



THE UNIVERSITY OF NORTHAMPTON

HIGHER EDUCATION CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007

Consolidated Financial Statements for the Year Ended 31 July 2007

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Consolidated Financial Statements for the Year Ended 31 July 2007

Principal Address

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Report of the Governing Council Year ended 31 July 2007

Format of the Financial Statements

The consolidated financial statements presented within this report are structured in accordance with the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education Institutions.

The intention of the SORP is that the accounts of Further and Higher Education Institutions should, as far as possible, be prepared on a comparable and consistent basis. They should also, where possible, be prepared on a similar basis to the accounts of other corporate organisations. As such, the SORP takes account of what is currently thought of as best accounting practice, the accounting provisions of the Companies Acts, Statements of Standard Accounting Practice, Financial Reporting Standards, as applicable to Further and Higher Education Institutions, and the concept of the "true and fair view", which is regarded as of paramount importance.

The consolidated financial statements cover the activities of The University of Northampton; The University of Northampton Education and Learning Limited; The University of Northampton Enterprises Limited; The University of Northampton Residences (SS) Limited; The University of Northampton Residences (SP) Limited and The University of Northampton Know How Limited.

Operating and Financial Review

The general operating environment

- a. The 2006/7 financial year is the first year in which the new fee regime (including student support arrangements) has impacted on institutions. In addition, a new regulatory mechanism was established through the Office for Fair Access to ensure that the new fees did not have a negative impact on the objective of widening participation in higher education from under represented groups. However, whilst widening participation targets seem increasingly hard to reach it is nevertheless the case that there are sufficient university places across the sector for all those with the appropriate entry qualifications.
- b. The pay settlement agreed at the end of the 2005/6 academic year, together with the implementation of the new pay framework, and the impact of increased pension contributions by employers, created a significant rise in the overall staff cost base across the sector.
- c. The growing influence of Regional Development Agencies, together with government emphasis on skills (as exemplified in the Leitch Report), and on employer led and co-funded provision, has brought into much clearer focus the economic importance of universities both regionally and nationally.

The educational character and mission of the University of Northampton

The University of Northampton is underpinned by a philosophy of regional engagement which impacts across all its core activities of learning and teaching, research and knowledge transfer, and social and community activities. It is committed to working in partnership with others in the region to secure maximum participation in higher education and to offer continuous opportunities for personal and organisational development. Utilising its considerable resources and niche areas of research and teaching expertise, the aim of the University is to extend its work of national and international excellence for the benefit of the region and the wider society.

Report of the Governing Council – continued Year ended 31 July 2007

In this respect, the University is well placed to play a significant role in the new agenda being set for universities more broadly, particularly with respect to employer engagement and the adoption of a business facing approach to all its activities.

Key Performance Indicators (KPIs)

The Governing Council has adopted 18 KPIs as the major instruments by which it will monitor the overall health of the institution. They cover a full range, including: the state of our finances; enrolments and progression; research and Knowledge Transfer Partnership activity; the estate (capital and revenue). Key facts and figures for 2006/07 are given below.

The Development and Review Committee is charged with monitoring the KPIs which are updated annually. Underpinning the KPIs is a more elaborated Corporate Scorecard which is used by the management of the University and the Senate (via Planning and Resources Committee) to evaluate the achievements of the institution across its strategic plan goals.

Performance against KPIs

In general, the University performs well against its KPIs. However, the Governing Council has noted the relative lack of progress in reducing staff costs as a proportion of income. The lack of satisfactory increase in part time enrolments resulted in a review led by the Vice Chancellor of ways in which provision could be enhanced to meet the changing demands of part time students. Overall enrolments remain disappointing, but the significant increase in applications, and the concomitant rise in first year enrolments this year, lead us to believe that student numbers are now more stable and could rise to meet our stated goal of increasing student numbers by 2000 over the period of our strategic plan 2005-2010. Pleasingly, retention and progression rates have improved, although we continue to enhance our activities in this area.

Major Risks

Risk assessment is embedded in the University and risk registers are held at each level of management. At the strategic level, some 26 key risks have been identified which are linked both to the corporate objectives of the Strategic Plan and the KPIs. They cover such areas as: recruiting and retention of students; the proportion of pay spend; the quality of the estate; and business continuity and disaster planning. The register and the mitigation plan are monitored regularly by both the Audit Committee and Council.

Report of the Governing Council – continued
Year ended 31 July 2007

Financial Review

In order to facilitate comparison of 2006/7 performance against budget and previous years the University's financial results are summarised below with and without the impact of the FRS 17 adjustments, which account for our share of pension scheme liabilities.

	2006/07 £'000 (after FRS17 - see page 34)	2006/07 £'000 (before FRS17)	2005/06 £'000 (after FRS17 - see page 34)	2005/06 £'000 (before FRS17)
Income	61,185	61,185	56,255	56,255
Expenditure	61,481	60,757	55,939	56,161
Operating Historical Surplus/ (Deficit) before tax and exceptional costs	372	1096	984	762
Exceptional costs	888	888	0	0
Historical Cost Surplus/(Deficit)	(598)	126	984	762
Total Reserves	25,518	35,540	25,934	36,082

As indicated in last year's report, recruitment of HEFCE funded undergraduates in 2006 was disappointing, being 7% down on the previous year's enrolments. 2006 was the first year of higher student fees. Universities UK's research notes a 6.7% reduction in degree student applications in the East Midlands region. (Variable Tuition fees in England: assessing the impact on students and Higher Education Institutions June 2007).

As a result of lower intake, the University suffered a holdback of HEFCE funding for taught students. Reduced funding from the NHS sector for nursing and associated courses also contributed to the University reporting a lower turnover than budgeted, although at £61,185,000, it was higher than the previous year's turnover of £56,255,000.

The changes in revenue and the potential impact on budgeted surplus were recognised early in the financial year, and the University was able to take action in reducing cost budgets and controlling expenditure carefully to counteract the effect. These measures were successful, and the University's historic cost surplus, before exceptional items and FRS 17 adjustments, was comparable to its original budget.

Exceptional costs

However, the University's operating results have been affected by two significant costs which were not foreseen. These were the cost of the restructuring of the long term lending and the library scheme VAT settlement.

In preparation for investment under its strategic estates plan, the University negotiated a new loan facility during the year. Breakage costs were incurred when the existing loans were repaid, due to the high fixed rates of interest. The long term benefits of the new loan facility were demonstrated to outweigh the short term costs of breakage, which amounted to £524,000.

On 31 July 2007 the University accepted an offer from HM Revenue and Customs (HMRC) to settle potential VAT liabilities in respect of its library scheme. The HRMC offer was made to all Universities who had implemented similar schemes, following a landmark case which undermined previous professional advice on the schemes.

Report of the Governing Council – continued Year ended 31 July 2007

The settlement (which was also accepted by nearly all the other Universities with similar schemes) enabled the University to crystallise and finalise its liability. Professional VAT advisers were consulted, and the Finance and Estates Committee of Council accepted the professional recommendation that settlement would be a preferable option to the alternative of a VAT investigation and assessment countered by a potentially lengthy and expensive claim for misdirection. The cost of settlement amounted to £364,000.

Capital Projects

The University invested nearly £4million in buildings and equipment during the year. This expenditure related to the long term strategy to upgrade and improve the condition and facilities of the existing campus.

At the University's Avenue campus, a dedicated research centre has been developed (completed April 2007) and arts and media facilities, including the cinema, radio studio, TV studio and other areas have been refurbished and re-equipped (completed January 2007). Interactive teaching equipment has been installed in all shared teaching spaces.

Under an Energy Management Initiative, lighting and control system upgrades and heating system modifications were undertaken at both campuses, with the aim of reducing both costs and carbon emissions.

The University is committed to improving continually its halls of residence, which are very popular with both incoming and returning students. During the year, the Margaret Bondfield Hall was networked, and during August 2007 (at the beginning of financial year 2007/08) it was also refurbished and redecorated.

Sports facilities at the Park campus were improved with the creation of a gym facility, which opened in June 2007, and a feasibility study for a sports centre is under way.

In August 2007, the University entered into a contract to purchase the building of the former Kingsley Park Middle School, which is adjacent to the University's Avenue Campus, at a cost of £2.2 million. Completion will take place upon vacant possession, which is expected to be in Spring 2008. The University is currently assessing the potential costs of refurbishment and funding sources for bringing this building into use.

The University is also in negotiation for the purchase of the Thornby building which it currently occupies under a long lease (see note 10). The costs of both the Kingsley Park and Thornby acquisitions are included in the University's forecasts for the 2007/08 financial year.

Cash Flow

Information regarding the University's cash position for 2006/07 is included in the accounts, complying with the requirements of Financial Reporting Standard 1. The figures show that in its dealings with other parties the University was cash positive during the period as evidenced by the decrease in net debt on page 39.

Subsidiary Companies

All of the University's 100% owned subsidiary companies traded in 2006/07 with the exception of the University of Northampton Know How Limited which was dormant throughout the period. Further details of these are included within note 11 to these accounts.

Report of the Governing Council – continued Year ended 31 July 2007

Payment of Creditors

It is the University's policy to obtain the best value for money for its purchases and the best terms for all business and, thus there is no single policy as to the University's payment terms. Where agreements have been negotiated with suppliers, the University endeavours to abide by the specific payment terms.

Sustainability and Environmental Management

During 2006/07, under the direction of the Environmental Working Group, the University has been moving forward in principle and in practice in the area of environmental management, in particular in the areas of energy, transport, waste, biodiversity, construction and procurement. To highlight the University's environmental initiatives, a new website entitled 'Green Matters' was established at the beginning of the year as both a source of environmental information for staff and students, and as an external-facing showcase.

In October 2006, bus service number 21, which is partially funded by the University and acts as an inter-campus bus service and link to Northampton town centre / rail station, was enhanced to include an evening service during term time, complementing the year-round daytime service. Further collaborative work between the University and Northamptonshire County Council during the year identified the need for additional bus routes to the University and has laid the foundations for these to be addressed in future years.

As part of significant capital projects at both campuses, lighting and control system upgrades, and heating system modifications were undertaken during the year, with the aim of reducing both costs and carbon emissions. The University has agreed plans to install a remote utilities metering system at both campuses which will enable the monitoring of energy and water use at half-hour intervals down to a building level.

William Carey Hall of Residence was the location for a trial recycling scheme during the year, with students encouraged to participate in recycling waste generated in individual flats. The feedback gained from this successful pilot scheme has enabled the planning and initial implementation of a wider recycling scheme for all Halls of Residence in 2007/08.

The University is currently engaged as a partner in a government-funded (Department for the Environment, Food and Rural Affairs) project investigating how to implement sustainable procurement in the higher education sector. The three year project, culminating in 2008, is being run by the Environmental Association for Universities and Colleges, of which the University is a member. The project has provided detailed training and resources, and has enabled the University to move forward in the rapidly evolving area of sustainable procurement.

The position of the Institution at the end of the year

The University's position at the end of the year was both strong and stable.

The University continues to hold a substantial amount of money on short term deposit, providing nearly 2 months' cover of expenditure. This money is invested in short term deposits and provides both a strong liquidity position and a natural interest hedge against the floating rate portion of the University's long term borrowings.

Report of the Governing Council – continued **Year ended 31 July 2007**

The loan facility which was negotiated and implemented during the year will provide up to £14 million of future capital funding. This will supplement HEFCE capital grants, development agency and other local government funding, and charitable donations to support the planned capital programme.

Academic performance and development

The Academic Quality and Standards Committee (AQSC) is responsible for advising Senate on the maintenance of the standards of academic awards. In its annual report, AQSC noted that external examiners reports were extremely positive and gave strong assurance that academic standards were appropriate, student performance was comparable with other UK institutions and assessment processes were sound and fairly conducted. Validation and periodic subject review reports showed appropriate levels of interrogation and provided reassurance regarding the curricula and learning and teaching strategies, as did the reports of external scrutiny visits by Ofsted and the Nursing and Midwifery Council.

Achievement (2006/2007)

- 1879 students (full and part time) achieved undergraduate degrees in the academic year 2006/2007. Of these 56.9% achieved a “good degree” (1st or 2:1). This is a slight decrease from the previous year (58.3%).
- 138 students achieved postgraduate degrees during the 2006/2007 academic year. Of these 8.7% achieved Distinction grades and 32.6% achieved Merits.
- During the 2006-07 academic year 13 research students successfully completed PhD awards and 2 successfully completed MPhils.

The proportion of ‘good’ undergraduate degrees and Masters degrees awarded with distinctions and merits, both increased. Data showed a very slightly decreased progression rate of 73.9% (compared to 74.1% achieved in the previous two years). 91% of leavers who supplied data were in work or study (or both).

In the 2006 National Student Survey, students rated the University very highly when considered against its comparator institutions, particularly with regard to the quality of teaching and overall satisfaction with their course. AQSC identified two matters for further development. First, the percentage of finalists receiving a fail grade continued to increase (to 12.8% from 9.7% in 2004/05 and 7.6% in 2003/04). Secondly, the progression and retention rates at some partner colleges continued to be below the University average. These will be reviewed by AQSC to determine appropriate action.

The common frameworks for undergraduate and postgraduate programmes were extended through the approval of some 45 new courses, including 7 at Master’s level and 10 Foundation Degree programmes, and the entry into the frameworks of a number of professional courses in the education and health areas.

The Learning and Teaching strategy, focusing in particular on employability, assessment strategies and the advancement of blended learning, saw the second year of its implementation and was enriched by the first year of funding through the Teaching Quality and Enhancement Fund, and in particular its innovative stream directing funding towards teaching informed and enriched by research.

Report of the Governing Council – continued
Year ended 31 July 2007

A new programme for staff development in learning and teaching was launched as was a scheme to award University Teaching Fellowships for demonstrable excellence in pedagogy.

The University continued to work closely with its partner Further Education Colleges. The year saw the first intake onto the Master's Degree (MSc Animal Welfare) of Moulton College which also implemented a Memorandum with the University for the supervision of postgraduate students and the award of Northampton research degrees.

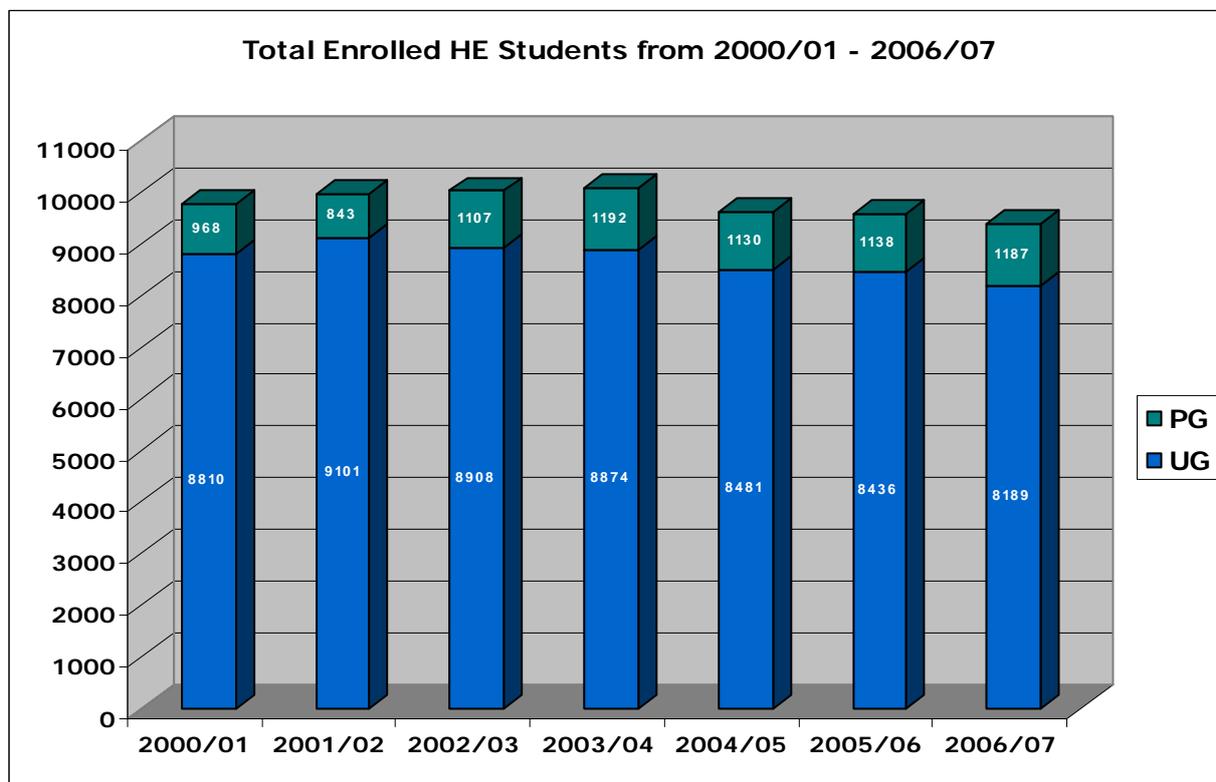
Trend data

Total Enrolled Students Higher Education Students (2006/2007)

	Undergraduate	Postgraduate	Total
Full-Time (H)	5862	205	6067
Full-Time (O)	310	222	532
Part-Time (H)	1870	647	2517
Part-Time (O)	147	113	260
Total	8189	1187	9376

H = Home/EU domicile; O = Overseas domicile;

**Report of the Governing Council – continued
Year ended 31 July 2007**



Year	Undergraduate	Postgraduate	Total
2000/01	8810	968	9778
2001/02	9101	843	9944
2002/03	8908	1107	10015
2003/04	8874	1192	10066
2004/05	8481	1130	9611
2005/06	8436	1138	9574
2006/07	8189	1187	9376

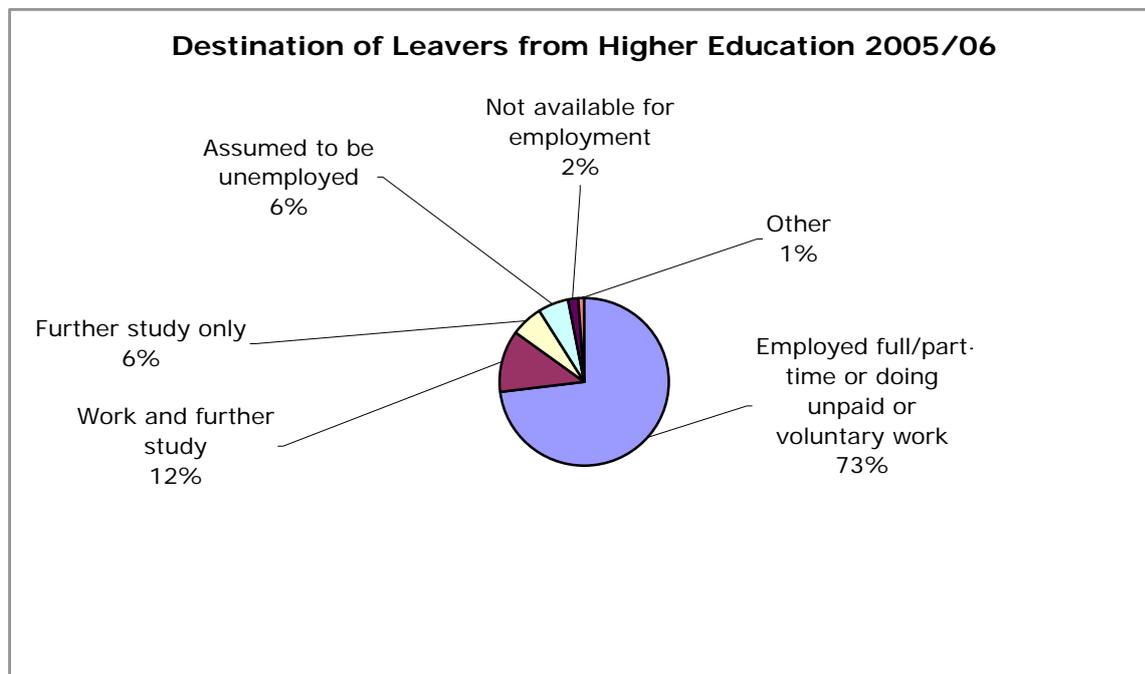
Destination of Leavers from Higher Education (2005/06)

The Destination of Leavers from Higher Education survey is undertaken each year. The 2005/06 survey covered students successfully completing courses between 01/08/2005 and 31/07/2006 and asked for information about their employment and study status six months after their departure. The survey covered all UK and EU domiciled award holders completing undergraduate, postgraduate, foundation degrees, certificates in HE, diplomas in HE, HNDs and HNCs, whether full or part-time.

The results showed that 91% of leavers who supplied data were in work or study (or both).

**Report of the Governing Council – continued
Year ended 31 July 2007**

There were 2240 eligible leavers in 2005/06 of whom 1809 (81%) leavers supplied the following information *;



*This does not include those leavers who gave an explicit refusal to take part in the survey

Students Graduating in Academic Year Ending July 2006

Employed full/part-time or doing unpaid or voluntary work	73%
Work and further study	12%
Further study only	6%
Assumed to be unemployed	6%
Not available for employment	2%
Other	1%

Distribution of Higher Education Students (2006/2007)

- 7.3% of full-time students and 4.1% of part-time students state that they have some form of disability (2006-2007).
- 23.8% of full-time students and 19.1% of part-time students come from Black and Minority Ethnic communities (2006-2007).
- Traditionally 97.5% of young full time undergraduate entrants come from state schools; 37.8% are from Social Class NS-SEC 4, 5, 6 & 7 and 20.4% are from Low Participation Neighbourhoods (HESA Performance Indicators for entrants 2005-2006)

Report of the Governing Council – continued
Year ended 31 July 2007

Participation in subject areas is indicated broadly by the recruitment of schools:

Distribution by School * (2006/2007)			
School of:	Total	Full-Time	Part- Time
Applied Sciences	929	353	576
The Arts	1120	1067	53
Education	1332	974	357
Health	1702	1109	594
Northampton Business School	2218	1353	865
Social Science	1328	1209	119
Partner Colleges	644	487	157
Research Students	103	47	56
Overall Total	9376	6599	2777

*Joint honours counted by subject (i.e. full person equivalent)

Employee/Student Involvement

In reflection of the considerable value which the University places on the involvement of its employees and students, both groups are represented on the Governing Council. In accordance with best practice within the sector, the institution operates a Joint Consultation and Negotiation Committee with recognised Trade Unions within the University. An equal opportunities policy is operated for both staff and students and an annual grant is made to the Students' Union within the constraints of current legislation.

Employment of Disabled People

Applications for employment by disabled persons are always given full and fair consideration, bearing in mind the individual's aptitudes and abilities. In the event of employees becoming disabled, every effort would be made to relocate, or retrain them in order that their employment with the University may continue.

Research

This has been the University's most successful year for winning new research contracts, which exceeded more than £3.1 million – an increase of 55% on the previous year.

Preparation for the RAE has met all targets, with 9 Units of Assessment going forward.

A new University-wide committee structure for monitoring and reviewing research ethics has been set in place, ensuring that the University meets Research Council standards.

Following a national review of postgraduate research degrees provision by the Quality Assurance Agency for Higher Education (QAA), the University was commended for the research training provided to students and supervisors. The University was among a small group of universities (19%) whose entire provision was deemed to meet all of the 27 quality standards set by the QAA.

The University's research degrees portfolio has continued to grow, with two new routes to PhD approved – that is, PhD by published works and Practice-based PhD in the Arts. In addition, a framework for Professional Doctorates has been validated.

Report of the Governing Council – continued Year ended 31 July 2007

In the academic year 2006-07 13 students successfully completed a PhD and 2 submitted successfully for MPhil; these completions are the highest on record. In total, 130 students are registered for higher degrees by research.

In support of the research infrastructure a new research centre was opened in May on the Avenue Campus, providing new meeting and work spaces for staff and students and adding to the facilities of the Graduate School.

Knowledge Transfer

New business won for Knowledge Transfer contracts exceeded all previous levels, amounting to £3.8m.

The university has delivered successful outcomes against all HEIF 3 (Higher Education Innovation Fund) targets. Much of this activity has been facilitated through the appointment of Business Support Officers linked to each academic School. Major initiatives are supporting engagement with SMEs.

The Portfolio Innovation Centre for creative industries achieved full occupancy, exceeding targets; and £1.5m funding for a Phase 2 expansion has been approved by Northamptonshire Enterprise Limited.

Our KTP Office retained Technology Strategy Board recognition as a centre of excellence.

The University launched its first Festival of Research and Knowledge Transfer, with over 200 business meetings held on the day; representatives included delegations from Europe, China and USA.

The University considers the development of an appropriate level of research as integral to its mission. In accordance with the University's strategic plan, therefore, additional resources, over and above those specifically received from external contracts and HEFCE, were applied to this area during the year.

The level of external project funding applied rose from £1.901m to £2.428m and it should be noted that, at 31 July 2007, externally funded research income of a further £0.752 m (2005/06 £0.984m) had been received in advance of need.

The University intends to continue to invest annually in research development.

Main Trends and Factors which are likely to affect the institution's future development, performance and position

The University's Governing Council approved a new strategic plan for the institution in July 2005 covering the period 2005/10. The key objectives it contained for achievement by July 2010 were challenging, particularly in respect of the estates' sub-strategy. In respect of finance, the financial sub-strategy has a clear goal of moving the University towards a position from which it should be able to achieve long term financial sustainability. The target historical cost surplus was set at 1% of revenue for 2005/06 but rising to at least 4.2% by the end of the planning period.

Report of the Governing Council – continued

Year ended 31 July 2007

At this level, the University is calculated to be able to re-invest in its infrastructure directly at appropriate levels and service the additional loan funding which is likely to be necessary, alongside funding from HEFCE and other parties, to drive the estates sub-strategy. The University has met its target for historical cost operating surplus before exceptional items in 2006/07. In support of the historical cost surplus improvement, the University has set objectives to diversify and increase the level of its income sources and to price activity to deliver a better level of contribution to the institution. Alongside this, the University has also planned to review the current relationship between expenditure on pay and both total expenditure and total income, and monitor the return on its investment in both capital and staffing.

One specific factor which will significantly impact on the achievement of the financial sub-strategy is the three year phased introduction of student top-up fees from 2006/07. There are early indications that first year recruitment in 2007/08 for Home and EU full time undergraduates has improved on 2006/07 recruitment.

The issue of pay has also become clearer during the year. Extensive work has been undertaken in connection with the introduction of the pay framework agreement from 1 August 2006 and the costs of this are now identified, with the exception of a few outstanding grading appeals. The settlement which was reached in 2006 on the national pay awards will apply to staff through to 2009. Whilst the award for 2006/07 was within the assumptions made in the financial sub-strategy, the awards for 2007/08 and 2008/09 fall outside and this presents a significant issue which will need to be addressed. The University recognises the pressing need to focus on staff utilisation and effectiveness to offset the increasing costs of employment.

The HEFCE grant itself remains a key factor in institutional financial planning. Core funding for 2007/08 has seen an uplift of 2.7%, closer to RPI than recent settlements. It also needs to be noted that the later years of the planning period coincide with the next Research Assessment Exercise and the review of the teaching funding methodology.

The 2005/2010 financial sub-strategy had set the University the task of delivering a £1.9 million historical cost surplus from its 2007/08 resources.

After reviewing the impact of known increases in staff costs, and the disappointing recruitment in 2006/07 resulting in a potential consolidation of the holdback of HEFCE funding, a budget producing £1.5 million historical cost surplus has been approved by the Governing Council. As in 2006/07, demanding targets have been set for the six academic schools in terms of local income generation and income specifically generated from research and knowledge transfer. The budget assumptions include an expectation that income from overseas students can continue to be enhanced and that other recruitment will reach targets.

The financial position of the University over the remaining three years of the strategic plan will present a number of challenges. The implementation of the plan and its financial sub-strategy have, however, provided some fresh impetus into financial decision making. The University has launched itself from a position of financial stability. The target moving forward is to convert this to one of long term financial sustainability at an increased size and level of activity.

Report of the Governing Council – continued
Year ended 31 July 2007

Governing Council Report

Membership of the Governing Council

During 2006/7, the Members of the Governing Council were as follows:

Abbreviations:

F&E	Finance and Estates Committee
D&R	Development and Review Committee,
Nominations	Nominations Committee
G,A &E	Governance, Administration and Employment Committee
Remuneration	Remuneration Committee
Audit	Audit Committee

Name	Category	Committee Membership
Mr John Castle <i>Chairman</i>	Independent	F&E, GA&E, D&R, Nominations and Remuneration
Mrs Deirdre Newham <i>Deputy Chairman</i>	Independent	F&E, GA&E, D&R, Nominations and Remuneration
Reverend Will Adams	Co-opted	F&E
Dr Ian Brooks (to 12 December 2006)	Senate Member	D&R and F&E
Mr Richard Bunce (to 26 February 2007)	Co-opted as Support Staff Member	F&E (from 13 December 2006), GA&E (to 13 December 2006) and Nominations
Mrs Celia Conquest	Independent	GA&E
Commodore Jonathan Cooke	Co-opted	
Mr Richard Davies	Co-opted	D&R
Mrs Linda Davis (from 23 May 2007)	Co-opted as Support Staff Member	Nominations
Professor Heather Eggins	Independent	F&E
Mrs Penny Escombe	Co-opted	Audit
Ms Helen Flach	Co-opted	GA&E
Mr Graham Gannaway	Independent	GA&E, Nominations and Remuneration
Mrs Vivien Gaymer	Independent	D&R and Remuneration
Mr Ulric Gravesande	Co-opted	F&E
Mr Terence Libby	Independent	D&R, F&E, Nominations and Remuneration
Mrs Elspeth May	Independent	F&E
Dr Ahmed Mukhtar	Independent	GA&E

Report of the Governing Council – continued
Year ended 31 July 2007

Name	Category	Committee Membership
Ms Caroline Neville (from 13 December 2006)	Co-opted	D&R
Sir David O'Dowd	Independent	Audit
Mr Michael Orton-Jones	Independent	Audit
Mrs Margaret Pratt	Independent	Audit
Mr Simon Sneddon (from 13 December 2006)	Senate Member	D&R and GA&E
Mrs Ann Tate	Vice Chancellor of the University	F&E, GA&E, D&R, Nominations and Remuneration
Mr Robert Wakeford	Independent	F&E
Mr Martyn Wylie	Co-opted	GA&E

Appointed by Council as external representatives to the Audit Committee only:

Mr Nigel Blackham
 Mr Bill Blyth

Appointed to the Nominations Committee as Court Representatives:

Mrs Gina King
 Mr Paul Southworth

As at 31 July 2007, the Governing Council of The University of Northampton consisted of:

Rev W Adams	Mr G Gannaway	Mrs D Newham
Mr J Castle (Chairman)	Mrs V Gaymer	Sir David O'Dowd
Mrs C Conquest	Mr U Gravesande	Mr M Orton-Jones
Commodore J Cooke	Mr R Hardwick	Mrs M Pratt
Mr R Davies	Mr T Libby	Mr S Sneddon
Mrs L Davis	Mrs E May	Mrs A Tate (Vice Chancellor)
Professor H Eggins	Dr A Mukhtar	Mr R Wakeford
Mrs P Escombe	Ms C Neville	Mr M Wylie
Ms H Flach		

..... John Castle (Chairman)

..... Date

**Responsibilities of the Governing Council
(in relation to the Financial Statements)
Year ended 31 July 2007**

In accordance with the Education Reform Act 1988, as updated by the 1992 Further and Higher Education Act, the Governing Council of The University of Northampton Higher Education Corporation is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Governing Council is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the 1992 Further and Higher Education Act, the Statement of Recommended Practice on Accounting in Further and Higher Education and other relevant standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Governing Council of The University of Northampton, 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 surplus, or deficit, and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England have been 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 funds from the Training and Development Agency for Schools have been applied only for the purposes for which they have been given.
- Ensure that there are appropriate safeguards and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University and to prevent and detect fraud.
- Secure the economical, efficient and effective management of the University's resources and expenditure.

In fulfilling the above responsibilities, the Council has established a committee to determine and advise it on matters relating to finance.

Statement of Corporate Governance Year ended 31 July 2007

The following statement is provided to enable readers of the annual report and accounts of the institution to obtain a better understanding of the governance and legal structure of the institution.

The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland*.

The institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance were initially set out in the Articles of Government that were approved by the Privy Council on 16 February 1993. The version of the Articles relevant to 2006/07 was approved by the Privy Council on 12 August 2003 and adopted by resolution of the Governing Council on 10 December 2003.

The Articles require the University to have a Governing Council and a Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Governing Council is the executive governing body, responsible for 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 Council has a majority of independent members, chosen in line with strict criteria contained in the legislation. The Chairman of the Council is elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and for representatives of the academic staff and of the student body. No members of the Council receive any reimbursement for the work which they do for the Council.

Subject to the overall responsibility of the Governing Council, the Senate has oversight of the academic affairs of the institution and draws its membership entirely from the staff and students of the institution. It is particularly concerned with general issues relating to the teaching and research work of the institution.

The Vice Chancellor, as Chief Executive Officer, is the head of the institution and has a general responsibility to the Governing Council for the organisation, direction and management of the institution. Under the terms of the formal Financial Memorandum between the institution and the Higher Education Funding Council, the head of the institution is the designated officer of the institution and, in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons.

Statement of Corporate Governance - continued **Year ended 31 July 2007**

Although the Governing Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the Finance and Estates Committee, the Development and Review Committee, the Nominations Committee, the Governance, Administration and Employment Committee, the Remuneration Committee and the Audit Committee. The decisions of these committees are formally reported to the Council.

The membership of these committees, with the exception of the Audit and Nominations Committees, consists entirely of members of the Council. The Audit and Nominations Committees have a majority of members who are independent and co-opted members of the Council. The Chair of each committee is elected by its membership annually.

As Chief Executive Officer, the head of the institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The other members of the Directorate [the Pro-Vice Chancellor (Strategic Planning and Resources) the Pro-Vice Chancellor (Academic), the Pro-Vice Chancellor (Research and Business Development), the Registrar and the Director of Finance] and the senior academic and administrative officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the head of the institution.

The institution maintains a Register of Interests of members of the Council, which may be consulted by arrangement with the Clerk.

In accordance with the Articles of Government of the institution, the Clerk to the Governing Council provided advice on matters of governance to all Council members. During 2006/7, Mrs Diane Hayes, the University's Senior Pro-Vice Chancellor, acted as Clerk until 28 March 2007 and Mrs Jane Bunce, the University's Registrar acted as Clerk from 29 March 2007.

The University acknowledges and endorses the principles of corporate governance, and the Governing Council has a responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to it in the instrument and articles and the Financial Memorandum with the HEFCE. In relation to this, the Governing Council makes the following statement regarding internal control:

- The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2007 and up to the date of approval of the financial statements, and accords with HEFCE guidance.
- We have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:
 - We meet at least four times a year to consider the plans and strategic direction of the institution.

Statement of Corporate Governance - continued
Year ended 31 July 2007

- We receive periodic reports from the Chair of the Audit Committee concerning internal control and we require regular reports from senior management on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- We have designated the Governance, Administration and Employment Committee to oversee the risk management process.
- The Audit Committee receives regular reports from the partner of the contracted internal audit service, which include the partner's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- An annual cycle of meetings involving senior staff, management and Council members is undertaken to identify and keep up to date the register of risks facing the organisation.
- Risk is a standard heading within reports presented to Governors and University Committees and within proposals for bids and developments (for example new courses and bids for research funding).
- A system for the identification and monitoring of key performance and risk indicators is operational.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis is in place.
- An organisation-wide risk register is maintained.
- Deans and department heads report on risk and internal control activities through their development plans.
- Our review of the effectiveness of the system of internal control is informed by the contracted internal audit service which operates to standards defined in the HEFCE Accountability and Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2003. The internal auditors submit regular reports which include the audit partner's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.
- Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Governing Council is of the opinion that the actions it has taken and the arrangements that it has put in place have made the institution fully compliant with the requirements and expectations placed on it regarding corporate governance during the financial year 2006/7.

Governing Council Attendance and Appointments

At its meeting in December 2006, Council agreed to appoint Ms Caroline Neville as a Co-opted Governor with effect from 1 August 2006.

Statement of Corporate Governance - continued **Year ended 31 July 2007**

Council received the resignation of Dr Ian Brooks following the end of his three-year term of office as Senate representative on Council and agreed to appoint Mr Simon Sneddon as Senate representative for a three year period from 13 December 2006.

The Support Staff representative on Council, Mr Richard Bunce, resigned his position during the Spring Term 2007 and Council agreed to the recommendation of the support staff to appoint Mrs Linda Davis for a three year period from 23 May 2007.

Mr Richard Hardwick, President of the Student Union was appointed to represent the student body and was invited to attend the meeting held on 4 July 2007.

Meetings were held on 13 December 2006, 28 March 2007, 23 May 2007 and 4 July 2007.

12 Governors attended 4 meetings
5 Governors attended 3 meetings
6 Governors attended 2 meetings
2 Governors attended 1 meeting

Action has been taken in respect of low attendance.

Attendance at the four meetings was 21, 19, 18 and 19 members out of a total membership of 25. At least 9 independent members were present at each meeting.

Governing Council Effectiveness

The Governing Council undertook reviews of effectiveness which concluded in 2002 and 2005. The first review resulted in significant changes to the Council Committee structure. The second review assessed the success of the changes from the first review, but also taking into consideration developments in best practice in governance. Qualitative data was gathered from each member of the Council in 2004/05 which informed and enriched the analysis of the previously gathered questionnaire responses. The outcomes of the 2005 review of effectiveness have been implemented.

In 2006/07 the University's Guide for Governors was revised to take account of the review of effectiveness. Following the publication of the HEFCE guidance on accountability of higher education institutions from 2008, Council reviewed and approved revisions to the terms of reference for its Audit Committee. A review of the constitution of the Governing Council will be undertaken by the Clerk during 2007/08.

Governing Council Business

Council agendas listed the regular items such as annual report, minutes of committees, approval of the budget and audited accounts. A number of governance matters were considered including:

- An amendment to the Articles of Government relating to dismissals of and appeals from members of staff other than Holders of a Senior Post (March 2007)
- Revisions to the University's Guide for Governors (March 2007)
- Clarification of the role of Link Governors with Schools and Departments at the University (March 2007)

Statement of Corporate Governance - continued **Year ended 31 July 2007**

In March 2007, Council approved the University's purchase of the former Kingsley Park Middle School premises.

Council also approved the recommendation from the Search Committee to invite a candidate to become the inaugural Chancellor of the University. This invitation was subsequently accepted. At the same meeting, Council noted the implementation of the Pay Framework Agreement at The University of Northampton.

At the meetings in December, March and July, the Vice Chancellor delivered a report on the work of Senate. At the December meeting, Council received the Academic Quality and Standards Committee Annual Report to Senate.

The July meeting of Council was preceded by a presentation from the Dean of Social Sciences about their School and plans for developments in support of the Strategic Plan. This followed presentations from each of the other Deans of Schools at the University in the preceding two academic years. At the July meeting, the Chairmanship of each of the sub-committees of Council for 2007/8 was confirmed.

Governing Council Committees

The **Governing Council** has established six committees; each has an annual cycle of meetings through which they carry out much of the detailed work providing reports of their activities via the minutes of the meetings or by bringing specific proposals to Council for approval.

The **Audit Committee** meets three times a year with the internal and external auditors in attendance. The Committee monitors the systems of internal control and reviews management action regarding both the management of risks and the implementation of audit recommendations. The Committee reviews the performance of both internal and external audit on an annual basis and makes recommendations to Council regarding the provision of Audit services. Council also receives annual audit plans for approval and an annual report from the Audit Committee.

The Committee receives an annual report on the work of the internal auditors, and on value for money, fraud and corruption and risk management.

During 2006/7 the Committee received reports on 24 internal audits and the reports of the external auditors on the annual accounts. For audits undertaken during the latter part of 2005/6, controls were found to be adequate or effective in 11 areas. In the remaining area, controls were found to be inadequate or ineffective. For audits undertaken during 2006/7, members of the audit team gave a substantial assurance rating for eight areas. The remaining four areas received an adequate assurance rating. The Committee received reports on progress of action on recommendations for these audits plus those audits undertaken in previous academic sessions with particular scrutiny on the progress of the area found to be inadequate or ineffective. Following a tendering exercise to ensure best value in internal audit services, which had been undertaken in the Summer Term 2006, Council approved the reappointment of Bentley Jennison as internal auditors from August 2006.

Meetings were held on 22 November 2006, 26 February 2007 and 7 June 2007.

- 2 Governors attended 3 meetings
- 1 Governor attended 2 meetings
- 1 Governor attended 1 meeting

Statement of Corporate Governance - continued **Year ended 31 July 2007**

Both external members to the Audit Committee attended 3 meetings.

The **Development and Review Committee** was established in 2003 to further involve Governors in the formulation and review of the strategies of the University. This was done through the development, monitoring and review of the Strategic Plan and the formulation of Key Performance Indicators which not only measure performance against, but encourage achievement of, strategic objectives.

In the second year of the implementation of the Strategic Plan (2005-10), the Committee received a report at the meetings in October 2006 and February 2007 on the University's performance in relation to the Key Performance Indicators. The Committee received an update from the executive on the impact of the introduction of variable tuition fees at the University.

During 2006/7, the Committee received presentations from the Directors of Learning and Teaching, Educational Partnerships and Lifelong Learning and Information Services on progress in relation to the sub-strategies of the Strategic Plan relating to Learning and Teaching and Widening Participation and the E-Strategy. The Vice Chancellor delivered a report to the Committee on the current operating context of the University at the meeting in February 2007 and the proposal to establish an Institute for Urban Affairs at the University in June 2007. An annual research report was also delivered at the meeting in June 2007. These presentations enabled Governors to gain a deeper appreciation of the work of the University in those areas which are, or may become, of strategic importance.

Meetings were held on 31 October 2006, 26 February 2007 and 11 June 2007.

- 4 Governors attended 3 meetings
- 3 Governors attended 2 meetings
- 3 Governors attended 1 meeting

The **Finance and Estates Committee** met six times during 2006/07. The Committee regularly monitored the financial position of the University and current capital projects. Responsibilities in relation to the oversight of the Student Union finances were also undertaken. The draft Financial Statements for 2005/6 were considered by the Committee and members were pleased to note the unqualified audit report which was issued by the external auditors. The Statements were endorsed and recommended for approval to Council in December 2006.

The Committee regularly received reports on student applications and enrolments in light of the significance of the financial risk arising from this activity. The Committee received a report on the budget strategy to be adopted for 2007/8 and endorsed draft budgets for consideration and approval to Council at its meetings in May and June 2007. A report was delivered to the Committee on the proposals for cash and loan interest rate management. The Committee also received two reports on the VAT status of the University's Library Company.

The Committee also received annual reports on procurement, investment performance and insurance. Benchmarking data was reported to the Council with reports on Estates Management Statistics as provided to the University by HEFCE. The Committee agreed a banking facility package with new bankers which would be used to finance the University's Estates Strategy. The Committee endorsed and recommended for approval to Council the purchase and refurbishment of the University's latest acquisition, the former Kingsley Park Middle School premises.

Statement of Corporate Governance - continued

Year ended 31 July 2007

The Committee considered its role in the approval of Estates capital projects and agreed the refurbishment of the Margaret Bondfield Halls of Residence at its meeting in May 2007. It also approved the opportunity to bid for further funding in respect of phase two of the Innovation Centre. The Committee also approved the Third Party Lettings and Space Allocation Policies on behalf of Council. A five-year plan setting out the cost projections for work to be undertaken in respect of the Estates Strategy was also considered at each meeting of the Committee.

The **Governance, Administration and Employment Committee** covers areas of regulatory and legislative compliance, governance matters including on-going review of effectiveness, and matters relating to employment, risk, diversity and equality.

The Committee met three times during 2006/07 and received annual reports on Monitoring Human Resources Statistics and Occupational Health Safety and Welfare. The Committee also received reports on progress made towards the implementation of the Pay Framework Agreement at the October and February meetings. A report was provided on the results of the ASSET wellbeing survey conducted in November and December 2006.

The Committee considered and approved the following new and revised policies and procedures:

- Conflict Resolution and Grievance Policy
- Interim Retirement Procedure
- Data Protection Policy
- Internet Access Policy
- Display Screen Equipment Procedures
- Home Working Policy
- Noise at Work Policy
- University Activities and the Safety of Children/Young Persons Policy
- Conflict Resolution and Grievance Policy and Procedure
- Disciplinary Policy
- Code of Conduct Policy
- Maternity Policy
- Age Policy
- Redundancy Policy
- Capability Procedure
- Lone Working Policy
- Work at Height Policy

Governance matters included the consideration and endorsement of revisions to the University's procedures as outlined in the Guide for Governors. These were approved by Council at its meeting in March. The Committee also received a report on the management of key risks at the University. Governor members of the Committee met with Trade Union representatives from the Joint Consultation and Negotiation Committee in June 2007.

At its meeting in April 2007, the Committee agreed the format for this report. Regular updates, in the form of the minutes, were provided from the Occupational Health, Safety and Welfare Committee.

Meetings were held on 18 October 2006, 7 February 2007 and 25 April 2007.

- 6 Governors attended 3 meetings
- 3 Governors attended 2 meetings

Statement of Corporate Governance - continued
Year ended 31 July 2007

The **Nominations Committee** met once in 2006/7. This meeting was preceded by an informal meeting with a candidate to fill a vacancy on the Governing Council in the area of expertise in further education. The Committee agreed on one name to be put forward to the Independent Members' Appointments Committee and Governing Council in December.

The **Remuneration Committee** met once in October 2006 to review the performance in the previous year and to consider the salary position for Holders of a Senior Post for 2006/7.

..... John Castle (Chairman)

..... Date

Statement of Internal Controls
Year ended 31 July 2007

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out on page 18, include the following:

- Clear delegation of authority and budgetary allocations to Deans and Heads of Departments, with a twice yearly review on a personal basis with the Director of Finance or Financial Controller.
- An established strategic planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Monthly reviews of resource centre and corporate financial positions, involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for the approval and control of expenditure.
- Comprehensive financial regulations approved by the Council, supplemented by a procedures manual for use by Resource Managers and their staff.
- An internal audit service whose annual programme is approved and monitored by the Audit Committee, that committee also having sight of all audit reports produced.

The Audit Committee, on behalf of the Governing Council, has reviewed the effectiveness of the University's system of internal control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

..... John Castle (Chairman)

..... Date

Report of the Independent Auditors to the Governing Council of The University of Northampton Higher Education Corporation

We have audited the financial statements of the University of Northampton for the year ended 31 July 2007 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated statement of historical costs surpluses and deficits, the balance sheet, the consolidated cash flow statement and the notes to the financial statements. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the Council. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' 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 University and the University's Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Council and Auditors

The Council's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of Council's responsibilities on page 18.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and 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 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England and the Training and Development Agency.

We also report to you if, in our opinion, the Report of the Governing Council is not consistent with the financial statements, if the University 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 other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Governing Council. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with 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 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.

**Report of the Independent Auditors to the Governing Council
of The University of Northampton Higher Education Corporation - continued**

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 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, in accordance with UK Generally Accepted Accounting Practice of the state of affairs of the University as at 31 July 2007, and of the deficit of income over expenditure for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.
- In all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied only for the purposes for which they were received.
- In all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Birmingham

Statement of Principal Accounting Policies Year ended 31 July 2007

1. **Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with both the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education and applicable Accounting Standards.

2. **FRS 17 Retirement Benefits**

The University has adopted FRS 17 Retirement Benefits, in the financial statements. Details of the effect of adopting FRS 17 are given in Note 27.

3. **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the University and all its trading subsidiaries (together "the Group") for the financial year to 31 July 2007.

The consolidated financial statements do not include those of The University of Northampton Students' Union as the University has no direct financial interest and no control or significant influence over their commercial and financial policy decisions other than that they are required to produce audited financial statements and operate as a "going concern".

4. **Recognition of income**

Income from short term investments is credited to the income and expenditure account on a receivable basis.

Income from the HEFCE and the TDA in respect of the main funding grant for teaching and research is credited to the income and expenditure account on a receivable basis.

Income from ring fenced allocations, donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs.

Capital allocations made by the HEFCE, the TDA and other sources to acquire and restore tangible fixed assets are credited to the income and expenditure account over the estimated useful lives of the related assets.

Deferred credits in respect of expended allocations received from the HEFCE, the TDA and other sources which are attributable to subsequent financial years are included in deferred capital grants on the face of the balance sheet.

5. **Pension schemes**

Retirement benefits to employees of the University 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).

Statement of Principal Accounting Policies – continued
Year ended 31 July 2007

5. **Pension schemes continued**

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University 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 33, the TPS is a multi employer scheme and the University 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.

6. **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date 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.

7. **Land and buildings**

Land and buildings are stated at cost, other than the properties transferred from Northamptonshire County Council on 1 April 1989, which are shown at their valuation at that date less depreciation plus the cost of improvements and additions since that date, and Simon Senlis and Spencer Perceval halls of residence which were valued on acquisition. The basis of valuation is depreciated replacement cost and an assumption has been made that no land is held specifically for sale or development. The valuation on the NCC properties was performed at 31 March 1990 by Messrs Gotch, Saunders & SurrIDGE, Chartered Architects and Quantity Surveyors, in order to calculate their value as at 1 April 1989. The amount paid by the University for these assets was zero and the corresponding credit in respect of the valuation was taken to the revaluation reserve. Freehold buildings are depreciated over their useful economic lives of 50 years, commencing in the financial year after completion. Leasehold land and buildings are depreciated over the life of the lease or 50 years, whichever is the shorter. Freehold land, other than that transferred from Northamptonshire County Council, is not depreciated as it is considered to have an indefinite useful life.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Statement of Principal Accounting Policies – continued
Year ended 31 July 2007

8. Equipment

Equipment, including computer hardware and software, costing less than £1,000 is written off in the year of acquisition. All other equipment is capitalised at cost and depreciated over its expected useful life, as follows:

Plant and machinery	5 – 10 years
Furniture, fixtures and fittings	5 – 8 years
Computer equipment	3 years
Motor vehicles	4 years
Other equipment	4 – 5 years

9. Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. A long term maintenance programme is in place.

10. Leases

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

Operating lease income is recognised on a straight line basis over the period of the lease.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

11. Investments

Current asset investments are included at the lower of cost and net realisable value. These are comprised of bank and money market investments.

12. Stocks

The stocks relate to the bar and catering supplies of the Sunley Management Centre. They are valued at the lower of cost or net realisable value.

13. 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 money market investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the University's treasury management activities.

Statement of Principal Accounting Policies – continued
Year ended 31 July 2007

14. 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 of 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. All non-recoverable value added tax on purchases is included within the appropriate expenditure headings. The University has an agreement with the local Customs & Excise Office which allows recovery of input VAT on certain business activities.

The Group has a minimal corporation tax liability as any surplus in the subsidiary companies that is assessable to corporation tax is covenanted to the parent entity, The University of Northampton Higher Education Corporation, hence leaving a nil liability.

Consolidated Income and Expenditure Account
For the Year Ended 31 July 2007

	Note	2007	2006
		£000	£000
INCOME			
Funding Council grants	1	28,059	27,236
Academic fees and support grants	2	22,609	19,265
Research grants and contracts	3	2,428	1,901
Other income	4	7,592	7,452
Endowment and investment income		497	401
Total income		<u>61,185</u>	<u>56,255</u>
EXPENDITURE			
Staff costs	5	39,374	35,502
Depreciation	10	3,259	3,010
Other operating expenses	6	17,356	15,972
Interest payable	7	1,492	1,455
Total expenditure		<u>61,481</u>	<u>55,939</u>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and before tax and exceptional costs		(296)	316
Exceptional costs	9	<u>(888)</u>	-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and before taxation		(1,184)	316
Taxation	30	(82)	-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax		<u>(1,266)</u>	<u>316</u>

Note of Historical Cost Surpluses and Deficits
For the Year Ended 31 July 2007

	Note	2007	2006
		£000	£000
(Deficit)/surplus after depreciation of assets at valuation and tax and exceptional costs		(1,266)	316
Difference between depreciation charge based on an historical cost and revalued basis (as included above)	19	668	668
Historical cost (deficit)/surplus after tax		<u>(598)</u>	<u>984</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

Statement of Total Recognised Gains and Losses

For the year ended 31 July 2007

	Note	2007 £000	2006 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax		(1,266)	316
Contribution to depreciation/repayment of principal		-	23
Actuarial gain/(loss) in respect of pension scheme	27	850	(987)
		<hr/>	<hr/>
Total recognised losses relating to the period		(416)	(648)
Prior year adjustments	29	-	(9,383)
		<hr/>	<hr/>
Total recognised losses since last report		(416)	(10,031)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves		25,934	26,582
Total recognised losses for the year		(416)	(648)
		<hr/>	<hr/>
Closing reserves		25,518	25,934
		<hr/> <hr/>	<hr/> <hr/>

Balance Sheets as at 31 July 2007

	Note	<u>Consolidated</u>		<u>The University</u>	
		2007 £000	2006 £000	2007 £000	2006 £000
FIXED ASSETS					
Tangible assets	10	69,179	68,465	61,299	56,188
Investments	11	1	1	7,783	12,444
		69,180	68,466	69,082	68,632
CURRENT ASSETS					
Stocks and stores in hand		6	5	1	2
Debtors	12	4,025	4,836	5,121	5,808
Investments		8,672	6,687	8,207	6,241
Cash at bank and in hand		508	655	498	650
		13,211	12,183	13,827	12,701
Creditors: amounts falling due within one year	13	(10,823)	(9,605)	(10,592)	(9,519)
Net current assets		2,388	2,578	3,235	3,182
Total assets less current liabilities		71,568	71,044	72,317	71,814
Creditors: amounts falling due after more than one year	14	(15,712)	(17,147)	(15,911)	(17,356)
Provisions for liabilities and charges	15	(1,705)	(1,647)	(1,705)	(1,647)
TOTAL NET ASSETS EXCLUDING PENSION LIABILITY		54,151	52,250	54,701	52,811
Net pension liability	27	(10,022)	(10,148)	(10,022)	(10,148)
TOTAL NET ASSETS INCLUDING PENSION LIABILITY		44,129	42,102	44,679	42,663
Represented by:					
Deferred capital grants	16	18,611	16,168	18,611	16,168
RESERVES					
Revaluation reserve	18	21,145	21,813	21,145	21,813
Income and expenditure account excluding pension reserve	17, 18	14,395	14,269	14,945	14,830
Pension reserve	27	(10,022)	(10,148)	(10,022)	(10,148)
Income and expenditure account including pension reserve		4,373	4,121	4,923	4,682
Total Reserves		25,518	25,934	26,068	26,495
TOTAL FUNDS		44,129	42,102	44,679	42,663

Balance Sheets as at 31 July 2007 - continued

The financial statements on pages 34 to 59 were approved by the Governing Council on 22nd November 2007 and signed on its behalf by:

Vice Chancellor	- Mrs Ann Tate
Chairman of Governing Council	- Mr John Castle
Chairman of Finance & Estates Committee	- Mr Terence Libby

**Consolidated Cash Flow Statement
For the Year Ended 31 July 2007**

	Note	2007 £000	2006 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	<u>5,682</u>	<u>1,047</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from short term investments		497	472
Other interest received – HEFCE		-	23
Interest paid		(1,182)	(1,412)
Net cash outflow from returns on investments and servicing of finance		<u>(685)</u>	<u>(865)</u>
TAXATION		<u>(82)</u>	<u>-</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible assets (other than leased equipment)		(3,973)	(6,028)
Deferred capital grants received		3,304	4,159
Disposal of fixed asset investment		-	12
Net cash outflow from investing activities		<u>(669)</u>	<u>(1,857)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>4,246</u>	<u>(1,675)</u>
MANAGEMENT OF LIQUID RESOURCES		<u>(1,985)</u>	<u>2,510</u>
FINANCING			
New Loan		15,712	-
Repayment of loan principal	23	<u>(17,692)</u>	<u>(453)</u>
		(1,980)	(453)
INCREASE IN CASH	24	<u>281</u>	<u>382</u>

**Reconciliation of Net Cash Flow to Movement in Net Debt
For the Year Ended 31 July 2007**

	Note	2007 £000	2006 £000
Increase in cash in the year		281	382
Cash outflow from decrease in debt		1,980	453
Cash outflow/(inflow) from increase/(decrease) in liquid resources		1,985	(2,510)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		4,246	(1,675)
Net debt at 1 August		<u>(11,108)</u>	<u>(9,433)</u>
 NET DEBT AT 31 JULY	24	<u>(6,862)</u>	<u>(11,108)</u>

**Notes to the Accounts
For the Year Ended 31 July 2007**

1. FUNDING COUNCIL GRANTS

	2007	2006
	£000	£000
HEFCE:		
Recurrent grant for teaching and research	23,115	22,914
Specific grants and non-formula funding		
Management Development Fund	23	12
Learning & Teaching Strategy	301	307
Knowledge Transfer Capability	-	75
Teaching Fellowships	31	26
HEIF 3	337	-
Summer School	127	121
Aim Higher	112	365
Life Long Learning Network	15	-
E Learning	4	-
Deferred capital grants released in year (note 16)		
Land and buildings	334	273
Equipment	490	293
	<u>24,889</u>	<u>24,386</u>
TDA recurrent grant	3,168	2,847
TDA deferred capital grants released in year (note 16)	2	3
	<u>28,059</u>	<u>27,236</u>

2. ACADEMIC FEES AND SUPPORT GRANTS

	2007	2006
	£000	£000
Full-time HE fees – UK & EU students	7,914	6,346
Full-time HE fees – overseas and other students	2,799	2,424
Part-time HE fees	1,265	1,078
FE franchise	427	422
FE fees	42	33
Short course fees	2,896	2,356
Contracts with the University in lieu of academic fees	7,266	6,606
	<u>22,609</u>	<u>19,265</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

3. RESEARCH INCOME

	2007	2006
	£000	£000
OST Research Councils	174	74
UK Based Charities	269	180
UK Central Government and Local Authorities	1,076	970
UK Industry and Commerce	130	106
EU Government	47	81
EU Other	12	-
Others	720	490
	<u>2,428</u>	<u>1,901</u>

4. OTHER OPERATING INCOME

	2007	2006
	£000	£000
Residences, catering and conferences	4,696	4,595
Sunley Management Centre	634	614
European funding	587	493
Other income	1,674	1,750
	<u>7,592</u>	<u>7,452</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

5. STAFF AND GOVERNORS

	2007	2006
The average monthly number of persons employed by the University during the year expressed as full-time equivalents was:	1,000	1,053
	£000	£000
Staff costs		
Wages and salaries	32,320	29,949
Social security costs	2,523	2,314
Other pension costs (note 27)	4,531	3,239
	<u>39,374</u>	<u>35,502</u>
Emoluments of the Vice Chancellor		
Salary & healthcare	130	123
Non-Consolidated bonus	10	9
Value of residential emolument	20	15
Membership of HEFCE board	5	5
	<u>165</u>	<u>152</u>
Emoluments of the Vice Chancellor	<u>165</u>	<u>152</u>

The emoluments of the Vice Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to the Universities' Superannuation Scheme are paid at the same rates as for other academic staff and amounted to £20,964 (2005/06 - £19,242). The emoluments of the Vice Chancellor include £5,000 reimbursed by the HEFCE in respect of membership of its Board.

A review of the value of the Vice Chancellor's residential emolument was last undertaken during 2000/01. A revised residential emolument took effect from 1 August 2001.

In addition to the Vice Chancellor, a number of members of staff in post at 31 July had their basic salary determined on an individual basis by either the University's Remuneration Committee or the Vice Chancellor. The distribution of those salaries was:

	2007	2006
£70,000 - £74,999	-	1
£75,000 - £79,999	2	-
£80,000 - £84,999	-	2
£85,000 - £89,999	2	1
£90,000 - £94,999	2	-
	<u>6</u>	<u>4</u>

These members of staff are also eligible for non consolidated performance related pay bonuses in addition to their basic salary. Payments were made in respect of 2006/7.

No member of the Governing Council received an emolument during the year in their capacity as a Governor.

Notes to the Accounts – continued
For the Year Ended 31 July 2007

<u>6. OTHER OPERATING EXPENSES</u>	2007	2006
	£000	£000
Franchise fees	2,244	2,066
Residences, catering and conferences operating expenses	1,940	1,863
Consumable and laboratory expenditure	754	846
Books and periodicals	687	716
Heat, light, water and power	1,217	953
Repairs and general maintenance	1,122	1,098
Grants to The University of Northampton Students' Union	328	306
External auditors' remuneration	39	38
Internal audit	44	46
Marketing	1,039	1,034
Subscriptions	562	393
Travel and subsistence	497	666
Staff development	701	613
Invoiced staff	315	458
Rents	282	269
Printing, postage and stationery	777	837
Telephones and communications	196	222
Operating leases in respect of hire of plant & machinery	142	126
Other operating leases incl. rental of land & building	106	137
Equipment rental	622	663
Partner schools funding	813	723
Speakers/Misc. fees	392	241
Staff advertising	173	153
Transport	390	314
Insurance	165	212
Student visits, field courses and placements	289	308
Legal & professional fees	242	125
Rates	146	130
Student Bursaries	505	-
Other expenses	627	416
	<u>17,356</u>	<u>15,972</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

7. <u>INTEREST PAYABLE</u>	2007	2006
	£000	£000
Loans not wholly repayable within five years	1,161	1,288
Interest on taxation	21	-
Pension finance costs	310	167
	<u>1,492</u>	<u>1,455</u>

8. <u>ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY</u>	Staff costs	Other operating expenses
	£000	£000
Academic departments	22,261	3,564
Academic services	2,983	1,985
Administration and central services	8,391	6,078
Premises	1,724	1,707
Residences and catering	1,061	1,610
Research – externally funded	1,411	1,001
Research – internally funded, including HEFCE funding	478	260
Other expenses	651	1,151
FRS 17 adjustments	414	-
	<u>39,374</u>	<u>17,356</u>

9. <u>EXCEPTIONAL COSTS</u>	2007	2006
	£000	£000
Loan Breakage Costs	524	-
VAT settlement	364	-
	<u>888</u>	<u>-</u>

In preparation for investment under its strategic estates plan, the University negotiated a new loan facility during the year. Breakage costs were incurred when the existing loans were repaid, due to the high fixed rates of interest. The long term benefits of the new loan facility were demonstrated to outweigh the short term costs of breakage, which amounted to £524,000.

On 31 July 2007 the University accepted an offer from HM Revenue and Customs (HMRC) to settle potential VAT liabilities in respect of its library scheme. The HRMC offer was made to all Universities who had implemented similar schemes, following a landmark case which undermined previous professional advice on the schemes. The settlement (which was also accepted by nearly all the other Universities with similar schemes) enabled the University to crystallise and finalise its liability. Professional VAT advisers were consulted, and the Finance and Estates Committee of Council accepted the professional recommendation that settlement would be a preferable option to the alternative of a VAT investigation and assessment countered by a potentially lengthy and expensive claim for misdirection. The cost of settlement amounted to £364,000.

Notes to the Accounts – continued
For the Year Ended 31 July 2007

10. TANGIBLE ASSETS – CONSOLIDATED

	<u>Land and buildings</u>			Total
	Freehold	Short Leasehold	Equipment	
	£000	£000	£000	
Valuation/cost				
At 1 August 2006				
Valuation	40,226	653	629	41,508
Cost	46,013	-	7,349	53,362
Additions at cost	2,606	-	1,367	3,973
At 31 July 2007				
Valuation	40,226	653	629	41,508
Cost	48,619	-	8,716	57,335
Depreciation				
At 1 August 2006	21,084	226	5,095	26,405
Charge for year	1,733	24	1,502	3,259
At 31 July 2007	22,817	250	6,597	29,664
Net book value				
At 31 July 2007	66,028	403	2,748	69,179
At 1 August 2006	65,155	427	2,883	68,465
Inherited	20,735	403	-	21,138
Financed by capital grant	17,333	-	972	18,305
Other	27,960	-	1,776	29,736
Net book value at 31 July 2007	66,028	403	2,748	69,179

**Consolidated
£000**

The depreciation charge for the year has been met by:

Deferred capital grants released	861
Revaluation reserve released	668
General income	1,730
	<u>3,259</u>

Contributions, net of depreciation, of £15.9 million have been made by the HEFCE towards the construction and refurbishment of University buildings. Should these buildings be sold, the University would have to use the proceeds in accordance with the Financial Memorandum with the Funding Council.

Notes to the Accounts – continued
For the Year Ended 31 July 2007

10. TANGIBLE ASSETS – THE UNIVERSITY – (CONTINUED)

	<u>Land and buildings</u>			Total
	Freehold	Short Leasehold	Equipment	
	£000	£000	£000	
Valuation/cost				
At 1 August 2006				
Valuation	32,740	653	629	34,022
Cost	39,448	-	5,843	45,291
Additions at cost	2,606	-	1,268	3,874
Transfer of Assets from subsidiary	4,542	-	388	4,930
At 31 July 2007				
Valuation	32,740	653	629	34,022
Cost	46,596	-	7,499	54,095
Depreciation				
At 1 August 2006	18,981	226	3,918	23,125
Charge for year	1,450	13	1,361	2,824
Transfer of Assets from subsidiary	675	-	194	869
At 31 July 2007	21,106	239	5,473	26,818
Net book value				
At 31 July 2007	58,230	414	2,655	61,299
At 1 August 2006	53,207	427	2,554	56,188
Inherited	20,735	414	-	21,149
Financed by capital grant	17,333	-	972	18,305
Other	20,162	-	1,683	21,845
	58,230	414	2,655	61,299

Contributions, net of depreciation, of £15.9 million have been made by the HEFCE towards the construction and refurbishment of University buildings. Should these buildings be sold, the University would have to use the proceeds in accordance with the Financial Memorandum with the Funding Council.

On 31 July 2007 the library related assets of the University of Northampton Education and Learning Limited were transferred to the University of Northampton.

The University has 2 leasehold buildings. The Knowledge Exchange has a 20 year lease from 25 August 1987. The Thornby building has a 125 year lease from 25 August 1987.

Included in the total net book value of freehold land and buildings is £383,880 (2006: £393,020) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £9,140 (2005/6 £9,140).

Notes to the Accounts – continued
For the Year Ended 31 July 2007

10. TANGIBLE ASSETS – THE UNIVERSITY – (CONTINUED)

	£000
The depreciation charge for the year has been met by:	
Deferred capital grants released	861
Revaluation reserve released	668
General income	1,295
	2,824

11. FIXED ASSET INVESTMENTS

	<u>Consolidated</u>		<u>The University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Investment in subsidiaries	1	1	7,644	7,644
Loan to subsidiary	-	-	139	4,800
	1	1	7,783	12,444

The Group has the following investments in joint venture/associate companies.

<u>Name of Company</u>	<u>Ordinary Share Capital</u>	<u>% of Issued Share Capital</u>	<u>Date of Incorporation</u>	<u>Place of Incorporation</u>
BLC Leathersellers Research Company Limited	£500	50%	13 June 2000	England & Wales

The results of this company for the year ended 31 July 2007 have not been consolidated into the Group accounts on the basis of materiality.

The University has the following investments in 100% owned subsidiary companies, all of which are incorporated in England and Wales:

<u>Name of Company</u>	<u>Issued Ordinary Share Capital</u>	<u>Date of Incorporation</u>
The University of Northampton Education and Learning Limited	£100	17 August 1995
The University of Northampton Enterprises Limited	£100	17 August 1995
The University of Northampton Know How Limited	£100	15 June 2001
The University of Northampton Residences (SS) Limited	£2,112,942	2 August 1993
The University of Northampton Residences (SP) Limited	£2,112,942	2 August 1993

Notes to the Accounts – continued

For the Year Ended 31 July 2007

11. FIXED ASSET INVESTMENTS - CONTINUED

The financial year end of all of the subsidiaries is 31 July. The University of Northampton Education and Learning Limited was principally engaged in the lending of books and library materials and providing other ancillary services to its parent company. However, this principal activity ceased on 31 July 2007 with the transfer of the library related assets to the University of Northampton. The University of Northampton Enterprises Limited provides training courses and facility hire.

The University of Northampton Know How Limited ceased trading during the period.

The principal activity of both University Of Northampton Residences (SS) Limited and University Of Northampton Residences (SP) Limited is the provision of student accommodation.

The University receives a commercial rate of interest of 9% per annum on the loan to The University of Northampton Education and Learning Limited.

12. DEBTORS

	<u>Consolidated</u>		<u>The University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Debtors	2,520	2,928	1,530	1,105
Amounts owing by subsidiary undertakings	-	-	2,277	3,021
Prepayments and accrued income	1,505	1,908	1,314	1,682
	<u>4,025</u>	<u>4,836</u>	<u>5,121</u>	<u>5,808</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>The University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank overdraft	330	758	282	758
Mortgages and unsecured loans	-	545	-	545
Creditors	257	25	269	25
Amounts owed to subsidiary undertakings	-	-	10	115
Social security and other taxation	2,159	1,603	2,016	1,484
Accruals and deferred income	8,077	6,674	8,015	6,592
	<u>10,823</u>	<u>9,605</u>	<u>10,592</u>	<u>9,519</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Consolidated</u>		<u>The University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Loan secured on Sunley Management Centre and Margaret Bondfield hall of residence, repayable by 2015 (rate of interest 8.99%)	-	2,100	-	2,100
Loan secured on William Carey hall of residence, repayable by 2016 (rate of interest 8.69%)	-	3,650	-	3,650
Loan secured on Bassett Lowke hall of residence, repayable by 2021 (rate of interest 7.625%)	-	4,068	-	4,068
Loan secured on Spencer Perceval and Simon Senlis halls of residence and the majority of Avenue Campus, repayable by 2018 (£5M @ 5.54797% remainder at 0.5% above Base Rate)	-	7,329	-	7,329
Unsecured Loan				
Repayable by 2036 (£8m @ 6.454% - remainder @ 0.22% above Base Rate)	15,712	-	15,712	-
Finance lease commitments – subsidiary undertakings	-	-	199	209
	<u>15,712</u>	<u>17,147</u>	<u>15,911</u>	<u>17,356</u>

During the year, the University reviewed its loan structure against future strategic and capital plans, and refinanced its borrowings by settling its existing loans and taking out a new loan facility. The new facility provides up to £30million of borrowing capacity, of which £15,172 has been used to replace the existing loans and the balance will be available to be drawn down against planned capital spends. The new loan has a term of 29 years. Repayments will commence in June 2011.

The loans are repayable as follows:

	<u>Consolidated</u>		<u>The University</u>	
	As At	As At	As At	As At
	31	31	31	31
	July	July	July	July
	2007	2006	2007	2006
	£000	£000	£000	£000
Between one and two years	-	769	-	778
Between two and five years	690	2,855	736	2,888
In five years or more	15,022	13,523	15,175	13,690
	<u>15,712</u>	<u>17,147</u>	<u>15,911</u>	<u>17,356</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - CONTINUED

The maturity of net obligations under finance leases is as follows:

	2007	2006
	£000	£000
Within one year	9	8
Between two and five years	46	43
Over five years	153	166
	<u>208</u>	<u>217</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Consolidated and</u>
	<u>The University</u>
	Pensions
	(note
	27)
	£000
At 1 August 2006	1,647
Increase in provision	58
At 31 July 2007	<u>1,705</u>

16. DEFERRED CAPITAL GRANTS

	<u>Consolidated and The University</u>			
	TDA	HEFCE	Other	Total
	£000	£000	£000	£000
At 1 August 2006				
Land and buildings	57	13,693	2,184	15,934
Equipment	-	234	-	234
Total	<u>57</u>	<u>13,927</u>	<u>2,184</u>	<u>16,168</u>
Cash received				
Land and buildings	-	2,504	-	2,504
Equipment	-	800	-	800
Total	<u>-</u>	<u>3,304</u>	<u>-</u>	<u>3,304</u>
Released to income and expenditure				
Land and buildings (note 1)	2	334	35	371
Equipment (note 1)	-	490	-	490
Total	<u>2</u>	<u>824</u>	<u>35</u>	<u>861</u>
At 31 July 2007				
Land and buildings	55	15,863	2,149	18,067
Equipment	-	544	-	544
Total	<u>55</u>	<u>16,407</u>	<u>2,149</u>	<u>18,611</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

17. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u>	<u>The University</u>
	£000	£000
(Loss) after depreciation of assets at valuation and tax	(1,266)	(1,277)
Release from revaluation reserve	668	668
Actuarial gain in respect of pension scheme	850	850
	<hr/>	<hr/>
Historical cost surplus after tax	252	241
	<hr/>	<hr/>
Balance at 1 August 2006	4,121	4,682
	<hr/>	<hr/>
At 31 July 2007	4,373	4,923
	<hr/>	<hr/>
Balance represented by:		
Pension reserve	(10,022)	(10,022)
Income and expenditure reserve excluding pension reserve	14,395	14,945
At 31 July 2007	<hr/>	<hr/>
	4,373	4,923

18. REVALUATION RESERVE

	<u>Consolidated and The University</u>		
	<u>Inherited assets</u>	<u>Inherited loans</u>	<u>Total</u>
	£000	£000	£000
Revaluations			
At 1 August 2006 and 31 July 2007	<hr/>	<hr/>	<hr/>
	34,040	(3,675)	30,365
Contribution to depreciation/repayment of principal			
At 1 August 2006	12,216	(3,664)	8,552
Released in year (note 10)	668	-	668
At 31 July 2007	<hr/>	<hr/>	<hr/>
	12,884	(3,664)	9,220
Net revaluation amount			
At 31 July 2007	<hr/>	<hr/>	<hr/>
At 1 August 2006	21,156	(11)	21,145
	<hr/>	<hr/>	<hr/>
	21,824	(11)	21,813

Notes to the Accounts – continued
For the Year Ended 31 July 2007

19. LEASE OBLIGATIONS

	<u>Consolidated</u>		<u>The University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Operating lease commitments in respect of equipment for the 2006/07 financial year, on leases expiring:				
Within one year	10	32	10	32
Between two and five years	83	83	83	83
	93	115	93	115
Operating lease commitments in respect of land and buildings for the 2006/07 financial year, on leases expiring:				
Within one year	91	-	91	-
Between two and five years	-	91	-	91
Over five years	4	4	22	22
	95	95	113	113

20. CAPITAL COMMITMENTS

	<u>Consolidated</u>		<u>The University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Commitments contracted at 31 July	1,045	888	1,045	885
Authorised but not contracted at 31 July	2,563	2,388	2,563	2,388
	3,608	3,276	3,608	3,273

At 31 July the University had authorised the purchase of the Kingsley Park building, which is adjacent to its Avenue Campus. Contracts for this purchase were exchanged in September 2007.

21. CONTINGENT LIABILITIES

The University had no contingent liabilities at 31 July 2007 or at 31 July 2006.

Notes to the Accounts – continued
For the Year Ended 31 July 2007

22. RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2007	2006
	£000	£000
(Deficit)/surplus before tax	(1,184)	316
Depreciation (note 10)	3,259	3,010
Deferred capital grants released to income (note 16)	(861)	(593)
Investment income	(497)	(401)
Interest payable (note 7)	1,182	1,288
Pension cost less contributions payable (note 27)	724	(222)
(Increase)/decrease in stocks	(1)	1
Decrease/(increase) in debtors	811	(2,060)
Increase/(decrease) in creditors	2,191	(254)
Increase/(decrease) in provisions	58	(38)
Net cash inflow from operating activities	5,682	1,047

23. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

Mortgages and loans

	£000
Balance at 1 August 2005	18,145
Capital repayments	(453)
Balance at 1 August 2006	17,692
New Loan repayable by 2015	15,712
Capital repayments	(17,692)
Balance at 31 July 2007	15,712

Notes to the Accounts – continued
For the Year Ended 31 July 2007

24. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2006 £000	Cash Flows £000	At 31 July 2007 £000
Cash at bank and in hand	655	(147)	508
Overdrafts	(758)	428	(330)
		<u>281</u>	
Debt due after 1 year	(17,147)	1,435	(15,712)
Debt due within 1 year	(545)	545	-
		<u>1,980</u>	
Current asset investments - not repayable on demand	6,687	1,985	8,672
	<u>(11,108)</u>	<u>4,246</u>	<u>(6,862)</u>

25. ACCESS FUNDS

	2007 £000	2006 £000
Balance at 1 August	72	129
Funding Council grants	475	530
Interest earned	13	11
	<u>560</u>	<u>670</u>
Disbursed to students	(435)	(598)
Balance unspent at 31 July	<u>125</u>	<u>72</u>

Access funds are available solely for students: the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

26. TDA BURSARIES

	2007 £000	2006 £000
Balance at 1 August	48	27
Funding Council grants	390	423
	<u>438</u>	<u>450</u>
Disbursed to students	(428)	(402)
Balance unspent at 31 July	<u>10</u>	<u>48</u>

TDA bursary funds are available solely for students: the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

Notes to the Accounts – continued
For the Year Ended 31 July 2007

27. PENSION SCHEMES

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) administered by Northamptonshire County Council. Both are defined benefit schemes. The total pension cost for the period was £4,531k (Note 5) (2006 £3,239k).

Teachers' Pension Scheme (TPS)

The TPS 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 pension cost is assessed every five 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:

<i>Latest actuarial valuations</i>	<i>31 March 2004</i>
<i>Actuarial method</i>	<i>Prospective Benefits</i>
<i>Notional investment returns per annum</i>	<i>7.0%</i>
<i>Pension increases per annum</i>	<i>3.5%</i>
<i>Salary scale increases per annum</i>	<i>5.0%</i>
<i>Notional value of assets at date of last valuation</i>	<i>£102,010 million</i>
<i>Proportion of members' accrued benefits covered by the actuarial value of the assets</i>	<i>100%</i>

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employers' contributions. From 1 April 2003 the employer contribution was 13.5%. The rate increased to 14.1% from 1 January 2007. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions. The employees' contribution rate to the scheme increased from 6% to 6.4% at 1 January 2007..

FRS 17

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

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2007 was £2,128k of which employer's contributions totalled £1,506k and employees' contributions totalled £622k. The agreed contribution rates for employers are as follows:

Notes to the Accounts – continued
For the Year Ended 31 July 2007

27. PENSION SCHEMES (CONTINUED)

For the period 1 April 2005 to 31 March 2006	14.5%
1 April 2006 to 31 March 2007	14.5%
1 April 2007 to 31 March 2007	14.5%

The agreed contribution for employees for future years is 6%.

FRS 17

The following information is based upon a full actuarial valuation of the fund as at 31 March 2004 updated to 31 July 2007 by a qualified, independent Actuary.

	31 July 2007	31 July 2006	31 July 2005
Inflation	3.2%	3.0%	2.7%
Rate of increase in salaries	4.7%	4.5%	4.2%
Rate of increase in pensions	3.2%	3.0%	2.7%
Discount rate for liabilities	5.8%	5.1%	5.0%

The University's share of assets in the scheme and the expected rates of return were:

	2007 Long term rate of Return expected at 31 July 2007	Value at 31 July 2007 £'000	2006 Long term rate of return expected At 31 July 2006	Value at 31 July 2006 £'000	2005 Long term rate of return expected At 31 July 2005	Value at 31 July 2005 £'000
Equities	7.5%	19,838	7.0%	17,105	7.5%	15,227
Bonds	5.8%	962	5.1%	2,376	5.0%	2,712
Property	6.5%	2,971	6.0%	1,651	6.5%	834
Cash	5.75%	28	4.5%	1,150	4.8%	-
Fixed interest gilts	4.9%	<u>4,500</u>	4.4%	<u>2,726</u>	4.4%	<u>2,086</u>
Total market value of assets		<u>28,299</u>		<u>25,008</u>		<u>20,859</u>

	2007 £'000	2006 £'000	2005 £'000
University's estimated asset share	28,299	25,008	20,859
Present value of scheme liabilities	<u>(38,321)</u>	<u>(35,156)</u>	<u>(30,242)</u>
Deficit in the scheme	<u>(10,022)</u>	<u>(10,148)</u>	<u>(9,383)</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

27. PENSION SCHEMES (CONTINUED)

Analysis of net return on pension scheme	2007	2006
	£'000	£'000
Expected return on pension scheme assets	1,529	1,390
Interest on pension scheme liabilities	<u>(1,839)</u>	<u>(1,557)</u>
Net return	<u>(310)</u>	<u>(167)</u>
Amounts recognised in the statement of Total recognised gains and losses (STRGL)	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	330	1,217
Experience gains and losses arising on the scheme liabilities	0	(926)
Change in financial and demographic assumptions underlying the scheme liabilities	520	(1,278)
Actuarial Gain/(loss) recognised in STRGL	<u>850</u>	<u>(987)</u>
Movement in deficit during year	2007	2006
	£'000	£'000
Deficit in scheme at beginning of year	(10,148)	(9,383)
<i>Movement in year:</i>		
Current service charge	(1,896)	(1,676)
Contributions	1,506	1,407
Past service costs	(24)	663
Net interest/return on assets	(310)	(167)
Actuarial gain or loss	<u>850</u>	<u>(987)</u>
Deficit in scheme at end of year	<u>(10,022)</u>	<u>(10,148)</u>

Notes to the Accounts – continued
For the Year Ended 31 July 2007

27. PENSION SCHEMES (CONTINUED)

History of experience gains or losses	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
<i>Difference between the expected and actual return on assets:</i>					
Amount	330	1,217	2,495	208	(303.7)
% of scheme assets	1.2%	4.9%	12.0%	1.3%	2.13%
<i>Experience gains and losses on scheme liabilities:</i>					
Amount	-	(926)	(697)	-	-
% of scheme liabilities	0.0%	2.6%	2.3%	0.0%	0.0%
<i>Total amounts recognised in statement of total recognised gains and losses:</i>					
Amount	520	(1,278)	(1,525)	-	(2,059.2)
% of scheme liabilities	1.4%	3.6%	5.0%	0.0%	8.9%%

28. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the Governing 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 Governing Council may have an interest. All transactions involving organisations in which a member of the Governing Council may have an interest are conducted at arm's 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".

Notes to the Accounts – continued
For the Year Ended 31 July 2007

29. PRIOR YEAR ADJUSTMENT NOTE

	Consolidated 2006 £	The University 2006 £
Income and expenditure account reserve as previously stated (note 17)	13,507	13,060
Pension liability at 1 August 2004	(9,230)	(9,230)
Movement during 2004/05:		
Employer service cost	(1,234)	(1,334)
Employer contributions	1,249	1,249
Past service cost	(15)	(15)
Net interest/return on assets	(326)	(326)
Actuarial gain or loss	273	273
	4,124	3,677
	4,124	3,677
 Analysis of prior year adjustment		
Adjustment to opening Income and Expenditure Account Reserve at 1 August 2004	(9,230)	(9,230)
Adjustment to Income and Expenditure Account for year ended 31 July 2005	(426)	(426)
Adjustment to Statement of Total Recognised Gains and Losses for the year ended 31 July 2005	273	273
	(9,383)	(9,383)
	(9,383)	(9,383)

30. TAXATION

The University of Northampton Education and Learning Ltd, a subsidiary company of the University, bore a prior year tax charge of £82,360 relating to HMRC's revision of the tax treatment of library books.