

UniS

University
of Surrey

Statement of
Accounts
2000-2001



Guildford

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Consolidated Financial Highlights for Financial Year 2000/2001

	2000/2001	1999/2000	% Increase (Decrease)
	£000	£000	
Income and Expenditure			
Income			
HEFCE Teaching Grant	16,795	17,079	(1.7)
Research, deferred and other specific grants	12,683	12,433	2.0
	<u>29,478</u>	<u>29,512</u>	(0.1)
Home Tuition Fees (i)	10,383	10,038	3.4
Total grant plus home fees	<u>39,861</u>	<u>39,550</u>	0.8
Other Income	76,663	70,287	9.1
Total Income	<u>116,524</u>	<u>109,837</u>	6.1
Total Expenditure	115,668	111,771	3.5
including taxation £6k and minority interest £7k loss, 1999/2000 taxation £12k and minority interest £3k loss			
Surplus/(Deficit) for the Year	<u>856</u>	<u>(1,934)</u>	
HEFCE Grants plus Home Tuition Fees as percentage of total Income	<u>34.2%</u>	<u>36.0%</u>	

Note

(i) Home Tuition Fees are derived from Local Education Authorities and students.

	2000/2001	1999/2000	
	£000	£000	
Assets			
Capital Assets purchased or donated in year	8,234	15,626	(47.3)
Total Net Assets	<u>112,517</u>	<u>112,849</u>	(0.3)

Report of the Chairman of Council

Financial Environment

The last financial year has been both exciting and challenging as the University finalised its submission for the Research Assessment Exercise. The outcome of this will have a major impact on the University's research income for a number of years. Despite the fact that the HE sector continues to be required to make economies and improvements in the use of its core funding the University has responded positively by continuing to generate its own income streams. This is made clear in the financial highlights on page 2 where it can be seen that the proportion of income from HEFCE grants and home tuition fees has fallen to its lowest level at this University of only 34.2%. Whilst the various funded initiatives that the government have introduced provide additional funds towards directed schemes, often major capital projects, these are no substitute for increasing core funding to underpin basic teaching and research activities.

Major Financial Results

I am pleased to report that the University's Consolidated Accounts for 2000/2001 show a surplus for the year of £856,000 (1999/2000 deficit of £1,934,000). Total income increased by 6.1% to £116,524,000 whilst total expenditure increased by 3.5% to £115,668,000. The University's investment in new capital assets in 2000/2001 was £8,234,000 (1999/2000 £15,626,000) which is equivalent to just over 7% of total income and a considerable drop on last year. Most of this reduction is explained by the bringing into capital of two large finance leases in 1999/2000 which was not repeated in 2000/2001.

Looking at individual income sources, tuition fee income shows an increase of 6.2%, up from £29,389,000 to £31,218,000, principally due to increases in postgraduate students. Funding Council grants relating to teaching and research show an increase of 0.8%. Research grant and contract income has achieved a 9.9% increase on a consolidated basis and is an excellent result.

Scope of the Financial Statements

The Financial Statements presented to Council comprise the consolidated results of the University (including the University's Foundation Fund) and its principal subsidiary companies and trusts and should be read in conjunction with the University's Annual Report for 2000/2001. The main financial highlights are shown on page 2 of the Financial Statements.

Resource Allocation Methodology

The University has continued to evolve its Resource Allocation Methodology (RAM) which is an extremely important accountability tool in the University's strategic planning processes.

Long Term Borrowing

During the year there was only a small increase in long term borrowing which related to the financing of capital schemes. The University has a policy of borrowing only against activities which generate strong income streams to support debt servicing costs. In some cases Foundation Fund surpluses are used to underwrite debt servicing costs where it is not appropriate to expect commercial rates of return on investment. The loan debt and finance lease obligations outstanding at the end of 2000/2001 was £47,088,000, (1999/2000 : £46,224,000)

Cash Flow and Net Current Assets

The cash flow statement shows that there has been a net increase in cash of £3,486,000 over the year. Net current assets are shown as negative but this principally arises because the University is using cash reserves to fund capital expenditure rather than resorting to external borrowing.

Report of the Chairman of Council (continued)

Investment Performance and Cashflow

The total return on long term investments was 1.5% (1999/2000 : 4.9%) whilst the rate of return on short term investments was 4.9% (1999/2000 : 6.4%). The return on long term investments is low because of the mix of our relatively small portfolio which is currently being reviewed and may be supplemented dependent upon our cash flow position. The short term rate is considered satisfactory in the climate of reducing interest rates.

Foundation Fund

The financial performance of the Research Park, which is the main financial component of the Foundation Fund, has continued to be outstanding. The surpluses generated by the Research Park represent a vital independent source of income for the University to support strategic academic initiatives and finance capital projects. In 2000/2001 a total of £4,339,000 (1999/2000 : £3,199,000), which was better than planned, was transferred from the Foundation Fund to the University for these purposes.

University Companies

Operationally the University's major academic company Surrey Satellite Technology Ltd (SSTL) again had a successful year in terms of the number of new contracts gained and achieved a small surplus of £46,000. The current financial climate, particularly in the high technology sector has meant that the University has had to postpone its proposal to spin out SSTL. This will be reconsidered when market conditions are more propitious.

Major Capital Projects and Long Term Maintenance Programme

Two major projects were started in the year - the Management School and the Advanced Technology Institute. Both of these projects are part funded from government grants and they represent a very significant investment in new infrastructure. The University also continues to invest significant sums in its capital programme and long term maintenance in order to maintain and enhance its existing estate infrastructure. This will be a continuing and a growing requirement for which there will need to be prioritisation of funding.

Employee and Student Involvement

The University encourages the involvement of all staff and students and fosters good communication with them. The University publishes a newsletter which is distributed widely to all staff and separate supplements are published when a need arises. Staff and students are encouraged to participate in formal and informal consultation at University, Faculty and Departmental level, often through the membership of formal Committees. The University's Training and Staff Development Unit provides technical and general training to all levels of staff. The University is committed to an Equal Opportunities Policy.

Employees are represented on the University Council and on internal committees. Members of senior management meet regularly with representatives of trade unions to represent the interests of academics, research and support staff through consultative committees. When matters affect their employment directly, staff are advised in accordance with the University's agreed employment policies.

Creditor Payment Policy

It is the University's policy to abide by the terms of payment agreed with suppliers. In most cases the University's conditions of purchase apply, in which case payment is made at the end of the calendar month following receipt and agreement of the invoice. In some cases, the terms of payment are determined by specific written or verbal agreement.

Report of the Chairman of Council (continued)

Current and Future Developments

The University's annual report for 2000/2001 outlines a number of important initiatives and achievements for the past financial year which include, inter alia;

- The successful completion of our submission for the Research Assessment Exercise
- The achievement of a financial surplus of £856,000 for the 2000/2001 financial year together with substantial capital investment of £8,234,000
- The setting up of an Academic Strategy Task Group to make recommendations on the future academic shape of the University
- The setting up of a senior management review to ensure that the University has in place appropriate management structures to meet the challenges within the sector
- The starting of a number of system reviews designed to improve both efficiency and effectiveness
- The University has recently been successful in obtaining a number of "third-leg" funding awards. This will enable it to both develop its own income generating activities and also improve its links with the business community.

Conclusion

In the challenging environment in which the University has to operate it is particularly pleasing that I am able to report a substantial surplus for 2000/2001. This has been achieved partly as a result of an improved budget monitoring system but mainly because of the skill and hard work of all the University's staff. I should personally like to record my thanks to all the staff for their help in achieving this excellent result. However, it is essential that we maintain our current financial position to permit us to further enhance the University's position in the future. I have confidence that this is something we will be able to achieve in ensuing years.

External Auditors

An audit tender was undertaken in 2001 and Ernst & Young LLP were appointed as auditors to the University.

6 December 2001

Sir William Wells FRICS
Chairman of Council

Corporate Governance

The University is working towards exhibiting best practice in all aspects of corporate governance including compliance with all of the code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to universities. The University Council, as governing body, is responsible for the University's system of internal control and for reviewing its effectiveness. The University is in the process of putting systems in place for identifying, evaluating and managing the University's significant risks. A timetable is being drawn up which will ensure partial implementation by July 2002 and full implementation by 2003. It is intended that the processes will be reviewed regularly by the University's Council and will accord with internal control guidance.

Summary of the University's Structure of Corporate Governance

In accordance with the requirements of its Charter and Statutes, the University's Council comprises a number of ex officio, appointed, elected and co-opted lay and academic persons, the majority of whom are non-executive. The role of the Chairman of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The powers of the Council are set out in the Statutes of the University; and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from its committees on the day to day operations of its business and of its subsidiary companies. The Council meets four times a year; and has several Committees, including a Planning and Resources Committee, a Finance and General Purposes Committee, a Buildings and Estates Committee and an Audit Committee. All of these Committees are formally constituted with appropriate terms of reference. With the exception of Planning and Resources Committee, which is comprised of senior officers of the University under the Chairmanship of the Vice-Chancellor as Chief Executive, all of them have substantial lay membership and have lay Chairmen.

The Finance and General Purposes Committee, inter alia, recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also monitors the financial performance of the University's companies and trading areas, as well as ensuring that the University's assets are well managed and that a reasonable return is achieved from them. The Committee has powers delegated by Council to authorise borrowing and investment of money on behalf of the University and to set fees. The Committee also has other non-financial powers relating to the appointment, promotion and dismissal of University employees as well as acting as the University's emergency committee. The committee meets six times a year.

The Audit Committee meets, three times annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with the regulatory requirements. It reviews the University's annual financial statements and makes recommendations on implementation of the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the External Auditors on their own for independent discussions. The Chair of the Audit Committee has direct access to the Chair of Council.

Responsibilities of the Council of the University of Surrey

In accordance with the University's Charter and Statutes, the Council of the University is responsible for the administration and management of the affairs of the University and of the Group, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University and the Group will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted on the preparation of the financial statements.

The Council has taken reasonable steps to :

- 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;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and of the Group and to prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the University's system of internal financial control in existence for the University for the year ended 31 July 2001. This review has been based on the risks identified and the work carried out by the Internal Audit Department taking into account matters arising from the external audit. The Committee considers that there were no weaknesses in the framework that led during the year to any material losses or contingencies. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Auditors' Report to the Council of the University of Surrey

We have audited the financial statements on pages 9 to 32 which have been prepared in accordance with the accounting policies set out on pages 9 to 12.

Respective responsibilities of the Council of the University and auditors

As described on page 7 the University Council is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council.

We also report to you if, in our opinion, the Report of the Chairman of Council is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Chairman of Council and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of our opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:-

- the financial statements give a true and fair view of the state of affairs of the University and of the group at 31 July 2001, and of the surplus and cash flows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2001 have been applied for the purposes for which they were received;
- income during the year ended 31 July 2001 has been applied in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum dated July 2000 with the Higher Education Funding Council for England.

Statement of principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published by the funding council.

Basis of accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The consolidated financial statements include the University and Foundation Fund (the University's general endowment fund), the University's companies and trusts which have all been made up to 31 July. Intra-group sales and profits are eliminated fully on consolidation.

The financial statements of the University include the Foundation Fund which is separately operated and managed. The Foundation Fund was set up from the original national appeal for funds to establish the new University when it was founded in 1967. The University Council acts as trustees to the Foundation Fund with the power to act as trustees defined in the provision of the Royal Charter (Article 3 (19)). The Trustees do not make their funds available to subsidise normal University operation activities. They are used to support specific new academic initiatives and projects.

In accordance with FRS2, the activities of the students' union have not been consolidated because the University does not control those activities.

Recognition of income

Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

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

Maintenance of premises

The University has a five year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Statement of principal accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme and the Surrey County Council Superannuation Fund. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. A small number of staff remain in other pension schemes.

Tangible fixed assets

a. Land and buildings

Land and buildings are stated at cost. Expenditure on current capital projects is capitalised as it is incurred. Buildings are depreciated over their expected useful lives of 50 years.

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

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

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

Buildings 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.

Developed land and buildings held by the Foundation Fund are treated as investment property.

b. Equipment

Equipment costing less than £10,000 per individual item, or group of related items, is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its useful life, as follows :

Motor vehicles, computer networks and other equipment	-	5 years
Computing equipment	-	3 years
Equipment acquired for specific research projects	-	project life
Furniture	-	10 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

Statement of principal accounting policies (continued)

Donated assets

Where assets are received by way of donation these are capitalised and depreciated as set out above. The equipment is revalued on receipt based on its nil cost to the University and the associated revaluation is realised as income over the expected useful life of the asset.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements that transfer to the University substantially all of the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Lease and leaseback scheme

The lease and leaseback scheme is being accounted for in accordance with the substance of the transaction in compliance with FRS5. As the sub lease and lease payment were connected transactions the net premium is treated as a capitalised lease premium and is being depreciated over the life of the lease.

Investments

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

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of these properties.

Stocks

Catering, trading and centrally held stocks are stated at the lower of cost and net realisable value. Stocks held by teaching and research departments are generally excluded from the balance sheet, this expenditure being charged to the income and expenditure account when incurred.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits and government securities held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

Statement of principal accounting policies (continued)

Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation and Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Tax, including deferred tax, in respect of the trading activities of the University and its subsidiary operations, is provided for at current rates.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Research and development

Expenditure on general research and development is written off against profits in the year in which it is incurred. Expenditure on new product development within University companies is capitalised as and when the company is confident that the investment will result in a viable marketable product. Capitalised new product research and development costs are transferred to fixed assets.

Income and expenditure accounts for the year ended 31 July 2001

	Note	Consolidated		University	
		2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Income					
Funding Council grants	1	29,478	29,512	29,478	29,512
Academic fees and support grants	2	31,218	29,389	31,218	29,389
Research grants and contracts	3	19,845	18,056	18,049	16,964
Other operating income	4	27,171	25,023	17,890	17,195
Endowment and trust income and interest receivable	5	8,812	7,857	8,931	7,859
Total income		116,524	109,837	105,566	100,919
Expenditure					
Staff costs	6 & 10	65,142	62,563	60,885	58,937
Other operating expenses	8 & 10	40,667	39,621	34,772	34,097
Depreciation	10 & 13	5,790	6,038	4,972	4,964
Interest payable	9 & 10	4,070	3,540	4,153	3,934
Total expenditure		115,669	111,762	104,782	101,932
Surplus/(Deficit) on continuing operations after depreciation of assets and before tax and minority interests		855	(1,925)	784	(1,013)
Taxation	11	(6)	(12)	-	-
Surplus/(deficit) on continuing operations after depreciation of assets and before tax and minority interests		849	(1,937)	784	(1,013)
Minority interests		7	3	-	-
Surplus/(deficit) for the year	12	856	(1,934)	784	(1,013)
Income and expenditure and restricted reserves					
brought forward		40,292	42,129	41,375	42,291
Transfer from revaluation reserve	25	30	97	30	97
Income and expenditure and restricted reserves carried forward		41,178	40,292	42,189	41,375

The difference between the result reported above and the result on an unmodified historical cost basis is a decrease to the surplus of £701,000 (1999/2000: £634,000). This arises because some properties which are accounted for as investment properties at valuation on the Research Park are used as University buildings and would otherwise be liable to depreciation for the year of £731,000. This would be offset to some extent because donated assets which had no cost to the University have been subject to a depreciation charge of £30,000 (1999/2000: £97,000) during the year.

All income and expenditure of the year relates to continuing activities.

Statement of consolidated total recognised gains and losses
for the year ended 31 July 2001

	Note	Consolidated	
		2000/2001 £000	1999/2000 £000
Surplus/(deficit) for the year after tax		849	(1,937)
Specific endowment income received during year	22	18	29
General endowment income released during year	22	-	(350)
Revaluation of general endowment	23	(2,660)	3,650
Unrealised surplus on revaluation of investments	25	100	347
Total recognised gains relating to the year		<u>(1,693)</u>	<u>1,739</u>
Reconciliation			
Opening reserves and endowments		103,558	
Total recognised gains and losses for the year		(1,693)	
Closing reserves and endowments		<u>101,865</u>	

Balance sheets as at 31 July 2001

	Note	Consolidated		University	
		2001 £000	2000 £000	2001 £000	2000 £000
Fixed assets					
Tangible assets	13	82,073	80,155	80,420	78,149
Investments	14	<u>26,144</u>	<u>25,174</u>	<u>27,768</u>	<u>25,996</u>
		<u>108,217</u>	<u>105,329</u>	<u>108,188</u>	<u>104,145</u>
Endowment asset investments	14	<u>58,908</u>	<u>61,550</u>	<u>58,908</u>	<u>61,550</u>
Current assets					
Stocks and stores in hand		1,099	997	506	524
Debtors	15	15,432	12,076	14,428	15,476
Investments	16	2,980	795	2,980	795
Cash at bank and in hand		<u>5,255</u>	<u>1,769</u>	<u>1,241</u>	<u>408</u>
		<u>24,766</u>	<u>15,637</u>	<u>19,155</u>	<u>17,203</u>
Creditors : Amounts falling due within one year	17	<u>(29,463)</u>	<u>(20,537)</u>	<u>(23,005)</u>	<u>(19,985)</u>
Net current liabilities		<u>(4,697)</u>	<u>(4,900)</u>	<u>(3,850)</u>	<u>(2,782)</u>
Total assets less current liabilities		162,428	161,979	163,246	162,913
Creditors : Amounts falling due after more than one year	18	(48,783)	(48,109)	(48,671)	(48,056)
Provisions for liabilities and charges	20	<u>(1,128)</u>	<u>(1,021)</u>	<u>(1,128)</u>	<u>(1,021)</u>
Total net assets		<u>112,517</u>	<u>112,849</u>	<u>113,447</u>	<u>113,836</u>
Deferred capital grants	21	<u>10,652</u>	<u>9,291</u>	<u>10,585</u>	<u>9,216</u>
Endowments					
Specific	22	1,376	1,358	1,376	1,358
General	22	<u>57,532</u>	<u>60,192</u>	<u>57,532</u>	<u>60,192</u>
		<u>58,908</u>	<u>61,550</u>	<u>58,908</u>	<u>61,550</u>
Reserves					
Restricted reserves	24	1,183	1,207	979	1,012
Revaluation reserve	25	1,765	1,695	1,765	1,695
Income and expenditure account	26	<u>39,995</u>	<u>39,085</u>	<u>41,210</u>	<u>40,363</u>
		<u>42,943</u>	<u>41,987</u>	<u>43,954</u>	<u>43,070</u>
Total funds before minority interests		112,503	112,828	113,447	113,836
Minority interests		14	21	-	-
Total funds		<u>112,517</u>	<u>112,849</u>	<u>113,447</u>	<u>113,836</u>

The financial statements on pages 9 to 32 were approved by the governing body on 6 December 2001 and were signed on its behalf by:

Professor PJ Dowling DL FREng FRS
Vice-Chancellor

Sir William Wells FRICS
Chairman of Council

Consolidated cash flow statement for the year ended 31 July 2001

		Consolidated	
	Note	Year ended 31 July 2001 £000	Year ended 31 July 2000 £000
Cash flow from operating activities	27	6,823	(2,711)
Returns on investments and servicing of finance	28	4,094	4,100
Taxation		(18)	-
Capital expenditure and financial investment	28	(5,693)	(9,978)
Cash inflow/(outflow) before use of liquid resources and financing		<u>5,206</u>	<u>(8,589)</u>
Management of liquid resources	28	(2,185)	1,915
Financing	28	465	6,610
Increase/(decrease) in cash in the period		<u>3,486</u>	<u>(64)</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	29	£000	£000
Increase/(decrease) in cash in the period		3,486	(64)
Cash inflow from increase in debt financing		(465)	(6,610)
Cash inflow/(outflow) from decrease/(increase) in liquid resources		<u>2,185</u>	<u>(1,915)</u>
Change in net debt resulting from cash flows		5,206	(8,589)
Increase in SAGE liabilities		(182)	(83)
New finance leases		<u>(420)</u>	<u>(6,543)</u>
Movement in net debt in the period		4,604	(15,215)
Net debt at 1 August 2000		<u>(46,236)</u>	<u>(31,021)</u>
Net debt at 31 July 2001		<u>(41,632)</u>	<u>(46,236)</u>

Notes to the accounts

1 Funding Council Grants

	Consolidated & University	
	2000/2001	1999/2000
	£000	£000
Recurrent Grant		
Teaching	16,795	17,079
Research	11,226	10,716
	<u>28,021</u>	<u>27,795</u>
Specific Grants		
Joint Information Systems Committee	294	165
Teaching and Learning Technology Programme	134	130
Widening participation	120	0
Learning and teaching development	70	0
Fund for the Development of Teaching and Learning	51	84
Research libraries	22	30
Joint Research Equipment Initiative	5	53
Computers in Teaching Initiative	5	42
Other	0	182
Deferred Capital Grants released in year (note 21)		
Building	241	442
Equipment	515	589
Total Grants from HEFCE	<u>29,478</u>	<u>29,512</u>

2 Academic Fees and Support Grants

	Consolidated & University	
	2000/2001	1999/2000
	£000	£000
Full-time home students	7,755	7,626
Full-time students charged overseas fees	8,875	7,648
Part-time home students	2,628	2,412
Part-time overseas students	1,345	1,380
Short courses	2,128	1,827
Research Council support grants	133	259
Health Authority contract	8,354	8,237
	<u>31,218</u>	<u>29,389</u>

3 Research Grants and Contracts

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	£000	£000	£000	£000
Research councils	7,825	6,699	7,825	6,700
UK based charities	746	917	746	917
European commission	1,946	1,451	1,946	1,451
Other grants and contracts	8,676	8,052	6,880	6,959
Releases from deferred capital grants	652	937	652	937
	<u>19,845</u>	<u>18,056</u>	<u>18,049</u>	<u>16,964</u>

Notes to the accounts (continued)

4 Other Operating Income

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	£000	£000	£000	£000
Residences, catering and conferences	8,681	7,579	8,681	7,694
Other Services Rendered	14,352	12,078	4,299	3,455
Donations from subsidiary companies	-	-	317	570
Departmental income	1,400	2,329	1,400	2,329
Released from deferred capital grants	18	18	18	18
Use of University facilities & rental income	1,848	1,890	2,317	2,106
VAT recovered	783	603	783	603
Other income	89	526	75	420
	<u>27,171</u>	<u>25,023</u>	<u>17,890</u>	<u>17,195</u>

5 Endowment and Trust Income and Interest Receivable

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	£000	£000	£000	£000
Income from endowments (see note 22)	8,391	7,417	8,391	7,417
Income from trusts	129	144	120	121
Income from short term investments	292	296	420	321
	<u>8,812</u>	<u>7,857</u>	<u>8,931</u>	<u>7,859</u>

The endowment income includes general endowment income of £8,039,000 (1999/2000: £7,077,000) and specific endowment income of £352,000 (1999/2000: £340,000). Trust income of £68,000 (1999/2000: £52,000) is included as rental income within consolidated other operating income (note 4).

6 Staff

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	£000	£000	£000	£000
Staff costs :				
Wages and salaries	55,231	52,896	51,498	49,698
Social security costs	4,196	4,067	3,830	3,752
Other pension costs	5,715	5,600	5,557	5,487
	<u>65,142</u>	<u>62,563</u>	<u>60,885</u>	<u>58,937</u>

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	Number	Number	Number	Number
FTE staff numbers by major category				
Academic and related	862	853	841	843
Clerical	452	456	421	421
Technicians	168	173	139	157
Research	303	323	289	303
Manual	251	256	251	256
University staff seconded to companies	-	-	(32)	(58)
	<u>2,036</u>	<u>2,061</u>	<u>1,909</u>	<u>1,922</u>

Notes to the accounts (continued)

7 Emoluments of Higher Paid Staff

	2000/2001 £000	1999/2000 £000
Emoluments of the Vice-Chancellor	<u>153</u>	<u>137</u>

The emoluments of the Vice-Chancellor include all remuneration and benefits. The University's pension contributions to USS are paid at the same rates as for other academic staff and amounted to £17,080 for 2000/2001 (1999/2000 : £16,753). This is not included in the figure for emoluments.

The emoluments of other Higher Paid Staff including all remuneration, benefits and royalties, but excluding pension contributions :

Remuneration Band	2000/2001 Number of Employees	1999/2000
£50,001 - £60,000	47	40
£60,001 - £70,000	23	12
£70,001 - £80,000	4	5
£80,001 - £90,000	2	5
£90,001 - £100,000	6	4
	<u>82</u>	<u>66</u>

Early retirement costs paid and payable in respect of Higher Paid Staff amounted to £76,085 for two members of staff in 2000/2001 (1999/2000: £38,354 for one member of staff).

8 Other Operating Expenses

Consolidated	2000/2001 £000	1999/2000 £000
Residences, catering and conferences	3,141	3,497
Bursaries, scholarships and prizes	2,303	2,054
Consumables and laboratory expenditure	1,808	2,017
Repairs and general maintenance	1,704	2,229
Course and conference costs for staff	1,704	1,090
Library services	1,576	1,468
Staff travel and subsistence	1,503	1,693
Heat, light and power	1,240	1,088
Premature retirements	1,382	1,059
Grants to University of Surrey Students' Union	626	544
Local authority rates	193	271
Auditors' remuneration (external audit)	54	63
University companies (other than heat, light and power costs shown above)	4,945	5,158
Other expenses	18,488	17,390
	<u>40,667</u>	<u>39,621</u>

Notes to the accounts (continued)

9 Interest Payable

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	£000	£000	£000	£000
On bank loans and other loans:				
Loans wholly repayable within five years	-	31	89	424
Loans not wholly repayable within five years	3,318	3,105	3,327	3,106
Other loans	172	121	172	121
	<u>3,490</u>	<u>3,257</u>	<u>3,588</u>	<u>3,651</u>
On finance leases	580	283	565	283
Total	<u>4,070</u>	<u>3,540</u>	<u>4,153</u>	<u>3,934</u>

The interest payable on other loans shown above relates to the SAGE scheme (note 32).

10 Analysis of 2000/2001 Expenditure by Activity

Consolidated	Staff Costs £000	Dep'n £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic departments	36,457	1,422	10,238	-	48,117
Academic services	3,223	276	1,839	1	5,339
Research grants and contracts	7,341	650	6,231	-	14,222
Residences, catering & conferences	2,676	112	3,141	1,673	7,602
Premises	2,754	2,237	3,747	1	8,739
Administration	6,654	232	5,811	-	12,697
Other expenses	6,037	861	9,660	2,395	18,953
Total per income and expenditure account	<u>65,142</u>	<u>5,790</u>	<u>40,667</u>	<u>4,070</u>	<u>115,669</u>

The depreciation charge has been funded by :-

	£000
Deferred capital grants released (see note 21)	1,506
Revaluation reserve released (see note 25)	30
General income	<u>4,254</u>
	<u>5,790</u>

11 Taxation

	Consolidated	
	2000/2001	1999/2000
	£000	£000
UK corporation tax at 20% (2000 : 20%) payable on the profits of certain subsidiary companies	<u>6</u>	<u>12</u>

12 Surplus/(Deficit) on Continuing Operations for the Period

	2000/2001	1999/2000
	£000	£000
The surplus/(deficit) on continuing operations for the period is made up as follows:		
University's surplus/(deficit) for the year	579	(2,471)
Surplus generated by subsidiary undertakings and transferred to the University under a deed of covenant/Gift Aid	<u>277</u>	<u>537</u>
	<u>856</u>	<u>(1,934)</u>

Notes to the accounts (continued)

13 Tangible Fixed Assets

Consolidated	Land and Buildings £000	Assets under Construction £000	Equipment £000	Total £000
Cost				
At 1 August 2000	79,648	4,667	38,501	122,816
Additions at cost	1,401	2,841	3,992	8,234
Reclassification	4,362	(4,362)	-	-
Disposals at cost	(607)	-	(715)	(1,322)
At 31 July 2001	<u>84,804</u>	<u>3,146</u>	<u>41,778</u>	<u>129,728</u>
Depreciation				
At 1 August 2000	15,902	-	26,759	42,661
Charge for the year	1,752	-	4,038	5,790
Eliminated on disposal	(201)	-	(595)	(796)
At 31 July 2001	<u>17,453</u>	<u>-</u>	<u>30,202</u>	<u>47,655</u>
Net Book Value				
At 31 July 2001	<u>67,351</u>	<u>3,146</u>	<u>11,576</u>	<u>82,073</u>
At 31 July 2000	<u>63,746</u>	<u>4,667</u>	<u>11,742</u>	<u>80,155</u>
University				
Cost				
At 1 August 2000	79,609	4,667	34,657	118,933
Additions at cost	1,401	2,841	3,525	7,767
Reclassification	4,362	(4,362)	-	-
Disposals at cost	(607)	-	(545)	(1,152)
At 31 July 2001	<u>84,765</u>	<u>3,146</u>	<u>37,637</u>	<u>125,548</u>
Depreciation				
At 1 August 2000	15,885	-	24,899	40,784
Charge for year	1,730	-	3,242	4,972
Eliminated on disposal	(201)	-	(427)	(628)
At 31 July 2001	<u>17,414</u>	<u>-</u>	<u>27,714</u>	<u>45,128</u>
Net Book Value				
At 31 July 2001	<u>67,351</u>	<u>3,146</u>	<u>9,923</u>	<u>80,420</u>
At 31 July 2000	<u>63,724</u>	<u>4,667</u>	<u>9,758</u>	<u>78,149</u>

Buildings with a net book value of £5,915,000 and a cost of £12,270,000 have been funded from Treasury sources. Should these particular buildings be sold the University would either have to surrender the proceeds to the Treasury or use them in accordance with the University's Financial Memorandum with HEFCE.

Included in both the Consolidated and University assets there is an amount of Freehold Land at a cost of £117,000 which is not subject to depreciation.

Notes to the accounts (continued)

13 Tangible Fixed Assets (continued)

The University entered into a lease and leaseback arrangement with AF Trust in November 1996. Since the substance of the transaction is to reduce the construction cost of the assets, the net premia, i.e. sub lease payment less lease payment, has been treated as a capitalised lease premium and is being depreciated over the life of the lease.

Included within land and buildings are buildings with a net book value of £6,407,000 held under short term finance leases. The depreciation allocated for the year in respect of these assets was £128,000.

Included within the cost of land and buildings is £295,000 which were interest charges on loans taken out to fund the cost of buildings and incurred before the buildings came into use.

14 Fixed Asset Investments

(i) Shares in Group Companies

	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Investment at cost less provision	-	-	1,264	514

Shares in Subsidiaries

Principal subsidiaries are :-

Name	Nature of Business	Class of Share	% held
Surrey Satellite Technology Limited	Satellite engineering	Ordinary	95
Surrey Satellite Technology Limited	Satellite engineering	Preference	100
ClifMar Associates Limited	Biological research	Ordinary	60
Research Park Developments Limited	Property development	Ordinary	100
Surrey University Press Limited	Book shop and publishers	Ordinary	100
Surrey Combined Utilities and Power Limited	Energy trader	Ordinary	100
Surrey Social and Market Research Limited	Market research	Ordinary	100
Surrey Health and Medical Enterprises Limited	Medical teaching	Ordinary	100
University of Surrey Seed Fund	Technology investment	Ordinary	100
University of Surrey Environmental Body	Environmental research	Limited by guarantee	100

All subsidiaries are incorporated in Great Britain and registered in England and Wales.

Notes to the accounts (continued)

14 Fixed Asset Investments (continued)

(ii) Other Investments	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Balance at 1 August	86,724	81,334	87,032	81,143
Additions	436	316	439	320
Disposals	(115)	(2,606)	(122)	(2,614)
Impairment in value	(55)	(550)	(1)	(47)
Provisions/revaluations	(1,938)	8,230	(1,936)	8,230
Balance at 31 July	<u>85,052</u>	<u>86,724</u>	<u>85,412</u>	<u>87,032</u>
Listed on London Stock Exchange:				
Government stocks	231	203	231	203
Fixed interest stocks	103	97	103	97
Equities	<u>2,446</u>	<u>2,744</u>	<u>2,446</u>	<u>2,744</u>
	<u>2,780</u>	<u>3,044</u>	<u>2,780</u>	<u>3,044</u>
Unlisted equities	455	214	264	214
Total fixed interest and equities	<u>3,235</u>	<u>3,258</u>	<u>3,044</u>	<u>3,258</u>
Fixed interest and equities at cost	<u>2,117</u>	<u>1,790</u>	<u>1,869</u>	<u>1,790</u>
Fixed interest and equities	3,235	3,258	3,044	3,258
Art collection	448	86	448	86
General endowment assets: Research Park (2)	57,532	60,192	57,532	60,192
Investment: Research Park (2)	23,579	22,917	23,579	22,917
Loans to group companies	-	-	551	308
Other loans	<u>258</u>	<u>271</u>	<u>258</u>	<u>271</u>
Total other investments (1)	<u>85,052</u>	<u>86,724</u>	(1) <u>85,412</u>	<u>87,032</u>
Land and property at cost	<u>36,987</u>	<u>36,960</u>	<u>36,987</u>	<u>36,960</u>

(1) The above includes £1,376,000 (2000 : £1,358,000) in respect of specific endowment assets and £57,532,000 (2000 : £60,192,000) in respect of general endowment assets (see note 22).

(2) These balances relate to the Foundation Fund, the General Endowment of the University, which manages the Surrey Research Park. The Foundation Fund generated income of £8,039,000 (2000: £7,077,000), comprised principally of rental and service charge income (note 22). The balances primarily represent the tangible assets held by the Foundation Fund. These are comprised of freehold investment properties of £78,338,000 (2000: £80,971,000), freehold investment land & buildings of £3,312,000 (2000: £3,312,000) and furniture and equipment of £209,000 (2000: £173,000). £2,660,000 of the movement in the freehold investment properties balance represents the annual revaluation of the investment properties (note 22).

The University has a £28,864,000 loan facility with the Yorkshire Bank which is secured on land and buildings included within the Research Park.

Shown in balance sheet as:

Fixed asset investments	26,144	25,174	27,768	25,996
Endowment asset investments	<u>58,908</u>	<u>61,550</u>	<u>58,908</u>	<u>61,550</u>
Total investments (i) and (ii)	<u>85,052</u>	<u>86,724</u>	<u>86,676</u>	<u>87,546</u>

Notes to the accounts (continued)

15 Debtors	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Trade debtors	9,920	4,956	4,575	3,623
Amounts owed by subsidiary companies	-	-	3,819	4,556
Other debtors	3,773	4,191	3,718	4,085
Prepayments and accrued income	1,739	2,929	2,316	3,212
	<u>15,432</u>	<u>12,076</u>	<u>14,428</u>	<u>15,476</u>

16 Current Asset Investments	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Short term deposits	2,980	795	2,980	795
	<u>2,980</u>	<u>795</u>	<u>2,980</u>	<u>795</u>

17 Creditors : amounts falling due within one year	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Bank loans (see note 19)	768	726	768	701
Obligations under finance leases (note 19)	338	32	224	-
Payments received on account	3,382	3,139	3,382	3,139
Trade creditors	5,424	6,168	5,078	5,504
Amounts owed to group companies	-	-	1,741	1,297
Other creditors including taxation and social security	2,298	1,709	2,049	1,644
Accruals and deferred income	17,253	8,763	9,763	7,700
	<u>29,463</u>	<u>20,537</u>	<u>23,005</u>	<u>19,985</u>

18 Creditors : amounts falling due after more than One Year	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Bank loans (see note 19)	39,596	38,955	39,596	38,955
Obligations under finance leases (note 19)	6,386	6,511	6,274	6,458
Other loans (note 29)	2,642	2,471	2,642	2,471
Accruals and deferred income	159	172	159	172
	<u>48,783</u>	<u>48,109</u>	<u>48,671</u>	<u>48,056</u>

Notes to the accounts (continued)

19 Borrowings

	Consolidated		University	
	2000/2001	1999/2000	2000/2001	1999/2000
	£000	£000	£000	£000
a. Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less	768	726	768	701
Between one and two years	806	777	806	777
Between two and five years	2,793	2,611	2,793	2,611
In five years or more	35,997	35,567	35,997	35,567
Total	<u>40,364</u>	<u>39,681</u>	<u>40,364</u>	<u>39,656</u>
b. Finance leases				
The net finance lease obligations to which the University is committed are:				
In one year or less	338	112	224	80
Between one and five years	982	819	870	766
Over five years	5,404	6,458	5,404	5,612
Total	<u>6,724</u>	<u>6,543</u>	<u>6,498</u>	<u>6,458</u>

Bank Loan - Yorkshire Bank plc

The loan of £28,864,000 (2000 : £28,256,000) (£518,000 falling due within one year and £28,346,000 falling due after one year) from the Yorkshire Bank relates to funding for student residences, new academic buildings and development on the Research Park. Interest is fixed on £20,429,000 of the loan for 10 years at 9.12%. The remainder of the loan is at a variable rate. The loan is secured by a charge on part of the land and buildings included within the Research Park.

Bank Loan - NatWest Bank plc

The loan of £11,500,000 (2000: £11,400,000) (£250,000 falling due within one year and £11,250,000 falling due after one year) from the NatWest Bank relates to funding for the new building for the European Institute of Health and Medical Sciences. The loan is unsecured and falls due over fifteen years with a variable rate of interest.

Finance leases

In 1998/99 and again in 1999/2000 the University entered into arrangements with housing associations whereby the housing associations constructed student residence blocks in return for which the housing associations receive the majority of the income stream arising over the next 30 years. The transactions are accounted for as finance leases. The assets have been capitalised (note 13) and the obligations under the finance leases is shown above.

20 Provisions for Liabilities and Charges

Consolidated & University	Pensions	Other	Total
	£000	£000	£000
At 1 August 2000	971	50	1,021
Utilised in year	(74)	-	(74)
Transfer from income and expenditure account	181	-	181
At 31 July 2001	<u>1,078</u>	<u>50</u>	<u>1,128</u>

Notes to the accounts (continued)

21 Deferred Capital Grants

Consolidated	Funding Council £000	Other grants & benefactions £000	Total £000
At 1 August 2000			
Building	5,719	818	6,537
Equipment	1,634	1,120	2,754
Total	<u>7,353</u>	<u>1,938</u>	<u>9,291</u>
Cash and cash equivalents received			
Building	1,085	-	1,085
Equipment	323	1,484	1,807
Total	<u>1,408</u>	<u>1,484</u>	<u>2,892</u>
Released to Income and Expenditure account			
Building	241	18	259
Equipment	515	757	1,272
Total	<u>756</u>	<u>775</u>	<u>1,531</u>
At 31 July 2001			
Building	6,563	800	7,363
Equipment	1,442	1,847	3,289
Total	<u>8,005</u>	<u>2,647</u>	<u>10,652</u>
University			
At 1 August 2000			
Building	5,719	743	6,462
Equipment	1,634	1,120	2,754
Total	<u>7,353</u>	<u>1,863</u>	<u>9,216</u>
Cash and cash equivalents received			
Building	1,085	-	1,085
Equipment	323	1,484	1,807
Total	<u>1,408</u>	<u>1,484</u>	<u>2,892</u>
Released to Income and Expenditure account			
Building	241	18	259
Equipment	515	749	1,264
Total	<u>756</u>	<u>767</u>	<u>1,523</u>
At 31 July 2001			
Building	6,563	725	7,288
Equipment	1,442	1,855	3,297
Total	<u>8,005</u>	<u>2,580</u>	<u>10,585</u>

The amount of £1,531,000 released to the income and expenditure account comprises £1,506,000 due to depreciation, and £25,000 due to disposals.

Notes to the accounts (continued)

22 Endowments	Consolidated & University		
	Specific Endowments	General Endowments	Total
	£000	£000	£000
At 1 August 2000	1,358	60,192	61,550
Additions	294	-	294
Income	76	8,039	8,115
Revaluation	-	(2,660)	(2,660)
Income transferred to Income & Expenditure account (note 5)	(352)	(8,039)	(8,391)
At 31 July 2001	<u>1,376</u>	<u>57,532</u>	<u>58,908</u>
Representing :			
Prizes and scholarships	643		
Covenants and donations	139		
Endowed posts	121		
Other funds	473		
	<u>1,376</u>		

23 Revaluation of General Endowment

	Consolidated & University	
	2000/2001 £000	1999/2000 £000
Revaluations		
At 1 August	47,375	43,725
Revaluation in Year	(2,660)	3,650
At 31 July	<u>44,715</u>	<u>47,375</u>

The revaluation shown above forms part of the general endowment of £57,532,000 (1999/2000 : £60,192,000).

24 Restricted Reserves

	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Trust funds	<u>1,183</u>	<u>1,207</u>	<u>979</u>	<u>1,012</u>

These funds are held by the General Nursing Council Trust, the Midwife Teacher Training Council Trust, the Battersea Trust and the Guildford Institute. The University is trustee of all of these trusts, but the Guildford Institute is an independent trust which is included only in the consolidated figures.

Notes to the accounts (continued)

25 Revaluation Reserve

	Consolidated & University			
	2000/2001 £000	2000/2001 £000	1999/2000 £000	1999/2000 £000
At 1 August		1,695		1,445
Revaluation of investments	121		677	
Realised on disposal of revalued assets	(21)		(330)	
Released on depreciation of donated assets	(30)		(97)	
		<u>70</u>		<u>250</u>
At 31 July		<u>1,765</u>		<u>1,695</u>

26 Movement on General Reserves

	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
At 1 August	39,085	40,955	40,363	41,298
Transfer from revaluation reserve	30	97	30	97
Surplus/(Deficit) for the year	856	(1,934)	784	(1,013)
Decrease/(increase) in restricted reserves	24	(33)	33	(19)
At 31 July	<u>39,995</u>	<u>39,085</u>	<u>41,210</u>	<u>40,363</u>

27 Reconciliation of Consolidated Operating Surplus to Net Cash Flow From Operating Activities

	Consolidated	
	2000/2001 £000	1999/2000 £000
Surplus/(deficit) before tax	855	(1,925)
Depreciation	5,790	6,038
Deferred grants released	(1,531)	(2,068)
Investment income	(292)	(296)
Interest payable	4,408	3,473
Increase in stocks	(102)	(34)
Increase in trade debtors	(3,184)	(411)
Increase/(decrease) in creditors and accruals	8,168	(36)
Increase/(decrease) in provisions	107	(140)
Loss/(profit) on disposal of property/investments	514	(186)
Endowment income	(8,039)	(7,155)
Permanent diminution of investments	111	0
Increase in specific endowment asset investments	18	29
Net cash inflow/(outflow) from operating activities	<u>6,823</u>	<u>(2,711)</u>

Notes to the accounts (continued)

28 Analysis of cash flows for headings netted in the cash flow statement

	2000/2001		1999/2000	
	£000	£000	£000	£000
Returns on investments and servicing of finance				
Income from endowments	8,025		7,150	
Interest received	291		341	
Interest element of finance lease rental payments	(580)		(186)	
Interest paid	<u>(3,642)</u>		<u>(3,205)</u>	
Net cash inflow from returns on investments and servicing of finance		<u>4,094</u>		<u>4,100</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(7,599)		(9,773)	
Purchase of long term investments	(430)		(316)	
Realisation of long-term investments	106		2,771	
Increase in investment in Research Park	(662)		(3,883)	
Deferred grants received	<u>2,892</u>		<u>1,223</u>	
		<u>(5,693)</u>		<u>(9,978)</u>
Management of Liquid Resources				
Cash withdrawn from short term deposit	<u>(2,185)</u>		<u>1,915</u>	
		<u>(2,185)</u>		<u>1,915</u>
Financing				
Debt due within a year				
repayment of a secured loan	(393)		(290)	
capital element of lease payment	(241)			
purchase of SAGE shares	(1)			
Debt due beyond a year				
new unsecured loan	<u>1,100</u>		<u>6,900</u>	
Net Cash Flow from Financing		<u>465</u>		<u>6,610</u>
29 Analysis of Changes in Net Debt				
	At		Other	At
	1 Aug		non-cash	31 July
	2000	Cash flows	changes	2001
	£000	£000	£000	£000
Cash in hand and at bank	1,769	3,486	-	5,255
Debt due after one year	(41,425)	(642)	(171)	(42,238)
Debt due within one year	(832)	(64)	(11)	(907)
Finance leases	(6,543)	241	(420)	(6,722)
Current asset investments	<u>795</u>	<u>2,185</u>	<u>-</u>	<u>2,980</u>
Total	<u>(46,236)</u>	<u>5,206</u>	<u>(602)</u>	<u>(41,632)</u>

Debt due within one year and after one year represents bank loans (note 19) and amounts payable under an arrangement with the shareholders of previous BES companies. The latter are included within 'Other creditors including taxation and social security' and amount to £139,000 due within one year and £2,642,000 due after one year.

The finance lease non-cash change represents the value of equipment obtained on finance leases during the year.

Notes to the accounts (continued)

30 Capital Commitments

	Consolidated		University	
	2000/2001 £000	1999/2000 £000	2000/2001 £000	1999/2000 £000
Commitments contracted at 31 July	17,552	1,856	17,486	1,725
Authorised but not contracted at 31 July	15,389	23,836	15,336	23,401
	<u>32,941</u>	<u>25,692</u>	<u>32,822</u>	<u>25,126</u>

31 Lease Obligations

Operating lease commitments for the 2000/2001 financial year, on leases expiring :

Consolidated	2000/2001		1999/2000	
	Land & Buildings £000	Plant & Equipment £000	Land & Buildings £000	Plant & Equipment £000
Within one year	991	15	970	9
Between two and five years	-	98	-	108
Over five years	174	-	-	-
	<u>1,165</u>	<u>113</u>	<u>970</u>	<u>117</u>

University	2000/2001		1999/2000	
	Land & Buildings £000	Plant & Equipment £000	Land & Buildings £000	Plant & Equipment £000
Within one year	1,047	15	1,030	9
Between two and five years	45	98	86	108
Over five years	174	-	-	-
	<u>1,266</u>	<u>113</u>	<u>1,116</u>	<u>117</u>

32 Contingent Liabilities

Research Park Developments Limited, a subsidiary company, has entered into standard building contracts where the company is required to provide guarantees against defects for periods up to twelve years following construction. The University has provided a parent entity guarantee in respect of this liability.

The University entered into an arrangement with some of the shareholders of the BES companies when those companies were wound up under the SAGE scheme. Within the terms of this scheme the University has an obligation to buy back the shares at later dates and at fixed prices. If no shares are repurchased before the end of the arrangement in March 2007 the total amount due then will be £4,104,000, the balance due at 31 July 2001 being £2,781,000.

Notes to the accounts (continued)

33 Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Surrey County Council Superannuation Fund (SCCSF).

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the Scheme was at 31 March 1999. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the investment return would be 4.5% per annum, that salary scale increases would be 3.6% per annum and that pensions would increase by 2.6% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the Scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of the valuation (the average working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

The total consolidated pension cost to the University of Surrey for the year was £4,627,000 (2000 : £4,544,000). This includes £629,000 (2000: £633,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

Surrey County Council Superannuation Fund (SCCSF)

The University participates in the SCCSF, a defined benefit pension scheme which provides benefits based on final pensionable salary for its support staff. The assets of the SCCSF Scheme are held in a separate trustee-administered fund. Although it will be possible in future years to identify the University's share of the underlying assets and liabilities of the scheme this information is not available for the current year end and hence contributions to the scheme are accounted for as if it were a defined contribution scheme.

Notes to the accounts (continued)

33 Pension Schemes (continued)

The latest actuarial valuation of the Scheme was at 31 March 1998 which was carried out by an independent qualified actuary using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions. It was assumed that the investment return would be 7.5% per annum, that salary scale increases would be 5.25% per annum and that pensions would increase by 3.5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the Scheme was £813.6 million and the actuarial value of the assets was sufficient to cover 75% of the benefits which had accrued to members after allowing for expected future increases in earnings. The level of contributions paid by the employing institutions takes into account this actuarial deficiency. The University's contribution rate was set at 195% of members contributions.

The total consolidated pension cost to the University of Surrey for the year was £1,207,000 (2000: £1,182,000).

34 Access Funds

	University	
	2000/2001 £000	1999/2000 £000
Balance as at 1 August	2	-
Funding Council Access funds	<u>251</u>	<u>305</u>
	253	305
Interest earned	2	3
Disbursed to students	<u>(247)</u>	<u>(306)</u>
Balance unspent as at 31 July	<u>8</u>	<u>2</u>

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

35 Related party transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms' length and in accordance with the University's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.