will have to operate in a very different financial environment but without damaging delivery of our vision.

Against this background of uncertainty, the University is performing well; it remains very attractive to students, we have a strong financial base and have made commitments to a major capital programme.

Professor Sir Eric Thomas  
**Vice-Chancellor**

Denis Burn  
**Chair, University Council**

# Operating & financial review 2012/13

## Mission and strategy

Full details of the University's strategy is set out in our **Vision & Strategy 2009-16**, which is available on our website. In summary:

Our **mission** is to pursue and share knowledge and understanding for their own sake and to help individuals and society fulfil their potential.

Our **vision** is – The University is an international powerhouse of learning, discovery and enterprise. Its vision is of a University whose excellence is acknowledged locally, nationally and globally and that is:

- Dedicated to academic achievement across a broad range of disciplines, and to continuous innovation and improvement
- Research intensive, supporting both individual scholarship and interdisciplinary or thematic research of the highest quality
- A centre for intellectually demanding, research informed education that nurtures independence of mind and helps students achieve their personal goals and service society's needs, both during and after their time here
- An inclusive and collaborative community of scholarship that attracts and retains people with outstanding talent and potential from all walks of life and all parts of the world
- A stimulating and supportive environment for all students and staff, distinguished by a commitment to high standards, respect for the individual and a strong sense of collegiality
- Committed to operating in a sustainable manner
- Engaged with society's interests, concerns, priorities and aspirations
- A major contributor culturally, environmentally and economically to Bristol and the South West
- Well led and responsibly run, with an emphasis on consultative decision making and open communication as well as personal responsibility and accountability

## Organisation

The University is organised into six faculties, each led by a Dean:

- Arts
- Engineering
- Medical and Veterinary Sciences
- Medicine and Dentistry
- Science
- Social Sciences and Law

Responsibility for overall day-to-day management of the University is through the Vice-Chancellor, supported by a senior team which includes the Deputy Vice-Chancellor, three Pro Vice-Chancellors, the Registrar and Chief Operating Officer and the Finance Director.

Further details of the governance structure of the University are set out on pages 12 to 16.

## Key facts – students, research and staff

|   | 2012/13       | 2011/12       | 2010/11       |
|---|---------------|---------------|---------------|
| <b>Students (excluding pre-sessional and pathway courses)</b> |               |               |               |
| <b>Undergraduate</b>  |               |               |               |
| – Home  | 12,583        | 11,908        | 11,882        |
| – Overseas  | 1,841         | 1,551         | 1,300         |
| <b>Postgraduate Taught</b>                                    |               |               |               |
| – Home  | 2,093         | 2,214         | 2,404         |
| – Overseas  | 1,338         | 1,167         | 1,241         |
| <b>Postgraduate Research</b>                                  |               |               |               |
| – Home  | 1,724         | 1,694         | 1,580         |
| – Overseas  | 617           | 588           | 558           |
| <b>Total student numbers</b>                                  | <b>20,196</b> | <b>19,122</b> | <b>18,965</b> |
| <b>National Student Survey results</b>                        |               |               |               |
| Overall satisfaction levels                                   | 87%           | 86%           | 87%           |
| <b>Research contracts</b>                                     |               |               |               |
| Income in year  | £120m         | £112m         | £107m         |
| Awards in year  | £139m         | £126m         | £105m         |
| <b>Staff (Average full time equivalents)</b>                  |               |               |               |
| Academic  | 2,363         | 2,223         | 2,174         |
| Technical   | 473           | 461           | 468           |
| Administrative and operational support                        | 2,250         | 2,165         | 2,140         |
| <b>Total</b>  | <b>5,086</b>  | <b>4,849</b>  | <b>4,782</b>  |
| <b>Total staff costs</b>                                      | <b>£246m</b>  | <b>£234m</b>  | <b>£228m</b>  |

## Operating & financial review 2012/13 continued

### Financial strategy and future prospects

#### Strategy

A combination of fundamental changes to the financial structure of higher education provision in England and wider economic volatility and uncertainty are continuing to have a significant impact on both financial strategy and future prospects for the HE sector.

Our financial strategy is based on the generation of operating surpluses, and therefore operating cash flows which together with any available capital grants and the use of borrowing facilities are sufficient to finance a capital programme that enables the long term sustainability of the University's estate and infrastructure.

The University has identified a number of key financial ratios which it monitors as part of its financial strategy. Performance over the last 3 years shows:

#### Key financial ratios – as a % of income

|   | 2012/13 | 2011/12 | 2010/11 |
|---|---------|---------|---------|
| Operating surplus                           | 2.7%    | 2.3%    | 3.6%    |
| Operating surplus pre exceptional items     | 2.6%    | 2.2%    | 4.1%    |
| Cash flow generation (post financing costs) | 7.0%    | 9.1%    | 6.6%    |
| Staff costs                                 | 54%     | 55%     | 56%     |

#### Financial prospects

For 2012/13 onwards the financing and regulation of home undergraduate student numbers has changed radically. Under the new fee cap arrangements the University standard home undergraduate fee is £9,000; after taking into account a range of fee waivers for students from lower income families, our average actual fee level is substantially lower (£8,168 for 2012/13).

The controls over home undergraduate student numbers also changed for 2012/13, with the deregulation of places for higher performing students with educational attainment at A level 'AAB' grades or higher and equivalent qualifications with an expansion of deregulation to cover ABB grade students for 2013/14.

Some 85% of this University's current student base is from the AAB+ grouping. Our home undergraduate student intake for 2013/14 is approximately 4,000; an increase of 200 compared to 2012/13, which itself was an increase of 600 compared to 2011/12. This increase reflects the academic reputation and overall attractiveness of the University.

The level of home undergraduate fees will remain unchanged at £9,000 for 2013/14 and 2014/15 and, together with the cash limited nature of HEFCE funding, means that a very significant proportion of our income will not move in line with inflation. This inevitably creates financial pressure in an inflationary environment, and means that the continued control of both staff numbers and pay levels over the next few years will be critical.

The level of government funding through HEFCE recurrent and capital grants will continue to reduce as further cohorts of students move to the new £9,000 fee structure. Sector wide concerns remain about the longer term prospects for HEFCE funding. The University currently receives approximately £50m of block research grant funding. The allocation of this across the sector will be reset in 2015/16, reflecting the outcome of the current research excellence framework (REF) review.

Pensions remain a very important factor and are considered in more detail in this review. The changes made to both of our major defined benefit pension scheme interests (UBPAS and USS) have been crucial to control costs and risks. However, economic factors have continued to affect the level of scheme deficits and the cost of future benefits accrued for UBPAS we have agreed a new deficit recovery plan with the scheme trustees and implemented major changes to future employee contribution/benefits to reduce cost and risk. For the USS scheme, the outcome of the March 2014 actuarial valuation will be critical.

Over the past few years we have implemented a number of initiatives to strengthen the University's financial base, both to deal with existing pressures and to put it into the best possible position to deal with the rapidly changing, uncertain and challenging financial environment. These have included:

- The expansion of home undergraduate student numbers
- Significant increases in overseas undergraduate and postgraduate student numbers
- A fundamental restructuring of the way in which support services and processes are delivered across the University.
- Review and challenge of the efficiency of our academic activities
- Restructuring of our pension arrangements

The results of some of these initiatives have been demonstrated in our financial performance.

### Capital investment programme

We need to continue to make substantial capital investments to both maintain and enhance the academic and student facilities across the University. Our current core capital investment programme for the 10 years to 2019/20 totals £440m. Of this total, around £20m a year is required to maintain the estate, equipment and IT systems. We are currently planning to increase the total programme by up to £50m.

Key projects within the current core programme include:

- A major refurbishment of the Richmond Building, home of the University's Students Union. This is a £31m project due for completion in 2014
- A £56m project to create a major new Life Sciences building at the heart of the University precinct; the project is nearing completion with staff and students moving in during early 2014
- A £21m project for a new 320 bed student residence located at our Stoke Bishop site, due for completion for the 2014/15 academic year

In addition to the core capital programme, we have a substantial investment programme at our National Composites Centre (NCC). The first £25m phase, funded by a combination of BIS, SWRDA and ERDF grants, was completed in 2011. A £28m phase 2 extension is now underway. This is funded by TSB Catapult grants and is due for completion in early summer 2014.

### Key financial facts

|  | 2012/13<br>£m | 2011/12<br>£m | 2010/11<br>£m |
|--|---------------|---------------|---------------|
| <b>Income &amp; expenditure</b>                                |               |               |               |
| Total income   | 459.2         | 426.7         | 408.8         |
| Total expenditure  | (446.6)       | (416.7)       | (391.8)       |
| Exceptional items (including fundamental restructuring costs)  | 0.5           | 0.3           | (2.0)         |
| Transfer to endowment funds                                    | (0.6)         | (0.5)         | (0.2)         |
| Surplus after transfers to endowments                          | 12.5          | 9.8           | 14.8          |
| Surplus before exceptional items after transfers to endowments | 12.0          | 9.5           | 16.8          |
| <b>Cash flow generated</b>                                     |               |               |               |
| From operations  | 40.6          | 45.9          | 33.6          |
| Post financing costs   | 32.2          | 39.0          | 26.9          |
| <b>Capital investment</b>                                      | 100.6         | 56.0          | 65.0          |
| <b>Treasury</b>  |               |               |               |
| Borrowings and cash at year end                                |               |               |               |
| Gross debt   | 250.0         | 250.0         | 250.0         |
| Cash, deposits and investments                                 | 138.8         | 187.0         | 189.7         |
| Net debt   | 111.2         | 63.0          | 60.3          |
| <b>Net assets at year end</b>                                  | 587.8         | 525.9         | 553.4         |

## Operating & financial review 2012/13 continued

### Financial performance 2012/13

Financial performance during the year was encouraging with an operating surplus after transfers to endowments of £12.5m (2012: £9.8m). This performance was better than budget and an improvement on 2011/12.

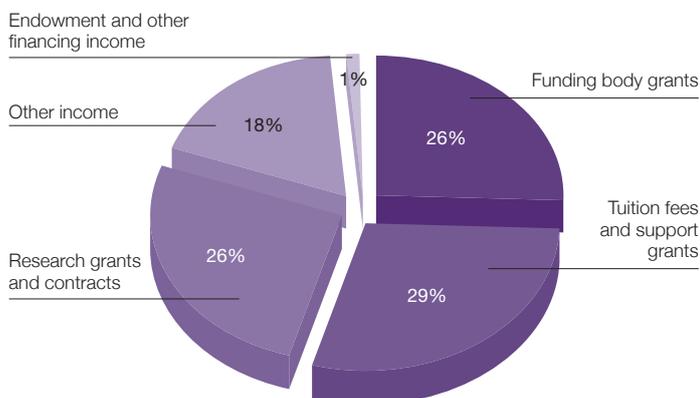
Total income for the year was £459.2m (2012: £426.7m) – a £32.5m (7.6%) increase, which included:

- Funding body grants – decrease of £16.0m (11.9%), reflecting funding reductions by HEFCE including the impact of the first cohort of home undergraduates subject to the new fee regime
- Tuition fees and support grants – increase of £32.5m (32.8%), mainly due to the introduction of the £9,000 fee for the first cohort of home undergraduate students together with an increase in the number of home and overseas undergraduates and postgraduate taught students
- Research grants and contracts – increase of £8.1m (7.2%)

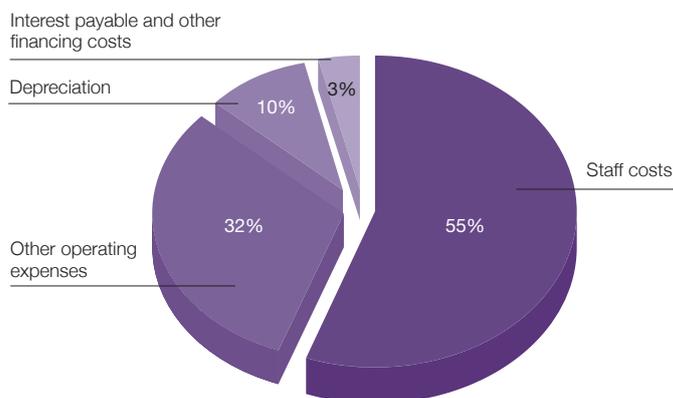
Total expenditure was £446.6m (2012: £416.7m) – a £29.9m (7.2%) increase included:

- Staff costs - an increase of £12.0m (5.1%) reflecting additional staff related to the increase in student numbers, increases in the volume of research and other services rendered activities during the year, and a 1% general pay award from 1 August 2012
- Other operating expenses – an increase of £15.8m (12.6%), reflecting increases in the volume of research activity and the first full year of operation of the new National Composites Centre
- Depreciation – increase of £2.8m (6.8%), reflecting the impact of the continuing capital investment programme

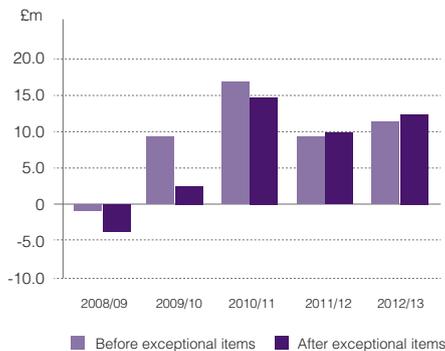
### Income £459.2m



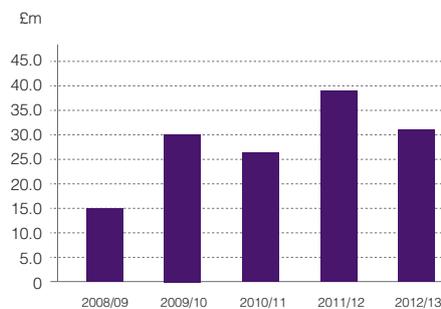
### Expenditure £446.6m



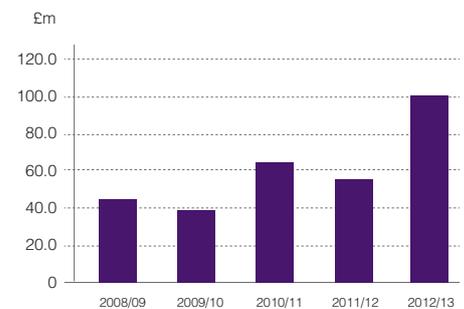
### Operating surplus



### Cashflow generated from operations



### Capital investment



### Capital investment

Capital investment in the year was £100.6m (2012: £56.0m). Expenditure covered a large number of projects, including:

- New Life Sciences building – the major phase of the construction project £27.5m
- Richmond Building (home of the University's Students Union) further phases of the refurbishment programme £12.9m
- Hiatt Baker – development of a new 320 bed student residence at our Stoke Bishop residential location £5.7m
- National Composites Centre – grant funded equipment and phase 2 extension work £8.9m

### Cash flow, treasury strategy and management

Cash flow from operations for the year was £40.6m (2012: £45.9m). After receipts from capital grants of £19.3m, cash outflows in respect of capital expenditure of £100.6m and other items, net cash outflow before management of liquid resources was £48.2m (2012: £2.7m).

The University has long-term bank loan facilities for a total value of £250m, which have been fully drawn down. The loans mature in March 2038 (£100m) and October 2047 (£150m) and are at fixed interest rates. The two long-term loans are subject to a common set of conditions and financial covenants; the University complied with these requirements during the year.

Total gross debt at 31 July 2013 was therefore £250m (2012: £250m). At the year end, the University had cash/money market and financial instrument balances totalling £138.8m (2012: £187.0m), bringing net debt to £111.2m (2012: £63.0m).

HEFCE sets limits through its financial memorandum process for borrowing by universities, and under this the University currently has a borrowing limit of £250m.

The University currently holds substantial cash balances; it invests these balances in a variety of instruments with UK banks, UK subsidiaries of overseas banks, building societies, and in UK government securities and corporate bonds. The University operates to an agreed schedule of investment counterparties based on credit ratings and other relevant factors.

In the current uncertain financial climate, the counterparty policy has been monitored closely and amended to achieve an appropriate balance of counterparty risk and diversification. The maximum term at 31 July was less than 5 years. With short-term interest rates at historically low levels, the University is currently earning lower interest on balances than the interest rates payable on its long-term loans.

### Net assets

Net assets have increased to £587.8m (2012: £525.9m). This reflects the operating surplus for the year, revaluation of fixed asset properties, reduction in the FRS17 pension fund deficit and increases in the value of endowment funds.

### Endowments

The value of endowment funds increased by 17.3% during the year to £52.8m (2012: £45.0m).

## Operating & financial review 2012/13 continued

### Pensions

Pensions for the majority of the University's staff are currently provided either through the University of Bristol Pension and Assurance Scheme (UBPAS) or the Universities Superannuation Scheme (USS). The ongoing costs and risks associated with both pension schemes are a very important element of the future financial sustainability of the University.

#### UBPAS

UBPAS is a final salary defined benefit scheme, specifically for University of Bristol employees. To reduce the costs and risks of the scheme, UBPAS was closed to new members in October 2010.

On an FRS17 basis, at 31 July the scheme had assets of £207.8m and liabilities of £275.2m giving a deficit of £67.4m (2012: £93.8m) A summary of the decrease in the FRS17 deficit since July 2012 for UBPAS shows:

|   | £m          |
|---|-------------|
| July 2012 deficit                             | 93.8        |
| Actuarial gain – effect of latest assumptions | (11.6)      |
| Investment returns greater than expected      | (12.0)      |
| Deficit related contribution by University    | (6.9)       |
| Other net changes                             | 4.1         |
| July 2013 deficit                             | <b>67.4</b> |

The triennial actuarial valuation as at 31 July 2012 was carried out during the year. On a Trustee's funding basis, UBPAS had a deficit of £82.6m at 31 July 2012. Previously the University had agreed a 20 year deficit recovery plan with the scheme trustees; this was based on the payment of additional contributions of £5m pa until 2030. At 31 July 2013 the University had paid a total of £26.9m representing an £11.9m prepayment.

A new deficit recovery plan has now been agreed which requires the University to pay £6.9m pa until 2030. However, in recognition of the previous prepayment, the first contribution required is £1.9m in 2014/15, followed by £6.9m in subsequent years.

In light of the outcome of the actuarial valuation and after consultation with both union representatives and active members of UBPAS, the University has implemented changes to UBPAS that will reduce the cost to the University of the scheme. Under the new arrangements, active members have been offered a choice for future benefit accrual of:

- Continuing to accrue benefits on a 1/80 pension 3/80 lump sum basis with an increase in member contributions from 9% to 17% of pensionable pay
- A reduced accrual rate of 1/100 pension 3/100 lump sum with an increase in member contributions from 9% to 11%
- A reduced accrual rate of 1/110 pension, 3/110 lump sum with no change in the current member contribution rate of 9%

#### USS

USS is also a defined benefit scheme. It is a national multi-employer scheme providing pensions for the UK higher education sector. As USS is a multi-employer scheme, in common with other employers, the University does not currently reflect a share of the assets and liabilities of the scheme on its own balance sheet. Under FRS102 we anticipate that a share of the scheme deficit will be shown in the University's balance sheet from 2015/16.

University of Bristol employees represent around 2% of the total active membership of USS. For USS, the constitutional structure of the scheme makes change complex, but after extensive national negotiations a package of changes to the structure of the scheme was agreed by the USS Trustees and implemented with effect from October 2011.

The last triennial actuarial valuation of the scheme was at March 2011. At that time the scheme had a technical provisions deficit of £2.9bn (92% funded). Since that date the funding position of the scheme has deteriorated due to the adverse movements in global financial markets and at March 2013 the scheme specific funding level had fallen from 92% to 77% representing a deficit of £11.5bn. The next actuarial valuation of USS is due as at March 2014.

On an FRS17 basis at March 2013, the actuary has calculated that the scheme was 68% funded.

#### Other pension matters

The defined contribution scheme that we established in 2010 had approximately 800 members at 31 July 2013 and will continue to grow rapidly.

A major activity during the year has been the implementation of the new pension auto enrolment regulations which applied to the University with effect from April 2013.

# Public benefit statement

The University of Bristol is an exempt charity under the terms of the Charities Act of 2011. The trustees of the charity are the members of Council, the governing body of the University.

In setting and reviewing the University's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. This statement has been included in compliance with the formal reporting requirement introduced by HEFCE as the principal regulator of English higher education institutions.

## Aims and objectives

The overall aim of the University is that set out in the 1909 Charter, namely "the promotion of Arts, Sciences and Learning". The powers set out in the Charter make specific provision for the advancement of education and knowledge, including:

- To provide for instruction in such branches of learning as the University may think fit and also to make provision for research and for the advancement and dissemination of knowledge.
- To make provision for Research and to furnish Scientific Advice for public purposes and for these objects to enter into such arrangements with other institutions or public bodies as may be thought desirable.

The University mission and strategy, summarised above and expanded further in the Vision & Strategy 2009-16, highlights the following key areas:

- Education and the student experience
- Research
- Our students
- Our staff
- The engaged University
- Estate development

The Annual Review for 2013 will provide further information on our progress and achievements during the year to December 2013 in these and many other areas of activity.

In implementing our aims and objectives, the University is guided by the values set out in its Vision & Strategy and Council is mindful of its responsibility to ensure that the University acts for the benefit of its students and potential students (undergraduate and postgraduate), the beneficiaries of its research programmes and the public at large.

## Education

The University of Bristol had over 20,000 registered students in 2012/13 of which 71% are studying at undergraduate level. The University had over 2,000 students undertaking research degrees and over 3,000 students studying for other postgraduate awards. Almost 4,000 of the students registered were from overseas (non EU) countries and over 900 were from countries which form part of the European Union. Together with our UK students this makes up a vibrant and diverse student body with a global outlook.

The University offers over 800 programmes, mostly at undergraduate or postgraduate degree level, in many subjects in six Faculties – Arts, Engineering, Medical and Veterinary Sciences, Medicine and Dentistry, Science and Social Sciences and Law. In the academic year 2012/13 the University made 3,459 awards at undergraduate degree level, over 800 of which were at the highest level. There were also 2,439 taught postgraduate awards and over 600 awards to research graduates.

The University has systems and processes in place to meet both market and regulatory requirements in the development of new programmes and delivery of our teaching. These procedures support Quality Assurance Agency (QAA) and Professional, Statutory and Regulatory Body guidance. We are constantly improving our processes, including ways to engage with staff, students, and the wider community. Our curriculum is designed to develop students into independent learners, with a strong focus on continuing self-development and positive engagement with society.

## Public benefit statement continued

### Widening participation

The University of Bristol is able to demonstrate significant public benefit through its widening participation activity. In 2012/13 we worked with 10,000 potential new students to raise awareness and aspirations to Higher Education, engaging a range from primary school children to adult learners returning to education. Each year 500 school students take part in the Access to Bristol scheme for local students in school years 12 and 13 and 245 school students engage in our residential summer schools each year. In order to help raise attainment within local schools and colleges, 80 University of Bristol students act as mentors and tutors, working in 15 educational establishments. The University continues to make a significant financial investment in widening participation. In 2012/13, £8.1m was invested in additional access measures; this includes £1.9m on outreach, and over £6m on student financial support (see below).

Analysis of institutionally set progress measures indicates that some progress is being made in diversifying the composition of the student community. In 2012/13 small increases in application rates were made in the following categories; low socio economic groups (4-7), low participation neighbourhoods, state school, mature, ethnic minority and local. Small increases in intake were also made in four areas; low socio economic groups (4-7), low participation neighbourhoods, state school and ethnic minority.

### Student financial support

As part of our strategy for widening participation, we have made a clear commitment to ensuring that, as fees increase, students with genuine financial need are in receipt of good advice and appropriate financial assistance. As stated in the University's 2012 Access Agreement, approved by the Office for Fair Access (OFFA), our aim is to ensure that no student has legitimate reason to be deterred from applying to Bristol because of the costs of living and studying here.

In 2012/13 the University charged an annual tuition fee of £9,000 (subject to annual review in line with government policy) for all UK and EU students on full-time undergraduate programmes. We will invest approximately one third of the additional fee income in additional access measures, to include: financial support for students from low income backgrounds and a comprehensive programme of activities to support outreach and retention of students from under-represented groups.

In 2012/13, the University disbursed over £6m in financial support (scholarships and bursaries) to students, including those from low-income groups. The University has a well-established programme of outreach activities designed to raise levels of attainment, aspirations and applications among underrepresented groups.

As part of the £6m financial support provision for new undergraduate entrants starting Higher Education in 2012, the University of Bristol provided tuition fee waivers worth up to £5,500 to over 600 students, which represented an investment of over £2m. Responding to student need for assistance towards living costs, students could opt to convert part of their tuition fee waiver into a bursary.

An additional important part of the University's financial commitment was the provision of a full tuition fee waiver and an annual maintenance bursary valued at £3,750 for those 'Access to Bristol' graduates with a residual household income of £25,000 or below, with an investment of over £0.2m going towards this financial provision.

### Student services and employability

These teams provide high quality professional support to enable students to manage their studies, to get the most out of their university experience and to help them to make and implement informed choices about their future and realise their aspirations. Graduate employability offers advantages to employers and to the economy generally.

The Careers Service provides guidance and information to our students and graduates up to three years after graduation and provides a mechanism for students and potential employers to meet through recruitment fairs and presentations. The unemployment rate among our graduates is very low compared to the national average (only 3.7% this year) and the proportion going into graduate level employment is very high (this year 81%). The Service enables companies seeking to recruit graduates, especially local or SME companies, to access potential employees through recruitment events and additional programmes, for example the Bristol Internship Scheme. The Service also encourages and endorses Bristol students' voluntary work or other types of work experience through the Bristol Plus Awards.

Welfare Services, comprising Disability Services, Multi-faith Chaplaincy, Student Counselling, the Students' Health Service and the Vulnerable Students Support Service, provide personal, confidential support to individual students, to help them manage their studies and get the best out of the University experience. The numbers using these services have increased significantly with more students seeking support: over 15,000 students are registered with Student Health and 1,800 with Student Counselling. These services are key both to supporting students as they study and supporting staff in their support of students.

### Student accommodation

The University aims to guarantee residential accommodation for all its first-year undergraduates and for overseas postgraduate students through the use of its own accommodation or in partnership with proven third-party providers. The University is very aware of the importance of its residential accommodation in attracting exceptionally talented students to Bristol, in helping their transition into higher education and in supporting and enhancing a high quality educational experience so that students may realise their full potential.

The quality and character of the residences can have a powerful influence on the personal development and academic performance of our students. The University aims to offer students a variety of high quality communities in attractive, well-maintained residences which are ecologically sound, economically viable and competitively priced. More specifically, the University has confirmed that its residences should:

- overtly support the University's education strategy
- foster diverse, cosmopolitan communities
- be well led, efficiently run and sustainable
- offer good quality social, sporting and cultural opportunities
- be safe, secure and responsive to students' pastoral needs
- offer students a choice of accommodation and catering
- be environmentally responsible
- harmonise with surrounding communities
- represent good value for money to students and to the University

The University aims to be a good neighbour in the community, not only with respect to the neighbours of our accommodation but also in dealings with the private sector housing providers and in fostering good relations between students and the local residents.

### Research

The University of Bristol's mission is "To pursue and share knowledge and understanding, both for their own sake and to help individuals and society fulfil their potential". This is underpinned by a vision where the University of Bristol is an international powerhouse of learning, discovery and enterprise.

To demonstrate the value and impact of our research on the wider public, two examples of recent research activities are detailed below.

A pioneering technique of delivering cooling and xenon gas to babies at risk of brain injury was developed by a Professor of Neonatal Neuroscience at the University. The first use of cooling and xenon gas in treating babies deprived of oxygen at birth took place at St Michaels Hospital in Bristol in 2010, but new technology now means that it can be delivered to babies while they are being transferred from one hospital to another in a specially equipped ambulance. In the UK, every year, more than 1,000 otherwise healthy babies born at full term die or suffer brain injury caused by a lack of oxygen and/or blood supply at birth. This can lead to lifelong problems such as cerebral palsy.

A Professor of Hydrology at the University won this year's Lloyd's Science of Risk Prize in Natural Hazards for his work on flood modelling. This new method of flood modelling is both quicker and less costly to perform than previous models used by the industry. It allows a 5 metre scale model to be run at the same cost as a 50 metre model based on the currently used approach, allowing risk to be estimated at the individual property rather than post code level. The implications are profound and immediate for insurance industry flood risk analysis. The paper places in the public domain the blueprint for how to build a better flood inundation model in a way that is truly 'open source' and will benefit the public at large.

### Public engagement

The University is committed to engaging the public with our research and teaching, as described in our Vision and Strategy. We run over 20 public events every month. In 2012/13 we have participated in three national festivals of science (the Cheltenham Science Festival, the Royal Society Summer Exhibition and Bristol's Festival of Nature), engaging over 22,000 school children and members of the public. We have also run over 200 public talks and lectures, reaching over 1,800 members of the public, many of which are captured on line. Our music and drama departments have run 44 concerts and performances over the year, attracting over 10,000 people. In addition, we have several partnership projects with local schools including the Seeds of Change project where schools and community groups across Bristol have been growing a living history of Bristol with gardens full of seeds that have come to Bristol through the ages in the ballast of ships. These gardens are a focus for cross-disciplinary discussions between school children and academics covering subjects as diverse as art, social and political history and botany. We also send a free magazine about our research to over 600 secondary schools across the country, and have launched a 'Bristol Prize' for the most promising students from year 8 in schools in Bristol.

## Responsibilities of Council

In accordance with the Royal Charter of Incorporation 1909, the Council of the University of Bristol is responsible for the administration and management of the affairs of the University of Bristol and is required to present audited financial statements for each financial year.

The University is an exempt charity under the terms of the Charities Act 2011.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University of Bristol and enable it to ensure that the financial statements are prepared in accordance with the University of Bristol Acts 1909, 1960 and 1974, the Statement of Recommended Practice: Accounting for Further and Higher Education, and all relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum which sets out the conditions of funding from HEFCE, Council, through its designated officer, 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 of Bristol and of the surplus or deficit and cash flows for that year.

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

- The most appropriate accounting policies are selected, applied consistently and regularly reviewed
- The most appropriate estimation techniques are used
- 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 of Bristol will continue in operation

Council has taken reasonable steps to:

- Ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which they 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 Bristol and prevent and detect fraud
- Secure the economic, efficient and effective management of the University of Bristol's resources and expenditure

Council recognises its responsibility for the maintenance and integrity of the University's website when publishing the financial statements through this medium and notes that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Corporate governance

The following corporate governance statement provides information about the University's governance and legal structure, during the year ended 31 July 2013 and up to the date of signing these Financial Statements.

## Principles

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. The University has complied with guidance to universities provided by the Committee of University Chairs (CUC), in particular the CUC Governance Code of Practice last issued in March 2009, save that:

- The University Council has 32 members. Council regularly reviews its size, composition and role, and has recently re-affirmed its view that it works effectively with its current membership
- Lay members' appointments to Council are managed by the Nominations Committee of Court, which is chaired by a Pro Chancellor

## Legal status of the University

The University is a chartered corporation, whose legal status derives from a Royal Charter granted in 1909. The University's objects, powers and framework of governance are set out in the Charter and supporting statutes and ordinances.

The Charter and Statutes require the University to have four separate bodies: Court, Council, Senate, and Convocation, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The University is an exempt charity under the terms of The Charities Act 2011 and is therefore not required to register with the Charity Commission. Since June 2010, Universities in England have been regulated on behalf of the Charity Commission by HEFCE.

## Court

There are some 550 members of Court, who include officers of the University, members of Council and Senate, emeritus professors, benefactors, members of the Society of Merchant Venturers, representatives of local authorities, persons appointed by the Privy Council, persons appointed by the Chancellor of the University, representatives of other universities, local Members of Parliament, representatives of local and national bodies, and members elected by Convocation.

Court receives annual reports from Council and an annual audited statement of accounts. Court may comment on the affairs of the University, advise Council on any matter and invite Council to review a decision.

Council reports to Court and is required to take into consideration any views expressed by Court. The constitution of Court is defined by statute.

Court appoints the Chancellor, Pro Chancellors and Treasurer on the nomination of Council, appoints annually the external auditors and elects 15 lay members of Council. Court may for good cause remove members of Court or Council, other than those who are members by virtue of their office or members of the academic staff.

Court normally meets once a year in December, but may hold special meetings at the request of members. The Chancellor presides.

## Corporate governance continued

### Council

There are 32 members of Council, with a lay majority. The members are the Vice-Chancellor, the Deputy Vice-Chancellor, 2 Pro Vice-Chancellors, the Treasurer appointed by Court, 15 lay members appointed by Court, a lay member appointed by Bristol City Council, a lay member appointed by the Society of Merchant Venturers, a lay member appointed by Convocation, 4 elected members of the academic staff, 2 elected members of the non-academic staff, and 3 elected students. Elected and appointed members serve for renewable three-year terms, except the Treasurer and students who are appointed annually. All members are charity trustees of the University. The lay members do not receive any payment for the work they do for the University, apart from the reimbursement of expenses. All new members of Council are given appropriate induction and training sessions.

Council is the governing body of the University, responsible for financial affairs, borrowings, investments, buying, selling, leasing and mortgaging property, contracts and the general business of the University. In consultation with Senate and on the recommendation of the Vice-Chancellor, Council sets the strategic direction of the institution. Council appoints the Vice-Chancellor, the Deputy Vice-Chancellor and Pro Vice-Chancellors after consultation with Senate. Council may make, amend or repeal statutes subject to the approval of the Privy Council.

Council normally meets five times a year. It elects a lay Chair and Vice-Chair to serve on an annual basis. Council committees advise Council in a wide range of areas, including Audit, Estates, Finance, Personnel and Health and Safety, Remuneration, and Student Affairs. These committees have written terms of reference and include a significant proportion of lay members of Council and in some cases external lay members.

### Audit Committee

Council's Audit Committee meets four times a year, with senior officers and the external and internal auditors in attendance. The committee considers detailed reports from the auditors, which include recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. The committee also receives and considers reports from HEFCE as they affect the University's business and monitors adherence to regulatory requirements. The committee meets the auditors without the University officers present at least once a year.

### Senate

There are just over 100 members of Senate, comprising the Vice-Chancellor, the Deputy Vice-Chancellor, Pro Vice-Chancellors, academic staff and students. Senate is responsible to Council for teaching, examinations and research. Senate advises Council on changes to ordinances and regulations. Academic ordinances may be made only with Senate's consent. Senate may declare an opinion on any matter relating to the University and Council must take Senate's views into consideration. Senate normally meets five times a year. Its chair is the Vice-Chancellor.

### Convocation

The members of Convocation are the Chancellor, Pro Chancellors, the Vice-Chancellor, the Deputy Vice-Chancellor, Pro Vice-Chancellors, honorary fellows, members of Senate, academic staff, University officers, graduates, honorary graduates and such other former students as Convocation determines – currently those who have received academic awards requiring at least nine months of full-time study or an equivalent period of part-time study. There are also associate members, including all the academic-related staff of the University.

Convocation may give an opinion on any matter relating to the University and may communicate directly with Court, Council, or Senate. The Annual General Meeting of Convocation is held in July each year. The Chancellor presides if present, but normally the Chair of Convocation takes the chair.

**Vice-Chancellor**

The chief executive and academic leader of the University is the Vice-Chancellor. He has a general responsibility for ensuring that all public funds are properly used and that in its activities the University achieves value for money.

Under the terms of the formal Financial Memorandum between the University and HEFCE, the Vice-Chancellor is the Designated Officer of the University. In that capacity he is required to advise Council on the discharge of all its responsibilities under the Financial Memorandum and the Audit Code of Practice and is required, jointly with Council, to ensure that all such responsibilities are discharged. He is required to advise Council if, at any time, any action or policy under consideration by Council appears to him to be incompatible with the terms of the Financial Memorandum. He is required to inform the Accounting Officer of HEFCE in writing forthwith should Council decide nevertheless to proceed with such an action or policy. The Vice-Chancellor may be summoned to appear before the Public Accounts Committee of the House of Commons.

**Internal control**

Council has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives, and it can therefore provide only a reasonable and not an absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the University's goals, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

In order to implement the risk management strategy, Council has adopted a risk management policy in line with advice from the internal auditors. The University conducts a risk review each year, which sets out the University's most significant risks for the coming year, together with actions currently being taken to control the risks and a future action plan. The risk process feeds into the University's Vision & Strategy and is the basis of the work of internal audit.

The University has internal auditors who submit regular reports, which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. Council, including by reference to these reports, concluded that overall the University has adequate and effective arrangements for risk management, control and governance.

**Register of Interests**

The University maintains a Register of Interests of members of Council, Council Committees and senior officers. The register is available for inspection under the Freedom of Information Act 2000.

During the year a total of £5,300 (2011/12: £4,600) was reimbursed to, or paid on behalf of, lay members of Council in respect of travelling and other expenses. Staff and student members are not remunerated for their Council services.

**Further information**

Any enquiries about the constitution and governance of the University or request to inspect the Register of Interests should be addressed to the Registrar and Chief Operating Officer, who is Secretary to Court, Council and Convocation.

# Members of Council

For year to 31 July 2013

## Class I: Lay Members

### Treasurer, appointed by Court:

Mr James Wadsworth (Chair of Audit Committee,  
to 31 December 2012)

Mr Andrew Poolman (Chair of Audit Committee,  
from 1 January 2013)

### Appointed by Bristol City Council:

Councillor Simon Cook

### Appointed by Society of Merchant Venturers:

Dr Andrew Garrad

### Appointed by Convocation:

Mr Bill Ray

### Appointed by Court:

Mr Denis Burn (Chairman and Chair of Remuneration Committee)

Mr Roy Cowap (Chair of Estates Committee)

Mrs Sharon Goymer (from 1 January 2013)

Mr Colin Green C.B.E.

Dr Moira Hamlin

Sir Ronald Kerr

Dr John Manley

Mrs Dinah Moore

Mr Bob Morton (Vice Chair and Chair of Personnel and  
Health and Safety Committee)

Mr David Ord (Chair of Finance Committee)

Mr Andrew Poolman (from 1 January 2012 to  
31 December 2012)

Mrs Cindy Peck (Chair of Student Affairs  
Committee)

Mr Mohammed Saddiq

Ms Victoria Stace

Ms Anne Stephenson

Mr James Wetz

## Class II: University Staff

### Ex officio:

Professor Sir Eric Thomas (Chair of Honorary Degrees  
Committee)

Professor David Clarke

Professor Guy Orpen (Chair of Ethics of Research Committee)

Professor Nick Lieven

### Elected members of the academic staff:

Dr Esther Crawley

Professor Gary Foster

Professor Roger Middleton

Dr Trevor Thompson

### Elected members of the non-academic staff:

Ms Pru Lawrence-Archer

Mr Tony MacDonald

## Class III:

### Students

Mr Paul Charlton (President, University of Bristol Students' Union)

Mr Tom Flynn (Vice-President, University of Bristol  
Students' Union)

Ms Alessandra Berti (Vice-President, University of Bristol  
Students' Union)

# Independent auditors' report

## to Council of the University of Bristol

We have audited the group and parent institution financial statements (the 'financial statements') of the University of Bristol for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of Council and auditors

As explained more fully in the statement of Responsibilities of Council set out on page 12 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2013 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education

### Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them

## Independent auditors' report continued

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Bristol

15 November 2013

# Principal accounting policies

## Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice – Accounting for Further and Higher Education 2007 (SORP) and applicable Accounting Standards in the United Kingdom. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements across the group.

## Basis of consolidation

The consolidated financial statements include the results of the University and all subsidiary undertakings for the financial year to 31 July, all prepared on a going concern basis.

The consolidated financial statements do not include those of the University of Bristol Students' Union, as the University does not have dominant influence over the Union's policy decisions.

## Recognition of Income

Income from the Funding Council is recognised in the period in which it is receivable.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs. Services rendered income is included to the extent of the completion of the contract or service concerned.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred for specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

## Operating Leases

Rental costs under operating leases are charged to expenditure in equal amounts over the duration of the lease.

## Capital grants and donations

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

## Land and buildings

Land and Buildings are stated at valuation or cost. Annually the University, assisted by external professional advisers, carries out a review of the underlying value of its portfolio of properties and carries out revaluation when and where appropriate. The basis of valuation is a combination of depreciated replacement cost, existing use and open market value depending on the nature of the property. Where the depreciated replacement cost basis is used, an element of irrecoverable VAT has been added to the valuation to reflect the full cost to the University. For the year ended 31 July 2013, in excess of 25% of the properties were revalued. Valuations were carried out by external professional chartered surveyors, with specific regard to the requirements of the Royal Institution of Chartered Surveyors Valuation Standards.

No depreciation is provided on freehold land or assets in construction. Buildings are depreciated over their average expected useful life of 50 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 cost of buildings includes the original purchase price of the asset, the costs attributed to bringing the asset to its working condition for its intended use and the cost of interest capitalised during the course of construction.

## Principal accounting policies continued

### Leasehold and laboratory refurbishments

Leasehold and laboratory refurbishments are identified and capitalised separately from the main land and building costs. They are depreciated over the shorter of the lease periods or their expected useful life of 10 years.

Where the capitalised refurbishments are funded with the aid of specific grants, these grants are treated as deferred capital grants. They are released to income over the same period.

### Maintenance of premises

The University has a long-term maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. The University also plans in its capital programme to meet the cost of major upgrade expenditure which occurs on an irregular basis; such expenditure is treated either as additions to land and buildings or laboratory refurbishments and depreciated over expected useful lives.

### Equipment

Equipment costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of 5 years. Cost includes the original purchase price of the asset and the costs attributed to bringing the asset to its working condition for its intended use. When 5 years have elapsed the costs and associated depreciation are eliminated from the University's accounts. Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above, except that the minimum value is £25,000 and the useful life is 3 years. The related grant is released to income over the expected useful life of the equipment.

### Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Such heritage assets acquired before 1 August 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 August 2010 will be capitalised at cost or, in the case of donated assets, if practical and on a cost-benefit basis, at expert valuation on receipt. The threshold for capitalising heritage assets is £25,000. Heritage assets are not depreciated.

### Intangible assets

The value of internally generated patents, licences, and other similar rights over assets is recognised on the balance sheet by capitalising the costs of registering such rights and amortising over a period of 3 years.

### Fixed asset investments

Fixed asset investments are included in the balance sheet at market value.

Investments in subsidiary undertakings are stated at cost, but are written down to their realisable value if it is considered that there has been a permanent diminution in their value.

### Current asset investments

Current asset investments are included in the balance sheet at the lower of cost and net realisable value.

### Stocks

Stocks are stated at the lower of cost and net realisable value.

### Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand.

Liquid resources comprise assets, which in normal practice are generally convertible into cash. They include term deposits, government securities and loan stocks held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

## Principal accounting policies continued

### Provisions

Provisions are recognised in the financial statements when the Institution has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Financial instruments

The University uses derivative financial instruments such as interest rate swaps to reduce exposure to interest rate movements on its loans. Such derivative financial instruments are not held for speculative purposes and relate to actual liabilities, changing the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

### 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 rates. Any resulting translation differences are dealt with in the determination of income and expenditure for the financial year.

### Pension schemes

The University participates in the University of Bristol Pension and Assurance Scheme (UBPAS), the University of Bristol Group Personal Pension Plan (UBGPP), the Universities Superannuation Scheme (USS), and the National Health Service Pension Scheme (NHSPS).

UBPAS, USS and NHSPS are defined benefit schemes, contracted out of the State Earnings Related Pension Scheme. USS and UBPAS have assets held in separate trustee administered funds, whilst NHSPS is a non-funded occupational scheme backed by the Government. The costs are financed by contributions from the University and its staff.

For USS, because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. For NHSPS the University accounts as if the scheme were a defined contribution scheme.

For UBPAS, the assets of the scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an appropriate rate of return. The surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. The net of the expected return on assets, being the actuarial forecast of the total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities, is accounted for as interest receivable or payable. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

UBGPP is a defined contribution scheme established by the University during 2010.

The costs of pension increases paid to some former employees under the Federated Superannuation Scheme for Universities (FSSU) and the University of Bristol Superannuation Scheme for non-academic staff, are also met by the University and charged to the Income and Expenditure account as pension costs.

### Taxation status

The University is an exempt charity within the meaning of the Charities Act 2011 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 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.

# Consolidated income & expenditure account

for the year ended 31 July 2013

|   | Notes | 2012/13<br>£m  | 2011/12<br>£m  |
|---|-------|----------------|----------------|
| <b>Income</b>   |       |                |                |
| Funding body grants   | 1     | 118.3          | 134.3          |
| Tuition fees and support grants   | 2     | 131.7          | 99.2           |
| Research grants and contracts   | 3     | 120.1          | 112.0          |
| Other income  | 4     | 83.7           | 74.3           |
| Endowment and other financing income  | 5     | 5.4            | 6.9            |
| <b>Total income</b>   |       | <b>459.2</b>   | <b>426.7</b>   |
| <b>Expenditure</b>  |       |                |                |
| Staff costs   | 6     | (246.3)        | (234.3)        |
| Other operating expenses  | 8     | (141.0)        | (125.2)        |
| Depreciation  | 10    | (44.1)         | (41.3)         |
| Interest payable and other financing costs  | 7     | (15.2)         | (15.9)         |
| <b>Total expenditure</b>  | 8     | <b>(446.6)</b> | <b>(416.7)</b> |
| <b>Surplus on continuing operations after depreciation of tangible fixed assets at valuation before exceptional items</b>   |       |                |                |
|   |       | 12.6           | 10.0           |
| <b>Exceptional items: continuing operations</b>   |       |                |                |
| Profit on disposal of fixed assets  | 9     | 0.5            | 0.3            |
| <b>Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and exceptional items</b> |       |                |                |
|   |       | 13.1           | 10.3           |
| Transfer to accumulated income within endowment funds   | 19    | (0.6)          | (0.5)          |
| <b>Surplus for the year retained within income and expenditure reserve</b>  | 21    | <b>12.5</b>    | <b>9.8</b>     |

The income and expenditure account is in respect of continuing activities.

# Consolidated statement of historical cost surpluses & deficits

for the year ended 31 July 2013

|   | Notes | 2012/13<br>£m | 2011/12<br>£m |
|---|-------|---------------|---------------|
| Surplus on continuing operations after depreciation of tangible fixed assets<br>at valuation, disposal of assets and exceptional items      |       | 13.1          | 10.3          |
| Difference between historical cost depreciation charge and the actual depreciation charge<br>for the year calculated on the revalued amount | 20    | 1.4           | 0.9           |
| <b>Historical cost surplus for the year</b>   |       | <b>14.5</b>   | <b>11.2</b>   |

# Consolidated statement of total recognised gains & losses

for the year ended 31 July 2013

|  | Notes  | 2012/13<br>£m | 2011/12<br>£m |
|--|--------|---------------|---------------|
| Surplus on continuing operations after depreciation of tangible fixed assets<br>at valuation, disposal of assets and exceptional items |        | 13.1          | 10.3          |
| New endowments net of returns  | 19     | 0.7           | 0.3           |
| Endowment capital returned   | 19     | –             | (1.5)         |
| Increase/(decrease) in market value of endowment asset investments   | 19     | 6.5           | (1.0)         |
| Net unrealised gains/(losses) on revaluation of properties   | 10     | 8.1           | (1.9)         |
| Depreciation written back on revaluation of properties   | 10     | 10.7          | 3.5           |
| Unrealised gain/(losses) on revaluation of other investments   | 20     | 0.4           | (0.1)         |
| Actuarial gains/(losses) in respect of pension scheme  | 21, 24 | 23.6          | (31.8)        |
| <b>Total recognised gains/(losses) relating to the year</b>  |        | <b>63.1</b>   | <b>(22.2)</b> |
| <b>Reconciliation</b>  |        |               |               |
| Opening reserves and endowments  |        | 331.6         | 353.8         |
| Total recognised gains/(losses) for the year   |        | 63.1          | (22.2)        |
| Closing reserves and endowments  |        | 394.7         | 331.6         |
| Opening deferred capital grants  |        | 194.3         | 199.6         |
| Net decrease in the year   |        | (1.2)         | (5.3)         |
| Closing deferred capital grants  | 18     | 193.1         | 194.3         |
| <b>Net assets as at 31 July</b>  |        | <b>587.8</b>  | <b>525.9</b>  |

# Balance sheets

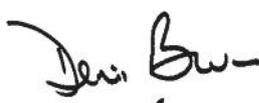
as at 31 July 2013

|  | Notes  | Consolidated |              | University   |              |
|--|--------|--------------|--------------|--------------|--------------|
|  |        | 2013<br>£m   | 2012<br>£m   | 2013<br>£m   | 2012<br>£m   |
| <b>Fixed assets</b>  |        |              |              |              |              |
| Tangible assets  | 10     | 773.1        | 698.9        | 743.0        | 668.3        |
| Intangible assets  | 11     | 0.2          | 0.2          | 0.2          | 0.2          |
| Investments  | 12     | 0.4          | 0.5          | 28.5         | 28.6         |
|  |        | 773.7        | 699.6        | 771.7        | 697.1        |
| Endowment assets   | 13     | 52.8         | 45.0         | 52.8         | 45.0         |
| <b>Current assets</b>  |        |              |              |              |              |
| Stocks   |        | 1.6          | 1.4          | 1.2          | 1.2          |
| Debtors  | 14     | 50.4         | 39.5         | 57.9         | 44.5         |
| Investments  | 15     | 31.3         | 92.2         | 31.3         | 92.2         |
| Cash at bank and in hand                                       |        | 107.5        | 94.8         | 103.3        | 92.0         |
|  |        | 190.8        | 227.9        | 193.7        | 229.9        |
| Creditors – amounts falling due within one year                | 16     | (112.1)      | (102.8)      | (122.2)      | (110.9)      |
| Net current assets   |        | 78.7         | 125.1        | 71.5         | 119.0        |
| Total assets less current liabilities                          |        | 905.2        | 869.7        | 896.0        | 861.1        |
| Less: Creditors – amounts falling due after more than one year | 17     | (250.0)      | (250.0)      | (250.0)      | (250.0)      |
| Net assets excluding net pension liability                     |        | 655.2        | 619.7        | 646.0        | 611.1        |
| Net pension liability  | 24     | (67.4)       | (93.8)       | (67.4)       | (93.8)       |
| <b>Net assets including net pension liability</b>              |        | <b>587.8</b> | <b>525.9</b> | <b>578.6</b> | <b>517.3</b> |
| <b>Represented by:</b>   |        |              |              |              |              |
| Deferred capital grants  | 18     | 193.1        | 194.3        | 193.1        | 194.3        |
| <b>Endowments</b>  |        |              |              |              |              |
| Expendable   | 19     | 7.5          | 6.5          | 7.5          | 6.5          |
| Permanent  | 19     | 45.3         | 38.5         | 45.3         | 38.5         |
| Total endowments   |        | 52.8         | 45.0         | 52.8         | 45.0         |
| <b>Reserves</b>  |        |              |              |              |              |
| Revaluation reserve  | 20     | 270.9        | 253.1        | 262.8        | 245.0        |
| Income and expenditure reserve                                 | 21     | 138.4        | 127.3        | 137.3        | 126.8        |
| Pension reserve  | 21, 24 | (67.4)       | (93.8)       | (67.4)       | (93.8)       |
| Total reserves   |        | 341.9        | 286.6        | 332.7        | 278.0        |
| <b>Total funds</b>   |        | <b>587.8</b> | <b>525.9</b> | <b>578.6</b> | <b>517.3</b> |

The financial statements on pages 19 to 47 were approved by Council on 15 November 2013, and signed on its behalf by:



Professor Sir Eric Thomas Vice-Chancellor



Mr Denis Burn Chair of Council

# Consolidated cash flow statement

for the year ended 31 July 2013

|  | Notes     | 2012/13<br>£m  | 2011/12<br>£m |
|--|-----------|----------------|---------------|
| <b>Net cash inflow from operating activities</b>                     | <b>22</b> | <b>40.6</b>    | <b>45.9</b>   |
| Net cash outflow from return on investments and servicing of finance |           |                |               |
| Income from endowments   | 19        | 1.5            | 1.6           |
| Interest received  | 5         | 3.9            | 5.3           |
| Interest and finance costs paid                                      | 7         | (13.8)         | (13.8)        |
|  |           | (8.4)          | (6.9)         |
| Net cash outflow from capital expenditure and financial investments  |           |                |               |
| Payments to acquire tangible assets                                  | 10        | (100.6)        | (56.0)        |
| Payments to acquire intangible assets                                | 11        | (0.2)          | (0.2)         |
| Endowment assets sold  |           | (1.2)          | (1.0)         |
| Deferred capital grants received                                     | 18        | 19.3           | 14.5          |
| Proceeds from disposal of fixed assets                               |           | 1.6            | 0.7           |
| New endowments received  | 19        | 0.7            | 0.3           |
|  |           | (80.4)         | (41.7)        |
| <b>Net cash outflow before management of liquid resources</b>        |           | <b>(48.2)</b>  | <b>(2.7)</b>  |
| Management of liquid resources – current asset investments           | 23        | 60.9           | 34.8          |
| <b>Cash inflow before financing</b>                                  |           | <b>12.7</b>    | <b>32.1</b>   |
| <b>Increase cash in the year</b>                                     | <b>23</b> | <b>12.7</b>    | <b>32.1</b>   |
| <b>Reconciliation of net cash flow to movements in net debt</b>      |           |                |               |
| Increase in cash in the year   | 23        | 12.7           | 32.1          |
| Decrease in liquid resources – current assets investments            | 23        | (60.9)         | (34.8)        |
| Change in net debt   |           | (48.2)         | (2.7)         |
| Net debt at 1 August   | 23        | (63.0)         | (60.3)        |
| <b>Net debt at 31 July</b>   | <b>23</b> | <b>(111.2)</b> | <b>(63.0)</b> |

# Notes to the accounts

## 1. Funding body grants

|   | Notes | 2012/13<br>£m | 2011/12<br>£m |
|---|-------|---------------|---------------|
| <b>Recurrent grant</b>                              |       |               |               |
| Higher Education Funding Council for England        |       | 99.4          | 110.1         |
| National College for Teaching and Leadership        |       | –             | 1.2           |
|   |       | 99.4          | 111.3         |
| <b>Specific grants</b>                              |       |               |               |
| Joint Information Systems Committee                 |       | 2.7           | 5.9           |
| Higher Education Innovation Fund                    |       | 3.1           | 2.6           |
| Centres for Excellence in Teaching and Learning     |       | 0.1           | 0.6           |
| Matched funding scheme for voluntary giving         |       | –             | 0.5           |
| Other   |       | 1.5           | 1.5           |
|   |       | 7.4           | 11.1          |
| <b>Deferred capital grants released in the year</b> |       |               |               |
| Buildings   | 18    | 10.8          | 10.8          |
| Equipment   | 18    | 0.7           | 1.1           |
|   |       | 11.5          | 11.9          |
|   |       | <b>118.3</b>  | <b>134.3</b>  |

## 2. Tuition fees and support grants

|  | 2012/13<br>£m | 2011/12<br>£m |
|--|---------------|---------------|
| Full-time students charged home fees     | 69.5          | 48.6          |
| Full-time students charged overseas fees | 51.4          | 41.3          |
| Part-time students                       | 3.1           | 3.4           |
| Research training support grant          | 4.9           | 3.7           |
| Short course fees                        | 2.8           | 2.2           |
|  | <b>131.7</b>  | <b>99.2</b>   |

## 3. Research grants and contracts

|  | 2012/13<br>£m | 2011/12<br>£m |
|--|---------------|---------------|
| Research councils  | 45.4          | 45.7          |
| UK-based charities                                       | 20.0          | 17.7          |
| European Commission and other Euro-denominated contracts | 16.2          | 13.6          |
| Other grants and contracts                               | 38.5          | 35.0          |
|  | <b>120.1</b>  | <b>112.0</b>  |

Income from research grants and contracts includes the release of deferred capital grants for equipment amounting to £1.7m (2011/12: £1.5m).

## Notes to the accounts continued

### 4. Other income

|  | 2012/13<br>£m | 2011/12<br>£m |
|--|---------------|---------------|
| Residences, catering and conferences           | 25.8          | 19.8          |
| Other services rendered                        | 16.6          | 18.7          |
| Contracts with health and hospital authorities | 10.4          | 10.3          |
| Funded teaching and general research           | 9.6           | 7.0           |
| Departmental and other income                  | 11.9          | 9.7           |
| Donations                                      | 2.1           | 2.4           |
| Deferred capital grants released               | 7.3           | 6.4           |
|  | <b>83.7</b>   | <b>74.3</b>   |

### 5. Endowment and other financing income

|   | Notes | 2012/13<br>£m | 2011/12<br>£m |
|---|-------|---------------|---------------|
| Income from expendable endowments                 | 19    | 0.2           | 0.2           |
| Income from permanent endowments                  | 19    | 1.3           | 1.4           |
| Interest from deposits and other cash investments |       | 3.9           | 5.3           |
|   |       | <b>5.4</b>    | <b>6.9</b>    |

### 6. Staff

|                       | Notes | 2012/13<br>£m | 2011/12<br>£m |
|-----------------------|-------|---------------|---------------|
| <b>Staff costs</b>    |       |               |               |
| Wages and salaries    |       | 194.0         | 182.8         |
| Social security costs |       | 16.0          | 15.1          |
| Pension costs         | 24    | 36.3          | 36.4          |
|                       |       | <b>246.3</b>  | <b>234.3</b>  |

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <b>Emoluments of the Vice-Chancellor</b>                             |                 |                 |
| Remuneration (including benefits in kind £2,300 (2011/2012: £1,400)) | 283             | 282             |
| Payment in lieu of pension contributions                             | 38              | –               |
| Employer pension contributions to USS                                | –               | 38              |
|  | <b>321</b>      | <b>320</b>      |

During 2011/12 the Vice Chancellor changed his membership of USS from full membership to 'fixed protection' (life assurance) only benefits. He now receives a payment in lieu of the employers' pension contributions that the University would otherwise pay.

The benefits in kind were in respect of the Vice-Chancellor's official residence, which is a requirement under the terms and conditions of his employment contract and is used from time to time for the University's official functions.

**6. Staff (continued)**

Remuneration of other higher paid members of staff, excluding employer's pension contributions and any compensation for loss of office (payments in respect of distinction awards and other payments under separate NHS contracts of employment are excluded from the University's income and expenditure account):

|                   | Excluding distinction awards<br>and other NHS payments |                   | Including distinction awards<br>and other NHS payments |                   |
|-------------------|--|-------------------|--|-------------------|
|                   | 2012/13<br>Number                                      | 2011/12<br>Number | 2012/13<br>Number                                      | 2011/12<br>Number |
| £100,000-£109,000 | 48   | 50                | 38   | 36                |
| £110,000-£119,000 | 27   | 22                | 19   | 18                |
| £120,000-£129,000 | 8  | 4                 | 15   | 13                |
| £130,000-£139,000 | 4  | 3                 | 14   | 12                |
| £140,000-£149,000 | –  | –                 | 4  | –                 |
| £150,000-£159,000 | 2  | 2                 | 10   | 14                |
| £160,000-£169,000 | –  | –                 | 7  | 4                 |
| £170,000-£179,000 | 2  | 2                 | 4  | 5                 |
| £180,000-£189,000 | 2  | 1                 | 4  | 5                 |
| £190,000-£199,000 | –  | –                 | 1  | 1                 |
| £200,000-£209,000 | –  | –                 | 1  | –                 |
| £210,000-£219,000 | –  | –                 | 1  | 1                 |

|   | 2012/13<br>Number | 2011/12<br>Number |
|---|-------------------|-------------------|
| <b>Average full-time equivalent staff numbers by major category</b> |                   |                   |
| Academic/Clinical   | 2,363             | 2,223             |
| Technical   | 473               | 461               |
| Administrative and operational support                              | 2,250             | 2,165             |
|   | <b>5,086</b>      | <b>4,849</b>      |

## Notes to the accounts continued

## 7. Interest payable and other financing costs

|   | Notes | 2012/13<br>£m | 2011/12<br>£m |
|---|-------|---------------|---------------|
| Interest on bank loans not wholly repayable within five years |       | 13.2          | 13.2          |
| Other bank charges and financing costs                        |       | 0.6           | 0.6           |
|   |       | 13.8          | 13.8          |
| Net pension scheme financing charge                           | 24    | 1.4           | 2.1           |
|   |       | <b>15.2</b>   | <b>15.9</b>   |

Interest payable includes the amortisation of fees associated with long-term financing arrangements.

## 8. Analysis of expenditure by activity

|   | Staff costs<br>£m | Other<br>expenses<br>£m | Depreciation<br>£m | Interest &<br>financing<br>£m | 2012/13<br>Total<br>£m | 2011/12<br>Total<br>£m |
|---|-------------------|-------------------------|--------------------|-------------------------------|------------------------|------------------------|
| Academic departments                            | 120.3             | 24.3                    | 1.9                | 12.9                          | 159.4                  | 149.0                  |
| Academic services                               | 16.9              | 9.5                     | 0.3                | –                             | 26.7                   | 29.1                   |
| Research grants                                 | 53.7              | 35.6                    | 1.8                | –                             | 91.1                   | 83.1                   |
| Services rendered                               | 7.6               | 7.0                     | 0.1                | –                             | 14.7                   | 17.9                   |
| Residences, catering and conferences            | 6.9               | 12.5                    | 0.2                | 0.9                           | 20.5                   | 13.4                   |
| Premises  | 12.9              | 16.2                    | 39.7               | –                             | 68.8                   | 64.4                   |
| Administration                                  | 18.3              | 20.3                    | 0.1                | 1.4                           | 40.1                   | 36.3                   |
| Other including general endowment expenditure   | 9.7               | 15.6                    | –                  | –                             | 25.3                   | 23.5                   |
| <b>Total per income and expenditure account</b> | <b>246.3</b>      | <b>141.0</b>            | <b>44.1</b>        | <b>15.2</b>                   | <b>446.6</b>           | <b>416.7</b>           |

|  | 2012/13<br>£'000 | 2011/12<br>£'000 |
|--|------------------|------------------|
| <b>Other operating expenses included</b>   |                  |                  |
| Audit fees payable to the University's external auditors for University main audit | 45               | 44               |
| Audit fees payable to the University's external auditors for audit of subsidiaries | 26               | 26               |
| Other fees payable to the University's external auditors                           | 28               | 10               |
| Audit fees payable to other auditors for audit of individual grants                | 62               | 26               |
| Operating lease rentals  | 5,368            | –                |

## 9. Exceptional items

|   | 2012/13<br>£m | 2011/12<br>£m |
|---|---------------|---------------|
| Profit on disposal of fixed assets              | 0.5           | 0.3           |
| <b>Total per income and expenditure account</b> | <b>0.5</b>    | <b>0.3</b>    |

## 10. Tangible assets

|  | Freehold land<br>& buildings<br>£m | Assets in<br>construction<br>£m | Leasehold &<br>Laboratory<br>refurbishment<br>£m | Equipment<br>£m | 2013<br>Total<br>£m | 2012<br>Total<br>£m |
|--|------------------------------------|---------------------------------|--|-----------------|---------------------|---------------------|
| <b>Consolidated</b>                    |                                    |                                 |  |                 |                     |                     |
| <b>Cost or valuation</b>               |                                    |                                 |  |                 |                     |                     |
| At 1 August                            | 609.3                              | 14.5                            | 166.0  | 49.4            | 839.2               | 795.2               |
| Additions at cost                      | 39.0                               | 38.2                            | 5.4  | 18.0            | 100.6               | 56.0                |
| Re-categorisation                      | 2.3                                | (2.3)                           | –  | –               | –                   | –                   |
| Disposals                              | (1.1)                              | –                               | –  | –               | (1.1)               | (0.3)               |
| Elimination of fully depreciated items | –                                  | –                               | (36.6)   | (11.3)          | (47.9)              | (9.8)               |
| Revaluations in year                   | 8.1                                | –                               | –  | –               | 8.1                 | (1.9)               |
| <b>At 31 July</b>                      | <b>657.6</b>                       | <b>50.4</b>                     | <b>134.8</b>                                     | <b>56.1</b>     | <b>898.9</b>        | <b>839.2</b>        |
| <b>Accumulated depreciation</b>        |                                    |                                 |  |                 |                     |                     |
| At 1 August                            | 19.0                               | –                               | 98.6   | 22.7            | 140.3               | 112.3               |
| Charge for year                        | 14.0                               | –                               | 16.8   | 13.3            | 44.1                | 41.3                |
| Elimination of fully depreciated items | –                                  | –                               | (36.6)   | (11.3)          | (47.9)              | (9.8)               |
| Written back on revaluation            | (10.7)                             | –                               | –  | –               | (10.7)              | (3.5)               |
| <b>At 31 July</b>                      | <b>22.3</b>                        | <b>–</b>                        | <b>78.8</b>                                      | <b>24.7</b>     | <b>125.8</b>        | <b>140.3</b>        |
| <b>Net book value</b>                  |                                    |                                 |  |                 |                     |                     |
| <b>At 31 July</b>                      | <b>635.3</b>                       | <b>50.4</b>                     | <b>56.0</b>                                      | <b>31.4</b>     | <b>773.1</b>        | <b>698.9</b>        |
| <b>At 1 August</b>                     | <b>590.3</b>                       | <b>14.5</b>                     | <b>67.4</b>                                      | <b>26.7</b>     | <b>698.9</b>        | <b>682.9</b>        |
| <b>University</b>                      |                                    |                                 |  |                 |                     |                     |
| <b>Cost or valuation</b>               |                                    |                                 |  |                 |                     |                     |
| At 1 August                            | 580.8                              | 14.5                            | 166.0  | 45.2            | 806.5               | 763.0               |
| Additions at costs                     | 39.3                               | 38.2                            | 5.4  | 17.5            | 100.4               | 55.8                |
| Re-categorisation                      | 2.3                                | (2.3)                           | –  | –               | –                   | –                   |
| Disposals                              | (1.1)                              | –                               | –  | –               | (1.1)               | (0.3)               |
| Elimination of fully depreciated items | –                                  | –                               | (36.6)   | (11.3)          | (47.9)              | (9.8)               |
| Revaluations in year                   | 8.1                                | –                               | –  | –               | 8.1                 | (2.2)               |
| <b>At 31 July</b>                      | <b>629.4</b>                       | <b>50.4</b>                     | <b>134.8</b>                                     | <b>51.4</b>     | <b>866.0</b>        | <b>806.5</b>        |
| <b>Accumulated depreciation</b>        |                                    |                                 |  |                 |                     |                     |
| At 1 August                            | 18.6                               | –                               | 98.6   | 21.0            | 138.2               | 110.8               |
| Charge for year                        | 13.6                               | –                               | 16.8   | 13.0            | 43.4                | 40.7                |
| Elimination of fully depreciated items | –                                  | –                               | (36.6)   | (11.3)          | (47.9)              | (9.8)               |
| Written back on revaluation            | (10.7)                             | –                               | –  | –               | (10.7)              | (3.5)               |
| <b>At 31 July</b>                      | <b>21.5</b>                        | <b>–</b>                        | <b>78.8</b>                                      | <b>22.7</b>     | <b>123.0</b>        | <b>138.2</b>        |
| <b>Net book value</b>                  |                                    |                                 |  |                 |                     |                     |
| <b>At 31 July</b>                      | <b>607.9</b>                       | <b>50.4</b>                     | <b>56.0</b>                                      | <b>28.7</b>     | <b>743.0</b>        | <b>668.3</b>        |
| <b>At 1 August</b>                     | <b>562.2</b>                       | <b>14.5</b>                     | <b>67.4</b>                                      | <b>24.2</b>     | <b>668.3</b>        | <b>652.2</b>        |

## Notes to the accounts continued

### 10. Tangible assets (continued)

Annually the University undertakes a review of the underlying value of its portfolio of freehold land and buildings and carries out revaluation when and where appropriate. As at 31 July 2013, in excess of 25% (2012: 25%) of the estate was revalued by an external professional firm of Chartered Surveyors, on the basis of either market value or existing use value using the Depreciated Replacement Cost methodology. All properties are subject to a full valuation at least once every four years. Freehold land and buildings at 31 July 2013 consisted of:

|  | Consolidated |              | University   |              |
|--|--------------|--------------|--------------|--------------|
|  | 2013<br>£m   | 2012<br>£m   | 2013<br>£m   | 2012<br>£m   |
| At valuation                             | 651.8        | 604.3        | 623.6        | 576.1        |
| At cost                                  | 5.8          | 5.0          | 5.8          | 4.7          |
| <b>Total freehold land and buildings</b> | <b>657.6</b> | <b>609.3</b> | <b>629.4</b> | <b>580.8</b> |

Freehold land and buildings include land totalling £145.2m (2012: £145.9m) which is not depreciated.

No interest cost has been capitalised in construction costs in the year (2011/12: £Nil).

Leasehold and laboratory refurbishments include £7.5m cost and £4.2m accumulated depreciation (2011/12: £8.5m and £4.4m) of leasehold land and buildings.

Contracted capital commitments as at 31 July 2013 were £72.0m (2012: £78.2m).

Heritage assets: The University holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance. Most of these are housed in the University's nationally accredited museums and collections and in its libraries, providing a valuable research and educational resource locally, nationally and internationally. Other collections are held in academic departments or are on display as public art. Major collections include those held by the University Library, the Botanic Garden and the Theatre Collection.

In respect of its major collections, the University's practice, in accordance with the national accreditation standards, is; to preserve, conserve and manage the objects in its care; to augment the collections where appropriate and within the resources available; to enable and encourage access to and use of the collections for teaching and research; and to enable wide access to and engagement with the collections by members of the public.

As noted in the statement of principal accounting policies, heritage assets costing more than £25,000 acquired since 1 August 2010 would be capitalised where practicable and on a cost-benefit basis. The majority of heritage assets held in the University's collections were acquired before 1 August 2010 and they are not recognised in the balance sheet.

In 2010/2011, the world-renowned Raymond Mander & Joe Mitchenson Theatre Collection (M&M) was donated to the University. The collection, with over 20,000 items, is not practical to be valued on a cost-benefit basis. Therefore, the collection has not been recognised either within the income and expenditure account or the balance sheet.

There were no heritage assets acquired during the year (2011/12: none).

**11. Intangible assets (patents and copyrights)**

|                                 | Consolidated & University |            |
|---------------------------------|---------------------------|------------|
|                                 | 2013<br>£m                | 2012<br>£m |
| <b>Cost</b>                     |                           |            |
| At 1 August                     | 0.5                       | 0.6        |
| Additions at cost               | 0.2                       | 0.2        |
| Eliminations at cost            | (0.3)                     | (0.3)      |
| <b>At 31 July</b>               | <b>0.4</b>                | <b>0.5</b> |
| <b>Accumulated amortisation</b> |                           |            |
| At 1 August                     | 0.3                       | 0.3        |
| Charge for year                 | 0.2                       | 0.3        |
| Eliminations                    | (0.3)                     | (0.3)      |
| <b>At 31 July</b>               | <b>0.2</b>                | <b>0.3</b> |
| <b>Net book value</b>           |                           |            |
| <b>At 31 July</b>               | <b>0.2</b>                | <b>0.2</b> |

**12. Fixed asset investments**

|   | Consolidated |            | University  |             |
|---|--------------|------------|-------------|-------------|
|   | 2013<br>£m   | 2012<br>£m | 2013<br>£m  | 2012<br>£m  |
| Shares in University's subsidiary companies | –            | –          | 28.1        | 28.1        |
| Shares in listed and unlisted companies     | 0.4          | 0.5        | 0.4         | 0.5         |
| <b>Total fixed asset investments</b>        | <b>0.4</b>   | <b>0.5</b> | <b>28.5</b> | <b>28.6</b> |

Council believe that the carrying value of the investment is supported by their underlying net assets.

**13. Endowment asset investments**

|  | Note | Consolidated & University |             |
|--|------|---------------------------|-------------|
|  |      | 2013<br>£m                | 2012<br>£m  |
| Market value at 1 August                           |      | 45.0                      | 46.7        |
| New endowments                                     | 19   | 0.7                       | 0.3         |
| Capital returned                                   |      | –                         | (1.5)       |
| Increase/(decrease) in market value of investments |      | 6.5                       | (1.0)       |
| Increase in cash balances held for endowment funds |      | 0.6                       | 0.5         |
| <b>Market value at 31 July</b>                     |      | <b>52.8</b>               | <b>45.0</b> |
| Investments  |      | 47.7                      | 40.7        |
| Cash   |      | 5.1                       | 4.3         |
| <b>Total endowment asset investments</b>           |      | <b>52.8</b>               | <b>45.0</b> |

## Notes to the accounts continued

## 14. Debtors

|  | Consolidated |             | University  |             |
|--|--------------|-------------|-------------|-------------|
|  | 2013<br>£m   | 2012<br>£m  | 2013<br>£m  | 2012<br>£m  |
| <b>Amounts falling due within one year</b> |              |             |             |             |
| Research grants recoverable                | 14.3         | 13.0        | 14.3        | 13.0        |
| Other debtors                              | 36.1         | 26.5        | 33.4        | 24.1        |
| Amounts owed by subsidiary undertakings    | –            | –           | 10.2        | 7.4         |
|  | <b>50.4</b>  | <b>39.5</b> | <b>57.9</b> | <b>44.5</b> |

## 15. Current asset investments

|  | Consolidated & University |             |
|--|---------------------------|-------------|
|  | 2013<br>£m                | 2012<br>£m  |
| Liquid resources – including certificates of deposit and corporate bonds | 31.2                      | 92.1        |
| Shares in listed companies   | 0.1                       | 0.1         |
|  | <b>31.3</b>               | <b>92.2</b> |

At the year end, these certificates of deposit and corporate bonds had a market value of not less than £31.2m (2012: £92.1m).

## 16. Creditors – amounts falling due within one year

|  | Consolidated |              | University   |              |
|--|--------------|--------------|--------------|--------------|
|  | 2013<br>£m   | 2012<br>£m   | 2013<br>£m   | 2012<br>£m   |
| Research grants received in advance        | 39.0         | 35.4         | 38.9         | 35.4         |
| Other creditors                            | 45.3         | 42.8         | 45.3         | 42.5         |
| Social security and other taxation payable | 1.0          | 1.9          | 1.0          | 1.9          |
| Accruals and other deferred income         | 26.8         | 22.7         | 24.2         | 20.8         |
| Amounts owed to subsidiary undertakings    | –            | –            | 12.8         | 10.3         |
|  | <b>112.1</b> | <b>102.8</b> | <b>122.2</b> | <b>110.9</b> |

**17. Creditors – amounts falling due after more than one year**

|  | Consolidated & University |              |
|--|---------------------------|--------------|
|  | 2013<br>£m                | 2012<br>£m   |
| <b>Unsecured loans due in five years or more</b> | <b>250.0</b>              | <b>250.0</b> |

In 2007/08, the University arranged new fixed term loans totalling £250m with an effective fixed interest rate of approximately 5.3%. These fixed term loans are in two parts. The first part of £150m is repayable in October 2047 and the second part of £100m is repayable in March 2038.

**18. Deferred capital grants**

|  | Funding<br>council<br>£m | Other grants &<br>benefactors<br>£m | Consolidated & University |                     |
|--|--------------------------|-------------------------------------|---------------------------|---------------------|
|  |                          |                                     | 2013<br>Total<br>£m       | 2012<br>Total<br>£m |
| At 1 August                                |                          |                                     |                           |                     |
| Buildings                                  | 132.3                    | 51.2                                | 183.5                     | 191.7               |
| Equipment                                  | 0.9                      | 9.9                                 | 10.8                      | 7.9                 |
|  | <b>133.2</b>             | <b>61.1</b>                         | <b>194.3</b>              | <b>199.6</b>        |
| Cash received                              |                          |                                     |                           |                     |
| Buildings                                  | 5.9                      | 6.9                                 | 12.8                      | 6.8                 |
| Equipment                                  | –                        | 6.5                                 | 6.5                       | 7.7                 |
|  | <b>5.9</b>               | <b>13.4</b>                         | <b>19.3</b>               | <b>14.5</b>         |
| Released to income and expenditure account |                          |                                     |                           |                     |
| Buildings                                  | (10.8)                   | (4.4)                               | (15.2)                    | (15.0)              |
| Equipment                                  | (0.7)                    | (4.6)                               | (5.3)                     | (4.8)               |
|  | <b>(11.5)</b>            | <b>(9.0)</b>                        | <b>(20.5)</b>             | <b>(19.8)</b>       |
| At 31 July                                 |                          |                                     |                           |                     |
| Buildings                                  | 127.4                    | 53.7                                | 181.1                     | 183.5               |
| Equipment                                  | 0.2                      | 11.8                                | 12.0                      | 10.8                |
| <b>Total</b>                               | <b>127.6</b>             | <b>65.5</b>                         | <b>193.1</b>              | <b>194.3</b>        |

## Notes to the accounts continued

## 19. Endowments

|  | Consolidated & University       |                               |                          |                                |                  |                  |
|--|---------------------------------|-------------------------------|--------------------------|--------------------------------|------------------|------------------|
|  | Unrestricted<br>Permanent<br>£m | Restricted<br>Permanent<br>£m | Total<br>Permanent<br>£m | Restricted<br>Expendable<br>£m | 2013 Total<br>£m | 2012 Total<br>£m |
| At 1 August  |                                 |                               |                          |                                |                  |                  |
| Capital  | 2.1                             | 33.8                          | 35.9                     | 6.0                            | 41.9             | 43.9             |
| Accumulated income                                 | 0.1                             | 2.5                           | 2.6                      | 0.5                            | 3.1              | 2.8              |
|  | <b>2.2</b>                      | <b>36.3</b>                   | <b>38.5</b>              | <b>6.5</b>                     | <b>45.0</b>      | <b>46.7</b>      |
| New endowments                                     | –                               | 0.7                           | 0.7                      | –                              | 0.7              | 0.3              |
| Capital returned                                   | –                               | –                             | –                        | –                              | –                | (1.5)            |
| Investment income                                  | 0.1                             | 1.2                           | 1.3                      | 0.2                            | 1.5              | 1.6              |
| Expenditure  | (0.1)                           | (0.7)                         | (0.8)                    | (0.1)                          | (0.9)            | (1.1)            |
| Transfer from income & expenditure account         | –                               | 0.5                           | 0.5                      | 0.1                            | 0.6              | 0.5              |
| Increase/(decrease) in market value of investments | 0.3                             | 5.3                           | 5.6                      | 0.9                            | 6.5              | (1.0)            |
| <b>At 31 July</b>                                  | <b>2.5</b>                      | <b>42.8</b>                   | <b>45.3</b>              | <b>7.5</b>                     | <b>52.8</b>      | <b>45.0</b>      |
| Capital  | 2.4                             | 39.0                          | 41.4                     | 6.9                            | 48.3             | 41.9             |
| Accumulated income                                 | 0.1                             | 3.8                           | 3.9                      | 0.6                            | 4.5              | 3.1              |
| <b>At 31 July</b>                                  | <b>2.5</b>                      | <b>42.8</b>                   | <b>45.3</b>              | <b>7.5</b>                     | <b>52.8</b>      | <b>45.0</b>      |

During 2011/12, an endowment of £1.5m was returned to the original donor. The donor will now provide equivalent funding directly rather than via the endowment.

HEFCE is the principal regulator of English Higher Education Institutions (HEI) that are exempt charities including the University. HEFCE's remit extends to any exempt charities or charitable organisations administered by or on behalf of the University and are established for the general or any special purpose of the University. For such linked charities, the University is required to consolidate their accounts within the University's group financial statements. The University does not have such charitable organisations apart from endowment funds which the University administers and is deemed to be a trustee of. All of the University's endowment funds are consolidated within the financial statements of the University, and the details are as follows:

|  | Consolidated & University |   |                   |                                      |                          |
|--|---------------------------|---|-------------------|--------------------------------------|--------------------------|
|  | At 1 August<br>2012<br>£m | Investment<br>income &<br>donations<br>£m | Expenditure<br>£m | Increase<br>in market<br>value<br>£m | At 31 July<br>2013<br>£m |
| Funds with income greater than £100,000 pa     |                           |   |                   |                                      |                          |
| Dame Emily Smyth endowment trust               |                           |   |                   |                                      |                          |
| – support of agricultural research             | 10.2                      | 0.4                                       | (0.2)             | 1.6                                  | 12.0                     |
| Funds with income less than £100,000 pa        |                           |   |                   |                                      |                          |
| Endowment funds, trusts and special funds for: |                           |   |                   |                                      |                          |
| professorships, readerships and lectureships   | 8.1                       | 0.3                                       | (0.2)             | 1.2                                  | 9.4                      |
| research support funds                         | 4.4                       | –   | –                 | 0.6                                  | 5.0                      |
| bursary and scholarship funds                  | 11.2                      | 1.0                                       | (0.1)             | 1.5                                  | 13.6                     |
| prize funds                                    | 0.5                       | –   | –                 | 0.1                                  | 0.6                      |
| other  | 5.0                       | 0.2                                       | (0.2)             | 0.8                                  | 5.8                      |
| General endowments                             | 5.6                       | 0.3                                       | (0.2)             | 0.7                                  | 6.4                      |
|  | <b>45.0</b>               | <b>2.2</b>                                | <b>(0.9)</b>      | <b>6.5</b>                           | <b>52.8</b>              |

**20. Revaluation reserve**

|   | Note | Consolidated |              | University   |              |
|---|------|--------------|--------------|--------------|--------------|
|   |      | 2013<br>£m   | 2012<br>£m   | 2013<br>£m   | 2012<br>£m   |
| At 1 August   |      | 253.1        | 252.5        | 245.0        | 244.7        |
| Revaluation of properties   |      | 8.1          | (1.9)        | 8.1          | (2.2)        |
| Cumulative depreciation of properties written back on revaluation |      | 10.7         | 3.5          | 10.7         | 3.5          |
| Revaluation of investments  | 22   | 0.4          | (0.1)        | 0.4          | (0.1)        |
| Transfer to income and expenditure reserve in respect of:         |      |              |              |              |              |
| – Depreciation on revalued assets                                 |      | (1.4)        | (0.9)        | (1.4)        | (0.9)        |
| <b>At 31 July</b>   |      | <b>270.9</b> | <b>253.1</b> | <b>262.8</b> | <b>245.0</b> |

**21. Movement on reserves**

|   | Note | Consolidated |              | University   |              |
|---|------|--------------|--------------|--------------|--------------|
|   |      | 2013<br>£m   | 2012<br>£m   | 2013<br>£m   | 2012<br>£m   |
| <b>Income and expenditure reserve</b>                               |      |              |              |              |              |
| At 1 August   |      | 127.3        | 118.1        | 126.8        | 117.7        |
| Surplus for year retained within reserves                           |      | 12.5         | 9.8          | 11.9         | 9.7          |
| Pension contributions to UBPAS greater than FRS17 accounting charge |      | (2.8)        | (1.5)        | (2.8)        | (1.5)        |
| Transfer to income and expenditure reserve in respect of:           |      |              |              |              |              |
| – Depreciation on revalued assets                                   |      | 1.4          | 0.9          | 1.4          | 0.9          |
| <b>At 31 July</b>   |      | <b>138.4</b> | <b>127.3</b> | <b>137.3</b> | <b>126.8</b> |

|   | Note | Consolidated & University |               |
|---|------|---------------------------|---------------|
|   |      | 2013<br>£m                | 2012<br>£m    |
| <b>Pension reserve</b>  |      |                           |               |
| At 1 August   |      | (93.8)                    | (63.5)        |
| Pension contributions to UBPAS greater than FRS17 accounting charge |      | 2.8                       | 1.5           |
| Actuarial gains/(losses) in year                                    | 24   | 23.6                      | (31.8)        |
| <b>At 31 July</b>   |      | <b>(67.4)</b>             | <b>(93.8)</b> |

## Notes to the accounts continued

## 22. Reconciliation of consolidated operating surplus to net cash from operating activities

|   | Notes | Consolidated & University |             |
|---|-------|---------------------------|-------------|
|   |       | 2013<br>£m                | 2012<br>£m  |
| Surplus after depreciation of assets at valuation, disposal of assets and exceptional items |       | 13.1                      | 10.3        |
| Adjustments for non cash items in Income and Expenditure Account:                           |       |                           |             |
| Depreciation  | 10    | 44.1                      | 41.3        |
| Amortisation of intangible assets   | 11    | 0.2                       | 0.3         |
| Deferred capital grants released to income  | 18    | (20.5)                    | (19.8)      |
| Pension contributions to UBPAS greater than FRS17 accounting charge                         | 21    | (2.8)                     | (1.5)       |
| Working capital movements:  |       |                           |             |
| Increase in stock   |       | (0.2)                     | –           |
| (Increase)/decrease in debtors  | 14    | (10.9)                    | 11.8        |
| Increase/(decrease) in creditors due within one year  | 16    | 9.3                       | (3.1)       |
| Non operating activity items:   |       |                           |             |
| Endowment and other financing income  | 5     | (5.4)                     | (6.9)       |
| Revaluation of Investments  |       | 0.4                       | –           |
| Interest payable  | 7     | 13.8                      | 13.8        |
| Profit on disposal of fixed assets  | 9     | (0.5)                     | (0.3)       |
| <b>Net cash inflow from operating activities</b>  |       | <b>40.6</b>               | <b>45.9</b> |

## 23. Analysis of changes in net debt

|  | At 1 August<br>2012<br>£m | Consolidated & University |                          |
|--|---------------------------|---------------------------|--------------------------|
|  |                           | Cashflow<br>in year<br>£m | At 31 July<br>2013<br>£m |
| Cash at bank and in hand   | 94.8                      | 12.7                      | 107.5                    |
| Liquid resources – including certificates of deposit and corporate bonds | 92.2                      | (60.9)                    | 31.3                     |
|  | 187.0                     | (48.2)                    | 138.8                    |
| Debts due after one year   | (250.0)                   | –                         | (250.0)                  |
| <b>Total net debt</b>  | <b>(63.0)</b>             | <b>(48.2)</b>             | <b>(111.2)</b>           |

## 24. Pension schemes

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Bristol Pension and Assurance Scheme (UBPAS) and the University of Bristol Group Personal Pension Plan (UBGPP). In addition, for some clinical staff, contributions are paid to the National Health Service Pension Scheme (NHSPS).

The total pension costs for the University and its subsidiaries recognised within the consolidated Income and Expenditure account were:

|   | Notes    | 2012/13<br>£m | 2011/12<br>£m |
|---|----------|---------------|---------------|
| Employer's cost for USS                             |          | 26.0          | 26.9          |
| Employer's cost for UBPAS                           |          | 9.0           | 8.3           |
| Employer's cost for UBGPP                           |          | 0.7           | 0.3           |
| Employer's cost for NHSPS                           |          | 0.6           | 0.9           |
| <b>Total pension costs in staff costs</b>           | <b>6</b> | <b>36.3</b>   | <b>36.4</b>   |
| Net financing charge in respect of deficit in UBPAS | 7        | 1.4           | 2.1           |
| <b>Total pension costs</b>                          |          | <b>37.7</b>   | <b>38.5</b>   |

Employer's costs shown above include amounts payable under salary sacrifice arrangements. All pension contributions were fully paid at the year end.

### USS

The University participates in the USS, a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund, Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The appointment of directors to the board of the trustees is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustees, acting on actuarial advice.

The latest actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for Consumer Price Index which corresponds broadly to 2.75% for Retail Price Index per annum).

To calculate the technical provisions, it was assumed that the valuation rates of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historical scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

## Notes to the accounts continued

### 24. Pension schemes (continued)

Standard mortality tables were used as follows:

Male members' mortality S1NA ["light"] YoB tables – no age rating

Female members' mortality SN1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism. To allow for further improvements in mortality rates the CMI 2009 projections with 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 23.7 years

Males (females) currently aged 45 25.5 years

At the valuation date, the value of the assets of the scheme was £32.4bn and the value of the scheme's technical provisions was £35.3bn indicating a shortfall of £2.9bn. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumptions built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the scheme was still a Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the RPI measure of price inflation.

There have been a number of changes to the benefits provided by the scheme; which became effective from 1 October 2011. These include:

- New entrants – other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
- Normal pension age – was increased for future service and new entrants, to age 65.
- Flexible retirement – options were introduced.
- Member contribution increased – to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB members respectively.
- Cost sharing – If the total contribution level exceeds 23.5% of salaries p.a., the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.
- Pension increase cap – For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% the USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% p.a. based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historical gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

| Assumption                       | Change in assumption | Impact on shortfall      |
|----------------------------------|----------------------|--------------------------|
| Investment return                | Decrease by 0.25%    | Increase by £1.6 billion |
| The gap between RPI and CPI      | Decrease by 0.25%    | Increase by £1 billion   |
| Rate of salary growth            | Increase by 0.25%    | Increase by £0.6 billion |
| Members live longer than assumed | 1 year longer        | Increase by £0.8 billion |
| Equity markets in isolation      | Fall by 25%          | Increase by £4.6 billion |

USS is a "last man standing" scheme so that in the event of insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the longer-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the longer term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustees receive advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

## Notes to the accounts *continued*

### 24. Pension schemes (continued)

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustees believe that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers, to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustees are mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustees are making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and the University had 2,914 (2012: 2,818) active members participating in the scheme.

### UBPAS

UBPAS is a defined benefit pension scheme that the University operates in-house and until 30 September 2010 was offered to all staff who were not eligible to join the USS or NHSPS. UBPAS is contracted-out of the State Second Pension (S2P) and is now closed to new members. The assets of the scheme are held in a separate fund administered by a board of seven trustees. UBPAS currently has over 1,500 active members.

The trustees, acting separately from the University, hold and manage UBPAS assets for the members of the scheme. Of the seven trustees, three are members of the scheme, nominated by all members of the Scheme for a six-year term; and three are appointed by Council of the University to represent the University. The Chairman is an independent person recommended by the University for appointment by the other trustees. Under the Scheme trust deed and rules, the employer contribution rate is determined by agreement between the trustees and the University, acting on actuarial advice.

### Actuarial valuation:

The last actuarial valuation of the scheme was as at 31 July 2012. Based on the Pensions Act 2004, the valuation is performed under the scheme-specific funding regime, adopting a statutory funding objective, which is to have sufficient and appropriate assets to cover the scheme's technical provisions.

The valuation was carried out using the projected unit method. The key assumptions and other data relevant to the determination of the contribution levels of the scheme were as follows:

|  |      |
|--|------|
| Discount rate                                    |      |
| Pre-Retirement                                   | 5.4% |
| Post-Retirement                                  | 3.4% |
| Rate of increase to RPI                          | 2.9% |
| Rate of increase to CPI                          | 2.3% |
| Rate of increase to salaries                     | 3.6% |
| Expected asset return during the recovery period | 6.0% |

Standard mortality tables were used for both pre and post retirement as follows:

- Base table 119.5%/105.5% Male/Female SAPs Pensioner tables for all retirements
- Future improvements: CMI 2011 core projections from 2012 with a 1.5% long term rate.

Use of these mortality tables reasonably reflects the actual UBPAS experience but also provides an element of conservatism to allow for further improvements in mortality rates.

At the valuation date, the value of the assets of the scheme was £181.0m and the value of the scheme's technical provisions was £263.6m resulting in a deficit of £82.6m. The assets therefore were sufficient to cover 69% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Previously the University had agreed a 20 year deficit recovery plan with the scheme trustees; this was based on the payment of additional contributions of £5m pa until 2030. At 31 July 2013 the University had paid a total of £26.9m representing an £11.9m prepayment.

A new deficit recovery plan has now been agreed which requires the University to pay £6.9m pa until 2030, however, in recognition of the previous prepayment, the first contribution required is £1.9m in 2014/15, followed by £6.9m in subsequent years.

As required by law, the actuary also made an estimate of the amount the University would have to pay to secure all members' benefits with an insurance company; in the event that the Trustees were to decide that the scheme should be wound up. (This measure is sometimes referred to as "full solvency"). The shortfall in funding under this "full solvency" measure was approximately £194.1m.

The University undertook a formal consultation with active members of UBPAS about fundamental changes to the contribution and benefit structure of UBPAS. Following the consultation, from 1 November 2013, active members have 3 contribution/benefit options to choose from for future service after that date. These changes are designed to reduce the future risk and cost of the scheme to the University.

#### FRS17 valuation:

UBPAS has been accounted for within these financial statements in accordance with FRS 17. The 2012 full actuarial valuation was used by the actuary, using appropriate assumptions agreed by the University. For this purpose the discount rate used is based on the rate of return of an AA rated corporate bond and the investments have been valued at mid market value.

Mortality rates have been assumed to be consistent with those used for the 2012 valuation. In particular, using the amounts-based SAPs Series 1 "Pensioner" tables for normal retirements with multiples of 119.5% (males) and 105.5% (females), and an allowance for improvements in mortality using the CMI 2011 core projections from 2002 with a 1.5% long term rate. The 2012 resulting assumptions are that a member who is currently aged 65 and retires will live on average for a further 21.4 years if they are male and for a further 24.7 years if they are female.

Other major assumptions used for this FRS 17 actuarial review were:

|   | 31 July 2013<br>% | 31 July 2012<br>% |
|---|-------------------|-------------------|
| Discount rate   | 4.5               | 4.2               |
| Inflation – Retail Price Index (RPI)                            | 3.5               | 2.8               |
| Inflation – Consumer Price Index (CPI)                          | 2.5               | 2.1               |
| Salary increases  | 4.2               | 3.6               |
| Increases to non-GMP pension in deferment (RPI capped at 5% pa) | 3.5               | 2.8               |
| Increases to non-GMP pension in payment (CPI)                   | 2.5               | 2.1               |
| Increases to Post 88 GMP in payment (CPI capped at 3% pa)       | 2.5               | 2.1               |
| Expected return on scheme assets                                | 6.0               | 5.6               |

The fund value in UBPAS was based on average bid prices. The expected rates of return (net of the costs charged by investment managers) were as chosen by the University based on advice received from its own actuaries. The sustainable long-term future return from UK equities is a highly subjective and uncertain assumption.

## Notes to the accounts continued

## 24. Pension schemes (continued)

|  | 31 July 2013              |               | 31 July 2012              |               |
|--|---------------------------|---------------|---------------------------|---------------|
|  | Expected rate of return % | Fund value £m | Expected rate of return % | Fund value £m |
| Equities   | 7.2                       | 128.8         | 7.0                       | 104.5         |
| Bonds – gilts  | 3.2                       | 31.2          | 2.5                       | 27.9          |
| Bonds – corporate  | 4.5                       | 32.0          | 4.2                       | 31.1          |
| Property   | 5.3                       | 15.4          | 4.5                       | 1.0           |
| Other net assets (including cash)  | 0.5                       | 0.4           | 0.5                       | 16.5          |
| Total market value of assets   |                           | 207.8         |                           | 181.0         |
| Present value of scheme liabilities  |                           | (275.2)       |                           | (274.8)       |
| <b>Net FRS 17 pension liability</b>  |                           | <b>(67.4)</b> |                           | <b>(93.8)</b> |
|  |                           |               | 2013<br>£m                | 2012<br>£m    |
| Analysis of the amount charged to staff costs within operating surplus   |                           |               |                           |               |
| <b>Current service cost</b>  |                           |               | <b>9.0</b>                | <b>8.3</b>    |
| Analysis of amount that is charged to other finance income   |                           |               |                           |               |
| Expected return on pension scheme assets   |                           |               | 10.1                      | 10.4          |
| Interest on pension scheme liabilities   |                           |               | (11.5)                    | (12.5)        |
| <b>Net return</b>  |                           |               | <b>(1.4)</b>              | <b>(2.1)</b>  |
| Analysis of the amount that would be recognised in statement of consolidated total recognised gains and losses (STRGL) |                           |               |                           |               |
| Actual return higher than expected on pension scheme assets  |                           |               | 12.0                      | 0.2           |
| Experience gains and losses  |                           |               | 16.9                      | 0.6           |
| Changes in assumptions (discount and inflation rate) underlying the present value of the scheme liabilities            |                           |               | (5.3)                     | (32.6)        |
| <b>Actuarial gains/(losses) recognised in STRGL</b>  |                           |               | <b>23.6</b>               | <b>(31.8)</b> |
| Movement in deficit during the year  |                           |               |                           |               |
| Deficit in scheme at the beginning of the year   |                           |               | (93.8)                    | (63.5)        |
| Movement in the year:  |                           |               |                           |               |
| – Current service cost   |                           |               | (9.0)                     | (8.3)         |
| – Contributions by University (including additional deficit recovery contributions)                                    |                           |               | 13.2                      | 11.9          |
|  |                           |               | 4.2                       | 3.6           |
| – Net finance charge   |                           |               | (1.4)                     | (2.1)         |
| – Actuarial gains/(losses)   |                           |               | 23.6                      | (31.8)        |
| <b>Deficit in scheme at the end of the year</b>  |                           |               | <b>(67.4)</b>             | <b>(93.8)</b> |

|  | 2013<br>£m   | 2012<br>£m   |
|--|--------------|--------------|
| <b>Analysis of the movement in the present value of the scheme liabilities</b> |              |              |
| At beginning of the year   | 274.8        | 231.1        |
| Current service cost   | 9.0          | 8.3          |
| Liabilities arising from contributions by members                              | 0.4          | 0.3          |
| Interest on scheme liabilities   | 11.5         | 12.5         |
| Actuarial (gains)/losses   | (11.6)       | 31.8         |
| Benefits and expenses paid from scheme assets                                  | (8.9)        | (9.2)        |
| <b>At end of year</b>  | <b>275.2</b> | <b>274.8</b> |

|   |              |              |
|---|--------------|--------------|
| <b>Analysis of the movement in the fund value of the scheme assets</b>                |              |              |
| At beginning of the year  | 181.0        | 167.6        |
| Expected return on pension scheme assets  | 10.1         | 10.4         |
| Actual return higher than expected on pension scheme assets                           | 12.0         | 0.1          |
| Contributions by the University (including additional deficit recovery contributions) | 13.2         | 11.9         |
| Contributions by members  | 0.4          | 0.3          |
| Benefits and other expenses paid (including adjustments)                              | (8.9)        | (9.3)        |
| <b>At end of year</b>   | <b>207.8</b> | <b>181.0</b> |

The contributions by the University included an additional contribution of £6.9m (2011/12: £5m) made by the University in respect of the required deficit recovery contributions.

|  | 2013 | 2012    | 2011 | 2010   | 2009    |
|--|------|---------|------|--------|---------|
| <b>History of experience gains and losses</b>                      |      |         |      |        |         |
| Difference between the expected and actual return on scheme assets |      |         |      |        |         |
| Amount (£m)  | 12.0 | 0.1     | 8.2  | 9.3    | (20.4)  |
| Percentage of scheme assets  | 5.8% | 0.1%    | 4.9% | 6.4%   | 17.1%   |
| Experience gains/(losses) on scheme liabilities                    |      |         |      |        |         |
| Amount (£m)  | 15.5 | 0.6     | 2.3  | 4.7    | (5.7)   |
| Percentage of present value of the scheme liabilities              | 5.6% | 0.2%    | 1.0% | 2.1%   | 2.9%    |
| Total gain/(losses) amount recognised in STRGL                     |      |         |      |        |         |
| Amount (£m)  | 23.6 | (31.8)  | 19.7 | (12.1) | (39.9)  |
| Percentage of present value of the scheme liabilities              | 8.6% | (11.6)% | 8.5% | (5.3)% | (20.2)% |

#### History of scheme assets and liabilities

|                |       |       |       |       |       |
|----------------|-------|-------|-------|-------|-------|
| Liabilities £m | 275.2 | 274.8 | 231.1 | 230.1 | 197.4 |
| Assets £m      | 207.8 | 181.0 | 167.6 | 145.0 | 119.2 |

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £60.3m (2012: £83.9m).

The UBPAS assets do not include any of the University's own financial instruments, or any property occupied by the University.

At 31 July 2013, UBPAS had 1,419 (2012: 1,582) active members participating in the scheme.

## Notes to the accounts continued

### 24. Pension schemes (continued)

#### UBGPP

Following the closure of UBPAS to new members on 1 October 2010, the University, working with trade unions representatives launched a new retirement saving plan for all new members of University staff Grade A to I and staff who have previously opted not to join UBPAS.

In addition to matching contributions by the University to members' pension savings, the University has also paid for other benefits. These included a Lump Sum Death In Service Benefit of 6 x basic salary and an Income Protection Benefit of 50% of basic salary plus a further 10% of salary in respect of University pension contributions to UBGPP payable normally from after 26 weeks absence and could be payable to age 65.

UBGPP is managed by Legal & General Pension Management Limited. On 31 July 2013, there are a total of 810 members (2012: 370).

#### NHSPS

The NHSPS is a non-funded occupational scheme backed by the Government, which is restricted to some clinical staff. Under the definitions set out in FRS 17, the NHSPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has applied the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

### 25. Operating Leases

Annual Commitments under operating leases in respect of land and buildings are as follows:

|                       | 2013<br>£m | 2012<br>£m |
|-----------------------|------------|------------|
| <b>Expiry date:</b>   |            |            |
| Less than 1 year      | 2.5        | –          |
| Between 2 and 5 years | 5.3        | 6.0        |
|                       | 7.8        | 6.0        |

### 26. Access funds and teacher training salaries

|  | 2013<br>£m | 2012<br>£m |
|--|------------|------------|
| <b>Access funds</b>                                |            |            |
| Funding council grants (including interest earned) | 0.2        | 0.2        |
| Disbursed to students                              | (0.2)      | (0.2)      |
| <b>Balance at 31 July</b>                          | –          | –          |

Access funds are provided by the Higher Education Funding Council for England and are used to pay supplementary grants to students.

During the year, £1.9m (2011/12: £0.8m) was provided by the National College for Teaching and Leadership and paid as salaries to trainee teachers.

For these funds, the University acts as a paying agency only and therefore the receipts and payments are excluded from the University's income and expenditure account.

### 27. Subsidiary undertakings

The University holds ordinary shares in the following companies, all of which have been incorporated in England, and consolidated into the University's accounts.

| Company                             | Class of share                     | % Holding | Nature of business   |
|-------------------------------------|------------------------------------|-----------|--|
| Bristol Innovations Ltd             | Ordinary                           | 100%      | Development and commercial exploitation of intellectual property             |
| Langford Veterinary Services Ltd    | Ordinary                           | 100%      | Provision of clinical veterinary services                                    |
| NCC Operations Ltd                  | Ordinary                           | 100%      | Operations relating to the national research centre for composites materials |
| Oval (717) Ltd                      | Ordinary                           | 100%      | Property management and sport centre operator                                |
| Park Row Ltd                        | Ordinary                           | 100%      | Property and project management  |
| The Science Research Foundation Ltd | N/A – company limited by guarantee | 100%      | Promotion of new research companies  |
| University of Bristol Services Ltd  | Ordinary                           | 100%      | Property management services   |

### 28. Related party transactions

During the year, the University of Bristol made a block grant payment and support services costs of £1.6m (2011/12: £1.4m) to the University of Bristol Students' Union. On 31 July 2013, the current account due to the Union was £3,000 (2012: £31,000), which was paid in full in August 2013. In addition to the provision of services (portering, housekeeping, etc), the University provides the building in which the Union operates, and meets all utility costs.

Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. The University maintains a Register of Interests of members of Council. The register is available for inspection under the Freedom of Information Act 2000.

### Written and produced by

Finance Services  
Senate House  
Tyndall Avenue  
Bristol BS8 1TH

### Design

[www.robsondowry.co.uk](http://www.robsondowry.co.uk)

### Print

This publication is printed on Revive Pure White Offset, a 100% recycled paper stock using vegetable/mineral oil-based, environmentally friendly inks.



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2012/13