

## Statement of Accounts 2011/12

UNIVERSITY OF HULL

# Operating and Financial Review

The University operates in a rapidly changing external environment driven, *inter alia*, by government policy (higher tuition fees, immigration restrictions, research concentration etc), technological change and increasing student expectations. The environment is undoubtedly challenging, but we are confident the strategic plan, focused on delivering an excellent student experience, strong learning, teaching and research performances and a growing reputation, will secure the University's future operating, environmental and financial sustainability.

## Scope of the Financial Statements

The Council of the University of Hull presents its results comprising the consolidated results of the University and its trading subsidiary undertakings for the year ended 31 July 2012.

## Strategic & Operational Review

The outlines of the strategic plan, which was adopted in July 2011 and extends to 2015, were described in the Operating and Financial Review 2010/11. During 2011/12 the Executive established a Strategic Implementation Plan and a detailed reporting mechanism through which progress is monitored. In addition Council reviewed and revised the KPIs which are regularly scrutinised.

The Strategic Implementation Plan identifies the actions required to achieve the objectives identified in the Strategic Plan, and the timeframe within which each must be completed. The revised leadership structure, signalled last year, has been implemented and is operating effectively. The Executive and a Senior Management Group alternate meetings on a fortnightly basis. All positions on these bodies are currently filled, or appointments made. A number of internal restructures and changes to roles and responsibilities were undertaken during the year:

A new vision for lifelong learning was adopted whereby faculties, supported by a new centralised unit, become responsible for the delivery of lifelong learning in their academic disciplines. Recruitment to the University Foundation Award (UFA) - one of the chief vehicles for the delivery of lifelong learning – has been ceased as the programme had become financially unsustainable. The Centre for Lifelong Learning closed on 31 July 2012 with remaining activities and staff transferred to the Centre for Educational Studies in the Faculty of Education.

The Postgraduate Medical Institute (PGMI) was disestablished as a faculty on 31 July 2012. As of 1 August 2012, its activities and staff were transferred to the Faculty of Health and Social Care, the Faculty of Science, and Hull York Medical School.

Senate confirmed the principle that the University's faculties have academic responsibility for the academic disciplines and programmes in their remit, irrespective of where programmes are delivered. In order to enshrine that principle, a number of structural changes and clarifications were agreed relating to the Scarborough Campus:

- The Centre for Environmental and Marine Science was incorporated into the Department of Biological Sciences in the Faculty of Science;
- The School of Arts and New Media to reside in the Faculty of Arts and Social Sciences;
- The academic activities in English to move from the School of Arts and New Media to the Department of English;
- Programmes in creative music technology and theatre to relocate to the Hull campus consolidated with related programmes and facilities in the Department of Drama and Music; and
- The Scarborough School of Education resides in the Faculty of Education.

At national level, the Government chose not to pursue its White Paper through to primary legislation, but nevertheless introduced significant policy changes which impact the sector. These include a progressive shift from grant based to tuition fee funding and increased competition for undergraduate students with the best performing A-level students being exempted from student number control. Other than the latter exemption, which will be expanded in 2012/13, the University continues to operate within tightly controlled UK and EU undergraduate student numbers. International student numbers are less directly controlled by Government, though immigration policies and tighter visa controls can impact the markets in which the institution operates. More details of student recruitment are provided in the *Academic Review* section of this report.

The 'lighter touch' promised by Government across a number of areas has yet to be experienced. In practice the University has encountered a significant increase in data requirements whilst the regulatory burden remains

substantial. During the year, in addition to the existing statutory requirements, the University provided data which will facilitate the new Key Information Set for 2013 entrants.

## 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. Identified risks are managed at directorate, department and faculty level and inform the corporate risk register. Institutional risks are monitored regularly, at least quarterly, by the Executive. Reports are provided to the Audit Committee and Council.

Principal risks identified at corporate level include:

- threats to the achievement of strategic objectives;
- pressures on home/EU and international student recruitment;
- research and enterprise sustainability;
- the fitness for purpose of business systems, assessment practices, staffing resource and infrastructure; and
- increased expectations and competition.

We have responded to these risks by:

- effective scenario planning and close working with key stakeholders and partners;
- maintaining high NSS scores and investment in overseas recruitment;
- developing actions to improve further our academic standing;
- Investing in more high quality research active staff;
- developing an IT strategy and infrastructure investment priorities;
- operating robust long-term planning procedures linked to the strategic plan; and
- delivering implementation plans and carefully reviewing achievement.

An internal audit of risk management was conducted in 2012. The report raises no immediate concerns. It suggests some enhancements to the risk register and risk management policy which will be introduced in 2012/13.

## FINANCIAL REVIEW

### Financial Performance

The operating surplus of £10.6 million represents 6.1% of turnover. This surplus was achieved after exceptional costs of £1.9 million, relating to the Early Leaver Scheme announced by the University in July 2011. In 2010/11 £3.65 million was provided for the same purpose and was utilised in the 2011/12 financial year.

Total income fell by £4.0 million (2.3%). Funding Council grants fell by £4.8 million, tuition fee income rose by £2.7 million. The remainder of the fall in total income can be attributed to reduced services rendered activity and other sundry income.

Excluding the Early Leaver Scheme costs, operating costs over the period rose by £2.7 million (1.7%) to £159.9 million. Pay costs rose by £1.1 million (1.3%), non-pay costs by £0.9 million (1.5%) and interest-payable decreased by £0.2 million.

The depreciation charge to the accounts has increased by £0.9 million to £8.4 million as a result of continuing capital investment by the University.

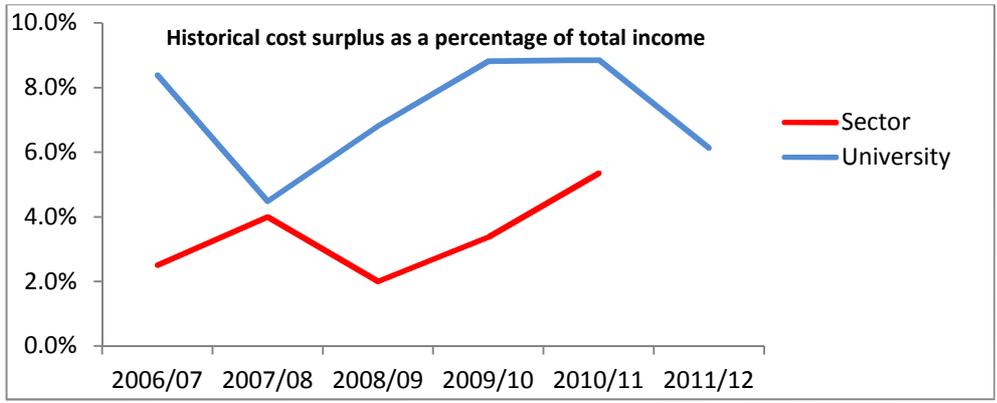
The balance sheet continues to be strong, with cash and deposits of £46.7 million and net assets of £110.7 million after accounting for the pension liability. Creditors due within one year increased by £5.0 million.

### Financial Performance compared to previous years

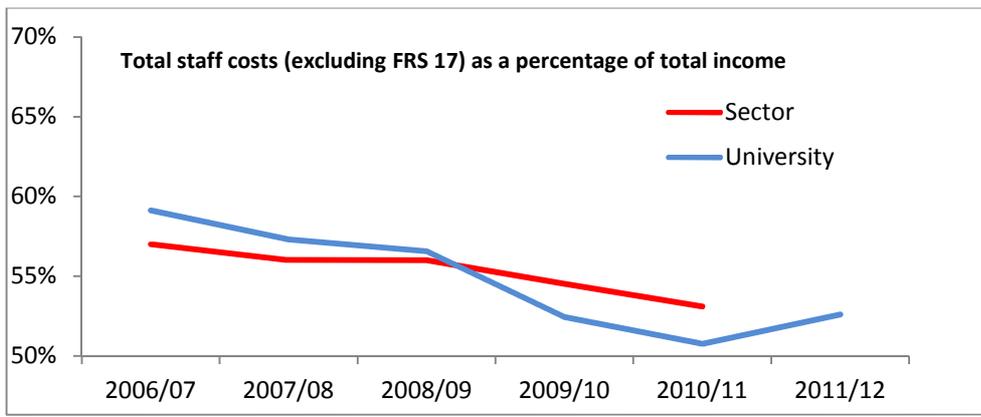
The table below summarises year on year financial performance over the last five years.

	£m				
	2012	2011	2010	2009	2008
Income	172.4	176.4	168.3	151.5	141.5
Expenditure	(159.9)	(157.1)	(153.5)	(141.6)	(135.2)
Early Leavers Scheme	(1.9)	(3.7)	-	-	-
<b>Operating Surplus</b>	<b>10.6</b>	<b>15.6</b>	<b>14.8</b>	<b>9.9</b>	<b>6.3</b>
Asset disposals	-	-	-	0.4	-
<b>Historical Cost Surplus</b>	<b>10.6</b>	<b>15.6</b>	<b>14.8</b>	<b>10.3</b>	<b>6.3</b>

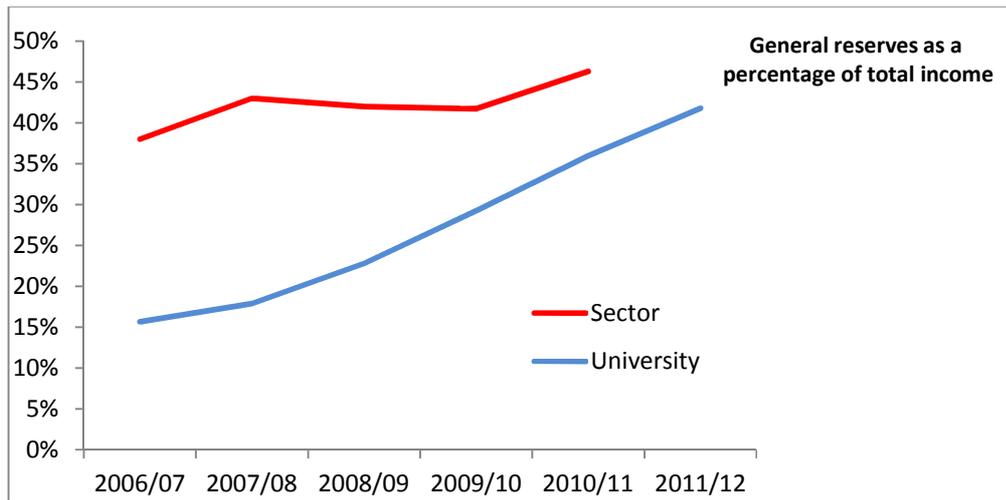
The following charts track a selection of key performance indicators, showing the University of Hull against published figures for the sector as a whole:



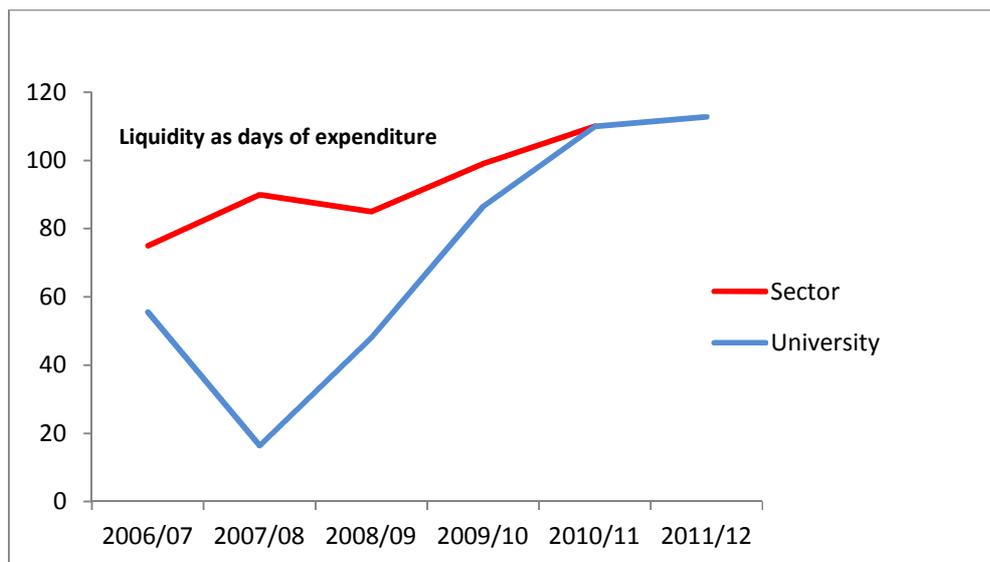
The University's surplus has fallen this year, but is likely to remain above, or at least in line with, the sector average.



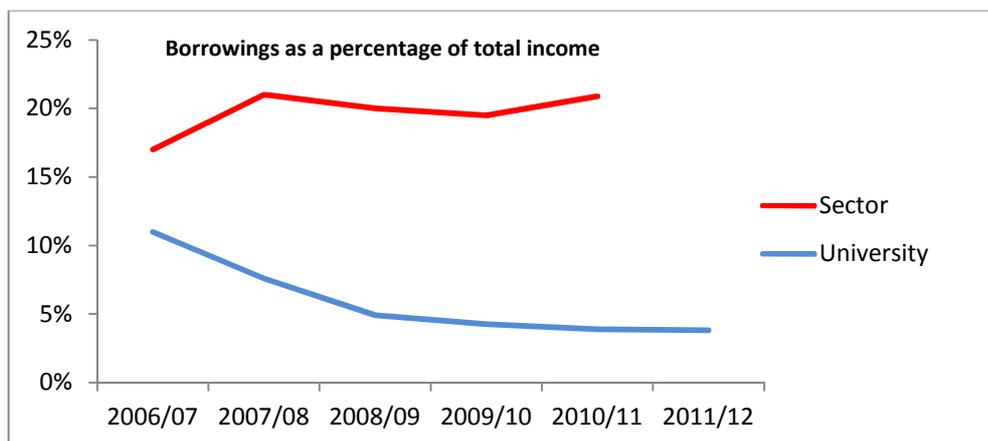
Staff costs as a percentage of income have risen slightly this year. This increase reflects our strategy to increase investment in academic resources, and to bring the University into line with the sector.



This year continues the pattern of increasing General Reserves (excluding pension liability), due to the University's continued achievement of surpluses.



Following several years of levels below the sector average, liquidity has caught up with the sector average.



University borrowing continues at an extremely low level compared with the sector average.

- **Performance management/KPIs**

The University Council receives at each meeting a set of key performance indicators (KPIs) for a range of University activity. The selection of these indicators was informed by the Committee of University Chairmen report: 'Monitoring of Institutional Performance and the Use of Key Performance Indicators' (November 2006). A summary of these indicators and performance in 2011/12 is set-out below:

- 1. Student Recruitment**

The University's overall student population in 2011/12 was 22,782, an increase of 60 (0.3%) on 2010/11. The recruitment of Home/EU Higher Education Funding Council for England (HEFCE) fundable students met the requirements of the HEFCE contract. The University remained within the student number control for intake imposed by HEFCE and as a result incurred no financial penalty.

International student numbers fell slightly from 2,309 in 2010/11 to 2,277 in 2011/12 (headcount), a fall of 1.4%. The international intake fell from 1,428 in 2010 to 1,251 in 2011. The international population carries a heavy reliance on China and the Business School, and we noted last year that it might decrease in future as efforts are made to carry a more balanced market portfolio and as the implications of the Government's immigration policies take effect.

- 2. Student Experience**

The University's performance in the National Student Survey for 2012 remained strong. Whilst responses to more questions improved than declined, the score for overall satisfaction fell back one point to 88%. The University continues to seek both incremental and transformational improvements to the student experience, particularly through the development, introduction and implementation of a new Learning, Teaching and Student Experience Strategy. We also are investing heavily in the University's estate. Our investment strategy includes approximately £100 million of capital spending over the next five years including a major transformative project to refurbish the Brynmor Jones Library which commenced during the summer of 2012. It will take about 18 months to complete the project.

The University continued to monitor the effectiveness of the co-location of its student-facing services and a number of service improvements were introduced in the year.

- 3. Research**

The University's QR income from the Research Assessment Exercise (RAE) 2008 is now largely static until 2015, when the results of the Research Excellence Framework (REF) will be used to decide HEFCE funding for the following years. New research KPIs have been approved by Council. These relate to increasing competitive research income and increasing postgraduate research student numbers. A KPI on research output (e.g. publications) quality is in preparation, based on data being gathered for the REF.

#### **4. Staffing**

Total staff costs as a % of total income rose to 52.3% in 2011/12, from 50.8% in 2010/11. This increase reflects a deliberate decision to increase our spending on academic posts, as part of the implementation of our strategic plan. These figures exclude fee payments, which are classified as Other Operating Expenses within the Financial Statements.

#### **5. Estate**

The Estates indicator used by Council is the percentage of the non-residential estate in condition C and D. The University's figure on this measure is 15%, which is significantly better than the sector mean. The investment plan will improve our position further. The University also monitors 15 HEFCE estate KPIs.

#### **6. Financial Sustainability**

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

- **Capital Programme**

In 2011/12 the University invested £15.6 million in capital projects (an increase of 50% over the previous year). The most significant projects included the Allam Building for bio-medical research and refurbishment projects in the Venn Building, Ferens Hall of Residence and a major energy saving scheme in Taylor Court residences.

The programme of Long Term Maintenance (LTM) continues with expenditure in the year of £3.3 million in 2011/12 (an increase of 10% over the previous year). The annual spend is informed by the University's 10 Year Planned Maintenance Plan, which is annually refreshed with the Residential Estate now included along with Academic Buildings. The LTM is run in conjunction with the Carbon Management Plan investment programme.

The new Capital Programme outlines an investment of almost £100 million over the next five years, funded from cash reserves and annual cash surpluses. This includes the major refurbishment of the Brynmor Jones Library. Investment in our ICT infrastructure will continue. In addition, work has started on the design and specification for improvements to the west campus to improve facilities for the Faculty of Health and Social Care and the Hull York Medical School.

- **Future Financial Performance**

The University's financial strategy aims to achieve surpluses of approximately 4% of income. The cumulative effects of financial pressures, particularly around student numbers, pay, pensions and future funding levels have been modelled and will be monitored to maintain this target moving forward.

- **Cash flow**

- The University generated £15.9 million of cash from operating activities, which funded capital expenditure of £14.4 million (after deducting capital grants received). The University increased its short term cash deposits by £1.6 million and made debt repayments, on fixed term loans, of £0.3 million.
- The University's financial strategy plans to fund its investment plans through existing cash reserves and positive cash generation from operating activities. The University will monitor these plans and explore alternative sources of funding should they be required.

- **Going Concern**

- As at 31 July 2012 the University had a strong balance sheet with cash deposits (current asset investments and bank) of £46.7 million and net assets of £110.7 million after accounting for pension liabilities of £35.0 million. Gearing continues to be low with borrowing of £6.5 million; these loans are repayable up to 2034.
- The University's budgeted surplus produces a strong positive cash balance next year. This means the University remains in a strong liquidity position. It is thus considered that the University has adequate resources to continue in operational existence for the foreseeable future and is a going concern.

- **Treasury Management**

- The University continues to employ a robust treasury management policy with emphasis on reducing risk rather than maximising returns, by adoption of an approved list of highly rated selected institutions supplemented by flexibility to use other highly rated UK institutions. However, opportunity to maximise rates within this policy is taken where possible including enhancement of rates by some longer deposits linked to planned cash flow, cash holdings and requirements whilst maintaining flexibility.
- The University continues to use a cash management service on a selective basis for part of the available deposits to aid placements with a smaller restricted pool of highly rated institutions.
- Overall control of the treasury management function continues to be done internally by a small team with production of rolling cash flow forecasts to ensure meeting of cash requirements and investment of surplus cash from a mixture of direct deposit placements and placements via the cash management service.

- **Pensions**

The FRS17 pension liability has risen to £35.0 million from £28.4 million as at 31 July 2011. This pensions deficit is a combination of £4.5 million from the North Yorkshire Local Government Scheme (NYLGS) and £30.5 million from the University of Hull Pension and Assurance Scheme (UHPAS).

The deficit on the UHPAS has increased by £5.7 million since 31 July 2011. Reductions in inflation assumptions in the year were outweighed by a reduction in the discount rate of over 1%. The deficit on the NYLGS increased by £0.9 million.

- **Linked Charities**

The University has a number of endowment funds supporting prizes, scholarships, chairs but none are considered to be linked charities or so called "paragraph w" distinct charitable entities under HEFCE guidance.

- **Creditor Payment Policy**

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

- **Accounting Policies**

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

## **STAFF**

Our human resources policy and activity aims to enable and support the delivery of the Strategic Plan. More specifically we want the University to be regarded as an attractive place to work, where all staff are empowered to take responsibility for playing their part in delivering the University's strategy and objectives. This will be characterised in a number of key ways:

- We will develop a culture of high expectations of ourselves, our managers and our colleagues, where the diversity of contributions is respected, work objectives and priorities are clear, underperformance is managed and those who 'go beyond' are recognised and rewarded;
- We will ensure that the staff profile supports the University's future needs, and will deliver organisational change in effective and respectful ways;
- We will be 'spoilt for choice' as we attract excellent internal and external candidates to University jobs;
- We will be regarded as an employer that listens to its staff and responds to their views, whether expressed directly or through their recognised representatives;
- We will develop our staff to enable them to work flexibly and effectively and to develop their careers in line with University needs; and

- We will promote diversity, respect individual dignity and ensure equality of opportunity in all staff relations and processes.

## ACADEMIC REVIEW

### • Students

2011/12 has been a challenging year for recruitment as the effects of HEFCE's Student Number Control (SNC) and of increases in student fees began to be felt. In 2011/12 the University experienced a fall of 23% in Home/EU full time undergraduate applications, compared with 9% for the Sector. Changes in demand varied from area to area, with some arts, humanities, and social science subjects showing the biggest falls. Recruitment from the region held up more strongly than that from further afield, and the University continued to meet or outperform national widening participation benchmarks. Efforts to continue improving the academic Entry Tariff continued, with a rise of 7 points for the 2010/11 intake (full-time undergraduates), but it is likely to fall for the 2012 entry cohort.

Efforts to reverse a slight increase in non-completion rates were successful, with an improvement in performance for this year. The University has developed and approved a new Retention Strategy which identifies a range of activities aimed at continuing to ensure good performance in this area.

### • Academic Portfolio

There were no major changes to the University's academic portfolio for 2011/12, but the year did see the approval of plans to develop provision in chemical engineering and to reintroduce named programmes in mathematics. Plans were also approved to withdraw the University Foundation Award (a 60 credit level 4 award aimed at adult learners), which is unsustainable under the new fee system. A restructuring of the academic portfolio on the Scarborough campus is also in progress.

### • Quality and Standards

The University reported to the QAA progress on the implementation of the recommendations of the QAA Institutional Audit of 2009, which is complete; and the report was deemed satisfactory. The University continues to develop its risk-based approach to quality assurance and the maintenance of standards, and is carefully assessing its provision and codes of practice against the new QAA Quality Code, as it is gradually released in instalments.

### • Research

- Preparations for REF2014 have continued, including completion of spring 2012 review meetings across all the units of assessment under consideration for submission. The REF Code of Practice has been approved by HEFCE and an Equality Impact Assessment completed. Plans have been prepared for a series of Equality & Diversity training sessions in the autumn for anyone involved in the staff selection process. The *Converis* Research Information System has been implemented successfully and is assisting with REF data handling as well as supporting other research activities.
- Research grants and contracts income remains disappointing, with figures for 2011/12 showing an amount awarded of less than £8 million down from £10.7million in 2010/11. This poor income performance is related to poor bidding in 2010/11, when the total value of applications was more than 20% down on the previous year. Although total bids in 2011/12 were still below the level of 2009/10, it is gratifying that bidding improved significantly in the last 3 months of the financial year. The amount applied for was greater than the corresponding periods in 2010/11 and 2009/10 by 105% and 18% respectively. Continuation of this improved bidding performance and a corresponding improvement in bid quality will be needed to meet the KPI income targets.
- In other activities related to research, the University Research & Enterprise Committee Terms of Reference and membership have been revised and approved by Senate. A number of Theme Leaders or Champions have been identified for the cross-cutting themes and these will be finalised in the autumn semester 2012. The Theme Leaders will play a crucial role in enhancing research activity across discipline boundaries. Working with the Centre for Low Carbon Futures (CLCF), potentially valuable opportunities have been identified for collaboration with the National Physical Laboratory (NPL).

- **Enterprise**

The Knowledge Exchange (KE) has continued to work closely with local businesses. The HumberPort initiative is up and running, chaired by the Director of the Knowledge Exchange and operating out of the Logistics Institute. The University, through the KE, was also an important contributor to Yorkshire Business Week activities, including hosting the main celebration dinner for a second time and exhibiting at the Yorkshire International Business Convention. The Enterprise Centre now hosts more than 30 companies and was praised for its work by the Business Secretary, the Rt Hon Dr Vince Cable during a visit in April. The KE secured active University involvement as a board member and R&D lead in a £24 million Regional Growth Fund programme to support Green Port Hull, in anticipation of Siemens' investment in world-leading manufacturing facilities in the city. In June, the University hosted the International Sustainable Development Research Conference, following in the footsteps of New York, Hong Kong and New Delhi. Three months earlier it played host to almost 5,000 people at Platform 2012, a two-day event focused on the gaming industry.

Entrepreneurship activity increased during 2011/12, with the start of the part ERDF funded Graduate Entrepreneurship Project and appointment of a Project Manager. The KE was also involved in Global Entrepreneurship Week and a Regional Entrepreneurs Boot Camp. Work began on enterprise mapping of current and potential opportunities across the faculties at Hull and Scarborough. Relationships with local businesses and networks have been strengthened, including For Entrepreneurs Only, HMRC, Hull & Humber Enterprise Network and the Hull Business Forum.

Under the KE's leadership, Hull has benefitted financially in the latest round of the Higher Education Innovation Fund (HEIF 5) and now receives £1,961,504 for each of the four years to 2015 - £630k per annum more than its previous highest award. The HEIF funding covers the costs of the Knowledge Exchange as well as individual projects. Projects funded include three major projects (Centre for Telehealth, HONEI and Centre for Adaptive Science and Sustainability) and progress is monitored by the HEIF Oversight Panel.

#### **Disability Statement**

The University seeks to achieve the objectives set down in the Disability Discrimination Act 1995 and the Equalities Act 2010.

Throughout 2011-12 the University's commitment to equality and diversity was taken forward through the implementation of actions identified in its 2011-12 equality action plan, including improving physical access for disabled staff and students through its ongoing programme of works; the launch of its Dignity and Respect on Campus Scheme during 2011 which aims to provide confidential, independent, impartial support and advice to staff and students who may experience bullying, harassment or discrimination. The BME and female representation on decision making bodies was improved by changing the way in which vacancies are advertised. Work also commenced developing the University's Single Equality Scheme in consultation with staff and students. To show its commitment to the advancement and promotion of the careers of women in science, technology, engineering, maths and medicine in higher education and research, the University has become an Athena SWAN charter member and is working on its Bronze Award submission. The Equality Office has continued to support awareness raising activities.

#### **PUBLIC BENEFIT**

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

- **Aims and Objectives**

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

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

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

The Strategic Plan is available on the University website.

- **Student Admissions and Widening Participation**

The University has managed admissions to recruit within both the Student Number Control and its HEFCE contract, while at the same time increasing the quality of its student intake (entry tariff) for 2011 entry. The University continues to meet or exceed its benchmark targets for widening participation and retention.

The University has endeavoured to respond to the cutting of funding for AimHigher and for the Connexions service by investing additional resource of its own to continue some of the activities provided by these services, which are important in increasing participation in HE in our region.

Some of this will be funded from the University’s new Access Agreement, which comes into effect in 2012/13. The annual revision to the Access Agreement was approved by OFFA in July, and from 2013/14 the University’s bursary policy will shift the balance away from fee waivers and towards up front financial assistance to students, as we believe that this is more likely to facilitate fairer access.

- **Quality Research and Scholarships**

The University has an international reputation for much of its research and expertise, and aims to support a spectrum of both single-discipline and interdisciplinary research and a culture which celebrates research excellence and expects all academic staff to be innovative in their fields. At the same time the University is keen to ensure that its research meets the need of business and regional bodies, and that this research is adequately resourced and funded. Research is funded from a variety of sources, including a substantial contribution from public bodies and organisations. The University itself funds a substantial number of postgraduate research scholarships.

Mrs N J Duncumb  
University Treasurer  
20 November 2012

Professor C W I Pistorius  
Vice-Chancellor  
20 November 2012

# Corporate Governance Statement

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

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

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

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

The University of Hull is also an exempt charity under the terms of Charities Act 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's guidance on *Reporting on the delivery of public benefit* and *Public benefit and education*, together with the Charity Commission's guidance on *Charities and Public Benefit*, *Public benefit and Fee-Charging* and *The Advancement of Education for the Public Benefit*.

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

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

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

The following members served from 1 August 2011 to 20 November 2012:

#### Lay Members:

Mr M Bartlett  
Mr L Cotter  
Mr J Dick  
Judge J Dowse (to 31 July 2012)  
Mrs N J Duncumb  
Mr A Eavis  
Mr N Hildyard  
Dr K Hopkins  
Mr S Lunt  
Dr S Potestà  
Mrs E Smith (from 1 August 2012)  
Mr J Standen (Chair)  
Mrs R Vincent  
Mr R Williamson (to 31 July 2012)

#### Non Lay Members:

Vice-Chancellor	Professor C Pistorius
Finance Director	Mr Simon Attwell (Interim Chief Finance Officer to 12 February 2012)
	Mr Neil Scott (from 13 February 2012)
Senate (a Pro-Vice-Chancellor)	Professor G Burgess
Senate (a Dean)	Professor S Kelly
Senate (a Head of Department)	Professor D Gibbs
Senate (elected member)	Dr C Gaskell

Senate (elected member)  
Non academic staff  
President, Students' Union

Professor C Kennedy  
Miss H MacCarthy  
Mr A Mersh (2011/12)  
Mr M Mah (2012/13)

- **The Senate** has delegated authority from the Council to oversee the academic work of the University, it directs and regulates the teaching and research 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 Court** elects the Chancellor of the University. It offers a means whereby the wider interests served by the University can be associated with the institution and provides a public forum where members of Court can raise matters about the University. The Court normally meets once a year to receive the Annual Report and Statement of Accounts of the University. The Court is chaired by the Chancellor, Baroness Bottomley of Nettlestone. A majority of the members of Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body

The Chief Executive Officer of the University is the Vice-Chancellor, Professor C Pistorius. The Vice-Chancellor has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University.

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

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

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular during 2011-12, the Finance and Estates Committee (chaired by the Treasurer, Mrs N J Duncumb), the Nominations Committee (chaired by Mr J Standen), the Remuneration Committee (chaired by Mr J Standen), and the Audit Committee (chaired by Dr K Hopkins). The decisions of these committees are formally reported to the Council.

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

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

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the 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 terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder,

is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2012 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 service area Head is required to compile a risk register, to manage and review regularly the identified risks. Deans and Heads of Departments are briefed annually on risk processes and controls are reviewed at least once per year;
- A risk prioritisation methodology is used based on the probability and likely impact of the risk materialising; and
- An internal audit of risk management was conducted in 2012. The report is in draft form but raises no immediate concerns. It suggests some enhancements to the risk register and risk management policy which will be introduced in 2012/13.

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

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

The most recent HEFCE review took place in March 2009.

### Council - Statement of Primary Responsibilities

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

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

13. To ensure that appropriate provision is in place for the general welfare of students, in consultation with the Senate;
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University; 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 J. STANDEN (CHAIRMAN OF COUNCIL)  
20 November 2012

PROFESSOR C.W.I. PISTORIUS (VICE-CHANCELLOR)  
20 November 2012

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

We have audited the financial statements of the University of Hull ('the University') for the year ended 31 July 2012 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated statement of historical cost surpluses and deficits, the consolidated and University balance sheets, the consolidated cash flow statement, reconciliation of net cash flow to movement in net funds, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council, in accordance with the University's articles of government. Our audit work has been undertaken so that we might state to the University's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and its members for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Council and auditor

As explained more fully in the Council's Responsibilities Statement set out on page 14, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

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

## Opinion on other matters

In all material respects:

- income from the funding council, the Training Agency for Schools and the Chief Executive of Skills Funding, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2012 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Training Agency for Schools and the funding agreement with the Chief Executive of Skills Funding.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds

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

## 2. Basis of consolidation

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

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

The results of subsidiaries acquired during the period are included in the consolidated income and expenditure account from the date of their acquisition. Intragroup sales and profits are eliminated fully on consolidation.

The 2010-11 consolidated financial statements included the University of Hull and its subsidiary undertaking, Nursco Ltd. Since 1 April 2011, when the nursing contract was transferred from Nursco Ltd to the University, Nursco Ltd did not trade, and was wound up in August 2012.

The financial statements do not include those of the University of Hull Students' Union as the University does not have the power to control its policy decisions.

## 3. Recognition of income

Income from specific Funding Council grants, specific endowments and donations for specific purposes, research grants, contracts and other services is accounted for on an accrual basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

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

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

Tuition fees represent student fees received and receivable attributable to the current accounting period. Fee income is stated gross and credited to the income and expenditure account 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.

Other income is recognised when the right to consideration exists.

Income from investments is accrued up to the balance sheet date. Income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

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

## 4. Pensions

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



The 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.

Increases in value arising on the valuation of fixed asset investments are credited to the designated MRI reserve via the statement of total recognised gains and losses. Any diminution in value is charged to the income and expenditure account to the extent it is not covered by a previous revaluation surplus.

Investments that form part of Endowment Assets 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. Endowment Funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution;
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the institution can convert the donated sum into income; and
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## 12. Stocks

Stocks are valued at the lower of cost or net realisable 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. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

# Consolidated Income and Expenditure Account

## for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
<b>INCOME</b>			
Funding Council Grants	1	57,103	61,960
Tuition Fees and Education Contracts	2	77,191	74,522
Research Grants and Contracts	3	9,680	9,764
Other Income	4	27,383	29,552
Endowment and Investment Income	5	995	597
<b>TOTAL INCOME</b>		<b>172,352</b>	<b>176,395</b>
<b>EXPENDITURE</b>			
Staff Costs	6	90,650	89,527
Exceptional Staff Costs - Early Leaver costs	6, 17	1,918	3,653
Other Operating Expenses	7	60,325	59,438
Depreciation	10	8,387	7,482
Interest Payable	8	515	687
<b>TOTAL EXPENDITURE</b>	9	<b>161,795</b>	<b>160,787</b>
<b>Surplus after depreciation of tangible fixed assets at valuation and before tax</b>		<b>10,557</b>	<b>15,608</b>
Taxation		-	-
Transfer from accumulated income within specific endowments		8	21
<b>Surplus for the year retained within general reserves</b>	21	<b>10,565</b>	<b>15,629</b>

The income and expenditure account is in respect of continuing activities.

## Consolidated Statement of Historical Cost Surpluses for the year ended 31 July 2012

		2012 £'000	2011 £'000
<b>Surplus on continuing operations before taxation</b>		10,557	15,608
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	19	47	47
<b>Historical Cost Surplus for the year before and after taxation</b>		<u>10,604</u>	<u>15,655</u>

## Consolidated Statement of total recognised gains and losses for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Assets and before transfers in respect of specific endowments		10,557	15,608
Appreciation of Endowment Asset Investments	19	110	423
New Endowments	19	45	156
FRS17 actuarial (loss)/ gain recognised in pension schemes	21	(8,627)	328
Net Movement on Specific MRI reserve	22	19	300
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<u>2,104</u>	<u>16,815</u>

### Reconciliation

Opening Reserves and Endowments	54,224	37,409
Total recognised gains for the year	2,104	16,815
Closing Reserves and Endowments	<u>56,328</u>	<u>54,224</u>

## Balance Sheets as at 31 July 2012

	Note	Consolidated		University	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>FIXED ASSETS</b>					
Tangible Assets	10	117,242	110,016	117,242	110,016
Investments	11	4,575	4,556	4,575	4,556
		<u>121,817</u>	<u>114,572</u>	<u>121,817</u>	<u>114,572</u>
<b>ENDOWMENT ASSETS</b>					
	12	<u>11,853</u>	<u>11,706</u>	<u>11,853</u>	<u>11,706</u>
<b>CURRENT ASSETS</b>					
Stocks		101	93	101	93
Debtors	13	11,171	13,454	11,171	13,454
Investments	14	46,136	44,520	46,136	44,520
Cash at Bank and in Hand		525	357	525	357
		<u>57,933</u>	<u>58,424</u>	<u>57,933</u>	<u>58,424</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	15	<u>(38,868)</u>	<u>(33,831)</u>	<u>(38,868)</u>	<u>(33,831)</u>
<b>NET CURRENT ASSETS</b>					
		<u>19,065</u>	<u>24,593</u>	<u>19,065</u>	<u>24,593</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>152,735</u>	<u>150,871</u>	<u>152,735</u>	<u>150,871</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	16	<u>(6,275)</u>	<u>(6,575)</u>	<u>(6,275)</u>	<u>(6,575)</u>
<b>PROVISIONS FOR LIABILITIES</b>					
	17	<u>(766)</u>	<u>(4,598)</u>	<u>(766)</u>	<u>(4,598)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>					
		<u>145,694</u>	<u>139,698</u>	<u>145,694</u>	<u>139,698</u>
<b>PENSION LIABILITY</b>					
	30	<u>(35,030)</u>	<u>(28,431)</u>	<u>(35,030)</u>	<u>(28,431)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>					
		<u>110,664</u>	<u>111,267</u>	<u>110,664</u>	<u>111,267</u>
<b>DEFERRED CAPITAL GRANTS</b>					
	18	<u>54,336</u>	<u>57,043</u>	<u>54,336</u>	<u>57,043</u>
<b>ENDOWMENT FUNDS</b>					
Expendable	19	693	752	693	752
Permanent		11,160	10,954	11,160	10,954
		<u>11,853</u>	<u>11,706</u>	<u>11,853</u>	<u>11,706</u>
<b>RESERVES</b>					
Designated MRI Reserve	22	5,097	5,078	5,097	5,078
Revaluation Reserve	20	2,375	2,422	2,375	2,422
		<u>7,472</u>	<u>7,500</u>	<u>7,472</u>	<u>7,500</u>
General reserve excluding pension liability	21	72,033	63,449	72,033	63,449
Pension Reserve	30	(35,030)	(28,431)	(35,030)	(28,431)
General reserve including pension liability	21	<u>37,003</u>	<u>35,018</u>	<u>37,003</u>	<u>35,018</u>
<b>TOTAL</b>					
		<u>110,664</u>	<u>111,267</u>	<u>110,664</u>	<u>111,267</u>

The financial statements were approved by The Council on 20 November 2012, and signed on its behalf by:

MR J.STANDEN (Chairman of Council)    MRS N.J. DUNCUMB(Treasurer)    PROFESSOR C.W.I. PISTORIUS (Vice-Chancellor)

## Consolidated Cash Flow Statement for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Cash flow from operating activities	24	15,870	15,999
Returns on investments and servicing of finance	25	643	230
Capital expenditure and financial investment	26	(14,429)	(5,327)
Management of liquid resources	27	(1,616)	(10,640)
Financing	28	(300)	(300)
Increase/(decrease) in cash in the year		<u>168</u>	<u>(38)</u>

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

	2012 £'000	2011 £'000
Increase/(decrease) in cash in the year	168	(38)
Outflow from liquid resources	1,616	10,640
Loan repayment in year	<u>300</u>	<u>300</u>
Movement in net funds in the period	2,084	10,902
Net funds at 1 August	38,002	27,100
Net funds at 31 July	<u>40,086</u>	<u>38,002</u>

## Notes to the Accounts

	2012 £'000	2011 £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	47,452	49,215
Specific Grants		
TA	3,664	3,623
JISC	60	390
Other	3,239	6,468
Deferred Capital Grants Released in Year (Note 18)	2,688	2,264
	<u>57,103</u>	<u>61,960</u>

Funding Council Grants represent grants from the Higher Education Funding Council for England and the Teaching Agency.

	2012 £'000	2011 £'000
2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	49,171	46,981
Full-time Students Charged Overseas Fees	21,835	21,318
Part-time Students	2,968	3,033
Research Training Support Grants	763	907
Short Course Fees	2,454	2,283
	<u>77,191</u>	<u>74,522</u>

	2012 £'000	2011 £'000
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	1,754	2,019
UK Charities	1,337	1,207
UK Central Govt	1,308	1,079
Local Authorities	335	290
Health & Hospitals	812	581
UK Industry	1,783	2,191
EU	1,874	1,829
Overseas and Other Sources	477	568
	<u>9,680</u>	<u>9,764</u>

## Notes to the Accounts

	2012 £'000	2011 £'000
<b>4. OTHER INCOME</b>		
Residences, Catering and Conferences	14,643	13,757
Other Services Rendered	2,492	3,204
Health Authorities	4,878	5,448
Other Donations	78	76
Released from Deferred Capital Grants	1,115	1,067
Rents Receivable and Facilities Income	608	785
ERASMUS Grants	318	292
Other Revenue Grant and Departmental Income	1,728	3,089
Other Income	1,523	1,834
	<u>27,383</u>	<u>29,552</u>
<b>5. ENDOWMENT INCOME AND INVESTMENT INCOME</b>		
Transferred from Specific Endowments (note 19)	121	92
Income from General Endowment Asset Investments (note 19)	169	121
Income from Short Term Investments	705	384
	<u>995</u>	<u>597</u>
<b>6. STAFF</b>		
Staff Costs:		
Wages & Salaries	70,546	69,861
Social Security Costs	5,860	5,777
Other Pension Costs	16,435	15,654
FRS17 Adjustment	(2,191)	(1,765)
	<u>90,650</u>	<u>89,527</u>
Exceptional Early Leaver Scheme costs (note 17)	1,918	3,653
	<u>92,568</u>	<u>93,180</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 (2012: £4,145,636; 2011: £3,562,000).

Emoluments of the Vice-Chancellor	<u>225</u>	<u>225</u>
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The emoluments of the Vice-Chancellor exclude the University's pension contributions to USS on his behalf which amounted to £36,000 (2011: £36,000).

Total emoluments therefore comprised £261,000 (2011: £261,000).

## Notes to the Accounts

6. STAFF	2012 Number	2011 Number
Average Staff Numbers by Major Category		
Academic/Clinical	1,174	1,161
Technical	117	116
Administrative	407	419
Other	292	306
	1,990	2,002

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 \*.

	2012 No. of Staff		2011 No. of Staff	
	*		*	
£220,000 - £229,999	0	0	0	1
£210,000 - £219,999	0	0	0	0
£200,000 - £209,999	0	0	0	0
£190,000 - £199,999	1	0	0	0
£180,000 - £189,999	2	0	1	0
£170,000 - £179,999	0	0	3	0
£160,000 - £169,999	2	0	5	0
£150,000 - £159,999	5	0	1	1
£140,000 - £149,999	5	0	6	0
£130,000 - £139,999	1	0	1	2
£120,000 - £129,999	0	2	1	3
£110,000 - £119,999	1	1	0	1
£100,000 - £109,999	1	0	3	0

## Notes to the Accounts

	2012 £'000	2011 £'000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	6,189	5,809
Academic Departmental Expenditure	16,053	18,529
Books, Periodicals and Related Media	2,251	2,115
Other Library and Computing and Academic Services	5,075	4,160
General Educational Expenditure	3,482	3,031
Administration	3,166	1,969
Fellowships, Scholarships and Prizes	6,513	6,652
Heat, Light, Water and Power	2,672	2,205
Repairs and General Maintenance	1,246	994
Planned Maintenance	3,268	2,948
Rent, Rates and Insurance	674	704
Grants to University's Students Union	1,089	1,487
Research Grants and Contracts	3,987	3,956
Services Rendered	752	992
Auditors' Remuneration	42	41
Auditors' Remuneration re Non-Audit Services	20	11
Bad and Doubtful Debts	(8)	143
Other Expenses	3,854	3,692
	60,325	59,438

## Notes to the Accounts

2012 2011  
£'000 £'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	352	367
FRS17 pension finance charge	163	320
	<u>515</u>	<u>687</u>

### 9. ANALYSIS OF 2011/2012 EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Depreciation £'000	Other Operating Expenditure £'000	Interest Payable £'000	Total £'000
Academic Departments	59,012	899	16,053	-	75,964
Academic Services	7,795	764	7,326	-	15,885
Research Grants and Contracts	3,803	79	3,987	-	7,869
Residences, Catering and Conferences	2,404	2,072	6,189	-	10,665
Premises	5,278	4,567	8,242	515	18,602
Administration	7,872	6	3,166	-	11,044
Services Rendered	1,396	-	752	-	2,148
Other Expenses	3,090	-	14,610	-	17,700
	<u>90,650</u>	<u>8,387</u>	<u>60,325</u>	<u>515</u>	<u>159,877</u>
Exceptional Early Leaver Scheme	1,918	-	-	-	1,918
	<u>92,568</u>	<u>8,387</u>	<u>60,325</u>	<u>515</u>	<u>161,795</u>

The depreciation charge has been funded by:	£'000
Deferred Capital Grants Released (note 18)	3,883
Revaluation Reserve Released (note 20)	47
General Income	<u>4,457</u>
	<u>8,387</u>

# Notes to the Accounts

## Consolidated and University

### 10. TANGIBLE ASSETS

	Land & Buildings		Equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Cost/Valuation:				
At 1 August 2011				
Cost/Valuation	136,345	865	40,126	177,336
Additions at Cost	10,917	-	4,696	15,613
At 31 July 2012	<u>147,262</u>	<u>865</u>	<u>44,822</u>	<u>192,949</u>
Depreciation:				
At 1 August 2011	33,574	645	33,101	67,320
Charge for the year	5,369	43	2,975	8,387
At 31 July 2012	<u>38,943</u>	<u>688</u>	<u>36,076</u>	<u>75,707</u>
Net Book Value				
At 31 July 2012	<u>108,319</u>	<u>177</u>	<u>8,746</u>	<u>117,242</u>
Net Book Value				
At 1 August 2011	<u>102,771</u>	<u>220</u>	<u>7,025</u>	<u>110,016</u>

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

Buildings with a net book value of £39,947,985 (2011: £41,693,397) have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England. Land and Buildings and Equipment at 31 July 2012 include £7,763,275 (2011: £1,299,606) of assets in the course of construction which are not depreciated until completed.

# Notes to the Accounts

## 10. TANGIBLE ASSETS (cont.)

### Heritage Assets

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

#### (i) Art Collection

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

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

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

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

#### (ii) South East Asia Museum

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

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

# Notes to the Accounts

## 10. TANGIBLE ASSETS (cont.)

### (iii) Archive material

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

#### Assets acquired during the year

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

#### Accounting policy in relation to heritage assets

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

## Notes to the Accounts

	Consolidated		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
11. FIXED ASSET INVESTMENTS	4,575	4,556	4,575	4,556

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held (%)	Nature of business
Abiquest Limited	England & Wales	Ordinary	100	Dormant
Polar Oled Limited	England & Wales	Ordinary	52	Materials
Vertual	England & Wales	Ordinary	34	Virtual Radiography
Kingston Chemicals Limited	England & Wales	Ordinary	18	Liquid Crystals
CHeMTriX Limited	England & Wales	Ordinary	39	Micro reactor systems

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

£87,000 of the University and Group investments relate to the holdings in CHeMTriX and Kingston Chemicals. The investment in CHeMTriX represents an underlying 24% holding in the company CHeMTriX BV expressed as two thirds equity, one third subordinate loan.

Any associate companies by virtue of the University's shareholding or influence have not been accounted for as such because they are not material to the assets or results of the University.

The balance of University and Group investments of £4,488,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 21) as follows:

	Consolidated and University £'000
At 1 August 2011	4,469
Appreciation on revaluation	19
At 31 July 2012	4,488

## Notes to the Accounts

	Consolidated and University	
	2012 £'000	2011 £'000
<b>12. ENDOWMENT ASSET INVESTMENTS</b>		
At 1 August	11,706	11,148
Additions	7	-
Increase in cash balances	30	135
Disposals	-	-
Appreciation on Revaluation	110	423
At 31 July	<u>11,853</u>	<u>11,706</u>
Fixed Interest Stocks	2,915	2,411
Equities	2,735	3,122
Bank Balances	6,203	6,173
	<u>11,853</u>	<u>11,706</u>
Equities and Fixed Interest Stocks at Cost	<u>5,184</u>	<u>5,177</u>

	Consolidated		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>13. DEBTORS</b>				
Trade, student and research debtors	7,145	10,628	7,145	10,628
Prepayments and accrued income	4,026	2,826	4,026	2,826
	<u>11,171</u>	<u>13,454</u>	<u>11,171</u>	<u>13,454</u>

Amounts fall due within one year except for an amount of £125,000 paid in August 2010 as a loan to the University of York to provide working capital for the Centre for Low Carbon Futures. The loan does not attract interest and has no security. It is intended in the future for the loan to novate to the Centre for Low Carbon Futures Company in association with Yorkshire Forward. The funds will remain in the CLCF company until such time as that company generates a surplus and the Board agree repayments, or until the end of the 5 year agreement with Yorkshire Forward when finalised.

	Consolidated and University	
	2012 £'000	2011 £'000
<b>14. INVESTMENTS</b>		
Deposits maturing in one year or less	<u>46,136</u>	<u>44,520</u>

Deposits are held with investment managers with more than 24 hours maturity at the balance sheet date.

## Notes to the Accounts

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Grants and Donations Received in Advance	11,593	11,336	11,593	11,336
Secured Bank Loan (note 16)	300	300	300	300
Creditors	14,236	12,757	14,236	12,757
Social Security and other Taxation Payable	2,159	2,131	2,159	2,131
Accruals and Deferred Income	10,580	7,307	10,580	7,307
	<u>38,868</u>	<u>33,831</u>	<u>38,868</u>	<u>33,831</u>

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Secured Loan Repayable 2010 to 2034	6,275	6,575	6,275	6,575
	<u>6,275</u>	<u>6,575</u>	<u>6,275</u>	<u>6,575</u>

The loan is secured on the University's Business School and the Lawns residential complex.

	Consolidated and University
	£'000
The secured loan has several elements as follows:	
Fixed interest rate of 4.94% repayable 2009 to 2034	2,150
Fixed interest rate of 5.30% repayable 2010 to 2034	2,225
Fixed interest rate of 5.38% repayable 2010 to 2034	2,200
	<u>6,575</u>

	Consolidated	
	2012	2011
The secured loan is repayable as follows:		
Less than one year	300	300
Between one and two years	300	300
Between two and five years	900	900
In five years or more	5,075	5,375
	<u>6,575</u>	<u>6,875</u>

## Notes to the Accounts

17. PROVISION FOR LIABILITIES	Consolidated and University			Total £'000
	Pension £'000	Early Leaver Scheme £'000	ERDF £'000	
At 1 August 2011	605	3,653	340	4,598
Expenditure in Year	(45)	(3,718)	(340)	(4,103)
Additions from Income & Expenditure Account	206	65	-	271
At 31 July 2012	<u>766</u>	<u>-</u>	<u>-</u>	<u>766</u>

The pension enhancement provision of £766,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£731,000); plus an amount of £35,000 for former University of Hull employees where the pension is paid directly by the University.

The Early Leaver Scheme provision of £3,653,000 brought forward from 2010/11 was utilised during 2011/12. Final figures for this first tranche showed an under-provision of £65,000. A second tranche of the Scheme, totalling £1,918,000, was paid in 2011/12.

The ERDF provision was flagged in the 2008/09 accounts following protracted correspondence with the Government Office for Yorkshire and Humberside in relation to audit by them in 2006 for an ERDF grant awarded to the University from January 2002 to December 2004. Payment was made during the 2011/12 financial year.

18. DEFERRED CAPITAL GRANTS	Consolidated and University		
	Funding Council £'000	Other Grants & Benefactors £'000	Total £'000
At 1 August 2011			
Buildings	41,695	12,656	54,351
Equipment	1,566	1,126	2,692
	<u>43,261</u>	<u>13,782</u>	<u>57,043</u>
Received in year			
Buildings	350	-	350
Equipment	627	199	826
	<u>977</u>	<u>199</u>	<u>1,176</u>
Released in year			
Buildings	(2,095)	(597)	(2,692)
Equipment	(593)	(598)	(1,191)
	<u>(2,688)</u>	<u>(1,195)</u>	<u>(3,883)</u>
At 31 July 2012			
Buildings	39,950	12,059	52,009
Equipment	1,600	727	2,327
	<u>41,550</u>	<u>12,786</u>	<u>54,336</u>

## Notes to the Accounts

### 19. ENDOWMENTS

#### Consolidated and University

	Unrestricted Permanent £'000	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000	Total £'000
Capital value	6,469	713	2,878	3,591	10,060
Accumulated income	-	39	1,607	1,646	1,646
At 1 August 2011	6,469	752	4,485	5,237	11,706
Additions	-	37	8	45	45
Appreciation of Endowment Asset Investments	53	-	57	57	110
Income for year	169	11	110	121	290
Released to income and expenditure (note 5)	(169)	(11)	(110)	(121)	(290)
Transferred (to)/from Income and Expenditure	0	(96)	88	(8)	(8)
At 31 July 2012	6,522	693	4,638	5,331	11,853
Represented by:					
Capital	6,522	646	2,943	3,589	10,111
Accumulated income	-	47	1,695	1,742	1,742
	6,522	693	4,638	5,331	11,853

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 a release to the Income and Expenditure account each year.

Restricted permanent endowments consist of 132 individual bequests, all with different specified uses and of varying sizes. 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 sponsorships.

Restricted expenditure follows the SORP revision in 2007/8 where the capital and income of certain classes of endowment may be utilised in accordance with the terms of the original bequest.

## Notes to the Accounts

	Consolidated £'000	University £'000
20. REVALUATION RESERVE		
At 1 August 2011	2,422	2,422
Released in Year (note 9)	(47)	(47)
At 31 July 2012	<u>2,375</u>	<u>2,375</u>

	Consolidated £'000	University £'000
21. GENERAL RESERVE		
At 1 August 2011	35,018	35,018
Surplus for the year after	10,565	10,565
Release from Revaluation Reserve	47	47
FRS 17 actuarial gain on pension scheme	(8,627)	(8,627)
At 31 July 2012	<u>37,003</u>	<u>37,003</u>
The general reserve is subdivided as follows at 31 July 2012:		
Excluding pension reserve	72,033	72,033
Pension reserve	(35,030)	(35,030)
Total	<u>37,003</u>	<u>37,003</u>

	Consolidated £'000	University £'000
22. DESIGNATED MRI RESERVE		
At 1 August 2011	5,078	5,078
Appreciation from element invested on revaluation	19	19
At 31 July 2012	<u>5,097</u>	<u>5,097</u>

In March 2007 the equivalent endowment asset investment was split between equity investments (£4,669,000) and current asset investments (£1,556,000) instead of being represented totally by current asset investments. Income generated by the reserve's assets is reported as research income in line with its original funder's requirements (Yorkshire Cancer Research). At 31 July 2012 the reserve was represented by portfolio equity investments of £4,488,000 and current asset investments of £609,000. £947,000 of the reserve represented by current asset investments was transferred to deferred capital grants in 2008/09 in connection with the funding of a new MRI scanner.

	Consolidated and University	
	2012 £'000	2011 £'000
23. CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>3,557</u>	<u>1,824</u>

These commitments will be funded by operating cash flows and relate to capital works projects ongoing at the year end.

## Notes to the Accounts

	2012	2011
	£'000	£'000
24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	10,557	15,608
Depreciation (note 10)	8,387	7,482
Deferred Capital Grants Released to Income (note 18)	(3,883)	(3,377)
Investment Income (notes 5,19)	(995)	(597)
Interest Payable (note 8)	515	687
(Increase) in Stocks	(8)	(6)
Decrease/(Increase) in Debtors	2,283	(3,679)
Increase/(Decrease) in Creditors	5,037	(1,960)
(Decrease)/Increase in Provisions	(3,832)	3,606
Difference between pension charge and cash contributions	(2,191)	(1,765)
Net Cash Inflow from Operating Activities	<u>15,870</u>	<u>15,999</u>
25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments (note 19)	290	213
Income from short term investments (note 5)	705	384
Interest paid (note 8)	(352)	(367)
Net cash inflow from returns on investments and servicing of finance	<u>643</u>	<u>230</u>
26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired (note 10)	(15,613)	(10,409)
Endowment asset investments acquired (note 12)	(37)	(135)
Deferred Capital Grants Received (note 18)	1,176	5,061
Endowments Received (note 19)	45	156
Net cash outflow from capital expenditure and financial investment	<u>(14,429)</u>	<u>(5,327)</u>

## Notes to the Accounts

	2012 £'000	2011 £'000
27. MANAGEMENT OF LIQUID RESOURCES		
(Increase) in short term deposits	(1,616)	(10,640)
(Outflow) from management of liquid resources	<u>(1,616)</u>	<u>(10,640)</u>

	£'000	2012 £'000	2011 £'000
28. FINANCING			
	Loans	Total	Total
Balance at 1 August	6,875	6,875	7,175
Capital Repayments	(300)	(300)	(300)
Balance at 31 July	<u>6,575</u>	<u>6,575</u>	<u>6,875</u>

	At 1 August 2011 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2012 £'000
29. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	357	168	-	525
Liquid Resources :				
Short term deposits	44,520	1,616	-	46,136
	<u>44,877</u>	<u>1,784</u>	<u>-</u>	<u>46,661</u>
Debt Due within one year	(300)	300	(300)	(300)
Debt Due after one year	(6,575)	0	300	(6,275)
	<u>(6,875)</u>	<u>300</u>	<u>0</u>	<u>(6,575)</u>
	<u>38,002</u>	<u>2,084</u>	<u>0</u>	<u>40,086</u>

# Notes to the Accounts

## 30. PENSION SCHEMES

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

The University participates in the USS, a defined benefit, final salary (FS) scheme which is externally funded and contracted-out of the State Earnings Related Pension Scheme. The assets of the scheme are held in a separate trustee administered fund. In addition, the USS launched a Career Revalued Benefits (CRB) scheme on 1<sup>st</sup> October 2011. All new and eligible entrants to USS become members of the new CRB scheme from that date.

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

The latest actuarial valuation of the scheme was at 31 March 2011. In relation to past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 6.1% per annum, that the rate of increase in salaries would be 4.4% per annum and that of pensions in payment, 3.4% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum; that the rate of increase in salaries would be 4.4% per annum and that pensions in payment would be 3.4% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £32.4bn and the value of the past service liabilities was £35.3bn leaving a deficit of £2.9bn. The assets were therefore sufficient to cover only 92% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of salaries and it was therefore agreed that this new employer contribution rate would become effective on the 1st October 2009. The employee contribution rate for the FS scheme changed to 7.50% from 1<sup>st</sup> October 2011 whilst CRB contribution rates remains unchanged at 6.35%.

The next actuarial valuation is due to take place on 31 March 2014.

The total pension contributions paid by and charged to the University, including those staff members who participate in the Salary Sacrifice Scheme, to the USS during the year amounted to:

	2012	2011
Final Salary	£7,691,123	£7,747,997
CRB	£185,260	Nil

The contribution rate payable by the University at 31 July 2012 was 16% of pensionable salaries for both schemes.

### (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 scheme for new support staff on 1<sup>st</sup> January 2012. The University chose Scottish Widows as the main support vehicle.

## Notes to the Accounts

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

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

The last undeclared actuarial valuation was carried out at 6 April 2012. The results are as yet unknown and a recovery plan and the certification of schedule of contributions is yet to be agreed and signed.

Employer contributions to the scheme during the year totalled £3,483,665 (2011: £3,401,309).

Following the actuarial valuation at 6 April 2009, and in order to meet the agreed recovery plan, the University revised its contribution rate to 13.55% of pensionable salaries plus an additional monthly sum of £165,000. The monthly lump sum would increase annually in line with a formula linked to inflation increases. The monthly lump sum increased to £182,941 with effect from 1 July 2012.

### **(c) Other Pension Schemes**

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £929,682 during the year (2011: £917,803).

## Notes to the accounts

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

A full actuarial valuation of this scheme was carried out at 6 April 2009. An undeclared actuarial valuation was carried out at 6 April 2012 but the results are as yet unknown. The major assumptions used by the actuary were:

	2012	2011	2010
Rate of increase in salaries	2.60%	3.80%	3.60%
Rate of increase in pensions in payment	2.60%	3.30%	3.10%
Discount rate	4.25%	5.30%	5.40%
RPI Inflation assumption	2.60%	3.30%	3.10%
CPI Inflation assumption	1.70%	2.40%	N/A

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

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

	2012	2011
Retiring today		
Males	21.5	21.4
Females	24.1	24.0
Retiring in 20 years		
Males	23.4	23.3
Females	26.0	25.9

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

	Long-term expected return	2012 £'000	Long-term expected return	2011 £'000	Long-term expected return	2010 £'000
Equities	8.60%	46,286	8.60%	43,340	8.60%	37,775
Bonds	3.40%	14,447	5.00%	14,824	5.00%	13,538
Property	8.60%	3,621	8.60%	3,517	8.60%	2,969
Cash/Other	0.50%	785	0.50%	167	0.50%	569
		<u>65,139</u>		<u>61,848</u>		<u>54,851</u>

Note: in 2012 the equity element includes £22,562k invested in hedge and absolute return funds (2011: £21,510k)

## Notes to the Accounts

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Total market value of assets	65,139	61,848	54,851	46,835	48,282
Present value of scheme liabilities	(95,714)	(86,692)	(81,876)	(72,823)	(63,498)
(Deficit) in the scheme	(30,575)	(24,844)	(27,025)	(25,988)	(15,216)

The following amounts are recognised in the performance statements in the year to 31 July 2012 under the requirements of FRS 17:

	2012 £'000	2011 £'000
<b>OPERATING PROFIT</b>		
Current service cost	2,108	2,371
Total Operating Charge	<u>2,108</u>	<u>2,371</u>
<b>OTHER FINANCE INCOME</b>		
Expected return on pension scheme assets	4,548	4,224
Interest on pension scheme liabilities	(4,554)	(4,405)
Net Return	<u>(6)</u>	<u>(181)</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	(1,524)	2,273
Experience gains and losses arising on scheme liabilities	590	(101)
Changes in assumptions underlying the present value of the scheme liabilities	(6,957)	(1,580)
Actuarial (loss)/gain recognised in STRGL	<u>(7,891)</u>	<u>592</u>

## Notes to the Accounts

MOVEMENT IN (DEFICIT) DURING THE YEAR	2012 £'000	2011 £'000
(Deficit) in scheme at beginning of the year	(24,844)	(27,025)
Movement in the year:		
Current service cost	(2,108)	(2,371)
Contributions by employer	4,274	4,141
Other financial income	(6)	(181)
Actuarial (loss)/gain	(7,891)	592
(Deficit) in scheme at end of year	<u>(30,575)</u>	<u>(24,844)</u>

ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES	2012 £'000	2011 £'000
At beginning of the year	86,692	81,876
Current service cost	2,108	2,371
Interest on liabilities	4,554	4,405
Contributions by employee	24	24
Benefits paid	(4,031)	(3,665)
Actuarial losses	6,367	1,681
At end of year	<u>95,714</u>	<u>86,692</u>

ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS	2012 £'000	2011 £'000
At beginning of the year	61,848	54,851
Expected return on assets	4,548	4,224
Total contributions	4,298	4,165
Pensions paid	(4,031)	(3,665)
Actuarial (loss)/gain	(1,524)	2,273
At end of year	<u>65,139</u>	<u>61,848</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2012

Differences between the expected and actual return on scheme as:	2012	2011	2010	2009	2008
Amount (£'000)	(1,524)	2,273	4,310	(6,094)	(8,082)
Percentage of scheme assets	(2%)	4%	9%	(13%)	(15%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	590	(101)	(2,015)	(57)	288
Percentage of the present value of the scheme liabilities	1%	(0%)	(3%)	0%	0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(7,891)	592	(1,505)	(12,068)	(5,709)
Percentage of the present value of the scheme liabilities	(12%)	1%	(2%)	(17%)	(9%)

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

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

A full actuarial valuation of this scheme was carried out at 31 March 2010 and financial assumptions updated 31 July 2012 by a qualified actuary. The major assumptions used by the actuary were:

	2012	2011	2010
Rate of increase in salaries	3.85%	4.65%	4.95%
Rate of increase in pensions in payment	2.10%	2.90%	2.70%
Discount rate	4.30%	5.30%	5.50%
Inflation assumption RPI	n/a	3.40%	3.20%
Inflation assumption CPI	2.10%	2.90%	2.70%

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

	2012	2011
Retiring today		
Males	22.5	22.1
Females	25.2	24.7
Retiring in 20 years		
Males	24.3	23.5
Females	27.2	26.3

## Notes to the Accounts

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

	Long-term expected return	2012 £'000	Long-term expected return	2011 £'000	Long-term expected return	2010 £'000
Equities	7.00%	3,513	7.00%	3,619	7.50%	2,968
Bonds	3.40%	1,265	4.90%	1,123	5.10%	868
Property/Cash/Other	0.50%	163	0.50%	38	0.50%	70
		<u>4,941</u>		<u>4,780</u>		<u>3,906</u>

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Total market value of assets	4,941	4,780	3,906	3,166	3,449
Present value of scheme liabilities	(9,396)	(8,367)	(7,085)	(6,566)	(6,464)
(Deficit) in the scheme	<u>(4,455)</u>	<u>(3,587)</u>	<u>(3,179)</u>	<u>(3,400)</u>	<u>(3,015)</u>

## Notes to the Accounts

The following amounts are recognised in the performance statements in the year to 31 July 2012 under the requirements of FRS 17:

	2012 £'000	2011 £'000
<b>OPERATING SURPLUS:</b>		
Current service cost	307	300
Total Operating Charge	<u>307</u>	<u>300</u>

	2012 £'000	2011 £'000
<b>OTHER FINANCE INCOME:</b>		
Expected return on pension scheme assets	290	258
Interest on pension scheme liabilities	(447)	(397)
Net Return	<u>(157)</u>	<u>(139)</u>

	2012 £'000	2011 £'000
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	(290)	354
Experience gains and losses arising on scheme liabilities	-	(362)
Changes in assumptions underlying the present value of the scheme liabilities	(446)	(256)
Actuarial (loss) recognised in STRGL	<u>(736)</u>	<u>(264)</u>

	2012 £'000	2011 £'000
<b>MOVEMENT IN DEFICIT DURING THE YEAR</b>		
Deficit in scheme at beginning of the year	(3,587)	(3,179)
Movement in the year:		
Current service cost	(307)	(300)
Employer contributions	332	295
Other financial income	(157)	(139)
Actuarial (loss)	(736)	(264)
Deficit in scheme at end of year	<u>(4,455)</u>	<u>(3,587)</u>

## Notes to the Accounts

	2012 £'000	2011 £'000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES		
At beginning of the year	8,367	7,085
Current service cost	307	300
Interest on liabilities	447	397
Employee contributions	104	104
Pensions paid	(275)	(137)
Actuarial loss	446	618
At end of year	<u>9,396</u>	<u>8,367</u>

	2012 £'000	2011 £'000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS		
At beginning of the year	4,780	3,906
Expected return on assets	290	258
Total contributions	436	399
Pensions paid	(275)	(137)
Actuarial (loss)/gain	(290)	354
At end of year	<u>4,941</u>	<u>4,780</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2012

	2012	2011	2010	2009	2008
Differences between the expected and actual return on scheme assets					
Amount (£'000)	(290)	354	370	(810)	(673)
Percentage of scheme assets	6%	7%	9%	(26%)	(20%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	-	(362)	-	-	(119)
Percentage of the present value of the scheme liabilities	-	(4%)	-	-	(2%)
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(736)	(264)	446	(168)	(1,309)
Percentage of the present value of the scheme liabilities	(8%)	(3%)	6%	(3%)	(20%)

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

	2012 £'000	2011 £'000	2010 £'000
Net assets excluding pension liability	145,694	139,698	122,972
Pension liability-UOH	(30,575)	(24,844)	(27,025)
Pension liability-NYPF	(4,455)	(3,587)	(3,179)
Net assets including pension liability	<u>110,664</u>	<u>111,267</u>	<u>92,768</u>
Income and expenditure reserve excluding pension liability	72,033	63,449	49,218
Pension liability-UOH	(30,575)	(24,844)	(27,025)
Pension liability-NYPF	(4,455)	(3,587)	(3,179)
Income and expenditure reserve including pension liability	<u>37,003</u>	<u>35,018</u>	<u>19,014</u>

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

	2012 £'000	2011 £'000	2010 £'000
	<u>(35,030)</u>	<u>(28,431)</u>	<u>(30,204)</u>

## Notes to the Accounts

31 ACCESS FUNDS	Consolidated and University	
	2012 £'000	2011 £'000
Balance brought forward at 1 August	13	-
Funding Council Grants	442	448
Interest earned	3	1
	<u>458</u>	<u>449</u>
Disbursed to students	(457)	(436)
Balance unspent at 31 July	<u>1</u>	<u>13</u>

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

32 TA BURSARY FUNDS	Consolidated and University	
	2012 £'000	2011 £'000
Balance brought forward at 1 August	97	(52)
TA Grants	794	1,756
	<u>891</u>	<u>1,704</u>
Disbursed to students	(858)	(1,607)
Balance unspent at 31 July	<u>33</u>	<u>97</u>

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

33 TA MINORITY ETHNIC RECRUITMENT	Consolidated and University	
	2012 £'000	2011 £'000
Balance brought forward 1 August	-	1
TA Grants	-	(1)
	<u>-</u>	<u>-</u>
Expenditure	-	-
Balance unspent at 31 July	<u>-</u>	<u>-</u>

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

## Notes to the Accounts

### 34 UNIVERSITY COMPANIES AND OTHER INTERESTS

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

The University of Hull Maritime History Trust Limited is a company limited by guarantee which has 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 ten trustees, of whom three are employees of the University.

During the year payments were made to the Trust for donations received amounting to £2,415 (2011: £7,224). The University payment from the Trust for payments made on its behalf amounted to £1,363 (2011: £6,962). The amount owing to the University at 31 July 2012 was £nil (2011: £nil). The amount owing by the University to the Trust at 31 July 2012 was £951 (2011: £1,843).

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

During the year grants were made from the Trust to the University amounting to £27,573 (2011: £33,540). The amount owing to the University at 31 July 2012 was £3,953 (2011: £1,358).

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.

### 35 RELATED PARTY DISCLOSURE

During the year ended 31 July 2012, the University paid a grant of £1,713,127 (2011: £856,064) to the Students Union. Further payments were made to the Union of £55,754 (2011: £332,095) in respect of goods and services rendered. The Union made payments to the University of £598,392 (2011: £380,827) in respect of facilities recharges. At 31 July 2012 the University owed the Union £15,887 (2011: £17,796). An amount of £nil (2011: £3,927) was owing from the Union to the University. The Students Union is the official students' union for the University of Hull.

During the year ended 31 July 2012, the University made payments to EMIH Ltd of £43,967 (2011: £58,222) 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 (2011: £nil). At the year end the University owed EMIH Ltd £10,536 (2011: £481). An amount of £nil (2011: £nil) was owing from EMIH Ltd to the University. The company has charitable status with a Board of nine directors, three of whom are nominees of the University. The University has links with the research and educational activity of EMIH Ltd at The Deep, in Hull.

During the year ended 31 July 2012, the University made payments to Information by Design of £nil (2011: £nil). Information by Design made payments to the University of £196 (2011: £4,845) in respect of cleaning and maintenance charges. At the year end the University owed Information by Design £nil (2011: £nil). An amount of £3,331 (2011: £1,411) was owing from Information by Design to the University. The company was set up by former staff at the University.

During the year ended 31 July 2012, the University made payments to Kingston Chemicals Ltd of £197 (2011: £1,052) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £39,521 (2011: £49,690) for goods and services. At the year end the University owed Kingston Chemicals £960 (2011: £nil). An amount of £nil (2011: £nil) was owing from Kingston Chemicals Ltd to the University. The University owns 18% of the shares in Kingston Chemicals Ltd.

During the year ended 31 July 2012, Chemtrix BV made payments to the University of £22,795 (2011: £71,964) for use of laboratory facilities. An amount of £26,369 (2011: £14,724) was owing from Chemtrix BV to the University. The University made payments to Chemtrix BV of £12,486 (2011: £17,610) for equipment and materials. At the year end the University owed Chemtrix BV £6,424 (2011: £nil). The University's investment in CHEMTriX Ltd represents an underlying 24% holding in the company CHEMTriX BV, two thirds equity, one third subordinate loan.

### 36 EXPENSE PAYMENTS TO TRUSTEES

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

During the year ended 31 July 2012, payments totalling £17,258 (2011: £22,216) were made to 11 Trustees who served for all or part of the year with a further 13 receiving nil.