Harper Adams
University College

Harper Adams University College

Annual Report and Financial Statements 2011/2012

2011/2012

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Chief Executive's Report

Introduction

Harper Adams University College has had an outstanding year in which it has continued to lead the way in higher education in its specialist subject area and in the development of applied research, both of which are increasingly required to tackle the challenge of global food security. Our staff have played a critical role in securing recent successes and our Governors have been instrumental in ensuring that our business operations are efficient and effective, in support of our academic objectives. The sense of community amongst our students remains very strong, and their commitment to Harper Adams adds considerably to our work and to the positive way in which our activities are regarded by industry. Our links with industry are another critical component in our academic success and we remain grateful to all who work with us in support of our students and staff.

The last year has seen considerable change in the higher education funding system. The added complexity of the new funding arrangements and the introduction of measures to establish a market within the higher education system have required a tremendous effort from staff to ensure that current students continue to receive a high quality education whilst entrants for 2012/13 have been guided through the new system in an effective manner. I am pleased to report that the feedback from both groups has been good, and that we continue to be seen as having a supportive approach to our academic activities that is welcomed by students, as well as their families and friends.

The Operating and Financial Review provides further details about the strong financial performance demonstrated in our financial accounts. It also outlines an important change in our constitutional arrangements that took place on 1 August 2012, when, as well as retaining our status as a registered charity, we became a company limited by guarantee. We have continued to secure efficiencies in our operational costs whilst making appropriate investments in new resources and, critically, in staffing that can add to our course portfolio and strengthen our teaching in major disciplines.

Over the course of the last year we developed a new Strategic Plan for the period to 2016/17, in which we established five key objectives:

1. Secure a successful transition to the new funding and operating environment for higher education;

2. Enhance the role of Harper Adams as a critical contributor to applied research and as a leading source of the next generation of those working in the agri-food chain and the rural economy as the UK addresses the challenge of global food security;

3. Internationalise our academic activities so that our global reach is extended and strengthened;

4. Maintain and enhance our performance in the provision of high quality teaching and learning;

5. Achieve full University title.

This framework is guiding our business efficiency and investment plans and is backed up by operational planning that seeks to ensure that the objectives are considered and acted upon throughout the University College.

Over the last year the focus on global food security has strengthened, with considerable attention being paid to the impact of a more volatile climate and the difficulties being experienced in some parts of the agri-food chain, most notably, perhaps, the dairy sector. Nevertheless, the need to attract new entrants into the agri-food sector, particularly those with the ability to appreciate and adopt new scientific and technological advances, is all too clear. The UK food chain is reported[1] to have a turnover of £412 billion, exports of £16 billion and to employ more people than any other UK industry sector, so it is of vital economic importance. Nevertheless, a review by the Sector Skills Council for the environmental and land based sector[2] concluded that there was a requirement to attract 60,000 new entrants over the next 10 years, with a particular focus on those with high-level (graduate) skills. The Sector Skills Council for the food industry identified a need for 114,000 new entrants in the period 2007-2017, and has more recently noted[3] that progress is not yet meeting expected targets. Of these posts, 45,000 were expected to be at higher skills levels to provide the managers and professionals able to lead the sector in the future, requiring recruitment activity at 50% of current staff levels within the sector. The skills requirements include food scientists and technologists, engineers to manage complex automated systems and managers able to apply new manufacturing and processing techniques in food production[4].

The EU has announced its proposed reforms to the Common Agricultural Policy (CAP)[5] which, if agreed, will not only alter the method of CAP payments made available to eligible farms but also the structure of environmental measures expected in return for these payments. The CAP reforms are already the subject of considerable debate, but the main elements are likely to be settled over the next year and could have considerable impact upon the operating environment for farming in the UK.

1 Improve Ltd (2011) UK Food Supply Chain. York: Improve Ltd.

2 LANTRA (2009) A Skills Assessment for the Environmental and Land-based Sector: UK Report. Stoneleigh: LANTRA. 87p

3 Improve (2011) The Food & Drink Manufacturing and Processing Industry in England: Labour Market Information Profile 2010/11. York: Improve Ltd. 9p

4 Improve (2010) The Food and Drink Manufacturing & Processing Industry: United Kingdom Summary Report Sector Skills Assessment. York: Improve Ltd. 40p

5 See http://www.defra.gov.uk/food-farm/farm-manage/cap-reform/ (accessed 6 November 2011)

6 Tasker, J. (2011) CAP reform: What it means for your farm. Farmers Weekly, 21 October 2011, pp16-17

7 See, for example: Taylor, J. (2010) Science for a New Age of Agriculture. London: The Conservative Party. 11p

8 House of Lords (2011) Innovation in EU agriculture. House of Lords European Union Committee, 19th Report of Session 2010-12, HL Paper 171, London: The Stationery Office Ltd. 91p

9 BIS (2011) Innovation and Research Strategy for Growth. London: BIS. December 2011, p43

10 DEFRA (2012) Driving Export Growth in the Farming, Food and Drink Sector: A plan of action. London: DEFRA. January 2012

11 HM Government (2011) Water for Life. London: DEFRA, December 2011

12 DEFRA (2012) UK 2012 Climate Change Risk Assessment. London: DEFRA, January 2012

The proposed CAP reforms include a new scheme to encourage new entrants into farming[6]. The BBSRC and the Government[7] are also concerned to ensure that the UK applied science base in agriculture is not lost and that a way is found to encourage young and mature entrants with a systems background in agriculture into research and development careers and into the wider industry. Reporting on this matter the House of Lords European Union Committee[8] concluded that lifelong learning amongst the agricultural community, food processors and retailers should be encouraged to help embed innovation. The Committee added that, 'studying agriculture should be seen as a frontline activity of central importance to ensure that its relevance to the challenges of food security and sustainable intensification is clear'.

In late 2011, the Government published an Innovation and Research Strategy[9] that featured the agri-food and the energy and water utilities sectors as priority areas. It noted that the Government would, 'work with businesses, universities, the research base and the wider innovation ecosystem….to address the innovation barriers that the agri-food and utilities sectors face and will enable greater levels of innovation and growth across both sectors'. It identified the potential to develop the UK's exports in farming, food and drink, which led to the publication of an export growth action plan early in 2012[10]. The linking of the agri-food and energy and water utilities sectors is timely because of the potential for rural land resources to be used for renewable energy production, and the increasing importance placed on the issue of water security in the UK and overseas. The impact of water supply management on agriculture, and on the environment, has been addressed by the Government's strategy, 'Water for Life'[11], and has been identified as a critical factor in the UK Climate Change Risk Assessment[12].

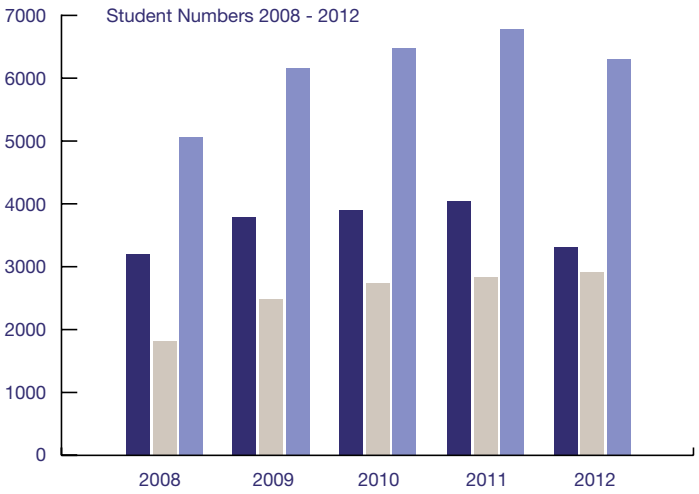
Harper Adams is a specialist institution that delivers higher education in support of the agricultural, agricultural engineering, food science and technology, environmental science, veterinary science and land-based sectors. It is one of only three English specialist institutions operating in these subject areas. It offers multi-disciplinary courses that contain a firm grounding in science and technology to meet the needs of the agri-food and related sectors for professional staff able to deal with the application of science in the production of food, the creation of renewable energy and the management of natural resources and the environment. The University College is therefore at the forefront of addressing the issue of global food security, and is continuing to be an important source of independent knowledge, advice and education to those who choose to work in these vital sectors.

Student Recruitment and the Student Experience

We had our highest ever recruitment of undergraduate students in October 2011, with exceptionally high demand for courses in the final year of the old higher education funding system. Recruitment to taught postgraduate courses resulted in an intake of 59 new mainstream students resulting in a total taught postgraduate student enrolment of 66.2 full-time equivalent students (93 new enrolments if co-funded employer engagement students are included). Overseas student numbers grew slightly with a cohort of 85 students joining us from Beijing Agricultural College. Postgraduate research student numbers reached 43, boosted by our growing applied research profile and additional research grant income.

Chinese students 2011-12

We had continuing success in the Sunday Times University Guide for 2012, in which we were named University College of the Year for the fifth year in a row. In individual performance tables we were ranked



6th for teaching excellence, joint 6th for student satisfaction and 7th for graduate employment from 122 higher education institutions. This high standard was backed up by excellent results in the National Student Survey, where overall student satisfaction was 91%, placing us in the top 10 higher education institutions in the UK. Our employment rate in the Destination of Leavers from Higher Education (DLHE) survey for 2011 was over 93% six months after graduation, based on a survey response rate of 99.6%. When weighted by survey response this was the highest graduate employment rate in the sector. Furthermore, the Sunday Times University Guide ranked the 'graduateness' of our jobs in the top 20 higher education institutions in the UK.

Graduation 2012

Our work on widening participation continues to show strong performance, with the result that we were third in the UK sector for the recruitment of students from lower socio-economic groups, based on the latest (2009/10) data from the Higher Education Statistics Agency (HESA).

Our Students Union organised an active social programme during 2011/12, and representatives of our students and alumni were involved in the Queen's Diamond Jubilee celebrations in London and in Shropshire.

Research and Knowledge Transfer

After the disappointing loss of Higher Education Innovation Funding in 2010/11 because of a change in Government policy in this area, we have regrouped our activities to focus on applied research and our strong workforce development programme. Our research portfolio has been expended with the addition of new research staff, research facilities and success in attracting major grants from DairyCo, in collaboration with other higher education institutions. Our research partnerships with industry and the Agriculture and Horticulture Development Board have also gone from strength to strength, resulting in a growth in research income from £785k in 2010/11 to £1253k in 2011/12. The need for applied/near market research, which has not been paid sufficient attention in the last 20 years, is now increasingly recognised as a priority for the UK science base.

In seeking to establish Harper Adams as a critical part of the applied research base we aim to strengthen our position as a contributor to the health of the UK agri-food chain, as well as ensuring that the UK agri-food system can make a substantive contribution to addressing the challenge of global food security. Importantly, this will include a focus on closely related subject areas in animal health and welfare, land and environmental management and agricultural engineering. Our role in renewable energy production will be another key feature of our academic activities. An important strand of this objective will be to ensure that we continue to inform our curriculum with perspectives from industry, as well as near market research, and an awareness of the process of research that will be of direct relevance to students engaging in sandwich placements and as they enter their chosen career. In addition, we are aiming to play a greater role in acting as an independent and authoritative source of advice and comment on issues of concern to the agri-food supply chain and to the wider rural economy.

We expect greater attention to be paid to renewing the higher level skills of those working in industry over the planning period, and we will retain a focus on this part of the student market through our close connections with industry partners and the transition of our grant supported workforce development activities to a new commercial footing from 2013/14.

Our partnership in this delivery with the Royal Agricultural College was brought to an end in July 2012. Our new partnership with Nottingham University, Cranfield University and Rothamsted Research, under the BBSRC's Advanced Training Partnership scheme began in 2011/12 with our programme of training for the meat industry winning a national award. We are indebted to the Worshipful Company of Butchers for their funding support which helped get this much needed training initiative off to such a flying start.

Promoting Collaboration

During 2011/12 we launched two major initiatives aimed at developing our research and educational activities, but also at promoting collaboration with industry and other academic institutions. The first of these is a Soil and Water Management Centre, which has attracted financial support from 10 companies with which we intend to appoint a new Chair in this subject area. A successful soil and water technical event was held in March, attracting farmers and other industry representatives from across the UK. We also launched the National Centre for Precision Farming in March, at an event in the House of Commons attended by nearly 150 industry representatives. A series of Centre activities will be held during the course of 2012/13, and will focus on ways to bring together representatives of the agricultural engineering and farming sectors and academic institutions.

National Centre for Precision Farming launch 2012

We were instrumental in securing agreement from the Government Office for Science for the preparation of a report, commissioned from the Institution of Agricultural Engineers, setting out the role of agricultural engineering in tackling global food security. We were involved in the development of the report and reference was made to our important contribution to this subject area, through the work of our Engineering Department. The report was considered in July by the Government's Food Research Partnership, and an action plan is being progressed during 2012/13.

Our collaborative activities with industry extend well beyond placements for our students, workforce development programmes and research projects. We have strong connections in advisory roles, including high profile work featured regularly in the Farming press, and industry is enormously supportive of our students by way of sponsoring scholarships, supporting our sports teams and visiting to speak to our students and staff. These connections add so much to the academic life of the institution and are part of the culture of Harper Adams that we work hard to maintain.

We have hosted a large number of visits by leading figures in the agri-food sector over the course of the last year. These have included the Government's Chief Scientific Adviser, Sir John Beddington, the Chief Executive of the BBSRC, Professor Doug Kell and the Food Research Partnership's Champion for Global Food Security, Professor Tim Benton. We also hosted the National NFU tenant Farmers Conference in November 2011, at which we were pleased to welcome the Minister of Agriculture and Food, Jim Paice, MP, as well as the President of the NFU, Peter Kendall, and the Deputy NFU President, Meurig Raymond.

Sir John Beddington with Professor Simon Edwards

We have also been actively engaged in other academic initiatives, including participating in the Centre of Excellence for UK Farming, run by Aberystwyth University with the support of Waitrose Limited, and involving several of the leading agricultural universities in the UK. We have also forged a new collaboration with Aston University in renewable energy generation through the use of pyroformer technologies.

Aston University representatives with Professor Peter Mills

Our collaborations extend overseas and continue to be strong in China, where our relationship with Beijing Agricultural College goes back over 10 years. This year, we signed agreements for new partnership arrangements with China Agricultural University and Huazhong Agricultural University, both leading institutions in this subject area. We launched a new student exchange programme with Cornell University and hosted two student groups from the University of Missouri as part of a new collaboration with its College of Agriculture, Food and Natural Resources. Senior staff visited universities in Turkey and Brazil, and we are investigating new links in Africa, alongside industry partners. These collaborative engagements will be important as we continue to internationalise our activities in support of our work on global food security.

Demonstrating the Public Benefit of our Work

As a registered charity, Harper Adams University College has a long tradition of delivering activities that benefit the public. We are one of a limited number of higher education institutions that took part in a HEFCE review to establish the contribution that we make in return for investment by the public in our academic work. Our work to deliver benefit to the public has continued apace over the last year. Universities UK and HEFCE have developed a framework by which higher education institutions can report on their contribution to public benefits. The following themes provide some examples of these activities within the established framework.

Developing people to make a contribution to society

The University College has an outstanding track record in educating young people, and those in employment, to improve their ability to contribute to economic development and to society. Our record of graduate employment, currently ranked third in the university sector (HESA data, July 2012) is evidence of this contribution. Our students make a vital contribution to the UK's efforts to address the challenge of food security. Our students undergo work placements as part of their course, we encourage student volunteering, organise school visits to introduce schoolchildren to farming and food production and provide educational programmes in schools, including those organised and run by our own students.

School sustainable buildings day 2012

Two examples show how our students have demonstrated the effectiveness of their education over the last year through their recognition in awards for their chosen subject area. In the first example, Robert Fillingham, became one of only nine international winners of Claas scholarships, presented during a ceremony at the agricultural machinery company's customer service centre in Harsewinkel, Germany. The 'Helmut Claas Scholarships' were presented after each student made brief presentations to the Board of Trustees of the Claas Foundation, a panel of judges and many guests. Board member Dr Hermann Garbers said: 'We want to awaken the younger generation's interest in agricultural technology and other agricultural issues and support the global importance of agriculture to the general public'.

In the second example, a team of Harper Adams students, led by Matthew Lawman, won the industry sponsored Cereals Challenge against 5 other universities. The sponsors, farm business management company Velcourt and crop production specialists Hutchinsons, work closely with colleges and universities through this high profile national competition to support new entrants to the industry so that they might develop careers in agronomy and farm management.

Innovating, informing and inspiring – opening up the university's knowledge, expertise and resources

Over the last year the University College has continued to open its doors to the agri-food sector, with examples such as the conferences and visits outlined earlier in this report; the third of our Dairy Technology Days which attracted over 700 delegates; and our anaerobic digestion system, which has been shown to over 2,000 visitors since it began producing renewable electricity in the summer of 2011.

Our work on inspiring others, and our expert contribution to our subject area, has been widely recognised in awards schemes over the last year. Our work on sustainability, for example, has received the following recognition in the last year:

NOVEMBER 2011

- Winner of the Times Higher Education Award for Outstanding Contribution to Sustainable Development Award;

THE Awards 2011

- Winner of the Renewable Electricity Facility of the Year in the inaugural Renewable Energy Infrastructure Awards;
- Winner of the BBC's Food and Farming Awards Best Public Caterer 2011 Award;

APRIL 2012

- Finalist in the HEIST Awards for Education Marketing, Marketing Department of the Year and Best Use of Digital Marketing;
- Recertified for The Carbon Trust Standard;

MAY 2012

- Winner of the Regional Business in the Community Awards for Excellence: Dairy Crest Rural Action Award category and Highly Commended in the Climate Change Award category;

Big Tick Awards 2012

- Finalist for four RICS West Midlands Awards in regeneration, design and innovation and community benefit;
- Winner of the Community Vote Category of the Footprint Awards for Food Service Sustainability against 50 other companies and organisations;
- Winner of the Meat Management Industry Awards Training Scheme of the Year, PG Certificate in Meat Business Management;

JUNE 2012

- Winner of the Times Higher Education Leadership and Management Award for Outstanding Estates Team;

THELMA Awards 2012

- The top category of 'first class honours' in our first entry in the People and Planet Green League for the higher education sector;
- Highly Commended in the National Business in the Community Awards for Excellence: Dairy Crest Rural Action Award;

JULY 2012

- Highly Commended in the National Recycling Awards: Best Energy from Waste Initiative;
- Winner of the Caterer and Hotelkeeper Awards in the best Sustainable Business category.

CATEY Awards 2012, David Nuttall Catering Manager

Engaging communities and working in partnership

Examples of partnership working are outlined earlier in this report, but we also actively engaged in other community activities in support of local organisations. Two of our staff are members of the Telford Business Board and one was a Local Authority Commissioner over the last year, as the Local Authority moved towards becoming a Co-operative Council. Many of our staff hold voluntary positions as school governors, charity volunteers or fundraisers. They hold posts that include rescue kennel dog walkers; a trustee of Shropshire Rural Support; volunteers in local village halls; community first responders; a Young Enterprise support worker; concert society volunteers; a Riding for the Disabled instructor; a Macmillan Cancer Support Information Volunteer; STEMNET ambassadors; a British Legion caseworker; equestrian events organisers; a Raleigh International expedition volunteer; Scout and Girl Guide Association assistants and leaders; and hospice fundraising volunteers. We supported two of our staff to take part as Games Makers in the Olympics over the summer of 2012.

Our students are also engaged in community support initiatives, and their activities are increasingly varied. One is a volunteer engineer at a Victorian water works at home in Nottinghamshire, whilst another travelled to Romania at Easter to hold the fort at a dog shelter while the owner was recovering from illness. Some students have even foregone the chance to earn a salary during their work placement year by working, unpaid, for charities. One became a volunteer outdoor education instructor. Others spent their placement years as volunteers with the RSPCA; with a wildlife rescue organisation in animal shelters; or as Countryside Rangers in National Parks.

Our work with local communities is matched by our efforts to engage with industry societies and organisations. We contributed to the 2012 Royal Welsh Show, for example, by sponsoring its Young People's Village and two of the dairy competitions. We also hosted the Nuffield Farming Scholarships Trust Frank Arden Memorial Conference, earlier in 2012, which looked at the issue of resource efficiency in agricultural practice.

Informing public policy and the professions

Forty-six per cent of our undergraduate programmes are accredited by professional bodies and we are actively engaged in the exchange of knowledge with these and other professional organisations. Our workforce development programme provides accredited continuing professional development courses for those wishing to improve their knowledge or, in some cases, be 'licensed' to work in certain rural professions. We have sought, over many years, to inform public policy through our research, direct engagement with Government and in conjunction with other agencies operating in a rural context. Our academic staff are regular contributors to the farming press and our work has featured on BBC radio and television over the last year.

Our work with the Temperton Fellowship led to the production of the 20th report on the poultry industry, in June 2012, and this influential series of reports continues to inform policy development in the poultry sector. We were actively involved in the production of a report on the role of agricultural engineering in tackling global food security that was published in July 2012 and launched, at Harper Adams, by the Government's Chief Scientific Adviser, Sir John Beddington. The report will be followed up with an action plan in which we expect to play a full role during 2012/13.

Stimulating local economic and social development

We are a major local employer in our own right, with 480 staff, most of who live in the local area. Our contribution to the local economy is highly regarded by our Local Authority. We have engaged with the work of our Local Enterprise Partnership and our programme of staff and student volunteering makes a direct contribution to local social development. We have recently completed an economic impact assessment, noted above, which demonstrates the contribution we are making to job creation and economic development across the UK and within the Shropshire and Telford & Wrekin Council areas.

A report by Oxford Economics on the economic impact of the University College report concluded that Harper Adams contributed £38.3 million in Gross Value Added (GVA) and supported 1,290 jobs in the UK during the academic year 2009/10. In a summary of its findings, the report highlighted that Harper Adams contributed £28.5 million to the

Shropshire and Telford and Wrekin economies and that for every one job created by Harper Adams an additional two jobs were supported in the wider economy. This compares to an average of just 0.9 jobs supported in the university sector as a whole.

Included in these figures is a contribution of £1.6 million from our work with international students who study on the campus in Shropshire. The report also outlined the key role that the University College plays in skills provision and research, noting that: 'Harper Adams maintains a high rate of retention of graduates in the regional area, helping to boost the supply of skilled labour in a region where the agricultural sector is a significant employer'.

Building international connections

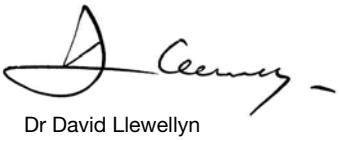
Our international connections have been significantly extended over the last year and, as outlined earlier in this report. We have a growing number of international connections with leading universities. Twenty-five of our 43 research students are from overseas. Our students and staff regularly travel abroad to take part in research and education, and an increasing number of educational connections are being established in universities and other organisations through these activities. Examples include a group of Agrology students from the JAMK University of Applied Sciences, Jyväskylä, Finland who visited Harper Adams University College as part of a study tour to England and Wales. The students were joined by a former Harper Adams lecturer who now works at the Finnish University. Our award-winning anaerobic digestion system was visited in May 2012 by Dato Dr. Nadzri bin Yahaya, the General Director of the National Solid Waste Management Department, Ministry of Housing and Local Government in Malaysia, who was in the UK investigating waste to energy systems.

Planning for the Future

We have worked hard over the last year to ensure that we are ready to take on the challenge of the new higher education funding system, to continue to provide the best possible experience for our students and to deliver an active applied research programme that will serve the needs of industry. We have invested in additional student facilities and residences during 2011/12, as well as in research facilities for poultry, in teaching facilities at Ancellor Yard, with the support of the Frank Parkinson Agricultural Trust and in new accommodation for our Crop and Environment Sciences Department, with the generous assistance of Frontier Agriculture Ltd. Our investment plans will continue in 2012/13 as we continue to develop our teaching facilities to support expanding student numbers.

Another major development over the next year will be the result of the University College's application for full University Title. We have aimed for this recognition of the high quality and standing of our academic work for some time, and a recent change in Government policy to lower the threshold for student numbers means that we are now eligible to be considered. We await the outcome of this process later in 2012.

We were pleased to have been shortlisted in the Times Higher Education Leadership and Management Awards in 2012 in the category for Outstanding Leadership and Management Team. This is the second year in a row that our leadership and management team has been recognised in this way. This, together with our strong approach to institutional governance, and a hard-working and dedicated staff, underline our continuing commitment to delivering the very best for our students and for the industries with which we work. We have raised the profile of our academic activities over the last few years and will continue to do so with new initiatives and a strong performance that will further enhance our reputation within the higher education sector, within the UK and internationally.



Dr David Llewellyn
Principal

Operating and Financial Review

Introduction

Harper Adams University College is pleased to report another strong financial performance for the year to 31 July 2012.

A major part of this success has been the strength of the University College's planning process. The financial strategy remains an integral part of the University College's overall Corporate Plan and an essential component in achieving the five key objectives outlined in the University College's Strategic Plan. The four major themes behind the financial strategy continue to be:

- Long term financial sustainability
- Investment in productive resources
- Efficiency and value for money
- Integration of University College strategies with financial planning

In 2011/12 the University College saw a decline in grant funding offset by growth in other sources of income and savings in expenditure. We have maintained tight cost controls and continued investment into student facing services.

- Income decline from grant funding sources £3,584k, 18%.
- Income growth from other sources of £1,901k, 12%.
- Expenditure savings of £1,442k, 4.3%.
- Surplus after FRS17 but before tax was £1,941k (5.7%), slightly down on 2010-11 at £2,182k (6.1%).
- Capital investment continued at a high level, with spend incurred of £4,984k.

Major developments during the financial year

One of the major factors in achieving the overall financial results was the achievement of stretching targets for student recruitment and a strong level of student retention. Through the efforts of all our staff we achieved the first year student intake in line with target, and we continued the success of our Employer Engagement programmes.

Capital investment in the year amounted to £4,984k (14.6% of turnover), with major projects to provide more student accommodation, student social space and developments in information technology. This continued our planned approach to enhance the student experience.

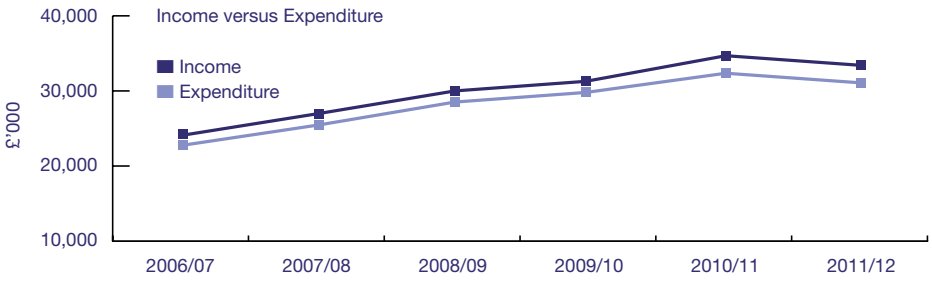
In addition we successfully commissioned the new Anaerobic Digester, under the wholly owned subsidiary of Harper Adams Energy Ltd, in August 2011. The plant outperformed the energy production target of 91%, achieving an average of 96%, and produced over 4 million KwH of electricity most of which was transferred to the University College and replaced 60% of the University College's energy needs from the national grid.

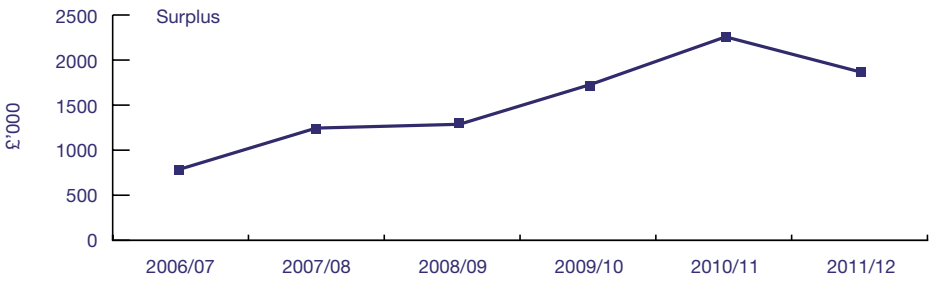
From the 01 August 2012 our constitutional arrangements changed to being a company limited by guarantee as well as retaining our status as a registered charity.

Summary Year End Position:

Trading Position

Overall the income and expenditure account for the year ending 31 July 2012 shows an operating surplus before tax of £1,941k which represents a 5.7% on turnover (2010-11, £2,182k and 6.1%).





Income

Overall income was £34,172k (£35,855k 2010-11). Growth was seen in research grants and contracts from £785k to £1,253k and in other operating income. However a reduction in grant funding of £3,584k was seen as a result of a fall in teaching grant (£1,672k), a reduction in HEIF funding (£378k), the end of the HEFCE match funding scheme (£679k) and the end of the University Modernisation Fund (£730k).

HEFCE grants of £16,239k represented 47.5% of our total income (2010-11 55.3%). The University College benefited from a continued growth in numbers involved with the Employer Engagement initiative.

Fee income rose from £7,705k to £8,174k reflecting increased student numbers.

Research and consultancy combined increased year on year by £364k.

Investment income rose from £130k to £193k.

Expenditure

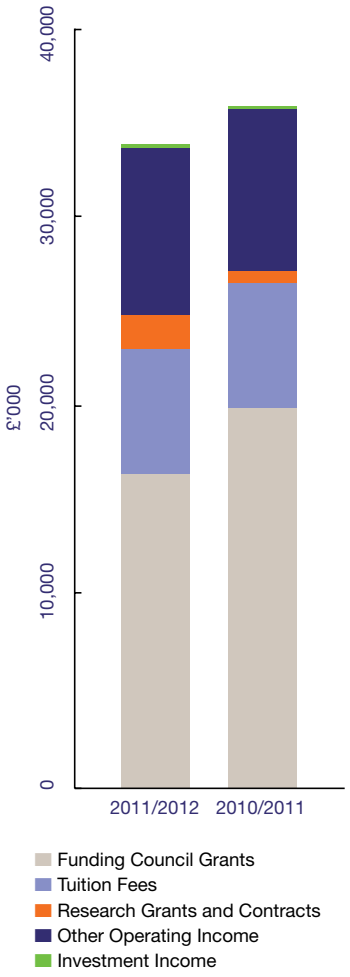
Whilst total income decreased by 5%, expenditure in 2011-12 also decreased by 4.3% from £33,673k to £32,231k.

Pay costs represent the largest single element of the University College's expenditure. The year saw a slight reduction in pay costs of 0.24%. Overall staff numbers decreased from 415 to 412 (-1%).

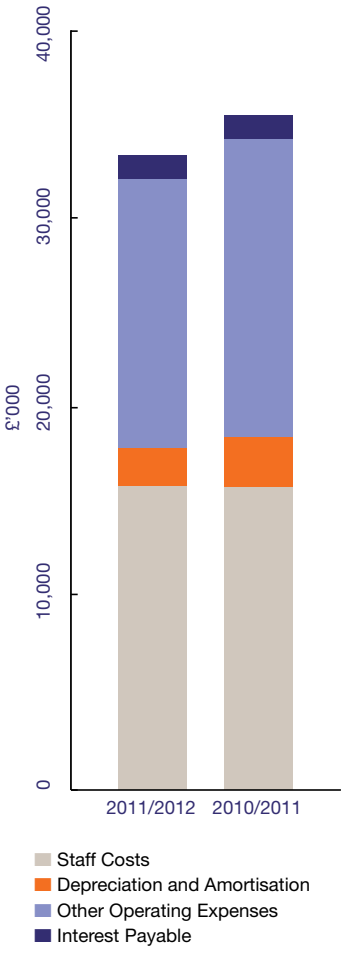
Other Operating Expenses decreased by £1,106k (7.5%) year on year primarily because of costs incurred last year with respect to Employer Engagement activities and the HEFCE funded University Modernisation Programme.

Interest and other finance costs increased by £35k (4.6%) year on year.

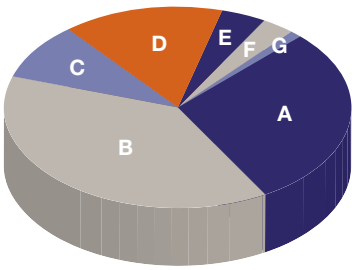
Income Comparison 2011/12 & 2010/11



Expenditure Comparison 2011/12 & 2010/11

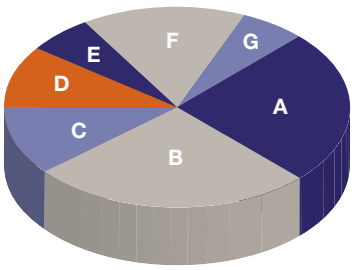


Sources of Other Operating Income 2011/12



A. Other 30%
B. Catering & Residence 38%
C. Conference / Short Course Accommodation 9%
D. Farm 15%
E. Non Funding Council Grants 4%
F. Validation Fees 3%
G. Consultancy 1%

Analysis of Other Operating Expenses 2011/12



A. Academic 25%
B. Administration & Central 26%
C. Premises 11%
D. Farm & Pig Unit 10%
E. Catering & Residences 7%
F. Research & Other 15%
G. Employer Engagement 6%

Balance Sheet

During 2011-12 the University College continued to invest in capital assets. In addition to the £8,117k invested in 2010-11, the University College continued with an active programme investing a further £4,984k.

The University College has continued to monitor its cash position extremely closely and, in addition to the strong operating performance, it is pleasing to report a strengthening cash position.

At 31 July 2012 the University College's General Reserve had increased to £17,952k from £17,541k.

Exceptional Items and FRS17

There were no exceptional items in year.

The impact of FRS17 on the Income and Expenditure Account has been significant again this year, with a decrease to the surplus of £479k.

The Financial Future

The financial strategy is an integral part of the University College's planning around sustainability and risk management. The financial plan is regularly reviewed throughout the financial year, effectively operating a rolling five year plan.

The impact of the transition to the new funding and fees system continues to be a challenge for the whole sector and our priorities remain on student facing services and growth in research activities. The previous funding from the Higher Education Funding Council was relatively evenly phased across the year whereas the new funding system through the Student Loan Company will result in significant reshaping of fee payments across each year. This will increase the amount of outstanding cash for several months of the year and as a result increase the need to hold short term cash.

We are planning further major capital investment in the coming year in a new agricultural engineering building, teaching facilities, a poultry research centre and in our information systems infrastructure.

Harper Adams University College remains committed to the delivery of excellence in academic activities. Our financial performance continues to support the high quality of our provision.

Paul R Rigg
Director of Finance
22 November 2012

Roger Mercer
Chair of Governors
22 November 2012

Report of the Governors and Corporate Governance Statement

The Governors have pleasure in presenting their report and financial statements for the year ended 31 July 2012 and confirm they comply with the requirements of the Charities Act 2011, the trust deed and the 2007 Statement of Recommended Practice (SORP) - Accounting for Further and Higher Education.

The Principal Activity of the University College is the provision of higher education in agriculture and land-based subjects and includes an estate of 647 hectares.

The University College's Mission is to provide 'Higher education for the delivery of a sustainable food chain and rural economy'. The essential strategic aims necessary to fulfil this mission are identified in the University College's Strategic Plan. The financial statements should be read in the context of a continuous endeavour to secure these aims.

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

Our key objectives are set out in the University College's Corporate Planning statement and include:

1. Secure a successful transition to the new funding and operating environment for higher education;

2. Enhance the role of Harper Adams as a critical contributor to applied research and as a leading source of the next generation of those working in the agri-food chain and the rural economy as the UK addresses the challenge of global food security;

3. Internationalise our academic activities so that our global reach is extended and strengthened;

4. Maintain and enhance our performance in the provision of high quality teaching and learning;

5. Achieve full university title.

The University College continues to play a distinctive and key role within the UK higher education sector. Our focus remains with the land based sector particularly in the support we provide for agricultural industry, our students and in the development of sustainable agriculture, underlining the specialist nature of the institution and distinguishing it from other higher education providers of land-based subjects. Within the higher education sector the University College is increasingly recognised for the quality of its provision and the contribution it is making to important higher education policy objectives. In 2011, we were ranked for the fifth year running as the top University College in the Sunday Times University Guide. In June 2010, the Quality Assurance Agency for Higher Education reported very positively on the quality of the University College's academic provision and noted a number of strengths including in particular, arrangements for quality enhancement and engaging with employers. Student applications to the University College continued to rise.

Statement of Financial Responsibilities

In accordance with the University College's Instrument and Articles of Government the Board of Governors is required to present audited financial statements for each financial year.

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

In causing the financial statements to be prepared, the Board of Governors has to ensure that:

a) Suitable accounting policies are selected and applied consistently;

b) Judgements and estimates are made that are reasonable and prudent;

c) Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d) Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University College will continue in operation.

The Board of Governors has taken reasonable steps to:

a) Ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;

b) Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;

c) Safeguard the assets of the University College and to prevent and detect fraud;

d) Secure the economical, efficient and effective management of the University College's resources and expenditure.

Higher and Further Education Grant Funding

Funding for the University College's higher education students is provided by the Higher Education Funding Council for England (HEFCE) and by tuition fee income. The Funding Council's main function is to administer grant provided by the Minister of State for Universities and Science, to fund education, research and associated activities throughout the higher education sector. The Council also funds prescribed courses of higher education at further education colleges.

Valuation of Freehold Property

A valuation of the freehold property was carried out on 31 July 1994 by James & Lister Lea, Chartered Surveyors, who have given permission to quote from the valuation certificate, which was provided with their valuation report, as follows:

'We assess the aggregate of the Open Market Capital values for Existing Use and (where appropriate) Depreciated Replacement Cost Values of the freehold properties described in the attached report with vacant possession at 31st July 1994 in the total sum of £13,380,400'

Open market capital values were applied to the University College Farm, the Woodland and all dwelling houses. Depreciated replacement cost values have been used for all other properties. The permission to quote from the certificate and to refer to the valuation has not been withdrawn at the date of these Financial Statements.

Auditors

Grant Thornton UK LLP ('Grant Thornton') were the appointed auditors for the financial year 2011/12.

Corporate Governance Statement

General Principles

The University College is committed to exhibiting best practice in all aspects of corporate governance. This section describes the manner in which the University College has applied the principles set out in the Committee of University Chairmen (CUC) Guide for Members of HE Governing Bodies in the UK. The CUC Guide takes account of the relevant sections of the Combined Code on Corporate Governance as they relate to the work of Higher Education Institutions.

The University College is a charitable unincorporated body regulated by a Scheme of the Charity Commissioners in 1988 and established as a higher education institution under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its latest objects, powers and framework of governance are set out in the instrument and articles of government approved by the Privy Council in 2001 and as amended from time to time by agreement with the Privy Council. During the year, the Board of Governors progressed its plan to change the legal status of the University College to that of a Company Limited by Guarantee. The Board of Governors successfully completed this process towards the end of 2011/12 and the new Company and Charity came into being with effect from 1 August 2012.

The University College endeavours to conduct its business in accordance with accepted standards of behaviour in public life which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership, in accordance with the framework provided by the Committee of University Chairmen (CUC) in its Guide for Members of HE Governing Bodies in the UK. In particular, the Governing Body has regard to the Governance Code of Practice contained in the CUC Guide.

The Governing Body and Academic Board

The articles require the University College to have a governing body and an academic board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

a) The Board of Governors is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction. The governing body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and students. No members of the governing body receive any reimbursement for the work they do for that body. The Governors are the Trustees of the University College.

b) Subject to the overall responsibility of the governing body, the Academic Board has oversight of the academic affairs of the institution and draws its membership largely from the staff and the students of the institution. It is particularly concerned with general issues relating to the learning and teaching, research and third-stream work of the institution. The Academic Board reports to the Board of Governors.

The Board of Governors has adopted a statement of primary responsibilities in which the major activities it covers are described in further detail. The Board of Governors has also established key performance indicators with which it monitors the performance of the University College.

In respect of its strategic responsibilities, the Board of Governors receives recommendations and advice from the Academic Board and its committees, the University College Executive and joint meetings, where required, of the University College Executive and members of the Board. The Board of Governors considers the development of strategic and annual plans and monitors, amongst other items, compliance with the University College's Instrument and Articles of Government, the conduct of financial management, personnel management, academic and student related developments, the management of major estate developments and risk management. Regular reports on developments of note, including liaison with external agencies, are presented to the Board by the University College Principal and other senior managers.

The Board has assumed direct responsibility for oversight of a number of key risks identified in the University College's Risk Analysis and Action Plan which is reviewed annually in detail by the Audit and Risk Management Committee and recommended to the Board as appropriate for approval. The Risk Analysis and Action Plan includes the University College's Risk Policy and a statement of its Risk Appetite. It covers risks related to business, operational, compliance and financial matters. The latter sets out how a balanced portfolio of risk exposure will be maintained and managed and the Risk Analysis and Action Plan identifies the responsible individuals who take a lead role in managing risks, and how action planning is incorporated into normal business processes. The Plan also includes a mapping document that illustrates how the Risk Analysis and Action Plan supports the strategic objectives of the University College. All risks area signed to the Board or one of its committees for monitoring and action reporting at each meeting of the relevant committee.

The Board acknowledges that it is responsible for a sound system of control and requires that the Audit and Risk Management Committee commission the internal auditors to review an aspect of risk management annually. A report on the outcome of the annual audit of risk management is presented to the Board in the Annual Report of the Audit and Risk Management Committee.

The Board of Governors has established a Governance Review Group that has conducted a number of assessments of the Board's performance and related governance issues in the period 1999-2011. During 2010/11 the Governance Review Group focused on the quinquennial major review of the effectiveness of the governing body. The University College was pleased to be invited to participate in a Leadership Foundation for Higher Education project to pilot a new model for evaluating the effectiveness of HE governing bodies. The review was completed during 2010/11 and an action plan highlighting opportunities for enhancing a small number of areas of current practice was been agreed and monitored by the Board. The areas for further action included arranging further opportunities for members of the Board to meet with staff and students informally; ensuring that staff are regularly briefed on the work of the Board through communication in the weekly dairy circulated to all staff; a review of the membership arrangements for the Board and its Committees with a view of streamlining membership where desirable; and ensuring that all members are fully briefed about the work of Academic Board by circulation of a Leadership Foundation publication on this matter underpinned by a specific briefing session for members. During 2011/12 the Board monitored progress made to achieve each of these action points in detail. In February 2012 a final report completing all actions arising from the Effectiveness Review was considered and approved by the Board.

HEFCE conducted an Assurance Review of the University College in November 2010. The report was positive about the Governance arrangements at Harper Adams University College and made no formal recommendations for action.

In accordance with the articles of government, the University College's University College Secretary has been appointed as clerk to the governing body. In that capacity, she provides independent advice on matters of governance to all members of the governing body. The Academic Registrar acts as secretary to the Academic Board.

The University College maintains a register of interests of members of the governing body and senior officers which may be consulted by arrangement with the Clerk to the Governors. No conflicts of interest have been identified in a review of returns for the current year.

The Principal/Chief Executive Officer

The Principal and Chief Executive Officer is the head of the University College and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of the formal financial memorandum between the University College and the Higher Education Funding Council for England, the head of the institution is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive, the Principal and Chief Executive Officer exercises considerable influence upon the development of institutional strategy and the identification and planning of new developments. Other senior academic and administrative officers contribute in various ways to these activities, but the ultimate responsibility for what is done rests with the governing body.

Governing Body Committees

The Board of Governors and its committees are formally constituted with terms of reference and delegated

powers. Although the governing body meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the audit and risk management committee, finance and general purposes committee, staffing committee, nominations committee and remuneration committee. The decisions of these committees are formally reported to the governing body.

A significant proportion of the membership of these committees consists of independent and co-opted members of the governing body. Co-opted student and staff members may also be eligible to serve on some of these committees, subject to the provisions of the articles. The chairs are normally selected from the co-opted and independent members. No one Governor is a member of the Audit & Risk Management, Nominations and Remuneration committees.

The Audit & Risk Management Committee meets a minimum of three times a year, with the University College's external and internal auditors in attendance. The committee considers detailed reports together with recommendations for the improvement of the University College's systems of internal control, including the safeguarding of assets and prevention and detection of fraud, and management responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University College's audited risk management activities and monitors adherence to regulatory requirements. The Committee consists of lay members. Whilst senior University College officers attend meetings of the Audit & Risk Management Committee, as required, they are not members of the Committee. Once a year the lay members of the Committee meet with the Internal Auditors and then the External Auditors for independent discussions.

The Finance and General Purposes Committee meets four times a year. Amongst other items it recommends to the Board of Governors the University College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee is responsible on behalf of the Board of Governors, for ensuring that proper accounting records are maintained and that the University College complies with the higher education accounting Statement of Recommended Practice (SORP) and the Funding Council's Financial Memorandum. The committee oversees the preparation of financial statements.

The Staffing Committee meets three times a year and oversees the development and implementation of the University College's HR Strategy, staffing policies, equality and diversity arrangements and staff training and development.

The Nominations Committee considers nominations for vacancies in the Board of Governors' membership in accordance with the University College's Instrument and Articles of Government. The Committee has a majority of lay members, consisting of the Chairman, Vice Chairman, a further lay governor and the University College Principal. The Nominations Committee considers skills, professional background and experience, geographical distribution and the promotion of diversity in its succession planning and governor recruitment and appointment processes. A Governor role statement and background information on the University College is sent to those interested in serving on the Board to ensure that new Governors are aware of the range of responsibilities attached to University College governorship. Newly appointed Governors attend an induction session normally held each October. Governors also attend development sessions on a range of topics during the course of their appointment, including those offered by the Leadership Foundation for Higher Education. Before re-appointment, Governors who are at the end of their first term of office are evaluated by the Nominations Committee on the contribution they have made to the Board's work. In normal circumstances Governors retire at the end of a second term of office, although the Nominations Committee will consider individual cases for an extension of appointment.

The Remuneration Committee determines the remuneration of the most senior staff, including the University College's Principal.

CUC Code of Governance Practice

The University College has complied in full with the CUC Code of Governance Practice in the year ended 31 July 2012. This included the publication on the University College's website of a statement of institutional monitoring for the 2010/11 financial year.

Statement on Internal Controls

The University College's Board of Governors is responsible for the University College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control has been in place for the year ended 31 July 2012 and up to the date of approval of the Annual Report and Accounts.

The Governing Body monitors the effectiveness of the process and its relationship to the University College's objectives. It does this in a number of ways. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms that are embedded within operational units. The senior management team and the Audit & Risk Management Committee also receive regular reports from internal audit exercises, which include recommendations for improvement and which are risk-based. The Audit & Risk Management Committee's

role in this area is confined to a high level review of the arrangements for internal financial and operational systems control, value for money and overall effectiveness. Each of these areas is also covered in terms of the University College's Risk Analysis and Action Plan. The Board of Governors' agenda includes regular items for consideration of risk and control and it receives reports thereon from senior managers and sub-committees of the Board of Governors and the Academic Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2011 meeting, the Board of Governors carried out the annual assessment of the Audit & Risk Management Committee's activities for the year ended 31 July 2011 by considering documentation from the Committee, internal and external audit annual reports, and by taking account of events related to the Risk Analysis and Action Plan since 1 August 2011.

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University College's significant risks that has been in place for the period from the beginning of January 2000 up to the date of approval of the annual report and accounts. This process accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education. Various aspects of the University College's compliance with the internal control guidance have been assessed annually by its internal auditors since December 2002 so as to ensure that the University College's systems and procedures continue to be satisfactory. The last review of Governance and Risk Management arrangements took place in May 2012 focusing on how the Board can be assured that the arrangements that are in place at the University College for securing information and reporting on the new fees and funding regime are fit for purpose. The internal auditors report was positive and made no recommendations for action.

Employees

The University College is committed to providing equality of opportunity in all areas of its operation. The University College has continued to review its activities against the requirements of the relevant legislation. In 2011/12 the University College's Equality and Diversity Working Group which is made up of staff and student volunteers has worked together to progress the actions arising from the University College's Single Equality Scheme. It is also University College policy to achieve and maintain high standards of health and safety by all practicable means. The Health & Safety Committee, comprising staff representatives, oversees a full programme of work in this area, including legislative developments and an audit programme.

Going Concern

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

Changes in Membership of the Board of Governors

A M Blackburn retired as Chairman of the Board in November 2011

Board of Governors during 2011/12

R M Mercer
Vice Chairman (until November 2011)
Chairman (from November 2011)
M Lewis
Vice Chairman (from November 2011)
M Roach *(from November 2012)*
C Tacon *(from February 2012)*
P Bailey
F Beatty
K Broe *(SU President)*
R Early
J Garnham
M Hill
N Hunter
H Jenkins
D G Llewellyn
D Nuttall
B J Revell
B Udale
S Vickers
M Ward *(retired July 2012)*
R Hartley *(retired July 2012)*

Clerk to the Governors

C E Baxter

For and on behalf of the Board of Governors

C E Baxter
Clerk to the Governors

Independent auditor's report to the governing body of Harper Adams University College

We have audited the financial statements of Harper Adams University College ("the University College") for the year ended 31 July 2012 which comprise the statement of accounting policies, the consolidated income and expenditure account, the consolidated balance sheet, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with paragraph 3.1.3 of the University College's articles of government, section 124B(3) of the Education and Reform Act 1988 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University College's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Governing Body's Responsibilities Statement on page 12, the governing body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and the Companies Act 2006 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the group and company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University College have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council') and the Skills Funding Agency.

We read the Chief Executive's Report, the Operating and Financial Review, the Report of the Governors and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University College and the group's affairs as at 31 July 2012 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters

In all material respects:

- income from the Funding Council and the Skills Funding Agency, grants and income for specific purposes and from other restricted funds administered by the University College during the year ended 31 July 2012 have been applied for the purposes for which they were received; and

- in all material aspects, income during the year ended 31 July 2012 has been applied in accordance with the University College's statutes and, where appropriate, with the financial memorandum with the Funding Council and the funding agreement with the Skills Funding Agency.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Governors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

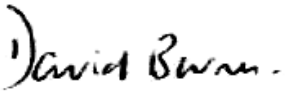
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from Branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of the governing body's remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.



David Barnes
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
Birmingham
22 November 2012

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Directions Handbook 2011/2012 published by the Skills Funding Agency and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Going concern

The activities of the University College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The University College currently has £8,435,000 of loans outstanding with bankers at various fixed rates of interest ranging from 4.285% to 5.769% that are repayable by instalments with the final payment scheduled for 03 September 2035. The University College's forecasts and financial projections indicate that it will be able to operate within the bank covenants for the foreseeable future.

Accordingly the University College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the University College are included as expenditure in note 6.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Losses on projects are taken into account as soon as they are foreseen.

Leases

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

Pension schemes

Retirement benefits to employees of the University College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 28, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible fixed assets

Tangible fixed assets are recorded at cost or valuation less depreciation. Depreciation is charged on all tangible fixed assets except freehold land at rates calculated to write off the cost or re-valued amount of the asset on a straight line basis over its effective life. The following rates are normally applied:

Freehold buildings	2%
Farm buildings	5%
Plant and equipment	10%
Computers and some items of scientific equipment	25%
Motor vehicles	25%

The University College has approved that equipment costing less than £5,000 per individual item (unless it is a component of an approved capital project) is written off in the year of acquisition. All other equipment is capitalised.

Capital grants received are recorded as deferred capital grants and released to the income and expenditure account over the expected useful life of the assets to which they relate.

Assets under construction are accounted for at cost, based on the value of architect's certificates and other direct costs, incurred at 31 July. They are not depreciated until they are brought into use.

Intangible fixed assets

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

Investments

Fixed and current asset investments are included in the balance sheet at their market value.

Stocks

Commercial farming stocks (excluding poultry, pigs and sheep) are independently valued by Halls Auctioneers Limited of Shrewsbury, Shropshire at cost for growing crops, feedstuffs, sprays and fertilizers, and at a discounted market value at the year-end for the livestock. Other livestock is valued by the University College on a sliding scale dependent on age for poultry and discounted market value for pigs and sheep.

Other stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Foreign Currency Translation

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

Related party transactions

Under the terms of Financial Reporting Standard 8 'Related Party Disclosures', the University College is exempt from the requirement to disclose transactions with entities that are wholly owned subsidiaries of the University College.

Provision for Doubtful Debts

The University College's provision for doubtful debts is maintained at a level of 100% of debts which have been outstanding for more than 365 days and at 33% for those with an aged debt of between 91 and 364 days.

Provisions

Provisions are recognised when the University College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Consolidation

The financial statements of Harper Adams Students` Union are not consolidated into the financial statements of the University College, as the University College has no control or significant influence over policy decisions of the Students` Union. In addition the University College owns the entire shares of two subsidiary companies "Harper Adams (Energy) Limited" (incorporated 27 July 2009) and "Harper Adams (Rural Enterprises) Limited" (incorporated 27 July 2009). "Harper Adams Rural Enterprises Limited" has not traded since incorporation. In 2010/11 "Harper Adams (Energy) Limited" commenced trading in addition to incurring costs of assets under construction and therefore these have been consolidated with the Harper Adams University College accounts on the income and expenditure and balance sheet respectively.

Taxation status

The University College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Deferred taxation

Deferred taxation is recognised on all timing differences at the balance sheet date where transactions or events that gives the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have enacted or substantively enacted by the balance sheet date.

Liquid resources

Liquid resources comprise government securities and short term deposits with recognised banks and building societies.

Consolidated Income and Expenditure Account for the Year to 31 July 2012

	Notes	Consolidated Year to 31 July 2012 £'000	Consolidated Year to 31 July 2011 £'000	University College Year to 31 July 2012 £'000	University College Year to 31 July 2011 £'000
Income					
Funding Council Grants	1	16,239	19,823	16,239	19,823
Tuition Fees	2	8,313	7,412	8,313	7,412
Research Grants and Contracts	3	1,253	785	1,253	785
Other Operating Income	4	8,174	7,705	7,687	7,680
Investment Income	4a	193	130	193	130
Total Income		**34,172**	**35,855**	**33,685**	**35,830**
Expenditure					
Staff Costs	5	15,697	15,736	15,697	15,736
Depreciation and Amortisation	10	2,056	2,388	1,811	2,388
Other Operating Expenses	6	13,690	14,796	13,542	14,722
Interest and Other Finance Costs	7	788	753	788	753
Total Expenditure		**32,231**	**33,673**	**31,838**	**33,599**
Surplus on Continuing Operations after Depreciation of Fixed Assets but Before Taxation		**1,941**	**2,182**	**1,847**	**2,231**
Taxation	8	54	-	-	-
Surplus on Continuing Operations after Depreciation of Fixed Assets and Taxation		**1,887**	**2,182**	**1,847**	**2,231**

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

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

Statement of Consolidated Total Recognised Gains and Losses

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Taxation	1,887	2,182
Acquisition of Long Term Asset Investment	-	409
Actual Return less Expected Return on Pension Scheme Assets	(309)	403
Changes on Assumptions Underlying the Present Value of Scheme Liabilities	(1,167)	401
Total Recognised Gains/(Losses) Since Last Report	**411**	**3,395**

Reconciliation

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Opening Reserves	17,541	14,146
Total Recognised Gains/(Losses) for the Year	411	3,395
Closing Reserves	**17,952**	**17,541**

Consolidated Statement of Historical Cost Surpluses and Deficits

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Surplus on Continuing Operations After Taxation	1,887	2,182
Difference Between Historical Cost Depreciation and the Actual Charge for the Period	-	-
Historical Cost Surplus for the Year Before and After Taxation	**1,887**	**2,182**

Balance Sheets as at 31 July 2012

	Notes	Consolidated 31 July 2012 £'000	Consolidated 31 July 2011 £'000	University College 31 July 2012 £'000	University College 31 July 2011 £'000
Long Term Assets					
Intangible Assets	9	-	-	-	-
Tangible Assets	10	42,194	39,311	38,763	35,888
Investments	11	552	541	552	541
Debtors	13	-	-	2,816	3,110
		42,746	**39,852**	**42,131**	**39,539**
Current Assets					
Stocks	12	1,263	1,163	1,248	1,163
Debtors	13	1,252	2,083	1,477	2,175
Investments	11	8,498	5,006	8,498	5,006
Cash at Bank and in Hand		3,682	5,410	3,304	5,007
		14,695	**13,662**	**14,527**	**13,351**
Creditors - Amounts Falling Due Within One Year	14	(7,213)	(6,028)	(6,925)	(5,855)
Net Current Assets		**7,482**	**7,634**	**7,602**	**7,496**
Total Assets less Current Liabilities		50,228	47,486	49,733	47,035
Creditors – Amounts Falling Due After More Than One Year	14	(11,386)	(10,716)	(10,936)	(10,216)
Provisions for Liabilities and Charges	15	(85)	(35)	(31)	(35)
		38,757	**36,735**	**38,766**	**36,784**
Net Pension Liability	28	(8,502)	(6,547)	(8,502)	(6,547)
TOTAL NET ASSETS		**30,255**	**30,188**	**30,264**	**30,237**
Deferred Capital Grants	16	**12,303**	**12,647**	**12,303**	**12,647**
Reserves					
Total Reserves	17	17,952	17,541	17,961	17,590
Total Reserves		**17,952**	**17,541**	**17,961**	**17,590**
TOTAL FUNDS		**30,255**	**30,188**	**30,264**	**30,237**

The financial statements on pages 21 to 39 were approved by the Board of Governors on 22 November 2012 and signed on its behalf by

Chairman

Chief Executive

Director of Finance

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

Consolidated Cash Flow Statement for the Year to 31 July 2012

	Notes	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Net Cash Inflow from Operating Activities	20	5,279	5,368
Returns on Investments and Servicing of Finance	21	(256)	(329)
Capital Expenditure and Financial Investment	22	(4,176)	(8,113)
Management of Liquid Resources	23a	(3,492)	(4,756)
Financing	23	917	3,738
Increase/(Decrease) in Cash in the Period		**(1,728)**	**(4,092)**

Reconciliation of Net Cashflow to Movement in Net Debt

	Notes	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Decrease in Cash in the Period		(1,728)	(4,092)
Net Cash Inflow	23	(917)	(3,738)
Movement in Net Debt in the Year		(2,645)	(7,830)
Net Funds at 1 August		(5,788)	2,042
Net Funds at 31 July	24	**(8,433)**	**(5,788)**

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

Notes to the Financial Statements for the Year to 31 July 2012

		Consolidated		University College	
1.	**Funding Council Grants**	**Year to 31 July 2012 £'000**	**Year to 31 July 2011 £'000**	**Year to 31 July 2012 £'000**	**Year to 31 July 2011 £'000**
	Recurrent Grant (HEFCE)	12,481	13,900	12,481	13,900
	HEFCE Grant (co-funded employer engagement[1])	2,921	3,174	2,921	3,174
	CETL Grant (HEFCE)	-	-	-	-
	HEIF Funding (HEFCE)	59	437	59	437
	Summer Schools (HEFCE)	-	1	-	1
	Release of Deferred Capital Grant (HEFCE) (note 16)	449	372	449	372
	Research Grant (HEFCE)	334	455	334	455
	Match Funding (HEFCE)	(5)	679	(5)	679
	Miscellaneous (HEFCE)	-	75	-	75
	University Modernisation Fund (HEFCE)	-	730	-	730
		16,239	**19,823**	**16,239**	**19,823**

[1]This is funding for tuition delivered in conjunction with employers

2.	**Tuition Fees**	**£'000**	**£'000**	**£'000**	**£'000**
	Full Time Students – Home	5,878	5,286	5,878	5,286
	Full Time Students – EU	132	79	132	79
	Full Time Students charged Overseas Fees	1,114	1,060	1,114	1,060
	Part Time Fees	217	172	217	172
	Short Course Fees	830	661	830	661
	Other Fees	142	154	142	154
		8,313	**7,412**	**8,313**	**7,412**

3.	**Research Grants and Contracts**	**£'000**	**£'000**	**£'000**	**£'000**
	Research Grants and Contracts	1,253	785	1,253	785

4.	**Other Operating Income**	**£'000**	**£'000**	**£'000**	**£'000**
	Catering and Residence	3,123	2,960	3,123	2,960
	Conferences and Short Course Accommodation	742	638	742	638
	Farm	1,262	1,702	1,459	1,702
	Non Funding Council Grant Income	345	446	345	446
	Validation Fees	210	188	210	188
	Consultancy	85	189	85	189
	Other Income	2,407	1,582	1,723	1,557
		8,174	**7,705**	**7,687**	**7,680**

4a.	**Investment Income**	**£'000**	**£'000**	**£'000**	**£'000**
	Bank Interest	191	128	191	128
	Other Investment Income	2	2	2	2
		193	**130**	**193**	**130**

5. Staff Costs and average number of Employees	Consolidated Year to 31 July 2012 No.	Consolidated Year to 31 July 2011 No.	University College Year to 31 July 2012 No.	University College Year to 31 July 2011 No.
Teaching Departments	117	113	117	113
Teaching Support Services	35	32	35	32
Other Support Services	26	26	26	26
Administration and Central Services	90	87	90	87
Premises	20	19	20	19
Domestic Services	51	50	51	50
Catering	28	27	28	27
Other	45	61	45	61
	412	415	412	415
Staff Costs for the above persons:	£'000	£'000	£'000	£'000
Wages and Salaries	13,043	13,056	13,043	13,056
Social Security Costs	1,028	1,018	1,028	1,018
Pension Costs	1.626	1,662	1,626	1,662
	15,697	15,736	15,697	15,736
Teaching Departments	7,044	6,783	7,044	6,783
Teaching Support Services	1,063	991	1,063	991
Other Support Services	912	918	912	918
Administration and Central Services	3,015	2,858	3,015	2,858
Premises	526	481	526	481
Domestic Services	974	942	974	942
Catering	674	640	674	640
Other	1,489	2,123	1,489	2,123
	15,697	15,736	15,697	15,736
Emoluments of the Principal:	£	£	£	£
Salary	136,187	116,737	136,187	116,737
Benefits in Kind - University College House	9,600	9,600	9,600	9,600
- Health Insurance	2,977	1,680	2,977	1,680
	148,764	128,017	148,764	128,017
Employer's Pension Contributions	16,342	15,713	16,342	15,713
The number of staff, including the Principal, who received emoluments in the following ranges was:	2011/12	2010/11	2011/12	2010/11
£100,000 to £109,999	1	-	1	-
£110,000 to £119,999	1	-	1	-
£140,000 to £149,999	-	1	-	1
£160,000 to £169,999	1	-	1	-

6. Other Operating Expenses	Consolidated Year to 31 July 2012 £'000	Consolidated Year to 31 July 2011 £'000	University College Year to 31 July 2012 £'000	University College Year to 31 July 2011 £'000
Employer Engagement	819	2,069	819	2,069
Joint Courses – Payments to Other Institutions	1,523	1,547	1,523	1,547
Academic Departments	953	772	953	772
Academic Services	986	1,006	986	1,006
Administration & Central - Establishment Expenses	3,395	3,511	3,395	3,511
- Staff & Student Facilities	166	144	166	144
Premises - Rates	70	75	70	75
- Energy Costs	174	391	351	405
- Routine Maintenance	335	267	335	267
- Long Term Maintenance	265	312	265	312
- Other	690	550	690	550
Residences & Catering	878	948	878	948
Research	890	476	890	476
Farm	924	1,218	958	1,218
Pig Unit	420	447	420	447
WiRE	45	107	45	107
NRKE and Business Clubs	48	72	48	72
Conferences	206	181	206	181
Other Expenses	903	703	544	615
	13,690	**14,796**	**13,542**	**14,722**

Other Operating Expenses Include:	£'000	£'000	£'000	£'000
External Auditors Remuneration in Respect of Audit Services	24	20	21	20
External Auditors Remuneration in Respect of Non Audit Services	4	3	2	3
Internal Auditors Remuneration	18	18	18	18
Operating Lease Rentals				
Plant and Machinery	43	41	43	41
Other	21	21	21	21

Governors

No Governor has received any remuneration / waived payments from the University College during the year (2010-11- none). The total expenses paid to or on behalf of the governors was £6,872 (2010-11 - £5,464), This represents travel and subsistence expenses incurred with respect to the attendance of governor meetings and also expenses incurred with respect to the provision of relevant continuing professional development for governors.

7. Interest and other finance costs	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
On Bank Loans:				
Repayable Wholly or Partly in More Than 5 Years	422	415	422	415
FRS 17 Finance Charge	366	338	366	338
Total Payable	**788**	**753**	**788**	**753**

8. Taxation	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
UK corporation tax charge	-	-	-	-
Deferred Tax Charge	54	-	-	-
Tax on profit/(loss) on ordinary activities	**54**	**-**	**-**	**-**

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

Profit/(Loss) on ordinary activities	84	(49)	-	-
Profit/(Loss) on ordinary activities multiplied by the standard rate of tax in the UK of 25.33% (2011 27%)	21	(13)	-	-
Effect of:				
Expenses not deductible for tax purposes	13	-	-	-
Capital allowances in excess of depreciation	(67)	(20)	-	-
Losses (utilised)/ carried forward	33	33	-	-
UK corporation tax charge	**-**	**-**	**-**	**-**

No provision has been made for corporation tax as the Governors believe that there is no current tax liability.

The current year deferred tax charge relates to the University College's subsidiary Harper Adams (Energy) Limited only.

9. Intangible Fixed Assets

	Consolidated and University College Milk Quota £'000
Cost	
At 1 August 2011	393
Additions During Year	-
At 31 July 2012	393
Accumulated Amortisation	
At 1 August 2011	393
Charge for Year	-
At 31 July 2012	393
Net Book Value	
At 31 July 2012	-
At 31 July 2011	-

10. Tangible Fixed Assets

	Consolidated				
	Freehold Property £'000	University College Plant and Equipment £'000	Farm Plant and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or Valuation					
At 1 August 2011	39,519	15,853	2,646	3,423	61,441
Transfers	2,363	1,060	-	(3,423)	-
Additions	1,775	1,845	-	1,364	4,984
Disposals	-	(86)	(31)	-	(117)
At 31 July 2012	43,657	18,672	2,615	1,364	66,308
Accumulated Depreciation					
At 1 August 2011	8,371	11,951	1,808	-	22,130
Charge for the year	1,040	877	89	-	2,006
Impairments	50	-	-	-	50
Disposals	-	(54)	(18)	-	(72)
At 31 July 2012	9,461	12,774	1,879	-	24,114
Net Book Value					
At 31 July 2012	34,196	5,898	736	1,364	42,194
At 31 July 2011	31,148	3,902	838	3,423	39,311
Financed by Capital Grant	11,693	355	25	-	12,073
Other	22,503	5,543	711	1,364	30,121
Net Book Value at 31 July 2012	34,196	5,898	736	1,364	42,194

10. Tangible Fixed Assets

University College

	Freehold Property £'000	University College Plant and Equipment £'000	Farm Plant and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or Valuation					
At 1 August 2011	39,519	15,853	2,646	-	58,018
Transfers	-	-	-	-	-
Additions	1,781	1,833	-	1,117	4,731
Disposals	-	(86)	(31)	-	(117)
At 31 July 2012	41,300	17,600	2,615	1,117	62,632
Accumulated Depreciation					
At 1 August 2011	8,371	11,951	1,808	-	22,130
Charge for the year	929	793	89	-	1,811
Disposals	-	(54)	(18)	-	(72)
At 31 July 2012	9,300	12,690	1,879	-	23,869
Net Book Value					
At 31 July 2012	32,000	4,910	736	1,117	38,763
At 31 July 2011	31,148	3,902	838	-	35,888
Financed by Capital Grant	11,693	355	25	-	12,073
Other	20,307	4,555	711	1,117	26,690
Net Book Value at 31 July 2012	32,000	4,910	736	1,117	38,763

Historic Cost and aggregate depreciation, based on cost, of land and buildings included at valuation:

	Consolidated and University College	
	As at 31 July 2012 £'000	As at 31 July 2011 £'000
Cost	41,877	39,149
Less Depreciation	(8,755)	(7,824)
Net Book Value	33,122	31,325

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Certain land and buildings were revalued on an open market basis by an independent Chartered Surveyor in 1991.

Included within freehold property is land costing £1,341,860 which is not depreciated.

11. Investments

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
	Consolidated and University College	
Long Term Asset Investments		
Quoted Securities at Market Value	545	125
Unquoted Securities at Cost	7	7
Acquisition of Long Term Asset Investment	-	409
	552	541
Current Asset Investments		
Short Term Investments at Cost	8,498	5,006
	8,498	5,006

12. Stock

	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Farm Stocks	1,141	872	1,141	872
Consumables	23	11	8	11
Goods for Resale	99	280	99	280
	1,263	1,163	1,248	1,163

13. Debtors

	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Amounts Falling Due Within One Year:				
Trade Debtors	896	868	816	831
Subsidiary Company	-	-	412	205
Prepayments & Accrued Income	356	1,215	249	1,139
	1,252	2,083	1,477	2,175
Amounts Falling Due After One Year:				
Subsidiary Company	-	-	2,816	3,110
	1,252	2,083	4,293	5,285

14. Creditors

	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Amounts Falling Due Within One Year:				
Bank Loans	410	327	410	327
HEFCE Loans	432	340	432	340
Other Loans	50	-	-	-
Projects in Progress	724	690	724	690
Taxation and Social Security	322	-	322	-
Sundry Creditors and Accrued Expenses	5,275	4,671	5,037	4,498
	7,213	6,028	6,925	5,855

Creditors: Amounts Falling Due After More Than One Year	£'000	Consolidated £'000	£'000	University College £'000
Creditors: Amounts Falling Due After More Than One Year	163	185	163	185
Loans				
Bank Loans	8,025	6,851	8,025	6,851
HEFCE Loans	2,748	3,180	2,748	3,180
Other Loan	450	500	-	-
Total Loans	11,223	10,531	10,773	10,031
	11,386	10,716	10,936	10,216

Borrowings	£'000	£'000	£'000	£'000
Bank Loans are Repayable as Follows:				
In One Year or Less	410	327	410	327
Between One and Five Years	3,112	1,503	3,112	1,503
In Five Years or More	4,913	5,348	4,913	5,348
	8,435	7,178	8,435	7,178

Bank loans (including a new loan of £1,600,000 drawn down in March 2012 for student residences) totalling £8,435,000 at various fixed rates ranging from 4.285% to 5.769% are repayable by instalments with the final payment scheduled for 03 September 2035.

Borrowings	£'000	£'000	£'000	£'000
HEFCE Loans are Repayable as Follows:				
In One Year or Less	432	340	432	340
Between One and Five Years	1,728	1,600	1,728	1,600
In Five Years or More	1,020	1,580	1,020	1,580
	3,180	3,520	3,180	3,520
Other loan is repayable as follows:				
In One Year or Less	50	-	-	-
Between One and Five Years	200	200	-	-
In Five Years or More	250	300	-	-
	500	500	-	-

The borrowings from HEFCE include two repayable interest free loans. Annual repayments of £159,972 with respect to the loan of £1,439,750 for the REESEP capital project commenced July 2010, however following an agreed revision to the repayment schedule, the loan repayment period will be reduced from 9 years to 7 years with an uplifted annual payment of £191,967 commencing as from July 2013 up until July 2017.

Quarterly repayments of £60,000 with respect to the loan of £2,400,000 for the Anaerobic Digester commenced in 2011/12 over a 10 year repayment period.

15. Provision for Liabilities and Charges

	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
The Provision for Liabilities and Charges is Made Up As Follows:				
Pension Provision	31	35	31	35
Deferred Tax Provision	54	-	-	-
Total Provisions for Liabilities and Charges	85	35	31	35

The Pension Provision represents the estimated future pension commitments relating to a retired former employee of the University College. The University College paid £4,768 relating to the commitment during the year. This sum is expected to increase annually in line with the increase in the Retail Price Index.

Deferred Tax Provision				
Capital allowances in excess of depreciation	91	-	-	-
Trading losses	(37)	-	-	-
Total Deferred Tax Provision	54	-	-	-

Harper Adams Energy Ltd has trading losses of £241,992 (2011: £121,075) for which a deferred tax asset has been recognised on £161,112 which represents the amount of losses expected to be utilised in the short term period.

16. Deferred Capital Grants

	Consolidated and University College	
	£'000	£'000
At 1 August	12,647	12,538
Capital Grants Received	150	550
Capital Grants Payable	22	(22)
	12,819	13,066
Less Release of Grant	516	419
Balance at 31 July	12,303	12,647

17. Total Reserves

		Consolidated		University College
	£'000	£'000	£'000	£'000
At 1 August	17,541	14,146	17,590	14,146
Total Recognised Gains for the Year	411	3,395	350	3,444
Balance at 31 July	17,952	17,541	17,940	17,590

18. Financial Commitments

	Consolidated		University College	
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Capital Commitments				
At 31 July 2012, the Following Amounts had been Authorised:				
Authorised and Contracted for	950	128	950	128
Authorised but not Contracted for	-	-	-	-

Operating Leases	Consolidated and University College	
	£'000	£'000
as at 31 July 2012, Harper Adams University College had annual commitments under operating leases expiring between one and five years:		
Plant and Machinery	25	37
Other	12	1
Total	**37**	**38**

19. Contingent Liabilities

There were no contingent liabilities as at 31 July 2012 or 31 July 2011.

20. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	£'000	£'000
Surplus on Continuing Operations before Taxation	1,941	2,182
FRS17 Pension Costs Less Contributions Payable	479	460
Depreciation and Amortisation (note 10)	2,056	2,388
Profit on Disposal of Fixed Assets	(8)	-
Deferred Capital Grants Released to Income	(516)	(419)
Investment Income	(2)	(2)
Interest Receivable	(191)	(128)
Interest Payable	422	415
Increase in Stocks	(100)	(47)
Decrease/(Increase) in Debtors and Prepayments	868	(1,074)
Increase in Creditors	345	1,608
(Decrease) in Provisions	(4)	(5)
Unrealised Gain on Investments	(11)	(10)
Net Cash Inflow from Operating Activities	**5,279**	**5,368**

21. Returns on Investments and Servicing of Finance

	£'000	£'000
Dividends Received	2	2
Interest Received	154	72
Interest Payable	(412)	(403)
Net Cash Outflow from Returns on Investments and Servicing of Finance	**(256)**	**(329)**

22. Capital Expenditure and Financial Investment

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Capital Grants Received – HEFCE	150	550
Proceeds from Sale of Fixed Assets	36	-
Payments to Acquire Tangible Assets	(4,362)	(8,663)
Net Cash (Outflow) from Capital Expenditure and Financial Investment	**(4,176)**	**(8,113)**

23. Financing

	£'000	£'000
Medium Term Loan	1,600	4,200
Repayment of Loan	(683)	(462)
Net Cash Inflow from Financing	**917**	**3,738**

23a Management of Liquid Resources

	£'000	£'000
Acquisition of Current Assets	3,492	4,756

24. Analysis of Changes in Net Debt

	At 31 July 2011 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2012 £'000
Cash at Bank and in Hand	5,410	(1,728)	-	3,682
Debt Due Within One Year	(667)	667	(842)	(842)
Debt Due After One Year	(10,531)	(1,584)	842	(11,273)
	(5,788)	**(2,645)**	**-**	**(8,433)**

25. Related Party Transactions

Due to the nature of the University College's operations and the composition of the Board of Governors (being drawn from public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University College's financial regulations and normal procurement procedures.

26. Subsidiary Companies

The University College owns the entire shares of two subsidiary companies: "Harper Adams (Energy) Limited" (incorporated 27 July 2009) and "Harper Adams (Rural Enterprises) Limited" (incorporated 27 July 2009). "Harper Adams Rural Enterprises Limited" has not traded since incorporation. "Harper Adams (Energy) Limited" has completed its second year of trading and is consolidated with the Harper Adams University College accounts on the income and expenditure and balance sheet respectively.

27. Access Funds

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Funding Council Grant	54	43
Disbursed to Students	(39)	(41)
	15	2

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

28. Pension Costs

The two principal pension schemes for the University College's staff are the Teachers' Pension Scheme (TPS), available to all teaching staff, and the Local Government Pension Scheme, operated as Shropshire County Council Pension Fund (SCCPF), available to all non teaching staff. Both are defined benefit schemes.

		2011/2012 £'000		2010/2011 £'000
Total Pension Cost for the Year				
Teachers' Pension Scheme: contributions paid		779		751
Local Government Pension Scheme: contributions paid	734		789	
FRS17 charge	113		122	
Charge to the Income and Expenditure Account (staff costs)		847		911
Total Pension Cost for Year		1,626		1,662

Local Government Pension Scheme

Membership of the Local Government Pension Scheme operated as the Shropshire County Council Pension Fund is available to all non teaching staff. The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2012 was £1,119,542 of which employer's contributions totalled £733,722 and employees' contributions totalled £325,448. As from April 2011, the agreed contribution rates are 10.7% for employers plus a monthly sum of £16,550 (£17,300 as from April 2012) and a variable percentage between 5.5% and 7.5% for employees.

FRS17

In accordance with the requirements of Financial Reporting Standard (FRS) 17 and the Statement of Recommended Practice for Accounting for Further and Higher Education, the Fund Actuary was instructed to complete a full valuation of the University College's element of the fund as at 31 July 2012, with comparative figures as at 31 July 2011.

Principal Actuarial Assumptions	2011/12	2010/11	2009/10
Rate of Increase in Salaries	3.60%	4.40%	4.95%
Rate of Increase of Pensions in Payment	2.10%	2.90%	2.70%
Discount Rate for Liabilities	4.30%	5.30%	5.50%
Inflation Assumption	2.10%	2.90%	2.70%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2012	At 31 July 2011
Retiring today		
Males	22.3	21.9
Females	25.0	24.6
Retiring in 20 years		
Males	24.1	23.3
Females	27.0	26.1

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

	Long term rate of return expected at 31.07.2012	Value at 31.07.2012 £'000	Long term rate of return expected at 31.07.2011	Value at 31.07.2011 £'000	Long term rate of return expected at 31.07.2010	Value at 31.07.2010 £'000
Equities	7.00%	8,915	7.00%	8,887	7.50%	7,969
Bonds:						
Government	2.50%	2,126	3.90%	1,869	4.20%	1,716
Other Bonds	3.40%	2,506	4.90%	2,340	5.10%	1,417
Property	6.00%	555	6.00%	593	6.50%	533
Cash / Liquidity	0.50%	777	0.50%	714	0.50%	728
Other	7.00%	984	7.50%	790	7.50%	637
		15,863		15,193		13,000

The following amounts at 31 July 2012 were measured in accordance with the requirements of Financial Reporting Standard (FRS17):

	31 July 2012 £'000	31 July 2011 £'000	31 July 2010 £'000
Total Market Value of Assets	15,863	15,193	13,000
Present Value of Scheme Liabilities	(24,365)	(21,740)	(19,891)
(Deficit) in the Scheme – Net Pension (Liability)	(8,502)	(6,547)	(6,891)

	31 July 2012 £'000	31 July 2011 £'000	31 July 2010 £'000
Current Service Cost	820	884	814
Past Service Cost	-	-	-
Effect of Curtailments or Settlements	27	27	17
Total Operating Charge	847	911	831
Analysis of Net Return on Pension Scheme			
Expected Return on Pension Scheme Assets	793	786	662
Interest on Expected Scheme Liabilities	(1,159)	(1,124)	(1,157)
Net Return	(366)	(338)	(495)

	31 July 2012 £'000	31 July 2011 £'000	31 July 2010 £'000
Analysis of Amounts Recognised in Statement of Recognised Gains and Losses			
Actual Return Less Expected Return on Pension Scheme Assets	(309)	403	743
Experience Gains and Losses Arising on Scheme Liabilities	-	-	-
Changes in Assumptions Underlying the Present Value of Scheme Liabilities	(1,167)	401	164
Total Actuarial Gain/(Loss) Recognised	**(1,476)**	**804**	**907**

Movement in Deficit During the Year:	**£'000**	**£'000**	**£'000**
Deficit in Scheme at 1 August	(6,547)	(6,891)	(7,176)
Movement in Year:			
Current Service Charge	(820)	(884)	(814)
Past Service gain/(loss)	-	-	-
Effect of Curtailments or Settlements	(27)	(27)	(17)
Contributions	734	789	704
Net Return on Assets	(366)	(338)	(495)
Actuarial Gain/ (Loss)	(1,476)	804	907
Deficit in Scheme at 31 July	**(8,502)**	**(6,547)**	**(6,891)**

Asset and Liability Reconciliation	**£'000**	**£'000**	**£'000**
Reconciliation of Liabilities			
Liabilities at Start of Period	21,740	19,891	17,845
Service Cost	820	884	814
Interest Cost	1,159	1,124	1,157
Employee Contributions	325	330	316
Actuarial (Gain)/Loss	1,167	(401)	(164)
Benefits Paid	(873)	(115)	(94)
Past Service loss/(gain)	-	-	-
Effect of Curtailments or Settlements	27	27	17
Liabilities at End of Period	**24,365**	**21,740**	**19,891**

Reconciliation of Assets	**£'000**	**£'000**	**£'000**
Assets at Start of Period	15,193	13,000	10,669
Expected Return on Assets	793	786	662
Actuarial (Loss)	(309)	403	743
Employer Contributions	734	789	704
Employee Contributions	325	330	316
Benefits Paid	(873)	(115)	(94)
Assets at End of Period	**15,863**	**15,193**	**13,000**

History of Experience Gains and Losses

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000	Year to 31 July 2010 £'000	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Defined benefit obligations	(24,365)	(21,740)	(19,891)	(17,845)	(17,762)
Plan Assets	15,863	15,193	13,000	10,669	11,390
Deficit	(8,502)	(6,547)	(6,891)	(7,176)	(6,372)
Experience adjustments on plan liabilities	-	(421)	-	-	112
Experience adjustments on plan assets	(309)	403	743	(1,947)	(1,239)

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employer contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution was 14.1%. The employee rate was 6.4% up to 31 March 2012 and from 1 April 2012 the rate is dependent on salary bandings and ranges from 6.4% to 8.8%.

An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The University College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the University College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The University College has set out above the information available on the scheme and the implications for the University College in terms of the anticipated contribution rates.

Five Year Summary Accounts

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT					
Income					
Funding Council Grants	13,237	16,710	17,224	19,823	16,239
Tuition Fees	4,999	5,221	6,245	7,412	8,313
Research Grants and Contracts	1,797	655	412	785	1,253
Other Operating Income	6,602	6,613	7,448	7,705	8,174
Investment Income	334	212	94	130	193
Total Income	**26,969**	**29,411**	**31,423**	**35,855**	**34,172**
Expenditure					
Staff Costs	12,529	13,319	14,243	15,736	15,697
Depreciation and Amortisation	1,590	1,638	1,922	2,388	2,056
Other Operating Expenses	11,165	12,509	12,812	14,796	13,690
Interest and Other Finance Costs	465	692	826	753	788
Total Expenditure	**25,749**	**28,158**	**29,803**	**33,673**	**32,231**
Operating Surplus Before Tax and Exceptional Items	**1,220**	**1,253**	**1,620**	**2,182**	**1,941**
CONSOLIDATED BALANCE SHEET					
Long Term Assets	24,385	28,191	33,704	39,852	42,746
Net Current Assets	4,837	7,792	6,930	7,634	7,482
Creditors: Amounts Falling Due After One Year	(6,246)	(7,322)	(7,019)	(10,716)	(11,386)
Provisions for Liabilities and Charges	(49)	(45)	(40)	(35)	(85)
	22,927	**28,616**	**33,575**	**36,735**	**38,757**
Pension Liability	(6,372)	(7,176)	(6,891)	(6,547)	(8,502)
Total Net Assets	**16,555**	**21,440**	**26,684**	**30,188**	**30,255**
Represented by					
Deferred Capital Grants	6,001	9,821	12,538	12,647	12,303
Revaluation Reserve	9	-	-	-	-
General Reserve	10,545	11,619	14,146	17,541	17,952
TOTAL FUNDS	**16,555**	**21,440**	**26,684**	**30,188**	**30,255**

Glossary of Terms

APB	Accounting Principles Board
ATP	Advanced Training Partnership
BBSRC	Biotechnology and Biological Sciences Research Council
CAP	Common Agricultural Policy
CATEY	Caterer and Hotelkeeper Award
CBI	Confederation of British Industry
CETL	Centre for Excellence in Teaching and Learning
CUC	Committee of University Chairmen
EU	European Union
FRS	Financial Reporting Standard
GVA	Gross Value Added
HEFCE	Higher Education Funding Council for England
HESA	Higher Education Statistics Agency
ICTA	Income and Corporation Taxes Act
LGPS	Local Government Pension Scheme
NRKE	National Rural Knowledge Exchange
REEDNET	Rural Employer Engagement Development Network
REESEP	Rural Employer Engagement Student Experience Project
RPI	Retail Price Index
SCCPF	Shropshire County Council Pension Fund
SERPS	State Earnings Related Pension Scheme
SORP	Statement of Recommended Practice
THE	Times Higher Education
THELMA	Times Higher Education Leadership and Management Award
TPS	Teachers' Pension Scheme
WiRE	Women in Rural Enterprise
WMRFA	West Midlands Regional Food Academy

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