University of East Anglia

Financial Statements

2010 - 2011

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Treasurer's report (continued)

As a consequence of the increased fees for undergraduates there is also increasing concern over the future pattern of post-graduate study. Potential post-graduate students do not have access to loan finance arrangements that are available to undergraduates and will also, in future, generally have much higher student debts. This issue is likely to become much more acute from 2015 when the first cohort of students charged at the higher fee level graduate, but already, with no clear policy from government on this issue, it represents a real concern for medium term planning. There also remains considerable uncertainty over the level and distribution of residual public sector teaching funding for high cost or vulnerable subjects; mainly laboratory based science subjects.

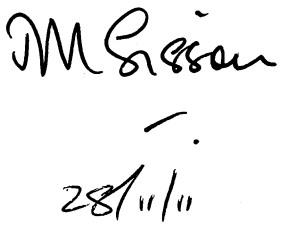
In relation to International students, there remain serious concerns over the negative impact of changes in immigration regulations and the University's intake for 2011 has highlighted a worrying downturn in demand from certain countries which appears to be linked directly to the new regulations. The University continues to monitor developments and to lobby for the introduction of arrangements that do not penalise and threaten this crucial source of funding for bona fide institutions.

In order to meet the financial challenges going forward, the University continues to develop other sources of (non government) funding and to improve efficiency. Partly as a result of concerns over immigration regulations, growth and diversification of overseas student fee income remains a focus for attention and involves both direct recruitment to the University and the development of the INTO joint venture activities. Growth in the last two years has been encouraging and despite the current political climate we remain confident of meeting future planned levels of activity. In terms of efficiencies, the recently completed restructuring of support services has released annual savings in excess of £1m and reviews of other areas will be progressed. Here again the aims are twofold; to reduce costs and improve effectiveness.

With pay costs representing around 62% of total expenditure excluding depreciation and interest, pay increases are of particular concern. Fortunately pay settlements for the last two years have been contained at affordable levels and this is expected to continue to be the case in 2011/12. There has also been concern in recent years over the seemingly inexorable rise in pension costs. Fortunately reforms to the national Universities Superannuation Scheme (USS) have now been agreed and take effect from October 2011. These changes will alleviate future funding pressures on the scheme and any future increases in contributions that may be necessary will be shared between employees and employers.

In setting future financial plans the University has needed to make assumptions of future income and cost changes at a time of great uncertainty. Nevertheless, the University continues to prioritise significant investment in enhancing the student experience, developing the post graduate research base, and protecting the capital investment needed to deliver high quality services. Furthermore, the University remains committed to investment in joint initiatives with the John Innes Centre and the Institute of Food Research, two local research institutes funded by the Biotechnology and Biological Sciences Research Council ("BBSRC"). The long-term goal to develop an internationally acclaimed centre of research in Norwich was recently boosted by the award of £26m government funding to provide the infrastructure needed to expand and attract new investment onto the Norwich Research Park.

Based on the latest information available, and taking a reasonably prudent approach, the University anticipates the possible need to run an operating deficit for the next two or three years as it seeks to secure its position as one of the country's leading universities through the delivery of excellent teaching and research. Throughout this period the University will continue to generate positive cash flows to meet its bank loan covenants and is confident that it has the financial resources to manage this period of transition without deviating from its current investment plans as outlined above.



28/11/11

Corporate governance statement (continued)

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The University aims to mitigate liquidity risk by managing cash generation through its operations, and continuing to develop relationships with funding partners and contingency plans.

The University has both interest bearing assets and interest bearing liabilities. The University uses financial derivatives in order to minimise its exposure to interest rate fluctuations on its bank borrowings.

Statement of disclosure of information to auditors
The members of Council confirm, so far as they are each aware, that there is no relevant audit information of which the University's auditors are unaware. They also confirm they have taken all the steps they ought to have taken as members of Council in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Availability of financial statements on the web site
The Annual Financial Statements are available on the University's web site. The maintenance and integrity of the University's web site is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual financial statements may differ from legislation in other jurisdictions.

Appointment of auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors. A resolution will be passed by Council concerning their re-appointment as auditors.

Signed on behalf of Council on 28 / 11 / 2011:

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

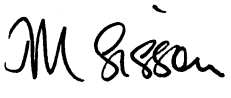
PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

28 November 2011

Consolidated balance sheet as at 31 July 2011

	Note	2011 £000	2010 £000
Fixed assets			
Tangible assets	10	**229,790**	234,949
Investments in joint ventures	11		
Share of gross assets		**49,018**	41,485
Share of gross liabilities		**(25,243)**	(17,561)
		23,775	23,924
Other investments	12	**941**	544
		254,506	259,417
Endowment assets	14	**6,342**	4,941
Current assets			
Stocks		**202**	375
Debtors	15	**22,186**	20,902
Investments	16	**57,034**	59,946
Cash at bank and in hand		**2,265**	1,931
		81,687	83,154
Creditors: amounts falling due within one year	17	**(42,815)**	(40,678)
Net current assets		**38,872**	42,476
Total assets less current liabilities		**299,720**	306,834
Creditors: amounts falling due after more than one year	18	**(89,116)**	(91,616)
Provisions for liabilities	19	**-**	(9)
Net assets excluding pension liability		**210,604**	215,209
Pension liability	26	**(10,481)**	(12,704)
Net assets including pension liability		**200,123**	202,505
Deferred capital grants	20	**134,800**	142,544
Endowment funds			
Expendable	21	**3,998**	2,868
Permanent	21	**2,344**	2,073
		6,342	4,941
Reserves			
Income and expenditure account excluding pension reserve		**69,462**	67,724
Pension reserve	26	**(10,481)**	(12,704)
Income and expenditure account including pension reserve	22	**58,981**	55,020
Total funds		**200,123**	202,505

The financial statements on pages 16 to 49 were approved by the Council on 28 November 2011 and have been signed on its behalf

Edward Acton	Jonathan Sisson	Stephen Donaldson
Vice-Chancellor	Treasurer	Director of Finance