

# PLYMOUTH UNIVERSITY HIGHER EDUCATION CORPORATION

Financial Statements for the year ended 31 July 2013

**WITH  
PLYMOUTH  
UNIVERSITY**

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# INTRODUCTION

Plymouth University's Operating and Financial Review (OFR) presents a comprehensive and balanced analysis of the institution in its progress and performance during the financial year. It includes the main trends and factors underlying its development; its performance both in a business and academic context; and an analysis of its position at the year's end. It also reflects upon the public benefit of the University and how it is working to transform lives in the City of Plymouth, the South West region, and beyond.

Plymouth University is a dynamic, ambitious and world-class institution, among the newly-emerging 'modern global elite' according to *Times Higher Education*. It is the first post-1992 university to launch its own medical school, the only modern university to be among the top 300 in the world (*Times Higher Education World University Rankings 2013*) and in 2013 became the first university globally to be awarded the Social Enterprise Mark – the only independent accreditation for those organisations who are putting people and planet alongside profit.

Our academics are national and international leaders in teaching and learning, and are distinguished by their commitment to enriching the curriculum through an emphasis on discovery and innovation. Plymouth currently has 16 Teaching Fellows, more than any other institution in the country, testament to ingrained and sustained excellence in pedagogic practice and scholarship.

The University's research reputation continues to grow at a pace, and this year, the institution is delivering on its significant multi-million pound investment in translational and stratified medicine and in cognition research with the launch of two world-class research institutes. It has also continued to build its reputation as a global-leader in sustainability, including being named one of the five greenest universities in the world.

Plymouth's enterprise mission to advance knowledge and transform lives through education and research, exerting a positive impact on our community through economic growth and societal contribution, has continued to deliver

profound results. From running the Devon Branch of the Children's University to forging collaborative ties with the University of the Third Age, and leading innovative national government projects to connect children with the natural environment for learning, the University has maintained a deep commitment to its communities despite the continuing dynamic and challenging state of the higher education sector and financial pressures.

The economic impact of this mission continues to be borne out in a variety of measures, from the three successful bids to the government's Regional Growth Fund totalling nearly £9 million, to job creation and revenue growth among clients in the University-managed regional Innovation Centres and Science Park. And as befitting an institution that began life as a School of Navigation, the Marine Building, which was opened by HRH The Duke of Edinburgh in October 2012, has created new commercial opportunities for the University in the marine renewables sector and pathways into research and development for clients. It is one of the ways Plymouth University will continue to diversify income streams, develop and invest in key areas of life-changing, world class research, research informed teaching and cutting edge facilities.

At Plymouth, being enterprising is the ability to respond to change, take risks, to innovate and to generate and implement new ideas and new ways of doing things. Enterprise is having ideas and making them happen. We recognise the role of our University as an innovation catalyst and we see our people – staff, students and community partners – as catalysts for change and growth.

# BOARD OF GOVERNORS AND TRUSTEES

(as at the end of the financial year)

## External

Mr James Brent<sup>2</sup>  
Mr Duncan Currall<sup>1</sup>  
Sir Richard Ibbotson<sup>3</sup>  
Mr Mike Leece OBE<sup>245</sup>  
Professor Terence Lewis  
Mr Steve Pearce<sup>345</sup>  
Mr Stephen Pryor<sup>2</sup>  
Dr Ranulf Scarbrough<sup>2</sup>  
Ms Margaret Schwarz<sup>1</sup>  
Judge William Taylor (Chairman)<sup>45</sup>  
Mr Stephen Tillman<sup>2</sup>  
Mr Henry Warren<sup>1</sup>  
Mr Denis Wilkins<sup>3</sup>

## Internal

Dr Mike Sheaff  
Ms Wendy Hardy

## Student members

Ms Sarah Bowman  
Mr Richard Skipper

## Vice-Chancellor and Chief Executive

Professor Wendy Purcell<sup>4</sup>

## Committee membership

1. Member of Audit Committee
2. Member of Finance Committee
3. Member of Employment Committee
4. Member of Nominations Committee
5. Member of Remuneration Committee

# ADVISERS TO PLYMOUTH UNIVERSITY

## External auditor and Corporation tax advisor

KPMG LLP  
Plym House  
3 Long Bridge Road  
Marsh Mills  
Plymouth PL6 8LT

## Internal auditors

Deloitte LLP  
3 Rivergate  
Temple Quay  
Bristol BS1 6GD

## Bankers

HSBC Bank PLC  
4 Old Town Street  
Plymouth  
Devon PL1 1DD

## Solicitors

Wolferstans  
Deptford Chambers  
60/64 North Hill  
Plymouth PL4 8EP

Pinsent Masons  
3 Colmore Circus  
Birmingham B4 6BH

S J Martineau  
1 Colmore Circus  
Birmingham B4 6AA

Bond Dickinson LLP  
Ballard House  
W Hoe Rd  
Plymouth PL1 3AE

## Value Added Tax advisers

ECA VAT Advisers Limited t/a Ellis Chapman & Associates  
Caledonian House  
Tatton Street  
Knutsford  
Cheshire WA16 6AG

# OUR ORGANISATION

Our organisational structure is designed such that our academic and professional identity is recognised while ensuring that different parts of the institution work effectively together – within and across areas – so that we can achieve our collective aims and ambitions

In 2012, Plymouth University further centralised areas such as finances, marketing, brand, estates and technology to improve efficiency and drive down administration costs. Through our review of academic programmes and Research Excellence Framework (REF) preparations, a new faculty-based structure was created that is able to respond in an

informed way to external changes by aligning disciplines in order to best realise academic synergies that will enhance the student experience and drive our world class research agenda. During this time, the University has also secured its own Schools of Medicine and Dentistry making us the only modern university with a Medical and Dental School. We have now implemented a faculty and school structure which better reflects our aspirations both for today and into the future in line with our 2020 Strategy.

# OUR STRATEGY

## Strategy 2020

Plymouth University's Strategy 2020 is a reflection of the values of the University, and the inspiring thoughts, ideas and suggestions of the staff, students and partners who helped form it. Approved in December 2012, Strategy 2020 is guided by our values and leadership principles. It is our shared guide, helping us to deliver strong performance and sustainable outcomes that result in reputational gain as we deliver on our mission of 'Advancing knowledge and transforming lives through education and research.' Strategy 2020 will be reviewed regularly including a formal review in 2016/2017, to ensure that we remain responsive to a fast-moving international higher education environment.

To ensure that we achieve our ambitions, Strategy 2020 also sets out how we need to empower our people, refresh and update the technology we use, make the best use of where we work and where our students live and learn, and ensure we keep building on the University's reputation.

To this end we have a suite of supporting strategies – including digital, campus and sustainability - which set out the key principles and output measures to ensure we have the right infrastructure and resources to deliver the Strategy. Significant investment in state of the art IT facilities and intelligent buildings is planned over the next five years and will provide an environment for our staff and students to thrive.

<p><b>AMBITION 1: Excellent learning in partnership with students</b></p> <p>We aim to have highly satisfied students and offer the best experience that we can, preparing our students to succeed in their professional and personal lives, by working with our student body and the Students Union to understand their needs, encourage their contributions and learn from their experiences.</p>	<p><b>AMBITION 2: World-class research and innovation</b></p> <p>We aim to further develop our research standing and impact internationally. We will support the conditions needed for world-class research and innovation to flourish and continue to ensure that our research is built on strong ethical foundations. We will connect disciplines in novel ways, engaging with stakeholders and funders and promoting public engagement and understanding.</p>
<p><b>STRATEGY 2020</b></p>	
<p><b>AMBITION 3: Raising aspirations and driving engagement</b></p> <p>We aim to build on and sustain connections with local, national and international partners to enrich our academic experience. We will continue to seek to raise aspiration amongst groups underrepresented in higher education and provide opportunities for our students, staff and the communities we serve through economic development, social inclusion, community outreach and strategic partnerships.</p>	<p><b>AMBITION 4: Achieving resilience, sustainability and effectiveness</b></p> <p>We aim to build on our existing position as a leading UK university in sustainability by striving for excellence in financial, environmental and social responsibility across all of our activities</p>

# OUR STRATEGY

## Performance

Strategy 2020 is translated and delivered from these high-level ambitions, enablers, and KPIs into local action and forecasts within each school and throughout the University into individual goals.

At the University level, we have identified 13 key performance indicators (KPIs), with 28 associated quantitative measures, which we will monitor and report against to track our progress in delivering Strategy 2020. We will actively use these KPI's and their associated measures to trigger actions and drive innovations at the University.

The KPI's identified have a baseline year of 2012 (or earlier where relevant). As such, some updates to the measures may not have been made prior to the end of the 2012-2013 financial year.

Where updates have been made (against 12 measures), the University has seen positive progress in three measures, a need for improvement in six measures, and no significant change in three measures. In particular we have seen an increase in the percentage of students choosing the University as their 'first choice' over the past year through their UCAS selections, and a significant increase in student satisfaction as measured by the National Student Survey. We are working hard to enhance the employability skills of our graduates through various initiatives and training opportunities while they are students with us. Our commitment to widening participation remains strong and we have seen a steady increase in the numbers of international students wishing to study with us. Sustainability remains an important area for us and we have maintained and indeed grown our national and international leading standing in this area.

### Strategy 2020 KPIs

- Student satisfaction
- First Choice Students
- Graduate employability
- Widening participation
- International students
- Research Excellence Framework
- Research income
- Influencing policy and practice
- Innovation
- Financial Health
- Sustainability
- Staff Satisfaction
- Partnerships and collaborations

# REVIEW OF THE YEAR

Here we set out an overview of some of our achievements during 2012-13 as they relate to Strategy 2020.

## Excellent learning in partnership with students

**Student satisfaction:** The 2012 National Student Survey revealed that the University is above the national average in 32 of its 46 teaching areas, and scored an outstanding 90% and above satisfaction in 22 of them, compared to a sector average of just six 90% area scores per institution. Overall, Plymouth recorded an 87% satisfaction rating, up 7% on 2011 and one of the biggest leaps in the country.

A national league table also revealed that students studying medicine and dentistry at Plymouth University's Peninsula School of Medicine and Dentistry are experiencing the best courses of their kind in the west of the country. The Guardian University League Table 2014 ranked the degrees fourth in England and eighth in the UK, on a par with Oxford and Cambridge in areas such as graduate prospects and student satisfaction.

**Staff-student engagement:** The University significantly enhanced its commitment to students and the student voice in creating a full-time and dedicated Dean of Students role with a remit that has oversight of the full student life cycle. Dr Maureen H. Powers, who formally held the same position at Stanford University, one of the top three universities in the world, was appointed to the role and has set about realising the University's 'student as partner' approach with the establishment of a new Student Life Committee, student involvement in senior staff and governor recruitment and selection panels and support of the University's Curriculum Enrichment Project on driving academic excellence and enhancing the student experience.

**Technology enhanced learning:** In February 2013, the University won the Teaching Excellence award at the inaugural Guardian University Awards with its innovative project that delivers free copies of digital course books to the smartphones, tablets and laptops of many of its students. The 'e-books' programme was pioneered by the School of Psychology and has been extended to cover a range of courses in the Faculty of Science and Technology. In addition, the popularity of our innovative 'Mobile with Plymouth' App grew by 50% during the year, rising to just below 11,000 users

**Employability:** A Plymouth careers and employability advisor won a national award for her outstanding support in mentoring a University-based entrepreneurial action group. Kellie Smith received the 'outstanding team advisor of the year' award at the Enactus National Competition held in London against competition from 51 universities across the UK.

The University also signed an agreement with KEO Digital to provide opportunities for student placements and to support the growth of new businesses through the regional Growth Acceleration and Investment Network (GAIN). The media company, behind celebrity chef Hugh Fearnley-Whittingstall's River Cottage, launched their new digital production and communications hub in Newquay supported by the University's team that manages our Innovation Centres in Cornwall.

**Recruitment and conversion:** During 2012/2013 the University changed significantly its Applicant Days, under the direction of our new Dean of Students. This resulted in a key improvement to our offer in this area as evidenced from a sample of n=400 who had put Plymouth as one of their choices, 38% had us as their first choice before the day which rose to 68% after the day.

# REVIEW OF THE YEAR

Here we set out an overview of some of our achievements during 2012-13 as they relate to Strategy 2020.

## World-class research and innovation

**World-class facilities:** HRH The Duke of Edinburgh Prince Philip opened Plymouth University's new cutting-edge Marine Building at a special ceremony, in which he was also awarded an Honorary Doctorate of Marine Science. The £19m facility houses sophisticated wave tank testing facilities and a state-of-the-art ship simulator.

On the top floor of the building is the new Marine Innovation Centre (MaRIC). MaRIC was established to optimise the interface between the University and Marine Sector businesses. The Centre promotes the industrial uptake and commercialisation of our research and world-class facilities, links businesses to the GAIN network and works to help improve their performance by stimulating innovation and the successful exploitation of new ideas. MaRIC also reaches out to other marine organisations in the City acting as an innovation hub.

**Research impact:** Scientists in the University's Centre for Chemical Sciences, within the School of Biomedical and Biological Sciences, helped to solve the national mystery behind why thousands of seabirds were washing up on the shores of the South Coast of the UK covered in a waxy oil-like substance. The team, led by Professor Steve Rowland, used specialist equipment to analyse the pollutant and discovered it to be a polyisobutene, which is used as a lubricant additive in the cargo industry. The team released their findings to the Maritime & Coastguard Agency and the RSPCA.

Dr Richard Byng of the University's Peninsula School of Medicine and Dentistry was awarded a £2 million grant over five years by NIHR to develop and evaluate a collaborative care intervention for prisoners, with common mental health problems, near to and after release.

**New research institute:** The University launched its newest research institute with a mission to explore the inner workings of the brain. The Cognition Institute is interdisciplinary and draws together experts across experimental psychology, the creative arts, cognitive robotics and biomedicine, and medicine and has already been successful in winning €4m to lead a project to explore how creative thinking underpins cognitive processes. Funded by the European Union's Marie Curie Initial Training Network (ITN) programme and Plymouth University, 'CogNovo' will involve a consortium of 24 academic and industrial partners from around the world studying the role of novelty, innovation and creativity in cognition.

**Community research:** The University continued its commitment to the local community through its Community Research Awards. This year the University presented seven groups with awards to the total value of £50,000 to be spent on the research ideas put forward by the community and developed into projects alongside University researchers, including students. Winners included Friends of Ham Woods, the Multiple Sclerosis Society, Parkinsons UK, Plymouth School Sports Partnership, Shelter Devon, The Word Machine CIC, and Wembury Marine Centre Partnership.

## Raising aspirations and driving engagement

**Education and training in general practice:** Pioneering work in developing education and training in the General Practice sector earned the University a prestigious national award in November. The University was named Healthcare Practitioner Education Provider of the Year at the General Practice Awards 2012 in respect of its leading role in the South West and its increasing influence across the country.

**Addressing community health needs:** In January 2013, the University announced an exciting new development focused upon addressing health needs in the Devonport area of the city. The Cumberland Surgery – a partnership between the Plymouth University Peninsula Schools of Medicine and Dentistry and Plymouth Community Healthcare – enables residents in one of the most deprived areas of the city to access health services in a facility that combines education, research and innovation, and direct treatment to patients. And March 2013 saw the University reach a milestone when we provided dental care to our 10,000th patient in Devon and Cornwall through the Plymouth University Peninsula Schools of Medicine and Dentistry.

**Social enterprise:** The Plymouth University Peninsula Schools of Medicine and Dentistry also become the first educational institution to incorporate a clinical entity into a social enterprise. The Peninsula Dental Social Enterprise will focus upon teaching and training; research; community engagement; workshops; providing dental treatment; education about oral health; and other related activities.

**International reach:** The growing partnership between Plymouth and Hong Kong University of Professional and Continuing Education (HKU SPACE) was marked with a first-ever Plymouth graduation ceremony held in the Chinese territory. Eighty new graduates from Hong Kong attended the ceremony, having completed their studies on the BSc (Hons) International Supply Chain and Shipping Management and BA (Hons) International Trade and Operations Management degrees.

The University also signed a Memorandum of Understanding with the University of Massachusetts (UMASS), that will see the Plymouth Business School working closely with UMASS' College of Management to share expertise and experience on topics including IT, Management, International Business and Finance. The University was also invited to join the prestigious Global Consortium for Entrepreneurship Education (GCEE) hosted by Babson College, Boston, and is the only UK University to be distinguished in this way. Membership of the GCEE will provide Plymouth with access to a number of exclusive benefits, including insight into Babson College's undergraduate and graduate curriculum, and a range of joint research and student-focused projects.

Plymouth's international reach was further boosted by the official launch of the University's partnership with the National School of Business Management (NSMB) in Sri Lanka. Students at NSBM can take programmes in Marketing, Tourism and Hospitality, Supply Chain and Operations, International Management and Business, Computing and Accounting & Finance.

**Innovation:** A University-led research team developed PoreXpert - software that provides a unique means of modelling the structure of any porous material, and the behaviour of gases, liquid and heat within it. This is a leading project in the University for exploitation, in partnership with Frontier IP, having developed two outline patents and the creation and incorporation of a spin-out company, PoreXpert Ltd ([www.porexpert.com](http://www.porexpert.com)).

**Regional growth:** The University secured its third award from the Regional Growth Fund, this time in relation to the Plymouth City Deal Partnership. The £4 million investment from the Department for Business, Innovation and Skills will be used to provide grants to high growth businesses and to enhance business support through the region's Growth, Acceleration and Investment Network (GAIN). The award comes in addition to two other awards each in partnership with the Western Morning News.

A £14 million Health and Wellbeing Innovation Centre (HWIC) in Truro was also launched – the third University-run Innovation Centre in the county. HWIC will focus upon supporting businesses in the health and wellbeing sector and will work alongside the health cluster at Trelliske to support commercial development.

**Community engagement:** The University-sponsored secondary school, Marine Academy Plymouth (MAP), continued to show improvement in its GCSE results. 85.2% of pupils received 5 or more GCSE's (Grade C and above) or equivalent; 46.0% where both English and Maths are included. This is well above the national minimum standard of 35.0%.

The Department for Education also signed off the funding agreement for the University Technical College (UTC) Plymouth, investing over £7.9 million to build a new state-of-the-art school in the heart of Devonport, as well as the budget to run the UTC each year. The UTC is the first of its kind in the South West and opened its doors to its first students in September 2013.

# WHY WHAT WE DO MATTERS

Plymouth University is a Higher Education Corporation and, as such, is an exempt charity under the terms of the Charities Act 2011. The Higher Education Funding Council for England (HEFCE) is the principal regulator of English Higher Education Institutions under the Charities Act 2011. The Board of Governors of the University, which includes the Vice-Chancellor and staff and student members, are the trustees of the University and have had due regard to the Charity Commission's guidance on public benefit.

The Instrument and Articles of Governance set out the University's constitution, procedures, duties and responsibilities. This supports the overall vision, mission, values and ambitions of the University as evidenced below.

The University's direct beneficiaries are the students enrolled on the University's programmes, and those who benefit from research and community works undertaken by the University.

Plymouth University is committed to applying its knowledge, its research, the talents of its people, and its world-class facilities to positively impact upon the communities it serves. Whether it is raising aspirations and inspiring people of all ages to engage with higher education and life-long learning; acting as a catalyst for economic development; addressing health inequalities; or providing a platform for the arts in the South West, the University prides itself on the fact that what it does really matters to people's lives. Leading from the front, or working in collaboration with partners, Plymouth University is engaged in a broad range of impact-driven work across a number of different sectors.

## Student admissions, widening participation and employability

The University has a balanced and diverse student population from a variety of backgrounds and experiences and enjoys the educational and cultural benefits that this brings. Potential students are able to apply to the University regardless of geographical location, background and financial standing for a wide range of courses and programmes.

The last Widening Participation Strategic Assessment, which was submitted in December 2012, showed that 97.6% of Plymouth's students were from state schools, and that, of new full time undergraduates, 14.8% were young entrants from low participation neighbourhoods, and 8.2% were mature entrants from low participation neighbourhoods.

The University has a well-established programme of outreach activities designed to raise levels of attainment, aspirations and applications among under-represented groups. Further information can be found in our Access

Agreement and in our Widening Participation strategy, available on the University website.

The University ensures that students in genuine financial need have access to advice and appropriate financial assistance. In 2012/13 £12.5m (2011/12: £11.8m) was spent on bursaries, scholarships and hardship payments. In 2012/13 the University had a retention fund specifically designed for students in financial need, as well the National Scholarship Programme which benefited over 600 students. Information is provided for students on the University website and student portal as well as face-to-face with University staff.

The student experience is of utmost importance to the University and as well as providing excellent teaching and learning facilities the University recognises the value of work-based placement learning and volunteering for students, via the Plymouth Award. Plymouth University students make a significant contribution to the life of the University and the communities in which they live and work. Each year over 12,000 students take part in accredited or unaccredited work-based placements. Together with the University's staff and students, the University has run hundreds of community specific events, regularly works with over 200 external organisations and 40,000 people in the community.

## Enterprise and social responsibility

Plymouth's vision is to become the enterprise university, with an outstanding track record of working with businesses, entrepreneurs, local authorities and central government. The University's activities support 4,000 jobs and account for £250 million of output across the local economy. It has invested £300m in infrastructure projects in the local community, and through the Growth Acceleration and Investment Network (GAIN) operates more than £100 million worth of incubation, innovation, and science park assets, and supports 1,000 businesses and 5,000 people. Since 2011, the University has successfully bid for three rounds of Regional Growth Fund money – more than any other higher education institution – amounting to £9 million, and this is projected to create around 550 jobs and boost GVA by £20m by 2015. This culture of enterprise has recently been recognised by the fact that the Vice-Chancellor, Professor Wendy Purcell, was invited to be an expert advisor to the Witty Review of universities and growth, and to join the BIS Departmental Board as a non-executive Director.

The University has continued to provide strategic leadership and support to the South West, and in 2013 played a key role in Plymouth being fast-tracked for approval under the City Deal. This means that key spending decisions can be taken at a local level, ensuring that investment reaches those areas of greatest importance to the community. One of the priority

areas is marine renewables, with the University's new £19 million Marine Building being central to those plans. In April, the University launched a new Marine Innovation Centre (MARIC), located within the Marine Building, whose aim is to provide the link between the business community and the Marine Institute. Already, a number of businesses have used the University's wave tanks to make breakthroughs in research and development for marine renewable energy technology.

## Healthcare and social inclusion

Plymouth University is the first modern higher education institution to launch its own medical and dental school – the Plymouth University Peninsula Schools of Medicine and Dentistry (PUPSMD) – which is building upon the decade-long legacy of PCMD. Everything PUPSMD does is shaped and driven by the University's firm belief in social engagement. Staff and students work closely with the health service on education and community projects, and it refuses to recognise 'no go' areas – the greater the health and social need, the more important it is for the University to be there.

Within the Faculty of Health and Human Sciences a new Centre for Eyecare Excellence was launched in 2013, which brings together teaching, research and patient care in a model similar to that of the Dental Education Centres. It will enable the University's optometry students to gain invaluable experience of patient care, and will also provide a wealth of specialist services such as advanced 3D retinal imaging.

The University's credentials in healthcare research, shaped by the curiosity of its academic community and the needs of society, include a lead role in the National Institute for Health Research-funded £2-million study into mental healthcare for prisoners. Plymouth has also committed to becoming the UK's first dementia-friendly University.

Through research and work in the community, the University is taking a lead role in promoting a 'whole society' approach to help fight the stigma and ignorance surrounding dementia. Plymouth's Dr Ian Sherriff, is one of the Prime Minister's national Dementia Champions.

## Arts and Community

Work is now underway on the University's £7 million Performing Arts Centre, which will provide a new stage for University students, as well as further helping to attract international performers to the South West. That desire to support cultural development and bring world-renowned artists to the region was the driver behind the bid for City of Culture status, a project led jointly by the University with the City Council. While Plymouth was not chosen for the

shortlist, it did succeed in galvanising support for Plymouth's cultural 'offering' and generated momentum and valuable discussion around the Mayflower 2020 celebrations. The University's Peninsula Arts programme has also led and supported innovative projects and events, including the Plymouth International Book Festival, with its landmark Moby-Dick Big Read, and the Contemporary Music Festival. It has also enriched thinking around local and military history, such as through the publication of a series of accounts of World War II records held at the Britannia Royal Naval College, and the revelation of wartime codes from MI9 through a multi-disciplinary research project.

The University has led on a number of key projects in the community, such as running the Children's University for Devon, and building links with the University of the Third Age. It is the lead academic sponsor of the University Technical College, which opened in September 2013 and provides a new model of education for 14-19-year-olds, in which the local industry helps to set the curriculum, providing a focus for the development of technical skills alongside more traditional education. The University is also establishing a multi-academy trust to take forward its involvement with a number of educational institutions, such as Marine Academy Plymouth and the new Mayflower Academy. The University has supported the growth plans of the former, and the transition of the latter to academy status in the last financial year.

# LOOKING TO THE FUTURE

## RISKS AND OPPORTUNITIES

2012/13 was the first year of the new funding regime, which sees a more market-based system in which the funding for undergraduate teaching will primarily follow the student via higher tuition fees, which most students are likely to finance through publicly provided, income-contingent loans. In addition, the Government is reducing direct public funding to institutions, remaining funding being targeted on high cost subjects or specific policy areas such as widening participation. This new HE environment is creating major uncertainties and therefore explicit consideration of sustainability is essential.

The impact and consequences of this new regime has been anticipated by the sector and by the University. The University has generated surpluses and significant cash balances in the last five years which position us well to face the challenges ahead.

As part of Strategy 2020 we have identified targets for our key performance indicators which will require a focus on continued successful recruitment of both home and overseas students, strategic investment in people, the campus and infrastructure, and close scrutiny of the operational cost base to ensure improved efficiency and effectiveness across all areas of the University.

2013/14 sees the implementation of the final phase of a three year project, Plymouth 2015 – Shaping our Future, together with significant investment in the IT infrastructure which supports the staff and student experience.

The IT investment programme entails a range of initiatives including infrastructural works such as the implementation of new networks, refreshed telephony and WiFi into student accommodation plus service improvements such as a replacement teaching & learning system, a new institution-wide website and the introduction of a Customer Relationship Management system.

The recent investment in the campus - £143m over the last five years – will continue, with the University expecting to invest a further £100m over the next five years in new academic, research and student facilities.

The new regime clearly presents risks and opportunities for the University. These are monitored on a regular basis through the Vice-Chancellor's Executive Group, Audit Committee and Board of Governors and we are confident that risks are managed or mitigated appropriately. A corporate risk register is maintained and risk is embedded in the academic and professional areas through local risk registers, all of which are explicitly linked to the University's strategic ambitions. Risk management is closely linked to the strategic planning process and the performance management framework.

Risk trend	Outcomes and Opportunities	Actions
<b>Changes to funding structure</b>	Increased reliability on tuition fee income Impact of strategy for recruitment of ABB+ students Effect of over or under recruitment	Alignment of student recruitment strategy Focus on international recruitment Enhanced student experience Focus on graduate employability
<b>Variable student numbers</b>	Effect of 13/14 and future years recruitment on forecasts Impact of UKBA on overseas recruitment Student numbers and changing patterns of demand	Cost saving initiatives across the board on all areas of spend Continue to develop widening participation agenda
<b>Increase in partnerships</b>	Development of strategic international partnerships Regional/national partnerships Management of partnerships to include reputational and quality issues	To continue to develop through Academic partnerships Sponsorship of Academies
<b>Research Excellence Framework</b>	Alignment of research strengths with national, EU and international priorities Increased emphasis on public engagement and research impact implications for public reputation	Development of a research strategy Development of state of the art research facilities
<b>Concentration of research funding</b>	Funding constraints Government policy and budgets Influencing policy at national and EU level Management and exploitation of IP	Investment in medical and dental research Explicit emphasis on interdisciplinary opportunities to generate new areas of research Proactive identification of alternative sources of research income
<b>Focus on financial health</b>	On-going uncertainty regarding the UK, EU and global economy Increasing expectations around pay costs Pension contribution changes and the impact of auto-enrolment Cash flow impact of change to funding regime	Improved forecasting and provision of management information Financial modelling and scenario planning
<b>Sustainability</b>	Development of the campus to provide an excellent student experience Opportunities for grant funding for sustainability initiatives Greater potential for increasingly active social enterprise on campus Engagement with Environmental Association for Universities and Colleges	Clear operating framework including financial, campus and procurement and sustainability strategies'

# SCOPE OF THE FINANCIAL STATEMENTS

The financial statements comprise the consolidated results of the University, its wholly owned subsidiary companies and joint venture arrangements. The subsidiary companies undertake research, consultancy and technology transfer activities together with the provision of conferencing, facilities management, catering and nursery operations. Where appropriate, taxable profits are gifted to the University by the subsidiary companies in order to minimise corporation tax charges.

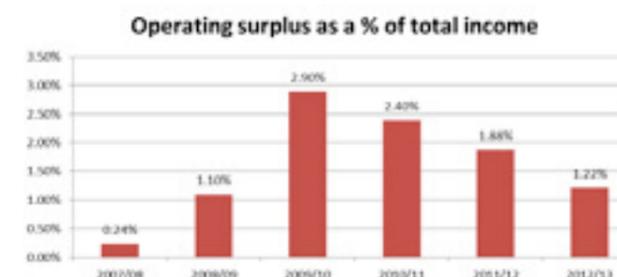
## Results for the year

The University's consolidated results for the year to 31 July 2013 are summarised as follows:

	2012/13 £000	2011/12 £000
<b>Income</b>	<b>216,737</b>	210,670
<b>Expenditure</b>	<b>(214,103)</b>	(206,708)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation but before disposals of assets and taxation	<b>2,634</b>	3,962
Share of joint venture operating surplus	<b>260</b>	166
Taxation	<b>(10)</b>	(280)
<b>Exceptional items:</b>		
Surplus on disposal of fixed assets	<b>1,269</b>	3,071
Redundancy costs	<b>(892)</b>	(1,894)
Restructure costs for PCMD	-	(4,750)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount and realisation of property revaluation gains of previous years	<b>485</b>	945
<b>Historical cost surplus for the year after taxation</b>	<b>3,746</b>	1,301

## Overview

The University has recorded a surplus before tax and exceptional items of £2.6m (2011/12: £4.0m). This represents a 1.22% margin on income (2011/12: 1.88%). The historical cost surplus after tax and exceptional items was £3.7m (2011/12: £1.3m).



(Note: Operating surplus shown before tax and exceptional items)

The University incurred redundancy costs of £0.9m following a strategic review of professional services. This was part of a wider project designed to ensure that the University will be sustainable into the future. A review of academic programmes and research excellence will be undertaken in 2013/2014.

During the year, the Earl Richards Road facility at the former Exeter Campus was sold and the first phase of the proceeds are reflected in the 2012/13 results, with a profit on disposal of £1.3m. The remainder of the disposal proceeds are to be received in 2 instalments over the next 2 years.

There was an overall net cash inflow from operating activities of £1.6m (2011/12: inflow of £12.4m), although the University saw a decrease in cash reserves of £16.9m, with the balance at the end of the year being £44.5m (2011/12: £61.4m). The reduction in the net cash flow inflow from operating activities is mainly due to significant capital investment in IT and research equipment.

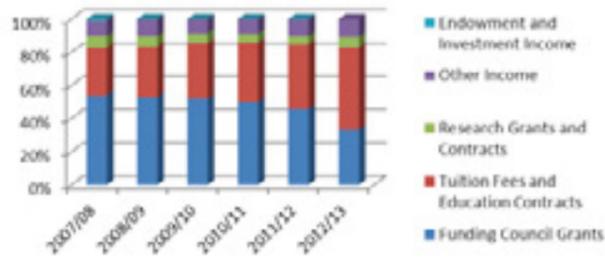
The overall results demonstrate a year of consolidation as the University embeds its new Strategy 2020. The University is focussed on achieving resilience, sustainability and effectiveness as it plans for continued investment in the campus, infrastructure and equipment. This will be achieved through a continued focus on diversifying and growing income, securing efficiencies, maximising academic synergies and improving the effectiveness of all its processes. In this period of transition to a new funding regime, the University remains confident that it can respond to the challenges ahead, realise its ambitions and achieve long term financial sustainability. It continues to enjoy a high level of confidence from HEFCE, QAA and our other key stakeholders.

# SCOPE OF THE FINANCIAL STATEMENTS

## Income

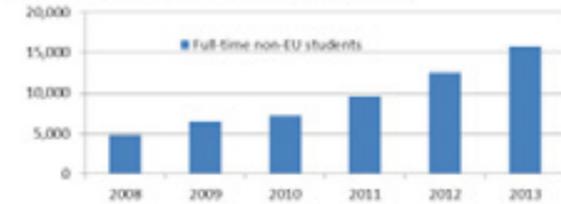
Overall, the University's income increased by 2.9% (2011/12: increase 0.8%). The introduction of the £9,000 fee for home students on undergraduate programmes has contributed to a 29.8% increase in tuition fee and education contract income (2011/12: increase 11.3%) although this was offset by the expected reduction in funding body grants of 24.7% (2011/12: decrease 8.6%). Research grant income saw a 31.6% increase compared to last year (2011/12: decrease 9.7%) and other income increased by 4.6% (2011/12: increase 14.8%).

**Analysis of income over 6 years between major headings**



The University is becoming less reliant on funding body grants with the proportion of its HEFCE/TDA recurrent funding of total income falling this year from 45% to 33%. This reflects the change in the funding regime for Universities as well as the University's efforts to rebalance its activities.

**Income from overseas students (£000)**



The University's ambitious Internationalisation Strategy and associated academic partnerships is providing excellent growth in the number of overseas students choosing to come to Plymouth, with a corresponding impact on income (2012/13: 25.1% increase and 2011/12: 31.0% increase). Total overseas numbers (non EU) increased by 6.5% to 1,794 students, representing 6.4% of the total student population (2011/12: 10.7% at 1,685 students and 5.5% of total student population). The University's embedded pathway college, Plymouth University International College (run by Navitas Limited) is performing well with royalty income and student fees flowing into the University. The University is developing new market opportunities, one example being the recent partnership with the National School of Business Management in Sri Lanka to provide courses in tourism, marketing and business studies.

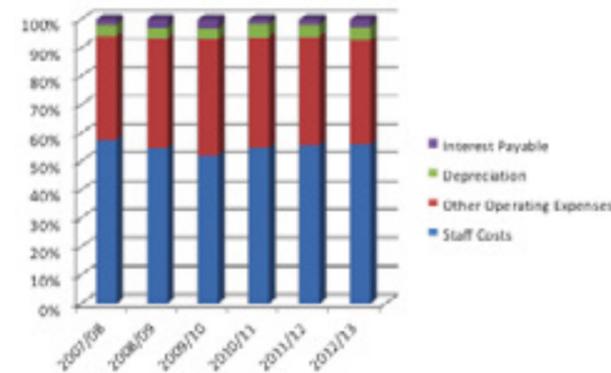
## Expenditure

Total expenditure increased by 3.6% (2011/12: 1.4%), with staff costs increasing by 4.6% (2011/12: increase 2.7%). This meets the University's 2012/13 KPI target of staff costs not exceeding 55% of total income (2011/12: 54.8%). However the target for 2013/14 year onwards has been revised to 53% and a programme of cost saving initiatives has been identified to ensure that this target is achieved.

Other operating expenses have decreased by 0.6% (2011/12: 0.4%). There has been a further reduction in payments to partner colleges to £10.3m from £19.9m due largely to the change in funding for higher education. This has been offset by the increases under other operating expenses headings to include; consultancy costs resulting from the use of interim and temporary placements following the professional services restructure, advertising and marketing and print and media costs due to increased focus on student recruitment and the introduction of student applicant days, IT costs, Educational visits and travel. Other expenses have increased by £3.6m and this includes increased spend on insurance, staff recruitment, postage and telephone costs. All of these key areas of expenditure will be reviewed as part of the cost savings initiative which is already underway.

Interest payable has increased by 19% and this is due to the increase of £0.5m with regard to the net interest charge on the Local Government pension scheme assets and liabilities.

**Analysis of expenditure over 6 years**

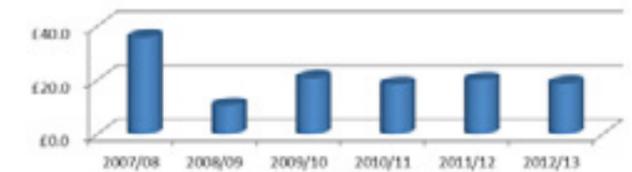


## Capital expenditure

During the year a total of £18.7m (2011/12: £20.0m) was spent enhancing the student experience through improving the quality of accommodation and facilities available on campus. Of the £18.7m, £10.2m was spent on equipment purchases including £5m on the University's fleet of desktops and laptops for staff and students and £2.3m on laboratory and research equipment including the equipping of the new Optometry Clinic. The £18m Marine building, which houses state-of-the-art research facilities including new wave tank testing equipment, was officially opened on 30th October 2012 by HRH Duke of Edinburgh. The University also invested £8.5m to develop new on-campus accommodation for students and medical staff at The Royal Cornwall Hospitals NHS Trust in Truro, which opened in January 2013.

This brings the total spent in the last ten years to £231m, £143m of that being in the last five years. The University is planning to invest a further £100m in campus developments over the next five years.

**Total capitalised expenditure (£m)**



# SCOPE OF THE FINANCIAL STATEMENTS

## Balance sheet

The consolidated balance sheet shows an increase in net assets of £27.4m (2012: £10.1m decrease). This was mainly due to a decrease of £17.5m in the Pension Fund liability and a £7.2m reduction in provisions, due to the PCMD disaggregation provision included in the 2011/12 financial statements.

Tangible fixed assets have increased by £7.3m (2012: £10.5m). This reflects the £18.7m expenditure on the campus infrastructure, highlighted above, and £10.6m (2012: £8.7m) of depreciation.

Fixed assets also include negative goodwill of £2.4m (2012: £2.3m) and a net investment, equal to the share of net assets, of £4.8m (2012: £4.2m) relating to the joint venture in Tamar Science Park Limited.

There has been a decrease in the current asset position since last year, £77.9m at 31 July 2013 compared to £90.8m at 31 July 2012. This is primarily due to a reduction in investments and cash of £16.9m due to the fixed asset infrastructure investment made in the year.

Current liabilities have decreased by £5m (2012: £14.9m decrease), largely as a result of lower deferred income in relation to projects. The decrease in the current asset position has led to a slightly less favourable ratio of current assets to current liabilities of 1.75 (2012: 1.84).

Creditors of more than one year includes loan balances held with HSBC Bank PLC and Lloyds TSB Bank PLC and other long-term creditors relating to amounts of rent received in advance for the Robbins and Gilwell halls of residence, and the Veysey building located on the Exeter campus. The finance lease of £19.4m (2012: £19.5m) for the Rolle academic building is being released to the Income and Expenditure account over a 35 year period.

Provisions for liabilities includes enhanced pensions payable to staff who have agreed terms for early retirement of £3.9m (2012: £4.7m). The decrease in the provision of £7.2m compared to prior year is due to the PCMD disaggregation provision of £4.7m and the utilisation of a provision held against a HEFCE claw back of £1.5m.

The pension scheme liability reflects the University's share of the Devon County Council pension scheme deficit in line with the requirements of FRS 17. The deficit has decreased by £17.5m (2012: increased £34.8m) to a liability of £71.1m (2012: £88.6m). A gain of £22.4m (2012: £30.7m loss) has been recognised in the statement of recognised gains and losses, largely due to the change in assumptions used by the actuaries in their valuation. The net cost recognised in the income and expenditure account as a result of the FRS 17 adjustments was £4.91m (2012: £4.11m).

## Cash flow

The University cash flow shows a decrease in the movement of overall cash balances in the year of £2.9m (2012: £4.2m increase). The key movements in the year being £1.3m of deferred capital grants received (2012: £8.7m), with limited large capital projects in the year, £1.9m received from the sale of fixed asset properties (2012: £4.3m), and £16.8m spent on capital expenditure (2012: £20.0m).

## Treasury Management Policy

The University's surplus cash deposits are invested in accordance with the University's Treasury Management Policy and are either placed with Royal London Cash Management or directly with institutions by the University. The University adopts a prudent approach to the investment of surplus funds. To protect capital sums invested, the University's fund managers are instructed to invest in institutions carrying a minimum rating of A+ (Standard and Poor's). Monies are placed on the London short-term money markets, with the prime requirement being to ensure that the capital sum is not at risk. It is the University's policy that no trading in financial instruments shall be undertaken and speculative practices avoided.

## Creditors Payment Policy

In order to comply with the Late Payment of Debts Act, and to optimise its negotiating position with external suppliers, the University aims to settle all creditor payments within a maximum of 28 days from the receipt of a valid invoice. On average the University took 36 days to pay its creditors from the date of issue of the invoice (2011/12: 35 days). The University receives a significant number of small value invoices from a few individual suppliers. It is working with these suppliers to find more efficient ways to pay them. In order to reduce the number of days taken to pay creditors the University is looking at more efficient payment and processing methods, to include the increased use of Government Procurement Cards.

# CORPORATE GOVERNANCE STATEMENT

## Constitution and powers

The University is an independent Higher Education Corporation with powers defined under the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its Instrument of Government was approved by the Privy Council in March 1993.

The University is also an exempt charity under Schedule 32 of the Charities Act 2011 and as such members of the Board of Governors act formally as the trustees. A full list of trustees is provided on page 4. As an exempt charity the University is regulated by HEFCE in accordance with the Charities Act 2006.

## Public benefit

The Board of Governors has complied with its duty to have due regard to the Charity Commission's guidance on public benefit, including the supplementary public benefit guidance on the advancement of education. The University's formal public benefit reporting forms part of the Operating and Financial Review.

## Approach to corporate governance

The University is committed to best practice in all aspects of corporate governance. It aims to conduct its business in accordance with the principles identified by the Committee on Standards in Public Life (Nolan Committee), and the guidance provided by the Committee of University Chairmen Guide for Members of Higher Education Governing Bodies in the UK and the Guidance on Corporate Governance for Higher Education issued by the British Universities Finance Directors' Group.

## Summary of the University's governance structure

The University's Instrument and Articles of Government establish the structural framework of governance. The University's Board of Governors comprises external, staff and student members appointed in accordance with the Instrument, all but one of whom (the Vice-Chancellor) are non-executive. At the beginning of 2012/13 the Board comprised fourteen non-executive governors plus the Vice-Chancellor. The majority of governors were independent lay members with experience of industry, the professions, commercial or employment matters; there were also two co-opted staff members (one member of academic staff and one member of professional services) and two student members (the President of the Students' Union and the Chair of the Student Parliament) in addition to the Vice-Chancellor. During the course of the year, five further external members

were appointed to the Board (with effect from 1 July 2013); one member resigned as a result of other commitments; and the two student members retired from their posts at the end of their term of office in late June 2013 and were replaced by the new post holders. Current membership numbers align with the University's previous decision to operate with a Board of around eighteen members.

The Board held five scheduled meetings (in October, November, February, April and July): the April and July meetings were extended to full days to incorporate additional briefings and workshop sessions focused on partnerships (with students, the NHS, and international partners) and on Finance and People. Incoming governors were invited to attend the April briefings prior to taking up office on 1 July. In addition, a series of induction briefings were held for new governors covering topics such as About the University; Finance; Governance and Charitable Status; Teaching and Learning, Student Experience and Research and Innovation.

The Board and the University understand the need for a clear separation of the roles of the non-executive Chair of the Board of Governors and the Vice-Chancellor and Chief Executive. The Board of Governors approves and monitors the University's long-term strategic objectives and forecasts, and is responsible for reviewing the effectiveness of the University's systems of internal control. It also has responsibility for the educational character and mission of the University, and to this end, the Vice-Chancellor and the University Secretary and Clerk to the Board ensure that the Board is kept fully apprised of, and has the opportunity to contribute to, strategic discussions.

The Board is charged with specific responsibilities under the University's Articles of Government, the Financial Memorandum with HEFCE, and other agreements with funding bodies, and by statutory authority, and such matters are presented to the Board in the form of approvals of major developments and regular reports from executive officers on the operation of the University and the changing external context. The Vice-Chancellor, supported by an OVC executive group and the Senior Leadership Team, is responsible for the leadership and management of the University and for ensuring that the University meets its academic and financial objectives. The Vice-Chancellor is the University's Accounting Officer.

The Board operates with a committee structure comprising a Finance Committee, an Audit Committee, an Employment Committee, a Nominations Committee and a Remuneration Committee. Each committee is formally constituted with clear terms of reference. Membership is largely drawn from external lay members of the Board, although there is provision for co-opted independent members with relevant professional expertise who are not members of

# CORPORATE GOVERNANCE STATEMENT

the University or of the Board of Governors. As at the end of 2012/13, the Finance Committee included one co-opted member and the Employment Committee two co-opted members. Governors are also represented on the Honorary Awards Committee, a joint undertaking between the Board and Academic Board.

In 2012/13, the Audit Committee met on four occasions, with the internal auditors always in attendance. The external auditors attended for those meetings concerned with the presentation of the audit strategy and consideration of the financial statements and management letter. The Committee considers detailed reports and recommendations for the improvement of the University's systems of internal control, together with management responses and action plans. It oversees the University's risk management policy and process on behalf of the Board of Governors, including consideration of the Corporate Risk Register and regular assurance reports. The Committee also receives and considers reports from the Funding Council as they affect corporate governance and assurance, and monitors adherence to regulatory requirements. At its November meeting the Committee reviews relevant aspects of the University's annual financial statements. Senior executives attend meetings of the Audit Committee as necessary but are not members of the Committee. The internal and external auditors meet privately with the governor members of the Committee annually, and may raise urgent matters with the Committee Chair at any time.

The Finance Committee makes recommendations to the Board about the University's financial strategy, including annual and long term capital and revenue plans, about the financial viability and financial management of capital projects, and about the University's Financial Statements and financial forecasts. The Committee also reviews and approves or recommends to the Board in accordance with its terms of reference the policy framework for investment and for borrowing, the sale or acquisition of property or land, and the University's financial regulations.

The Employment Committee makes recommendations to the Board about strategic employment issues and the framework governing the pay and conditions of service of staff, and the Remuneration Committee determines the salaries and conditions of service of the most senior staff, including the Vice-Chancellor, and the guidelines to be applied to the determination of senior management salaries.

The Nominations Committee considers the skills set available to the Board and issues of succession planning, advises on mechanisms for securing the services of new governors, including advertisement and interview, and identifies preferred candidates to the Board.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the University and draws its membership entirely from the staff and students of the University and its key educational partners. It is particularly concerned with issues related to teaching, learning and research and to the student experience.

## Formal Statement of the Board of Governors' Responsibilities

In accordance with the University's Articles of Government, the Board of Governors, through the Vice-Chancellor, is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

Within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University, the Board of Governors, through the Vice-Chancellor, is required to prepare Financial Statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year. The Board is also responsible, through the Vice-Chancellor, for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In causing the Financial Statements to be prepared, the Board of Governors has ensured that:

- **suitable accounting policies are selected and applied consistently;**
- **judgements and estimates are made that are reasonable and prudent;**
- **applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;**
- **the University has adequate resources to continue in operation for the foreseeable future: for this reason the 'going concern' basis continues to be adopted in the preparation of the financial statements**
- **the reporting requirements identified by the Financial Sustainability Strategy Group have been met.**

The Board of Governors has used all reasonable endeavours to:

- **ensure that funds from the Higher Education Funding Council for England and the National College for Teaching and Leadership, and other grants and income for specific purposes are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the funding bodies 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 and prevent and detect fraud and other irregularities;**
- **secure the economical, efficient and effective management of the University's resources and expenditure to achieve value for money.**

The Board engages in regular internal review of its own performance. The next review is scheduled for 2013/14.

## Internal control

The Board of Governors is responsible for maintaining a sound system of internal control to support the achievement of the University's policies, aims and strategic objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Board in the Instrument and Articles of Government and the Financial Memorandum. The Board of Governors is also responsible for reviewing the effectiveness of the internal control system.

The system of internal control is risk-based and designed to manage rather than eliminate the risk of failure to achieve strategic objectives. It can therefore provide a reasonable, not absolute, assurance of effectiveness. The system is based on an on going process designed to identify, evaluate and manage, efficiently, effectively and economically, the strategic risks facing the University. The Board is of the view that such a process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, that the process is kept under review by the Audit Committee and that it accords with HEFCE guidance and the internal control guidance for directors in the UK Corporate Governance Code 2010 as deemed appropriate for higher education.

The review of the effectiveness of the system of internal control is informed, inter alia, by the work of Deloitte, the University's internal auditors for the financial year 2012/13. The internal auditors submit an annual report to the Audit Committee and the Board of Governors which includes an independent opinion on the adequacy and effectiveness of the institution's overall system of internal control, with recommendations for improvement.

The review of the effectiveness of the system of internal control is also informed by the work of senior managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

## Risk management

The role of the Board of Governors is to manage and report on risk at a strategic level, by determining the University's risk appetite and the acceptable risk level, satisfying itself that the University's actual levels of risk do not exceed the agreed levels, approving major decisions affecting the University's risk profile, monitoring the management of corporate risks, setting the tone and influencing the culture of risk management within the University, and satisfying itself that the processes for embedding risk management are working effectively. The Board considers an updated corporate risk register each year, together with a review of the University's risk management policy as appropriate. In 2012/13 the Board approved a revised Risk and Opportunity management Policy, including a more focused approach to risk appetite.

In meeting its responsibilities, the Board relies heavily on advice from the Audit Committee. The Audit Committee and the internal auditors have continued an approach to risk-based audit which integrates more closely operational audits and reviews of associated risk. Review processes cover business risk, operational risk and compliance, as well as financial risk. An audit of risk management is included in the Internal Audit plan for 13/14. The previous audit in 11/12 resulted in assessments of substantial assurance. The Committee also commissioned a number of strategic audits linked with the University's key objectives.

The Office of the Vice-Chancellor (OVC) is responsible for implementing the risk management arrangements approved by the Board of Governors; for identifying, evaluating and monitoring the risks associated with their decisions and with proposals made to the Board; and for ensuring that managers within the University fulfil their responsibilities for risk management.

In addition to the corporate risk register, all faculties and directorates produce local risk registers, and specific risk registers are maintained for major projects. Risk management is also embedded within business planning processes with the aim of engaging all levels of management.

The OVC executive group and the Senior Leadership Team regularly review the corporate risk register and the Audit Committee receives regular reports highlighting changes in the assurance framework including new or amended risks and movement in risk ratings.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSITY OF PLYMOUTH

We have audited the group and University financial statements (the "financial statements") of Plymouth University for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, Note of Historical Cost Surpluses and Deficits, Statement of Consolidated Total Recognised Gains and Losses, Consolidated Balance Sheet, Balance Sheet, Consolidated Cash Flow Statement, Statement of Principal Accounting Policies and 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).

This report is made solely to the Board of Governors of Plymouth University ("Board"), in accordance with the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board and auditor

As explained more fully in the Formal Statement of the Board of Governors' Responsibilities set out on page 22. The Board is responsible for the preparation of financial statements which 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.

## 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 affairs of the Group and University 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 University for specific purposes have been properly applied to those purposes**
- **income has been applied in accordance with the University'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.**

## 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 University and group.**



**Chris Wilson**  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
Plym House,  
Longbridge Road,  
Marsh Mills  
PL6 8LT

27th November 2013

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2007 and in accordance with applicable accounting standards in the United Kingdom. The following accounting policies have been applied consistently, where considered material, in relation to the financial statements across the group.

## Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

The statements are prepared on a going concern basis where the University considers that it has sufficient financial resources and is confident that its future income streams will maintain these resources. The governors believe that the University is well placed to effectively manage its business risks, despite the current uncertain economic situation. The governors have a reasonable expectation that the University has adequate resources to continue in operation existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

## Basis of consolidation

The consolidated financial statements include the university and all its subsidiary undertakings for the financial year to 31 July 2013. Intra-company sales and profits are eliminated fully on consolidation. In accordance with FRS 2 Accounting for Subsidiary Undertakings, the consolidated financial statements do not include those of the University of Plymouth Students' Union, as it is a separate organisation in which the university has no financial interest and no control or significant influence over policy decisions. The University is party to a joint arrangement for the Peninsula College of Medicine & Dentistry teach through students. The University accounts directly for its 50% share of the income, expenditure, assets, liabilities and cash flows and such arrangements are reported in the consolidated financial statements on the same basis. The University is also considered to jointly control Tamar Science Park Limited. The University accounts directly for its 50% share of the income, expenditure, assets, liabilities and cash flows of this entity following it attaining joint control. Uniform accounting policies have been adopted by the University and its subsidiaries. Where accounting policies differ in the joint ventures, these have been adjusted to be in accordance with the group policies for the purpose of these financial statements.

## Recognition of income

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable. Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Tuition fee income is credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount or waiver, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

All income from short-term deposits and general endowment asset investments is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments is credited to the income and expenditure account on a receivable basis.

All other income is credited to the Income and Expenditure Account on a receivable basis. The University acts as agent on behalf of the Higher Education Funding Council for England with regard to the disbursement of Access funds. Receipts and payments are therefore not included in the income and expenditure account.

## Maintenance of premises

The University has produced a costed long-term maintenance plan for buildings. In accordance with the requirements of FRS 12 Provisions, Contingent Liabilities and Contingent Assets, the cost of maintenance is charged to the income and expenditure accounts as incurred.

## Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. All exchange differences are dealt with in the income and expenditure account. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## Research and development expenditure

Expenditure on research and development is written off to the income and expenditure account in the year in which it is incurred.

## Pension schemes

Retirement benefits for employees are provided by defined benefit schemes which are funded by contributions from the University and employees. Most academic staff are members of the Department for Education's Teachers' Pension Scheme. There are particular circumstances in which a few members of staff are eligible for the Universities' Superannuation Scheme and some members of the Plymouth University Peninsula Schools of Medicine & Dentistry are eligible for membership of the Department of Health's NHS Pension Scheme. Most other salaried employees and many weekly paid employees are members of the Local Government Pension Scheme run by Devon County Council. All schemes are independently administered.

Contributions to the schemes, except for the Devon County Council pension scheme, are charged to the income and expenditure account so as to spread the cost of the pensions over the employees' working lives with the university in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals.

The University participates in the Devon County Council Pension Fund. The fund, which is part of the Local Government Pension Scheme, provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus or deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. This is a defined benefits scheme and is valued every three years by a professionally qualified actuary using the projected unit method, the rates of contribution payable being determined by the actuary.

The Teachers' Pension Scheme is valued every five years by the Government Actuary who specifies the contribution

rate paid by the university. The Department for Education operates a notional fund for this scheme. The University has no liability for pensions or pension increases for past employees in this scheme. The University 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 FRS 17 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 University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. Due to 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. Therefore, as required by FRS 17 Retirement Benefits, the university 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 NHS Pension Scheme is valued every five years by the Government Actuary who specifies the contribution rate paid by the University. The Department of Health operates a notional fund for this scheme. The University has no liability for pensions or pension increases for past employees in this scheme.

## Tangible fixed assets

### a. Land and buildings

The University has taken advantage of the transitional arrangements available on the first adoption of FRS 15 Tangible Fixed Assets not to update the value of its land and buildings. The land and buildings were the subject of a comprehensive revaluation carried out by Chesterton property consultants as at 31 March 1990. The basis of valuation is in accordance with the Royal Institute of Chartered Surveyors' guidance notes. These direct that, where possible, assets should be valued on the basis of existing use or open market value. The guidance notes recognise that in the case of specialist buildings this may not always be possible and in those cases valuation should be on the basis of depreciated replacement cost. The consultants used both approaches in their valuation.

As part of the same survey the property consultants estimated the remaining life of each building, typically 20 to 50 years. Buildings acquired after the survey are shown at cost less depreciation based on a life of 50 years. All buildings are depreciated on a straight line basis. Land is not depreciated.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Assets in the course of construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Interest charges which are directly attributable to the construction of buildings are capitalised as part of the cost of those assets. Such interest is capitalised only up until the date the relevant building is brought into use. The rate of interest used is the applicable cost of funds during this period.

Investment properties held in the University's joint venture company are held at market value. These properties are revalued annually and any surplus or deficit arising is taken to the revaluation reserve. No provision is made for the depreciation of these properties in accordance with SSAP 19 Accounting for investment properties. Revaluations are conducted annually by an external valuer in accordance with the Appraisal and Valuation Standards (red book) issued by the Royal Institute of Chartered Surveyors effective from January 2008.

Capital grants received to fund the construction of investment properties are credited to the asset concerned, the net cost of which is held as the historic cost of the asset. This is contrary to SSAP4 (revised) accounting for government grants, but since such assets are revalued annually, the Board are of the opinion that this presentation gives a truer and fairer view of the underlying transaction.

### b. Equipment

Equipment costing less than £25,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life using the straight line method. The life of each asset is established on acquisition and may fall within the range of three to ten years depending on its nature. For a group of related items of computer equipment purchased as part of a networking or software enhancement programme, the life is established by reference to the date of the next proposed upgrade.

When equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

## Leased assets

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant funded assets.

Costs in respect of operating leases are charged on a straight line basis over the lease term to the income and expenditure account.

## Intangible assets – Goodwill

There is negative goodwill arising on the acquisition of a joint venture in Tamar Science Park Limited. This is being amortised over 10 years.

## Assets held for resale

Assets held for resale are valued at the lower of cost and net realisable value, and are not subject to depreciation.

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## Fixed asset investments

Listed fixed asset investments are held at market price. Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Endowment asset investments are included in the balance sheet at market value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value, and relate to short term deposits.

## Stocks

Stocks represent consumable materials held by catering outlets and materials held by Information and Learning Services. They are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Contract work in progress relates to projects being undertaken and is stated at costs incurred, less those transferred to the income and expenditure account, after deducting foreseeable losses and payments on account not matched with turnover.

## Taxation

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. However the university does have some trading income, which is subject to corporation tax in the same way as commercial organisations.

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred Tax.

The University received no exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and Value Added Tax in the same way as any commercial organisation.

## Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

## Provisions

Provisions are recognised when the institution has a present legal or constructive obligation where, as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:-

- **Restricted permanent endowments – the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.**
- **Unrestricted permanent endowments – these are expendable at the discretion of the University with no requirements that capital be maintained.**
- **Expendable endowments – where trustees have the power of discretion to convert endowed capital into income.**

# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2013

	Note	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
<b>INCOME</b>			
Funding body grants	1	71,998	95,645
Tuition fees and education contracts	2	107,339	82,697
Research grants and contracts	3	13,323	10,126
Other income	4	24,662	22,645
Endowment and investment income	5	469	606
<b>Total income</b>		<b>217,791</b>	211,719
Less share of income from Joint Venture		(1,054)	(1,049)
<b>Net income</b>		<b>216,737</b>	210,670
<b>EXPENDITURE</b>			
Staff costs	6	(120,800)	(115,477)
Other operating expenses	8	(78,159)	(78,650)
Depreciation	13	(10,566)	(8,720)
Interest charges	10	(4,578)	(3,861)
<b>Total expenditure</b>		<b>(214,103)</b>	(206,708)
<b>Surplus after depreciation of tangible fixed assets at valuation and before tax</b>		<b>2,634</b>	3,962
Share of joint venture operating surplus	17	260	247
Taxation	11	(10)	(280)
<b>Surplus before exceptional items</b>		<b>2,884</b>	3,929
<b>Exceptional items:</b>			
Surplus on disposal of fixed assets		1,269	3,071
Provision for disaggregation of PCMD		-	(4,750)
Redundancy costs		(892)	(1,894)
<b>Surplus on continuing operations after depreciation of tangible fixed assets, disposal of assets and tax</b>	12	<b>3,261</b>	356
Surplus for the year transferred from endowment funds		(157)	(35)
<b>Surplus for the year retained within general reserves</b>		<b>3,104</b>	321

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

# CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations before taxation but after exceptional items		3,271	636
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	28	486	500
Disposal, demolition and impairment of revalued assets	28	(1)	445
Historical cost surplus for the year before taxation		3,756	1,581
Historical cost surplus for the year after taxation		3,746	1,301

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations after the depreciation of assets at valuation and taxation		3,104	321
Actuarial gain/(loss) on pension scheme	41	22,369	(30,671)
Revaluation gain of joint venture		331	-
Movement on endowments	27	278	35
Release revaluation reserve to assets for resale	28	(465)	-
Total recognised gains relating to the year		25,617	(30,315)
<b>RECONCILIATION</b>			
Opening reserves and endowments		7,522	37,837
Total recognised gain/(loss) for the year		25,617	(30,315)
Closing reserves and endowments		33,139	7,522

# BALANCE SHEET

as at 31 July 2013

	Note	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
<b>FIXED ASSETS</b>					
Tangible assets	13,14	239,749	239,427	232,499	232,095
Intangible assets	15	(2,383)	-	(2,314)	-
Investments	16	222	1,643	74	1,644
Share of Joint Venture assets	17	8,050	-	7,765	-
Share of Joint Venture liabilities	17	(3,285)	-	(3,562)	-
		242,353	241,070	234,462	233,739
Endowment assets	18	356	356	235	235
<b>CURRENT ASSETS</b>					
Stocks	19	590	84	195	86
Assets held for resale	20	6,908	6,908	7,499	7,499
Debtors: amounts falling due after more than one year	21	2,857	2,857	3,247	3,247
Debtors: amounts falling due within one year	21	23,048	22,574	18,483	17,553
Investments (liquid resources)		41,302	39,954	55,348	54,324
Cash at bank and in hand		3,156	2,777	6,022	5,855
		77,861	75,154	90,794	88,564
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	22	(44,457)	(42,488)	(49,425)	(47,830)
Net current assets		33,404	32,666	41,369	40,734
Total assets less current liabilities		276,113	274,092	276,066	274,708
Creditors: amounts falling due after more than one year	23	(77,607)	(77,607)	(80,251)	(80,251)
Provisions for liabilities	25	(4,600)	(3,919)	(11,753)	(11,126)
Net assets excluding pension scheme liabilities		193,906	192,566	184,062	183,331
Pension scheme liabilities	41	(71,117)	(71,117)	(88,573)	(88,573)
Net assets including pension scheme liabilities		122,789	121,449	95,489	94,758
Deferred capital grants	26	89,651	89,388	87,967	87,644
Endowment funds					
- permanent	27	165	165	150	150
- expendable		191	191	85	85
		356	356	235	235
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	29	79,545	78,468	70,556	70,148
Pension reserve	29	(71,117)	(71,117)	(88,573)	(88,573)
Income and expenditure account including pension reserve		8,428	7,351	(18,017)	(18,425)
Revaluation reserve	28	24,354	24,354	25,304	25,304
Total reserves		32,782	31,705	7,287	6,879
Total funds		122,789	121,449	95,489	94,758

The financial statements on pages 25 to 67 were approved by the Board of Governors on 26 November 2013 and were signed on its behalf by:

Judge William Taylor  
Chair of the Board of Governors



Professor Wendy Purcell  
Vice-Chancellor and Chief Executive



# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2013

	Note	2013 £000	2012 £000
<b>Net cash inflow from operating activities</b>	30	<b>1,551</b>	11,072
Returns on investments and servicing of finance	31	(1,048)	(656)
Taxation	32	(280)	-
Capital expenditure and financial investment	33	(13,676)	(6,946)
Management of liquid resources	35	14,047	4,584
Financing	34	(3,460)	(3,786)
<b>(Decrease)/increase in cash in the year</b>		<b>(2,866)</b>	4,268

<b>Reconciliation of net cash flow to movement in net debt</b>			
	Note	2013 £000	2012 £000
(Decrease)/increase in cash in the year	35	(2,866)	4,268
Cash outflow from repayment of loans	34	2,115	2,546
Cash outflow from finance lease	34	1,345	1,240
Cash outflow from liquid resources	35	(14,047)	(4,584)
Other non-cash changes	35	(1,233)	(1,348)
Movement in net debt in year		(14,686)	2,122
Net debt at 1 August	35	(9,161)	(11,283)
Net debt at 31 July	35	(23,847)	(9,161)

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Funding body grants

	Note	HEFCE £000	TDA £000	2013 Total £000	2012 Total £000
<b>RECURRENT GRANTS</b>					
Recurrent teaching grants		54,458	3,302	57,760	77,699
Recurrent research grants		6,677	-	6,677	7,720
<b>SPECIFIC GRANTS:</b>					
Other		3,626	-	3,626	7,766
<b>RELEASES OF DEFERRED CAPITAL GRANTS:</b>					
Buildings	26	2,607	-	2,607	1,950
Equipment	26	1,328	-	1,328	510
<b>Total</b>		<b>68,696</b>	<b>3,302</b>	<b>71,998</b>	95,645

## 2 Tuition fees and education contracts

	2013 £000	2012 £000
Full-time UK and European Union (EU) students	68,718	48,496
Full-time non-EU students	15,739	12,586
Part-time students	2,295	2,093
Special and short course fees	2,200	1,347
Studentships	804	774
<b>Total fees by or on behalf of individuals</b>	<b>89,756</b>	65,296
Education contracts	17,583	17,401
<b>Total</b>	<b>107,339</b>	82,697

# NOTES TO THE FINANCIAL STATEMENTS

## 3 Research grants and contracts

	2013 £000	2012 £000
Research councils	3,128	2,967
UK based charities	980	1,128
UK based government bodies	4,550	2,904
UK based industry and commerce	617	422
European grants and contracts	3,604	2,568
Other overseas grants and contracts	207	102
Releases of deferred capital grants on equipment	-	12
Other grants and contracts	237	23
<b>Total</b>	<b>13,323</b>	<b>10,126</b>

## 4 Other income

	2013 £000	2012 £000
Residences, catering and conferences	2,326	2,143
Other grant income	11,864	9,933
Nursery income	591	519
Rental and car park income	1,245	924
Educational visits and field trips	430	618
Student fines	102	243
Recreation income	51	455
Other miscellaneous income	8,053	7,810
<b>Total</b>	<b>24,662</b>	<b>22,645</b>

## 5 Endowment and investment income

	2013 £000	2012 £000
Income from expendable endowments	469	606
<b>Total</b>	<b>469</b>	<b>606</b>

## 6 Staff costs

The average weekly number of persons (including senior post holders) employed by the University during the year, expressed as full time equivalents (FTEs), was:

	2013 Number	2012 Number
Teaching departments	1,629	1,523
Academic support services	348	345
Administration and central services	273	354
Premises	133	158
Other income generating activities	142	103
Catering and residences	37	44
<b>Total</b>	<b>2,562</b>	<b>2,527</b>

	2013 £000	2012 £000
Wages and salaries	96,895	92,616
Social security costs	8,024	7,639
Other pension costs	15,881	15,222
<b>Total</b>	<b>120,800</b>	<b>115,477</b>

	2013 £000	2012 £000
Employment costs for staff on permanent contracts	88,182	91,625
Employment costs for staff on short-term and temporary contracts	32,618	23,852
<b>Total</b>	<b>120,800</b>	<b>115,477</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7 Senior post holders emoluments

	2013 £	2012 £
Emoluments of the Vice-Chancellor (VC)		
Salary	250,000	240,000
Performance related pay	38,400	39,000
	288,400	279,000
Pension contributions	40,664	39,339
Benefits in kind	974	868
<b>Total</b>	<b>330,038</b>	<b>319,207</b>

The number of staff, including staff at the Peninsula College of Medicine & Dentistry, excluding the Vice-Chancellor who received emoluments in the following ranges, excluding employer's pension contributions, were:

	2013 Number	2012 Number
£100,000-£109,999	3	7
£110,000-£119,999	2	-
£120,000-£129,999	2	2
£130,000-£139,999	2	3
£140,000-£149,999	3	1
£150,000-£159,999	2	4
£160,000-£169,999	1	-
£170,000-£179,999	1	-
£200,000-£209,999	-	1
£220,000-£229,999	1	-
	<b>17</b>	<b>18</b>

The aggregate total of these senior staff emoluments including the Vice-Chancellor was £2.55m (2012: £2.63m), including benefits in kind.

## 8 Other operating expenses

	2013 Total £000	2012 Total £000
Payments to partner institutions	10,267	19,940
Residences, catering and conferences	1,634	1,417
Consumables	3,188	3,692
Books and periodicals	4,135	3,629
Heat, light, water and power	3,940	3,217
Repairs and general maintenance	1,452	1,412
Grants to University of Plymouth Students' Union	1,874	1,400
Rents	2,310	1,833
Equipment	4,658	3,824
External auditor's remuneration	66	70
External auditor's remuneration in respect of non-audit services	29	20
Internal auditor's remuneration	60	75
Hire of other assets	1,295	1,757
Write down of assets held for resale	331	1,500
Consultancy fees	5,909	4,711
Travel	4,801	4,080
Premises running costs	2,019	2,133
Scholarships, bursaries & grants	9,084	9,310
Print & media costs	2,398	1,689
Educational visits	3,142	2,245
Advertising and Marketing	2,939	2,018
IT Costs	2,276	1,951
Other expenses	10,352	6,727
<b>Total</b>	<b>78,159</b>	<b>78,650</b>

Associated partner colleges delivering University of Plymouth programmes are funded by the University which obtains matching HEFCE income. These funds are managed separately from internal University HEFCE funds.

Within the rents figure above is £1.41m (2012 £1.16m) paid in the year in relation to operating leases for land and buildings. Within the hire of other assets figure above is £2.14m (2012 £2.28m) paid in the year in relation to operating leases for equipment. The unconsolidated audit fee for the University was £39,700 (2012 £48,841). Members of the Board of Governors have not received remuneration or waived

payments from the University during the year. Amounts paid to members of the Board of Governors are included in other expenses. This represents travel and subsistence expenses incurred in carrying out University business.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 Analysis of staff costs and other operating expenses by activity

	Staff costs		Other operating expenses	
	2013 £000	2012 £000	2013 £000	2012 £000
Teaching departments	81,471	78,581	26,049	26,870
Other support services	13,038	11,611	15,576	11,663
Administration and central services	15,653	14,916	18,392	16,104
Premises	3,568	4,069	2,050	1,864
Other Income generating activities	6,162	5,364	15,786	21,802
Catering and residences	908	936	306	347
<b>Total</b>	<b>120,800</b>	<b>115,477</b>	<b>78,159</b>	<b>78,650</b>

## 10 Interest charges

	2013 Total £000	2012 Total £000
Interest:		
On bank loans wholly repayable in two to five years	19	27
On bank loans wholly repayable in more than five years	1,467	1,235
On finance lease for the Rolle building, wholly repayable in more than five years	1,354	1,336
Net interest charge on pension scheme assets and liabilities	1,738	1,263
<b>Total</b>	<b>4,578</b>	<b>3,861</b>

## 11 Taxation

	2013 £000	2012 £000
<b>Analysis of charge in year</b>		
UK corporation tax		
Current tax on income for the year	10	280
<b>Tax charge for the year</b>	<b>10</b>	<b>280</b>

## 12 Surplus on continuing operations for the year

The surplus on continuing operations is made up as follows:

	2013 Total £000	2012 Total £000
University's surplus for the year	2,765	450
Surpluses generated by subsidiary undertakings and payable to the University under Gift Aid regulations	299	183
Surpluses/(deficit) generated by subsidiary undertakings but retained within subsidiaries	197	(277)
<b>Total</b>	<b>3,261</b>	<b>356</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13 Tangible assets (consolidated)

Cost	Land and buildings				
	Assets in the course of construction £000	Freehold £000	Long leasehold £000	Equipment £000	Total £000
At 1 August 2012	25,810	220,209	28,050	25,923	299,992
Additions	5,994	2,478	-	10,245	18,717
Transfers	(25,206)	25,206	-	-	-
Transfer to assets for resale	(231)	(546)	-	(19)	(796)
Disposals	(86)	-	-	(174)	(260)
<b>At 31 July 2013</b>	<b>6,281</b>	<b>247,347</b>	<b>28,050</b>	<b>35,975</b>	<b>317,653</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 August 2012	-	(50,693)	(3,542)	(13,258)	(67,493)
Charge for year	-	(6,259)	(658)	(3,649)	(10,566)
Eliminated in respect of disposals	-	-	-	155	155
<b>At 31 July 2013</b>	<b>-</b>	<b>(56,952)</b>	<b>(4,200)</b>	<b>(16,752)</b>	<b>(77,904)</b>
<b>NET BOOK VALUE</b>					
<b>At 31 July 2013</b>	<b>6,281</b>	<b>190,395</b>	<b>23,850</b>	<b>19,223</b>	<b>239,749</b>
At 31 July 2012	25,810	169,516	24,508	12,665	232,499
<b>FUNDED BY:</b>					
Inherited	-	18,365	-	-	18,365
Financed by capital grant	-	83,148	-	5,976	89,124
Other	6,281	88,882	23,850	13,247	132,260
<b>Net book value at 31 July 2013</b>	<b>6,281</b>	<b>190,395</b>	<b>23,850</b>	<b>19,223</b>	<b>239,749</b>

A valuation was performed in 1990 and in line with the transitional arrangements of FRS 15, the University has chosen not to update these valuations. Included in the cost of tangible fixed assets is £0.61m (2012: £0.61m) in respect of capitalised interest charges. This represents an average interest rate of 5.32% (2012: 5.32%).

### The depreciation charge was funded by:

	2012/13 £000	2011/12 £000
Revaluation reserve release	486	500
Deferred capital grant	3,935	2,726
General income	6,145	5,494
	<b>10,566</b>	<b>8,720</b>

## 14 Tangible assets (University)

Cost	Land and buildings				
	Assets in the course of construction £000	Freehold £000	Long leasehold £000	Equipment £000	Total £000
At 1 August 2012	25,810	220,209	28,050	25,349	299,418
Additions	5,994	2,478	-	10,245	18,717
Transfers	(25,206)	25,206	-	-	-
Transfer to assets for resale	(231)	(546)	-	(19)	(796)
Disposals	(86)	-	-	(174)	(260)
<b>At 31 July 2013</b>	<b>6,281</b>	<b>247,347</b>	<b>28,050</b>	<b>35,401</b>	<b>317,079</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 August 2012	-	(50,693)	(3,542)	(13,088)	(67,323)
Charge for year	-	(6,259)	(658)	(3,567)	(10,484)
Eliminated in respect of disposals	-	-	-	155	155
<b>At 31 July 2013</b>	<b>-</b>	<b>(56,952)</b>	<b>(4,200)</b>	<b>(16,500)</b>	<b>(77,652)</b>
<b>Net book value</b>					
<b>At 31 July 2013</b>	<b>6,281</b>	<b>190,395</b>	<b>23,850</b>	<b>18,901</b>	<b>239,427</b>
At 31 July 2012	25,810	169,516	24,508	12,261	232,095
<b>FUNDED BY:</b>					
Inherited	-	18,365	-	-	18,365
Financed by capital grant	-	83,148	-	6,239	89,387
Other	6,281	88,882	23,850	12,662	131,675
<b>Net book value at 31 July 2013</b>	<b>6,281</b>	<b>190,395</b>	<b>23,850</b>	<b>18,901</b>	<b>239,427</b>

Included in the cost of tangible fixed assets is £16.91m (2012: £17.27m) in respect of the Rolle building, which is funded through a finance lease. Depreciation of £0.37m was charged on this asset during the year to July 2013 (2012: £0.37m).

# NOTES TO THE FINANCIAL STATEMENTS

## 15 Intangible assets

Negative goodwill arising on acquisition of joint venture in Tamar Science Park Limited	2013 Total £000	2012 Total £000
<b>Cost</b>		
At 1 August	2,314	2,459
Amortisation	69	(145)
At 31 July	2,383	2,314

## 16 Fixed Asset Investments

	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
Shares in subsidiary companies	-	100	-	100
Other fixed asset investments	222	68	74	68
Investment in joint venture	-	1,475	-	1,476
<b>Total</b>	<b>222</b>	<b>1,643</b>	<b>74</b>	<b>1,644</b>

Other fixed asset investments consist of:	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
CVCP Properties PLC	37	37	37	37
Dairy Crest Group PLC	21	21	22	22
Willowbond Limited	150	-	-	-
Genus PLC	10	10	9	9
ICO3 Limited	4	-	4	-
Moustraining Limited	-	-	2	-
<b>Total</b>	<b>222</b>	<b>68</b>	<b>74</b>	<b>68</b>

The University owns 100% of the issued share capital of 100,000 £1 ordinary shares of University of Plymouth Enterprise Limited (UPEL), a company limited by shares and registered in England and Wales. UPEL undertakes research and consultancy projects, conferencing and events and car parking. The results of UPEL have been consolidated into the University of Plymouth's group financial statements.

The University owns 100% of the issued share capital of 1 £1 ordinary share of PMS (Facilities) Plymouth Limited (PFPL), a company limited by shares and registered in England and Wales. PFPL provides facilities management at the John Bull building and Dental Education Facility, Tamar Science Park. The results of PFPL have been consolidated into the University of Plymouth's group financial statements.

The University owns 100% of the issued share capital of 1 £1 ordinary share of University Commercial Services Plymouth Limited (UCSP) (formerly known as the Centre of Leadership and Organisational Excellence Limited), a company limited by shares and registered in England and Wales. UCSP was established during the year to carry out the nursery and catering operations of the University and began trading in June 2013. The results of UCSP have been consolidated into the University of Plymouth's group financial statements.

The University is the sole member of Peninsula Dental Social Enterprise CIC (PDSE), a community interest company registered in England and Wales. PDSE was established during the year to provide dental and other clinical and non-clinical services including dental treatment, teaching, training, research, community engagement, workshops and education about oral health and began trading on the 1st August 2013. The results of the company have not been consolidated into the University of Plymouth's group financial statements as the company was not trading at the 31 July 2013.

The University and Plymouth City Council have joined together to form a joint venture to secure the development of a science park in Plymouth. Tamar Science Park Limited (TSPL) is a company limited by guarantee and incorporated in England and Wales. The University's liability is limited to £1 and has two directors, with voting rights, on the board. TSPL has published its accounts for the year to 31 March 2013. The results of TSPL have been consolidated into the University of Plymouth's group financial statements on the basis that it is a joint venture arrangement.

The University is the lead sponsor and a member of the Marine Academy Plymouth Limited (MAP), a company limited by guarantee, incorporated in England and Wales. The University's liability is £10 and has seven directors on the board. MAP is an all through school for Plymouth and provides nursery, primary, secondary and sixth form education. MAP has published its accounts to 31 August

2013. The University can appoint the majority of the board of the academy (via the memorandum and articles) and at face value has dominant influence or control. However, the University has not consolidated the Academy into its accounts as it cannot exercise rights over assets and management due to the combination of the following factors; absence of any financial return for the University now or in the future (based on the memorandum and articles); secretary of state powers over the academy, including the right to assets on wind up and the power to require consent to certain transactions; and the different charitable objects of the University and the Academy.

The University is the sole sponsor and a member of the Talent and Enterprise Trust (TET) a company limited by guarantee, incorporated in England and Wales. The University's liability is £30 and has three directors on the board. TET is a multi-academy trust which in the future will support a number of academies. The Mayflower Community Academy and Nursery is the first of these and opened in September 2013, providing nursery and primary education. The first financial statements for TET will be for the year ended 31 August 2014. The University can appoint the majority of the board of the academy (via the articles of association) and at face value has dominant influence or control. However, the University has not consolidated the Academy into its accounts as it cannot exercise rights over assets and management due to the combination of the following factors; absence of any financial return for the University now or in the future (based on the articles of association); secretary of state powers over the academy, including the right to assets on wind up and the power to require consent to certain transactions; and the different charitable objects of the University and the Academy.

The University and the University of Plymouth Enterprise Limited are members of Plymouth UTC Limited (UTC), a company limited by guarantee and incorporated in England and Wales. The liability is limited to £1 and the University group currently nominates 2 of the directors. The UTC opened in September 2013 and specialises in marine engineering and advanced manufacturing for students from year 10 through to year 12. UTC has published its accounts to 31 August 2013. The University Group can appoint the majority of the board of the UTC (via the articles of association) and at face value has dominant influence or control. However, the University Group has not consolidated the Academy into its accounts as it cannot exercise rights over assets and management due to the combination of the following factors; -absence of any financial return for the University Group now or in the future (based on the articles of association); secretary of state powers over the UTC, including the right to assets on wind up and the power to require consent to certain transactions; and the different

# NOTES TO THE FINANCIAL STATEMENTS

charitable objects of the University Group and the UTC.

The University owned 1 of the 7 £1 issued ordinary shares of Marinetech South Limited (MSL), a company limited by shares and incorporated in England and Wales. MSL was formed to carry out research and development for natural sciences and engineering, however it went into liquidation and a final dividend of £20,688 was received on 14 March 2013 (2012: nil). MSL has published its accounts for the year to 31 December 2012. The results have not been consolidated into the University of Plymouth's group financial statements as the University is not considered to have significant influence over MSL.

The University is a member of South West England Regional Network Limited (SWERN), a company limited by guarantee and incorporated in England and Wales. The University's liability is limited to £1 and nominates one of the six directors. SWERN is contracted to manage and administer the South West Regional Network. SWERN has published its accounts for the period to 31st December 2012. The results of SWERN have not been consolidated into the University of Plymouth's group financial statements, as the University is not considered to have significant influence over SWERN.

The University is a member of James Square (Plymouth) Limited (JSPL), a company limited by guarantee and incorporated in England and Wales. The University's liability is limited to £1 and nominates two of the four directors. JSPL provides and manages facilities for higher education, specifically the Rolle building at the University of Plymouth. The administration of JSPL has been delegated to UPP Residential Services Limited. JSPL has published its accounts for the year to 31 August 2013. The results of JSPL have not been consolidated into the University of Plymouth's group financial statements, since its results are not material to the University.

The University is a member of Mountbatten Sailing and Water Sports Centre (MSWSC), a company limited by guarantee and incorporated in England and Wales. The University's liability is limited to £1 and nominates two of the directors. MSWSC was formed to increase participation in sporting activity through the development of a centre of excellence for the encouragement of and enjoyment and competition in, sailing, water sports and related activities. The company has published its accounts for the year to 31 October 2012. The results of MSWSC have not been consolidated into the University of Plymouth's group financial statements, since its results are not material to the University.

UPEL owns 35% of the issued share capital of 100 £1 ordinary shares of Porexper Ltd a company limited by shares and registered in England and Wales. Porexper was set up to provide a consultancy service in the analysis of modelling

of porous materials using software developed by Plymouth University. Porexper Ltd has not yet published first accounts for the period to 30th September 2013. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 31.58% of the issued share capital of 475,001 £1 ordinary shares of Willowbond Limited (Willowbond) a company limited by shares and registered in England and Wales. Willowbond is the holding company for Biovault Technical Ltd a company offering a large scale tissue bank for the medical and scientific sectors. Willowbond has yet to publish first accounts for the period to 30th September 2013. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 27% of the issued share capital of 850 £1 ordinary shares of Moustraining Limited (MTL), a company limited by shares and registered in England and Wales. MTL was set up to offer distance learning IT courses. MTL has published its accounts for the year to 31 March 2013. The results of MTL have not been consolidated into the University of Plymouth's group financial statements, since its results are not material to the University. Following a meeting of the shareholders of MTL in May 2013, it was decided that the company should be dissolved. The investment has therefore been written down to nil.

UPEL owns 18% of the issued ordinary share capital of ICO3 Limited, a company limited by shares and registered in England and Wales. The company was set up to provide computer and websites related activities. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 16% of the issued share capital of Interactivity Limited, a company limited by shares and registered in England and Wales. The company was set up to provide computer consultancy. This is a dormant company. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 13% of the issued share capital of Advanced Control Research Limited, a company limited by shares and registered in England and Wales. The company was set up to conduct research and development of intelligent and innovative control systems. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 10% of the issued share capital of Ebusiness South West Limited, a company limited by shares and registered in England and Wales. The company was set up for the provision of computer related activities and software publishing. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 8% of the issued share capital of K2 Medical Systems Holdings Limited, a company limited by shares and registered in England and Wales. The company was set up for the provision of human health related activities. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

UPEL owns 5% of the issued share capital of Argans Limited, a company limited by shares and registered in England and Wales. The company was set up to conduct research and development on natural sciences and engineering. The results of the company have not been consolidated into the University of Plymouth's group financial statements since they are not deemed material to the University.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 Investments in joint ventures

The University holds a 50% share of Tamar Science Park Limited, a company limited by guarantee. This is a joint venture company owned equally by the University and Plymouth City Council. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account.

		Consolidated 2013 £000		Consolidated 2012 £000
<b>INCOME AND EXPENDITURE ACCOUNT</b>				
Income		1,054		1,049
Expenditure		(794)		(802)
Surplus before tax		260		247
<b>BALANCE SHEET</b>				
Fixed assets	6,865		6,556	
Current assets	1,185		1,209	
		8,050		7,765
Creditors: amounts due within one year	(461)		(462)	
Bank loans	(1,330)		(1,330)	
Accruals and deferred income	(1,494)		(1,770)	
		(3,285)		(3,562)
<b>Share of net assets</b>		<b>4,765</b>		<b>4,203</b>

The investment properties were valued as at 31 March 2013 by Vickery Holman, Chartered Surveyors, at their open market value for existing use. The valuations were carried out in accordance with SSAP 19. The market value of these properties decreased by £0.6m during the year. The historical cost of these assets at 31 July 2013, net of assistance grants, amounted to £6.97m (2012: £6.97m).

The bank loan is payable until 2030 and is repayable on an interest only basis until 2015, whereupon it will become repayable at 1.25% above the banks base rate.

## 18 Endowment assets

	Consolidated and University	
	2013 £000	2012 £000
Balance at 1 August		
New endowments invested	235	200
Decrease in cash balances held for endowment funds	278	69
Balance at 31 July	(157)	(34)
	356	235

## 19 Stocks

	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
Media stocks	51	51	56	56
Merchandise stocks	37	-	29	-
Catering stocks	16	16	15	15
Maintenance stocks	17	17	15	15
Work in progress (commercial projects)	469	-	80	-
Total	590	84	195	86

## 20 Assets held for sale

	2013 £000	2012 £000
Consolidated & University		
At 1 August	7,499	9,469
	(591)	(470)
Net book value of assets sold in year	330	-
Write down of assets held for resale	(330)	(1,500)
Balance at 31 July	6,908	7,499

# NOTES TO THE FINANCIAL STATEMENTS

## 21 Debtors

	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR:</b>				
Trade debtors	7,721	6,505	5,749	5,376
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,351	-	183
Other debtors	4,768	4,723	289	234
Prepayments and accrued income	10,559	9,995	12,445	11,760
<b>Total</b>	<b>23,048</b>	<b>22,574</b>	<b>18,483</b>	<b>17,553</b>
<b>AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:</b>				
Prepayments and accrued income	2,857	2,857	3,247	3,247
<b>Total</b>	<b>2,857</b>	<b>2,857</b>	<b>3,247</b>	<b>3,247</b>
<b>Total debtors</b>	<b>25,905</b>	<b>25,431</b>	<b>21,730</b>	<b>20,800</b>

## 22 Creditors: amounts falling due within one year

	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
Bank loans (see note 24)	2,962	2,962	2,830	2,830
Trade creditors	1,237	1,162	2,231	2,437
Amounts owed to group undertakings	-	-	-	1,400
Other creditors	9,639	9,281	6,998	6,373
Taxation and social security	487	168	286	170
Accruals	8,193	7,753	9,094	7,056
Deferred income	21,939	21,162	27,986	27,564
<b>Total</b>	<b>44,457</b>	<b>42,488</b>	<b>49,425</b>	<b>47,830</b>

## 23 Creditors: amounts falling due after more than one year

	Consolidated 2013 £000	University 2013 £000	Consolidated 2012 £000	University 2012 £000
Unsecured loans	46,328	46,328	48,575	48,575
Deferred income and other creditors	11,909	11,909	12,193	12,193
Finance leases	19,370	19,370	19,483	19,483
<b>Total</b>	<b>77,607</b>	<b>77,607</b>	<b>80,251</b>	<b>80,251</b>

Within unsecured loans are 3 bank loans and funds received as part of the revolving green initiative.

Loan 1 is payable until 2037, the fixed rate is 5.9%. This loan is unsecured. The outstanding capital amount at 31 July 2013 was £21.34m (2012: £22.16m).

Loan 2 is payable until 2016, the current rate of interest is 0.77%. This loan is unsecured. The outstanding capital amount at 31 July 2013 was £2.12m (2012: £3.05m).

Loan 3 is payable until 2036, the current rate of interest is 0.70%. This loan is unsecured. The outstanding capital amount at 31 July 2013 was £25.11m (2012: £26.19m).

Revolving green funds attract no interest. Total funds drawn down at 31 July 2013 were £0.72m, repayable within five years.

The finance leases relating to the Rolle building and the John Bull building are repayable in more than 5 years.

## 24 Borrowings

Bank loans and other loans	Consolidated and University	
	2013 £000	2012 £000
Bank loans and other loans are repayable as follows:		
in one year or less	22	2,830
between one and two years	23	2,842
between two and five years	23	6,948
in five years or more	23	38,785
<b>Total</b>	<b>49,290</b>	<b>51,405</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 25 Provisions for liabilities

	Enhanced pension £000	Other provisions £000	Total 2012/13 £000	Total 2011/12 £000
<b>CONSOLIDATED</b>				
At 1 August	4,736	7,017	11,753	6,322
Provision releases in the year	(2,296)	(6,390)	(8,686)	(2,246)
Charged in income and expenditure account	1,479	54	1,533	7,677
<b>At 31 July</b>	<b>3,919</b>	<b>681</b>	<b>4,600</b>	<b>11,753</b>
<b>UNIVERSITY</b>				
At 1 August	4,736	6,390	11,126	5,906
Provision releases in the year	(2,296)	(6,390)	(8,686)	(2,246)
Charged in income and expenditure account	1,479	-	1,479	7,466
<b>At 31 July</b>	<b>3,919</b>	<b>-</b>	<b>3,919</b>	<b>11,126</b>

The enhanced pension provision is in respect of the future costs of lump sum payments and enhanced pensions payable to staff who have agreed terms for early retirement.

£4.75m of other provisions in 11/12 related to disaggregation of the Plymouth College of Medicine and Dentistry (PCMD).

£1.54m of other provisions in 11/12 related to a HEFCE claw back provision for the year ended 31 July 2012.

## 26 Deferred capital grants

Consolidated	Consolidated and University			Total 2011/12 £000
	Buildings 2012/13 £000	Equipment 2012/13 £000	Total 2012/13 £000	
At 1 August	83,435	4,532	87,967	67,770
Grant funding	2,320	3,299	5,619	22,935
Release to funding body grant income	(2,607)	(1,328)	(3,935)	(2,460)
Release to other income	-	-	-	(266)
Release to research grant and contract income	-	-	-	(12)
<b>At 31 July</b>	<b>83,148</b>	<b>6,503</b>	<b>89,651</b>	<b>87,967</b>
<b>UNIVERSITY</b>				
At 1 August	83,435	4,209	87,644	67,603
Grant funding	2,320	3,299	5,619	22,738
Release to funding body grant income	(2,607)	(1,268)	(3,875)	(2,697)
<b>At 31 July</b>	<b>83,148</b>	<b>6,240</b>	<b>89,388</b>	<b>87,644</b>

## 27 Endowments – Consolidated and University

	Restricted permanent £000	Restricted expendable £000	Total 2013 £000	Total 2012 £000
Balance at 1 August				
Capital	144	85	229	194
Accumulated income	6	-	6	6
	150	85	235	200
New endowments	75	203	278	70
Transfers	(63)	13	(50)	-
Investment income	3	2	5	4
Expenditure	-	(112)	(112)	(39)
	15	106	121	35
<b>At 31 July</b>	<b>165</b>	<b>191</b>	<b>356</b>	<b>235</b>
Represented by:				
Capital	156	301	457	234
Accumulated income	9	(110)	(101)	1
	165	191	356	235

## 28 Revaluation reserve

	Consolidated and University	
	2012/13 £000	2011/12 £000
At 1st August	25,304	26,249
- Disposal, demolition and impairment of assets	1	(445)
- Depreciation on revalued assets	(486)	(500)
- Transfer to assets held for sale	(465)	-
<b>At 31 July</b>	<b>24,354</b>	<b>25,304</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 29 Movement on general reserves

Income and expenditure account reserve	Consolidated 2012/13 £000	University 2012/13 £000	Consolidated 2012/13 £000	University 2011/12 £000
Opening reserve at 1st August	70,556	70,148	65,178	64,641
Surplus before transfer from revaluation reserve	3,104	2,765	321	450
Transfer from endowment funds	157	157	-	-
Revaluation gain in joint venture	330	-	-	-
Depreciation on revalued assets	486	486	500	500
Disposals and impairments of revalued assets	(1)	(1)	445	445
Transfer of pension charge on I & E to pension reserve	4,913	4,913	4,112	4,112
<b>Balance at 31 July</b>	<b>79,545</b>	<b>78,468</b>	<b>70,556</b>	<b>70,148</b>

Pension reserve	Consolidated & University 2012/13 £000	Consolidated & University 2011/12 £000
At 1 August	(88,573)	(53,790)
Actuarial (loss) /gain on pension scheme assets and liabilities	22,369	(30,671)
Deficit retained within reserves	(4,913)	(4,112)
<b>Balance at 31 July</b>	<b>(71,117)</b>	<b>(88,573)</b>

## 30 Reconciliation of consolidated operating surplus to net cash from operating activities

	2012/13 £000	2011/12 £000
Surplus on continuing operations after depreciation of assets at valuation & tax	3,104	321
Taxation	10	-
Amortisation of negative goodwill	69	-
FRS 17 pension adjustment	3,174	2,849
Depreciation	10,566	8,720
Deferred capital grants released to income	(3,935)	(2,738)
Surplus of disposal of tangible fixed assets and assets held for sale	(1,269)	(3,071)
(Increase) in stocks	(395)	(32)
Decrease in assets held for resale	330	1,500
(Increase) in debtors	(4,099)	(3,416)
(Decrease) in creditors	(2,700)	(1,500)
(Decrease) /increase in provisions	(7,153)	5,431
Joint Venture surplus	(260)	(247)
Interest payable	4,578	3,861
Interest receivable	(469)	(606)
<b>Net cash inflow from operating activities</b>	<b>1,551</b>	<b>11,072</b>

## 31 Returns on investments and servicing of finance

	2012/13 £000	2011/12 £000
Income from endowments	-	35
Other interest received	469	571
Interest paid	(1,517)	(1,262)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,048)</b>	<b>(656)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 32 Taxation

	2013 £000	2012 £000
UK corporation tax		
Taxation paid	(280)	-
<b>Taxation paid for the year</b>	<b>(280)</b>	<b>-</b>

## 33 Capital expenditure and financial investment

	2013 £000	2012 £000
Purchase of tangible fixed assets	(16,821)	(19,975)
Disposal (purchase) of investment	(148)	12
Sale of tangible fixed assets	19	4,299
Proceeds from sale of current assets	1,946	-
Deferred capital grants received	1,328	8,718
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(13,676)</b>	<b>(6,946)</b>

## 34 Financing

	2012/13 £000	2011/12 £000
Repayment of finance lease	(1,345)	(1,240)
Repayment of loans	(2,115)	(2,546)
<b>Net cash outflow from financing</b>	<b>(3,460)</b>	<b>(3,786)</b>

## 35 Analysis of changes in net debt

	At 1 August 2012 £000	Cash flows £000	Other non - cash changes £000	At 31 July 2013 £000
Cash in hand, and at bank	6,022	(2,866)	-	3,156
	6,022	(2,866)	-	3,156
Endowment asset investments	235	-	121	356
Loan debt due within 1 year	(2,830)	(132)	-	(2,962)
Loan debt due after 1 year	(48,575)	2,247	-	(46,328)
Finance leases due after one year	(19,361)	1,345	(1,354)	(19,370)
Management of Liquid Resources	55,348	(14,047)	-	41,301
<b>Net debt</b>	<b>(9,161)</b>	<b>(13,453)</b>	<b>(1,233)</b>	<b>(23,847)</b>

## 36 Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	Consolidated and University	
	2013 £000	2012 £000
Commitments contracted at 31 July	10,203	4,636
Authorised but not contracted at 31 July	7,987	16,136
<b>Total</b>	<b>18,190</b>	<b>20,772</b>

Annual commitments under non-cancellable operating leases are as follows:

	2013		2012	
	£000 Land and buildings	£000 Other	£000 Land and buildings	£000 Other
Operating leases which expire:				
Within one year	287	145	200	775
In the second to fifth years inclusive	6,934	409	303	1,361
<b>Over five years</b>	<b>2,016</b>	<b>-</b>	<b>1,280</b>	<b>-</b>
	<b>9,237</b>	<b>554</b>	<b>1,783</b>	<b>2,136</b>

Reflected in the figures above are three Plymouth University leases that were entered into in September 2013. They relate to student accommodation and the total annual commitment as at 31 July 2013 is £6.51m.

# NOTES TO THE FINANCIAL STATEMENTS

## 37 Contingent assets

The University of Plymouth has the following contingent asset: -

A deposit of £1.02m was placed, by the University of Exeter on behalf of PCMD with the Icelandic Bank Landsbanki Islands hf on 18 April 2008. The deposit was placed in line with the University of Exeter's investment policy and per the terms of the PCMD Memorandum of Agreement and was due to mature on 20 October 2008. The Universities of Plymouth and Exeter took a prudent approach and recognised that 80% of the sum would be recovered and wrote off 20% of the deposit, totalling £0.20m, in the year ended 31st July 2009.

During the year ended 31st July 2012 the investment was fully written down as part of the PCMD disaggregation. The current proposal is for the sale of the Landsbanki Islands hf deposit, through Bevan Brittan, with investors receiving 90p in the £1.00, however given that this is uncertain with regards to contract, price and timing the amount has not been recognised in the financial statements. The Universities of Plymouth and Exeter would each bear 50% of any future gain that may arise.

## 38 Contingent liabilities

The University of Plymouth has the following contingent liabilities: -

Provision of a guarantee to HSBC Bank PLC for an overdraft facility for the University of Plymouth Enterprise Limited of £75,000.

Cumulative capital grants received in relation to the University's own buildings and those owned by Tamar Science Park Limited may become repayable, in whole or in part, in the event of failure to comply with the terms attaching to them. Cumulative revenue grants received in relation to the University's own projects and those undertaken by Tamar Science Park Limited may become repayable, in whole or in part, in the event of failure to comply with the terms attaching to them.

## 39 Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being primarily drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The University has taken advantage of the exemptions under FRS 8 "Related Party Disclosure" for "100%" or "wholly" owned subsidiaries not to disclose intra-group transactions.

These financial statements reflect the following transactions with related parties, which were undertaken on an arm's length basis and under normal commercial terms:

Name	Nature of interest	Detail	2012/13		2011/12	
			Income/ (expense) £000	Amount due to/ (from) £000	Income/ (expense) £000	Amount due to/ (from) £000
Tamar Science Park Limited	Joint venture	Rental payments, consumables and consultancy fees	(114)	4	(420)	-
Moustraining Limited	Associate	HEFCE teaching grant payments	-	-	(200)	-
Marine Academy Plymouth	Associate	Recharge of administration costs and schools payments	(20)	(3)	3	2
South West England Regional Network Limited	Senior managers act as non-executive directors	IT networking	-	-	(2)	-
Theatre Royal Plymouth/ Plymouth Pavilions Ltd	Managing director acts as governor	Ticket purchase and arena hire	-	-	(25)	(3)
South West Film & Television Archive	Senior manager acts as a board member	Use of film footage	-	-	(25)	-
South Western Ambulance Service Trust	Senior manager acts as non-executive director	Ambulance Services	-	-	(33)	-
Devon Partnership NHS Trust	Governor acts as chairman	Health care	-	-	(75)	(14)
Barbican Theatre, Plymouth	Governor is on the board of trustees	External facility hire and consultancy	-	-	(2)	-
Royal Devon & Exeter NHS Foundation Trust	Governors act as Non-executive Directors	Health care	69	-	-	-
Plymouth Hospitals NHS Trust	Governors are on the Board	Health care	(656)	(594)	-	-
Plymouth Community Healthcare	Governor is the Chairman	Health care	120	(86)	-	-
IC03 Limited	Senior manager acts as a Director	Partnership	(55)	4	-	-
National Marine Aquarium	Vice Chancellor is a Trustee	Educational visits, hospitality and facility hire	(91)	4	-	-
Plymouth Albion RFC	Committee Member acts as Chairman	Sponsorship	(57)	-	-	-
The Mountbatten Park Limited	Senior manager acts as a Board member	Staff development, educational visits and facility hire	(26)	-	-	-
Universities South West	Vice chancellor is on the Strategy Board	Salary recharges	258	(56)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 40 Access funds

	2012/13 £000	2011/12 £000
Funding council grants	814	869
Disbursed to students	(814)	(869)
<b>Balance unspent as at 31 July</b>	-	-

Funding council grants are available solely for students; the university acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

## 41 Pensions

### Devon County Council Pension Fund

The University participates in the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme based on final pensionable salary and administered in accordance with LGPS regulations 2007/08 as amended. It is contracted out of the state second pension. The most recent valuation was carried out as part of the triennial actuarial valuations as at 31 March 2010, and has been updated by independent actuaries to the Devon County Council Pension Fund (the Fund) to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 July 2013. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The total contribution made for the year ended 31 July 2013 was £9.31m (2012: £8.63m), of which employer's contributions totalled £6.92m (2012: £6.20m) and employees' contributions totalled £2.39m (2012: £2.44m). Expected employer's contributions for the year beginning 1 August 2013 are £5.81m.

### The major assumptions used in this valuation were:

	31 July 2013 %pa	31 July 2012 %pa	31 July 2011 %pa
Discount rate	4.8	3.9	5.3
Rate of increase in salaries	4.8	4.0	5.0
Rate of increase in pensions	2.6	1.8	2.7
Rate of increase in deferred pensions	2.6	1.8	2.7
Rate of RPI increase	3.4	2.6	3.5
Rate of CPI increase	2.6	1.8	2.7

Long term expected rates of return on:			
Equities	6.9	6.3	7.5
Gilts	3.4	2.8	4.0
Property	5.9	5.3	6.5
Cash	0.5	0.5	3.0
Other bonds	4.3	3.9	5.3
Absolute return funds	5.0	4.7	5.0
Expected return on assets	5.9	5.2	6.5

The current mortality assumptions have been projected to allow for observed and possible future improvements in longevity.

The assumed life expectations on retirement age 65 are:

	31 July 2013	31 July 2012
<b>Retiring today</b>		
Males	20.6	20.5
Females	24.6	24.5
<b>Retiring in 20 years</b>		
Males	22.6	22.5
Females	26.5	26.4

### Sensitivity Analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with +/- 1 year age rating adjustment to the mortality assumption.

	£000	£000	£000
<b>ADJUSTMENT TO DISCOUNT RATE</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of total obligation	232,412	238,891	245,588
Projected service cost	8,691	9,048	9,417
<b>ADJUSTED TO MORTALITY AGE RATING ASSUMPTION</b>	<b>+ 1 year</b>	<b>None</b>	<b>- 1 year</b>
Present value of total obligation	230,173	238,891	247,715
Projected service cost	8,633	9,048	9,469

# NOTES TO THE FINANCIAL STATEMENTS

## Scheme assets

The return on the fund (on a bid value to bid value basis) for the year to 31 July 2013 is estimated to be 3%, however the annual return on fund assets over the year may be different. Based on the above the employer's share of the assets is approximately 5%.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	31 July 2013		31 July 2012		31 July 2011	
	£m	%	£m	%	£m	%
Equities	102.34	61	81.52	58	92.26	69
Property	13.42	8	8.43	6	8.02	6
Bonds	21.81	13	19.68	14	24.07	18
Cash	5.03	3	8.43	6	8.02	6
Absolute return funds	25.17	15	22.49	16	1.34	1
<b>Total</b>	<b>167.77</b>	<b>100</b>	<b>140.55</b>	<b>100</b>	<b>133.71</b>	<b>100</b>

In accordance with Paragraph 77(o) of FRS 17 (as revised), the assets for the current period and previous period are measured at current bid price. Asset values for periods ending 2009 and 2008 are stated at mid market value.

	31 July 2013 £m	31 July 2012 £m	31 July 2011 £m	31 July 2010 £m	31 July 2009 £m
Fair value of scheme assets	167.77	140.55	133.71	109.19	90.09
Present value of funded liability	(238.89)	(229.12)	(187.50)	(174.06)	(156.33)
<b>Net Liability of the fund</b>	<b>(71.12)</b>	<b>(88.57)</b>	<b>(53.79)</b>	<b>(64.87)</b>	<b>(66.24)</b>

The University of Plymouth employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note.

The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund as at 31 July 2013.

	2013 £m	2012 £m
<b>Actual return on assets</b>		
Expected return on scheme assets	7.33	8.82
Actuarial (loss)/gain on assets	16.14	(5.28)
Actual return on scheme assets	23.47	3.54

	2013 £m	2012 £m
<b>Analysis of the amount charged to income and expenditure account</b>		
Current service cost	9.40	8.04
Loss on curtailments and settlements	0.69	1.01
Total operating charge	10.09	9.05

	2013 £m	2012 £m
<b>Analysis of pension finance costs</b>		
Expected return on scheme assets	(7.33)	(8.82)
Interest on pension liability	9.07	10.08
Total pension finance costs	1.74	1.26

	2013 £m	2012 £m
<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>		
Actuarial (loss)/gain recognised in STRGL in the year	22.37	(30.67)
Cumulative actuarial loss recognised in STRGL at 1 August	(66.43)	(35.76)
Cumulative actuarial loss recognised in STRGL at 31 July	(44.06)	(66.43)

# NOTES TO THE FINANCIAL STATEMENTS

## Asset and liability reconciliation

### Reconciliation of liabilities

	2013 £m	2012 £m
Liabilities at start of year	229.12	187.50
Current service cost	9.40	8.04
Interest cost	9.07	10.08
Employee contributions	2.39	2.44
Actuarial losses/(gains)	(6.23)	25.39
Benefits paid	(5.55)	(5.34)
Loss on curtailments and settlements	0.69	1.01
Defined benefit liabilities at end of year	238.89	229.12

### Reconciliation of assets

	2013 £m	2012 £m
Assets at start of year	140.55	133.71
Expected return on assets	7.33	8.82
Actuarial (loss)/gain	16.14	(5.28)
Employer contributions	6.92	6.20
Employee contributions	2.39	2.44
Estimated benefits paid (net of transfers in)	(5.55)	(5.34)
Fair value of scheme assets at end of year	167.78	140.55

### History of experience gains and losses

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience (losses)/gains on Scheme liabilities	6.23	(25.39)	5.05	12.38	(0.24)
Experience (losses)/gains on Scheme assets	16.14	(5.28)	4.87	8.47	(13.35)

## National Health Service Pension Scheme (NHS)

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

### Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### Scheme provisions

In 2008-09 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

### Annual Pensions

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

A lump sum is payable on retirement which is normally three times the annual pension payment.

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

# NOTES TO THE FINANCIAL STATEMENTS

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

The pensions charge recorded by the university during the accounting year was equal to the contributions payable of £0.39m (2012:£0.43m). The contribution rate payable by the institution was 14% of pensionable salaries (2012: 14%).

## Universities' Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (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 fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee 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 trustee, acting on actuarial advice.

The latest triennial 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 the funding level at 31 March 2013 are also included in this note.

### Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["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 a 1.25% pa long term rate were also adopted.

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 (ie 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 CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate 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 historic 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.

### The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. 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 (ie 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 a 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 on-going 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 assumption 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 fully 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 Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

### New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

### Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

### Flexible Retirement

Flexible retirement options were introduced.

### Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

### Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, 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% then 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 sighted 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% per annum 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 historic gilts basis at that date was approximately 55%.

# NOTES TO THE FINANCIAL STATEMENTS

Surpluses or deficits which arise at future valuations may impact on the institution'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 the 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 long-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 long-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 trustee receives 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.

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 trustee believes 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 trustee is 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 trustee is 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 institution had 87 active members participating in the scheme (2012:55).

The total pension cost for the institution was £0.54m (2012:£0.45m). The contribution rate payable by the institution was 16% of pensionable salaries.

## Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Department for Education (DfE) and is governed by statutory regulations. The current regulations are the Teachers' Pensions Regulations. Membership of the scheme is voluntary and is open to members of the teaching profession in England and Wales who satisfy the membership criteria. Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the DfE.

From 1 April 2012 to 31 March 2013, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

An actuary valuation has not taken place since 2004 due to the TPS consultation and proposed reform effective from 1 April 2015.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£162,650m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

From 1 January 2007 the employer contribution rate was 14.1%. The pensions charge recorded by the University during the accounting year was equal to the contributions payable of £6.03m (2012: £5.76m).

# NOTES TO THE FINANCIAL STATEMENTS

## 42 Peninsula College of Medicine and Dentistry

The Peninsula College of Medicine and Dentistry (PCMD) was a joint arrangement entered into by the University of Exeter and the University of Plymouth. On 20 July 2012 an agreement was signed: for the disaggregation of PCMD with effect from 1 August 2012; for transitional arrangements for existing PCMD staff and students; and for the establishment by the Universities of the Plymouth University Peninsula Schools of Medicine and Dentistry and the University of Exeter Medical School.

Existing medical students of PCMD continue to be jointly taught by the two Universities throughout the duration of their studies until their graduation. There are remaining legacy Income, Expenditure and Balance Sheet items involved in these jointly taught students. A 50% share of these items is included within the Income and Expenditure Account and Balance Sheet of each of the Universities as summarised below.

		Consolidated 2013 £000
<b>Income and expenditure account</b>		
Income		8,180
Expenditure		(10,111)
Deficit before tax		(1,931)
<b>Balance sheet</b>		
Current assets	6,418	
		6,418
Creditors: amounts due within one year	(8,349)	
		(8,349)
<b>Share of net assets</b>		<b>(1,931)</b>



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