

Harper
Adams



UNIVERSITY COLLEGE

Harper Adams University College

Annual Report and Financial Statements 2008/2009

2008/2009



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Chief Executive's Report

The financial year 2008/09 has been another year of great success for Harper Adams University College. I would like to start by recognising the contribution from staff and students that have made this possible.

Our strong financial performance has been deliberate to help support the long term sustainability of the University College in what could be quite uncertain times following on from the economic challenges seen nationally and internationally. By building our reserves we can better meet these challenges and continue to invest in future developments. Our growth is a testimony to that success.

Our success can also be measured in non-financial terms. Student satisfaction and graduate employment rates remain amongst the highest in the sector and our links with employers continue to grow through the Employer Engagement programme for which we were awarded additional student numbers in 2008/09. We should also recognise the quality of our teaching that makes this all possible.

A major role in supporting our education and research activity in the agricultural sector comes from our farming operations. The new dairy facility came on stream during the year and we have plans for further investments in the next two years for a new pig finishing unit and poultry colonies to add to the recently developed free range facility.

Likewise we must recognise the significant contribution delivered by our support services. Across all support staff there is an unwavering commitment to add value and achieve the goals of the institution.

Student Satisfaction and Success

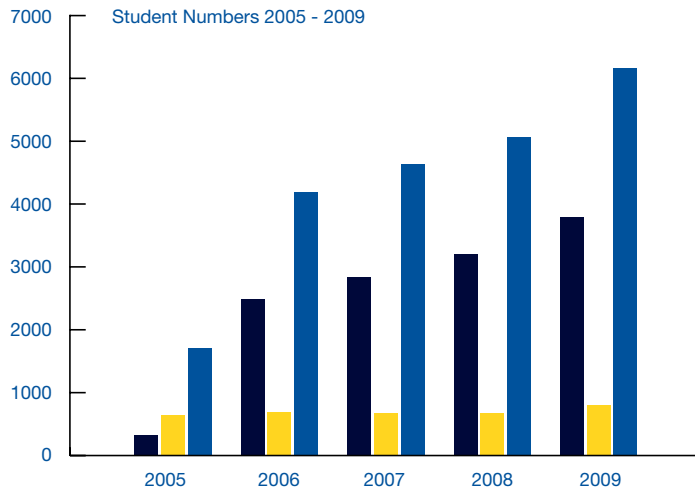
Our strong academic and financial position provides an excellent base on which to develop further, embark on new initiatives and be responsive to some of the challenges that lie ahead. At the heart of the University College are our students and staff and the partnership that exists between them. We remain committed to investing in high quality resources and staff to support our specialist mission.

The National Student Survey 2009 continued to highlight our achievements in providing a high quality learning experience for students and we were ranked second in the Sunday Times University Guide 2010 for the most satisfied students. The University College has also been shortlisted for a Times Higher Education Award for Outstanding Support for Students.

In the Sunday Times University Guide 2010 we were again rated the Best University College and were ranked in the top ten for both the level of graduate employment and the proportion of our students who entered graduate level jobs.

These outcomes reflect a strong partnership between the University College, the industries and professions it serves and our students. We thank everyone who contributed to these successes.

Student Numbers 2005 - 2009



■ Part Time (2009 Estimate)

■ 1st Years Full Time

■ All Years Full Time & Part Time (2009 Estimate)

Employer Engagement and Widening Participation

We are pleased to report that the first year of this initiative has achieved the targets agreed with the Higher Education Funding Council for England (HEFCE).

We have continued to develop the higher level skills and capabilities of those employed in the land-based sector through our employer engagement activities. We acknowledge the continued support of HEFCE in this initiative and in particular its funding to develop the Rural Employer Engagement Development Network (REEDNet), in partnership with the Royal Agricultural College. In 2008/09, our employer engagement activities supported the learning of more than 2,400 individuals.

At the same time, we are beginning the creation of a new Student Centre at the heart of the campus, which will bring together academic support services in a single building and provide significant social and learning space for students. This will support our work on widening participation and the retention of students, which remains critically important to the University College given that we continue to admit the highest proportion of students from the lowest socio-economic groups of any UK higher education institution.

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 are pleased with the outcome of the Research Assessment Exercise 2008, which showed that 70% of our papers were judged to be of international standard and our research infrastructure and facilities were regarded as suitable for research of international quality. Our Research and Reach Out activities embrace sustainable agriculture, food systems and rural and social enterprise, and impact upon the key policy issues of climate change, food security and the management of rural landscapes. Our research programmes are therefore extremely relevant, and their applied focus means that we have an important contribution to make to issues of global concern.

Relationships and Collaboration

Our long term partnerships with Reaseheath College, Askham Bryan College and Beijing Agricultural College continue to prosper. We have also finalised an agreement with Jiangsu Animal Husbandry and Veterinary College, in China, to receive students from 2010.

In addition, we have entered into a new partnership with Walford and North Shropshire College. In 2009/10 we will build on these collaborations and also work closely with the Royal Agricultural College and a range of FE institutions in the delivery of the REEDNet programme.

The Future

In my first report as Principal of Harper Adams University College, I believe that the University College can look forward to an exciting future. We continue to have realistic plans for developing teaching and research, making capital investments and ensuring that our farming operations support our educational delivery.

In the current economic climate, and with a growing world population and pressure on maintaining sustainable food supplies, the strategic importance and public interest of our work cannot be underestimated. It is vital that both nationally and internationally we continue to produce the people with the skills to meet these major global challenges and to research and innovate to provide the knowledge required to underpin our contribution to society at large.

Finally, I should like to thank Professor Wynne Jones, our former Principal, and Professor Andy Cobb, our former Dean of Academic Affairs, who both retired in September 2009. I do not think we can underestimate their contributions to Harper Adams and to the considerable success of the University College.



Dr David Llewellyn

20 November 2009

Operating and Financial Review

Introduction

This section of our report provides an overview of the institution's finances and operations.

The Financial Strategy is an integral part of the University College's overall Corporate Plan and the four major themes continue to be:

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

In the current economic climate these themes have proved robust. The University College has anticipated future funding pressures from the outset of the year and the resultant financial performance for 2008/09 reflects the decision by Governors to build the University College reserves in order to meet the considerable investment plans and to meet these future challenges.

Overall, the University College results for 2008/09 show a strengthening position with growth in income, carefully considered cost control and investment into productive resources. The results show the following trends:

Major Developments During the Financial Year

Underpinning the financial performance in 2008/09 has been the strong continued student growth. First year student intake was in line with target recruitment numbers and we successfully met our HEFCE contract student numbers.

Major investment was made into the new Dairy Unit and West Midlands Regional Food Academy during the year, and works also commenced on the new Post Graduate and Professional Development Centre as well as the Student Learning Centre.

The major capital programme has remained at the heart of the University College's treasury planning.

Summary Year End Position:

Trading Position

The income and expenditure account for the year ending 31 July 2009 shows an operating surplus before tax of £1,253,000 (2007/08, £1,220,000).

Income

Total income grew from £26,969,000 to £29,411,000, an increase of 9%.

HEFCE grants represented 56.8% of our total income (2007/08 49.1%). In addition to the full and part time undergraduate and post graduate numbers, the University College benefited from growth in numbers involved with the Employer Engagement initiative.

Fee income rose marginally from £4,999,000 to £5,221,000 reflecting the increased numbers, steady state tuition fees and the third year of students on our joint degree course with the Beijing University of Agriculture.

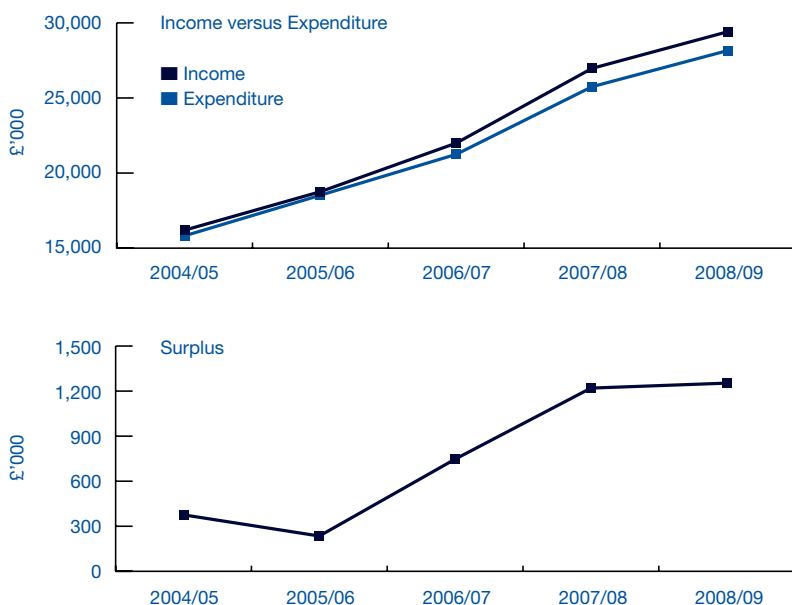
Income from research grants and contracts performed well in the year. The figure for 2007/08 reflected the closure of a number of long term projects that had been in hand over prior years.

Bank Interest was down reflecting the current market conditions.

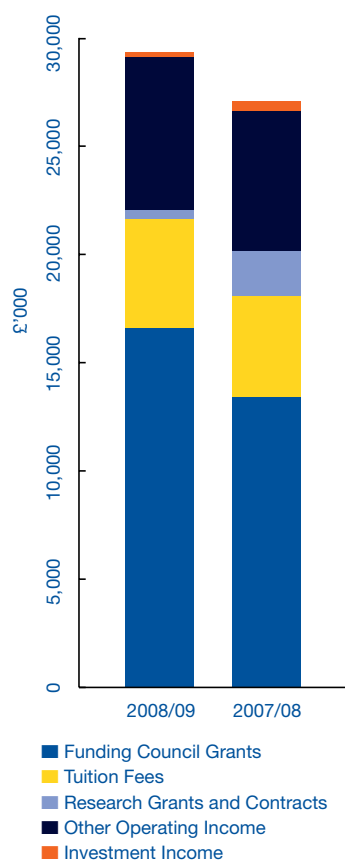
Expenditure

Whilst total income grew by 9%, expenditure in 2008/09 also increased by 9% from £25,749,000 to £28,158,000.

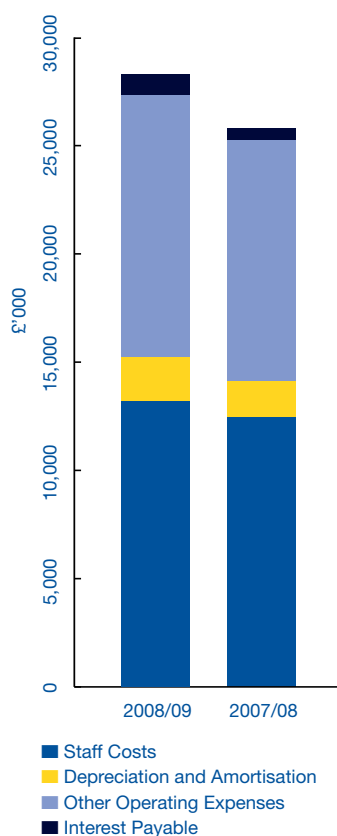
Pay costs represent the largest single element of the University College's expenditure. The year saw a growth in pay costs of 6.3%. In part this was a reflection of the nationally agreed pay increase from October 2008 of 5% but it also reflected an increase in overall staff numbers from 348 to 368 (+5.7%). The University College has identified a number of new roles and are actively recruiting in 2009/10.



Income Comparison 2008/09 & 2007/08



Expenditure Comparison 2008/09 & 2007/08



Other Operating Expenses increased by £1,344,000 (12%) year on year and included the increase in farm activity as the new dairy unit came on stream and associated Employer Engagement costs.

Interest and other finance costs remained on target during the year and marginally up on the prior year. The main increase was to take account of FRS 17 for pensions where a finance charge of £342,000 (2007/08 £132,000) was made based on the Actuarial Valuation.

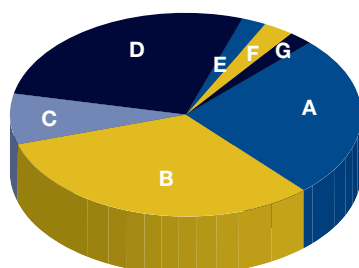
Balance Sheet

During 2008/09 the University College invested in capital assets to the value of £5,462,000 (prior year £2,924,000). The University College is engaged on a major programme of investment into academic and student support facilities and plans to invest some £17m in the coming two years. This is supported by successful funding bids, a small element of loans and cash generated from operations.

During the turbulent financial market, the University College has been monitoring the cash position extremely closely. We have updated our investment strategy in light of market conditions and early in the year appointed Royal London Cash Management to support our treasury management procedures.

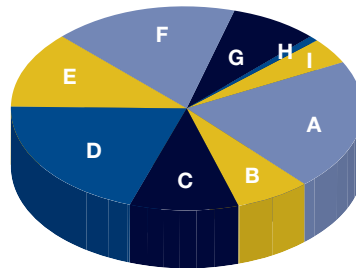
As at 31 July 2009 the University College General Reserve has increased to £11,619,000 from £10,545,000 after taking account of FRS17.

Sources of Other Operating Income 2008/09



A. Other	26%
B. Catering & Residence	32%
C. Conference / Short Course Accommodation	8%
D. Farm	27%
E. Non Funding Council Grants	2%
F. Validation Fees	3%
G. Consultancy	2%

Analysis of Other Operating Expenses 2008/09



A. Administration & Central	21%
B. Employer Engagement	7%
C. Research & Other	10%
D. Academic	20%
E. Premises	12%
F. Farm & Pig Unit	17%
G. Catering & Residences	8%
H. WIRE	1%
I. NRKE & Business Clubs	4%

Exceptional Items and FRS17

There were no exceptional items in the year.

A major impact on this year's accounts has resulted from the FRS17 Actuarial Report (Mercers) for the Local Government Pension Scheme and is detailed in the attached notes to the Accounts. The shift in assumptions has led to a restatement of the scheme liabilities to £7,176,000 (prior year £6,372,000). The increase in deficit is primarily as a result of the impact of assumptions surrounding the value of the scheme assets demonstrated in the notes to the accounts.

The impact of FRS17 to the Income and Expenditure Account has been significant again this year, with adjustment to the surplus of £616,000.

The Financial Future

The University College continues to review its Financial Strategy as part of the corporate planning and risk management process.

Future risk and uncertainty surrounds the future public funding for higher education. This is a challenge for the entire sector. Last year we reported that the University College's targeted allocation for exceptional funding was under review and we are pleased to report that the review concluded that this funding would continue but would be further reviewed in 2013. The Board of the Higher Education Funding Council for England has just commenced a further review of other targeted allocations as part of a review to meet Government savings targets.

A second major risk to all institutions is the exposure to pay inflation and the uncertainty surrounding the current national pay bargaining. The University College is well placed with a balanced portfolio. Staff costs represent around half of our overall costs. Together with the potential pension pressures, future resource planning remains a high priority.

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 approximately £1m of funding will cease. The University College has a considerable track record in attracting students and success in bids for new funds.

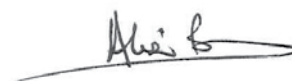
To address these pressures, the University College has been continually investing in staff and resources. In 2009/10 we will be investing in new posts to support the academic and research programmes and we have a major capital programme of £12.4m including a new student services building, Post Graduate and Professional Development Centre, new halls of residence and the completion of the West Midlands Regional Food Academy.

At the heart of our success is the focus on teaching quality, student satisfaction and research. The farming operations remain an integral part of this delivery and the new dairy unit will play a major role along with our crops, animals and other farm operations.

Harpers Adams University College remains committed to the delivery of excellence in land based higher education.



Paul R Rigg
Director of Finance
20 November 2009



Alison Blackburn
Chair of Governors
20 November 2009

Report of the Governors and Corporate Governance Statement

The Governors have pleasure in presenting their report and financial statements for the year ended 31 July 2009 and confirm they comply with the requirements of the Charities Act 1993, as amended by the Charities Act 2006, and the trust deed.

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 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.

The Objectives of the University College are set to reflect our educational aims and ethos. In setting our objectives and planning our activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance.

Our key objectives are included within the University College's Corporate Planning statement and included:

- Learning and teaching
- Third stream work and research
- Human and physical resources
- Regional activities
- International activities
- Governance, Management and Finance

The University College continues to play a distinctive and key role within the UK higher education sector. Our focus remains with the land based sector particularly in the support we provide for agricultural industry, our students and in the development of sustainable agriculture, underlining the specialist nature of the institution and distinguishing it from other higher education providers of land-based subjects. Within the higher education sector the University College is increasingly recognised for the quality of its provision and the contribution it is making to important higher education policy objectives. In 2009, we were ranked for the third year running as the top University College in the Sunday Times University Guide and in May 2009, The Independent rated our provision in agriculture as top in the UK and we appeared in the top 25 Higher Education Institution's for high performance across its subject tables.

The University College has also achieved:

- The Times Higher Education magazine (THE) Sustainable Development Award 2008
- The Times Higher Education magazine (THE) Award 2009 – shortlisted for "outstanding student support"
- In the Sunday Times league tables we were also ranked:
 - 2nd overall for student satisfaction.
 - 1st for low socio-economic groups,
 - 9th for employment (noting that 98% of our students were counted) and
 - 8th in jobs being at graduate level

These are all public recognition of the quality of the services delivered to a wide spectrum of students who can look forward to employment in the top 50 of graduate starting salaries.

Statement of Financial 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 Business, Innovation 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 2008/09.

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 intends to review compliance against the 2008 code over the next 12 months.

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 2009. This included the publication on the University College's website of a statement of institutional monitoring for the 2007/08 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 system of internal control has been in place for the year ended 31 July 2009 and up to the date of approval of the Annual Report and Accounts.

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 2008 meeting, the Board of Governors carried out the annual assessment of the Audit & Risk Management Committee's activities for the year ended 31 July 2008 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 2008.

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 2009.

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. The University College's Equality and Diversity Code of Practice, together with its Disability Equality Scheme, Race Equality Scheme and Gender Equality Scheme are published on the University College's website. It is also the 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.

Going Concern

After making appropriate enquiries the Board of Governors considers that the University College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Changes in Membership of the Board of Governors

Mr Christopher Manley became the new Students' Union President and replaced Miss Helen Plant as the student member of the Board on 1 August 2009. Lady Cossons, Professor Wynne Jones and Professor Andy Cobb retired from the Board on 12 July 2009.

Board of Governors during 2008/09

Mrs A M Blackburn *Chairman*

R M Mercer *Vice Chairman*

Mrs F Beatty

Professor A H Cobb

Lady Cossons

Professor A M Dugdale

R Early

J Garnham *(from November 2008)*

C Gurney

R Hartley

Dr C Hickey

Mr M Hill

Mrs N Hunter

Professor E W Jones

M Lewis

P M Pritchard *(to November 2008)*

Professor B J Revell

B Udale

Mrs M Ward

Miss H Plant *(SU President)*

Clerk to the Governors

C E Baxter

For and on behalf of the
Board of Governors



C E Baxter

Clerk to the Governors

20 November 2009

Report of the Independent Auditors to the Governing Body 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 2009 which comprise income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes on pages 21 to 34. 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 2009 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 2009 have been applied for the purposes for which they were received.
- in all material respects, income during the year ended 31 July 2009 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 Auditor, Chartered Accountants Birmingham 20 November 2009

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 University 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 University 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. 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.

Assets under 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.

Intangible Fixed Assets

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

Investments

Fixed asset investments are stated at market value. Current asset investments are stated at the lower of their cost and net realisable 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.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

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 owns the entire shares of three subsidiary companies "Harper Adams (Enterprises) Limited" (incorporated 24 January 1990), "Harper Adams (Energy) Limited" (incorporated 27 July 2009) and "Harper Adams (Rural Enterprises) Limited" (incorporated 27 July 2009). These companies have not traded since incorporation and do 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 2009

	Notes	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Income			
Funding Council Grants	1	16,710	13,237
Tuition Fees	2	5,221	4,999
Research Grants and Contracts	3	655	1,797
Other Operating Income	4	6,613	6,602
Investment Income	4a	212	334
Total Income		29,411	26,969
Expenditure			
Staff Costs	5	13,319	12,529
Depreciation and Amortisation	10	1,638	1,590
Other Operating Expenses	6	12,509	11,165
Interest and Other Finance Costs	7	692	465
Total Expenditure		28,158	25,749
Surplus on Continuing Operations after Depreciation of Fixed Assets but Before Taxation		1,253	1,220
Taxation	8	-	-
Surplus on Continuing Operations after Depreciation of Fixed Assets and Taxation	18	1,253	1,220

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

Statement of Total Recognised Gains and Losses

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Taxation	1,253	1,220
Actual Return less Expected Return on Pension Scheme Assets	(1,947)	(1,239)
Changes on Assumptions Underlying the Present Value of Scheme Liabilities	1,759	(1,331)
Total Recognised Gains/(Losses) Since Last Report	1,065	(1,350)

Reconciliation

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Opening Reserves	10,554	11,915
Adjustment re Pension	-	(11)
Total Recognised Gains/(Losses) for the Year	1,065	(1,350)
Closing Reserves	11,619	10,554

Statement of Historical Cost Surpluses and Deficits

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Surplus on Continuing Operations Before and After Taxation	1,253	1,220
Difference Between Historical Cost Depreciation and the Actual Charge for the Period	9	10
Historical Cost Surplus for the Year Before and After Taxation	1,262	1,230


Balance Sheet as at 31 July 2009

	Notes	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Fixed Assets			
Intangible Assets	9	-	-
Tangible Assets	10	28,082	24,261
Investments	11	109	124
		28,191	24,385
Current Assets			
Stocks	12	886	849
Debtors	13	922	1,218
Investments	11	5,001	-
Cash at Bank and in Hand		5,738	7,039
		12,547	9,106
Creditors - Amounts Falling Due Within One Year	14	(4,755)	(4,269)
Net Current Assets		7,792	4,837
Total Assets less Current Liabilities		35,983	29,222
Creditors - Amounts Falling Due After More Than One Year	14	(7,322)	(6,246)
Provisions for Liabilities and Charges	15	(45)	(49)
		28,616	22,927
Net Pension Liability	29	(7,176)	(6,372)
TOTAL NET ASSETS		21,440	16,555
Deferred Capital Grants	16	9,821	6,001
Reserves			
Revaluation Reserve	17	-	9
General Reserve	18	11,619	10,545
Total Reserves		11,619	10,554
TOTAL FUNDS		21,440	16,555

The financial statements on pages 14 to 34 were approved by the Board of Governors on 20 November 2009 and signed on its behalf by


Chairman


Chief Executive


Director of Finance

The accompanying accounting policies and notes form part of these financial statements.

Cash Flow Statement for the Year to 31 July 2009

	Notes	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Net Cash Inflow from Operating Activities	21	3,805	3,242
Returns on Investments and Servicing of Finance	22	(138)	1
Capital Expenditure and Financial Investment	23	(1,217)	(1,434)
Management of Liquid Resources	24a	(5,001)	-
Financing	24	1,250	1,200
(Decrease)/Increase in Cash in the Period		(1,301)	3,009

Reconciliation of Net Cashflow to Movement in Net Funds

	Notes	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
(Decrease)/Increase in Cash in the Period		(1,301)	3,009
Net Cash Inflow	24	(1,250)	(1,200)
Movement in Net Funds in the Year		(2,551)	1,809
Net Funds at 1 August		541	(1,268)
Net Funds at 31 July	25	(2,010)	541

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements for the Year to 31 July 2009

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
1. Funding Council Grants		
Recurrent Grant (HEFCE)	12,362	9,964
HEFCE Grant (co-funded employer engagement ¹)	1,703	1,165
CETL Grant (HEFCE)	300	150
HEIF Funding (HEFCE)	1,144	943
Teaching Quality Enhancement Fund (HEFCE)	180	83
Summer Schools (HEFCE)	9	(4)
Release of Deferred Capital Grant (HEFCE) (note 16)	417	502
Research Grant (HEFCE)	241	-
Match Funding (HEFCE)	129	-
Miscellaneous (HEFCE)	105	116
Rewarding and Developing Staff (HEFCE)	100	105
Recurrent Grant (Learning & Skills Council)	20	213
	16,710	13,237
¹ This is funding for tuition delivered in conjunction with employers		
2. Tuition Fees	£'000	£'000
Full Time Students – Home	3,299	2,846
Full Time Students – EU	44	60
Full Time Students charged Overseas Fees	896	727
Part Time Fees	314	214
Short Course Fees	453	715
Other Fees	215	437
	5,221	4,999
3. Research Grants and Contracts	£'000	£'000
Research Grants and Contracts	655	1,797
4. Other Operating Income	£'000	£'000
Catering and Residence	2,151	2,132
Conferences and Short Course Accommodation	578	632
Farm	1,822	1,491
Non Funding Council Grant Income	205	834
Validation Fees	187	197
Consultancy	117	99
Other Income	1,553	1,217
	6,613	6,602
4a. Investment Income	£'000	£'000
Bank Interest	210	332
Other Investment Income	2	2
	212	334

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

	Year to 31 July 2009	Year to 31 July 2008
5. Staff Costs	No.	No.
Teaching Departments	99	92
Teaching Support Services	28	28
Other Support Services	24	25
Administration and Central Services	72	60
Premises	19	17
Domestic Services	46	48
Catering	29	24
Other	51	54
	368	348

Staff Costs for the Above Persons:

	£'000	£'000
Wages and Salaries	10,922	10,362
Social Security Costs	856	724
Pension Costs	1,541	1,443
	13,319	12,529

Teaching Departments	5,614	5,560
Teaching Support Services	833	765
Other Support Services	798	738
Administration and Central Services	2,393	2,000
Premises	553	468
Domestic Services	850	864
Catering	613	581
Other	1,665	1,553
	13,319	12,529

Emoluments of the Principal:	£	£
Salary	137,972	122,642
Benefits in Kind - University College House	9,600	9,600
- Health Insurance	2,874	1,848
	150,446	134,090
Employer's Pension Contributions	20,819	18,256

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

	2008/2009	2007/2008
£130,000 to £140,000	-	1
£150,000 to £160,000	1	-

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
6. Other Operating Expenses		
Employer Engagement	831	185
Joint Courses – Payments to Other Institutions	1,079	793
Academic Departments	603	951
Academic Services	916	727
Administration & Central - Establishment Expenses	2,438	2,265
- Staff & Student Facilities	213	125
Premises - Rates	43	20
- Energy Costs	347	251
- Routine Maintenance	263	146
- Long Term Maintenance	315	909
- Other	561	225
Residences & Catering	952	866
Research	609	477
Farm	1,552	1,089
Pig Unit	535	472
WiRE	114	825
NRKE and Business Clubs	459	219
Conferences	181	193
Other Expenses	498	427
	12,509	11,165
	£'000	£'000
Other Operating Expenses Include:		
External Auditors Remuneration in Respect of Audit Services	16	16
External Auditors Remuneration in Respect of Non Audit Services	11	3
Internal Auditors Remuneration	16	16
Operating Lease Rentals		
Plant and Machinery	-	-
Other	19	-
7. Interest and Other Finance Costs	£'000	£'000
On Bank Loans:		
Repayable Wholly or Partly in More Than 5 Years	350	333
FRS 17 Finance Charge	342	132
Total Payable	692	465

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 2008	393
Additions During Year	-

At 31 July 2009	393
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Accumulated Amortisation

At 1 August 2008	393
Charge for Year	-

At 31 July 2009	393
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Net Book Value

At 31 July 2009	-
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At 31 July 2008	-
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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 2008	25,308	11,942	1,903	1,323	40,476
Transfers	1,323	-	-	(1,323)	-
Additions	572	1,303	81	3,506	5,462
Disposals	-	-	(36)	-	(36)
At 31 July 2009	27,203	13,245	1,948	3,506	45,902
Accumulated Depreciation					
At 1 August 2008	5,163	9,555	1,497	-	16,215
Charge for the Year	724	827	87	-	1,638
Eliminated on Disposal	-	-	(33)	-	(33)
At 31 July 2009	5,887	10,382	1,551	-	17,820
Net Book Value					
At 31 July 2009	21,316	2,863	397	3,506	28,082
At 31 July 2008	20,145	2,387	406	1,323	24,261
Financed by Capital Grant	5,877	528	74	3,342	9,821
Other	15,439	2,335	323	164	18,261
Net Book Value at 31 July 2009	21,316	2,863	397	3,506	28,082

	As at 31 July 2009 £'000	As at 31 July 2008 £'000
10. Tangible Fixed Assets continued		
Historic Cost and aggregate depreciation, based on cost, of land and buildings included at valuation:		
Cost	26,833	24,938
Less Depreciation	<u>5,340</u>	<u>4,616</u>
Net Book Value	<u>21,493</u>	<u>20,322</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.		
11. Investments		
	£'000	£'000
Fixed Asset Investments		
Quoted Securities at Market Value	102	117
Unquoted Securities at Cost	<u>7</u>	<u>7</u>
	<u>109</u>	<u>124</u>
Current Asset Investments		
Short Term Investments at Cost	<u>5,001</u>	<u>-</u>
	<u>5,001</u>	<u>-</u>
Surplus funds have been invested on a short term basis on the University College's behalf by a third party, Royal London Cash Management.		
12. Stocks	£'000	£'000
Farm Stocks	632	604
University College Consumables	10	7
Goods for Resale	<u>244</u>	<u>238</u>
	<u>886</u>	<u>849</u>
13. Debtors	£'000	£'000
Amounts Falling Due Within One Year:		
Trade Debtors	582	535
Prepayments & Accrued Income	<u>340</u>	<u>683</u>
	<u>922</u>	<u>1,218</u>

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
14. Creditors		
Creditors: Amounts Falling Due Within One Year:		
Bank Loans	267	252
Hefce Loans	160	-
Grants Received in Advance	322	922
Other Creditor - Aim Higher Partnerships for Progression	114	114
Projects in Progress	539	511
Taxation and Social Security	277	252
Sundry Creditors and Accrued Expenses	3,076	2,218
	4,755	4,269
 Creditors: Amounts Falling Due After More Than One Year:	£'000	£'000
Bank Loans	5,976	6,246
HEFCE Loans	1,346	-
Total Loans	7,322	6,246
 Borrowings	£'000	£'000
Bank Loans are Repayable as Follows:		
In One Year or Less	267	252
Between One and Five Years	1,224	1,492
In Five Years or More	4,752	4,754
	6,243	6,498
Bank loans totalling £6,243,000 at various fixed rates ranging from 5.365% to 5.769% are repayable by instalments with the final payment scheduled for 25 September 2031.		
 Borrowings	£'000	£'000
HEFCE Loans are Repayable as Follows:		
In One Year or Less	160	-
Between One and Five Years	1,120	-
In Five Years or More	225	-
	1,505	-

HEFCE has awarded two repayable interest free loans to the College. The draw down on the loan for the REESEP capital project is £1,025,188 as at the end of July 2009 with the remaining draw down £414,562 scheduled for 2009/10. Annual repayments of £159,972 commence July 2010 to July 2018.

The draw down on the loan for the Anaerobic Digester capital project is £480,000 as at the end of July 2009 with the remaining draw down £1,920,000 scheduled for 2010/11. Quarterly repayments of £60,000 commence February 2011 to November 2020.

	As at 31 July 2009 £'000	As at 31 July 2008 £'000
15. Provision for Liabilities and Charges		
The Provision for Liabilities and Charges is Made Up as follows:		
Pension Provision	<u>45</u>	<u>49</u>
The Pension Provision represents the estimated future pension commitments relating to a retired former employee of the University College. The University College paid £4,402 relating to the commitment during the year. This sum is expected to increase annually in line with the increase in the Retail Price Index.		
16. Deferred Capital Grants	£'000	£'000
At 1 August	6,001	5,013
Capital Grants Received	<u>4,237</u>	<u>1,490</u>
	10,238	6,503
Less Release of Grant	<u>417</u>	<u>502</u>
Balance at 31 July	<u>9,821</u>	<u>6,001</u>
17. Revaluation Reserve	£'000	£'000
At 1 August	9	19
Transfer from Revaluation Reserve to General Reserve in Respect of Depreciation on Revalued Assets	<u>(9)</u>	<u>(10)</u>
Balance at 31 July	<u>-</u>	<u>9</u>

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
18. General Reserve		
At 1 August	10,545	11,896
Adjustment re Pension	-	(11)
Restated at 1 August	10,545	11,885
Total Recognised Gains for the Year	1,065	(1,350)
Transfer from Revaluation Reserve	9	10
Balance at 31 July	11,619	10,545
19. Financial Commitments	£'000	£'000
Capital Commitments		
At 31 July 2009 the Following Amounts had been Authorised:		
Authorised and Contracted For	452	423
Authorised but Not Contracted For	-	-
Operating Leases		
As at 31 July 2009, Harper Adams University College had Annual Commitments Under Operating Leases Expiring Between One and Five Years:		
Plant and Machinery	10	-
Other	21	-
20. Contingent Liabilities		
To the best of the Governors' knowledge and belief there were no contingent liabilities as at 31 July 2009 or 31 July 2008.		
21. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities	£'000	£'000
Surplus on Continuing Operations After Depreciation	1,253	1,220
FRS 17 Pension Costs Less Contributions Payable	616	485
Depreciation and Amortisation (Note 10)	1,638	1,590
Profit on Disposal of Fixed Assets	(4)	-
Deferred Capital Grants Released to Income	(417)	(502)
Investment Income	(2)	(2)
Interest Receivable	(210)	(332)
Interest Payable	350	333
(Increase) In Stocks	(37)	(332)
Decrease/(Increase) In Debtors and Prepayments	296	(4)
Increase in Creditors	311	730
(Decrease) in Provisions	(4)	-
Unrealised Loss on Investments	15	56
Net Cash Inflow from Operating Activities	3,805	3,242

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
22. Returns on Investments and Servicing of Finance		
Dividends Received	2	2
Interest Received	210	332
Interest Payable	(350)	(333)
Net Cash (Outflow) / Inflow from Returns on Investments and Servicing of Finance	(138)	1
23. Capital Expenditure and Financial Investment	£'000	£'000
Capital Grants Received - HEFCE	4,237	1,490
Proceeds From Sale of Fixed Assets	8	-
Payments to Acquire Tangible Assets	(5,462)	(2,924)
Net Cash (Outflow) from Capital Expenditure and Financial Investment	(1,217)	(1,434)
24. Financing	£'000	£'000
Medium Term Loan	1,505	1,400
Repayment of Loan	(255)	(200)
Net Cash Inflow from Financing	1,250	1,200
24a. Management of Liquid Resources	£'000	£'000
Acquisition Of Current Assets	5,001	-

25. Analysis of Changes in Net Debt

	At 31 July 2008 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2009 £'000
Cash at Bank and in Hand	7,039	(1,301)	-	5,738
Debt Due Within One Year	(252)	252	(427)	(427)
Debt Due After One Year	(6,246)	(1,505)	430	(7,321)
	541	(2,554)	3	(2,010)

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.

27. Subsidiary Company

The University College owns the entire shares of three subsidiary companies: "Harper Adams (Enterprises) Limited" (incorporated 24 January 1990), "Harper Adams (Energy) Limited" (incorporated 27 July 2009) and "Harper Adams (Rural Enterprises) Limited" (incorporated 27 July 2009). These companies have not traded since incorporation.

28. Access Funds

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Funding Council Grant	42	94
Disbursed to Students	(37)	(89)
	5	(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.

	2008/2009 £'000	2007/2008 £'000
Total Pension Cost for the Year		
Teachers' Pension Scheme: contributions paid	626	548
Local Government Pension Scheme: contributions paid	620	522
FRS17 charge	274	353
Charge to the Income and Expenditure Account (staff costs)	894	875
Total Pension Cost for Year	1,520	1,423

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 2009 was £903,847 of which employer's contributions totalled £619,090 and employees' contributions totalled £284,757. The agreed contribution rates for future years are 14.2% 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 2009, with comparative figures as at 31 July 2008.

Principal Actuarial Assumptions	2008/2009	2007/2008	2006/2007
Rate of Increase in Salaries	5.45%	5.55%	4.95%
Rate of Increase of Pensions in Payment	3.70%	3.80%	3.20%
Discount Rate for Liabilities	6.30%	5.90%	5.80%
Inflation Assumption	3.70%	3.80%	3.20%

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 2009	At 31 July 2008
Retiring today		
Males	21.2	21.1
Females	24	24
Retiring in 20 years		
Males	22.2	22.2
Females	25	25

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

	Long term rate of return expected at 31.07.2009	Value at 31.07.2009 £'000	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
Equities	7.50%	6,529	7.50%	7,096	7.50%	7,834
Bonds: Government	4.50%	1,451	4.80%	1,549	4.90%	1,495
Other Bonds	5.80%	1,163	5.90%	1,447	5.80%	1,231
Property	6.50%	512	6.50%	615	6.50%	506
Cash / Liquidity	0.50%	555	5.00%	330	5.75%	207
Other	7.50%	459	7.50%	353	7.50%	230
		<u>10,669</u>		<u>11,390</u>		<u>11,503</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of Financial Reporting Standard (FRS) 17:

	31 July 2009 £'000	31 July 2008 £'000	31 July 2007 £'000
Total Market Value of Assets	10,669	11,390	11,503
Present Value of Scheme Liabilities	<u>(17,845)</u>	<u>(17,762)</u>	<u>(14,809)</u>
(Deficit) in the Scheme – Net Pension (Liability)	<u>(7,176)</u>	<u>(6,372)</u>	<u>(3,306)</u>

	31 July 2009 £'000	31 July 2008 £'000
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Analysis of Amounts Charged to the Income and Expenditure Account

Current Service Cost	876	684
Past Service Cost	-	191
Effect of Curtailments or Settlements	<u>18</u>	<u>-</u>
Total Operating Charge	<u>894</u>	<u>875</u>

Analysis of Net Return on Pension Scheme

Expected Return on Pension Scheme Assets	728	743
Interest on Expected Scheme Liabilities	<u>(1,070)</u>	<u>(875)</u>
Net Return	<u>(342)</u>	<u>(132)</u>

Analysis of Amounts Recognised in Statement of Recognised Gains and Losses

Actual Return Less Expected Return on Pension Scheme Assets	(1,947)	(1,239)
Experience Gains and Losses Arising on Scheme Liabilities	-	-
Changes in Assumptions Underlying the Present Value of Scheme Liabilities	<u>1,759</u>	<u>(1,331)</u>
Total Actuarial (Loss) Recognised	<u>(188)</u>	<u>(2,570)</u>

	31 July 2009 £'000	31 July 2008 £'000
Movement in Deficit During the Year:		
Deficit in Scheme at 1 August	(6,372)	(3,306)
Movement in Year:		
Current Service Charge	(876)	(684)
Past Service Charge	-	(191)
Effect of Curtailments or Settlements	(18)	
Contributions	620	522
Net Return on Assets	(342)	(132)
Actuarial Gain/(Loss)	(188)	(2,581)
Deficit in Scheme At 31 July	(7,176)	(6,372)
 Asset and Liability Reconciliation		
Reconciliation of Liabilities		
Liabilities at Start of Period	17,762	14,809
Service Cost	876	684
Interest Cost	1,070	875
Employee Contributions	285	241
Actuarial (Gain)/Loss	(1,759)	1,331
Benefits Paid	(407)	(369)
Past Service Cost	-	191
Effect of Curtailments or Settlements	18	-
Liabilities at End of Period	17,845	17,762
Reconciliation of Assets		
Assets at Start of Period	11,390	11,503
Expected Return on Assets	728	743
Actuarial (Loss)	(1,947)	(1,250)
Employer Contributions	620	522
Employee Contributions	285	241
Benefits Paid	(407)	(369)
Assets at End of Period	10,669	11,390

History of Experience Gains and Losses

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000	Year to 31 July 2006 £'000	Year to 31 July 2005 £'000
Difference Between the Expected and Actual Return on Scheme Assets:					
Amount	(1,947)	(1,239)	350	539	931
Percentage of Scheme Assets	-18.2%	-10.9%	3.0%	5.3%	10.6%
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	(804)	(3,055)	25	(297)	(989)
Percentage of Present Value of Scheme Liabilities	4.5%	17.2%	0.2%	2.2%	8.4%

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 2008 to 31 July 2009 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

	2004/05 £'000 (as restated)	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
INCOME AND EXPENDITURE ACCOUNT					
Income					
Funding Council Grants	9,047	10,264	11,544	13,237	16,710
Tuition Fees	1,757	2,070	3,213	4,999	5,221
Research Grants and Contracts	457	440	436	1,797	655
Other Operating Income	4,804	5,817	6,586	6,602	6,613
Investment Income	133	168	213	334	212
Total Income	16,198	18,759	21,992	26,969	29,411
Expenditure					
Staff Costs	9,035	9,919	11,027	12,529	13,319
Depreciation and Amortisation	971	1,546	1,674	1,590	1,638
Other Operating Expenses	5,678	6,860	8,133	11,165	12,509
Interest and Other Finance Costs	138	199	411	465	692
Total Expenditure	15,822	18,524	21,245	25,749	28,158
Operating Surplus before Tax and Exceptional Items	376	235	747	1,220	1,253
BALANCE SHEET					
Fixed Assets	17,516	22,105	23,107	24,385	28,191
Net Current Assets	1,828	2,276	2,274	4,837	7,792
Creditors: Amounts Falling Due after One Year	(2,182)	(5,296)	(5,098)	(6,246)	(7,322)
Provisions for Liabilities and Charges	(51)	(51)	(49)	(49)	(45)
	17,111	19,034	20,234	22,927	28,616
Pension Liability	(3,032)	(3,331)	(3,306)	(6,372)	(7,176)
Total Net Assets	14,079	15,703	16,928	16,555	21,440
Represented by					
Deferred Capital Grants	3,604	4,925	5,013	6,001	9,821
Revaluation Reserve	39	29	19	9	-
General Reserve	10,436	10,749	11,896	10,545	11,619
TOTAL FUNDS	14,079	15,703	16,928	16,555	21,440

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
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
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



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