

Charity Number: 1001127

Company Number: 2517018

**UNIVERSITIES UK**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2006**



**Universities UK**  
**Report and financial statements**  
**For the year ended 31 July 2006**

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# Universities UK

## Legal and administrative details

### For the year ended 31 July 2006

#### Legal and administrative information

The Members of the UK Board (Directors and Trustees of the company) appointed for the year from 1 August 2005 to 31 July 2006 were as follows:

Professor Drummond Bone	(President) (Appointed 1 August 2005)
Professor James Lusty*	(Vice-President)
Dr Geoffrey Copland	(Vice-President)
Professor John Archer*	(Vice-President)
Professor John Tarrant*	(Treasurer)
Professor Robert Boucher	
Professor Glynis Breakwell	
Dame Sandra Burslem	(Retired 31 August 2005)
Professor Sir Kenneth Calman*	
Professor Antony Chapman	
Professor Sir Ivor Crewe	
Professor Michael Driscoll	
Professor Janet Finch	
Professor Brenda Gourley*	
Professor Andrew Hamnett	(Appointed 1 August 2005)
Dr Malcolm McVicar	(Appointed 1 August 2005)
Professor Alison Richard*	
Professor Alasdair Smith	

\* Term of office ended 31 July 2006

The following were also Members of the UK Board on the date this report was approved:

Professor Merfyn Jones	(Vice-President) (Appointed 1 August 2006)
Sir Muir Russell	(Vice-President) (Appointed 1 August 2006)
Professor Rick Trainor	(Treasurer) (Appointed 1 August 2006)
Professor Geoffrey Crossick	(Appointed 1 August 2006)
Professor Sir Graeme Davies	(Appointed 1 August 2006)
Professor Les Ebdon	(Appointed 1 August 2006)
Professor David Rhind	(Appointed 1 August 2006)
Professor Eric Thomas	(Appointed 1 August 2006)
Professor Paul Wellings	(Appointed 1 August 2006)

No member of the UK Board had a beneficial interest in any contract with the company. Board members are elected by the Vice Chancellors of the Member universities or appointed by the President.

**Company Secretary: Christopher Lambert**

**Chief Executive: Diana Warwick**

#### Registered Office

Woburn House  
20 Tavistock Square  
London  
WC1H 9HQ

#### Solicitors

DLA  
India Buildings  
Water Street  
Liverpool  
L2 0NH

#### Bankers

National Westminster Bank PLC  
PO Box 83  
Tavistock House  
Tavistock Square  
London  
WC1H 9XA

#### Auditors

Kingston Smith LLP  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

# **Universities UK**

## **Report of the Trustees**

### **For the year ended 31 July 2006**

(incorporating the Directors' report)

The Trustees, who are also directors of the charity for the purposes of the Companies Act present their annual report and audited financial statements for the year ended 31 July 2006. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP 2005) *Accounting and Reporting by Charities*.

#### **Structure, Governance and Management**

Universities UK is incorporated as a private company limited by guarantee (company number 2517018) and was set up in 1918. It is a registered charity (number 1001127) and is governed by a memorandum and articles of association which was last amended in October 2000 to reflect the name change from Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom. Members of the Board of Trustees are the directors of the company.

Universities UK was restructured with effect from 1 August 1999 with Universities Scotland and Higher Education Wales becoming recognised as National Councils of Universities UK. Universities UK took over the administration of Universities Scotland with effect from 1 August 1999 and the administration of Higher Education Wales from 1 August 2000.

Universities UK is a membership body made up of the Vice Chancellors and Principals from Universities within the United Kingdom. Membership is voluntary. As at 31 July the organisation had a membership of 127, 119 full members and 8 associate members. An Associate member belongs to an institution that has the powers to award first and higher degrees but fails to qualify for university status as it does not meet the requirements on student numbers set by the relevant government department and the Privy Council.

The work of Universities UK is guided by the full membership, which meets four times each year at its Member meetings. Two of the meetings are residential meetings which occur in the Spring and Autumn. The Autumn Conference normally take place at one of the member institutions. The other two Member meetings are of shorter duration and take place in London, at Universities UK offices.

The membership delegate responsibility to the UK Board, to the National Councils of England and Northern Ireland Council, of Universities Scotland and of Higher Education Wales.

#### **The UK Board**

The UK Board is the decision making body with Trustees appointed from across the membership. The full complement of Trustees is twenty one. The President is elected by peers in a ballot to serve for a term of two academic years and unless the Company by special resolution so resolve shall not be eligible for re-election. Trustees serve for a term of two years and may stand for a further term. The ballot shall be on the basis of a single transferable vote. There are three Vice Presidents of the organisation, one from each of the National Councils, England and Northern Ireland, Universities Scotland and of Higher Education Wales. Each Vice President shall be eligible for re-election or re-nomination. Each National Body shall nominate a succeeding Vice President from amongst its members by ballot of its members. The term of office shall be for two academic years and eligible for re-election; the ballot will be conducted on the basis of the single transferable vote. The Treasurer shall be elected from amongst the membership for a term of two academic years and be eligible for re-election.

The remaining members of the Board shall comprise of four members nominated by the President, and twelve persons elected to the role from among the membership. In the event that an election is required this would be conducted by postal ballot.

The Board meets six times per year. No Member of the UK Board has a beneficial interest in any contract with the company.

New Trustees to the Board will have already had experience of the organisation, either as a Member, as a member of a Strategy Group or possibly as a Chair of one of the various working groups.

# **Universities UK**

## **Report of the Trustees (continued)**

### **For the year ended 31 July 2006**

#### **Trustees' Responsibilities**

Company Law requires that the Board of Trustees prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that year. In preparing these financial statements the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Followed applicable accounting standards and statements of recommended practice without any material departures;
- Prepared the financial statements on the going concern basis.

The Board is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Audit information**

So far as each of the directors at the time the trustees' report is approved is aware:

- a) there is no relevant information of which the auditors are unaware; and
- b) they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **Membership**

All Members renew their subscriptions annually for the year from 1 August. In terms of numbers the organisation enjoyed steady growth until 1992 at which point the Privy Council approved a significant expansion of Higher Education institutions (HEIs) and some 30 new members joined in one year. Another 20 members have joined since 2004; the pace of expansion is now set to slow over the next few years.

The membership subscription formula is applied equally to all institutions by which half the fee is apportioned equally to all members to give a fixed component and the other half is apportioned according to individual university income (less capital grants) as a proportion of the income of all members. The information used to determine the subscription is sourced from the Higher Education Statistical Agency (HESA), an independent body.

Whilst 127 members constitute Universities UK separately they break down into one of four "interest" groups defined by their focus of activity;

- The Russell Group members (20 members) form a coalition of the research intensive universities, most with medical schools attached.
- The 1994 Group members (17) is an alliance of smaller research focused universities with an agenda that includes promoting the importance of the student experience as well as the research agenda.
- The CMU members (31) is the largest higher education interest group outside of Universities UK representing new universities and campaigning on issues such as student diversity and teaching funding.
- The Alliance of Non Aligned members (18) is a relatively new forum which comes together on specific issues; it has no administration (unlike the other groups) and the spokesperson is nominated according to the matter under discussion.

The largest single constituent body of members (41) do not belong to any interest groups.

# **Universities UK**

## **Report of the Trustees (continued)**

### **For the year ended 31 July 2006**

#### **Membership (continued)**

Universities UK has two regional offices, Higher Education Wales, based in Cardiff and Universities Scotland, based in Edinburgh.

Higher Education Wales with a team of four employees supports the 13 Welsh Members each being responsible for a Welsh HEI and acts as the point of contact between the institutions and the Welsh Assembly.

Universities Scotland, with a team of 13 employees serve the interests of the 17 Scottish members and acts as a point of contact with the Scottish Parliament and wider network of stakeholders. It is a registered Charity (no SC029163).

#### **New members**

On election or appointment, each new member of Universities UK is given a range of information including the memorandum and articles of association, a schedule of meetings, details of key contacts within the organisation, and the latest set of statutory accounts. New members are invited to attend a series of meetings held during the year which serve to introduce them into the organisation. These meetings are chaired by the recent past President and attended by the Chief Executive and Director of Resources.

#### **Strategy Groups**

Policy development is delegated to Policy Committees, which comprise Members and some external advisers, serviced by UUK officers. A review of the merit of this Committee structure was conducted during the year and a recommendation was made to members to refine the agenda of the different groups and incorporate this work into fewer groups. *The original ten groups were reduced in number to six as listed below:*

- Student experience;
- Research and knowledge transfer;
- Institutional management, Funding and governance;
- Health, Education and Professions;
- International;
- Longer Term Strategy.

Each group has defined terms of reference and an annual workplan which is approved by the UK Board; regular progress reports are made to the Board. The Chairs of the Policy Committees are elected and hold full membership of the UK Board.

#### **Management and Staffing**

Universities UK Trustees have delegated management of UUK to the Chief Executive who reports on the performance against the Corporate Plan and the annual Operational Plan approved by the Trustees. The Chief Executive has responsibility for planning and developing the services and strategies for Universities UK within clear policies and protocols set by the Board. She ensures that the staff team of approximately 84 provides the skills and expertise needed to run a successful professional membership organisation. Particular focus has been applied to maintaining a developed staff training programme since being awarded the Investors in People award in July 2005.

At Woburn House, Universities UK has three Directors who are each delegated a particular department.

# **Universities UK**

## **Report of the Trustees (continued)**

### **For the year ended 31 July 2006**

#### **Management and Staffing (continued)**

The Director of Policy is responsible for the management of the Policy development team and the research unit. The team work to the agendas set by the Policy Committees as well as maintaining a watching brief on developments in their own area of expertise and reporting to all members on current issues of interest and concern.

The Director of Communications and External Relations manages a staff comprising of Press Officers, Public relations and Parliamentary staff who are actively involved in the lobbying of Westminster Ministers and Peers and advocacy work, networking widely across the HE sector to promote the HE sector positions.

The Director of Resources has operational responsibility for finance, personnel, the Woburn House Conference Centre and the management of tenant relations within Woburn House. Financial reports and budgets are presented to the Treasurer's Committee and the UK Board. Management accounts are presented monthly to the Management team.

At Universities Scotland the Director is responsible for the management of the office, working closely with the Convenor in setting policy and advancing the Scottish agenda.

At Higher education Wales the Director is responsible for the management of the office, working closely with the Chair in setting policy and advancing the Welsh agenda.

#### **Restricted Funds**

A number of organisations operate within the framework of Universities UK, the most significant of which are:

*Council of Heads of Medical Schools* staff hold their contracts through Universities UK and the Council's accounts are administered as a Universities UK restricted fund.

The *UK HE Europe Unit* is funded jointly by Universities UK, HEFCE, SHEFC and HEFCW and seeks to raise HEI's awareness of and engagement in key European HE initiatives and to promote UK HE in European decision-making forums. The Unit also receives project funding from SCOP and QAA.

The *UK Panel for Health and Bio Medical Research Integrity* staff hold their contracts through Universities UK and the Council's accounts are administered as a Universities UK restricted fund.

The *Observatory*, a joint venture with the Association of Commonwealth Universities. Two members of staff are on UUK employment contracts.

#### **Wholly owned subsidiaries**

Universities UK owns 100% of the share capital in Woburn House Conference Centre Limited whose business is the operation of the conference facilities at Woburn House. Income generated from the activity of the Centre is covenanted to Universities UK. The financial position of Woburn House Conference Centre Limited is shown in note 17 to the financial statements.

#### **Other Interests**

The long leasehold interest in Woburn House is owned by CVCP Properties Plc, a business set up by the membership in 1995 for the purpose of acquiring the building. They also acquired a central London residential flat.

Equality Challenge Unit – a Company limited by guarantee, established in February 2006. Universities UK is one of the funders of this company and has representation on the Board. The employees previously employed by Universities UK transferred to the new Company on 1 August 2006.

# **Universities UK**

## **Report of the Trustees (continued)**

### **For the year ended 31 July 2006**

#### **Objectives and activities**

Universities UK exists to promote, encourage and develop the university sector of higher education in the United Kingdom, thereby ensuring a bright future for all the universities, and the public that benefit from them.

The purpose of Universities UK is to represent the Higher Education sector by promoting and supporting their work. It also seeks to influence policy makers and opinion formers to improve the environment in which universities operate, collecting data and providing detailed analysis and information on the state of the universities, their staff and their students.

To support the purpose, Universities UK:

- Speaks out for a thriving and diverse higher education sector which creates benefits for all;
- Provides and disseminates essential information; and
- Brings people together to share knowledge and good practice

The core objectives are:

- To achieve, and be recognised as having excellent and effective communication with members, stakeholders, the press and public;
- To provide members with foresight so as to enable them to set the agenda;
- To mount effective and timely campaigns on important generic issues and to promote the well being and achievements of the sector as a whole;
- To maintain the capacity to respond to unforeseen events as they arise;
- To maintain the capacity to undertake the diverse range of essential research, and analysis of topics; generic to the sector and to report in a timely and accurate manner to the various interest groups.

Universities UK maintains its research capacity in two ways:

- a) through the work of the policy committees; and
- b) through its co-ordination of and connections with a range of strategic alliances - government agencies, professional bodies, industry and commerce, other education sectors and international audiences. The organisation works closely with a number of specialist agencies within the sector including the Leadership Foundation, the Higher Education Academy (HEA) the Universities and Colleges Employers Association (UCEA); the Universities and Colleges Admissions Service (UCAS); the Higher Education Statistics Agency (HESA); the Higher Education Careers Services Unit (CSU); the Quality Assurance Agency (QAA) and Scottish Enterprise, CBI Scotland, and the Association of Scotland's Colleges.

#### **Principal achievements for the year**

Universities UK enjoyed another successful year meeting its objectives as set out in the Corporate Plan and detailed comprehensively in the annual Operational Plan. At the request of the membership Universities UK also undertook and completed a comprehensive review of its structure and services.

With the support of external consultants the review focused on activities with the remit to identify ways of transforming the business for the benefit of both members and the wider HEI community. The focus was to identify ways to:

- Improve member engagement;
- improve governance procedures, protocols and transparency in the decision making process;
- enhance the communication links with members; and
- become more efficient and so provide better value for money in the delivery of the core services.

As a result of the review a full implementation plan has been developed. The organisation will introduce such measures that improve levels of service delivery and operational efficiency and improve levels of customer and member satisfaction.



# Universities UK

## Report of the Trustees (continued)

### For the year ended 31 July 2006

#### Principal achievements for the year (continued)

At year-end the Board agreed an action plan for 2006 – 2007, which will address the core issues and support the new corporate direction.

During 2005 – 2006 the key areas of activity were:

- Lobbying
- Information
- Influencing and Advocacy
- Research and Policy development
- Conferences
- Member services

Highlights in terms of performance under these areas are set out below:

#### Lobbying

- Since August 2005 concentrated effort was made to establish links with new MP's, the new HE Minister and Treasury officials: to raise the political profile on current issues that directly impact on the HEIs and the HE sector.
- Significant effort has been channelled into securing amendments to the Immigration, Asylum and Nationality Bill. Universities UK has also maintained a profile in opposing certain parts of the Terrorism Bill.
- A full programme of events was held at the three Party Conferences in Autumn 2005; Universities Scotland also engaged with leading members of all four major political parties at the various conferences.
- Sustained lobbying has continued on issues such as research concentration, Prime Ministers Initiative and Visas.
- The HE Minister attended the successful launch of the widening participation FET1 3 project in December 2005.
- Universities Scotland organised a major conference in November 2005 attracting a wide range of external participants with First Minister Jack McConnell MSP as the keynote speaker.
- Lobbying the UK Government and EU Commission to highlight UUK concerns about the proposed European Institute of Technology.
- All three National Councils sustained a proactive lobbying campaign targeted at their respective national bodies – UK Parliament, Scottish Parliament and the Welsh Assembly lobbied on current and relevant issues.

#### Information

- Universities UK provided both members and non members with a regular supply of information on a wide range of topics relevant to the HE sector. This information was delivered in both hard copy and in electronic form.
- The information supplied reflected the range of subjects covered by both the Policy and the lobbying team.
- Publications issued during the year included:
  - Patterns of HEIs in the UK - focus on international analysis
  - Student Debt – a joint UUK /HEFCE Report issued in November 2005
  - Managing Conflicting Freedoms – guidelines launched in November 2005
  - Higher Education Pay and Prices index
- The launch of a key publications relevant to both the HE sector and the wider market - *Patterns HEIs in the UK 5<sup>th</sup>* report which focused on international analysis.

#### Influencing and advocacy

- Regular meetings were held between officers and the Secretary of State, senior civil servants, HE Minister the Universities UK President and the CEO to ensure that the higher education agenda remained at the forefront of the political agenda.
- Meeting with Schools Minister, Jacqui Smith about teacher education. Universities UK influenced the outcome of the RAE 2008 consultation on the draft criteria for Education.

## Universities UK

### Report of the Trustees (continued) For the year ended 31 July 2006

#### Influencing and advocacy (continued)

- A sustained campaign has been run during the year to challenge the proposed changes in government policy on international student visas.
- Members campaign on the issue of abolition of right of appeal, public signed letter in Financial Times, 5 July.
- Universities UK was a member of the DfES steering group planning for HE involvement in the UK European Presidency and then supported a significant event in October 2005.
- Universities Scotland gave evidence to the Equal Opportunities Committee on issues around the handling of disability and has represented the sector's position in relation to legislation on both the care of children and vulnerable adults.
- A significant programme of activities was developed for the Leadership, Management and Governance Strategy Group including issues such as Widening Participation.
- Seminars were held in conjunction with other HE Bodies on issues of employability for prospective HE students.

#### Research and Policy Development

- The Policy Development Group continued to provide professional and secretariat support to the 10 Member Strategy Groups, leading to policy development in areas of specific interest to the HE sector: the environment; business and industry; finance and resources research; long term strategy; health; Information systems; International developments; Widening Participation; Regional issues; Standards and Quality; and Students and staff.
- Intensive research was undertaken on immigration issues; briefings provided to MPs and Peers on the implication of the Immigration, Asylum and Nationality Bill.
- Participation in the joint Education Taskforce.
- Engaged with International conferences – the 50<sup>th</sup> anniversary of the National Academy of educational Administration in Beijing and the International Association of Universities first conference in Egypt.
- Hosted a 2<sup>nd</sup> meeting with representatives from Universities Ireland in January 2006
- In partnership with the HE Europe Unit lobbied extensively on the EU Framework Programme 7, briefing MEPs on the legislative proposals and the key issues such as reimbursement rates for EU research.
- Continued input to support the UK-India Education and Research Initiative
- Participated in the DCMS led Creative Industries HE Forum and work with NESTA to examine *entrepreneurship in the creative industries*.
- Supported proposals for a European Research Council.
- The Burgess Group conducted two national consultations on credit and changes to the degree classification system; widely supported by the Institutions.
- Support given for a DEMOS research project examining the development of research and scientific capacity in the Asia Pacific rim.
- The Europe Unit held a discussion seminar on the Bologna process: "the implications for medicine and dentistry qualifications".
- Substantial input to the Bologna process including lobbying EU and UK decision making institutions, including the DfES.
- Linked activities included representation on the Board of the Equality Challenge Unit and as lead contact for Universities UK of the UK Panel for Bio Medical Health and Research Integrity.
- UUK / SCOP Code of Practice for the management of Student Accommodation laid before Parliament for approval; supported by over 100 Institutions.
- Universities Scotland has been instrumental in supporting the Hefce initiative to create a Research and Knowledge Transfer Committee, chaired by a Vice – Principal.

#### Conferences

- Universities UK played a key role in the DfES Admissions review: "Admissions to HE" conference held on 17 November 2005
- The Conference "Putting HE into Health" was co-ordinated by UUK in March 2006
- Hosts to a joint UUK and Sector Skills Development Agency seminar in November 2005 – "New Opportunities: Higher education and the Skills for Business Network"

## Universities UK

### Report of the Trustees (continued) For the year ended 31 July 2006

#### Conferences (continued)

- Profile launch and subsequent publication of the third UUK /SCOP report "From the Margins to the Mainstream" examining the policy context for widening participation in all four nations.
- Launch seminar on "Promoting Good Campus Relations: dealing with Hate Crimes and Intolerance" in November 2005 attended by HE Minister. Publication of report followed.

#### Members Services

- The Members Extranet continued to provide members with a user specific information service. Content included relevant information about UUK's activities and outputs, news on HE matters, on current developments, of publications and information updates on key issues
- The Press service continued to provide members with a professional, comprehensive and timely overview of HE issues as reported through national UK media: daily update from the Media team and a weekly review of the key topics.
- The Press Unit disseminates advice, knowledge and expertise to members on media issues, press release composition, press statements, and handling the various arms of the media. It provides support to members via direct dissemination of information to assist with their local /regional PR activities.
- Management and officers travelled widely during the year visiting member institutions and regional offices and attending various national and international conferences providing networking opportunities.

Each year, Universities UK produces an *Annual Review*, which provides comprehensive information about our activities. Copies can be obtained from Universities UK head office.

#### Risk Assessment

The Treasurer's Committee reviews the risk register annually to assess its exposure to business, operational and financial risks. On review the Committee confirmed that the procedures and reporting regimes are deemed appropriate to manage the risks. The Committee has agreed with management on the lines of delegation and authority appropriate to staff at different levels of seniority. Staff have been trained to recognise the risks inherent in their roles.

Control mechanisms are evaluated against agreed criteria and as required new controls introduced. The key controls used are:

- Comprehensive strategic planning, budgeting and management accounting;
- Formal organisational and governance structure and lines of reporting;
- Formal written policies; and
- Hierarchical authorisation and approval levels.

Although the organisation is long established and is growing in members the prime risk identified at the last review was that of member dissatisfaction or disillusionment which might lead to resignation from the organisation. The recent structures review, completed in July 2006, involving members in a comprehensive consultation, focused on this issue. As a result changes to the structure and working practices within Universities UK have been identified and will be introduced to mitigate such risks.

The Board has approved a programme of change for 2006 / 07 and the implementation of the recommendations from the structures review; specifically procedures will be introduced that encourage better member engagement and a more open and transparent decision making process.

The Trustees are satisfied that major risks identified during the review have been adequately mitigated. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

# **Universities UK**

## **Report of the Trustees (continued)**

### **For the year ended 31 July 2006**

#### **Funding sources**

During the year the Board agreed an income strategy as part of their work towards risk mitigation. Some 75% of unrestricted income derives from membership fees and 17% from covenant income from the Conference Centre and CVCP Properties Plc. The 8% balance comes from investment income, conference receipts, sale of publications, and donations.

This reliance on the membership subscription is acknowledged and it has been deemed a priority to raise income from a wider range of sources. In the coming year effort will be made to increase income from sponsorship, particularly in support of conferences and high level research projects.

#### **Plans for 2006 and beyond**

The workplan for 2006/07 has been shaped overall by the recommendations of the structures review. The introduction of the Policy Committee workplans will be a key component to the overall plan which will be defined by its focus towards supporting member institutions to meet their objectives in the delivery of high quality education to its student body. New projects and specific research will be selected on the basis of relevance and adherence to Universities UK mission.

There will be an increased emphasis on explaining the diversity of the sector to a wider audience, rather than necessarily speaking for it. Universities UK will concentrate more on providing an objective, balanced and informed view on key topics rather than trying to establish and promote a consensus or common view for the sector.

A more pro-active approach will be adopted to research and policy development with an emphasis towards agenda setting rather than reacting to external influences. The organisation will however continue to address the major themes that affect all in the HE sector as well as initiating research in specific areas of interest to specific groups.

The strategic objectives for 2006/07 will continue to be concentrated towards the five key activities which underpin our status as a membership organisation:

- (i) lobbying the English Parliament, the Welsh Assembly and the Scottish Parliament on the key issues of the day as they affect the HEIs;
- (ii) to provide timely and accurate information to members using a range of published and electronic media;
- (iii) *use our influence to influence and advocate on behalf of the membership;*
- (iv) undertake proactive research and policy development; and
- (v) develop systems and procedures that enable the organisation to be responsive, professional and cost effective in its activities

The key objective for the year is to increase transparency in all areas of our work, including that of Governance and the decision making process, enhance levels of member engagement and increase operational efficiency.

The decision making process will become streamlined with the introduction of a smaller UK Board with responsibility for strategy and longer term planning. Some issues will be specifically reserved for the decision of the Board as a whole whether because of the strategic importance (such as new alliances, approving the annual budget, undertaking lobbying on a particularly sensitive issue), their significance (such as changes to the management structure) or their importance to the organisations reputation (such as litigation). The Board will decide which matters are reserved to it.

The Executive Committee will be re-shaped and given a defined remit with prime responsibility for monitoring operational performance and other activities as delegated by the Board.

The Chief Executive and her management team will be tasked to deliver the operational plan and report to the UK Board on performance.

There will be more emphasis given to Universities UK branded conferences targeted at senior officers within HEIs and a wider stakeholder community.

# Universities UK

## Report of the Trustees (continued)

### For the year ended 31 July 2006

#### Plans for 2006 and beyond (continued)

More time and dedicated resource will be allocated to supporting members both directly in terms of personal contact through visits to the HEIs and by using advanced information technology including a new members extranet facility.

Issues of governance will be addressed during the year with changes made to the terms of reference of both the UK Board and Committees to ensure that they provide best fit with the demands of an increasingly diverse HE sector – both nationally and internationally.

Closer contact will be made during the year with the various HE representative bodies – The Russell Group, the 1994 Group and the Campaigning for Mainstream Universities Group - (those which represent the interests of specific HE institutions defined by certain criteria) to establish best and cost effective working practices.

The promotion of the work of the National Councils – the England and Northern Ireland Board, Higher Education Wales and Universities Scotland shall proceed under the management of their distinctive Boards, supported by the UK Board.

The modernisation programme will impact throughout the organisation with regard to our technology, administration and operations. We shall also invest for the future in ensuring that we have the right skill sets and expertise within our staff. We shall build more capability in discrete areas of our business and allocate capital proportionally to leverage clear advantage. All staff will continue to be given the tools and training required for optimum performance and their expertise will be developed to provide continued levels of support and assistance to our members.

Effort will continue to be made to lobby the national executives and institutions of the European Union to promote and support the work of Universities UK Members.

Universities UK will maintain its close contacts with all sector agencies and continue to be involved as appropriate with relevant agendas: we will coordinate selected events to promote both the organisation and the agenda to the sector.

#### Financial Review

The statement of financial activities for the year is set out on page 14 of the financial statements. A summary of the financial results, together with the main activities which Universities UK undertook during the year and its future plans, are set out below:

#### Financial results

Income and expenditure for the year ended 31 July 2006, together with comparative figures for 2005, are summarised in the table below.

	<b>Unrestricted Activities 2006 £'000</b>	<b>Restricted Activities 2006 £'000</b>	<b>Total 2006 £'000</b>	<b>Total 2005 £'000</b>
Income	5,322	3,527	8,849	6,568
Expenditure	4,812	3,762	8,574	6,325
Surplus/(Deficit)	510	(235)	275	243

Total Income in 2006 increased by 34.7% to £8,848,515, with increases recorded in most categories. A 6% increase in subscription from membership and a 152% increase in grants and donations were the key contributors. The significant increase in grants was due to receipt of £1,575,000 from DfES as part of a Matched Funding Agreement for the sector, managed by Universities UK.

# **Universities UK**

## **Report of the Trustees (continued)**

### **For the year ended 31 July 2006**

#### **Financial results**

Total Expenditure in 2006 increased by 35% to £8,573,335 due primarily to the payment of £1,893,060 in grants to 27 HEIs and the Equality Challenge Unit under the DfES Matched Funding agreement. All other costs centres held costs to 2005 levels except in the area of Research and Policy which increased costs by 18%. Restricted activity changes from year to year and is dependent upon external funding for specific projects. Costs of the unrestricted activities have been held down in the year as the organisation considered the outcome of an independent review of services. Tight control has been maintained in the delivery of core services.

#### **Reserves policy**

The Trustees have examined UUK's requirements for free reserves in the light of the risks to the organisation, the predominant of which is cancellation of membership, causing falling membership income and a loss of reputation. However the most recent review indicates that whilst there is need to address some structural and reporting issues the loyalty to Universities UK remains strong.

Accordingly the current target of six months free reserves policy is deemed appropriate to ensure sufficient funds are available to meet current commitments when income streams are erratic, to ensure services can be maintained in the event of an unexpected loss of income or exceptional expenditure and to provide sufficient funds for an orderly winding up in the event that the organisation should cease operations.

Total free reserves at 31 July 2006 were £3,023,815 of which £69,051 was committed to fixed assets (2005: £2,758,127).

#### **Investment policy**

Universities UK receives income on an annual basis through membership subscriptions, conference income, grants (as restricted funds) and covenants – particularly from Woburn House Conference Centre and CVCP Properties Plc. It has no endowment and provides for capital expenditure within the budget or from reserve funds.

Consequently the Trustees do not consider it prudent to invest income for the longer term. Its policy of investment is therefore to retain funds as cash and place them on bank deposits at the best rate obtainable. As a result it considers that it is not appropriate for Universities UK to adopt an ethical investment policy.

#### **Political and charitable donations**

The company made no political or charitable donations in 2005/6.

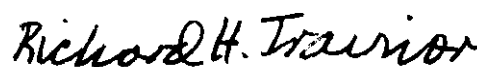
#### **Appointment of Auditors**

In January 2006 Universities UK appointed Kingston Smith as Auditors to Universities UK. On 1 May 2006 Kingston Smith transferred their business to Kingston Smith LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989 the Company consented to extend the audit appointment to Kingston Smith LLP from 1 May 2006. Accordingly the audit report has been signed in the name of Kingston Smith LLP and a resolution for the appointment of Kingston Smith LLP will be proposed at the forthcoming general meeting.

Approved by the UK Board and signed on behalf of the UK Board on 27 October 2006.



**Diana Warwick**  
Chief Executive



**Richard Trainor**  
Honorary Treasurer

# Independent auditors' report to the Members of Universities UK

We have audited the financial statements of Universities UK for the year ended 31 July 2006 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the directors and auditors

The trustees' (who are also the directors of Universities UK for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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 Companies Act 1985. We also report to you if, in our opinion, charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report, which incorporates the Directors' Report required by the Companies Act 1985, and report to you our opinion on whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of opinion

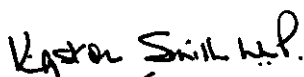
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give 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.

## Unqualified opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 July 2006 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the Trustees' Annual Report is consistent with the financial statements.



Kingston Smith LLP  
Chartered Accountants and Registered Auditors

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

30th November 2006

# Universities UK

## Statement of financial activities

For the year ended 31 July 2006

(Incorporating an income and expenditure account)

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2006 £	(Restated) Total 2005 £
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary Income					
Donations		8,678	-	8,678	7,988
Covenanted income	2	859,848	-	859,848	874,623
Sale of goods and services		88,160	38,135	126,295	70,443
Investment Income		155,610	11,582	167,192	164,412
<b>Incoming resources from charitable activities</b>					
Subscriptions from membership	3	3,980,832	252,250	4,233,082	3,976,772
Grants and donations from funding Bodies	4	35,510	3,196,036	3,231,546	1,281,165
Conference income		181,389	22,215	203,604	167,184
Publications and other small sales		5,680	3,701	9,381	11,837
<b>Other incoming resources</b>		6,276	2,613	8,889	13,503
<b>Total incoming resources</b>		<u>5,321,983</u>	<u>3,526,532</u>	<u>8,848,515</u>	<u>6,567,927</u>
<b>Resources Expended</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income		41,620	-	41,620	44,067
Fundraising trading: cost of goods sold and other costs		136,425	50,839	187,264	166,306
<b>Charitable activities</b>					
Lobbying		705,907	193,193	899,100	855,547
Information		898,937	614,824	1,513,761	1,684,431
Influencing and advocacy		937,078	362,416	1,299,494	1,211,476
Research and policy		1,809,660	647,299	2,456,959	2,077,945
Conferences		153,538	-	153,538	138,435
Grants Paid	5	-	1,893,060	1,893,060	-
<b>Governance costs</b>		<u>128,539</u>	<u>-</u>	<u>128,539</u>	<u>146,444</u>
<b>Total resources expended</b>	6	<u>4,811,704</u>	<u>3,761,631</u>	<u>8,573,335</u>	<u>6,324,651</u>
<b>Net incoming/(outgoing) resources before transfers</b>		510,279	(235,099)	275,180	243,276
<b>Transfers</b>					
Gross transfers between funds	15	(244,591)	244,591	-	-
<b>Net movements in funds</b>		265,688	9,492	275,180	243,272
<b>Total funds brought forward</b>		<u>2,758,127</u>	<u>697,356</u>	<u>3,455,483</u>	<u>3,212,211</u>
<b>Total funds at 31 July 2006</b>	15	<u>3,023,815</u>	<u>706,848</u>	<u>3,730,663</u>	<u>3,455,483</u>

All activities are continuing. There are no gains or losses other than those disclosed in the statement of financial activities.

All figures for 2005 have been re-stated in accordance with SORP 2005.

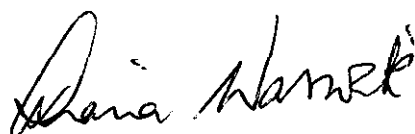
The notes on pages 17 to 29 form part of these financial statements.



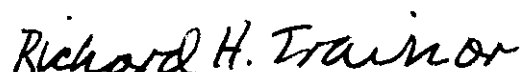
**Universities UK**  
**Balance sheet**  
**As at 31 July 2006**

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible fixed assets	10	69,051	97,373
Investments	11	<u>600,000</u>	<u>600,000</u>
		<b>669,051</b>	<b>697,373</b>
<b>Current assets</b>			
Debtors	12	1,467,610	1,116,140
Investments – short term deposits		2,010,000	1,660,000
Cash at bank and in hand		<u>723,099</u>	<u>402,881</u>
		<b>4,200,709</b>	<b>3,179,021</b>
<b>Creditors:</b>			
Amounts falling due within one year	13	<u>(1,139,097)</u>	<u>(420,911)</u>
<b>Net current assets</b>		<b>3,061,612</b>	<b>2,758,110</b>
<b>Net assets</b>		<b>3,730,663</b>	<b>3,455,483</b>
<b>FUNDS:</b>			
Restricted funds		706,848	697,356
Unrestricted funds		<u>3,023,815</u>	<u>2,758,127</u>
	15	<b>3,730,663</b>	<b>3,455,483</b>

Approved by the Board of Directors and signed on their behalf on 27 October 2006



**Diana Warwick**  
 Chief Executive



**Rick Trainor**  
 Honorary Treasurer

The notes on pages 17 to 29 form part of these financial statements.

**Universities UK**  
**Cash flow statement**  
**For the year ended 31 July 2006**

	2006 £	2005 £
<b>Reconciliation of net incoming resources to net cash inflow from operating activities</b>		
Net incoming resources	275,180	243,272
Depreciation charges	55,333	107,762
(Increase)/Decrease in debtors	(351,470)	156,667
Increase/(Decrease) in creditors	718,186	(368,345)
<b>Net cash inflow from operating activities</b>	<b>697,229</b>	<b>139,356</b>

**CASH FLOW STATEMENT**

Net cash inflow/(outflow) from operating activities	697,229	139,356
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(27,011)	(95,439)
<b>Management of liquid resources</b>		
(Increase) in short term investments	(350,000)	(150,000)
<b>Increase/(Decrease) in cash</b>	<b>320,218</b>	<b>(106,083)</b>

	2005 £	Cash Flow £	2006 £
<b>Analysis of changes in cash</b>			
Cash at bank and in hand	402,881	320,218	723,099

**Statement of changes in resources applied for fixed assets**

	Unrestricted £	Restricted £	Total 2006 £	Total 2005 £
Net movement in funds for the year	265,688	9,492	275,180	243,272
Resources used for the acquisition of tangible fixed assets	(24,931)	(2,080)	(27,011)	(95,439)
<b>Net movement in funds available for future activities</b>	<b>240,757</b>	<b>7,412</b>	<b>248,169</b>	<b>147,833</b>

**The notes on pages 17 to 29 form part of these financial statements.**

# Universities UK

## Notes to the financial statements

### For the year ended 31 July 2006

#### 1. Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The Financial Statements are also prepared in accordance with the recommendations contained within the Statement of Recommended Practice (SORP) *Accounting and Reporting by Charities: Statement of recommended practice* published in March 2005 and The Companies Act 1985. Where appropriate comparative figures have been restated.

The company owns the whole of the share capital of Woburn House Conference Centre Limited, which owns 100% of the share capital of CVCP Services Limited, which was dormant in the year ended 31 July 2005. In the opinion of the Directors, the activities of these companies are immaterial and therefore consolidated accounts are not prepared. The results of Woburn House Conference Centre Limited and its net asset position at the balance sheet date are set out in note 17 to the financial statements.

#### a) Incoming resources

All income is included in the statement of financial activities when the conditions for receipt have been met and when there is reasonable assurance of receipt.

#### b) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to that category. Where costs cannot be directly attributable to a particular heading, they have been allocated to activities on a basis consistent with the use of the resource.

Direct costs, including directly attributable salaries, are allocated on the basis of time to the key strategic areas of activity.

Overheads and other salaries are allocated between activities on the bases of usage, ie the same basis as expenditure incurred directly in undertaking the activity.

Governance costs are those incurred in connection with the management of Universities UK's assets, organisation's administration and compliance with constitutional and statutory requirements.

#### c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

Depreciation has been calculated at the following annual rates, in order to write off each asset over its estimated useful life.

Furniture and equipment	- over four years
Office technology	- over three years

Universities UK capitalisation policy is to capitalise individual assets over £2,500.

#### d) Investments

Investments held as fixed assets are stated at cost, as per the requirements under SORP 2005 paragraph 297b.

#### e) Operating leases

Rental costs under operating leases are charged to the statement of financial activities in equal amounts over the period of the lease.

#### f) Pensions

The company participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL). Both are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Trustees on the advice of the actuary. In the intervening years the actuary reviews the progress of the scheme.

Both schemes are multi-employer defined benefit schemes and it is not possible to identify the assets and liabilities attributable to the company. In accordance with FRS 17, the schemes are accounted for as if they were defined contribution schemes.

# Universities UK

## Notes to the financial statements (continued)

### For the year ended 31 July 2006

#### 1. Principal accounting policies (continued)

##### g) Universities Scotland and Higher Education Wales

On 1 August 1999, Universities UK amended its memorandum and articles of association, allowing for the formation of national bodies, a National Council for England and Northern Ireland, a National Body for Scotland (Universities Scotland), and a National Council for Wales (Higher Education Wales).

The funds of these National Councils comprise the unrestricted funds of Universities UK. Universities Scotland retains its own legal identity as a recognised body in Scotland and separate accounts for it are prepared and filed with the Inland Revenue. For accounting purposes, it is treated as a branch of Universities UK, in accordance with its legal status. Higher Education Wales does not retain its own legal identity.

Universities UK budgeted to support financially both Universities Scotland and Higher Education Wales throughout the year. Where the annual net expenditure of these organisations is less than budgeted, any consequent shortfall in the amount of support required from Universities UK in the financial year as a result of this reduction, will be transferred to a designated fund. These designated funds will be reviewed when the level of subsequent financial support from Universities UK is determined.

#### 2. Covenanted income

CVCP Properties plc is a company owned by 100 Higher Education institutions, whose executive heads are Members of Universities UK. The company owns two leasehold properties and the net profits from its activities are covenanted annually to Universities UK:

Woburn House Conference Centre Limited is a wholly owned subsidiary of Universities UK, whose business is the operation of the conference facilities at Woburn House.

	Unrestricted	Restricted	Total 2006	Total 2005
	£	£	£	£
CVCP Properties PLC	741,942	-	<b>741,942</b>	800,832
Woburn House Conference Centre	117,906	-	<b>117,906</b>	73,791
	<u>859,848</u>	<u>-</u>	<u><b>859,848</b></u>	<u>874,623</u>
<b>3. Subscriptions from membership</b>				
Universities UK	3,494,332	-	<b>3,494,332</b>	3,283,297
Universities Scotland	351,000	-	<b>351,000</b>	312,000
Higher Education Wales	135,500	-	<b>135,500</b>	131,500
Council of Heads of Medical Schools	-	252,250	<b>252,250</b>	249,975
	<u>3,980,832</u>	<u>252,250</u>	<u><b>4,233,082</b></u>	<u>3,976,772</u>
<b>4. Grants and donations</b>				
Higher Education Funding Council for England	-	1,051,080	<b>1,051,080</b>	897,349
Scottish Higher Education Funding Council	-	196,536	<b>196,536</b>	177,967
Higher Education Funding Council for Wales	35,510	59,102	<b>94,612</b>	71,015
Department for Employment and Learning	-	19,525	<b>19,525</b>	16,101
Office of Science and Technology	-	64,654	<b>64,654</b>	-
Medical Research Council	-	40,000	<b>40,000</b>	-
Department of Health	-	35,883	<b>35,883</b>	-
BBSRC	-	40,000	<b>40,000</b>	-
Department for Education and Skills	-	1,575,000	<b>1,575,000</b>	55,502
Other agencies	-	114,256	<b>114,256</b>	63,231
	<u>35,510</u>	<u>3,196,036</u>	<u><b>3,231,546</b></u>	<u>1,281,165</u>

# Universities UK

## Notes to the financial statements (continued)

For the year ended 31 July 2006

	Payments to Institutions Total Amount £	Payments to Individuals Total Amount £
<b>5. UK Grants Paid</b>		
Matched Funding agreement grants	1,328,458	-
Remaining balance of restricted fund given to the new company operating it	<u>564,602</u>	<u>-</u>
	<u>1,893,060</u>	<u>-</u>
	Amount Paid £	
The University of Bath	72,500	
Birkbeck College	48,920	
Bournemouth University	51,600	
Brunel University	34,400	
Coventry University	45,200	
Cranfield University	72,000	
De Montfort University	68,800	
The University of East Anglia	30,000	
The University of Essex	34,400	
The University of Greenwich	65,178	
The Institute of Education	16,960	
The University of Kent	53,320	
Kingston University	67,560	
The University of Lancaster	58,000	
The University of Leicester	62,780	
London South Bank University	62,400	
Middlesex University	60,200	
The Nottingham Trent University	72,000	
Oxford Brookes University	47,200	
Ravensbourne College of Design and Communication	31,200	
Royal Northern College of Music	39,380	
The University of Salford	47,200	
The University of Sheffield	19,540	
The University of Sunderland	46,320	
The University of Surrey	60,200	
The University of Sussex	40,800	
York St John College	<u>20,400</u>	
	<u>1,328,458</u>	
Equality Challenge Unit Limited	<u>564,602</u>	
	<u>1,893,060</u>	

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

6. Resources Expended	Analysis of total resources expended				
	Staff costs £	Other Direct costs £	Support costs £	Total 2006 £	Total 2005 £
<b>Cost of Generating Funds</b>					
Costs of generating voluntary income	27,383	6,897	7,340	41,620	44,067
Fundraising trading: costs of goods sold and other costs	85,348	63,213	38,703	187,264	166,306
<b>Charitable activities</b>					
Lobbying	476,918	241,796	180,386	899,100	855,547
Information	722,057	458,382	333,322	1,513,761	1,684,431
Influencing and advocacy	713,618	314,223	271,653	1,299,494	1,211,476
Research and Policy	1,043,519	916,545	496,895	2,456,959	2,077,945
Conferences	73,044	53,320	27,174	153,538	138,435
Grants Paid		1,893,060	-	1,893,060	-
<b>Governance</b>	70,780	34,923	22,836	128,539	146,444
<b>Total resources expended</b>	<b>3,212,667</b>	<b>3,982,359</b>	<b>1,378,309</b>	<b>8,573,335</b>	<b>6,324,651</b>
<b>Support Costs Allocation</b>					
	Staff costs		Premises costs		Total 2006 £
	£	£	£	£	
<b>Cost of Generating Funds</b>					
Costs of generating voluntary income	3,256		4,626		8,910
Fundraising trading: costs of goods sold and other costs	14,112		20,049		38,620
<b>Charitable activities</b>					
Lobbying	68,271	96,992	16,720	1,129	186,839
Information	112,130	159,303	27,462	1,854	306,871
Influencing and advocacy	97,634	138,709	23,912	1,614	267,199
Research and Policy	186,186	264,515	45,998	3,620	509,942
Conferences	12,003	17,053	2,940	233	32,849
<b>Governance</b>	10,041	14,265	2,459	195	27,479
<b>Total support costs</b>	<b>503,633</b>	<b>715,512</b>	<b>123,744</b>	<b>8,327</b>	<b>1,378,309</b>
					<b>1,436,367</b>

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

**6. Resources Expended (continued)**

Governance costs are made up of the following:	<b>2006</b> £	<b>2005</b> £
External audit	<b>7,251</b>	<b>14,301</b>
Apportionment of Committee officers costs (based on time spent)	<b>42,458</b>	<b>40,592</b>
Apportionment of directors costs (based on time spent)	<b>37,634</b>	<b>33,815</b>
Apportionment of Establishment costs (based on usage)	<b>14,265</b>	<b>14,205</b>
Administration costs	<b>25,379</b>	<b>42,296</b>
Trustees meeting expenses and related administration costs	<b>1,552</b>	<b>1,235</b>
	<b>128,539</b>	<b>146,444</b>

Other direct costs include	<b>2006</b> £	<b>2005</b> £
Payments to auditors		
For audit services	<b>7,251</b>	<b>14,301</b>
For other services	<b>731</b>	<b>1,216</b>
Payments to previous auditors during this financial year	<b>2,520</b>	-
Operating lease rentals	<b>662,389</b>	<b>689,373</b>
- Land and buildings		
- Office and equipment	<b>25,543</b>	<b>25,543</b>

**7. Analysis of staff costs**

Total staff costs including full and part-time employees were:

Salaries and wages	<b>3,007,314</b>	<b>2,981,819</b>
Social security costs	<b>260,912</b>	<b>260,450</b>
Pensions	<b>410,103</b>	<b>337,080</b>
	<b>3,678,329</b>	<b>3,579,349</b>

The average number of employees throughout the year was:	<b>No.</b>	<b>No.</b>
Generating Funds	<b>2.0</b>	<b>2.0</b>
Generating voluntary income	<b>0.5</b>	<b>0.5</b>
Lobbying	<b>8.5</b>	<b>8.0</b>
Information	<b>15.0</b>	<b>19.0</b>
Influencing and advocacy	<b>14.5</b>	<b>16.0</b>
Research and policy	<b>26.0</b>	<b>24.0</b>
Conferences	<b>2.0</b>	<b>2.0</b>
Governance	<b>1.5</b>	<b>2.5</b>
Support staff	<b>14.0</b>	<b>14.0</b>
	<b>84.0</b>	<b>88.0</b>

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

**7. Analysis of staff costs (continued)**

The number of employees whose emoluments exceeded £60,000 (excluding employer's pension contribution) were:

	2006	2005
£60,001 - £70,000	4	2
£70,001 - £80,000	1	3
£80,001 - £90,000	1	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
	<u>1</u>	<u>-</u>

The total emoluments paid to the chief executive were £121,597 (2005: £114,852). The total employer pension contributions for higher paid staff were £64,418 (2005: £74,674).

**8. Trustees' emoluments**

No trustees received any remuneration for their services.

During the year total expenses reimbursed to one director amounted to £17,722 (2005: £16,461).

**9. Taxation**

Universities UK is a charity and thus, under the Income and Corporation Taxes Act 1988, SS505 and 506, is not liable for any corporation or income tax on its charitable activities.

**10. Fixed assets**

	Furniture And Equipment £	Office Technology £	Total £
<b>Cost</b>			
At 1 August 2005	377,832	485,947	863,779
Additions	11,971	15,040	27,011
Assets written off	(12,962)	(87,242)	(100,204)
At 31 July 2006	<u>376,841</u>	<u>413,745</u>	<u>790,586</u>
<b>Depreciation</b>			
At 1 August 2005	364,874	401,532	766,406
Charge for year	11,225	44,108	55,333
Assets written off	(12,962)	(87,242)	(100,204)
At 31 July 2006	<u>363,137</u>	<u>358,398</u>	<u>721,535</u>
<b>Net book value</b>			
At 31 July 2006	<u>13,704</u>	<u>55,347</u>	<u>69,051</u>
At 31 July 2005	<u>12,958</u>	<u>84,415</u>	<u>97,373</u>



**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

**11. Investments held as fixed assets**

	2006 £	2005 £
CVCP Properties plc ordinary shares of £1 each	50,000	50,000
CVCP Properties plc preference shares of £1 each	<u>550,000</u>	<u>550,000</u>
	<u>600,000</u>	<u>600,000</u>

**12. Debtors**

	2006 £	2005 £
Trade debtors	68,086	45,377
Amounts due from subsidiary undertakings	118,199	76,918
Other debtors	1,108,612	848,200
Prepayments and accrued income	<u>172,713</u>	<u>145,645</u>
	<u>1,467,610</u>	<u>1,116,140</u>

**13. Creditors: Amounts falling due within one year**

	2006 £	2005 £
Trade creditors	93,579	246,598
Taxation and social security	84,684	100,481
Other creditors	39,374	14,711
Accruals and deferred income	<u>921,460</u>	<u>59,121</u>
	<u>1,139,097</u>	<u>420,911</u>

**14. Operating lease commitments**

At the year end the company was committed to making the following payments during the next financial year in respect of operating leases.

Leases which expire		
Within two to five years		
Office equipment	25,543	25,543
Land and buildings	50,423	86,852
After five years		
Land and buildings	<u>588,778</u>	<u>588,778</u>
	<u>664,744</u>	<u>701,173</u>

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

<b>15. Movement in funds</b>	<b>At start of year £</b>	<b>Incoming Resources £</b>	<b>Resources Expended £</b>	<b>Transfers £</b>	<b>At end of year £</b>
<b>Unrestricted funds</b>					
Share valuation fund	600,000	-	-	-	600,000
Universities UK designated fund – Universities Scotland/Higher Education Wales	248,766	84,524	-	-	333,290
Universities UK designated fund – Role Evaluation implementation	65,630	-	65,630	-	-
Universities UK general reserve	1,843,731	5,237,459	4,746,074	(244,591)	2,090,525
	<u>2,758,127</u>	<u>5,321,983</u>	<u>4,811,704</u>	<u>(244,591)</u>	<u>3,023,815</u>

**Universities UK designated fund – Role Evaluation implementation**

Universities UK undertook a comprehensive Role Evaluation exercise in 2002/03, covering all staff in post at September 2003. The implications for the organisation's Reward Strategy were reviewed by the Remuneration Committee and a revised reward structure adopted. In order to mitigate the annual financial impact of the changes, a Designated Fund has been created from Unrestricted Reserves to meet a proportion of the implementation costs in the period 2003/04 to 2005/06.

	<b>At start of year £</b>	<b>Incoming Resources £</b>	<b>Resources Expended £</b>	<b>Transfers</b>	<b>At end of year £</b>
<b>Restricted funds</b>					
Council of Heads of Medical Schools Overseas Research Students Awards Scheme	189,617	345,812	317,195	-	218,234
Equality Challenge Unit	42,551	-	18,016	-	24,535
Europe Unit	384,365	893,020	1,355,275	77,890	-
Funding options (Fair enough)	15,992	139,111	266,253	129,888	18,738
Social inclusion and pathfinders	1,157	-	-	-	1,157
Universities Scotland International Unit	29,624	103,857	63,592	-	69,889
Senior appointments project	-	3,340	2,267	-	1,073
Measuring and recording student achievement	318	-	-	-	318
StLaR Foresight Project	-	88,896	61,702	-	27,194
Students in the Community	25,000	-	-	-	25,000
EU Framework programmes	6,565	-	5,263	-	1,302
Pension Strategy	-	31,829	53,462	21,633	-
UK Panel for Research Integrity in Health and Biomedical Sciences	-	60,300	-	-	60,300
ARE Resources	-	145,909	69,878	-	76,031
Mental Health Committee	-	154,458	154,458	-	-
International Unit set up costs	-	-	499	15,180	14,681
Matched Funding agreement	-	10,000	3,478	-	6,522
Widening participation	-	1,550,000	1,388,126	-	161,874
	2,167	-	2,167	-	-
	<u>697,356</u>	<u>3,526,532</u>	<u>3,761,631</u>	<u>244,591</u>	<u>706,848</u>
<b>Total funds</b>	<u>3,455,483</u>	<u>8,848,515</u>	<u>8,594,972</u>	<u>-</u>	<u>3,730,663</u>

Transfers during the year between funds relate to contributions made from unrestricted monies to restricted funds for specific projects.

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

**15. Movement in funds (continued)**

Brief details of the objectives of each of the restricted funds are set out below:

The Council of Heads of Medical Schools acts as the authoritative voice for Heads/Deans of University Faculties of Medicine and Medical Schools.

The Overseas Research Students Awards Scheme provides scholarships for international postgraduate students.

The Equality Challenge Unit, which incorporates the Athena project, exists to promote equality of opportunity for all who work or seek to work in UK higher education.

The UK HE Europe Unit, seeks to raise HEI's awareness of and engagement in key European HE initiatives and promote UK HE in European decision-making forums.

The funding options project (Fair enough) was established to explore university admission decision-making and developing staff to make admission decisions.

The social inclusion project was set up to increase participation in Scottish Higher Education. The pathfinder project was a seminar aimed at secretarial staff who wished to develop a career in higher education.

The Universities Scotland International Unit was set up to develop and implement policy and carry out research on international issues on behalf of the Scottish higher education sector.

Senior appointments project deals with the method of appointing Vice-Chancellors.

Measuring and Recording Student Achievement - a HEFCE funded project to consider the recommendations arising from the Government White Paper on Higher Education.

The StLaR Foresight Project relates to joint working with The Strategic Learning and Research Advisory Group for Health and Social Care (StLaR) on learning and research issues in health and social care at a central government level.

The *Students in the community* fund was set up to develop and disseminate a guide to good practice for higher education institutions and local authorities for reducing the negative impact of students on the local community.

The EU framework programmes was set up to assess the cost and benefits of universities' participation in EU Framework Programmes.

The Pension strategy fund was set up to develop a comprehensive pensions strategy for the higher education sector covering the next ten years.

The UK Panel for Research Integrity in Health and Biomedical Sciences is a three-year initiative to support the HEI and NHS communities promote good research conduct and develop systems to handle research misconduct.

ARE resources is a resource center which has been set up to offer advice and information for the protection of Higher Education Establishments from Animal Rights Extremism.

The Mental Health Committee fund was set up to run conferences on mental health issues.

The International unit fund was set up as a scoping study for an International Unit to be set up for the UK Higher Education Sector

The matched funding scheme was jointly set up with the DfES to administer a matched funding scheme to develop fundraising capacity in selected institutions.

# Universities UK

## Notes to the financial statements (continued)

### For the year ended 31 July 2006

#### 15. Movement in funds (continued)

The widening participation funding relates to a conference, which will take place on the need to widen participation and access in the health care professions.

#### 16. Allocation of net assets between funds

The net assets held for various funds are as follows:

	Fixed Assets £	Investments £	Net Current Assets £	Total £
Restricted funds	1,387	-	705,461	706,848
Unrestricted funds	67,664	600,000	2,356,151	3,023,815
<b>Total</b>	<b>69,051</b>	<b>600,000</b>	<b>3,061,612</b>	<b>3,730,663</b>

#### 17. Subsidiaries

The charity owns 100% of the share capital of Woburn House Conference Centre Ltd, which owns 100% of the share capital of CVCP Services Ltd.

Subsidiary undertakings	Activity	Investment at cost
Woburn House Conference Centre Ltd	Meetings and conferences	£2
CVCP Services Ltd	No trading activities in the year	£2

Both investments have been written down to zero in the accounts of the parent company.

The trading activity of Woburn House Conference Centre Limited is the management of the conference centre and meeting rooms at Woburn House.

Consolidated accounts have not been prepared as, in the opinion of the directors, the affairs of the subsidiary undertaking are not material in relation to the affairs of Universities UK.

A summary of the trading results for the year ended 31 July 2006 and 2005, and the aggregate amount of the assets, liabilities, share capital and reserves as at 31 July of each year are shown below.

Audited accounts have been filed with the Registrar of Companies.

	2006 £	2005 £
<b>SALES</b>	<b>487,192</b>	<b>432,251</b>
Cost of sales	(267,466)	(256,790)
Administration costs	(25,951)	(23,442)
Staff costs	(84,483)	(77,785)
<b>OPERATING PROFIT</b>	<b>109,292</b>	<b>74,234</b>
Interest receivable	4,211	2,410
Payment under deed of covenant	(117,906)	(73,791)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(4,403)</b>	<b>2,853</b>
Tax on ordinary activities	-	-
<b>OPERATING (LOSS)/PROFIT AFTER TAXATION</b>	<b>(4,403)</b>	<b>2,853</b>

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

**17. Subsidiaries (continued)**

**BALANCE SHEET**

	2006	2005
	£	£
Fixed assets	6,427	14,373
Current assets	167,925	116,102
Creditors: amounts falling due within one year	(154,081)	(105,801)
Net current assets	13,844	10,301
Total assets less current liabilities	20,271	24,674
Represented by:		
Share capital	2	2
Profit and loss account	20,269	24,672
Equity shareholders' funds	20,271	24,674

**18. Pensions**

**a) Universities Superannuation Scheme (USS)**

The company participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each entity's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", contributions to the scheme are accounted for as if it were a defined contribution scheme, the cost recognised within the statement of financial activities being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie, the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to Members after allowing for expected future increase in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

# Universities UK

## Notes to the financial statements (continued)

### For the year ended 31 July 2006

#### 18. Pensions (continued)

##### a) Universities Superannuation Scheme (USS) (continued)

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the company's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the company was £340,323 (2005: £271,648). The contribution rate payable by the company was 14% of pensionable salaries.

##### b) Superannuation arrangements of the University of London (SAUL)

Universities UK participates in a centralised defined benefit scheme for all qualified employees with the assets held in a separate Trustee-administered fund. The company has adopted FRS17 for accounting for pension costs. It is not possible to identify Universities UK's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie, cash amounts) in accordance with paragraphs 8 to 12 of FRS 17.

The total cost of pension contributions for the employer was £64,976 (2005: £62,968).

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out at 31 March 2005 using the projected unit credit method in which the actuarial liability makes allowances for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method	Projected unit	
	Past service	Future service
Investment return on Liabilities		
before retirement	5.5%p.a	6.5%p.a.
after retirement	4.5%p.a	4.5%p.a.
Salary growth*	4.15%p.a	4.15%p.a.
Pension increases	2.65%p.a	2.65%p.a.

\*excluding an allowance for promotional increases.

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual Employers. As a whole, the market value of the scheme's assets was £982million representing 93% of the liability for benefits after allowing for expected future increases in salaries.

Following this consultation, the Employers have agreed to contribute 13.0% of Salaries from August 2006 (currently 10.5% of Salaries), an increase of 2.5% of Salaries. Member contributions are also to increase, by 1.0% of Salaries to 6.0% of Salaries with effect from the same date.

**Universities UK**  
**Notes to the financial statements (continued)**  
**For the year ended 31 July 2006**

**18. Pensions (continued)**

**b) Superannuation arrangements of the University of London (SAUL) (continued)**

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), pay 19.2% of salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the Trustee).

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 revealed the Scheme to be broadly balanced at the last formal valuation date (31 March 2005).

The next formal actuarial valuation is due at 31 March 2008 when the above rates will be reviewed.

**19. Members**

The charity is incorporated as a private company limited by guarantee having no share capital and, in accordance with the Memorandum of Association, every Member is liable to contribute a sum of £1 in the event of the company being wound up. At 31 July 2006 there were 127 Members.