



## Statement of Accounts 2016/17

UNIVERSITY OF HULL

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## Professional Advisors

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External auditors	Grant Thornton UK LLP 1 Whitehall Riverside Leeds LS1 4BN
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Bankers	Lloyds Bank 2 <sup>nd</sup> Floor, Lisbon House 116 Wellington Street Leeds LS1 4LT

# Operating and Financial Review

## Introduction

Founded as University College Hull in 1927, the University of Hull was established by Royal Charter in 1954 to “...advance education, scholarship, knowledge and understanding by teaching and research, for the benefit of individuals and society at large.”

Today the University’s broad academic portfolio offers taught and research programmes in arts, cultures and education, science and engineering, medicine, health and social care, and business, law and politics. Interdisciplinary themes which address some of the most complex challenges facing the world today serve as focal points for much of the University’s research and teaching.

The University was pleased to receive a Silver award in the 2017 Teaching Excellence Framework (TEF) in recognition of its commitment to the highest quality and standards in learning and teaching, its high levels of student satisfaction with teaching and academic support, and the excellent outcomes achieved by its students.

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*“The TEF Silver Award builds on feedback we have already had directly from our students that the University offers a nurturing and supportive environment to enable our students to grow as independent, confident individuals and to secure the jobs and future they deserve.*

*“Students remain at the heart of everything we do and we are proud to have received such strong comments, by an independent body, confirming our proactive approach to supporting our students.”*

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*Professor Alan Speight, Pro-Vice-Chancellor (Education), University of Hull*

The TEF Silver Award follows the University’s successful Higher Education Review in 2015 in which it received a commendation from the Quality Assurance Agency (QAA) for its approach to the enhancement of student learning opportunities. Further areas of good practice highlighted by the reviewers included the embedding of employability into the curriculum and provision of work-related opportunities for students, and the effective partnership working between professional support and academic teams.

Over recent years, change and uncertainty have become fixtures of the environment in which higher education institutions operate. Student recruitment remains highly competitive and has been sensitive during the 2017 cycle to factors such as the demographic drop in the UK population of 18 year olds and uncertainty around post-Brexit financial support for EU students. Though the University saw a significant increase in its student intake in 2016, recruitment for 2017 has been more challenging, with many of the elements affecting the sector also in evidence at Hull. The challenge was not uniform across all subjects, however, and the University did, for example, recruit well to its nursing programmes despite the fall in applications nationwide after the replacement of NHS bursaries with fees and maintenance loans.

The Higher Education and Research Act received royal assent in April 2017, heralding some of the most significant reforms the sector has seen for many years. The Office for Students (OfS), which comes into being in April 2018, reflects a shift from the Higher Education Funding Council for England (HEFCE) as a funding body to the role of the OfS as a market regulator and protector of student interests. The sector bodies for research and innovation will also be reformed from April 2018. The current research and knowledge exchange functions of HEFCE will transfer to Research England, a new organisation which will be brought together with the UK-wide research councils and Innovate UK under the umbrella of UK Research and Innovation (UKRI).

Following the General Election in June, the latter half of 2017 has seen a significant volume of political and media commentary on a range of higher education matters—in particular, prompting renewed debate and uncertainty around tuition fees, student debt and the design of the student finance system.

The University’s financial position provides a foundation from which it is able to rise to these challenges, remaining true to its mission, its drive for academic excellence, and its commitment to investing in the very best experience and environment for its students and staff.

The following Operating and Financial Review aims to provide context for the financial statements for the year ending 31 July 2017 through a review of the University’s strategy, performance and operations.

## Strategy and Performance

### Strategic Plan

Strategic Plan 2016–2020 provides a framework built on the principles of excellence, empowerment, partnership and sustainability to guide the University towards its ambitions for 2020. The University is undergoing a period of investment and renewal to bring about transformative change in performance and enhance its stature, reputation and influence. Investment plans will see in excess of £200m being invested by 2020/21 in projects such as the establishment of the Health Campus for the University's medical and health programmes and research, development of new student accommodation and sports facilities and the enhancement of infrastructure to support science and engineering research.

The University's strategic priorities focus on:

- building sustainable foundations to enable it to be flexible and adaptive in the changing higher education environment while continuing to invest in its staff, students and campus;
- stimulating cultural change and building on the institution's values of being connected, open and continually striving for excellence to embed an ethos of continuous improvement;
- focusing on outcomes to aspire to the highest levels of quality in research, teaching and student experience;
- enabling and rewarding performance to create a supportive and entrepreneurial culture which inspires initiative, accountability and the celebration of academic and service excellence.

2016/17 saw the completion of the 'Shape and Size Review', a key element of the Strategic Plan designed to ensure that the institution's academic structures are effective, efficient and sustainable. The faculties of Arts, Cultures and Education, Business, Law and Politics, and Science and Engineering were established on 1 August 2016, with the Faculty of Health Sciences following on 1 February 2017. While continuing to support subject identity, the new structures encourage interaction at the intersections of disciplines to stimulate interdisciplinarity and academic renewal. The implementation of the new academic configuration has been accompanied by enhancements to leadership and management structures and a new blueprint for the professional services within faculties. In addition to academic sustainability, in order to compete in the volatile higher education sector and be able to invest in new opportunities, the University requires a sustainable financial base. During the latter half of 2016, in consultation with colleagues, faculties and the Senate, the University agreed a range of cost efficiency plans to be implemented over two years to 2018. A value for money group has been established and a transformation of procurement services to improve purchasing practice and efficiency is underway.

A new strategy to support a culture of open and connected internal communications is progressing through initiatives such as the Vice-Chancellor's Blog and 'AskExec', an additional route for any colleague to ask questions of the University Executive Group. To support colleagues in fostering a shift to a high performance culture, leadership development has been refreshed through the launch of the Leadership@Hull and financial management training programmes.

University and Faculty Student Experience, Employability and Engagement Committees have been established to work with learning and teaching and quality committees and student liaison forums to promote a joined-up approach to supporting all aspects of the student experience and student outcomes.

Work progressed during 2016/17 to create a more robust framework to support performance, development and career progression within the academic community, including the pilot of a new academic workload planning framework to be implemented in full from 2017/18 and the introduction of a more clearly defined teaching and scholarship career pathway. An Employee Experience programme has been established to coordinate local and organisational initiatives around wellbeing, communications and development, and the inaugural round of the University's new Employee Excellence Awards was held during summer 2017.

Many more examples of work the University has undertaken during 2016/17 to further its strategic priorities can be found throughout this Operating and Financial Review.

### Scarborough Campus

Recognising that the operating model in place at the Scarborough campus was no longer sustainable in the long term, the University took the decision in 2014 to focus its activities at its Hull campus and seek partners to lead a new model of educational provision at the site. September 2014 saw the final intake to University of Hull degree programmes at the Scarborough campus. The focus throughout the transition period has been to maintain the excellent student experience at the campus until the final students graduated in the summer of 2017. The University announced in November 2016 that agreement had been reached on the purchase of the campus by the

Grimsby Institute Group. The Group's new Scarborough TEC (Training, Education, Careers) opened at the site in September 2017. Scarborough TEC continues the further and higher education and professional training delivered by the Grimsby Institute Group in Scarborough since 2010, previously through the Yorkshire Coast College, and has an employment-based focus on the development of flexible, higher level skills. The University will validate degree courses offered by Scarborough TEC.

The University remains a sponsor of Scarborough University Technical College and will continue to support the educational and business aspirations of Scarborough and North Yorkshire through its new North Yorkshire Partnership Hub based in Scarborough. This team was established in 2017 to build on the University's relationships with schools, businesses and the wider community, focusing on schools and colleges liaison, supporting placements, internships and fieldwork opportunities for undergraduate and postgraduate students, offering continued professional development and bespoke courses for the community, sharing knowledge and expertise to benefit businesses and local communities, and continued strategic engagement with the Local Enterprise Partnership, local authorities and employers.

### **Key Performance Indicators**

Progress at an institutional level is monitored by the University Council against Key Performance Indicators (KPIs) and associated targets which are aligned with the ambitions of the Strategic Plan.

Overall student numbers (FTE) rose by 3.5% in 2016/17, the strongest growth in student recruitment in the last 7 years, though progress towards the KPI targets relating to home/EU undergraduate entry tariff and the proportion of postgraduate research (PGR) new entrants slowed during 2016/17.

The National Student Survey (NSS) saw substantial change in 2017, including the introduction of new questions on the learning community, learning opportunities and the student voice. As a result of the changes to the survey it is not valid to compare the 2017 responses with those in previous years and the NSS-based KPIs are being revised.

- The University's score for Q27 Overall Satisfaction was 84.08% against a sector-wide average of 84.18% and HEFCE benchmark of 85.0%.
- The University achieved a top quartile score for Learning Resources, demonstrating significant satisfaction with IT, equipment and library resources.

Graduate employability has continued to improve, with the proportion of students in graduate-level employment or further study six months after graduation increasing from 72.6% to 76.0% in 2017. The HESA Employment Performance Indicator—the percentage of full time first degree graduates in employment or further study—remained level at 96.1%, although the University's ranking on this indicator fell from 8th to 15th place among English mainstream HEIs.

2016/17 saw a slight increase in annual expenditure on research grants and contracts (RGC) and Knowledge Transfer Partnerships (KTP) compared to 2015/16 and enterprise income also increased over the same period. The impact of the University's investments to enhance its research capacity and grow its research income, including its interdisciplinary University Institutes, the targeted development of science and engineering research, and the implementation of an enhanced research support infrastructure, is beginning to become apparent in the increasing number of larger collaborative grants secured, with the total value of competitively awarded grants announced during 2016/17 around 35% higher than in 2015/16.

### **League Tables**

The University is pursuing a strategy designed to enhance its overall academic performance. Its progress was reflected in a range of international league tables during 2016/17. The Times Higher Education World University Rankings published in September 2017 ranked the University in the top 500 globally (401-500 group). Improvements in teaching, research and citations scores resulted in the increase in rank from 501-600 in the previous edition.

Global league table compiler QS published their Graduate Employability Rankings 2017 in November 2016. This is an annual global ranking of universities celebrating institutions which are effective in preparing students for the workplace. The University of Hull is ranked in the world's top 300, in the 201+ group.

In the QS World University Rankings published in June 2017, the University is ranked in the 601-650 group overall (551-600 in 2016) and 57th in the UK. The QS World University Subject Rankings published in March 2017 ranked

the University among the world's top universities in the Life Sciences & Medicine Subject Area (ranked 451-500) and in Medicine (351-400) and Law (251-300).

The research-based Shanghai Ranking's Global Ranking of Academic Subjects published in June 2017 ranked the University in 6 subjects: Hospitality & Tourism Management (ranked top 100), Environmental Science & Engineering and Clinical Medicine (top 400), and Biological Sciences, Public Health and Chemistry (top 500).

Performance in UK league tables was more mixed. The University's position in the Times League table improved by 2 places to 65th. The Complete University Guide and the Guardian University League Table saw a drop in rank to 74th and 84th respectively.

## Review of Operations

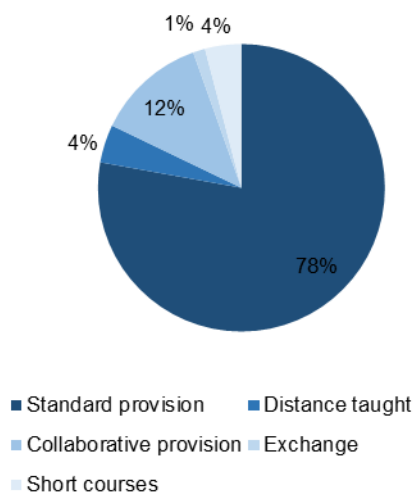
### Student Profile

Recruitment of students within a competitive market, nationally and internationally, remains one of the most significant challenges both for the University and across the higher education sector. Through pursuit of its strategic ambitions, the University seeks to ensure continuous improvement in the quality and relevance of its academic provision and student experience.

During 2016/17<sup>1</sup>, a total of 15,011 students were registered on standard foundation degree, undergraduate, postgraduate taught (PGT) or postgraduate research (PGR) programmes at the University's Hull or Scarborough campuses.

A further 4,272 were studying on distance taught programmes overseas, on short courses or exchange programmes, or were registered on programmes delivered through franchise arrangements or collaborative provision at a validated partner institution.

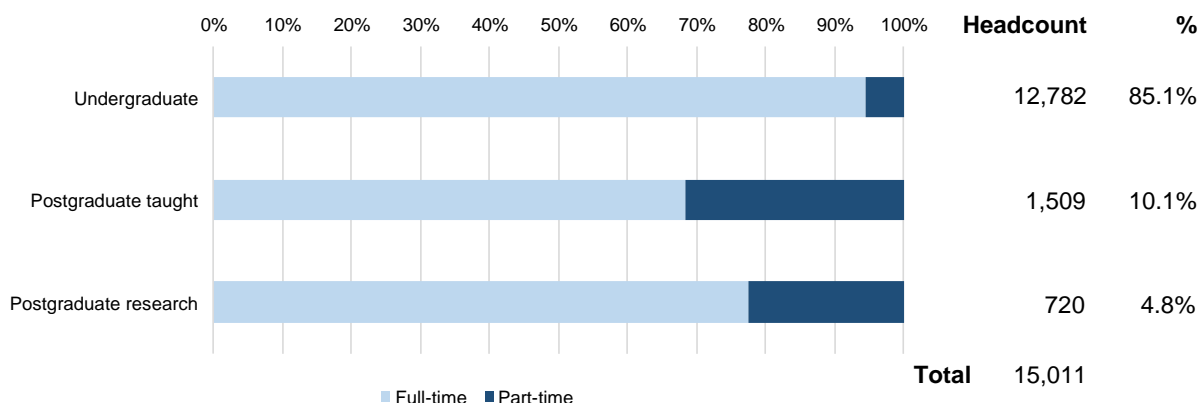
**2016/17 Total student population**  
(1 December 2016 census - headcount)



The majority of students on standard degree programmes are full-time, although the ratio of full-time to part-time varies by level of study.

### 2016/17 full-time and parttime student population by level of study

<sup>1</sup> December 2016 census, standard provision only; excludes distance taught, collaborative provision, exchange programmes and short courses



<sup>1</sup> All student data as at 1 December 2016 census

Across standard degree programmes, a total of 6,525 new students were recruited in 2016. Of these, 86.9% were home/EU students and 13.1% international. Undergraduate and foundation degree students accounted for 78.4% of the 2016 intake, with 18.3% PGT and 3.3% PGR.

## **Education**

Commenting on the University's Teaching Excellence Framework (TEF) Silver Award, the TEF assessment panel noted:

- that students achieve excellent outcomes, with a very high proportion of students continuing with their studies and progressing to highly skilled employment or further study;
- very high levels of student satisfaction with teaching and academic support;
- high levels of stretch, including integrating employment skills by working closely with industrial partners in course development and review;
- an institutional approach to developing high quality physical and digital resources, which are used frequently by students to develop study and research skills;
- an embedded institutional culture that facilitates and recognises excellent teaching through high quality support for staff, peer observation, and a comprehensive professional development programme.

Adoption of a more metrics-based approach to internal reporting has been completed, which will inform the institutional self-evaluation required as part of subsequent TEF submissions.

The University has conducted a range of projects building on the work undertaken as part of the Curriculum 2016+ change programme, which concluded in 2015/16. These projects have focused on curriculum-related areas, such as graduate attributes, student mobility, and open and online learning.

Implementation of the University's new lecture recording platform, Panopto, progressed during 2016/17, with full implementation scheduled for the start of the 2017/18 academic session. This will give students access to recorded teaching sessions via the University's virtual learning environment, Canvas.

The University continues to deliver its academic teaching qualification programme (Postgraduate Certificate in Academic Practice) and Disciplinary Approaches to Research and Teaching Excellence programme. Both programmes are accredited by the Higher Education Academy (HEA), enabling staff who successfully complete to achieve HEA Fellowship. 66% of eligible University staff now hold an HEA Fellowship.

## **Internationalisation and Academic Partnerships**

A new Director of International Recruitment joined the University in November 2016 and the remit of the International Office has been refocused on international student recruitment. An International Recruitment Strategy has been developed and work on an implementation plan is underway. Key elements of the strategy include growth of the University's agent portfolio and enhancements to governance and training, and work in this regard is now well advanced. In parallel, since its establishment in February 2016 to provide a strategic and coordinated approach to partnership development, the Academic Partnerships Office (APO) has improved significantly the University's operating processes with respect to partnerships and markedly enhanced the due diligence to support the appraisal of new developments.

The University's strategy to support and diversify international student recruitment includes a focus on the development of high-quality, sustainable and robust partnerships, and more than twenty new international agreements with overseas universities were signed during 2016/17. There has been a particular focus on South East Asia, with new partnerships established in Indonesia and Vietnam. The team of International Development Managers has been expanded, allowing much greater regional development work underpinned by market intelligence to be undertaken. An International Development Advisory Group with cross-University representation has been established.

Double degree agreements exist with institutions in China, Cyprus, Hong Kong, India and South Korea. In the Middle East, the University has recently established a significant agreement with Lincoln College to cooperate on a Technical and Vocational Training College in Riyadh, Saudi Arabia.

The University operates regional offices in China and Malaysia. Management of the China Office moved to the APO in 2017, enabling greater coordination of the University's partner development activities in China. Other recruitment operations in China remain with the International Office, including management of agents and digital outreach. An efficiency review of the University's regional office in Malaysia is underway.



Recruitment to ONCAMPUS Hull pathway programmes in Business and Engineering through the agreement with Cambridge Education Group (CEG) continues to grow. The 2016/17 cohort was around 160 students and growth in recruitment of around 20% is expected in 2017/18.

## **Student Experience**

The University progressed a range of initiatives during 2016/17 to ensure that it continues to offer an exceptional personalised student experience, characterised by flexibility and the highest service standards. The Student Services corporate administration team received the Times Higher Education Leadership and Management Award for Outstanding Administrative Team of the Year in June 2017. The award recognised the team's significant contribution to the delivery of one stop services, with the judges commending its innovative approach to integrated service provision and delivery. The working practices adopted by the team have made a significant difference to the overall administrative function of Student Services and has resulted in an excellent customer experience for all service users.

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*"We are extremely proud to have picked up this award. The team work tirelessly to make sure student services are as streamlined as they can be and the student experience is the very best it can be. This transition has been a lot of work and I would like to congratulate everyone who has contributed for their continued efforts and support to make AskHU an outstanding service."*

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*Dr Anji Gardiner, Director of Student Services, University of Hull*

As part of the implementation of the new student information system, development and integration of the Student Information Desk (SID) progressed during 2016/17 and the system is being rolled out to all areas of the University over the autumn and winter of 2017. The implementation of the enquiry management element has made significant improvements to how enquiries are recorded and managed. Feedback obtained from students via mobile kiosks suggests the Student Hubs introduced during 2016/17 are working well. Student Services are introducing a new staff development framework for staff working within the central and faculty-based Hubs and registry services to ensure that all staff are in possession of the knowledge, skills and expertise required to deliver an excellent service to all customers.

The Student Wellbeing, Learning and Welfare Support Team (SWLWS) continues to see high numbers of students and offers a wide range of services across emotional and mental wellbeing support, financial support, dyslexia tuition, disability advice and support and immigration advice. A new Student Engagement and Transition team coordinates induction, transition, and Academic Support Tutor development and integration, and the team contributed to implementation of a new attendance monitoring system which went live from the start of the 2017/18 academic year. The duty adviser system remains highly successful, and the model is being extended for the coming year to continue to enable the majority of students to be seen on the same day. The duty adviser system has been recognised as an area of good practice, being shortlisted for the Educate North Student Experience Award in May 2017, and the Health and Wellbeing Team received the Outstanding Contribution to Student Experience award at the University's inaugural Employee Excellence Awards this year.

The University's new online dyslexia screener has improved the way in which students with Specific Learning Differences (SpLD) are identified, resulting in earlier diagnosis and support being put into place and reducing significantly the likelihood of students being diagnosed at a late stage in their programme of study. A significant alumni legacy has enabled the purchase of a new assistive technology solution for those students with disabilities who had previously required the assistance of note takers, which is no longer funded as part of the Disabled Student Allowance (DSA).

The Careers and Employability Service continues to develop new international volunteering and internship opportunities to provide life-changing experiences for the University's students and graduates, help them develop a broad set of employability skills and enhance their graduate career prospects. The Service has been broadened to include entrepreneurship, and four new faculty employability coordinators joined the team in 2016/17 to enhance the work of faculties and provide a critical link between the Service and academic areas. The Service was awarded the Association of Graduate Careers Advisory Services (AGCAS) award for the best employability provision for 2017.

Work began in 2017 on a major two-year development of new student residences on the University's West Campus. Together with The Courtyard, which opened at the start of the 2016/17 academic year, the project will take the number of additional high-quality bedrooms on the Hull campus to 2,300, and will also provide a range of dedicated study spaces, a café, games room, music room, cinema room, laundries and retail space.

### ***Research and Enterprise***

The University continues to enhance its portfolio of academic and sector-driven research and development activity in offshore wind. Aura, an initiative of the University, is creating a world-leading offshore wind research, talent and innovation hub. It has developed rapidly over the last year, working with key industry partners, academia, national, local and regional government. Aura's role is to act as a catalyst for collaboration for the offshore wind sector, establishing it as a vibrant hub in the Humber to the benefit of the region and the country. The Aura mission is to help the industry drive down its costs and further establish the UK's position as a world leader in offshore wind, supporting the aims of the Government's Industrial Strategy.

Development of the University's interdisciplinary Institutes progressed during 2016/17. The Energy and Environment Institute was awarded a prestigious European Research Council Consolidators Grant worth EUR 2.6m to investigate the influence of microbes and climate on the long-term evolution of rivers, estuaries and coastal systems. The Risk Institute was established during 2016/17, and its work on the governance of major public projects, particularly with the UK Infrastructure and Projects Authority, has already secured a number of research grants. It is collaborating with colleagues in Psychology on a major funded study of technician-transfer risk as part of Aura, and it is moving increasingly into engagement with companies regarding corporate risk and hazard management.

The University is investing with the East Riding of Yorkshire Council in a Business Centre for the High Tech sector at the new Bridgehead Business Park, and the Enterprise Centre at the Hull campus continues to provide support to new businesses both internal and external to the University. Many of the fledgling businesses created through the Enterprise Centre are now rooted in the city of Hull and employ graduate-level staff. Office of National Statistics data released in November 2015 confirmed that, with fifty-six per cent of tenants, past and present, having operated for five years or more, the success rate of Enterprise Centre start-ups exceeds the national, Yorkshire and the Humber and Hull averages.

The University continues to invest in its research support services and infrastructure, including the creation of an enhanced central Research and Enterprise team and implementation of a new Research Information System.

### ***Hull UK City of Culture 2017***

Being a principal partner to Hull2017 has provided the University with the unique opportunity to connect with the city, the region and the nation through the planning, programming and delivery of a year-long cultural programme. The vision to create a Campus of Culture is being realised, capitalising on the University's investment in its cultural infrastructure to connect schools and faculties across campus to provide a platform for debate, insight and academic exploration. The City of Culture activities continue to have a significant impact on the city and the University. By June 2017, the University's events and exhibitions had attracted over 50,000 visitors to the campus, more than double the number for the previous year, many of whom were visiting the campus for the first time. Students and staff have contributed significantly to the success of these events.

Close partnership with Hull2017 and with national, regional and local partners has provided a wider platform for students, staff and alumni and resulted in an increase in marketing reach. The University's research, expertise and creativity has contributed to many of the major events in the city, from the opening ceremony, Made in Hull, to the Women of the World Festival, Hull Pride and the Freedom Festival. Students have contributed as artists across a range of events, from performing in 'Weathered Estates' to composing for 'Height of the Reeds'.

The University established the Culture, Place and Policy Institute in 2017 to lead its research into the processes, impacts and legacies of UK City of Culture 2017. Researchers are already working with University colleagues in the Business School, the Logistics Institute and Hull York Medical School to assess the impact of Hull2017. Interim findings released at the end of June 2017 showed that 9 in 10 residents had attended or experienced a cultural event or activity as part of City of Culture, that over 1.4 million visitors had attended cultural events, exhibitions or activities in the city, and over 70% of residents agreed or strongly agreed that City of Culture was having a positive impact on the lives of local people. The findings will inform the development of the post-2017 legacy strategy and help make Hull an exemplar for cities considering cultural investment as a tool for urban development.

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*“The Culture, Place and Policy Institute is a key part of the University of Hull’s role as a strategic partner – and exclusive academic research partner – of Hull 2017. Research undertaken at the Institute will help make Hull a blueprint for future cities of culture, inform future policy across the globe and provide advice to key stakeholders. Our interim findings show that Hull’s City of Culture year – and the people and organisations that are contributing to it – is demonstrating extraordinary success so far.”*

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*Professor Glenn Burgess, Deputy Vice-Chancellor and Pro-Vice-Chancellor (Academic Affairs), University of Hull*

## **Professional Services**

The Development and Alumni Relations Office (DARO) continues to expand its programme of increasing philanthropic income and of engaging and keeping in touch with alumni, supporters and friends of the University. Major gifts received include a legacy bequest from alumna Barbara Canham Turner (English, 1942) in whose honour the refurbished Staff House has been named. Fundraising at all levels focused on the £28m Health Campus, with substantial gifts from the Wolfson Foundation and the Garfield Weston Foundation supplementing the previous commitment of £7m from local businessman Dr Assem Allam.

The latest edition of the annual magazine *Venn* was sent in May 2017 to over 84,000 alumni, supporters and friends by a mixture of post and email. A micro-site for the magazine has been launched, making it easily accessible on PCs, phones and tablets. In June 2017, DARO held a full weekend of alumni reunion activities including a reception for over 400 at Stage@the Dock, the University’s largest ever alumni event. Alumni professional groups for the creative industries, law and business have been established, and these are supported by the online platform *Hull Alumni Connects*, which was launched in July 2017.

The ICT Transformation Programme continues to enhance and enrich academic and non-academic life across the University through investment in information systems and services. During 2016/17, the programme delivered a new telephony system and implemented new student and research information systems, a new HR and payroll system and a new virtual learning environment (VLE). The new systems are closely integrated to support the production of robust management information. Work is underway to build on these firm foundations with the development of a Digital Strategy.

Following its restructure in 2016, the University’s marketing and communications function has continued to grow its capacity and expertise. The team has substantially increased its activity in support of key strategic objectives, specifically in relation to student attraction, showcasing research impact and internal communications. The first phase of the new University website, including full transition to a new content management system, has been completed. Social media activity has seen unprecedented growth, with a sustained top ten position in the higher education sector social media rankings since February 2017, and the refreshed University brand and visual identity have been implemented. The Marketing and Communications team received two national industry awards during 2016/17 for its PR activity in support of the Wilberforce Institute for the study of Slavery and Emancipation.

## **Risk Management**

The University has a robust systematic method of assessing and managing risks. Risk assessment is an integral part of the planning and budgeting processes, and directorates, schools and faculties assist with identifying and addressing risks. The University Executive Group is responsible for overall management of institutional risks and monitors them at least quarterly, updating the corporate risk register as required. Reports are provided to the Audit Committee and Council.

## **Financial Review**

### **Scope of the Financial Statements**

The Council of the University of Hull presents the financial results of the University for the year ended 31 July 2017.

## **West Campus Residence Project**

In May 2017 the University finalised the transformative £155m West Campus Residence Project (WCRP) with UPP Group to design, build, finance and operate 1,750 student rooms on campus. UPP (Hull) Limited has been set up to operate the residences, with UPP Group holding 90% of the equity and the University 10%.

The development responds to demand from students for high-quality on-campus accommodation and facilities. It will feature a range of 1,462 new single rooms and one bedroom apartments. They will comprise nine blocks, within the scale and context of the campus and neighbouring buildings. Alongside the accommodation, an urban green and avenue will offer a range of facilities including a café, convenience store, laundry facilities and outdoor areas. UPP (Hull) Limited will also take over the operation and refurbishment of the existing 288 rooms at the University's Taylor Court student residence.

The 50-year partnership demonstrates further confidence in Hull and the Humber on the back of ABP's £50m investment in its Humber ports and the opening of a £310m wind turbine blade factory in Hull by Siemens.

Top Tier contractor, Vinci, has been appointed as UPP Group's construction partner. Construction started in May 2017, with 478 new rooms to be available for the 2018 student intake and the remaining 984 available in September 2019.

The scheme will enhance and expand high-quality on-campus accommodation at the University, following the opening of the £30m Courtyard student residence. The scheme will increase the total number of rooms available on-campus to 2,300, including Taylor Court.

The project forms part of the University's on-going strategy and builds on the University's £200m investment programme, as part of its commitment to provide an outstanding experience for its students, including new and refurbished buildings, IT infrastructure and student services.

A £34.1m capital receipt was received by the University in May 2017 and was a significant factor behind the increase in cash and short term investments at the financial year end compared to 31 July 2016. £18.3m has been shown as a gain in the 2016/17 Statement of Comprehensive Income and Expenditure (SOI), with the remainder held on the balance sheet as deferred income, representing the use of the University's retained assets, principally land. The deferred income will be released over the 50 years of the agreement.

Once construction is completed, an annual renewable nomination agreement will be in place to allow the University to opt to fill student spaces themselves, with no other obligation to guarantee occupancy. This will be reflected each year at the balance sheet date as the following year's liability under the agreement.

## **Financial Performance**

Allowing for one-off improvements of £10.7m related to asset sales, £18.3m to the WCRP, £1m to gains on investments, and £300k impairment of non-current assets, there was an operational surplus of £8.4m. This represents 4.3% of turnover (2016: £7.4m, 4%).

Total income before endowments and donations increased by £8.4m from £180.6m in 2015/16 to £189m in 2016/17. £7.4m of this was due to increased tuition fee income.

Income from donations and endowments income rose by £4.1m to £8.3m, through major donations from Dr Assem Allam, the Wolfson Foundation and the Garfield Weston Foundation.

Total expenditure for the year was £188.9m (2016: £177.4m). Pay costs increased by £4.1m (4%) to £105.8m. In addition, £2.6m was incurred on a selective voluntary leavers scheme (2016: £1.3m). Operating expenses increased by £5.1m (8.6%) to £64.2m.

Interest payable of £4.1m included interest on bank loans of £2.8m, an increase of £2m on the prior year. This was due to draw down of the second tranche of the EIB loan in August 2016, and breakage fees of £1.5m incurred in June 2017 when, following the WCRP capital receipt of £34.1m, the University redeemed its £5.1m NatWest bank loan.

Net assets were £225m after accounting for pension provisions, up from £186m the prior year.

The following table shows the University's Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and Adjusted Net Operating Cash flow (ANOC) for the last five years (2014/15 restated for the transition to FRS102).

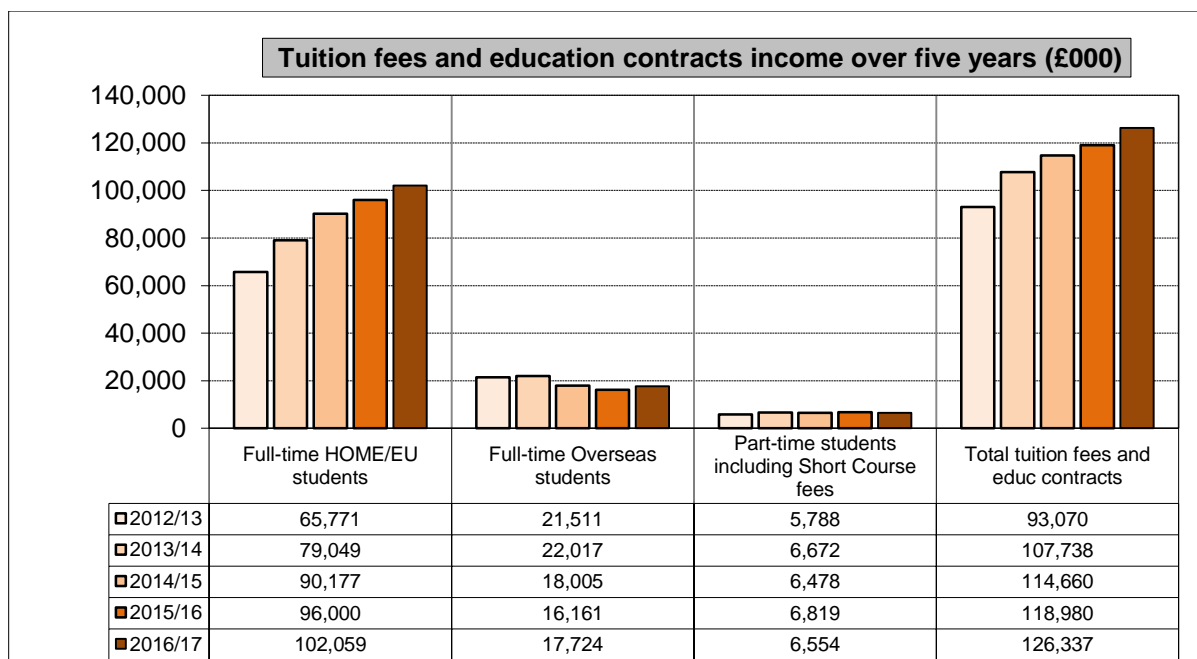
These metrics are used by both HEFCE and banks in key performance indicators and loan covenants.

£m	2016/17	2015/16	2014/15	2013/14	2012/13
<b>EBITDA</b>	21.2	18.9	3.9	13.2	13.6
<b>EBITDA as % of income</b>	10.8%	10.2%	2.2%	7.3%	7.7%
<b>ANOC</b>	35.1	16.6	10.3	8.6	14.4

EBITDA is a measure of operating performance, eliminating the effects of financing and accounting decisions to enable more meaningful comparison between organisations.

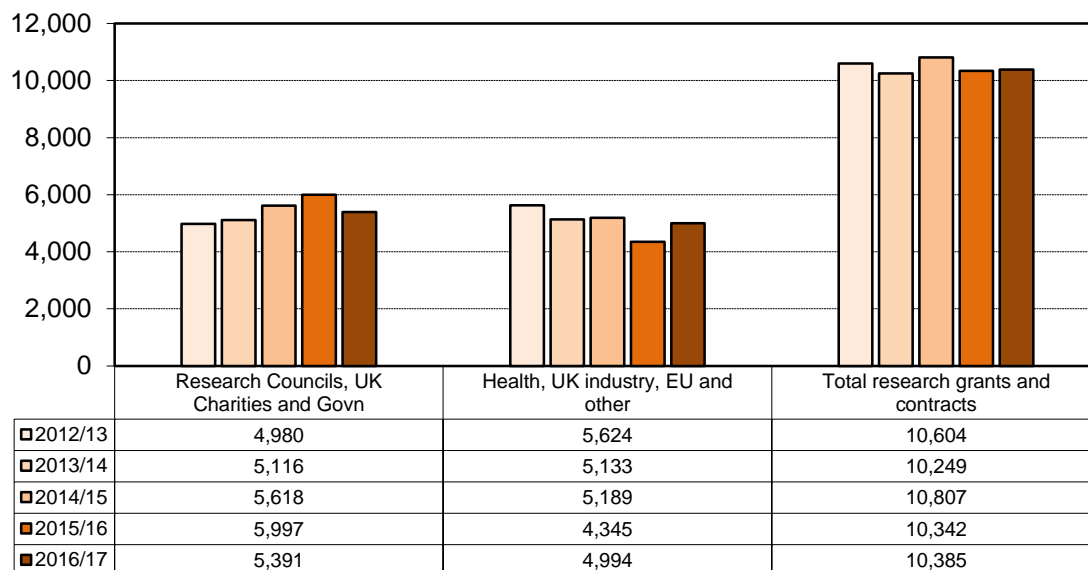
ANOC is a measure of cash generation from normal business operations.

The following charts illustrate the University's financial performance over the last five years (2012/13 and 2013/14 reported under UK GAAP, 2014/15 restated for the transition to FRS102, 2015/16 onwards reported under FRS102):



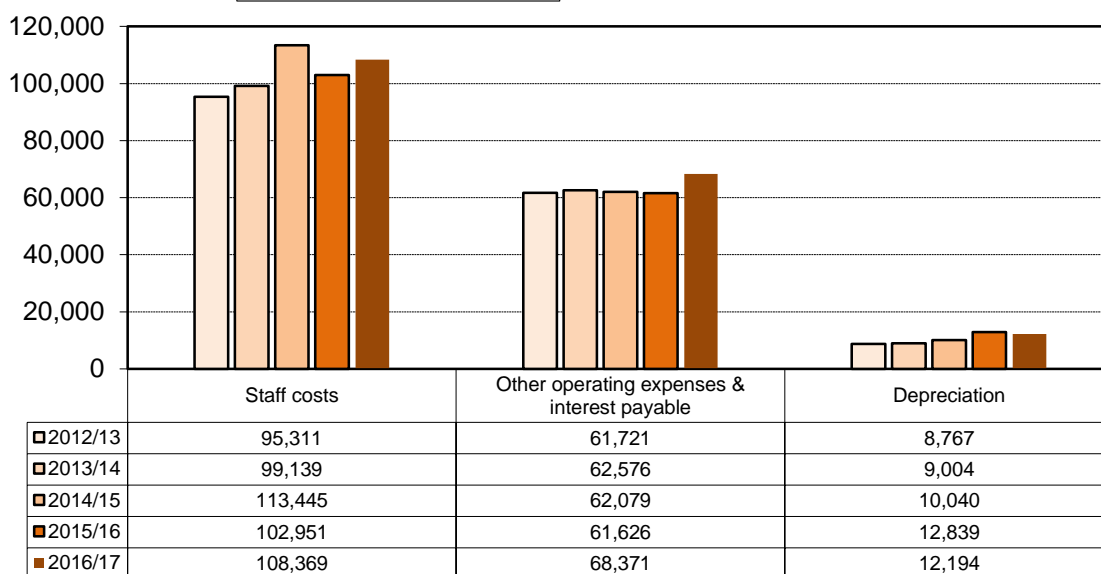
Tuition fee income continues to rise, with £6m of the £7.4m increase attributable to full-time home/EU students. Full-time overseas students' income has also increased this year, by almost 10%.

**Research grants and contracts income over five years (£000)**



Research grants and contracts income has remained at a similar level as prior years. A reduction in Research Councils funding has been compensated for by an increase in Local Authority and UK industry funding.

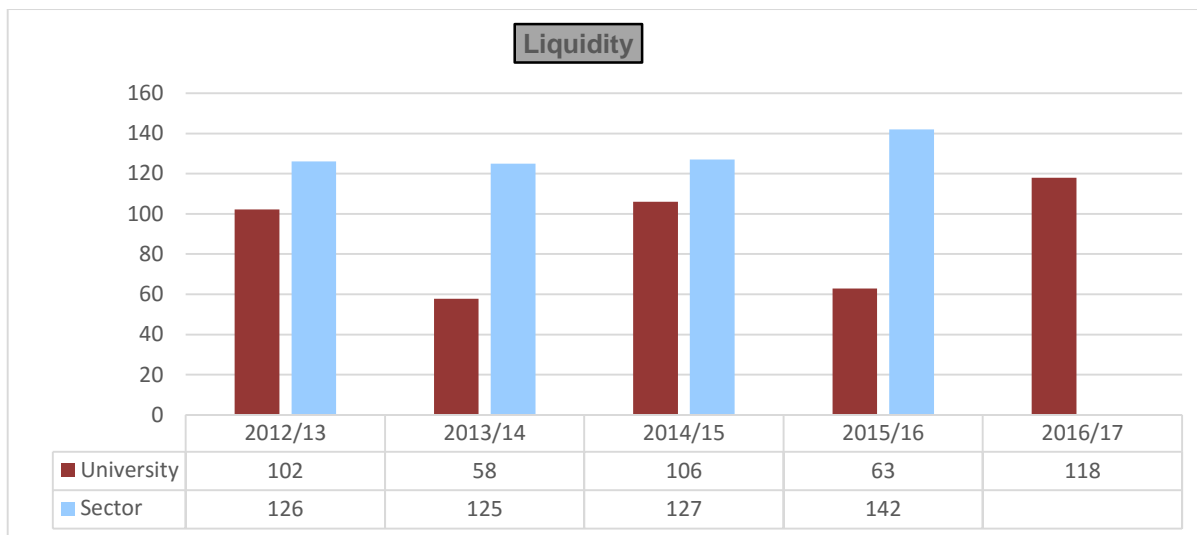
**Total expenditure (£000)**



Staff costs have increased by £5.4m, including £1.3m increase in spend on a selective voluntary leavers scheme, recruitment of staff on new Higher Education Innovation Funding (HEIF) initiatives, and a reclassification to pay for fee paid workers previously included in other operating expenses.

Factors causing the increase in other operating expenses are professional costs associated with the WCRP, and with the Aura initiative, increased spend on marketing and on international student recruitment, and a £1.5m breakage fee incurred to redeem the NatWest bank loan.

The depreciation charge for the year fell by £645k to £12.2m due to disposal of assets during the year.



Liquidity (days cover) measures the number of days the University could meet its immediate obligations with the cash and short term investments it holds. Liquidity has almost doubled this year, mainly due to a large WCRP cash receipt shortly before year end.

### **Cash Flow**

The University generated £37.4m of cash from operating activities. This contributed to funding capital expenditure of £47.7m. As noted above, cash at bank and current asset investments rose to £54.9m at the year end, boosted in the main by the WCRP capital receipt in May 2017.

In addition to funding investment plans through cash from operating activities, the University drew down the second £20m tranche of loan funding from the European Investment Bank (EIB) in August 2016 and also has in place a £40m Revolving Credit Facility with Lloyds Bank.

### **Treasury Management**

The University's Treasury Management Policy balances risk against return, with the overriding imperative being to protect capital rather than maximise returns.

The treasury management function is managed by a small internal team which is responsible for producing rolling cash flow forecasts, monitoring the daily cash position and ensuring ongoing cash requirements are met and surpluses appropriately invested.

### **Pensions**

Pension liabilities have fallen to £56.6m (2016: £63.6m):

- £19.7m USS agreed deficit recovery plan (2016: £19.2m);
- £33.8m University of Hull Pension and Assurance Scheme (UHPAS) (2016: £38.6m); and
- £3.1m North Yorkshire Pension Fund (NYPF) (2016: £5.8m).

### **Going Concern**

As at 31 July 2017 the University had cash at bank and current asset investments of £54.9m, net current assets of £34.5m and total net assets of £225m. Should it be required, there is flexibility for further funding as noted above. Financial forecasts support the ongoing delivery of the University's Strategic Plan.

It is considered that the University has adequate resources to continue in operational existence for the foreseeable future and is a going concern.

## Capital Programme

In 2016/17, the University invested £47.7m in capital projects, of which estates capital projects accounted for £38.3m.

The final phase of The Courtyard, the new 562-room student accommodation located on the main campus, was completed in December 2016. UPP Group were selected by the University to deliver 1,462 rooms on the West Campus. In preparation for the project, the University carried out significant underground service diversion, temporary car parks have been constructed and the Hertford, Kyle and changing room buildings were demolished. Construction of a new £4.5m single deck car park next to the Wilberforce building is underway and will provide 510 spaces upon completion in November 2017.

The sale of 87 University-owned student houses to local student accommodation provider Kexgill was completed in two phases in August 2016 and January 2017 for a total receipt of £11.3m. Kexgill have since carried out significant refurbishment to improve the portfolio. A further 13 houses on Cranbrook Avenue were sold to Kexgill during Summer 2017. Needler Hall was also sold for a total receipt of £3.15m in January 2017.

The construction of the Allam Medical Building was completed in August 2017 on time and on budget. The sports facilities project continues to progress according to programme. A new Sports Pavilion has been completed, along with the creation of a new 3G artificial rugby pitch and resurfacing of two existing artificial pitches and tennis courts. Construction of a new twelve-court sports hall commenced in July 2017 and is due to complete in August 2018.

Canham Turner (previously Staff House) received a £6.8m refurbishment, including a new café and new kitchen, conferencing and dining facilities. A significant proportion of this refurbishment was funded from a donation from the Barbara Canham Turner estate, an English student at the University during World War II.

Smaller capital projects undertaken during 2016/17 included improvements to student social space in the Robert Blackburn building, the creation of Embedded Systems Laboratories, and the upgrading of Chemistry laboratories. Two new open plan access points in the Ferens and Wilberforce buildings have been created for the Student Hubs in the Faculty of Science and Engineering and the Faculty of Arts, Cultures and Education.

In addition to ongoing capital works, the programme of long-term maintenance and improvement of the estate continued with an investment of £1.3m in 2016/17. Projects included major ground floor toilet upgrades to Student Central, an upgrade to boilers in the Lambert and Loxley buildings, a new high voltage substation for Canham Turner, a major electrical infrastructure upgrade to the Hardy building, replacement of ventilation systems in the Graduate School, replacement of artificial pitch floodlighting, upgrades to Salmon Grove houses, roadway repairs, CCTV upgrades at The Lawns, internal decoration to academic buildings and further fire improvements to buildings in line with the Fire Regulatory Reform Act.

Capital investment will increase slightly in 2017/18 as the Health Campus project is completed, the sports facilities project continues, Student Central is considered for refurbishment, Aura continues to develop and projects to improve Science and Engineering facilities are delivered. Ancillary projects to facilitate the WCRP will also be delivered within the year.

Energy consumption for 2016/17 was 17,699 tonnes of CO<sub>2</sub> (tCO<sub>2</sub>). The University's Carbon Management Plan aims to achieve a reduction in CO<sub>2</sub> emissions from the University estate from 19,090 tCO<sub>2</sub>/year in 1990 to 12,599 tCO<sub>2</sub>/year in 2020, a 34% reduction. Consumption remains slightly above target, though the annual targets do not fully reflect the considerable changes currently underway to develop the estate, student numbers or campus occupancy.



## Future outlook

Many immediate challenges lie ahead for the higher education sector, not least the continuing competitive nature of student recruitment and research funding, implementation of the Higher Education and Research Act and its changes to the sector's regulatory architecture, the renewed debate on tuition fees and the student finance system, and the ongoing uncertainty around the nature and impact of Brexit.

The University continues to invest in fostering the high performance culture and developing the facilities and infrastructure demanded by its ambitious vision for the future. Its focus on excellence, empowerment, partnership and sustainability will ensure that the University remains able to respond in an agile and sustainable manner to the challenging higher education environment, building on its successes to deliver world-class and transformative research, enterprise and education and an exceptional experience for its students, staff and partners.

Mr B J Dodd CBE  
Chair of Council  
28 November 2017

Professor S Lea  
Vice-Chancellor  
28 November 2017

## Public Benefit Statement

The University of Hull is an independent corporation established by Royal Charter and an exempt charity within the meaning of the Charities Act 2011. 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 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 Council has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included among its members are representatives of the staff of the University and the student body. Lay members receive no fees or payment for the work they do for the University, although reasonable travel expenses and certain training costs are met.

### Charitable Purpose

The University's charitable purposes derive from its Royal Charter to "advance education, scholarship, knowledge and understanding". Principal beneficiaries are current and potential students of the University, its alumni and society at large, which all benefit from the University's research and its role as an internationally-engaged anchor institution.

The University is committed to ensuring its students derive a lifetime's benefit from their university education. As participants in an academic community that is intellectually stimulating, diverse, culturally vibrant, safe and supportive, students develop the talent, knowledge, skills and values that enable them to compete and make a difference to the world. This, in turn, is to the benefit of employers, the economy and wider society, as University of Hull graduates leave equipped to support economic growth, social cohesion, culture and improved quality of life.

### Access and Widening Participation

To aid diversity and encourage academic excellence, the University offers several financial awards to both undergraduate and postgraduate students. In 2016/17 the University funded awards totalling in excess of £4.2m to provide financial support to over 1,499 undergraduate students, particularly those from low income backgrounds.

The University applies an integrated approach to providing support across the entire student life cycle, addressing outreach, access, retention, progression and completion. A number of high-profile activities were funded through the Access, Funding and Support Office in 2016/17. These included a two-day Science Festival on the University campus in April, a science and computing summer school which ran throughout July and August, and summer schools in Aarhus, Denmark and Tianjin, China for current students from widening participation backgrounds.

Following a successful bid for £4.1m of HEFCE funding, the University is now the lead institution for the National Collaborative Outreach Programme (NCOP) for the Humber region. Working collaboratively with eight further partner institutions, the University will lead and undertake outreach activity targeted in geographical areas where the higher education participation of young people is both low and much lower than might be expected based on GCSE-level attainment, in order to improve progression rates into higher education in these areas.

Funding totalling £1.2m was used to support the retention and progression of students via funds for travel, childcare and care leavers and additional pastoral support for widening participation students, and to provide careers advice and internships for underrepresented groups. In addition, the University offers students a comprehensive learning and welfare support package, including academic study skills, health and wellbeing services, advice and support for students with disabilities, mature student advisors, careers advice and sports and exercise facilities.

The University has a good record of achievement across a range of widening participation and access performance indicators and performs strongly against national averages and regionally-adjusted benchmarks. The University continues to work to support access, retention and successful outcomes, and sets itself challenging targets for continued improvement in its Access Agreements approved annually by the Office for Fair Access (OFFA).

## Preparing Students for the World of Work

The Hull Employability Awards complement a student's degree, recognising success in developing the skills and attributes characteristic of University of Hull graduates, and standing as an endorsement of excellent employability. The attributes can be gained in any area of University life, from volunteering to part-time work, from academic study to being a member of a committee or sports team. The University works in partnership with employers and organisations across the local region and internationally to provide students and alumni with opportunities to undertake paid internships or volunteering placements.

Graduates benefit from a lifelong relationship with the University through membership of the Hull Alumni Association. This network provides alumni with access to services such as careers support and advice, library resources and discounts for further study. It provides a point of contact between graduates and the University, and holds regular networking events and careers workshops for alumni across the globe.

## Research and Enterprise

Significant public benefit is derived from the University's research and enterprise. The results of the 2014 Research Excellence Framework confirmed that research conducted by each of the University's submitted units has considerable or outstanding impact, in terms of its benefit to the economy, society, culture, public policy or services, health, the environment or quality of life. Identifying and solving some of the world's most pressing challenges is central to the University's function and current research is tackling questions in areas such as logistics, health, energy and sustainability.

The University's new £28m Health Campus is already providing the setting for research which addresses critical health issues in the local region and beyond and brings together academics and health professionals to translate that research into tangible health benefits for patients and the wider population. A £5m research programme in partnership with Yorkshire Cancer Research to tackle cancer inequalities in the region was launched in 2017.

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*"We want to radically change the life chances of people in our region living with cancer and this funding from Yorkshire Cancer Research will help us make this aim a reality.*

*"Cancer incidence, mortality and survival rates are often worse for those living in Yorkshire than across England as a whole, and they are especially bad in Hull. The picture worsens for the elderly and for those from socially-deprived communities. These research projects will help us understand why these differences exist, and how to reduce inequalities, speed up referrals, and improve access to care and treatment."*

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*Professor Una Macleod, Dean of Hull York Medical School*

Working with Smith and Nephew through a £3m partnership the University is creating one of the world's largest wound care research clusters, bringing together industry and academia to develop innovative treatments. The Institute for Clinical and Applied Health Research is establishing the Hull Health Trials Unit in collaboration with Hull and East Yorkshire NHS Trust, and is also home to the Wolfson Palliative Care Research Centre—a £2.4m venture designed to help people with life-limiting illnesses.

The Wilberforce Institute for the study of Slavery and Emancipation draws on the work of experts across the humanities, law and social sciences. Its pioneering research on combating modern slavery was recognised with the award of a prestigious Queen's Anniversary Prize in 2016. The Institute works with businesses and front-line organisations, including healthcare providers, job centres and the police force, to help risk assess their supply chains for forms of slavery. In association with the Humber Slavery Partnership and Hull Freedom Festival, the Institute hosted Hull's first-ever Wilberforce World Freedom Summit: Eradicating Contemporary Slavery in September 2017 as part of Hull 2017 City of Culture.

## An Anchor Institution

An independent study of the economic impact of the University published in 2015 demonstrated that for every £1 of public funding it receives, the University generates £26.98 gross added value (GVA) for the UK economy. The study captures many facets of the University's anchor institution role. In addition to its core operations, the University supports economic growth and employment through factors such as its students working and spending

in the local economy, the companies created in the University's Enterprise Centre, additional graduate earnings and tourism from visitors and open days.

The University values highly its relationship with the city of Hull and the wider Yorkshire and Humber region. In addition to its campus in northwest Hull, the University has a number of sites in the city centre, from the nineteenth century Oriel Chambers to the Total Environment Simulator laboratory based at The Deep aquarium. The University is a principal partner for Hull UK City of Culture 2017 and works in partnership with Hull City Council to operate the Hull History Centre, which brings together material from the Local Studies Library and the city and University archives. Members of the University community serve as directors and members of local and regional organisations, such as The Deep, Green Port Hull, the City Leadership Board, the Humber Local Enterprise Partnership and the boards of University Technical Colleges in Hull, Scarborough and Scunthorpe.

Through its OpenCampus programme, the University offers a variety of public engagement activities for adult lifelong learners in the region, including 'Culture Café' sessions (a regular series of talks for those interested in culture, the arts and humanities), public lectures and seminars, concerts, performances and tea-time talks. Events hosted during 2016/17 included the BBC Radio 3 Big Chamber Weekend, talks on diverse topics such as Hull's political heritage, the challenges of speaking Shakespeare's dialogue in cinema, and palliative care in Parkinson's disease, a reading group celebrating 'literary locals', and a programme of more than twenty events to celebrate International Women's Day.

The Brynmor Jones Library incorporates a purpose-built art gallery and an exhibition hall. Both are designed so that members of the public can access and engage with the University's art collection and temporary exhibitions. As part of the City of Culture programme during 2016/17, the University hosted 'Lines of thought: Drawing from Michelangelo to now', a British Museum Partnership touring exhibition focusing on the medium of drawing and featuring works by some of the world's most prominent masters including Dürer, Degas, Matisse and Rembrandt. This was followed by an exhibition of BP Portrait Award commissions from the National Portrait Gallery and 'Larkin: New eyes each year', a biographic exhibition exploring the connections between Larkin's poetry and his life and work in Hull.

The University of Hull's Legal Advice Centre provides free, confidential and independent legal advice to the local community, while giving law students the opportunity to gain practical experience under the supervision of qualified staff.

Facilitated by Hull University Union (HUU), members of the University community participate in a wide range of volunteering and fundraising activities which deliver benefits locally and globally. During 2016/17, HUU's Raising and Giving (RAG) committee raised over £122,000 for charities including Childreach International, RSPCA, the Eye Fund and Canine Partners. The team won RAG of the Year at the annual RAG Awards.

## Modern Slavery Act 2015: slavery and human trafficking statement

The University of Hull is proud of the steps it has taken to combat slavery and human trafficking and is committed to improving its practices to combat slavery and human trafficking. The University does not tolerate modern slavery and is committed to implementing and enforcing effective systems and controls to minimise the risk of modern slavery taking place anywhere in the University, its activities, its supply chains or through its collaborative partners.

### *About the University of Hull*

The University of Hull is a charitable higher education institution incorporated by Royal Charter which provides a wide range of teaching, research and related activities. The University is based in Hull but involved across the globe. More than 16,000 students are registered on courses in the UK and world-wide. The University employs around 2,500 people and had an income of more than £197m for the financial year ending 31 July 2017. The University Council oversees the strategic development of the University and ensures the effective use of resources and the general solvency of the institution. Council members are also the University's charitable trustees.

More information about the University is available here: <http://www.hull.ac.uk/>

The University has been at the forefront of the drive to raise awareness of the need to combat slavery and human trafficking since 2006 when it established the Wilberforce Institute for the study of Slavery and Emancipation. This interdisciplinary institute aims to ensure that the world recognises that slavery is not just an evil of the past, through raising public awareness of issues relating to slavery, emancipation, social justice and human rights, past and present.

The Wilberforce Institute has campaigned nationally and internationally for an end to contemporary slavery, working with key partners, including the United Nations, EU, UK Government, Anti-Slavery International, Walk Free Foundation, Oxfam, Joseph Rowntree Foundation, Free The Slaves, Beecher House Center for the Study of Equal Rights, Windrush Foundation and the International Slavery Museum. As well as shaping policy, the Wilberforce Institute has produced learning resources on contemporary slavery and set up a Business Supply Chains Risk Assessment department, working with cross functional teams of researchers, ethical trade experts, social auditors and business advisers to help businesses identify and address modern slavery risks in their supply chains.

More information about the Wilberforce Institute is available here:  
<http://www.hull.ac.uk/Work-with-us/Research/Institutes/wilberforce-institute.aspx>

### *Our supply chains*

The University of Hull purchases works, goods and services from a wide range of suppliers and across a number of categories and is committed to acquiring these in a responsible manner. The University is not aware of any modern slavery activities within its operations or supply chain but if any were discovered then it would act to ensure compliance with legislation and its own policies to prevent further abuse. The University will continue to work with sector colleagues and others to share best practice and keep up to date on slavery and human trafficking considerations within the supply chain.

A review of procurement documentation and processes to align them with the Modern Slavery Act 2015 is underway and will continue to ensure that they keep pace with developments in this area.

### *Our policies on slavery and human trafficking*

The University of Hull is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. As part of this commitment the University has adopted an Anti-Slavery and Human Trafficking Policy. The University will assess any instances of non-compliance with its Anti Modern Slavery and Human Trafficking Policy on a case by case basis and will then tailor remedial action appropriately.

The University has a zero-tolerance approach to modern slavery and is determined to behave ethically and with integrity in all business dealings and relationships. The University of Hull is committed to transparency and expects the same from its contractors, suppliers and other business partners, and their supply chains.

The University has updated its terms and conditions of business to require compliance with this policy and the Modern Slavery Act 2015. During 2017/18, the University will continue to review its contractual templates to address modern slavery where necessary.

## ***Training***

To ensure a high level of understanding of the risks of modern slavery and human trafficking in the University of Hull's supply chains and its business, the University will be providing training to relevant staff. Guidance on slavery and human trafficking for internal purchasers and staff involved in purchasing from high risk categories is in preparation.

The University will also publicise the Anti-Slavery and Human Trafficking Policy and Procedures (the Policy) and the requirement to produce this statement on an annual basis to all staff.

## ***Our effectiveness in combating slavery and human trafficking***

The University of Hull will review the effectiveness of the Policy, training and other measures taken to combat slavery and human trafficking on a periodic basis

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the University of Hull's Slavery and Human Trafficking Statement for the financial year ending 31 July 2017. This Statement will be reviewed and updated on an annual basis.

Mr B J Dodd CBE  
Chair of Council  
28 November 2017

Professor S Lea  
Vice-Chancellor  
28 November 2017

# 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 has formally adopted the *Higher Education Code of Governance*, published by the Committee of University Chairs in 2014. The University periodically reviews its own effectiveness in accordance with CUC guidance.

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 the Charities Act 2011, with the Higher Education Funding Council for England (HEFCE) acting on behalf of the Charity Commission as the principal regulator for English higher education institutions. 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 of Hull strives to be an inclusive community that advances equality and opportunity for all. Our Equality Scheme sets out our strategic aims (<http://beta.www.hull.ac.uk/Work-with-us/More/Equality-Diversity-and-Inclusion/docs/equality-and-diversity-strategy-2017-2020-Final.pdf>).

The University remains committed to providing a campus that is free from discrimination, harassment and inequality. Creating an environment in which our staff and students can flourish is at the heart of what this University is about. We recognise that different people bring different ideas, experiences, knowledge and culture. We value this diversity, which enhances our work to spread knowledge, unlock our potential and develop intellectual capital across the community and region.

During 2015/16 the University's Charter, Statutes and Ordinances required the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

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

In accordance with the University Charter, the Council has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its membership are the Vice-Chancellor, a Pro Vice-Chancellor and the Chief Finance Officer, and 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 B Dodd CBE. The following members served during the period 1 August 2016 to 28 November 2017:

### Lay Members:

Mr J Darrock	(to 31 March 2017)
Mr B J Dodd CBE	(Chair)
Mr A J Eavis	
Mr J Fallon	
Mr D A Gibbons	
Sir P Grant	
Dr K G G Hopkins	
Mrs U Lidbetter MBE	
Mr S W Lunt	
Lady C M Roberts	
Mrs E W Dame	
Mrs R Vincent	
Mrs J Whittaker	

Non Lay Members:

Vice-Chancellor	Professor C W I Pistorius (Professor Pistorius stepped down as Vice-Chancellor at the end of January 2017, following a three-month sabbatical from 1 August 2016. During this period of sabbatical and transition, Professor P G Burgess, Deputy Vice-Chancellor assumed the position of Acting Vice-Chancellor until 20 August 2017) Professor S Lea (from 21 August 2017)
Chief Finance Officer A Pro-Vice-Chancellor	Mr S Willis Professor P G Burgess (Acting Vice-Chancellor 1 August 2016 to 20 August 2017)
Senate (a Dean)	Professor S M Kelly (to 31 July 2017) Professor K Haynes (from 1 August 2017)
Senate (a Head of Department or School)	Professor A Borthwick (from 24 November 2016 to 31 July 2017) Professor G Villalta Puig (from 1 August 2017)
Senate (appointed member)	Professor C Montgomery (to 30 September 2016) Dr M Lorch (to 31 July 2017) (Dr D Mundy (from 1 August 2017)
Non academic staff President, Students' Union	Mr M Dobson (from 24 November 2016) Mr M Evans (to December 2016) Ms O Otobo (2017-18)

The Council will appoint to vacant slots during 2017-18.

- **The Senate** has delegated authority from the Council to oversee the academic work of the University. It directs and regulates the learning, teaching, research, and enterprise work of the University, the enhancement of academic quality and assurance of academic standards, and the regulation of student discipline. It draws its membership from the academic staff and the students of the institution and is chaired by the Vice-Chancellor.

The University undertook a comprehensive review of the Council, Senate and their committees in summer 2016. The purpose of the review was to improve governance processes within the University and to promote a more agile decision-making structure. The review generated a number of recommendations following which an overarching project was developed. Phase 1, to improve governance processes within the University was implemented between January and July 2017. Phase 2, a full review of committee terms of reference, the Schedule of Delegated Authority, the Charter, Statutes and Ordinances, and the implementation of a policy framework will be conducted throughout 2017/18.

The Chief Executive Officer of the University is the Vice-Chancellor, Professor S Lea. 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 Memorandum of Assurance and Accountability 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.

## Council Committees

Although the Council normally meets four times each academic year, much of its detailed work is initially handled by committees, in particular during 2016-17, the Finance and Investment Committee (chaired by Dr K Hopkins), the Nominations Committee (chaired by the Chair of Council, Mr B Dodd CBE), the Remuneration Committee (chaired by the Chair of Council, Mr B Dodd CBE), and the Audit Committee (chaired by Mr S Lunt). 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 of the University Council (from whom the Chair is selected), non-lay members, where appropriate, and co-opted members.

The Finance and Investment Committee provides recommendations to the Council, inter alia, on matters of estates, including the estates strategy and the estates portfolio (investments and disposals), and matters of finance, including the annual revenue and capital budgets, and the finance strategy; and monitors performance in relation to the approved budgets and strategies. The Committee also reviews and recommends to the Council the University Financial Regulations, Financial policies, and the draft audited financial statements.

The Nominations Committee reviews the membership of the Council and advises the Council on appointments to the Council and its committees, taking into account skills and experience of the current composition of the Council and its committees whilst seeking to ensure the promotion of equality and diversity.

The Remuneration Committee determines the annual remuneration of senior staff of the University, and the salaries, other benefits and emoluments of the Vice-Chancellor and the Executive (reviewing against national benchmarks).

The Audit Committee considers internal audit reports and recommendations for the improvement of the University's systems for internal control. The Committee meets with the internal auditors (and, from August 2017, the Business Improvement and Assurance Manager) through attendance at Committee meetings. It monitors adherence with statutory and regulatory requirements and regularly and discusses the results of the external audit process with the auditors. The Committee advises the Council on the adequacy and effectiveness of the University's arrangements for risk management control, governance, Value for Money (economy, efficiency and effectiveness) and for overseeing the institutions policy on fraud and irregularity, ensuring that all significant losses have been properly investigated. The Audit Committee also produces an annual report, which is sent to the HEFCE as part of the Annual Accountability Return.

The Honorary Awards Committee (chaired by the Vice-Chancellor) is a joint committee of the Council and Senate. The committee makes recommendations to the Council and Senate on nominations for honorary awards

The University Ethics Committee (chaired by the Pro-Vice-Chancellor for Research and Enterprise) is a joint committee of the Council and Senate. It is responsible for reviewing and monitoring the University Ethics Policy and for advising faculties and service areas regarding procedures and recommending matters to Council and Senate, as appropriate.

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the 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 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 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 Memorandum of assurance and accountability 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 Memorandum of assurance and accountability 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 ensure the University has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

In so far as each of the members of the Council is aware:

- there is no relevant audit information of which the auditor is unaware; and
- the Council have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## 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 Memorandum of assurance and accountability 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 2017 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 Executive, chaired by the Vice-Chancellor, takes responsibility for risk identification, evaluation and management;
- An institution-wide risk register, maintained by the Executive, is revised 'in year' as the result of emergent risks. Risks are monitored regularly, at least quarterly, by the Executive. 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 professional service area Head is required to compile a risk register, to manage and review regularly the identified risks. Deans, Directors and Heads of Schools 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; and

An internal audit of risk management was conducted in January 2017. The report stated that the institutional risk register contains examples of good risk management practice. It suggested some improvements were required which were introduced in February 2017.

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. From 1 August 2017, Business Improvement & Assurance (BI&A) will be delivered via a co-sourced model led by a new in-house function working alongside external partners.

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 HEFCE assurance review took place in October 2015.

## 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; and
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Mr B J Dodd CBE  
Chair of Council  
28 November 2017

Professor S Lea  
Vice-Chancellor  
28 November 2017

## Independent Auditor's Report to the Council of the University of Hull

We have audited the financial statements of University of Hull (the 'University') for the year ended 31 July 2017 which comprise of the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2017, and of the University's income and expenditure, gains and losses, changes in reserves and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014.

### Basis for opinion

We have been appointed as auditor under the Royal Charter and report in accordance with regulations made under it. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the University's Council, as a body, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the University's Council 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 University and the University's Council as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Council are responsible for the other information. The other information comprises the information included in the Operating and Financial Review set out on pages 3 to 21, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2017

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

### Responsibilities of the Council for the financial statements

As explained more fully in the Statement of responsibilities of the Council set out on page 26, the Council is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council are responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds

2017

## Statement of Principal Accounting Policies

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

### 1. *Accounting convention*

The financial statements are presented in Sterling, and have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (SORP 2015) and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the FRS 102 transition one off valuation to deemed cost of certain fixed assets).

### 2. *Going concern*

The financial statements are prepared on a going concern basis, with forecasts approved by the University Council and as per the Operating and Financial Review (OFR), which includes details of the activities of the University and factors likely to affect its future development and performance. The financial position of the University, including its cash flow, liquidity and borrowings is considered in both the OFR and the Financial Statements and accompanying notes.

### 3. *Recognition of income*

Revenue grant funding including funding council block grant, research grants from government sources and all grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and where performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors, on the Balance Sheet, and released to income as the conditions are met.

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves, through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds, subject to any performance related conditions being met.

Tuition fees represent student fees received and receivable attributable to the current accounting period. Fee income is stated gross and credited to the Statement of Comprehensive Income and Expenditure (SOCl) over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as gross expenditure and not deducted from income.

Investment income is credited to the SOCl on a receivable basis.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the individual endowment fund.

Income from the sale of goods or services is credited to the SOCl when the goods or services are supplied to the external customers or when the terms of the contract have been satisfied.

### 4. *Pensions*

The two principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS) 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 Second Pension (S2P). 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.

(i) Universities' Superannuation Scheme

With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the SOCI represents contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised

(ii) University of Hull Pension and Assurance Scheme

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 SOCI.

The scheme is closed to new entrants, with new staff able to join a defined contribution stakeholder scheme.

Further details are included in note 23 to the financial statements.

## 5. Land and buildings

Land and Buildings are stated at historic or deemed cost. A one off valuation exercise as at 1 August 2014 was conducted under the transition to FRS 102 by an external chartered surveyor. 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.

New capital expenditure classed as mechanical & electrical works is depreciated over 10 – 25 years according to the type of work and the asset concerned. No depreciation is charged in the year of acquisition.

No depreciation is charged for assets under the course of construction.

Where buildings are acquired with the aid of specific government grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the SOCI 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.

## 6. 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.

New capitalised non-IT equipment is depreciated over 5 - 25 years, according to the type of equipment. IT equipment is depreciated over 5 – 10 years, according to the type of equipment.

Equipment acquired for specific research projects is depreciated over the project life, by financial year, unless there will be a residual value to the equipment after the project has ended, in which case the economic useful life will be extended.

All motor vehicles, regardless of cost, are capitalised, and depreciated over 8 years. 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).



## 7. *Heritage assets*

Heritage assets are treated in line with the University's capitalisation policy, i.e. those with a cost or value over £20,000 are capitalised. Where heritage assets have not been capitalised, details of the nature and age of these assets are disclosed.

## 8. *Maintenance of premises*

The cost of routine maintenance is charged to the SOCI in the period that it is incurred.

## 9. *Provisions for liabilities*

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.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. This is discounted to present value, if the time value of money is material.

## 10. *Investments*

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Changes in value arising on the valuation of fixed asset investments are credited/charged to the SOCI.

Investments that form part of endowments are included in the Balance Sheet at market value.

Increases/decreases in value arising on the revaluation or disposal of endowment assets are added to, or subtracted from, the funds concerned.

Current asset investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

## 11. *Stocks*

Stocks are valued at the lower of cost or net realisable value.

## 12. *Cash and cash equivalents*

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 13. *Cash flows and liquid resources*

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. 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 3 of the Charities Act 2011 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.

## 15. Agency arrangements

Where the University receives and disburses funds as paying agent on behalf of a funding body for which the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction, then the related income and expenditure is excluded from the SOCI.

## 16. Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability in another entity. For the University this includes trade debtors and creditors, bank balances and bank loans.

Financial instruments have to be categorised as “basic” or “non-basic”, with basic instruments being accounted for at amortised cost and non-basic at fair value. All of the University’s financial instruments are classified as basic.

## 17. Significant Judgements and estimates

Accounting judgements and estimates are made after consideration of facts and receipt of advice from external parties where relevant.

### (i) WCRP

Judgements have been taken in accounting for amounts attributable to individual elements of the WCRP.

£34.1m consideration received represents the premium received by the University on financial close of the agreement, plus prepayment of lease obligations arising on the assets being leased to UPP (Hull) Limited by the University.

UPP Group are constructing assets on behalf of the University. The fair value of these (Wilberforce car park, £4.8m, and Eastern Gateway works, £251k) is materially consistent with the construction costs set out in the final agreements, and has been recognised in prepayments.

Subleases issued by UPP (Hull) Limited to the University on changing rooms, a shop, a café and car park spaces built by UPP (Hull) Limited also form part of the total consideration. The University is treating these leases as prepaid through a reduction in the total consideration received. Estimates of the value of the prepaid lease obligations are based on the market value of similar leased assets as provided by an external valuer. The fair value of these lease obligations has been accounted for as a prepayment in the financial statements and will be released over the 50-year life of the leases.

The WCRP agreement includes the refurbishment and management of student accommodation at Taylor Court by UPP (Hull) Limited. The University judged that the issuing of a 50-year lease for the land and buildings is in substance a disposal of the buildings to UPP (Hull) Limited, based on the assessment that the remaining useful economic life of the buildings is the total term of the lease. Furthermore, an estimate has been made of £17m for the fair value of the lease arrangement based on an assessment made by an external valuer. The fair value of the buildings has been estimated by management to be in line with the net book value of the buildings before the transaction of £5m. Thus the value of the lease obligations that UPP (Hull) Limited owes to the University for the rental of the land at Taylor Court has been estimated at £12m. This prepayment of rent has been accounted for as deferred income and will be released over the 50-year life of the lease.

Consideration from UPP (Hull) Limited includes a prepayment of lease obligations in respect of the lease of land from the University to UPP (Hull) Limited on the WCRP site. The value of the lease obligations has been estimated by reference to an external valuation of the market rent of the land. The total value of £3.7m has been accounted for as deferred income and will be released over the 50-year lease term.

The project includes 12 year contracts for security and maintenance of the WCRP site to be provided by the University. UPP (Hull) Limited have effectively prepaid the contract obligations in advance as part of total consideration for the project. These contracts have been valued within the agreement at £420k and £456k respectively, and the prepayment by UPP (Hull) Limited has been accounted for as deferred income and will be released over the 12-year term of the contracts.

The University holds 10% equity in UPP (Hull) Limited, the Special Purpose Vehicle set up to operate the residences. This investment is accounted for within non-current investments (see note 12 to the financial statements).

(ii) Pensions

With regards to pensions, FRS102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the SOCI in accordance with section 28 of FRS102. The University is satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Pension provisions are calculated on the basis of assumptions agreed with scheme actuaries, in relation to future salary increases, mortality rates, discount rates and inflation rates. Changes to any of the assumptions could have a material impact on the valuation of the pension schemes. More details are included in note 23.

(iii) Fixed assets

Following the one off valuation of certain land and buildings as at 1 August 2014, on transition to FRS 102, estimates were made of remaining useful economic life of the assets and the proportion of each asset's total value to be attributed to its constituent components. These estimates were determined after consideration by the Estates management team and the external valuer. Both estimates are used as the basis for calculating annual depreciation.

(iv) Debtors

The University makes an estimate of the recoverable value of debtors. When assessing the provision for bad debt required, consideration is given to the aged profile of debtors and historical experience.

# Statement of Comprehensive Income and Expenditure

## for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
<b>INCOME</b>			
Tuition Fees and Education Contracts	1	126,337	118,980
Funding Council Grants	2	24,049	24,012
Research Grants and Contracts	3	10,385	10,342
Research and Development Expenditure Credit (RDEC)	10	-	1,664
Other Income	4	27,850	25,143
Investment Income	5	434	471
<b>TOTAL INCOME BEFORE ENDOWMENTS AND DONATIONS</b>		<b>189,055</b>	<b>180,612</b>
Donations and endowments	6	8,319	4,216
<b>TOTAL INCOME</b>		<b>197,374</b>	<b>184,828</b>
<b>EXPENDITURE</b>			
Staff Costs	7	105,795	101,690
Fundamental restructuring costs	7	2,574	1,261
Other Operating Expenses	9	64,220	59,117
Depreciation	9	12,194	12,839
Interest Payable	8	4,151	2,509
<b>TOTAL EXPENDITURE</b>		<b>188,934</b>	<b>177,416</b>
<b>Surplus before other gains and losses</b>		<b>8,440</b>	<b>7,412</b>
Gain on disposal of fixed assets		10,681	181
Gain on WCRP		18,339	-
Impairment of assets		(300)	(3,251)
Gain on investments		987	642
<b>Surplus before taxation</b>		<b>38,147</b>	<b>4,984</b>
Taxation		-	-
<b>Surplus for the year</b>		<b>38,147</b>	<b>4,984</b>
Actuarial gain/(loss) in respect of pension schemes		6,510	(4,743)
<b>Total comprehensive income for the year</b>		<b>44,657</b>	<b>241</b>
Represented by:			
Endowment comprehensive income for the year	19	813	682
Unrestricted comprehensive income for the year		43,844	(441)
		<b>44,657</b>	<b>241</b>

All amounts recognised in the Statement of Comprehensive Income and Expenditure relate to continuing activities.

# University Statement of Changes in Reserves

## Year ended 31 July 2017

	Income and expenditure account		Total
	Endowment £'000	Unrestricted £'000	£'000
<b>Balance at 1 August 2015</b>	<b>18,080</b>	<b>167,511</b>	<b>185,591</b>
Surplus from the income and expenditure statement	682	4,302	4,984
Other comprehensive income	-	(4,743)	(4,743)
Total comprehensive income for the year	682	(441)	241
Endowment	-	(260)	(260)
<b>Balance at 1 August 2016</b>	<b>18,762</b>	<b>166,810</b>	<b>185,572</b>
Surplus from the income and expenditure statement	813	37,334	38,147
Other comprehensive income	-	6,510	6,510
<b>Total comprehensive income for the year</b>	<b>813</b>	<b>43,844</b>	<b>44,657</b>
Endowment	-	(249)	(249)
Distribution of CMRI endowment	(5,200)	-	(5,200)
<b>Balance at 31 July 2017</b>	<b>14,375</b>	<b>210,405</b>	<b>224,780</b>

# Balance Sheet as at 31 July 2017

	Note	2017 £'000	2016 £'000
<b>NON CURRENT ASSETS</b>			
Fixed Assets	11	322,241	298,866
Investments	12	13,482	15,578
		<u>335,723</u>	<u>314,444</u>
<b>CURRENT ASSETS</b>			
Properties for sale	11	743	4,075
Stocks		64	67
Trade and other receivables	13	26,065	13,034
Investments	14	20,000	15,000
Cash and cash equivalents	15	34,936	12,699
		<u>81,808</u>	<u>44,875</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(47,278)</u>	<u>(47,114)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>34,530</u>	<u>(2,239)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>370,253</u>	<u>312,205</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(88,183)	(62,333)
<b>PROVISIONS</b>			
Pension provisions	18	(56,595)	(63,573)
Other provisions	18	(695)	(727)
<b>TOTAL NET ASSETS</b>		<u>224,780</u>	<u>185,572</u>
<b>RESTRICTED RESERVES</b>			
Restricted endowments reserve	19	14,375	18,762
<b>UNRESTRICTED RESERVES</b>			
Unrestricted I&E reserve		210,405	166,810
<b>TOTAL</b>		<u>224,780</u>	<u>185,572</u>

The financial statements were approved by the Council on 28 November 2017, and signed on its behalf by:

Mr B J Dodd CBE (Chair of Council)

Professor S Lea (Vice-Chancellor)

# Statement of Cash Flows

## for the year ended 31 July 2017

	2017	2016
	£'000	£'000
<b>Cash flow from operating activities</b>		
Surplus for the year	38,147	4,984
Adjustment for non-cash items:		
Depreciation	12,194	12,839
(Gain) on investments	(987)	(642)
Decrease in stock	3	43
(Increase) in debtors	(13,031)	(2,842)
Increase in creditors	19,287	3,805
(Decrease)/increase in pension provision	(6,978)	4,762
Actuarial gain/(loss) in respect of pension schemes	6,510	(4,743)
(Decrease) in other provisions	(32)	-
Impairment of assets	300	3,251
<b>Adjustment for investing or financing activities:</b>		
Investment income	(434)	(471)
Interest payable	2,819	815
Endowment income	(39)	(338)
CMRI disposal	71	180
Increase endowment investments	(5,519)	(1,811)
(Profit) on the sale of fixed assets	(10,681)	(181)
Capital grant income	(4,188)	(3,042)
<b>Net cash inflow from operating activities</b>	<b>37,442</b>	<b>16,609</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of fixed assets	26,183	239
Proceeds from sales of non-current investments	5,519	-
Capital grants receipts	1,643	1,523
(Increase) in deposits	(5,000)	(8,000)
Investment income	434	471
Payments made to acquire fixed assets	(47,739)	(42,332)
New non-current asset investments	(2,736)	(300)
New deposits	-	(338)
	<b>(21,696)</b>	<b>(48,737)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,819)	(815)
Endowment cash received	39	338
New unsecured loans	20,453	4,000
Repayments of amounts borrowed	(11,182)	(1,300)
	<b>6,491</b>	<b>2,223</b>
Increase/(decrease) in cash and cash equivalents in the year	22,237	(29,905)
Cash and cash equivalents at beginning of the year	12,699	42,604
Cash and cash equivalents at end of the year	<b>34,936</b>	<b>12,699</b>

## Notes to the Accounts

	2017	2016
	£'000	£'000
<b>1 TUITION FEES AND EDUCATION CONTRACTS</b>		
Full-time home and EU students	102,059	96,000
Full-time international students	17,724	16,161
Part-time Students	3,407	3,404
Research Training Support Grants	316	280
Short Course Fees	2,831	3,135
	<u>126,337</u>	<u>118,980</u>
<b>2 FUNDING COUNCIL GRANTS</b>		
Recurrent Grant	18,479	19,017
Specific Grants		
National College for Teaching & Leadership	144	325
Higher Education Innovation Fund	1,127	1,447
JISC	35	44
Other	492	457
Deferred Capital Grants Released in Year	3,772	2,722
	<u>24,049</u>	<u>24,012</u>
Funding Council Grants represent grants from the Higher Education Funding Council for England and the National College for Teaching & Leadership.		
<b>3 RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	2,387	2,939
UK Charities	1,817	1,764
UK Central Government	1,187	1,294
Local Authorities	171	71
Health & Hospitals	1,238	996
UK Industry	1,255	1,283
EU	1,641	1,339
Overseas and Other Sources	689	656
	<u>10,385</u>	<u>10,342</u>



## Notes to the Accounts

	2017 £'000	2016 £'000
<b>4 OTHER INCOME</b>		
Residences, Catering and Conferences	16,517	15,133
Other Services Rendered	3,740	3,409
Health Authorities	2,831	2,722
Released from Deferred Capital Grants	337	337
Rents Receivable and Facilities income	668	581
ERASMUS Grants	260	277
Other Revenue Grant and Departmental income	1,452	1,303
Other Income	2,045	1,381
	<u>27,850</u>	<u>25,143</u>
<b>5 INVESTMENT INCOME</b>		
Investment income from endowments	290	257
Other investment income	144	214
	<u>434</u>	<u>471</u>
<b>6 DONATIONS AND ENDOWMENTS</b>		
New endowments	39	338
Unrestricted donations	8,280	3,878
	<u>8,319</u>	<u>4,216</u>
<b>7 STAFF</b>		
Staff Costs:		
Wages & Salaries	80,967	78,778
Social Security Costs	8,032	6,352
Movement on USS provision	130	251
Other Pension Costs	18,596	18,235
Other pension adjustments	(1,930)	(1,926)
	<u>105,795</u>	<u>101,690</u>
Exceptional Early Leaver Scheme costs	2,574	1,261
	<u>108,369</u>	<u>102,951</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 (2017: £5,162k; 2016: £4,880k).

## Notes to the Accounts

### 7 STAFF (cont.)

Emoluments of the Vice-Chancellors:	2017 £'000	2016 £'000
Outgoing Vice-Chancellor (Aug 2016 to Jan 2017)		
Salary	125	249
Accrued annual leave	15	-
Benefits in kind as assessed for HMRC purposes	9	11
	<u>149</u>	<u>260</u>
Employer contributions to USS	22	42
	<u>171</u>	<u>302</u>
Acting Vice-Chancellor/Deputy Vice-Chancellor (Aug 2016 to July 2017)		
Salary	173	-
Benefits in kind as assessed for HMRC purposes	-	-
	<u>173</u>	<u>-</u>
Employer contributions to USS	31	-
	<u>204</u>	<u>-</u>

The emoluments of the Outgoing and Acting Vice-Chancellors are shown on the same basis as for higher paid staff and the employer contributions to USS are paid at the same rate as for other academic staff. In addition, the Outgoing Vice-Chancellor received a £74k payment in connection with retirement from office.

Average Staff Numbers by Major Category	2017 Number	2016 Number
Academic/Clinical	1,207	1,225
Technical	171	177
Administrative	435	444
Support	243	246
	<u>2,056</u>	<u>2,092</u>

Excluding the Vice-Chancellor, 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 \*.

	2017 No. of Staff		2016 No. of Staff	
	*		*	
£180,000 - £189,999	-	1	1	-
£170,000 - £179,999	-	-	-	-
£160,000 - £169,999	5	-	5	1
£150,000 - £159,999	1	-	-	-
£140,000 - £149,999	-	2	-	-
£130,000 - £139,999	-	1	-	3
£120,000 - £129,999	3	3	3	1
£110,000 - £119,999	2	4	1	2
£100,000 - £109,999	-	2	-	6

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University, the Vice Chancellor and his Executive group. Staff costs in note 7 includes compensation paid to key management personnel.

	2017 £'000	2016 £'000
Key management personnel	<u>1,418</u>	<u>1,409</u>

## Notes to the Accounts

2017  
£'000

2016  
£'000

### 8 INTEREST PAYABLE

Bank and other Loans repayable within 1 year	-	-
Bank and other Loans wholly or partly repayable in more than 5 years	2,819	815
Net charge on pension scheme	1,332	1,694
	<u>4,151</u>	<u>2,509</u>

### 9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Depreciation £'000	Other Operating Expenditure £'000	Interest Payable £'000	2017 Total £'000	2016 Total £'000
Academic Departments	64,025	1,344	11,627	-	76,996	72,838
Academic Services	10,865	1,153	8,666	-	20,684	25,027
Research Grants and Contracts	4,204	79	4,058	-	8,341	8,109
Residences, Catering and Conferences	3,072	1,195	5,255	-	9,522	9,623
Premises	5,310	8,395	8,554	4,151	26,410	23,816
Administration	9,719	28	5,783	-	15,530	13,579
Services Rendered	947	-	747	-	1,694	1,648
Movement in pension costs	130	-	-	-	130	251
Other Expenses	7,523	-	19,530	-	27,053	21,264
	<u>105,795</u>	<u>12,194</u>	<u>64,220</u>	<u>4,151</u>	<u>186,360</u>	<u>176,155</u>
Exceptional Early Leaver Scheme	2,574	-	-	-	2,574	1,261
	<u>108,369</u>	<u>12,194</u>	<u>64,220</u>	<u>4,151</u>	<u>188,934</u>	<u>177,416</u>

Other operating expenses include:	£'000	£'000
External auditors remuneration in respect of audit services	49	45
External auditors remuneration in respect of non audit services	2	14

### 10 TAXATION

Research & Development Expenditure Credit	£'000	£'000
	<u>-</u>	<u>1,664</u>

This income arose due to changes in legislation which made universities eligible to claim Research & Development Expenditure Credit for qualifying research expenditure incurred from April 2013 to July 2015.

Legislation has since made universities ineligible to claim RDEC for periods from 1 August 2015.

## Notes to the Accounts

### 11 FIXED ASSETS

	Land & Buildings		Mechanical & electrical Equipment		Work in progress	Total £'000
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000	
Cost:						
At 1 August 2016	232,005	1,085	45,782	19,719	43,314	341,905
Additions	-	-	-	134	47,605	47,739
Transfers from WIP	51,523	-	18,018	8,470	(78,011)	-
Disposals	(18,327)	-	(210)	(557)	-	(19,094)
Impairment of assets	-	-	-	-	-	-
Reclassification to current assets	(884)	-	-	-	-	(884)
<b>At 31 July 2016</b>	<b>264,317</b>	<b>1,085</b>	<b>63,589</b>	<b>27,766</b>	<b>12,909</b>	<b>369,666</b>
Depreciation:						
At 1 August 2016	26,545	880	4,014	11,600	-	43,039
Charge for the year	5,997	7	3,245	2,945	-	12,194
Disposals	(6,792)	-	(42)	(557)	-	(7,391)
Reclassification to current assets	(417)	-	-	-	-	(417)
<b>At 31 July 2016</b>	<b>25,333</b>	<b>887</b>	<b>7,217</b>	<b>13,988</b>	<b>-</b>	<b>47,425</b>
Net Book Value						
<b>At 31 July 2017</b>	<b>238,984</b>	<b>198</b>	<b>56,372</b>	<b>13,778</b>	<b>12,909</b>	<b>322,241</b>
Net Book Value						
<b>At 1 August 2016</b>	<b>205,461</b>	<b>205</b>	<b>41,768</b>	<b>8,118</b>	<b>43,314</b>	<b>298,866</b>

As permitted by FRS 102, the University conducted a one-off valuation of some of its land and buildings as at 1 August 2014 and adopted these valuations as deemed cost. The valuation was conducted by Clark Weightman Chartered Surveyors in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Professional Standards 2014 (known as the Red Book) and consistent with the requirements of FRS 102 and the SORP.

#### Heritage assets

Virtually no heritage assets are held on the balance sheet, having been acquired through donation or historically expensed through the SOCI (i.e. non capitalisation in previous periods). It is not considered that analysis of past accounting records to determine cost and/or an appropriate value to place on the University's Balance Sheet would provide any additional benefit to the users of the University's accounts. Purchased heritage assets are treated in line with the University's capitalisation policy.

### 12 NON CURRENT INVESTMENTS

	2017 £'000	2016 £'000
CHeMTriX Limited/Kingston Chemicals Limited	87	87
Polar Oled Ltd	-	300
CMRI	-	5,312
Endowment investments	10,659	9,879
UPP (Hull) Limited	2,736	-
	<b>13,482</b>	<b>15,578</b>

The investment in CHeMTriX represents an underlying 24% holding in the company CHeMTriX BV expressed as two thirds equity, one third subordinate loan.

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held %	Nature of business
Abiquest Ltd	England & Wales	Ordinary	100	Dormant
Avoco Medical Ltd	England & Wales	Ordinary	100	Dormant
Polar Oled Ltd	England & Wales	Ordinary	27	Materials
Virtual Limited	England & Wales	Ordinary	36	Virtual Radiography
Kingston Chemicals Limited	England & Wales	Ordinary	21	Liquid Crystals
CHeMTriX Limited	England & Wales	Ordinary	39	Micro reactor systems
Digit Hull Ltd	England & Wales	Ordinary	100	Digital technology
UPP (Hull) Limited	England & Wales	Ordinary	10	Student accommodation

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

# Notes to the Accounts

2017  
£'000

2016  
£'000

## 13 TRADE AND OTHER RECEIVABLES

Trade, Student and Research Debtors	18,847	10,031
Prepayments and accrued income	7,218	3,003
	<u>26,065</u>	<u>13,034</u>

Amounts fall due within one year except for: £1,957k due from the Grimsby Institute Group as consideration for the purchase of the Scarborough campus in June 2017 (due in two equal annual instalments); £3,354k relating to sub-leases in the WCRP (to be released in equal annual instalments over the 50-year life of the leases).

## 14 CURRENT INVESTMENTS

Deposits maturing in one year or less	<u>20,000</u>	<u>15,000</u>
---------------------------------------	---------------	---------------

Deposits are held with banks and building societies in accordance with the University's Treasury Management Policy, with more than 3 months maturity at the Balance Sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

## 15 CASH AND CASH EQUIVALENTS

Endowments	3,715	3,571
Short term investments (< 3 months to maturity)	26,235	6,929
Cash at bank	4,986	2,199
	<u>34,936</u>	<u>12,699</u>

## 16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Grants and Donations Received in Advance	9,396	10,706
Secured Bank Loan	2,113	5,300
Trade Creditors	13,006	12,646
Social Security and other Taxation Payable	2,410	2,489
Accruals and Deferred Income	16,691	12,494
Deferred Capital Grants	3,662	3,479
	<u>47,278</u>	<u>47,114</u>

## 17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Bank Loans Repayable 2010 to 2035	35,533	23,075
Other deferred income	16,120	-
Deferred Capital Grants	36,530	39,258
	<u>88,183</u>	<u>62,333</u>

Other deferred income represents funds received on completion of the WCRP and treated as prepaid rent for land at Taylor Court. This will be released over the 50-year life of the lease.

The bank loans are repayable as follows:

Less than one year	2,113	5,300
Between one and two years	2,113	1,300
Between two and five years	6,170	3,900
In five years or more	27,250	17,875
	<u>37,646</u>	<u>28,375</u>

## Notes to the Accounts

	USS provision £'000	Other pension scheme provisions £'000	Other provisions £'000	Total £'000
18 PROVISION FOR LIABILITIES AND CHARGES				
At 1 August 2016	19,255	44,318	727	64,300
Utilised in the year	-	-	(43)	(43)
Movements	467	(7,445)	11	(6,967)
At 31 July 2017	<u>19,722</u>	<u>36,873</u>	<u>695</u>	<u>57,290</u>

Pension scheme provisions relate to the University's liability in relation to its share of the agreed USS deficit recovery plan for the scheme, and the deficits on both the University's own pension scheme and its part of the North Yorkshire pension scheme deficit. Further details are included in the Statement of Principal Accounting Policies and note 23 to the financial statements.

Other provisions of £695k partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£689k); plus an amount of £6k for former University of Hull employees where the pension is paid directly by the University.

### 19. ENDOWMENT RESERVES

	Unrestricted Permanent £'000	Restricted Expendable £'000	Restricted Permanent £'000	CMRI Endowment £'000	Restricted Total £'000	2017 Total £'000	2016 Total £'000
Capital Value	7,079	924	3,556	5,312	9,792	16,871	16,142
Accumulated Income	-	47	1,812	32	1,891	1,891	1,938
At 1 August 2016	<u>7,079</u>	<u>971</u>	<u>5,368</u>	<u>5,344</u>	<u>11,683</u>	<u>18,762</u>	<u>18,080</u>
New endowments	-	41	(2)	-	39	39	338
Disposal of investments	-	-	-	(5,200)	(5,200)	(5,200)	-
Increase in market value of investments	517	-	264	206	470	987	642
Investment income	178	5	107	-	112	290	257
Expenditure	(178)	(51)	(25)	(249)	(325)	(503)	(555)
Total endowment comprehensive income for the year	<u>517</u>	<u>(5)</u>	<u>344</u>	<u>(5,243)</u>	<u>(4,904)</u>	<u>(4,387)</u>	<u>682</u>
At 31 July 2017	<u>7,596</u>	<u>966</u>	<u>5,712</u>	<u>101</u>	<u>6,779</u>	<u>14,375</u>	<u>18,762</u>
Represented by:							
Capital	7,596	917	3,818	-	4,735	12,331	16,871
Accumulated Income	-	49	1,894	101	2,044	2,044	1,891
	<u>7,596</u>	<u>966</u>	<u>5,712</u>	<u>101</u>	<u>6,779</u>	<u>14,375</u>	<u>18,762</u>
Analysis by type of purpose:							
Fellowships and scholarships	-	683	2,248	-	2,931	2,931	2,900
Prize funds	-	40	461	-	501	501	496
Chair and lectureship funds	-	-	1,619	-	1,619	1,619	1,583
Other	7,596	243	1,384	101	1,728	9,324	13,783
	<u>7,596</u>	<u>966</u>	<u>5,712</u>	<u>101</u>	<u>6,779</u>	<u>14,375</u>	<u>18,762</u>
Analysis by asset:						10,660	15,191
Current and non current asset investments						<u>3,715</u>	<u>3,571</u>
Cash and cash equivalents						<u>14,375</u>	<u>18,762</u>

The unrestricted permanent endowment fund is the founding bequest to the University made in 1927 by Mr Thomas Ferens with all income generated available for use by the University in supporting its recurrent activities. This is reflected in the SOCI.

Restricted permanent endowments consist of 130 individual bequests, all with different specified uses and of varying size. Income generated within the year is used to support students in accordance with the terms of the endowment, generally through scholarships, bursaries and prizes and staff through academic sponsorship.

The CMRI endowment represents funds provided by Yorkshire Cancer Research (YCR), with investment income used to fund research activities as approved by YCR.

20 CAPITAL COMMITMENTS	2017 £000	2016 £000
Commitments Contracted for at 31 July	<u>2,993</u>	<u>26,160</u>

These commitments will be funded by operating cash flows.

### 21 EVENTS AFTER THE REPORTING PERIOD

The sale of student houses, shown in the balance sheet as current assets rather than fixed assets at 31 July 2017, was completed on 8 August 2017.

Two other properties were also shown as current assets at the balance sheet date, and their sales were completed on 19 September 2017 and 9 November 2017

### 22 FINANCIAL INSTRUMENTS

Financial assets:		
Bank and cash	34,936	12,699
Trade & other debtors	18,847	10,031
	<u>53,783</u>	<u>22,730</u>
Financial liabilities:		
Creditors falling due within one year	31,810	30,440
Creditors falling due after one year	35,533	23,075
	<u>67,343</u>	<u>53,515</u>

# Notes to the Accounts

## 23. PENSION SCHEMES

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

The total cost charged to the SOCI is:

	<b>2017</b>	<b>2016</b>
	£	£
Final Salary	-	4,517,973
CRB	11,239,442	5,396,022

The latest available full actuarial valuation of the scheme was at 31 March 2014 (“the valuation date”), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the University cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	<b>2017</b>	<b>2016</b>
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation’s (CMI) S1NA tables as follows:

Male members’ mortality 98% of S1NA [“light”] YoB tables – no age rating  
 Female members’ mortality 99% of S1NA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2017</b>	<b>2016</b>
Males currently aged 65 years	24.4	24.3
Females currently aged 65 years	26.6	26.5
Males currently aged 45 years	26.5	26.4
Females currently aged 45 years	29.0	28.8
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS102 total funding level	77%	85%

### (b) University of Hull Pension and Assurance Scheme (“UHPAS”)

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.

The University operates a Salary Sacrifice Scheme for which members of this scheme could and do participate.

On the 31<sup>st</sup> December 2011, the University closed the Final Salary Defined Benefit scheme to new entrants and launched a new Defined Contribution Stakeholder scheme for new support staff on 1<sup>st</sup> January 2012. With effect from 1 April 2016 the University utilises Friends Life as the support vehicle for this scheme.

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The last declared actuarial valuation was carried out at 6 April 2015. The market value of the scheme assets as at the 2015 date, excluding additional voluntary contributions, was £92 million. The value placed on the scheme liabilities was £129.9m, resulting in a shortfall of £37.9m. On this basis the scheme was funded at 71%.

The key assumptions are the rate of return assumed on the scheme's investments and the rate of price inflation. The assumptions for the various pension increases payable by the scheme and the assumption for pensionable salary increases are all built up from the assumption for price inflation with pensionable salary increases assumed to be 0.5% p.a. above retail prices inflation. The valuation assumes that the scheme's assets will be invested such that the scheme holds higher returning assets to fund members' benefits up to the point of retirement, but that at the point of retirement the assets will be switched into bonds to fund the pension payments. The investment return assumed up to the point of retirement is 6.5% p.a. The assumed rate of return on bonds and the rate of price inflation are assumed to vary with the duration of each projected cash flow out of the scheme. The assumed rates of retail prices inflation applying in future years are assumed to be in line with the Bank of England inflation curve. The assumed rates of return on the scheme's bond investments are assumed to be 1% p.a. above the Bank of England gilt yield curve.

Following the previous actuarial valuation at 6 April 2012, and in order to meet the agreed recovery plan, the University revised its contribution rate to 16.40% of pensionable salaries plus an additional monthly sum, which would increase annually in line with a formula linked to inflation increases. The monthly lump sum increased to £224,586 with effect from 1 July 2017.

The total pension contributions paid by and charged to the University, including those staff members who participate in the Salary Sacrifice arrangement, totalled £3,367,608 (2016: £3,690,074).

### **(c) Friends Life Defined Contribution Stakeholder Scheme**

On the 31<sup>st</sup> December 2011, the University closed the Final Salary Defined Benefit scheme to new entrants and launched a new Defined Contribution Stakeholder scheme for new support staff on 1<sup>st</sup> January 2012. With effect from 1 April 2016 the University changed to Friends Life (from Scottish Widows) as the main support vehicle.

Employer contributions to the scheme during the year, including those staff members who participate in the Salary Sacrifice arrangement, totalled £654,143 (2016: £379,004).

### **(d) Other Pension Schemes**

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £646,254 during the year (2016: £708,496).



## Notes to the Accounts

### (e) (i) University of Hull Pension and Assurance Scheme

A full actuarial valuation of this scheme was carried out at 6 April 2015.

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2017	2016
Rate of increase in salaries	3.15%	2.70%
Rate of increase in pensions in payment	3.15%	2.70%
Discount rate	2.60%	2.35%
RPI Inflation assumption	3.15%	2.70%
CPI Inflation assumption	2.05%	1.60%

The CPI inflation assumption only applies to the pre-February 2005 deferred pension element which is linked to statutory increases under Scheme rules.

The most significant non-financial assumption is the assumed level of longevity:

Retiring today		
<i>Males</i>	22.5	22.4
<i>Females</i>	24.6	24.5
Retiring in 20 years		
<i>Males</i>	24.2	24.1
<i>Females</i>	26.5	26.4

The assets in the scheme were:

	2017	2016
	£'000	£'000
Equities	69,029	62,328
Bonds	20,809	20,740
Property	-	-
LDI pooled funds	20,895	22,860
Cash/Other	189	256
	<u>110,922</u>	<u>106,184</u>

Note: In 2017 the equity element includes £29,997k invested in hedge and absolute return funds (2016: £29,038k).

The following amounts at 31 July each year were measured in accordance with the requirements of FRS102:

Total market value of assets	110,922	106,184
Present value of scheme liabilities	(144,731)	(144,699)
Deficit in the scheme	<u>(33,809)</u>	<u>(38,515)</u>
Current service cost	1,528	1,936
Past service cost	-	-
Total operating charge	<u>1,528</u>	<u>1,936</u>
Expected return on pension scheme assets	2,489	3,373
Interest on pension scheme liabilities	(3,349)	(4,622)
Net charge to other finance income	<u>(860)</u>	<u>(1,249)</u>
Gain on assets	3,268	9,281
Gain/(loss) on liabilities	471	(11,858)
Changes in assumptions re present value of scheme liabilities	-	-
Actuarial gain/(loss)	<u>3,739</u>	<u>(2,577)</u>

## Notes to the Accounts

### History of experience gains and losses

	2017	2016	2015	2014	2013
Differences between the expected and actual return on scheme assets:					
Amount (£'000)	3,268	9,281	8,941	237	4,458
Percentage of scheme assets	3%	9%	10%	0.3%	6%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	471	(11,858)	(11,553)	(10,002)	(3,815)
Percentage of the present value of the scheme liabilities	0.3%	8%	9%	9%	-
	<b>2017</b>	<b>2016</b>			
	£'000	£'000			

### Analysis of movement in deficit

Deficit in scheme at beginning of the year	(38,515)	(36,597)
Movement in the year:		
Current service cost	(2,009)	(2,407)
Contributions by employer	3,890	4,315
Past service costs	-	-
Other financial charges	(914)	(1,249)
Gain/(loss) recognised as other comprehensive income	3,739	(2,577)
Deficit in scheme at end of year	<u>(33,809)</u>	<u>(38,515)</u>

### Analysis of the movements in the present value of the scheme liabilities

At beginning of the year	144,753	130,458
Current service cost	1,528	1,936
Interest on liabilities recorded within other comprehensive income	3,349	4,622
Contributions by employee	10	14
Past service costs	-	-
Pensions paid	(4,438)	(4,135)
Actuarial (gains)/losses	(471)	11,858
At end of year	<u>144,731</u>	<u>144,753</u>

### Analysis of the movements in the fair value of the scheme assets

At beginning of the year	106,184	93,861
Expected return on assets	2,489	3,373
Total contributions	3,900	4,329
Pensions paid	(4,438)	(4,135)
Administration costs	(481)	(525)
Actuarial gain	3,268	9,281
At end of year	<u>110,922</u>	<u>106,184</u>

### (e) (ii) North Yorkshire Pension Fund (within "other pensions schemes" at (d) 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 2016 and financial assumptions updated 31 July 2017 by a qualified actuary. The major assumptions used by the actuary were:

	2017	2016
Rate of increase in salaries	3.25%	3.30%
Rate of increase in pensions in payment	2.00%	1.80%
Discount rate	2.60%	2.40%
Inflation assumption RPI	3.10%	2.90%
Inflation assumption CPI	2.00%	1.80%

The most significant non-financial assumption is the assumed level of longevity:

Retiring today		
<i>Males</i>	22.8	23.3
<i>Females</i>	26.3	25.8
Retiring in 20 years		
<i>Males</i>	25	25.6
<i>Females</i>	28.6	28.1

## Notes to the Accounts

The assets in the scheme were:

	<b>2017</b>	<b>2016</b>
	£'000	£'000
Equities	7,237	5,521
Bonds	1,787	1,816
Property/Cash/Other	2,008	1,699
	<u>11,032</u>	<u>9,036</u>

The following amounts at 31 July each year were measured in accordance with the requirements of FRS102:

Total market value of assets	11,032	9,036
Present value of scheme liabilities	<u>(14,184)</u>	<u>(14,839)</u>
Deficit in the scheme	<u>(3,152)</u>	<u>(5,803)</u>
Current service cost	283	356
Past service cost	34	-
Total operating charge	<u>317</u>	<u>356</u>
Expected return on pension scheme assets	218	291
Interest on pension scheme liabilities	<u>(353)</u>	<u>(409)</u>
Net charge	<u>(135)</u>	<u>(118)</u>
Gain on assets	1,703	559
Gain/(loss) on liabilities	1,068	(2,725)
Changes in assumptions re present value of scheme liabilities	-	-
Actuarial gain/(loss)	<u>2,771</u>	<u>(2,166)</u>

### History of experience gains and losses

Differences between the expected and actual return on scheme assets:	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Amount (£'000)	1,703	559	734	158	995
Percentage of scheme assets	15%	6%	9%	2%	15%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	1,068	(2,725)	(1,399)	-	-
Percentage of the present value of the scheme liabilities	7.5%	18.4%	11.7%	-	-

### Analysis of movement in deficit

Deficit in scheme at beginning of the year	(5,803)	(3,537)
Movement in the year:		
Current service cost	(283)	(356)
Employer contributions	332	374
Past service costs	(34)	-
Other financial income	(135)	(118)
Gain/(loss) recognised as other comprehensive income	2,771	(2,166)
Deficit in scheme at end of year	<u>(3,152)</u>	<u>(5,803)</u>

### Analysis of the movements in the present value of the scheme liabilities

At beginning of the year	14,839	11,985
Current service cost	283	356
Interest on liabilities recorded within other comprehensive income	353	409
Employee contributions	57	88
Past service costs	34	-
Pensions paid	(314)	(724)
Actuarial (gain)/loss	<u>(1,068)</u>	<u>2,725</u>
At end of year	<u>14,184</u>	<u>14,839</u>

### Analysis of the movements in the fair value of the scheme assets

At beginning of the year	9,036	8,448
Expected return on assets	218	291
Total contributions	389	462
Pensions paid	(314)	(724)
Actuarial gain	<u>1,703</u>	<u>559</u>
At end of year	<u>11,032</u>	<u>9,036</u>

## Notes to the Accounts

24 NATIONAL COLLEGE FOR TEACHING & LEADERSHIP BURSARY FUNDS	2017	2016
	£'000	£'000
Balance brought forward at 1 August	243	149
NCTL Grants	2,320	2,174
	<u>2,563</u>	<u>2,323</u>
Disbursed to students	(2,365)	(2,080)
Balance unspent at 31 July	<u>198</u>	<u>243</u>

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

## 25 RELATED PARTY DISCLOSURES

Details of investments are given in Note 12.

The University of Hull Maritime History Trust Limited (excluding the International Journal of Maritime History) is a company limited by guarantee which has charitable 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 seven trustees, of whom two are employees of the University.

During the year, payments were made by the University to the Trust for donations received amounting to £3,513 (2016: £29,815). During the year receipts from the Trust for payments made on its behalf amounted to £1,849 (2016: £12,317). The amount owing to the University at 31 July 2017 was £nil (2016: £10,455). The amount owed by the University to the Trust at 31 July 2017 was £1,664 (2016: £28,189).

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 eight trustees, of whom six are employees of the University.

During the year grants were made from the Trust to the University amounting to £76,500 (2016: £33,830). The Trust owed the University £81,170 at 31 July 2017 (2016: £6,965).

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

The University paid a grant of £1,631,788 (2016: £1,481,790) to the Students Union, the official students' union for the University of Hull. Further payments were made to the Union of £17,728 (2016: £89,384) in respect of goods and services rendered. The Union made payments to the University of £241,511 (2016: £245,483) in respect of facilities recharges. At 31 July 2017 the University owed the Union £1,972 (2016: £19,286). An amount of £4,452 (2016: £3,176) was owing from the Union to the University.

The University made payments to EMIH Ltd of £79,718 (2016: £63,353) 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 (2016: £nil). At the year end the University owed EMIH Ltd £180 (2016: £11,287). The company has charitable status with a Board of seven directors, three of whom are nominees of the University. The University has links with the research and educational activity of EMIH Ltd at The Deep, in Hull.

Kingston Chemicals Limited made payments to the University of £6,449 (2016: £15,756) for goods and services.

## Notes to the Accounts

CHeMTriX BV made payments to the University of £13,598 (2016: £21,041) for use of laboratory facilities. At the end of the year an amount of £2,500 (2016: £6,098) was owing from CHeMTriX BV to the University.

Vertual Limited made payments to the University of £98,325 (2016: £83,641) for reimbursement of staff costs and for rent. At the end of the year an amount of £18,651 (2016: £11,631) was owing from Vertual Ltd to the University.

All transactions between the University and related parties are carried out on an arm's length basis.

### 26 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.

The total expenses paid to or on behalf of five trustees was £2,610 to six trustees (2016: £2,111 to five trustees). This represents travel and subsistence expenses incurred in attending Council, meetings and events in their official capacity.