

## Statement of Accounts 2009/10

UNIVERSITY OF HULL

# Operating and Financial Review

The University of Hull's current strategic plan addresses the time frame 2007 – 2012, many of its objectives remain relevant and are being achieved. However the external environment has altered rapidly since adoption of the plan. Fundamental transformation of the HE sector will follow from the Comprehensive Spending Review decisions and the Government's response to the Browne Report, *Securing a Sustainable Future for Higher Education*. The University needs to respond particularly to the changed funding environment. A refreshment of the strategic plan is already in progress commencing initially with a major data gathering exercise. Developing a clear strategic vision will be important. It will be important to reach consensus about the institution that the University wishes to be, and agreement on how that vision can be reached within a changed financial climate. It is intended that the new strategic plan will be agreed by Council during 2011.

## Scope of the Financial Statements

The Council of the University of Hull presents its results comprising the consolidated results of the University and its trading subsidiary undertakings for the year ended 31 July 2010.

## Strategic & Operational Review

The University operates within the strategy approved by Council and which is summarised as follows:

### Vision

To explore, create and communicate knowledge in order to enhance regional, national and global communities.

### Mission

The University's mission is to provide an outstanding student experience, deliver research and teaching of the highest quality while serving the needs of communities as a broad subject-based institution and promoting international engagement.

### Strategic aims

We aim to

- provide an outstanding experience for our students
- develop sustainable and distinctive academic provision
- expand and promote research excellence
- embed international perspectives across the institution
- lead knowledge transfer and contribute to the social and economic redevelopment of our locality
- enhance cultural and intellectual community life
- enlarge our student population
- ensure sustainable development

### Enabled by

- committed, flexible and skilled people
- continued investment in ICT and related infrastructure
- developing the estate
- prioritising customer focus
- partnership working
- supportive alumni and friends

- effective marketing, communications and public relation

- **Risk Management**

The University has a robust systematic method of assessing and managing risks. Risks are identified through the planning process and institutional risks monitored regularly by the Senior Management Team. Reports are provided to the Audit Committee and Council.

A principal risk is the radical change in funding streams derived from UK students from 2012 following the Browne Review, along with the possibility that Government legislation is not passed, or is delayed.

## FINANCIAL REVIEW

- **Financial Performance**

Financial stability is a goal that the higher education sector in general, and the University of Hull in particular, has consistently achieved over several years. The operating surplus of £14.8m in the year under review, representing 8.8% of turnover, has been a significant achievement for the University and its staff.

Recruitment of undergraduate students from the UK/EU has been strong and exceeded targets. The international student market remained highly competitive but again, the University exceeded its targets both in terms of student numbers and the income generated from this area of activity. Largely as a result of these factors, total income rose by 11.0% (£16.9m) in the year.

Operating costs over the period rose by £11.9m (8.4%) to £153.5m. Significant elements contributing to this overall increase comprise a rise in staff costs of £2.6m (3.0%) including national pay awards and increased employer's pension contributions for the USS scheme from October 2009, an increase in academic departments non pay costs of £3.3m (24%) of which almost £1.4m was matched by funding released from HEFCE and other earmarked income, with the other main contributory factor being an increase in non pay costs for the Business School of £1.3m arising from various factors but linked to an increase in overseas student fees of more than £2m. There are also increases shown under fellowships, scholarships and prizes (£1.1m), planned maintenance (£0.7m), other library and computing and academic services (£0.9m), and research grants and contracts (£0.6m) in line with strategy. Interest payable rose by £0.6m due to an increased pension finance charge.

The depreciation charge to the accounts has risen by £0.2m (2.7%) reflecting continuing capital investment on the part of the University.

- **Financial Performance compared to previous years**

The Council considers the financial performance in the year under review to be highly satisfactory when compared to recent performance and continues the strengthening trend of recent years:

	£m				
	2010	2009	2008	2007	2006
Income	168.3	151.5	141.5	127.4	113.7
Expenditure	153.5	141.6	135.2	122.0	112.6
Operating Surplus	14.8	9.9	6.3	5.4	1.1
Exceptional gain					
On Sale of assets		0.4		5.6	
Historical Cost Surplus	14.8	10.3	6.3	10.7	1.1

- **Performance Management/KPIs**

The University Council received at each meeting a set of key performance indicators (KPIs) for a range of University activity. Council is assisted in monitoring performance by a KPI Working Group. The indicators were informed by the Committee of University Chairmen report: 'Monitoring of Institutional Performance and the Use of Key Performance Indicators' (November 2006). The indicators include:

1. **Student Recruitment**

The indicators show continued growth of the student population. This reflects the Additional Student Numbers for Home/EU students (now ceased) together with a much changed applications picture across the sector. International recruitment has also grown strongly but is likely to come under competitive and regulatory pressure (visa process) in the following years.

## **2. Student Experience**

The University has maintained the 2009 score of 87% for Overall Satisfaction in the 2010 National Student Survey. Despite this good score, the University needs to continue efforts to maintain its relative position in the sector, as other universities increasingly focus on this area.

## **3. Research**

The performance in the RAE2008 resulted in a funding increase from 2009/10 of 50% compared to RAE2001; this was the 20<sup>th</sup> largest increase nationally.

## **4. Staffing**

The pay:income ratio, which is total staff costs as a % of total income, improved from 56.6% in 2008-09 to 52.4% in 2009-10, an improvement of 4.2%. These figures exclude fee payments, which are classified as Other Operating Expenses within the Financial Statements. This ratio will be closely monitored over the coming years as it is a key indicator of cost control within the University.

## **5. Estate**

The indicators used by Council cover water and energy usage and demonstrated some success against environmental impact targets with reduced consumption. The data also showed very high levels of residential accommodation occupancy.

## **6. Financial sustainability**

This is dealt with in more detail in these accounts, but the indicators received at each meeting allowed Council to monitor a generally strengthened financial performance.

- **Capital Programme**

The programme of long term planned maintenance continues with expenditure in year of £2.8m. In order to achieve sustainability, this programme will continue to ensure that the University campuses continue to provide a good and attractive environment for students and staff.

The University invested a further £12.0m in its ongoing capital programme, comprising significant ongoing investment in the refurbishment of the residential estate, the integration of the eastern and western elements of the main Hull campus, refurbishment of research laboratories and upgrade of teaching space across campus.

Moving forward, the University has made capital commitments over the next year partly financed from the current HEFCE Capital Investment Framework (CIF), encompassing upgrades to teaching and research facilities on the Hull campus and further residential refurbishment. In the longer term, the capital programme and further commitments will be reviewed in the light of the second phase of CIF funding, internal cash and other resources.

- **Future Financial Performance**

The Council has tasked the University with achieving surpluses at or above the HEFCE recommended target of 3% of turnover. Careful financial management will need to be exercised in order to continue to achieve this key target in the light of the implications of the Browne Review and the Comprehensive Spending Review, together with cumulative pressures around pay and pensions.

- **Cash flow**

Information regarding the University's cash position for 2009/10 is included in the accounts and demonstrates that the University's net cash flow from operating activities was highly positive in the year (£23.1m per note 23). The £23m was broadly attributed in the accounts as follows: £6m to fund capital investment over and above capital grants received, and a £17m increase in short term cash deposits held. Debt repayment on fixed term loans was a modest £0.3m.

The University remains committed to achieving a surplus in the next few years and this should result in continued positive cash generation from operating activities. By careful use of existing cash reserves, the

ongoing cash generation and the phasing of the existing capital programme, it is anticipated that the University will not need to seek further debt funding in the shorter term.

- **Treasury Management**

The University continues to employ a robust treasury management policy with emphasis on reducing risk rather than maximising returns, by adoption of an approved list of highly rated selected institutions supplemented by flexibility to use any highly rated UK institution.

In practice this has now led to little or no deposits with Irish institutions or UK building societies.

The University continues to use a cash management service for part of the available deposits to aid placements with a smaller restricted pool of highly rated institutions.

Overall control of the treasury management function continues to be done internally by a small team with production of rolling cash flow forecasts to ensure meeting of cash requirements and investment of surplus cash from a mixture of direct deposit placements and placements via the cash management service.

- **Pensions**

The FRS17 pension liability has risen from £29.4m to £30.2m during the year. The total deficit is a combination of £3.2m from the North Yorkshire Local Government Scheme and almost £27m from the in house University of Hull Pension and Assurance Scheme (UHPAS).

The deficit on the University of Hull Pension and Assurance Scheme has risen by a modest £1.04m due to a combination of a number of factors: increasing scheme liabilities due to reduction in discount rate from 6.0% to 5.4% along with increases linked to actual experience during the period following the 2009 triennial valuation (see below); offset by better asset performance than expected and excess of University employer contributions over required FRS17 income and expenditure charge including an increased pension finance element. The discount rate used as per Financial Reporting Standard 17 is based on AA rated corporate bond yield over a 15 year period.

The latest triennial actuarial review date of UHPAS was 6 April 2009 and was finalised in June 2010 within the required timescale. This valuation shows a deficit of £31.7m but is based on an earlier point in time with different market conditions and does not use identical actuarial assumptions to the partly prescribed FRS17 outcome above.

- **Endowments**

Following a strategic review and exercise the University sold down those assets originally invested in March 2007 in an FTSE all share equity tracker fund. They were spread across the three portfolios partly representing specific and general endowments and the CMRI reserve. A more pro-active management approach with a new fund manager was adopted. The former equity tracker element has been re-invested on a phased basis in line with the revised strategy and at the end of July 2010 was broadly unchanged against the realised sale value of circa £10m which included appreciation of £1.7m from August 2009 to March 2010. In the following period the FTSE all share index fell from 2900 in March 2010 to 2700 at the end of July 2010.

- **Creditor Payment Policy**

The University generally pays creditors 30 days from invoice date unless specified otherwise in the terms of contract. It is the University's policy to obtain the best value for money for its purchases and thus there is no over-riding policy as to payment terms. Where alternative terms have been negotiated with suppliers, all endeavours are made to abide by specific terms.

- **Accounting Policies**

The group financial statements have been prepared in accordance with its Statement of Principal Accounting Policies set out in this document. In accordance with Financial Reporting Standard 18, the University's Finance & Estates Committee has reviewed these policies and considers them to be appropriate to the Group's operations.

## **STAFF**

With regard to human resources policy and activity our aim, in the broadest terms, has been to enable and support the delivery of the Strategic Plan. More specifically, it is designed to continue the process of modernising

HR and employment relations practices and encouraging the alignment of individual aspirations and priorities with the business requirements of the University. Furthermore, we have striven to build upon the University's growing reputation as an employer of choice through the promotion of fair employment and management practices, both as an objective in its own right and as a means of recruiting, retaining, motivating and developing the highest quality staff.

In order to deliver these broad objectives, we are committed to:-

- Maintaining a proactive approach to workforce planning, resourcing and reward and grading structures to ensure the maintenance of a motivated, high-quality workforce
- Further developing of, and investment in, organisational & professional development activities across all staff categories and levels
- Developing and embedding a positive and inclusive approach to employment relations - both collective and individual - with an emphasis on partnership and creative approaches to disputes resolution
- Promoting diversity and widening opportunity for people from all backgrounds to succeed within the University, moving the focus from legislative compliance to the mainstreaming and embedding of best employment practice
- Developing the "Psychological Contract", and promoting the University of Hull as a key employer of choice within the Sector and the Region
- Developing the HR function as a high performance directorate, delivering an exemplar professional and proactive support service.

## ACADEMIC REVIEW

### • Students

The University experienced a rise of 18% in terms of H/EU UG applications and recruited well across all subject areas. Recruitment from the region is strong and outperforms all widening participation benchmarks. The University is determined to turn around the slight increase in non-completion rates and participates with the Universities of Newcastle and Sunderland in a 3 year HEFCE pilot on 'Good practice in student retention'.

### • Academic Portfolio

The University is committed to its broad based portfolio, delivered on both campuses. Programme renewal in view of a changing environment is important and particular effort was taken with regard to the postgraduate taught provision.

The year saw the continuation of a new VLE (Virtual Learning Environment) and this was seen as an opportunity both to spread the use of VLEs and to diversify the range of pedagogic approaches used in our modules.

### • Quality and Standards

The University is continuing to implement actions arising from the 2009 QAA Institutional Audit and is preparing for a QAA Collaborative Provision Audit in 2011.

### • Research

The University has seen a modest increase in research expenditure during the year to £9.7m. However, a significant increase in declared awards from £8.7m in 2008/09 to £13.1m in 2009/10 has been achieved. Grant winning performance in the Faculty of Science, Postgraduate Medical School and HYMS has shown a marked improvement which should be reflected in next year's financial statements. UK Government awards have increased significantly in the past year due to the success with the Food Standards Agency and the Technology Strategy Board. UK industry awards have also increased through the work being undertaken in the Institute of Estuarine and Coastal Studies and significant grants in Chemistry with Reckitt Benckiser and Unilever. However, Research Council funding remains a challenge as the sector becomes more selective in allocations. The introduction of internal peer review of grants prior to submission has helped improve performance and increase success rates in many academic areas.

- **Enterprise**

The University's Enterprise Centre hosted 47 pre-trading and early-start businesses from opening in December 2008 to the current year. This is ahead of its contracted target commitment of 40 new businesses. Around one third of the companies were created by current students, a third by graduates and the remaining third from those with no previous connection to the University, placing the University at the heart of regional economic development.

The value of the University's interaction with business was £18.6m (Higher Education Business and Community Interaction Survey, published 2010), around the same as in the previous year. It was the second highest contributor to the region's Innovation Vouchers scheme, which aims to incentivise businesses to engage with the knowledge base, usually for the first time. The University secured 109 innovation vouchers worth £404,000. In the same period the University secured £286,000 in Proof of Commercial Concept funds to help take University research closer to commercial markets. Its work under the Economic Challenge Investment Fund (£450,000 HEFCE, £450,000 Yorkshire Forward) has been the most prolific of Yorkshire's universities.

## **PUBLIC BENEFIT**

The University of Hull is an exempt charity under the terms of Charities Act 2006.

The Higher Education Funding Council for England (HEFCE) acts on behalf of the Charity Commission as the principal regulator for English higher education institutions under the Charities Act 2006. In setting and reviewing the University's objectives and activities, Council has had due regard to HEFCE's guidance on *Reporting on the delivery of public benefit* and *Public benefit and education*, together with the Charity Commission's guidance on *Charities and Public Benefit*, *Public benefit and Fee-Charging* and *The Advancement of Education for the Public Benefit*.

- **Aims and Objectives**

The overall aim of the University, as set out in its Charter, is to "advance education, scholarship, knowledge and understanding by teaching and research, for the benefit of individuals and society at large". The Charter gives the University power to achieve that aim by providing, amongst other things:

- "instruction in such branches of learning as the University may think fit and to make provision for research and for the advancement and dissemination of knowledge"
- "research and advisory services and with such provision to enter into arrangements with other institutions or with public bodies as may be thought desirable"
- "for the printing and publication of research and other works which may be issued by the University"

When implementing our aims and objectives, the University is guided by the values set out in its Strategic Plan and Mission. Council is mindful of its responsibility to ensure that the University acts for the benefit of the public.

The Strategic Plan is available on the University website.

- **Student Admissions and Widening Participation**

The University looks to attract a balanced and diverse student body with a variety of backgrounds and experience, with a view to providing an outstanding student experience and enhancing cultural and intellectual community life. The University of Hull encourages applications from individuals whatever their background. Each application is assessed carefully and fairly, and places are offered to those who have the potential, the motivation and the academic ability to do well at Hull. Further information on admissions is available on the University website, which includes links to Departmental admissions information.

The University of Hull has a keen interest in widening participation and is committed to giving students in financial need suitable advice and appropriate financial assistance, with a view to ensuring that no-one is deterred from applying to or studying at Hull on financial grounds.

The University has a well established programme of outreach activities designed to raise levels of attainment, aspirations and applications among under-represented groups. Further information can be found in the Widening Participation section of the University website, which includes links to our sub-regional partners.

All our students benefit from an excellent teaching and learning experience, evidenced by the University's performance in national teaching quality league tables and we provide a range of student services to support and encourage our students, including health services, counselling, specialist provision for disabled students, sport and exercise facilities, and careers and financial advice. Further information can be found in the "Why Choose Us?" section of the University website and in the on-line Student Handbook.

The University also offers a range of extra-curricular opportunities, including voluntary work opportunities, which enable students to develop as individuals and contribute to the wider community.

- **Quality Research and Scholarships**

The University has an international reputation for its research and expertise, and aims to support a spectrum of both single-discipline and interdisciplinary research and a culture which celebrates research excellence and expects all academic staff to be innovative in their fields. At the same time the University is keen to ensure that its research meets the need of business and regional bodies, and that this research is adequately resourced and funded.

Research is funded from a variety of sources, including a substantial contribution from public bodies and organisations.

Mrs N J Duncumb  
University Treasurer

Professor C W I Pistorius  
Vice-Chancellor



# Corporate Governance Statement

## Summary of the University's Structure of Corporate Governance

The following statement is provided to enable readers of the Annual Report and Statement of Accounts of the University to obtain a better understanding of the governance and legal structure of the University.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee for Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairs in its *Guide for Members of Higher Education Governing Bodies in the UK*. The Council formally adopted the Guide's Governance Code of Practice on 14 July 2005.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1954. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes which are approved by the Privy Council.

The University of Hull is also an exempt charity under the terms of Charities Act 2006.

The Higher Education Funding Council for England (HEFCE) acts on behalf of the Charity Commission as the principal regulator for English higher education institutions under the Charities Act 2006. In setting and reviewing the University's objectives and activities, Council has had due regard to HEFCE's guidance on *Reporting on the delivery of public benefit* and *Public benefit and education*, together with the Charity Commission's guidance on *Charities and Public Benefit*, *Public benefit and Fee-Charging* and *The Advancement of Education for the Public Benefit*.

The University's Charter, Statutes and Ordinances require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its members are representatives of the staff of the University and the student body. The lay members receive no fees or payment for the work which they do for the University. The Chair of Council is Mr J Standen.

The following members served from 1 August 2009 to 23 November 2010:

### Lay Members:

Mr M Bartlett  
Mr M Charlesworth (to 9 December 2009)  
Mr L Cotter  
Mr J Dick  
Judge J Dowse  
Mrs N J Duncumb  
Mr A Eavis  
Dr K Hopkins  
Mr S Lunt (from 24 February 2010)  
Dr S Potestà  
Mr J Standen (Chair)  
Mrs R Vincent (from 24 February 2010)  
Mr A Wardle  
Mr R Williamson

### Non Lay Members:

Vice-Chancellor  
Finance Director

Professor C Pistorius  
Mrs R Wiggins (to 31 December 2009)  
Mr D Parkinson (Acting Finance Director on 24 November 2009)  
Miss A Galbraith (Acting Finance Director to 22 August 2010)

Senate (a Pro-Vice-Chancellor)	Mr Chris Reilly (Chief Finance Officer from 23 August 2010) Professor P Lutzeier (to 31 December 2009) Professor B Winn (from 1 January 2010)
Senate (a Dean)	Dr C Gaskell
Senate (a Head of Department)	Mr J Morris (to 31 July 2010)
Senate (elected member)	Professor S Haywood
Senate (elected member)	Mr S Shastri
Non academic staff	Mr A Lee
President, Students' Union	Mr J Scudamore (2009/10) Mr A Merish (2010/11)

- **The Senate** is the academic authority of the University and draws its membership from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
- **The Court** is a large and formally constituted body. It offers a means whereby the wider interests served by the University can be associated with the institution and provides a public forum where members of Court can raise matters about the University. The Court normally meets once a year to receive the Annual Report and Statement of Accounts of the University.

A majority of the members of Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body

The principal academic and administrative officer of the University is the Vice-Chancellor who was Professor DJ Drewry for the period to 31 August 2009. He was succeeded by Professor C Pistorius. The Vice-Chancellor has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University.

Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular during 2009-2010, the Finance and Estates Committee (chaired by the Treasurer, Mrs N J Duncumb), the Nominations Committee (chaired by Mr J Standen), the Remuneration Committee (chaired by Mr J Standen), and the Audit Committee (chaired by Dr K Hopkins). The decisions of these committees are formally reported to the Council.

These committees are formally constituted as committees of the Council with written terms of reference and specified membership, including a proportion of lay members (from whom the Chair is selected).

The University has also had regard to the Committee of University Chairs Governance code of practice and its practices are consistent with the provisions of the code.

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the Quality Director, University Registrar and Secretary.

The Council has adopted a Risk Management Policy and agreed a Risk Register. The Vice Chancellor reports to the Council and the Audit Committee monitors the risk management process. The Council's practice complies with the guidance from the Higher Education Funding Council for England.

The Quality Director, University Registrar and Secretary acts as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the Quality Director, University Registrar and Secretary.

## Responsibilities of the Council of the University of Hull

In accordance with the University's Charter and Statutes, the Council is responsible for the strategic direction, administration and management of the affairs of the University. It has published a Statement of Primary

Responsibilities which is reproduced at the end of this statement. One of its responsibilities is to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on a going-concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

## Statement of Internal Control

As the governing body of the University of Hull, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate risk; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2010 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, the Council has responsibility for overseeing and reviewing the effectiveness of the system of internal control. The following processes exist:

- The plans and strategic direction of the institution are reviewed at regular intervals.
- Council receives regular reports from the Audit Committee concerning internal control, and reviews annually the results of risk identification, evaluation and management. Council also approves annually the institutional risk register.

- The Senior Management Team (SMT) Monitoring Group, chaired by the Vice-Chancellor, takes responsibility for risk identification, evaluation and management.
- An institution-wide risk register, maintained by the Senior Management Team, is revised 'in year' as the result of emergent risks. Risks are monitored regularly, at least quarterly, by the SMT. The register is reviewed annually on a more formal basis.
- Risk assessment is an integral part of the planning and budgeting processes. Each academic and service area Head is required to compile a risk register, to manage and review regularly the identified risks. Deans and Heads of Departments are briefed annually on risk processes and controls are reviewed at least once per year.
- A risk prioritisation methodology is used based on the probability and likely impact of the risk materialising.

The Council's review of the effectiveness of the system of internal control is informed by the University's internal auditors who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, via the Audit Committee, which include an independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

The Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The University risk management processes are also subject to periodic review by the HEFCE Audit Service and have been adjudged to provide a high level of assurance.

The most recent review took place in March 2009.

### Council - Statement of Primary Responsibilities

The principal responsibilities of the Council of the University of Hull are as follows:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the University.
8. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.

11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
13. To ensure that appropriate provision is in place for the general welfare of students, in consultation with the Senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

# Independent Auditors' Report to the Council of the University of Hull

We have audited the Group financial statements (the 'financial statements') of the University of Hull for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the consolidated and University's balance sheets, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses and the related notes.. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it 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 Council for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the University's Council and Auditors

The governing body's responsibilities for preparing the operating and financial review and the Group financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities within the Corporate Governance Statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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 have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, 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 Training and the Development Agency for Schools.

We also report to you our opinion as to whether the information given in the operating and financial review is not consistent with the financial statements.

In addition we also report to you if, in our opinion, the University has not kept proper accounting records, if the University's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read the operating and financial review 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.

## Basis of Opinion

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

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Accounts Direction and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Funding Council, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Funding Council and the funding agreement with the Training and Development Agency for Schools.

GRANT THORNTON UK LLP  
Registered Auditor  
Chartered Accountants  
LEEDS

# Statement of Principal Accounting Policies

## 1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and certain Land and Buildings, and in accordance with both the Statement of Recommended Practice 2007: Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

## 2. Basis of consolidation

The University has set up a number of companies for commercial purposes. The details are included in Note 11 to the financial statements.

A small number of companies in which the University has a minority shareholding are accounted for as fixed asset investments as disclosed in Note 11.

The consolidated financial statements include the University of Hull and its subsidiary undertakings referred to as 'The Group'. The results of subsidiaries acquired during the period are included in the consolidated profit and loss account from the date of their acquisition. Intragroup sales and profits are eliminated fully on consolidation.

The financial statements do not include those of the University of Hull Students' Union as the University does not have a dominant influence over its policy decision.

## 3. Provisions for liabilities and charges

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

## 4. Recognition of income

Income from Specific Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis.

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

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

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## 5. Pensions

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme for academic and academic-related staff and the University of Hull Pension and Assurance Scheme for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. Pension costs are assessed in accordance with the advice of the actuaries to each scheme, based on the latest actuarial valuations of the schemes. A small number of staff remain in other pension schemes.

The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the income & expenditure account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement Benefits'.



For the Universities Superannuation Scheme pension costs are brought to account on the basis of charging the costs of providing pensions over the period during which the University benefits from the employees' services.

## 6. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates and the resulting exchange differences are included in the determination of the surplus or deficit for the year.

## 7. Leases

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

Finance leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the life of the lease.

## 8. Land and buildings

Land and Buildings are stated at cost or valuation. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over their expected useful lives of 50 years or the length of lease for leasehold properties. All capital expenditure (recent and historic) classed as building refurbishment is depreciated over 20 years from financial year 2007/08 (previously written off over 25 years). No depreciation is charged in the year of acquisition on either category.

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

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

## 9. Equipment

Equipment costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

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

General equipment	5 years
Motor Vehicles	4 years

Equipment acquired for specific research projects

Project life by financial year

No depreciation is charged in the year of acquisition.

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

## 10.Maintenance of premises

The cost of routine maintenance is charged to the Income and Expenditure account in the period that it is incurred.

## 11. Endowment Asset Investments

Endowment asset investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost or market value.

## 12. Stocks

Stocks are valued at the lower of cost or net realisable value. Stocks held in teaching and service departments are excluded.

## 13. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock but exclude any such assets held as Endowment Asset Investments. Current Asset Investments represent liquid resources held wholly as term deposits.

## 14. Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

# Consolidated Income and Expenditure Account

## for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
<b>INCOME</b>			
Funding Council Grants	1	59,416	55,172
Tuition Fees and Education Contracts	2	69,894	59,856
Research Grants and Contracts	3	9,715	9,375
Other Income	4	28,860	26,403
Endowment and Investment Income	5	459	676
<b>TOTAL INCOME</b>		<b>168,344</b>	<b>151,482</b>
<b>EXPENDITURE</b>			
Staff Costs	6	88,261	85,685
Other Operating Expenses	7	56,301	47,787
Depreciation	10	7,629	7,427
Interest Payable	8	1,303	685
<b>TOTAL EXPENDITURE</b>	9	<b>153,494</b>	<b>141,584</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax and exceptional items		14,850	9,898
Surplus on Disposal of Tangible Fixed Assets		0	413
Taxation		0	0
Transfer to accumulated income within specific endowments		(14)	(1)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets,tax and exceptional items and transfers in respect of specific endowments	20	<b>14,836</b>	<b>10,310</b>

The income and expenditure account is in respect of continuing activities

## Balance Sheets as at 31 July 2010

	Note	Consolidated 2010 £000	2009 £000	University 2010 £000	2009 £000
<b>FIXED ASSETS</b>					
Tangible Assets	10	107,089	102,708	107,089	102,708
Investments	11	4,256	3,576	4,256	3,578
		<u>111,345</u>	<u>106,284</u>	<u>111,345</u>	<u>106,286</u>
<b>ENDOWMENT ASSETS</b>	12	<u>11,148</u>	<u>9,896</u>	<u>11,148</u>	<u>9,896</u>
<b>CURRENT ASSETS</b>					
Stocks		87	89	87	89
Debtors	13	9,775	11,943	9,775	11,943
Investments		33,880	17,049	33,880	17,049
Cash at Bank and in Hand		395	524	395	524
		<u>44,137</u>	<u>29,605</u>	<u>44,137</u>	<u>29,605</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<u>(35,791)</u>	<u>(33,572)</u>	<u>(35,791)</u>	<u>(33,574)</u>
<b>NET CURRENT LIABILITIES</b>		<u>8,346</u>	<u>(3,967)</u>	<u>8,346</u>	<u>(3,969)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>130,839</u>	<u>112,213</u>	<u>130,839</u>	<u>112,213</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	<u>(6,875)</u>	<u>(7,175)</u>	<u>(6,875)</u>	<u>(7,175)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>(992)</u>	<u>(645)</u>	<u>(992)</u>	<u>(645)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>122,972</u>	<u>104,393</u>	<u>122,972</u>	<u>104,393</u>
<b>PENSION LIABILITY</b>	29	<u>(30,204)</u>	<u>(29,388)</u>	<u>(30,204)</u>	<u>(29,388)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>92,768</u>	<u>75,005</u>	<u>92,768</u>	<u>75,005</u>
<b>DEFERRED CAPITAL GRANTS</b>	17	<u>55,359</u>	<u>53,305</u>	<u>55,359</u>	<u>53,305</u>
<b>ENDOWMENTS</b>					
Specific	18	4,890	4,127	4,890	4,127
General	18	6,258	5,769	6,258	5,769
		<u>11,148</u>	<u>9,896</u>	<u>11,148</u>	<u>9,896</u>
<b>RESERVES</b>					
Designated MRI Reserve	21	4,778	4,098	4,778	4,098
Revaluation Reserve	19	2,469	2,516	2,469	2,516
		<u>7,247</u>	<u>6,614</u>	<u>7,247</u>	<u>6,614</u>
General reserve excluding pension liability	20	49,218	34,578	49,218	34,578
Pension Reserve	29	(30,204)	(29,388)	(30,204)	(29,388)
General reserve including pension liability	20	<u>19,014</u>	<u>5,190</u>	<u>19,014</u>	<u>5,190</u>
<b>TOTAL</b>		<u>92,768</u>	<u>75,005</u>	<u>92,768</u>	<u>75,005</u>

The financial statements were approved by the Council on 23 November 2010, and signed on its behalf by:

MR J.STANDEN (Chairman of Council)

MRS N.J. DUNCUMB(Treasurer)

PROFESSOR C.W.I. PISTORIUS (Vice-Chancellor)

## Consolidated Cash Flow Statement for the year ended 31 July 2010

		2010 £000	2009 £000
	Note		
Cash flow from operating activities	23	23,129	19,956
Returns on investments and servicing of finance	24	76	217
Capital expenditure and financial investment	25	(6,228)	(5,019)
Management of liquid resources	26	(16,831)	(12,004)
Financing	27	(275)	(3,300)
Decrease in cash in the year		<u>(129)</u>	<u>(150)</u>

## Reconciliation of net cash flow to movement in net funds/(debt)

	2010 £000	2009 £000
Decrease in cash in the year	(129)	(150)
Inflow from liquid resources	<u>16,831</u>	<u>12,004</u>
Change in net debt resulting from cash flows	16,702	11,854
Decrease in Debt	<u>275</u>	<u>3,300</u>
MOVEMENT IN NET FUNDS IN THE PERIOD	16,977	15,154
Net Funds/(Debt) at 1 August	<u>10,123</u>	<u>(5,031)</u>
NET FUNDS AT 31 JULY	<u>27,100</u>	<u>10,123</u>

## Statement of consolidated total recognised gains and losses for the year ended 31 July 2010

		2010	2009
	Note	£'000	£'000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Assets and before transfers in respect of specific endowments		14,850	10,311
Appreciation/(Depreciation) of Endowment Asset Investments	18	924	(757)
New Endowments	18	314	100
FRS17 actuarial loss recognised in pension schemes	29	(1,059)	(12,236)
Net Movement on Specific MRI reserve	21	680	(1,511)
<b>TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR</b>		<b>15,709</b>	<b>(4,093)</b>

### Reconciliation

	2010
	£'000
Opening Reserves and Endowments	21,700
Total recognised losses for the year	15,709
Closing Reserves and Endowments	<b>37,409</b>

## Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2010

Surplus on continuing operations before taxation	14,850	10,311
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	19 47	47
<b>Historical Cost Surplus for the year before and after taxation</b>	<b>14,897</b>	<b>10,358</b>

# Notes to the Accounts

	2010 £'000	2009 £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	49,774	45,545
Specific Grants		
TDA	3,337	3,070
JISC	426	472
Other	3,603	3,289
Deferred Capital Grants Released in Year (Note 17)	2,276	2,796
	<u>59,416</u>	<u>55,172</u>

Funding Council Grants represent grants from the Higher Education Funding Council for England and the Training and Development Agency for Schools

2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	44,895	39,641
Full-time Students Charged Overseas Fees	19,235	14,441
Part-time Students	2,696	2,772
Research Training Support Grants	815	917
Short Course Fees	2,253	2,085
	<u>69,894</u>	<u>59,856</u>

3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,707	2,885
UK Charities	1,463	1,856
UK Central Govt	969	632
Local Authorities	137	55
Health & Hospitals	584	471
UK Industry	1,450	1,359
EU	1,568	1,524
Overseas and Other Sources	837	593
	<u>9,715</u>	<u>9,375</u>

## Notes to the Accounts

	2010 £'000	2009 £'000
4. OTHER INCOME		
Residences, Catering and Conferences	12,620	11,855
Other Services Rendered	3,409	3,263
Health Authorities	5,403	4,766
Other Donations	202	291
Released from Deferred Capital Grants	1,249	978
Rents Receivable and Facilities income	746	849
ERASMUS Grants	270	296
Other Revenue Grant and Departmental income	3,399	2,869
Other Income	1,562	1,236
	<u>28,860</u>	<u>26,403</u>

### 5. ENDOWMENT INCOME AND INVESTMENT INCOME

Transferred from Specific Endowments (note 18)	102	147
Income from General Endowment Asset Investments (note 18)	138	249
Income from Short Term Investments	212	261
FRS17 Pension finance income	0	0
Loan Interest receivable	7	19
	<u>459</u>	<u>676</u>

### 6. STAFF

#### Staff Costs:

Wages & Salaries	69,398	70,222
Social Security Costs	5,682	5,855
Other Pension Costs	13,181	9,608
	<u>88,261</u>	<u>85,685</u>

In May 2009 the University introduced a pension salary sacrifice scheme for most staff: from that date employee pension contributions effectively paid over by the university on behalf of employees are included within other pension costs as employer contributions (and are construed as such) with a corresponding reduction in the wages and salaries heading which formerly included employee contributions (09/10 full year effect £3,842,000; 08/09 part year effect: £874,000).

#### Emoluments of the Vice-Chancellors

Previous	18	213
Present	206	0
	<u>224</u>	<u>213</u>

The emoluments of the Vice-Chancellors excludes the University's pension contributions to USS on their behalf which amounted to £48,260 (2009: 29,799).

Total emoluments therefore comprised £272,260 (2008: £242,799).



## Notes to the Accounts

6. STAFF (continued)	2010	2009
	Number	Number
Average Staff Numbers by Major Category		
Academic/Clinical	1,122	1,119
Technical	118	134
Administrative	419	420
Other	314	315
	<b>1,973</b>	<b>1,988</b>

Remuneration of Higher Paid Staff (excluding employers pension contributions). Staff to whom payments are made on behalf of the NHS, in respect of contracted clinical responsibilities, are shown in the column headed \*.

	2010		2009	
	No. of Staff		No. of Staff	
	*		*	
£190,000 - £199,999	0	0	1	0
£180,000 - £189,999	2	0	2	0
£170,000 - £179,999	2	0	1	0
£160,000 - £169,999	2	0	1	0
£150,000 - £159,999	3	0	2	0
£140,000 - £149,999	5	1	5	1
£130,000 - £139,999	2	0	3	1
£120,000 - £129,999	1	1	2	0
£110,000 - £119,999	2	1	1	2
£100,000 - £109,999	1	0	3	1

## Notes to the Accounts

	2010 £000	2009 £000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	5,410	5,133
Academic Departmental Expenditure	16,883	13,626
Books, Periodicals and related Media	1,740	1,558
Other Library and Computing and Academic Services	4,295	3,381
General Educational Expenditure	3,346	3,310
Administration	2,000	2,140
Fellowships, Scholarships and Prizes	6,343	5,247
Heat, Light, Water and Power	2,504	2,179
Repairs and General Maintenance	1,056	893
Planned Maintenance	2,793	2,071
Rent, Rates and Insurance	760	690
Grants to University's Students Union	1,114	1,087
Research Grants and Contracts	3,814	3,173
Services Rendered	1,061	1,125
Auditors' Remuneration	49	46
Auditors' Remuneration re Non-Audit Services	0	0
Bad and Doubtful Debts	596	394
Other Expenses	2,537	1,734
	<b>56,301</b>	<b>47,787</b>

## Notes to the Accounts

2010 2009  
£000 £000

### 8. INTEREST PAYABLE

Bank and other Loans repayable within 1 year	0	71
Bank and other Loans wholly or partly repayable in more than 5 years	383	388
FRS17 pension finance charge	920	226
	<u>1,303</u>	<u>685</u>

### 9. ANALYSIS OF 2009/2010 EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other Operating Expenditure	Interest Payable	Total
Academic Departments	56,533	1,083	16,884	0	74,500
Academic Services	7,599	716	6,035	0	14,350
Research Grants and Contracts	4,027	216	3,814	0	8,057
Residences, Catering and Conferences	2,455	1,550	5,410	0	9,415
Premises	5,235	3,831	7,469	1,303	17,838
Administration	6,735	16	2,000	0	8,751
Services Rendered	1,394	0	1,061	0	2,455
Other Expenses	4,283	217	13,628	0	18,128
	<u>88,261</u>	<u>7,629</u>	<u>56,301</u>	<u>1,303</u>	<u>153,494</u>

The depreciation charge has been funded by:	£000
Deferred Capital Grants Released (note 17)	3,742
Revaluation Reserve Released (note 19)	47
General Income	<u>3,840</u>
	<u>7,629</u>

# Notes to the Accounts

## Consolidated and University

### 10. TANGIBLE ASSETS

	Land & Buildings		Equipment	Total
	Freehold	Leasehold		
	£000	£000	£000	£000
Cost/Valuation:				
At 1 August 2009				
Cost/Valuation	118,795	865	35,310	154,970
Additions at Cost	9,907	0	2,103	12,010
Disposals	0	0	0	0
At 31 July 2010	<u>128,702</u>	<u>865</u>	<u>37,413</u>	<u>166,980</u>
Depreciation:				
At 1 August 2009	24,489	559	27,214	52,262
Charge for the year	4,333	43	3,253	7,629
Eliminated on Disposal	0	0	0	0
At 31 July 2010	<u>28,822</u>	<u>602</u>	<u>30,467</u>	<u>59,891</u>
Net Book Value				
At 31 July 2010	<u>99,880</u>	<u>263</u>	<u>6,946</u>	<u>107,089</u>
Net Book Value				
At 1 August 2009	<u>94,306</u>	<u>306</u>	<u>8,096</u>	<u>102,708</u>

Certain buildings were revalued at market value during the year ended 31 July 1998 by E.C. Harris, Chartered Surveyors and Messers G.J.A Grimley, Chartered Surveyors. The historical cost of these items is £4,031,000. Following the implementation of FRS15 'Tangible Fixed Assets' the tangible assets previously revalued have been retained at their book amounts as permitted by the transitional provisions of FRS15, and the valuation has not been updated.

Buildings with a net book value of £40,306,228 (2009: £37,086,616) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England. Land and Buildings and Equipment at 31 July 2010 include £5,521,904 (2009: £4,038,589) of assets in the course of construction which are not depreciated until completed.

# Notes to the Accounts

## 10.TANGIBLE ASSETS (cont.)

### Heritage Assets

Heritage assets at the University fall into three main groups as expanded below. Virtually none are presently on the balance sheet, being acquired through donation or historically expensed through the income and expenditure account (i.e. non capitalisation in previous periods). In conjunction with this, and the fact that some are on loan and some are corporate art, the analysis of past accounting records to determine cost and/or an appropriate value to place on the University balance sheet is not considered to provide additional benefit to the users of the accounts compared to the narrative disclosures below.

#### (i) Art collection

The University of Hull Art Collection was established in 1963 to bring the University's students and staff into contact with works of art. It also seeks to serve a wider public and constitutes one of the major cultural contributions that the University of Hull makes to the city and region. It has full Accredited Museum status under the Museums, Libraries and Archives Council scheme.

The Art Collection amounts to some 1,000 works including items on loan from the Arts Council Collection and private individuals. It incorporates the following collections:

- The primary collection devoted to Art in Britain 1890-1940.
- The Contemporary Art Collection of work from the second-half of the 20<sup>th</sup> Century to the present
- The Pettifer Collection of Maritime Paintings, devoted to British maritime subjects.
- The Thompson Collections of Chinese ceramics (on long-loan).
- Other University works of art including portraits of former officers.

The primary collection of Art in Britain 1890-1940 is displayed in purpose-built galleries in The Middleton Hall as are the Thompson Collections. The Art Collection also has its secure storage there. The Contemporary Art Collection is displayed in University premises on the Cottingham Road Campus. The Pettifer Collection of Maritime Paintings is displayed in Blaydes House, housing the University's Maritime History Institute.

#### (ii) South East Asia museum

The South-East Asia Museum is a permanent exhibition of artefacts originally collected for teaching and research in the Centre for South-East Asia Studies. In recent years the collections have been extended by generous donations by individuals and national institutions, and re-housed in a new gallery. The displays cover significant aspects of South-East Asian culture: indigenous belief systems, Hinduism, Buddhism, Islam and Christianity; the basic economy – rice cultivation, fishing, fruits of the forest, timber, rubber, oil palm, the spice trade, opium; arts and crafts, particularly theatre, puppets, music, painting, woodcarving, painting, textiles and sculpture. The collection also includes items belonging to special collections such as the Philla Davis basketry and textile artefacts along with heavily collected items of recent years such as Balinese gringsing cloths, Cambodian silks, some weapons and bronzes.

With its wide-ranging displays open to the public for their education and entertainment, it is undoubtedly a national heritage asset documenting Britain's deep involvement with this very important area and comprises over 3000 artefacts

## Notes to the Accounts

### 10.TANGIBLE ASSETS (cont.)

#### (iii) Archive material

A variety of archive material is held in the new Hull History Centre (HCC), off campus in Worship St, Hull, along with the archive collections of Hull City archives and Hull Local Studies library. The University element comprises an extensive catalogue which is primarily held for teaching and research but some items, notably the Philip Larkin collection (ex University Librarian and renowned writer and poet) have probably evolved into a heritage asset holding. The main Larkin archive is owned by the Larkin estate and on deposit loan along with other University items including a special book collection relocated from the Brynmor Jones Library and letters and correspondence.

#### Assets acquired during the year

A small number of additions principally to the Art collection were either donated or expensed. No disposals occurred.

#### Accounting policy in relation to heritage assets

Heritage assets purchased are treated in line with the institution's capital policy, i.e. items below £20,000 are expensed whilst those over this threshold would be capitalised.

## Notes to the Accounts

	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
11. FIXED ASSET INVESTMENTS	4,256	3,576	4,256	3,578

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held (%)	Nature of business
Nursco Limited	England & Wales	Ordinary	100	Nursing training
Abiquest Limited	England & Wales	Ordinary	100	Dormant
Polar Oled Limited	England & Wales	Ordinary	52	Materials
Imagel	England & Wales	Ordinary	7	3G Imaging Solutions
Vertual	England & Wales	Ordinary	34	Virtual Radiography
Kingston Chemicals Limited	England & Wales	Ordinary	18	Liquid Crystals
TLM Technology Limited	England & Wales	Ordinary	18	Predictive Software
CHeMTriX Limited	England & Wales	Ordinary	39	Micro reactor systems

All of the above companies operated entirely in their country of incorporation except for CHeMTriX Ltd.

£87,000 of the University and Group investments relate to the holdings in CHeMTriX, Kingston Chemicals and TLM technologies. The investment in CHeMTriX represents an underlying 24% holding in the company CHeMTriX BV expressed as two thirds equity, one third subordinate loan. Any associate companies by virtue of the university's shareholding or influence have not been accounted for as such because they are not material to the assets or results of the university. The balance of University and Group investments of £4,169,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 21) as follows:

	Consolidated and University
	£000
At 1 August 2009	3,489
Additions	0
Appreciation on revaluation	680
At 31 July 2010	4,169

## Notes to the Accounts

### Consolidated and University

	2010 £000	2009 £000
<b>12. ENDOWMENT ASSET INVESTMENTS</b>		
At 1 August	9,896	10,552
Additions	5,182	0
Increase in cash balances	827	101
Disposals	(5,681)	0
Appreciation/(Depreciation) on Revaluation	924	(757)
At 31 July	<u>11,148</u>	<u>9,896</u>
Fixed Interest Stocks	2,098	0
Equities	3,012	4,685
Bank Balances	6,038	5,211
	<u>11,148</u>	<u>9,896</u>
Equities and Fixed Interest Stocks at Cost	<u>5,177</u>	<u>6,270</u>

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
<b>13. DEBTORS</b>				
Trade, student and research debtors	8,437	10,267	8,437	7,104
Amounts owed by subsidiary undertakings	0	0	0	3,163
Prepayments and Accrued Income	1,338	1,431	1,338	1,431
Loan to Students' Union	0	245	0	245
	<u>9,775</u>	<u>11,943</u>	<u>9,775</u>	<u>11,943</u>

Amounts fall due within one year.



## Notes to the Accounts

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
Grants and Donations Received in Advance	12,131	14,243	12,131	14,243
Secured Bank Loan (note 15)	300	275	300	275
Creditors	13,355	9,227	13,311	9,227
Amounts owed to subsidiary undertakings	0	0	44	2
Social Security and other Taxation Payable	2,202	2,346	2,202	2,346
Accruals and Deferred Income	7,803	7,481	7,803	7,481
	<u>35,791</u>	<u>33,572</u>	<u>35,791</u>	<u>33,574</u>

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
Secured Loan Repayable 2010 to 2035	6,875	7,175	6,875	7,175
Amounts owed to subsidiary undertakings	0	0	0	0
	<u>6,875</u>	<u>7,175</u>	<u>6,875</u>	<u>7,175</u>

The secured loan has several elements as follows:

	£000
Fixed interest rate of 4.94% repayable 2009 to 2034	2,350
Fixed interest rate of 5.30% repayable 2010 to 2035	2,400
Fixed interest rate of 5.38% repayable 2010 to 2035	<u>2,425</u>
	<u>7,175</u>

The secured loan is repayable as follows:

	Consolidated	
	2010	2009
Less than one year	300	275
Between one and two years	300	300
Between two and five years	900	900
In five years or more	<u>5,675</u>	<u>5,975</u>
	<u>7,175</u>	<u>7,450</u>

# Notes to the Accounts

## Consolidated and University

	Pension £000	ERDF £000	Total £000
16. PROVISION FOR LIABILITIES AND CHARGES			
At 1 August 2009	645	0	645
Expenditure in Year	(53)	0	(53)
Additions from Income & Expenditure Account	60	340	400
At 31 July 2010	<u>652</u>	<u>340</u>	<u>992</u>

The pension enhancement provision of £652,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£564,000); plus an amount of £88,000 for former University of Hull employees where the pension is paid directly by the University.

The ERDF provision was flagged as a contingent liability in the 2008/09 accounts following protracted correspondence with the Government Office for Yorkshire and Humberside in relation to audit by them in 2006 for an ERDF grant awarded to the University from January 2002 to December 2004. The University has now received a formal repayment demand and in consequence believes a provision is now required.

## Consolidated and University

17. DEFERRED CAPITAL GRANTS	Funding Council £000	Other Grants & Benefactors £000	Total £000
At 1 August 2009			
Buildings	37,545	11,667	49,212
Equipment	1,946	2,147	4,093
	<u>39,491</u>	<u>13,814</u>	<u>53,305</u>
Received in year			
Buildings	4,283	651	4,934
Equipment	710	152	862
	<u>4,993</u>	<u>803</u>	<u>5,796</u>
Released in year			
Buildings	(1,521)	(582)	(2,103)
Equipment	(755)	(884)	(1,639)
	<u>(2,276)</u>	<u>(1,466)</u>	<u>(3,742)</u>
At 31 July 2010			
Buildings	40,307	11,736	52,043
Equipment	1,901	1,415	3,316
	<u>42,208</u>	<u>13,151</u>	<u>55,359</u>

## Notes to the Accounts

### 18 ENDOWMENTS

#### Consolidated and University

	Unrestricted Permanent £000	Restricted Expendable £000	Restricted Permanent £000	Restricted Total £000	Total £000
Capital value	5,769	418	2,191	2,609	8,378
Accumulated income	0	46	1,472	1,518	1,518
at 1 August 2009	5,769	464	3,663	4,127	9,896
Additions	0	278	36	314	314
Appreciation of Endowment Asset Investments	489	0	435	435	924
Income for year	138	5	97	102	240
Released to income and expenditure(note 5)	(138)	(66)	(36)	(102)	(240)
Transferred from Income and Expenditure(see below)	0	0	14	14	14
At 31 July 2010	6,258	681	4,209	4,890	11,148
Represented by:					
Capital	6,258	643	2,662	3,305	9,563
Accumulated income	0	38	1,547	1,585	1,585
	6,258	681	4,209	4,890	11,148

The HE Statement of Recommended Practice(SORP) now requires income from specific endowments to be credited to the income and expenditure account on a receivable basis as before by matching to spend, but achieved by a new separate transfer entry in respect of the same. This means that any income in the year from specific endowments earned in excess of that applied to the specific purpose is transferred from the income and expenditure account to accumulated endowment income in the balance sheet by transfer after striking an initial result for the year. Similarly any expenditure for the specific purpose applied in excess of income generated in the year is matched by transfer from accumulated endowment income again after striking an initial result for the year. The resultant new transfer entry is shown on the face of the income and expenditure account.

Furthermore from 2007/08 the SORP introduced a new category of endowment called "expendable" where the initial capital sum can be expended on the intended restricted purpose, in effect by conversion to income, as opposed to previous conventions where within endowments the initial capital sum was permanent and only income generated used for the purpose. The SORP also now requires a division between capital (expendable and permanent) and accumulated unexpended income. In implementing these revisions the University has had to review its new and existing endowments against the criteria of restricted, expendable and permanent.

The above classifications represent management's best estimates.

## Notes to the Accounts

	Consolidated £000	University £000
19. REVALUATION RESERVE		
At 1 August 2009	2,516	2,516
Released in Year (note 9)	(47)	(47)
At 31 July 2010	<u>2,469</u>	<u>2,469</u>

	Consolidated £000	University £000
20. GENERAL RESERVE		
At 1 August 2009	5,190	5,190
Surplus for the year after Depreciation of assets at Valuation	14,836	14,836
Release from Revaluation Reserve	47	47
FRS 17 actuarial loss on pension scheme	(1,059)	(1,059)
At 31 July 2010	<u>19,014</u>	<u>19,014</u>
The general reserve is subdivided as follows at 31 July 2010:		
Excluding pension reserve	49,218	49,218
Pension reserve	(30,204)	(30,204)
Total	<u>19,014</u>	<u>19,014</u>

	Consolidated £000	University £000
21 DESIGNATED MRI RESERVE		
At 1 August 2009	4,098	4,098
Additions	0	0
Transferred to Deferred Capital grants	0	0
Appreciation from element invested on revaluation	680	680
At 31 July 2010	<u>4,778</u>	<u>4,778</u>

In March 2007 the equivalent endowment asset investment was split between equity investments (£4,669,000) and current asset investments (£1,556,000) instead of being represented totally by current asset investments. Income generated by the reserve's assets is reported as research income in line with its original funder's requirements (Yorkshire Cancer Research). At 31 July 2010 the reserve was represented by portfolio equity investments of £4,169,000 and current asset investments of £609,000. £947,000 of the reserve represented by current asset investments was transferred to deferred capital grants in 2008/09 in connection with the funding of a new MRI scanner.

	Consolidated and University	
	2010 £000	2009 £000
22 CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>7,652</u>	<u>3,614</u>

These commitments will be funded by operating cash flows.

## Notes to the Accounts

	2010	2009
	£000	£000
23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	14,850	10,311
Depreciation (note 10)	7,629	7,427
Profit on Disposal of Tangible Fixed Assets	0	(413)
Deferred Capital Grants Released to Income (note 17)	(3,742)	(3,943)
Investment Income (notes 5, 18)	(459)	(676)
Interest Payable (note 8)	1,303	685
Decrease/(Increase) in Stocks	2	(18)
Decrease in Debtors	2,168	1,927
Increase in Creditors	2,194	6,748
Increase/(Decrease) in Provisions	347	(787)
Difference between pension charge and cash contributions	(1,163)	(1,305)
Net Cash Inflow from Operating Activities	23,129	19,956
24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments (note 18)	240	396
Income from short term investments (note 5)	212	261
Interest paid (note 8)	(383)	(459)
Interest receivable (note 5)	7	19
Net cash inflow from returns on investments and servicing of finance	76	217
25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired (note 10)	(12,010)	(12,006)
Sales of Tangible Fixed Assets	0	450
Endowment asset investments acquired (note 12)	(6,009)	(101)
Sales of endowment asset investments (note 12)	5,681	0
Deferred Capital Grants Received (note 17)	5,796	6,538
Endowments Received (note 18)	314	100
Net cash outflow from capital expenditure and financial investment	(6,228)	(5,019)

# Notes to the Accounts

	2010 £000	2009 £000
26. MANAGEMENT OF LIQUID RESOURCES		
Increase in short term deposits	(16,831)	(12,004)
Outflow from management of liquid resources	(16,831)	(12,004)

			2010	2009
			£000	£000
27. FINANCING				
	Credit Facility	Loans	Total	Total
Balance at 1 August	0	7,450	7,450	10,750
Capital Repayments	0	(275)	(275)	(3,300)
New Loan	0	0	0	0
Balance at 31 July	0	7,175	7,175	7,450

	At 1 August 2009 £000	Cash Flow £000	Other Changes £000	At 31 July 2010 £000
28. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	524	(129)	0	395
Liquid Resources:				
Short term deposits	17,049	16,831	0	33,880
	17,573	16,702	0	34,275
Debt Due within one year	(275)	275	(300)	(300)
Debt Due after one year	(7,175)	0	300	(6,875)
	(7,450)	275	0	(7,175)
	10,123	16,977	0	27,100

# Notes to the Accounts

## 29. PENSION SCHEMES

### (a) Universities Superannuation Scheme (“USS”)

The University participates in the USS, a defined benefit scheme which is externally funded and contracted-out of the State Earnings Related Pension Scheme. The assets of the scheme are held in a separate trustee administered fund.

On 1<sup>st</sup> May 2009 the University introduced a Salary Sacrifice Scheme for which members of this scheme could and do participate.

The latest actuarial valuation of the scheme was at 31 March 2008. The assumptions which have the most significant effect on the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum, that the rate of increase in salaries would be 4.3% per annum and that of pensions in payment, 3.3% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum; that the rate of increase in salaries would be 4.3% per annum and that pensions in payment would be 3.3% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £28.8bn and the value of the past service liabilities was £40.6bn leaving a deficit of £11.8bn. The assets were therefore sufficient to cover only 71% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of salaries and it was therefore agreed that this new employer contribution rate would become effective on the 1st October 2009. The employee contribution rate remains unchanged at 6.35%.

The next actuarial valuation is due to take place on 31 March 2011.

The total pension contributions paid by and charged to the University, including those staff members who participate in the Salary Sacrifice Scheme, to the USS during the year amounted to £7,365,819 (2009: £6,440,801). The contribution rate payable by the University at 31 July 2010 was 16% of pensionable salaries.

### (b) University of Hull Pension and Assurance Scheme

The University operates a funded pension scheme providing benefits based on the final pensionable pay. The assets of the scheme are held separately from those of the University and are invested in a segregated fund.

On 1<sup>st</sup> May 2009 the University introduced a Salary Sacrifice Scheme for which members of this scheme could and do participate.

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last declared actuarial valuation was carried out at 6 April 2009. The market value of the scheme assets as at the 2009 date, excluding additional voluntary contributions, was £40.6 million. The actuarial value of these assets was maintained at this figure under revised assumptions.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and to the rates of increase in pay and pensions. It was assumed that the investment returns would exceed pay increases by an average 2.5% per annum. On this basis the scheme was funded at 56%.

Employer contributions to the scheme during the year totalled £2,740,457 (2009:£2,712,817). Following the actuarial valuation at 6 April 2009 and in order to meet the agreed recovery plan, the University revised its contribution rate to 13.55% of pensionable salaries plus an additional monthly sum of £165,000. The effective date for the new rate and lump sum payment was 1 July 2010.

**(c) Other Pension Schemes**

A small number of staff remains in other pension schemes. Employer contributions to such schemes totalled £756,496 during the year (2009: £868,453).



## Notes to the Accounts

### (d) Financial Reporting Standard 17

The University has fully adopted accounting standard FRS 17 "Retirement Benefits" during the year. Disclosure information is provided for relevant schemes as outlined below.

#### i) Universities Superannuation Scheme

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are brought to account as if the scheme were a defined contribution scheme. The cost is recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

#### ii) University of Hull Pension and Assurance Scheme

A full actuarial valuation of this scheme was carried out at 6 April 2009 and financial assumptions updated to 31 July 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

	2010	2009	2008
Rate of increase in salaries	3.60%	3.80%	4.10%
Rate of increase in pensions in payment	3.10%	3.30%	3.60%
Discount rate	5.40%	6.00%	6.60%
Inflation assumption	3.10%	3.30%	3.60%

The current mortality assumptions include some allowance for future improvements in mortality rates. The assumed life expectations (years) on retirement at 65 are:

	2010	2009
Retiring today		
Males	21.3	21.1
Females	23.9	25.2
Retiring in 20 years		
Males	23.2	23.3
Females	25.8	27.3

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

	Long-term expected return	2010 £000	Long-term expected return	2009 £000	Long-term expected return	2008 £000
Equities	8.60%	37,775	8.90%	31,839	9.40%	33,675
Bonds	5%	13,538	5.25%	12,045	5.70%	11,845
Property	8.60%	2,969	8.90%	1,414	9.40%	2,074
Cash/Other	0.50%	569	0.50%	1,537	5%	688
		<u>54,851</u>		<u>46,835</u>		<u>48,282</u>

## Notes to the Accounts

The following amounts at 31 July each year were measured in accordance with the requirements of FRS 17:

	2010 £000	2009 £000	2008 £000
Total market value of assets	54,851	46,835	48,282
Present value of scheme liabilities	(81,876)	(72,823)	(63,498)
(Deficit) in the scheme	(27,025)	(25,988)	(15,216)

The following amounts are recognised in the performance statements in the year to 31 July 2010 under the requirements of FRS 17:

	2010 £000	2009 £000
<b>OPERATING PROFIT</b>		
Current service cost	2,214	1,587
Past service cost	0	0
Total Operating Charge	2,214	1,587
<b>OTHER FINANCE INCOME</b>		
Expected return on pension scheme assets	3,660	4,092
Interest on pension scheme liabilities	(4,364)	(4,164)
Net Return	(704)	(72)
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	4,310	(6,094)
Experience gains and losses arising on scheme liabilities	(2,015)	(57)
Changes in assumptions underlying the present value of the scheme liabilities	(3,800)	(5,917)
Actuarial (loss)	(1,505)	(12,068)

# Notes to the Accounts

	2010	2009
	£000	£000
MOVEMENT IN (DEFICIT) DURING THE YEAR		
Deficit in scheme at beginning of the year	(25,988)	(15,216)
Movement in the year:		
Current service cost	(2,214)	(1,587)
Contributions	3,386	2,955
Past service costs	0	0
Other financial income	(704)	(72)
Actuarial(loss)	(1,505)	(12,068)
Deficit in scheme at end of year	<u>(27,025)</u>	<u>(25,988)</u>

	2010	2009
	£000	£000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES		
At beginning of the year	72,823	63,498
Current service cost	2,214	1,587
Interest on liabilities	4,364	4,164
Contributions	28	530
Past service costs	0	0
Pensions paid	(3,368)	(2,930)
Actuarial losses	5,815	5,974
At end of year	<u>81,876</u>	<u>72,823</u>

	2010	2009
	£000	£000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS		
At beginning of the year	46,835	48,282
Expected return on assets	3,660	4,092
Contributions	3,414	3,485
Pensions paid	(3,368)	(2,930)
Actuarial gains/(losses)	4,310	(6,094)
At end of year	<u>54,851</u>	<u>46,835</u>

# Notes to the Accounts

## DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2010

	2010	2009	2008	2007
Differences between the expected and actual return on scheme assets:				
Amount (£000)	4,310	(6,094)	(8,082)	1,606
Percentage of scheme assets	9%	(13%)	(15%)	3%
Experience gains and losses on scheme liabilities:				
Amount (£000)	(2,015)	(57)	288	(486)
Percentage of the present value of the scheme liabilities	(3%)	0%	0%	(1%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(1,505)	(12,068)	(5,709)	1,634
Percentage of the present value of the scheme liabilities	(2%)	(17%)	(9%)	(3%)

### iii) North Yorkshire Pension Fund (within "other pensions schemes" at (c) above)

The assumptions used in this scheme are different to those used in respect of the University of Hull Pension and Assurance Scheme because the University has no control over the assumptions adopted by the actuary to this scheme.

A full actuarial valuation of this scheme was carried out at 31 March 2007 and financial assumptions updated 31 July 2010 by a qualified actuary. The major assumptions used by the actuary were:

	2010	2009	2008
Rate of increase in salaries	4.95%	5.45%	5.55%
Rate of increase in pensions in payment	2.70%	3.70%	3.80%
Discount rate	5.50%	6.30%	5.90%
Inflation assumption RPI	3.20%	3.70%	3.80%
Inflation assumption CPI	2.70%	3.20%	3.30%

The current mortality assumptions include some allowance for future improvements in mortality rates. The assumed life expectations (years) on retirement at 65 are:

	2010	2009
Retiring today		
Males	21.2	21.2
Females	24.0	24.0
Retiring in 20 years		
Males	22.2	22.2
Females	25.0	25.0

## Notes to the Accounts

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

	Long-term expected return	2010 £000	Long-term expected return	2009 £000	Long-term expected return	2008 £000
Equities	7.50%	2,968	7.50%	2,273	7.50%	2,397
Bonds	5.10%	868	5.80%	744	5.90%	928
Property/Cash/Other	0.50%	70	0.50%	149	7.50%	124
		<u>3,906</u>		<u>3,166</u>		<u>3,449</u>

The following amounts at 31 July each year were measured in accordance with the requirements of FRS 17:

	2010 £000	2009 £000	2008 £000
Total market value of assets	3,906	3,166	3,449
Present value of scheme liabilities	<u>(7,085)</u>	<u>(6,566)</u>	<u>(6,464)</u>
(Deficit) in the scheme	<u>(3,179)</u>	<u>(3,400)</u>	<u>(3,015)</u>

## Notes to the Accounts

The following amounts are recognised in the performance statements in the year to 31 July 2010 under the requirements of FRS 17:

	2010 £000	2009 £000
OPERATING PROFIT:		
Current service cost	298	369
Past service cost	0	0
Total Operating Charge	298	369

OTHER FINANCE INCOME:		
Expected return on pension scheme assets	203	238
Interest on pension scheme liabilities	(419)	(392)
Net Return	(216)	(154)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)		
Actual return less expected return on pension scheme assets	370	(810)
Experience gains and losses arising on scheme liabilities	0	0
Changes in assumptions underlying the present value of the scheme liabilities	76	642
Actuarial gain/(loss) recognised in STRGL	446	(168)

MOVEMENT IN DEFICIT DURING THE YEAR		
Deficit in scheme at beginning of the year	(3,400)	(3,015)
Movement in the year:		
Current service cost	(298)	(369)
Contributions	289	306
Past service costs	0	0
Other financial income	(216)	(154)
Actuarial gain/(loss)	446	(168)
Deficit in scheme at end of year	(3,179)	(3,400)

During the accounting period CPI has been used as an inflation measure to value future liabilities instead of RPI. The resultant reduction in liabilities of £489k has been treated as a change of actuarial assumption through the STRGL rather than as a past service cost gain adjusted through Income and Expenditure.

## Notes to the Accounts

	2010 £000	2009 £000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES		
At beginning of the year	6,566	6,464
Current service cost	298	369
Interest on liabilities	419	392
Contributions	107	113
Past service costs	0	0
Pensions paid	(229)	(130)
Actuarial gain	(76)	(642)
At end of year	7,085	6,566

	2010 £000	2009 £000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS		
At beginning of the year	3,166	3,449
Expected return on assets	203	238
Contributions	396	419
Pensions paid	(229)	(130)
Actuarial gain/(loss)	370	(810)
At end of year	3,906	3,166

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2010

	2010	2009	2008	2007
Differences between the expected and actual return on scheme assets:				
Amount (£000)	370	(810)	(673)	173
Percentage of scheme assets	9%	(26%)	(20%)	5%
Experience gains and losses on scheme liabilities:				
Amount (£000)	0	0	(119)	0
Percentage of the present value of the scheme liabilities	0%	0	(2%)	0
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	446	(168)	(1,309)	216
Percentage of the present value of the scheme liabilities	(6%)	(3%)	(20%)	4%

When the above amounts are recognised in the financial statements, the group's net assets and income and expenditure reserves at 31 July become:

	2010 £000	2009 £000	2008 £000
Net assets excluding pension liability	122,972	104,393	93,787
Pension liability-UOH	(27,025)	(25,988)	(15,216)
Pension liability-NYPF	(3,179)	(3,400)	(3,015)
Net assets including pension liability	<u>92,768</u>	<u>75,005</u>	<u>75,556</u>
Income and expenditure reserve excluding pension liability	49,218	34,578	25,300
Pension liability-UOH	(27,025)	(25,988)	(15,216)
Pension liability-NYPF	(3,179)	(3,400)	(3,015)
Income and expenditure reserve including pension liability	<u>19,014</u>	<u>5,190</u>	<u>7,069</u>

The total pension liability for the group is therefore shown as:

	2010 £000	2009 £000	2008 £000
	<u>(30,204)</u>	<u>(29,388)</u>	<u>(18,231)</u>



## Notes to the Accounts

	Consolidated and University	
	2010 £000	2009 £000
<b>30 ACCESS FUNDS</b>		
Balance brought forward at 1 August	3	25
Funding Council Grants	480	520
Interest earned	2	6
	<u>485</u>	<u>551</u>
Disbursed to students	(485)	(548)
Balance unspent at 31 July	<u>0</u>	<u>3</u>

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

	Consolidated and University	
	2010 £000	2009 £000
<b>31 TDA BURSARY FUNDS</b>		
Balance brought forward at 1 August	45	79
TDA Grants	1,684	1,378
	<u>1,729</u>	<u>1,457</u>
Disbursed to students	(1,781)	(1,412)
Balance unspent at 31 July	<u>(52)</u>	<u>45</u>

TDA bursary funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	Consolidated and University	
	2010 £000	2009 £000
<b>32 TDA MINORITY ETHNIC RECRUITMENT</b>		
Balance brought forward 1 August	0	4
TDA Grants	4	3
	<u>4</u>	<u>7</u>
Expenditure	(3)	(7)
Balance unspent at 31 July	<u>1</u>	<u>0</u>

These are funds for aiding recruitment and retention of students from minority ethnic backgrounds and are excluded from the Income and Expenditure Account.

## Notes to the Accounts

### 33 UNIVERSITY COMPANIES AND OTHER INTERESTS

Details of subsidiaries and other investments are given in note 11.

The University of Hull Maritime History Trust Limited is a company limited by guarantee which has charity status. It has been formed for the advancement of the education of the public by promotion of maritime historical studies at the University of Hull and the provision and facilitation of research in all aspects of maritime history. The Trust has ten trustees, of whom three are employees of the University.

During the year payments were made to the Trust for donations received amounting to £29,284 (2009: £7,862). The University payment from the Trust for payments made on its behalf amounted to £25,225 (2009: £67,186). The amount owing to the University at 31 July 2010 was £nil (2009: £12). The amount owing by the University to the Trust at 31 July 2010 was £1,580 (2009: £7,390).

The Ferens Education Trust is constituted by a deed of trust and is registered as a charitable body. It has been formed to promote the advancement of liberal, technical and professional education and knowledge in the East Riding of Yorkshire and to assist the University of Hull in the furtherance of the objects for which it was founded. The Trust has seven trustees, of whom three are employees of the University.

During the year grants were made from the Trust to the University amounting to £22,775 (2009: £35,100). The amount owing to the University at 31 July 2010 was £22,606 (2009: £332).

The above Trusts are not consolidated into the financial statements because the University of Hull does not exercise sufficient control or influence.

### 34 RELATED PARTY DISCLOSURE

During the year ended 31 July 2010, the University paid a grant of £851,349 (2009: £1,085,951) to the Students Union. Further payments were made to the Union of £221,210 (2009: £73,905) in respect of goods and services rendered. The Union made payments to the University of £76,708 (2009: £477,072) in respect of facilities recharges. At 31 July 2010 the University owed the Union £310,640 (2009: £8,041). An amount of £324,090 (2009: £24,155) was owing from the Union to the University. The Union also owed the University £nil (2009: £245,000) in relation to a loan made during 2008 (see note 13).

During the year ended 31 July 2010, the University made payments to EMIH Ltd of £78,421 (2009: £68,497) in respect of rent for the flume laboratory, research facilities and the use of and admission to facilities. EMIH Ltd made payments to the University of nil (2009: £80). At the year end the University owed EMIH Ltd £81 (2009: £34). An amount of £nil (2009: £nil) was owing from EMIH Ltd to the University.

The company has charitable status with a Board of nine directors, three of whom are nominees of the University.

During the year ended 31 July 2010, the University made payments to Information by Design Ltd of £nil (2009: £1,642). Information by Design Ltd made payments to the University of £4,294 (2009: £7,511) in respect of cleaning charges. At the year end the University owed Information by Design Ltd £nil (2009: £nil). An amount of £2,867 (2009: £1,478) was owing from Information by Design Ltd.

During the year ended 31 July 2010, the University made payments to Kingston Chemicals Ltd of £1,359 (2009: £677) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £14,253 (2009: £18,702) for goods and services. At the year end the University owed Kingston Chemicals Ltd £323 (2009: £nil). An amount of £nil (2009: £1,598) was owing from Kingston Chemicals Ltd to the University.

During the year ended 31 July 2010, Chemtrix BV Ltd made payments to the University of £36,618 (2009: £21,000) for use of laboratory facilities. An amount of £16,988 (2009: £15,637) was owing from Chemtrix Ltd to the University.

### 35 EXPENSE PAYMENTS TO TRUSTEES

In the context of the University as a charity, Trustees are taken as Council members representing the governing body of the University and comprise both University officers and lay members.

During 2009/10 payments totalling £30,098 were made to 18 Trustees who served for all or part of the year with a further 8 receiving £nil.