

Harper
Adams



UNIVERSITY COLLEGE

Harper Adams University College

Annual Report and Financial Statements **2007/2008**



2007/2008



Contents

02	Chief Executive's Report
04	Operating and Financial Review
07	Report of the Governors and Statement of Corporate Governance
11	Report of the Independent Auditor
12	Statement of Accounting Policies
15	Income and Expenditure Account
16	Statement of Total Recognised Gains and Losses
16	Statement of Historical Cost Surpluses and Deficits
17	Balance Sheet
18	Cash Flow Statement
19	Notes to the Financial Statements
32	Five Year Summary Accounts
33	Glossary of Terms

Chief Executive's Report

Our report for the financial year 2007/08 amplifies some key achievements within the continuous and very successful development of Harper Adams University College. We are proud of our many achievements which reflects very positively on the quality and contribution of an excellent team of staff supported by a high quality resource base.

Students' Satisfaction and Success

Our strong position both in our national and financial profile provides a strong base on which to develop further, embark on new initiatives and be responsive to some of the challenges that lie ahead. At the heart of the Institution are our students and staff and the partnership forged between them. Our commitment remains to invest in high quality resources and staff to support our specialist mission. Our continued ranking as top in teaching quality in the Higher Education sector as a whole is a testimony to that commitment.

The National Student Satisfaction Survey 2008 continues to highlight our achievements in providing a quality learning experience for students. We lie 4th in the league table for the most satisfied students.

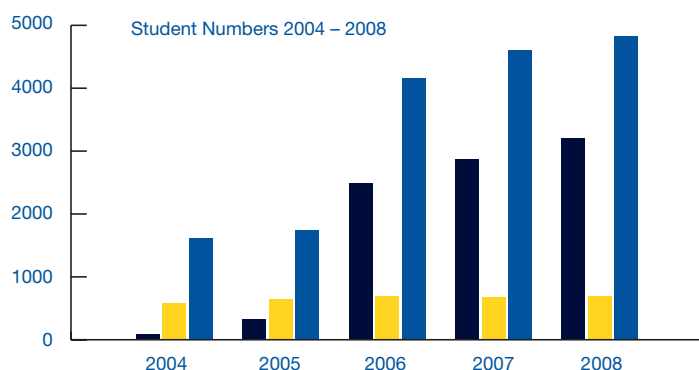
In the Sunday Times University Guide 2008 we were again rated the *Best University College*, and were top for employability of graduates and the second most highly recommended University from a headmasters' survey.

These outcomes reflect a strong partnership between the University College, the industry and professions, together with our students. We thank everyone who contribute to and share our success story.

Employer Engagement and Widening Participation

We have continued to develop our commitment to increasing the higher level skills and capabilities of those already in work in our sector. We acknowledge the committed support of the Higher Education Funding Council for England (HEFCE) in this initiative and in particular in awarding us funding to develop the Rural Employer Engagement Development Network (REEDNET). This will attract Strategic Development Funding over the next three years and involve several partner institutions in the delivery of 450 FTE employer co-funded students over the next three years.

Concurrent with this was a successful bid for capital funding for the Rural Employer Engagement Student Experience Project (REESEP) which will provide bespoke learning support services accommodation at the heart of the campus. This will also support our work on widening participation and retention of students. HEFCE have awarded us an additional 100 FTE students for the coming year rising to 420 FTE over the subsequent two years. Again we look forward to the collaboration with fellow institutions in extending this programme.



■ Part Time (2008 Estimate)
 ■ 1st Years Full Time
 ■ All Years Full Time & Part Time (2008 Estimate)

Research and Reach Out

Our academic reputation continues to be enhanced by an active research programme, notwithstanding the commercial pressure of securing external funding to support this work. We have been engaged in preparing our submission for the Research Assessment Exercise (RAE) 2008 and eagerly await the outcome in December 2008.

Our research and reachout activities are being embedded under three key themes embracing sustainable agriculture, food systems and rural and social enterprise.

One of our flagship projects, Women in Rural Enterprise (WiRE), continues to support the West Midlands for the Regional Women's Enterprise Unit, which is aimed at driving up the number of women entrepreneurs in the urban as well as the rural sectors.

Relationships and Collaboration

Our links with Reaseheath College and Askham Bryan College continue to prosper. In 2008-09 we will be building on these collaborations and also working closely with the Royal Agricultural College in delivery of the REEDNET programme.

The student numbers have continued to grow as predicted through our international links with Beijing University of Agriculture.

Exceptional Funding

As a result of the review of the funding methodology for 2008-09 we received a Targeted Allocation which was placed outside the core funding methodology. During the last few months this has been the subject of a further review as Exceptional Funding and extensive consultation is taking place currently. This discussion is set against a background that the Land Based Subject Review did confirm that our sector is strategically important.

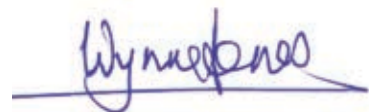
The Future

We look forward to an exciting future. Our plans include an ambitious £10 million capital programme. This programme includes a new West Midlands Regional Food Academy, a new Post Graduate Centre, a new Student Services and Support Centre and the completion of a new 400 cow Dairy Unit.

We re-state our intention to continue to focus on supporting the rural economy at a time when land use and food production continues to experience unprecedented change. The recent volatility of markets for fuel, land and food is testament to our importance as a centre delivering a strategically important subject. It remains our mission to continue to develop and deliver initiatives that best support the sector including those individuals and businesses whose lives and livelihood depend upon meeting those challenges.

Our Five Year Forecast reflects our optimism in the face of these challenges. However the major risk to any Institution within this sector is the potential changes arising out of the teaching funding review including the revisiting of the tuition fee charging policy from Government being conducted by HEFCE.

I would like to report my thanks to students, staff, and the Board of Governors.



Professor Wynne Jones
Principal

21 November 2008

Operating and Financial Review

Introduction

Following the Statement of Recommended Practice, the operating and financial review seeks to provide an overview of the institution's finances and operations.

The University College continually reviews its Financial Strategy and in times of such major economic change this has never been more relevant. Our four underpinning themes remain:

- Long term financial viability
- Investment in productive resources
- Efficiency and value for money
- Integration of the University College strategies with financial issues

A major task, identified in our previous financial plan, has been the continuous investment into staff and resources. In the lead up to 2008-09 we have managed the University College's finances, judicious borrowings and successful funding bids to provide the means to meet an exciting and challenging capital programme which sits behind the expansion of student numbers and to meet the future requirements of the range of students here at Harper Adams.

Overall the University College results for 2007-08 show a strengthening financial position to add to the positive reports of previous years. The surplus position has increased year on year and the balance sheet has increased in terms of the fixed assets and net current assets.

Major developments during the financial year

Underpinning the financial performance in 2007-08 has been the strong continued student growth. First year student intake was 468 in line with target recruitment numbers. This took our undergraduate numbers to our funding target numbers of 1400 FTE. Overseas student target numbers were also met and we continue to enjoy a strong relationship with China.

Short course numbers expanded considerably with income increasing from £300k to £715k (+138%) year on year.

The University College has been successful in two major bids for employer engagement and widening participation. The Rural Employer Engagement Development Network (REEDNET is a joint initiative with the Royal Agricultural College and Landex partners) and Rural Employer Engagement Student Experience Project (REESEP) has attracted £4,054,806 recurrent grant over three years and a capital grant of £1,439,750 together with a loan repayable over 10 year of £1,439,750. Over the three years our target is to attract an additional 450 FTEs.

The University College has also been successful in a bid for the Rural Outreach and Student Experience (ROSE) submission to attract 420 additional students over the coming three years.

We have also received confirmation post the balance sheet date that we have been successful in a joint initiative with the Regional Development Agency to secure the West Midlands Regional Food Academy (WMRFA). This will attract both capital and revenue support over the coming years.

Student satisfaction, graduates in employment and teaching quality surveys continue to support the excellent results achieved by the University College. The major investment (£2.3m) in the New Dairy Unit development commenced during the year and will be completed by mid 2008-09. Linked closely to the virtual farm development this is an essential part of our academic and research provision in land based subjects.

Summary Year End Position:

Trading Position

The income and expenditure account for the twelve months to 31 July 2008 shows an operating surplus before tax of £1,220,000 (2006-07, £747,000). As a percentage of total income this is an increase to 4.5% (2006-07, 3.4%) and approaches our financial target of 5%.

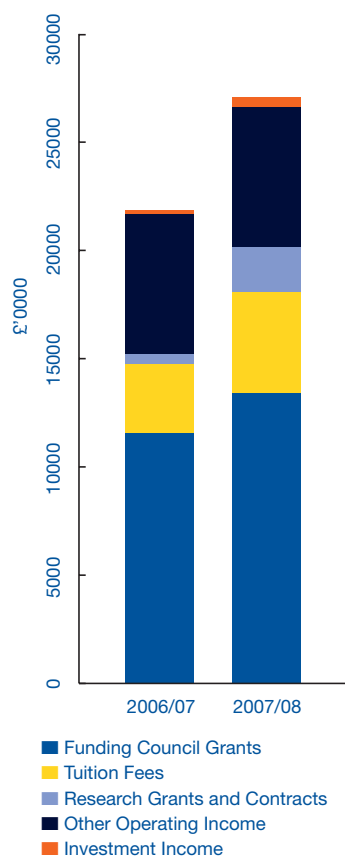
Income

Total income grew from £21,992,000 to £26,969,000 an increase of 23%. The continued strong growth in student numbers ensured that the University College achieved the student number target set by HEFCE.

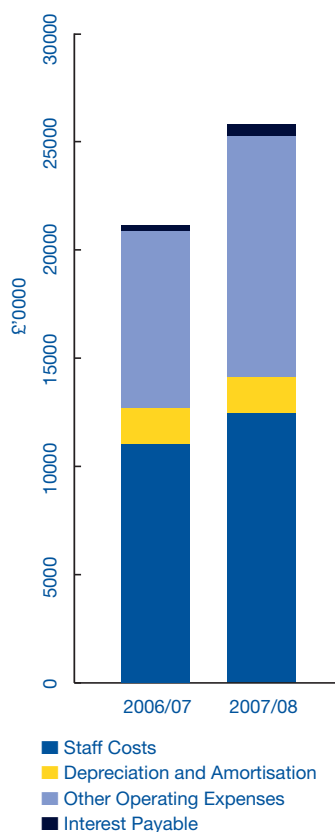
HEFCE grants fell to 49.1% of total income (2006-07 52.5%). Whilst fee income rose by 55% from £3,213,000 to £4,999,000 reflecting the increased numbers, differential tuition fees and the second year of students on our joint degree course with the Beijing University of Agriculture.

Research grants and contracts have seen a steep rise in year which is due in part to the classification of research consultancy to research and more fairly reflects the research base of the Institution.

Income Comparison 2006/07 & 2007/08



Expenditure Comparison 2006/07 & 2007/08



Expenditure

Whereas total income grew by 23%, expenditure in 2007-08 has increased by 21% from £21,245,000 to £25,749,000. Pay costs represent the largest single element at 49% (£12,529,000) compared with 50% (£11,027,000) in 2006-07.

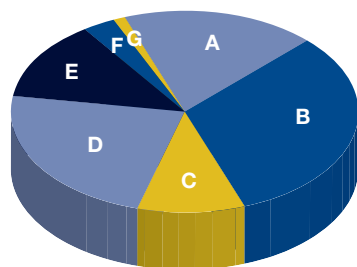
Other Operating Expenses increased by £3,032,000 (37%) year on year and included increased expenditure on administrative support across academic and support services in employer engagement and joint courses, specific long term maintenance increase of £684k, research and the farm in support of academic activity.

Balance Sheet

During 2007-08 the College invested in capital assets to the value of £2,924,000 (prior year £2,774,000). This takes the total value of capital investment over the past six years to £21,160,000.

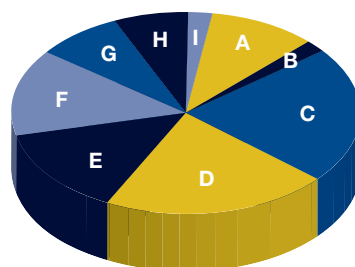
As at 31 July 2008 the College General Reserve has decreased to £10,545,000 from £11,896,000 after taking account of the pension's deficit of £6,372,000 (2006-07 £3,306,000) in accordance with FRS17.

Sources of Other Operating Income 2007/08



A. Other	18%
B. Catering & Residence	32%
C. Conference / Short Course Accommodation	10%
D. Farm	23%
E. Non Funding Council Grants	13%
F. Validation Fees	3%
G. Consultancy	1%

Analysis of Other Operating Expenses 2007/08



A. Research & Other	10%
B. Employer Engagement	2%
C. Academic	22%
D. Administration & Central	21%
E. Premises	14%
F. Farm & Pig Unit	14%
G. Catering & Residences	8%
H. WIRE	7%
I. NRKE & Business Clubs	2%

However a major goal has been to build the University College cash reserves to support the planned investment programme in the financial forecast for 2008-09 and 2009-10. The combination of the successful bids attracting strategic development funds together with a matching contribution from the University College's own reserves represents a significant achievement.

The University College's Treasury Management Policy sets investment limits, rating requirements and an approved list of financial institutions in which investments can be placed.

Exceptional Items and FRS17

There were no exceptional items in year.

A major impact on this year's accounts has resulted from the FRS17 Actuarial Report (Mercers) for the Local Government Pension Scheme and detailed in the attached notes to the Accounts. The shift in assumptions has led to a restatement of the scheme liabilities to £6,372,000. This is causing concern across the sector and Harper Adams is no different. The increase in deficit in this year's accounts of £3m is primarily as a result of the change in the actuarial assumptions on inflation which was increased from 3.2% to 3.8%. At the same time the discount factor increased from 5.8% to 5.9%. The underlying asset value of the scheme has remained fairly constant year on year.

We are aware that other valuations within the sector have used a higher discount rate. We are advised by Mercers that a discount rate of 6.6% would reduce the deficit by £2.2m and indicates the sensitivity of the assumptions. The University College has not sought to change the original assumptions made by the Actuary.

The Financial Future

Following the Land Based Funding Review, the Leitch Review of Skills, the review of Science and Innovation Policies by Lord Sainsbury, we have also faced changes in funding methodology. This has created a measure of risk and uncertainty in our financial and academic planning.

This uncertainty continues with the current review of the exceptional funding and the recent decision that land based students currently in Strategically Important and Vulnerable Subjects (SIVs) will no longer be classified as such. Whilst the funding for students in SIVs will be ring fenced until 2010-11, it represents a further threat to our financial position and our ability to continue to support the specific needs of Land Based Subjects. An adverse outcome could influence our ability to maintain the extremely high level of teaching quality and student satisfaction that the institution has worked so hard to deliver. The combined risk is over £2m. In managing the exposure, the Institution will continue to take part in the consultation and constantly monitor the exposure.

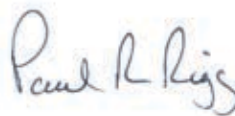
A second major risk to all institutions is the exposure to pay inflation and potential pensions pressures. Harper Adams is well placed with staff costs falling as a relative low percentage of its overall income.

A third challenge for Harper Adams is the future uncertainty created by specific funding initiatives as they come to the end of their funding period. By 2011-12 some £1.5m of funding will cease. Harper Adams will continue to respond to appropriate initiatives to compensate for these programme ends.

However, where we have been extremely successful in generating additional students through these initiatives and with attracting new funding, there is no guarantee that this will continue.

At the heart of our success is the focus on teaching quality (ranked number one in the HE sector for our second year of being included by the Sunday Times Review). Our financial plan recognises the need to invest in staff and in capital to deliver on a range of initiatives. Our success in generating extra capital funding and careful management of our own resources will enable us to invest in excess of £12 million over the next 2 years and expand our core teaching provision.

Harper Adams remains committed to the delivery of excellence in land based higher education.



Paul R Rigg
Director of Finance

21 November 2008

Report of the Governors and Statement of Corporate Governance

The Governors have pleasure in presenting their report and financial statements for the year ended 31 July 2008.

The University College is a registered charity number 528384.

The Principal Activity of the University College is the provision of higher education in agriculture and land-based subjects and includes a commercial farming operation of 277 hectares with 11 hectares of managed woodland.

The University College's Mission is to provide 'Higher education for the delivery of a sustainable food chain and rural economy'. The essential strategic aims necessary to fulfil this mission are identified in the University College's Corporate Plan. The financial statements should be read in the context of a continuous endeavour to secure these aims.

Statement of Responsibilities

In accordance with the University College's Instrument and Articles of Government the Board of Governors is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University College and to enable it to ensure that the financial statements are prepared in accordance with the Articles of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University College, the Board, through its designated office holder, the Chief Executive, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has to ensure that:

- a) Suitable accounting policies are selected and applied consistently
- b) Judgements and estimates are made that are reasonable and prudent
- c) Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- d) Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University College will continue in operation.

The Board of Governors has taken reasonable steps to:

- a) Ensure that funds from the Higher Education Funding Council for England 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 Council may from time to time prescribe
- b) Ensure that there has been proper accountability for the funds provided by the Learning and Skills Council
- c) Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- d) Safeguard the assets of the University College and to prevent and detect fraud
- e) Secure the economical, efficient and effective management of the University College's resources and expenditure.

Higher and Further Education Grant Funding

Funding for the University College's higher education students is provided by the Higher Education Funding Council for England (HEFCE) and by tuition fee income. The Funding Council's main function is to administer grant provided by the Secretary of State for Innovation, Universities and Skills, to fund education, research and associated activities throughout the higher education sector. The Council also funds prescribed courses of higher education at further education colleges.

Funding for the University College's further education students taking the University Access course is provided by the Learning and Skills Council.

Valuation of Freehold Property

A valuation of the freehold property was carried out on 31st July 1994 by James & Lister Lea, Chartered Surveyors, who have given permission to quote from the valuation certificate, which was provided with their valuation report, as follows:

'We assess the aggregate of the Open Market Capital values for Existing Use and (where appropriate) Depreciated Replacement Cost Values of the freehold properties described in the attached report with vacant possession at 31st July 1994 in the total sum of £13,380,400'

Open market capital values were applied to the University College Farm, the Woodland and all dwelling houses. Depreciated replacement cost values have been used for all other properties. The permission to quote from the certificate and to refer to the valuation has not been withdrawn at the date of these Financial Statements.

Auditors

Grant Thornton UK LLP ('Grant Thornton') were the appointed auditors for the financial year 2007/08.

Corporate Governance Statement

General Principles

The University College is committed to exhibiting best practice in all aspects of corporate governance. This section describes the manner in which the University College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003 and related higher education sector guidance. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University College is a charitable unincorporated body regulated by a Scheme of the Charity Commissioners in 1988 and established as a higher education institution under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its latest objects, powers and framework of governance are set out in the instrument and articles of government approved by the Privy Council in 2001.

The University College endeavours to conduct its business in accordance with accepted standards of behaviour in public life which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership, in accordance with the framework provided by the Committee of University Chairmen (CUC) in its Guide for Members of HE Governing Bodies in the UK. In particular, the Governing Body has regard to the Governance Code of Practice contained in the CUC Guide.

The Governing Body and Academic Board

The articles require the University College to have a governing body and an academic board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

- a) The Board of Governors is the executive governing body, responsible for matters including the

finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction. The governing body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and students. No members of the governing body receive any reimbursement for the work they do for that body. The Governors are the Trustees of the University College.

- b) Subject to the overall responsibility of the governing body, the Academic Board has oversight of the academic affairs of the institution and draws its membership largely from the staff and the students of the institution. It is particularly concerned with general issues relating to the learning and teaching, research and third-stream work of the institution. The Academic Board reports to the Board of Governors.

The Board of Governors has adopted a statement of primary responsibilities in which the major activities it covers are described in further detail. The Board of Governors has also established key performance indicators with which it monitors the performance of the University College.

In respect of its strategic responsibilities, the Board of Governors receives recommendations and advice from the Academic Board and its committees, the University College Executive and joint meetings, where required, of the University College Executive and members of the Board. The Board of Governors considers the development of strategic and annual plans and monitors, amongst other items, compliance with the University College's Instrument and Articles of Government, the conduct of financial management, personnel management,

academic and student related developments, the management of major estate developments and risk management. The Board has assumed direct responsibility for oversight of a number of key risks identified in the University College's Risk Analysis and Action Plan. Regular reports on developments of note, including liaison with external agencies, are presented to the Board by the University College Principal and other senior managers.

The Board of Governors has established a Governance Review Group that has conducted a number of assessments of the Board's performance and related governance issues in the period 1999-2008. The last of these was considered by the Board at its meeting in April 2008. Amongst other items the review covered legislative developments, the use of key performance indicators, the timing of future effectiveness reviews, governor training and development and procedures for the appointment of senior University College staff.

In accordance with the articles of government, the University College's Director of Corporate Affairs has been appointed as clerk to the governing body. In that capacity, he provides independent advice on matters of governance to all members of the governing body. The Academic Registrar acts as secretary to the Academic Board.

The University College maintains a register of interests of members of the governing body and senior officers which may be consulted by arrangement with the Clerk to the Governors. No conflicts of interest have been identified in a review of returns for the current year.

The Principal/Chief Executive Officer

The Principal and Chief Executive Officer is the head of the University College and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of the formal financial

memorandum between the University College and the Higher Education Funding Council for England, the head of the institution is the accounting officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive, the Principal and Chief Executive Officer exercises considerable influence upon the development of institutional strategy and the identification and planning of new developments. Other senior academic and administrative officers contribute in various ways to these activities, but the ultimate responsibility for what is done rests with the governing body.

Governing Body Committees

The Board of Governors and its committees are formally constituted with terms of reference and delegated powers. Although the governing body meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the audit and risk management committee, finance and general purposes committee, staffing committee, nominations committee and remuneration committee. The decisions of these committees are formally reported to the governing body.

A significant proportion of the membership of these committees consists of independent and co-opted members of the governing body. Co-opted student and staff members may also be eligible to serve on some of these committees, subject to the provisions of the articles. The chairs are normally selected from the co-opted and independent members. No one Governor is a member of the Audit & Risk Management, Nominations and Remuneration committees.

The Audit & Risk Management Committee meets three times a year, with the University College's external and internal auditors in attendance. The committee considers detailed reports together with recommendations for the improvement of the University College's systems of internal control,

including the safeguarding of assets and prevention and detection of fraud, and management responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University College's audited risk management activities and monitors adherence to regulatory requirements. The Committee consists of lay members. Whilst senior University College officers attend meetings of the Audit & Risk Management Committee, as required, they are not members of the Committee. Once a year the lay members of the Committee meet with the Internal Auditors and then the External Auditors for independent discussions.

The Finance and General Purposes Committee meets four times a year. Amongst other items it recommends to the Board of Governors the University College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee is responsible on behalf of the Board of Governors, for ensuring that proper accounting records are maintained and that the University College complies with the higher education accounting Statement of Recommended Practice (SORP) and the Funding Council's Financial Memorandum. The committee oversees the preparation of financial statements.

The Staffing Committee meets three times a year and oversees the development and implementation of the University College's HR Strategy, staffing policies, equality and diversity arrangements and staff training and development.

The Nominations Committee considers nominations for vacancies in the Board of Governors' membership in accordance with the University College's Instrument and Articles of Government. The Committee has a majority of lay members, consisting of the Chairman, Vice Chairman, a further lay governor and the University College Principal. The Nominations Committee considers skills, professional background and experience,

geographical distribution and the promotion of diversity in its succession planning and governor recruitment and appointment processes. A Governor role statement and background information on the University College is sent to those interested in serving on the Board to ensure that new Governors are aware of the range of responsibilities attached to University College governorship. Newly appointed Governors attend an induction session each October. Governors also attend development sessions on a range of topics during the course of their appointment, including those offered by the Leadership Foundation for Higher Education. Before re-appointment, Governors who are at the end of their first term of office are evaluated by the Nominations Committee on the contribution they have made to the Board's work. In normal circumstances Governors retire at the end of a second term of office, although the Nominations Committee will consider individual cases for an extension of appointment.

The Remuneration Committee determines the remuneration of the most senior staff, including the University College Principal.

CUC Code of Governance Practice

The University College has complied in full with the CUC Code of Governance Practice in the year ended 31 July 2008. This included the publication on the University College's website of a statement of institutional monitoring for the 2006/07 financial year.

Statement on Internal Controls

The University College's Board of Governors is responsible for the University College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body monitors the effectiveness of the process and its relationship to the University College's objectives. It does this in a number of ways. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms that are embedded within operational units.

The senior management team and the Audit & Risk Management Committee also receive regular reports from internal audit exercises, which include recommendations for improvement and which are risk-based. The Audit & Risk Management Committee's role in this area is confined to a high level review of the arrangements for internal financial and operational systems control, value for money and overall effectiveness. Each of these areas is also covered in terms of the University College's Risk Analysis and Action Plan. The Board of Governors' agenda includes regular items for consideration of risk and control and it receives reports thereon from senior managers and sub-committees of the Board of Governors and the Academic Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2007 meeting, the Board of Governors carried out the annual assessment of the Audit & Risk Management Committee's activities for the year ended 31 July 2007 by considering documentation from the Committee, internal and external audit annual reports, and by taking account of events related to the Risk Analysis and Action Plan since 1 August 2007.

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University College's significant risks that has been in place for the period from the beginning of January 2000 up to the date of approval of the annual report and accounts. This process accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education. Various aspects of

the University College's compliance with the internal control guidance have been assessed annually by its internal auditors since December 2002 so as to ensure that the University College's systems and procedures continue to be satisfactory. The last review took place in May 2008.

Employees

The University College is committed to providing equality of opportunity in all areas of its operation. The University College has continued to review its activities against the requirements of the relevant race relations, disabilities and gender legislation. In the last year the University College has completed the development of a new Gender Equality Scheme and continued its programme of training on issues of equality and diversity. It is also University College policy to achieve and maintain high standards of health and safety by all practicable means. The Health & Safety Committee, comprising staff representatives, oversees a full programme of work in this area, including legislative developments and an audit programme.

Changes in Membership of the Board of Governors

Miss Helen Plant became the new Students' Union President and replaced Miss Suzanne Bryan as the student member of the Board on 1 August 2008. Mr Vincent Hedley-Lewis, Mr Anthony Morris-Eyton and Mr Hugh Richards retired from the Board on 13 July 2007. The Lord Stafford retired as Chairman on 23 November 2007. Regrettably, Mr Michael Davis Bingham passed away in December 2007. Mr Peter Dean retired from the Board on 25 January 2008. Mr Paul Pritchard retired from the Board on 11 July 2008. Mrs Meryl Ward and Mr Mark Hill joined the Board 23 November 2007. At its meeting in November 2007 the Board elected Mrs Alison Blackburn as Chairman and Mr Roger Mercer as Vice Chairman.

Board of Governors during 2007/08

Mrs A M Blackburn *Chairman*
 R M Mercer *Vice Chairman*
 The Lord Stafford DL
(to 23 November 2007)
 Mrs F Beatty
 Miss S Bryan
 Professor A H Cobb
 Lady Cossons DL
 M Davis-Bingham
(to 17 December 2007)
 P D Dean *(to 25 January 2008)*
 Professor A M Dugdale
 R Early
 C Gurney
 R Hartley
 Dr C Hickey
 M Hill *(from 23 November 2007)*
 Mrs N Hunter
 Professor E W Jones
 M Lewis
 P M Pritchard
 Professor B J Revell
 B Udale
 Mrs M Ward *(from 23 November 2007)*

Clerk to the Governors

D G Llewellyn
 For and on behalf of the
 Board of Governors



D Llewellyn
Clerk to the Governors

21 November 2008

Report of the Independent Auditor to the Board of Governors of Harper Adams University College

We have audited the financial statements (the 'financial statements') of Harper Adams University College for the year ended 31 July 2008 which comprise income and expenditure account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes on pages 19 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body, in accordance with paragraph 3.1.3 of the University College's articles of government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the governing body 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 of governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University College's Board of Governors and auditors

The governing body's responsibilities for preparing the financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding councils,

grants and income for specific purposes and from other restricted funds administered by the University College have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England and the Learning and Skills Council. We also report to you whether in our opinion the Chief Executive's Report, the Operating and Financial Review and the Report of the Governors is not consistent with the financial statements, if the University College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Chief Executive's Report, the Operating and Financial Review and the Report of the Governors and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Basis of opinion

We have conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in preparing the financial statements and whether the accounting policies are appropriate to the University College's

circumstances, consistently applied and adequately disclosed.

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University college as at 31 July 2008 and of the University College's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.
- in all material respects, income from the funding council and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University College during the year ended 31 July 2008 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University College's statutes and, where appropriate, with the financial memorandum with the funding council and the funding agreement with the Learning and Skills Council.

Grant Thornton UK LLP

**Grant Thornton UK LLP, Registered
Auditors, Chartered Accountants,
Birmingham** 21 November 2008

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP); and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the University College are included as expenditure in note 6.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Losses on projects are taken into account as soon as they are foreseen.

Leases

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

Pension schemes

Retirement benefits to employees of the University College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 29, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the 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 increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value

of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible fixed assets

Tangible fixed assets are recorded at cost or valuation less depreciation. Depreciation is charged on all tangible fixed assets except freehold land at rates calculated to write off the cost or revalued amount of the asset on a straight line basis over its effective life. The following rates are normally applied:

Freehold buildings	2%
Farm buildings	5%
Plant and equipment	10%
Computers and some items of scientific equipment	25%
Motor vehicles	25%

The University College has approved that equipment costing less than £5,000 per individual item is written off in the year of acquisition, previously £1,000. All other equipment is capitalised.

Capital grants received are recorded as deferred capital grants and released to the income and expenditure account over the expected useful life of the assets to which they relate.

Intangible fixed assets

Milk Quota is recorded at cost and amortised over a three year period.

Investments

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

Stocks

Commercial farming stocks (excluding poultry, pigs and sheep) are independently valued by Messrs. Davies, White and Perry of Newport, Shropshire at cost for growing crops, feedstuffs, sprays and fertilizers, and at a discounted market value at the year end for the livestock. Other livestock is valued by the University College on a sliding scale dependent on age for poultry and discounted market value for pigs and sheep.

Other stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Provision for Doubtful Debts

The University College's provision for doubtful debts is maintained at a level of 100% of debts which have been outstanding for more than three months.

Provisions

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

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Consolidation

The financial statements of Harper Adams Students' Union are not consolidated into the financial statements of the University College, as the University College has no control or significant influence over policy decisions of the Students' Union. In addition the University College's wholly owned subsidiary 'Harper Adams (Enterprises) Limited' has been dormant since incorporation and does not therefore have results to consolidate. As such the accounts present information about the University College as an individual entity.

Taxation status

The main activity of the University College is the provision of educational services and these are exempt by statute from any liability to pay corporation tax under the provision of the Income and Corporation Taxes Act 1988 (ICTA). Those other activities which satisfy the conditions of clause 505(e)(i) of the ICTA are also exempt.

Liquid Resources

Liquid resources comprise government securities and short term deposits with recognised banks and building societies.



Income and Expenditure Account for the Year to 31 July 2008

	Notes	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Income			
Funding Council Grants	1	13,237	11,544
Tuition Fees	2	4,999	3,213
Research Grants and Contracts	3	1,797	436
Other Operating Income	4	6,602	6,586
Investment Income	4a	334	213
Total Income		26,969	21,992
Expenditure			
Staff Costs	5	12,529	11,027
Depreciation and Amortisation	10	1,590	1,674
Other Operating Expenses	6	11,165	8,133
Interest Payable	7	465	411
Total Expenditure		25,749	21,245
Surplus on continuing operations after depreciation of fixed assets but before taxation		1,220	747
Taxation	8	-	-
Surplus on continuing operations after depreciation of fixed assets and taxation	18	1,220	747

The Income and Expenditure Account is in respect of continuing activities.

Statement of Total Recognised Gains and Losses

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation	1,220	747
Actual return less expected return on pension scheme assets	(1,239)	350
Experience gains and losses arising on scheme liabilities	-	-
Changes on assumptions underlying the present value of scheme liabilities	(1,331)	40
Total recognised (losses)/gains since last report	(1,350)	1,137

Reconciliation

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Opening Reserves	11,915	10,778
Adjustment re pension	(11)	-
Total recognised (losses)/gains for the year	(1,350)	1,137
Closing Reserves	10,554	11,915


Statement of Historical Cost Surpluses and Deficits

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Surplus on continuing operations before and after taxation	1,220	747
Difference between historical cost depreciation and the actual charge for the period	10	10
Historical Cost Surplus for the year before and after taxation	1,230	757

Balance Sheet as at 31 July 2008

	Notes	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	24,261	22,927
Investments	11	124	180
		24,385	23,107
Current assets			
Stocks	12	849	517
Debtors	13	1,218	1,214
Investments		-	-
Cash at bank and in hand		7,039	4,030
		9,106	5,761
Creditors - amounts falling due within one year	14	(4,269)	(3,487)
Net Current Assets		4,837	2,274
Total Assets less Current Liabilities		29,222	25,381
Creditors – amounts falling due after more than one year	14	(6,246)	(5,098)
Provisions for Liabilities and Charges	15	(49)	(49)
		22,927	20,234
Net Pension Liability	29	(6,372)	(3,306)
TOTAL NET ASSETS		16,555	16,928
Deferred Capital Grants	16	6,001	5,013
Reserves			
Revaluation Reserve	17	9	19
General Reserve	18	10,545	11,896
Total Reserves		10,554	11,915
TOTAL FUNDS		16,555	16,928

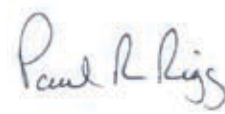
The financial statements on pages 12 to 31 were approved by the Board of Governors on 21 November 2008 and signed on its behalf by



Chairman



Chief Executive



Director of Finance

Cash Flow Statement for the Year to 31 July 2008

	Notes	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Net cash inflow from operating activities	21	3,242	2,855
Returns on investments and servicing of finance	22	1	(85)
Capital expenditure and financial investment	23	(1,434)	(2,416)
Management of liquid resources	24a	-	250
Financing	24	1,200	(189)
Increase in cash in the period		3,009	415

Reconciliation of Net Cashflow to Movement in Net Funds

	Notes	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Increase in cash in the period		3,009	415
Net cash (inflow)/outflow from financing	24	(1,200)	189
Movement in net funds in the year		1,809	604
Net Funds at 1 August		(1,268)	(1,872)
Net funds at 31 July	25	541	(1,268)

Notes to the Financial Statements for the Year to 31 July 2008

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
1. Funding Council Grants		
Recurrent Grant (HEFCE)	9,964	9,372
HEFCE Grant (co-funded employer engagement ¹)	1,165	-
CETL Grant (HEFCE)	150	250
HEIF Funding (HEFCE)	943	996
Teaching Quality Enhancement Fund (HEFCE)	83	63
Summer Schools (HEFCE)	(4)	33
Release of Capital Grant (HEFCE)	502	265
Miscellaneous (HEFCE)	116	40
Rewarding and Developing Staff (HEFCE)	105	272
Recurrent Grant (Learning & Skills Council)	213	253
	13,237	11,544
¹ This is funding for tuition delivered in conjunction with employers		
2. Tuition Fees	£'000	£'000
Full Time Students – Home	2,846	2,052
Full Time Students – EU	60	80
Full Time Students charged Overseas Fees	727	549
Part Time Fees	214	209
Short Course Fees	715	300
Other Fees	437	23
	4,999	3,213
3. Research Grants and Contracts	£'000	£'000
Research Grants and Contracts	1,797	436
4. Other Operating Income	£'000	£'000
Catering and Residence ¹	2,132	1,704
Conferences and Short Course Accommodation	632	453
Farm	1,491	1,288
Non Funding Council Grant Income	834	1,196
Validation Fees	197	177
Consultancy	99	879
Other Income	1,217	889
	6,602	6,586
¹ In 2006-07 a proportion of catering sales income (£201,199) was reported under Other Income instead of Catering and Residence income (which is where it is reported in 2007-08).		
4a. Investment Income	£'000	£'000
Bank Interest	332	208
Other Investment Income	2	5
	334	213

The average weekly number of persons employed by the University College during the year, expressed as full- time equivalents, was:

	Year to 31 July 2008	Year to 31 July 2007
5. Staff Costs	No.	No.
Teaching Departments	92	88
Teaching Support Services	28	27
Other Support Services	25	26
Administration and Central Services	60	61
Premises	17	17
Domestic Services	48	43
Catering ¹	24	24
Other	54	52
	348	338

¹The figure for 2006-07 has been restated from 30 to 24.

Staff Costs for the above persons:	£'000	£'000
Wages and Salaries	10,362	9,100
Social Security Costs	724	720
Pension Costs	1,443	1,207
	12,529	11,027

Teaching Departments	5,560	4,387
Teaching Support Services	765	586
Other Support Services	738	745
Administration and Central Services	2,000	1,979
Premises	468	380
Domestic Services	864	711
Catering	581	443
Other	1,553	1,796
	12,529	11,027

Emoluments of the Principal:	£	£
Salary	122,642	110,031
Benefits in Kind - University College House	9,600	9,600
- Health Insurance	1,848	1,818
	134,090	121,449
Employer's Pension Contributions	18,256	16,568

The number of staff, including the Principal, who received emoluments in the following ranges was:

	2007/2008	2006/2007
£110,000 to £120,000	-	1
£130,000 to £140,000	1	-

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
6. Other Operating Expenses		
Employer Engagement	185	126
Joint Courses – Payments to other Institutions	793	561
Academic Departments	951	381
Academic Services	727	541
Administration & Central - Establishment Expenses	2,265	1,419
- Staff & Student Facilities	125	110
Premises - Rates	20	39
- Energy Costs	251	261
- Routine Maintenance	146	132
- Long Term Maintenance	909	225
- Other	225	242
Residences & Catering	866	768
Research	477	140
Farm	1,089	952
Pig Unit	472	183
WiRE	825	990
NRKE and Business Clubs	219	251
Conferences	193	170
Other Expenses*	427	642
	11,165	8,133

* includes External Auditors' Remuneration of £16,340 (2006/2007 £14,950) for audit services and £3,230 (2006/2007 £1,300) for non- audit services, and Internal Auditors' remuneration of £15,615 (2006/2007 £17,428) for audit services and £NIL (2006/2007 £NIL) for non- audit services.

7. Interest Payable	£'000	£'000
On bank loans:		
Repayable wholly or partly in more than 5 years	333	298
FRS 17 finance charge	132	113
Total Interest Payable	465	411

8. Taxation

No provision has been made for corporation tax as the Governors believe that there is no current tax liability.

9. Intangible Fixed Assets**Milk Quota
£'000****Cost**

At 1 August 2007

393

Additions during year

-

At 31 July 2008

393**Accumulated Amortisation**

At 1 August 2007

393

Charge for year

-

At 31 July 2008

393**Net Book Value**

At 31 July 2008

-

At 31 July 2007

-

10. Tangible Fixed Assets

	Freehold Property £'000	University College Plant and Equipment £'000	Farm Plant and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or Valuation					
At 1 August 2007	24,477	11,057	2,018	-	37,552
Transfer of assets between categories (2007 costs moved)	279	(164)	(115)	-	-
Additions	552	1,049	-	1,323	2,924
Disposals	-	-	-	-	-
At 31 July 2008	25,308	11,942	1,903	1,323	40,476
Accumulated Depreciation					
At 1 August 2007	4,004	8,917	1,704	-	14,625
Transfer of assets between categories (2007 costs moved)	393	(188)	(205)	-	-
Charge for the year	766	826	(2)	-	1,590
Eliminated on disposal	-	-	-	-	-
At 31 July 2008	5,163	9,555	1,497	-	16,215
Net Book Value					
At 31 July 2008	20,145	2,387	406	1,323	24,261
At 31 July 2007	20,473	2,140	314	-	22,927
Financed by Capital Grant					
Other	4,026	746	90	1,139	6,001
	16,119	1,641	316	184	18,260
Net Book Value at 31 July 2008	20,145	2,387	406	1,323	24,261

	As at 31 July 2008 £'000	As at 31 July 2007 £'000
10. Tangible Fixed Assets continued		
Historic Cost and aggregate depreciation, based on cost, of land and buildings included at valuation:		
Cost	24,938	24,302
Less Depreciation	<u>4,616</u>	<u>3,850</u>
Net Book Value	<u>20,322</u>	<u>20,452</u>
The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.		
Certain land and buildings were revalued on an open market basis by an independent Chartered Surveyor in 1991.		
Included within freehold property is land costing £1,341,860 which is not depreciated.		
	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
11. Fixed Asset Investments		
Quoted Securities at Market Value	117	173
Unquoted Securities at Cost	<u>7</u>	<u>7</u>
	<u>124</u>	<u>180</u>
12. Stocks	£'000	£'000
Farm Stocks	604	354
University College Consumables	7	19
Goods for Resale	<u>238</u>	<u>144</u>
	<u>849</u>	<u>517</u>
13. Debtors	£'000	£'000
Amounts falling due within one year:		
Trade debtors	535	952
Prepayments & accrued income	<u>683</u>	<u>262</u>
	<u>1,218</u>	<u>1,214</u>

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
14. Creditors		
Creditors: Amounts falling due within one year:		
Bank Loans	252	200
Grants received in advance	922	878
Other creditor - Aim Higher Partnerships for Progression	114	111
Projects in Progress	511	573
Taxation and social security	252	226
Sundry creditors and accrued expenses	2,218	1,499
	4,269	3,487
Creditors: Amounts falling due after more than one year:		
Bank Loans	6,246	5,098
Borrowings	£'000	£'000
Bank Loans are repayable as follows:		
In one year or less	252	200
Between one and five years	1,492	928
In five years or more	4,754	4,170
	6,498	5,298

Bank Loans at a fixed rate of 5.769% per annum are repayable by instalments falling due between 1 August 2008 and 31 July 2019, at a fixed rate of 5.365% per annum repayable by instalments between 1 August 2008 and 25 September 2031, and a loan for £1.4m drawn down over the last four months in 2007/08 (£300,000 in April 2008, £300,000 in May 2008, £500,000 in June 2008 and £300,000 in July 2008) which is repayable by instalments (April 08 drawdown at a fixed rate of 5.577% per annum between 1 July 2008 and 3 July 2028, May 08 drawdown at a fixed rate of 5.570% per annum between 1 July 2008 and 3 July 2028, June 08 drawdown at a fixed rate of 5.576% per annum between 1 July 2008 and 3 July 2028, and June 08 drawdown at a fixed rate of 5.566% per annum between 1 October 2008 and 3 July 2028), total £6,498,000.

	As at 31 July 2008 £'000	As at 31 July 2007 £'000
15. Provision for Liabilities and Charges		
The provision for liabilities and charges is made up as follows:		
Pension Provision	49	49

The Pension Provision represents the estimated future pension commitments relating to a retired former employee of the University College. The University College paid £4,221 relating to the commitment during the year. This sum is expected to increase annually in line with the increase in the Retail Price Index.

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
16. Deferred Capital Grants		
At 1 August	5,013	4,925
Capital grants received	1,490	353
	<hr/>	<hr/>
	6,503	5,278
Less release of grant	502	265
	<hr/>	<hr/>
Balance at 31 July	6,001	5,013
	<hr/>	<hr/>
17. Revaluation Reserve	£'000	£'000
At 1 August	19	29
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(10)	(10)
	<hr/>	<hr/>
Balance at 31 July	9	19
	<hr/>	<hr/>
18. General Reserve	£'000	£'000
At 1 August	11,896	10,749
Adjustment re pension	(11)	-
	<hr/>	<hr/>
Restated at 1 August	11,885	10,749
Total recognised gains for the year	(1,350)	1,137
Transfer from revaluation reserve	10	10
	<hr/>	<hr/>
Balance at 31 July	10,545	11,896
	<hr/>	<hr/>
19. Capital Commitments	£'000	£'000
At 31 July 2008 the following amounts had been authorised:		
Authorised and contracted for	423	114
Authorised but not contracted for	-	167

20. Contingent Liabilities

To the best of the Governors' knowledge and belief there were no contingent liabilities as at 31 July 2008 or 31 July 2007.

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
21. Reconciliation of operating surplus to net cash inflow from operating activities		
Surplus on continuing operations after depreciation	1,220	747
FRS17 Pension costs less contributions payable	485	365
Depreciation and amortisation	1,590	1,674
(Profit) / Loss on disposal of fixed assets	-	-
Deferred capital grants released to income	(502)	(265)
Investment income	(2)	(5)
Interest receivable	(332)	(208)
Interest payable	333	298
(Increase) in stocks	(332)	(21)
Decrease/(Increase) in debtors and prepayments	(4)	125
Capitalisation adjustment	-	101
Increase in creditors	730	56
(Decrease) in provisions	-	(2)
Unrealised loss/(gain) on investments	56	(10)
Net cash inflow from operating activities	3,242	2,855
22. Returns on investments and servicing of finance	£'000	£'000
Dividends received	2	5
Interest received	332	208
Interest payable	(333)	(298)
Net cash (outflow) / inflow from returns on investments and servicing of finance	1	(85)
23. Capital Expenditure and financial investment	£'000	£'000
Capital Grants received - HEFCE	1,490	353
Proceeds from sale of fixed assets	-	5
Payments to acquire tangible assets	(2,924)	(2,774)
Net cash (outflow) from capital expenditure and financial investment	(1,434)	(2,416)
24. Financing	£'000	£'000
Medium Term Loan	-	-
Repayment of Loan	1,200	(189)
Net cash (outflow) / inflow from financing	1,200	(189)
24a. Management of liquid resources	£'000	£'000
Disposal of current assets	-	250

25. Analysis of Changes in Net Debt

	At 31 July 2007 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2008 £'000
Cash at bank and in hand	4,030	3,009	-	7,039
Debt due within one year	(200)	200	(252)	(252)
Debt due after one year	(5,098)	(1,400)	252	(6,246)
	(1,268)	1,809	-	541

26. Related Party Transactions

Due to the nature of the University College's operations and the composition of the Board of Governors (being drawn from 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 College's financial regulations and normal procurement procedures.

During 2007-08 transactions to the value of £879,346 (2006/07 £732,019) relating to the sale of eggs from the University College farm took place with Deans Foods Limited, of which Mr P D Dean (a Governor of the University College) is a director. As at 31 July 2008 a balance of £37,339 (31 July 2007 £45,406) was due to the University College.

27. Subsidiary Company

The University College owns the entire share of "Harper Adams (Enterprises) Limited". This company has not traded since incorporation.

28. Access Funds

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Funding Council Grant	94	34
Disbursed to Students	(89)	(34)
	5	-

Funding Council grants are available solely for students; the University College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

29. Pension Costs

The two principal pension schemes for the University College's staff are the Teachers' Pension Scheme (TPS), available to all teaching staff, and the Local Government Pension Scheme, operated as Shropshire County Council Pension Fund (SCCPF), available to all non teaching staff. Both are defined benefit schemes.

		2007/2008 £'000	2006/2007 £'000
Total pension cost for the year			
Teachers' Pension Scheme: contributions paid		548	484
Local Government Pension Scheme: contributions paid	522		443
FRS17 charge	353		252
Charge to the Income and Expenditure Account (staff costs)		875	695
Total Pension Cost for Year		1,423	1,179

Local Government Pension Scheme

Membership of the Local Government Pension Scheme operated as the Shropshire County Council Pension Fund is available to all non teaching staff. The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2008 was £762,022, of which employer's contributions totalled £240,622 and employees' contributions totalled £521,400. The agreed contribution rates for future years are 13.6 per cent for employers and a variable percentage between 5.25% and 7.5% for employees.

FRS17

In accordance with the requirements of Financial Reporting Standard (FRS) 17 and the Statement of Recommended Practice for Accounting for Further and Higher Education, the Fund Actuary was instructed to complete a full valuation of the University College's element of the fund as at 31 July 2008, with comparative figures as at 31 July 2007. (Non financial assumptions are based on the valuation as at 31 March 2007).

Principal Actuarial Assumptions	2007/2008	2006/2007	2005/2006
Rate of increase in salaries	5.55%	4.95%	4.75%
Rate of increase of pensions in payment	3.80%	3.20%	3.00%
Discount rate for liabilities	5.90%	5.80%	5.10%
Inflation assumption	3.80%	3.20%	3.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2008	At 31 July 2007
Retiring today		
Males	21.1	19.7
Females	24	22.6
Retiring in 20 years		
Males	22.2	22.2
Females	25	25

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31.07.2008	Value at 31.07.2008 £'000	Long term rate of return expected at 31.07.2007	Value at 31.07.2007 £'000	Long term rate of return expected at 31.07.2006	Value at 31.07.2006 £'000
Equities	7.5%	7,096	7.50%	7,834	7.00%	6,815
Bonds: Government	4.8%	1,549	4.90%	1,495	4.40%	283
Other Bonds	5.9%	1,447	5.80%	1,231	5.10%	2,237
Property	6.5%	615	6.50%	506	6.00%	506
Cash / Liquidity	5.0%	330	5.75%	207	4.50%	182
Other	7.5%	353	7.50%	230	7.00%	101
		<u>11,390</u>		<u>11,503</u>		<u>10,124</u>

The following amounts at 31 July 2008 were measured in accordance with the requirements of Financial Reporting Standard (FRS) 17:

	31 July 2008 £'000	31 July 2007 £'000	31 July 2006 £'000
Total market value of assets	11,390	11,503	10,124
Present value of scheme liabilities	<u>(17,762)</u>	<u>(14,809)</u>	<u>(13,455)</u>
(Deficit) in the scheme – Net Pension (Liability)	<u>(6,372)</u>	<u>(3,306)</u>	<u>(3,331)</u>

	31 July 2008 £'000	31 July 2007 £'000
Analysis of amounts charged to income and expenditure account		
Current service cost	684	695
Past service cost	<u>191</u>	<u>-</u>
Total operating charge	<u>875</u>	<u>695</u>
Analysis of net return on pension scheme		
Expected return on pension scheme assets	743	591
Interest on expected scheme liabilities	<u>(875)</u>	<u>(704)</u>
Net return	<u>(132)</u>	<u>(113)</u>

Analysis of amounts recognised in statement of recognised gains and losses

Actual return less expected return on pension scheme assets	(1,239)	350
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	<u>(1,331)</u>	<u>40</u>
Total actuarial gain / (loss) recognised	<u>(2,570)</u>	<u>390</u>

	31 July 2008 £'000	31 July 2007 £'000
Movement in deficit during the year:		
Deficit in scheme at 1 August	(3,306)	(3,331)
Movement in year:		
Current service charge	(684)	(695)
Past service charge	(191)	-
Contributions	522	443
Net return on assets	(132)	(113)
Actuarial gain/ (loss)	(2,581)	390
Deficit in scheme at 31 July	(6,372)	(3,306)

Asset and Liability Reconciliation

Reconciliation of Liabilities

Liabilities at start of period	14,809	13,454
Service cost	684	695
Interest cost	875	704
Employee contributions	241	225
Actuarial (gain)/loss	1,331	(40)
Benefits paid	(369)	(229)
Past Service cost	191	-

Liabilities at end of period

17,762 **14,809**

Reconciliation of Assets

Assets at start of period	11,503	10,124
Expected return on assets	743	591
Actuarial gain/(loss)	(1,250)	349
Employer contributions	522	443
Employee contributions	241	225
Benefits paid	(369)	(229)

Assets at end of period

11,390 **11,503**

History of experience gains and losses

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000	Year to 31 July 2006 £'000	Year to 31 July 2005 £'000	Year to 31 July 2004 £'000
Difference between the expected and actual return on scheme assets:					
Amount	(1,239)	350	539	931	183
Percentage of scheme assets	%	3%	5.3%	10.6%	2.5%
Experience gains and losses on scheme liabilities:					
Amount	-	-	(366)	(438)	-
Percentage of present value of scheme liabilities	-	-	2.3%	3.7%	-
Total amount recognised in the statement of total recognised gains and losses:					
Amount	(3,055)	25	(297)	(989)	16
Percentage of present value of scheme liabilities	17.2%	0.2%	2.2%	8.4%	0.2%

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employer contributions. For the period from 1 August 2007 to 31 July 2008 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The University College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The University College has set out above the information available on the scheme and the implications for the University College in terms of the anticipated contribution rates.

Five Year Summary Accounts

	2003/04 £'000	2004/05 £'000 (as restated)	2005/06 £'000	2006/07 £'000	2007/08 £'000
INCOME AND EXPENDITURE ACCOUNT					
Income					
Funding Council Grants	8,520	9,047	10,264	11,544	13,237
Tuition Fees	1,818	1,757	2,070	3,213	4,999
Research Grants and Contracts	452	457	440	436	1,797
Other Operating Income	4,682	4,804	5,817	6,586	6,602
Investment Income	99	133	168	213	334
Total Income	15,571	16,198	18,759	21,992	26,969
Expenditure					
Staff Costs	8,018	9,035	9,919	11,027	12,529
Depreciation and Amortisation	1,025	971	1,546	1,674	1,590
Other Operating Expenses	5,834	5,678	6,860	8,133	11,165
Interest Payable	123	138	199	411	465
Total Expenditure	15,000	15,822	18,524	21,245	25,749
Operating Surplus before tax and exceptional items	571	376	235	747	1,220
BALANCE SHEET					
Fixed Assets	16,351	17,516	22,105	23,107	24,385
Net Current Assets	2,300	1,828	2,276	2,274	4,837
Creditors: Amounts falling due after one year	(2,307)	(2,182)	(5,296)	(5,098)	(6,246)
Provisions for Liabilities and Charges	(51)	(51)	(51)	(49)	(49)
	16,293	17,111	19,034	20,234	22,927
Pension Liability	-	(3,032)	(3,331)	(3,306)	(6,372)
Total Net Assets	16,293	14,079	15,703	16,928	16,555
Represented by					
Deferred Capital Grants	3,460	3,604	4,925	5,013	6,001
Revaluation Reserve	49	39	29	19	9
General Reserve	12,784	10,436	10,749	11,896	10,545
TOTAL FUNDS	16,293	14,079	15,703	16,928	16,555

Note: Data for 2003/04 has not been restated in respect of FRS 17.

Glossary of Terms

CETL	Centre for Excellence in Teaching and Learning
CUC	Committee of University Chairmen
EU	European Union
FRS	Financial Reporting Standard
HEFCE	Higher Education Funding Council for England
HEIF	Higher Education Innovation Fund
ICTA	Income and Corporation Taxes Act
LGPS	Local Government Pension Scheme
NRKE	National Rural Knowledge Exchange
REEDNET	Rural Employer Engagement Development Network
REESEP	Rural Employer Engagement Student Experience Project
ROSE	Rural Outreach and Student Experience
SCCPF	Shropshire County Council Pension Fund
SERPS	State Earnings Related Pension Scheme
SORP	Statement of Recommended Practice
TPS	Teachers' Pension Scheme
WiRE	Women in Rural Enterprise
WMRFA	West Midlands Regional Food Academy

Harper Adams



UNIVERSITY COLLEGE

Newport, Shropshire TF10 8NB

T: +44 (0)1952 820280 F: +44 (0)1952 814783 www.harper-adams.ac.uk