

## Statement of Accounts 2010/11

UNIVERSITY OF HULL

# Operating and Financial Review

The Government's White Paper issued in June 2011 and entitled *Higher Education: Students at the Heart of the System*, will have an enormous impact on all institutions, however, we believe that at the University of Hull, the main thrust of this ambitious agenda aligns closely with our own new strategic plan, where we continue to promote excellence in the student experience, evidenced through the quality of our learning and teaching and research and high NSS results, whilst ensuring we are financially sustainable.

## 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 2011.

## Strategic & Operational Review

Following a detailed review of evidence in the form of a University profile and an extensive consultation process, Council of the University of Hull adopted a new strategic plan in July 2011. This addresses the time frame 2011 – 2015. The plan incorporates a new long term vision and mission for the University based on enhancing its stature and reputation in the international and national arenas, and with a view to the University enhancing its competitive position in the sector.

The plan envisages a step change in performance based upon a number of attributes which might be summarised as:

- Advancing education: the quest for knowledge
- Going beyond
- Placing students at the heart of the University
- Empowering people
- An anchor institution for its communities
- Effective, sustainable, competitive.

These principles will be enacted through a series of actions to deliver outcomes, namely:

- Being an engaged University
- Possessing an internationally recognised research profile
- Developing excellent student experience and outstanding alumni
- Adopting a high performance culture
- An institution that is competitive, responsive and resilient.

It is not appropriate to summarise within the space available here all of the specific actions intended, but for illustration rather than indication of priority these include:

- Growing research capacity, intensity, performance and reputation within a more continuous research-enterprise continuum
- Increasing the proportion of postgraduates that we educate
- Refreshing the academic portfolio and developing strong interdisciplinary thrusts
- Developing a culture of working together
- Ensuring academic, financial and environmental sustainability
- Empowering staff and increasing expectations of performance
- Developing our infrastructure to deliver competitive advantage.

Implementation plans and a new set of KPIs are being developed to capture the above and will be regularly monitored. A revised leadership structure has been established with an Executive and a Senior Management Group which alternates meetings on a fortnightly basis. This embodies the concept of increasingly empowering Deans to manage their academic areas and contribute to institutional decision taking.

The Strategic Plan fully acknowledges the potential for change within the Higher Education sector following from the Government's White Paper *Students at the Heart of the System*, elements of which remain subject to consultation until 27 October 2011. It is also mindful of the Higher Education Funding Council's consultation on significant changes to its funding methodology which is being conducted in two phases, the second of which,

dealing with 2013 and beyond, will not be published until January 2012. The University therefore needs to be able to cope with emerging policy within a relatively short timescale. It has therefore modelled scenarios including a potential decrease in student numbers occasioned both by the new system of fees and the decision of the government *inter alia* to direct student numbers towards low cost providers. Other significant national reviews reporting to Government are in progress including, Business-University Collaboration and a Research Strategy review and at this stage it is not possible to predict their recommendations.

During the year the University successfully concluded an Access Agreement with OFFA. This allows the University to charge fees up to the maximum of £9,000 from 2012. The University has also to comply with a Student Number Control for full time undergraduates and certain other categories are carefully controlled by funding bodies e.g. Medical Students.

### Risk Management

The University has a robust systematic method of assessing and managing risks. Risks are identified through the planning process, with risk registers at directorate, department and faculty level in addition to the corporate risk register with institutional risks monitored regularly by the Executive. Reports are provided to the Audit Committee and Council.

Principal risks identified include:

- threats to income streams
- home/EU and international student recruitment
- potential reputational damage
- increasing research funding concentration nationally
- the fitness for purpose of systems and processes
- the ability to cope with the scale and pace of change envisaged for the sector by the Government.

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
- Developing plans to invest in more high quality research active staff
- Developing a new IT strategy and investment priorities
- Robust long-term planning linked to a new strategic plan that embraces the government white paper.

### FINANCIAL REVIEW

#### • Financial Performance

Financial stability is a goal that the higher education sector in general, and the University of Hull in particular, has consistently achieved over several years. The operating surplus of £15.6m in the year under review, representing 8.8% of turnover, has been a significant achievement for the University and its staff. This surplus was also after providing for costs of £3.65m relating to an Early Leaver Scheme announced in July 2011 with the objective of providing a catalyst to refresh the staff base.

Recruitment of undergraduate students from the UK/EU has been strong and exceeded targets. The international student market remained highly competitive but again, the University exceeded its targets both in terms of student numbers and the income generated from this area of activity. Largely as a result of these factors along with the increase in receipt and release of specific other Funding Council income, total income rose by 4.8% (£8.1m) in the year.

Excluding the Early Leaver Scheme costs, operating costs over the period rose by £3.6m (2.4%) to £157.1m. Within this pay costs rose by a modest £1.3m (1.4%) reflecting reduced national pay awards, although a number of posts remained unfilled; non pay costs rose by £3.1m (5.6%) with over half of this at £1.6m an increase in academic departments' non pay costs. However, £0.8m of the latter was matched by funding released from HEFCE earmarked income, with the other main contributory factor being an increase in non pay costs for the Business School of £0.7m arising from various factors but linked to an increase in overseas student fees of almost £2m. There are also a number of modest increases under library spend; fellowships, scholarships and prizes; planned maintenance; residences, catering and conferences; research grants and contracts and grants to the Students Union, in line with strategy. Interest payable decreased by £0.6m due to a reduced pension finance charge.

The depreciation charge to the accounts is almost unchanged at £7.5m but will increase from next year reflecting continuing capital investment on the part of the University.

The balance sheet remains strong with cash and deposits of £44.8m and net assets of £111.3m after accounting for the pension liability. Debtors rose in total over the year by £3.7m mainly due to almost £3m relating to funds owed by the NHS for nursing training outstanding at the balance sheet date compared to the prior year. This was almost fully received by October 2011.

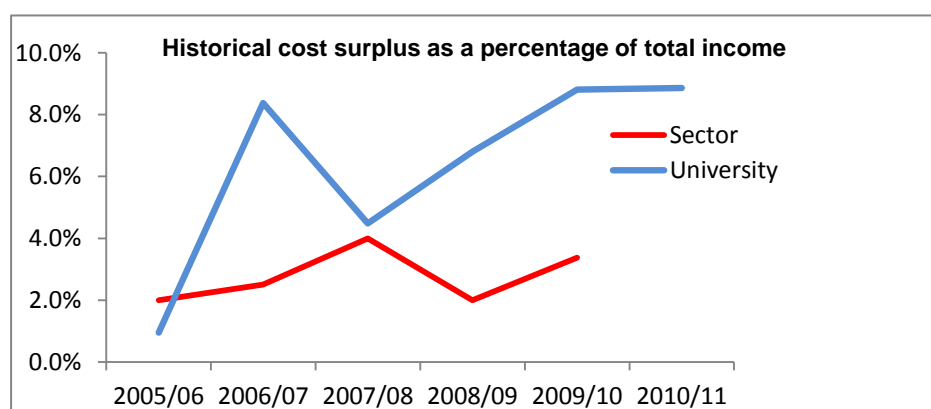
Over the financial year the University's subsidiary company, Nursco Ltd, providing nursing training to the NHS, operated for the period August to March, before novation of the contract back to the University on 1 April 2011. The company broke even on a turnover of £8.3m during this period.

- **Financial Performance compared to previous years**

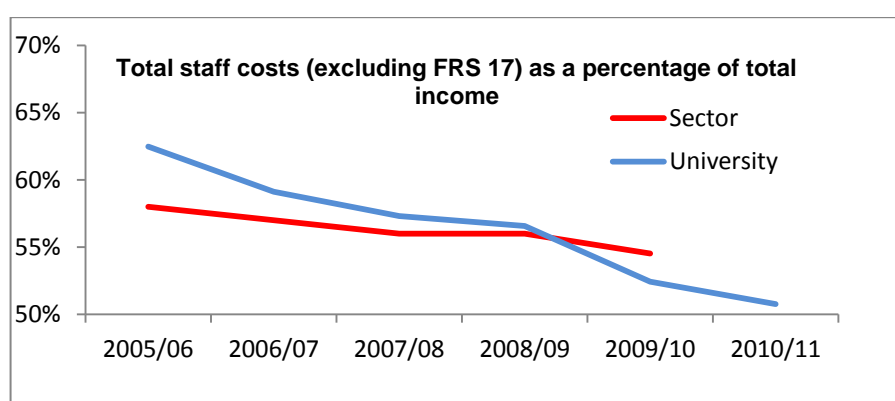
The Council considers the financial performance in the year under review to be highly satisfactory when compared to recent performance and continues the strengthening trend of recent years:

	£m				
	2011	2010	2009	2008	2007
Income	176.4	168.3	151.5	141.5	127.4
Expenditure	157.1	153.5	141.6	135.2	122.0
Early Leavers Scheme	3.7	-	-	-	-
Operating Surplus	15.6	14.8	9.9	6.3	5.4
Asset disposals			0.4		5.6
Historical Cost Surplus	15.6	14.8	10.3	6.3	10.7

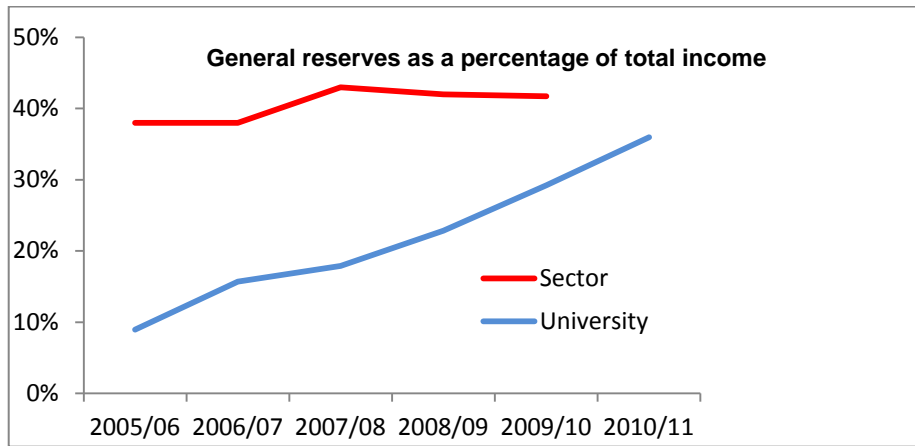
The following charts represent some of the key performance indicators, showing the University of Hull against published figures for the sector as a whole:



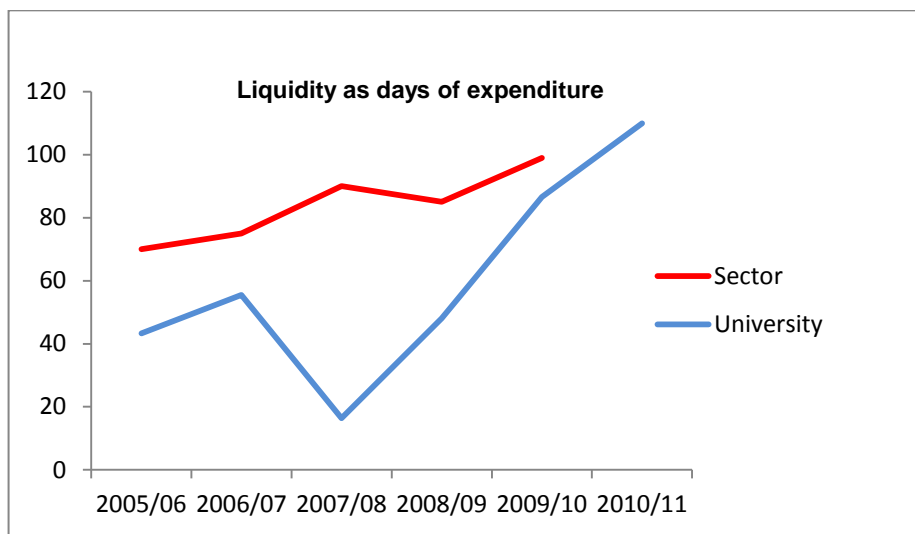
The University's surplus is above the sector average, providing long term sustainability.



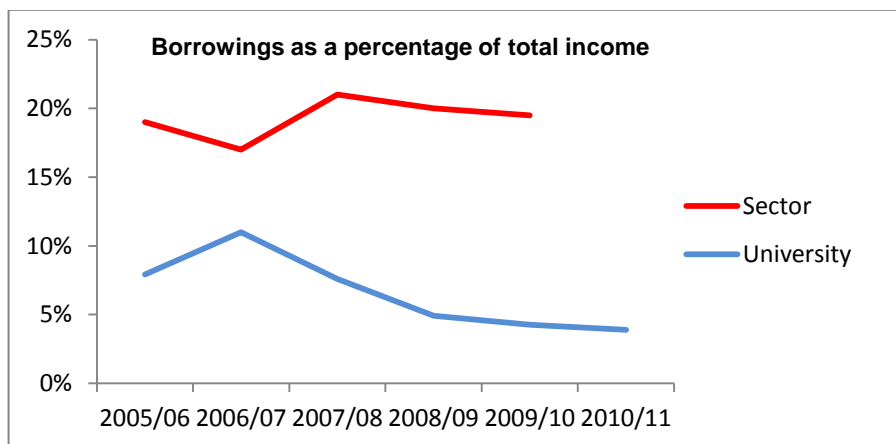
Staff costs as a percentage of income have fallen over the last six years and are now below sector average.



General reserves (excluding pension liability) have risen over the last six years, reflecting the University's improved financial performance and are now almost at sector average.



Liquidity has strengthened over the last three years, partly due to surplus movement, and now just exceeds sector average.



The University has low gearing and the forward five year capital plan is financed largely by internal funds.

- **Performance management/KPIs**

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

### **1. Student Recruitment**

There was a slight increase in overall student population (0.8%) from 2009/10 to 2010/11. The recruitment of Home/EU HEFCE fundable students met the requirements of the HEFCE contract; the target for growth was achieved whilst remaining comfortably within the tolerance band. The University remained within the student number control for intake imposed by HEFCE and as a result received no financial penalty.

International numbers also grew by 6% on the previous year, with the total full time international headcount of 2,014 representing the University's largest ever international population. The intake of 1,421 was also the University's largest, representing a 4.3% increase on the previous year. It should be noted that the international population carries a heavy reliance on China and the Business School, and may decrease in future as efforts are made to carry a more balanced market portfolio and implications of the Government's immigration policies take effect.

### **2. Student Experience**

The University improved its National Student Survey performance in 2011, with the score for overall satisfaction rising two points to 89%. The University continues to seek both incremental and transformational improvements to the student experience, particularly through the development and implementation of a detailed Student Experience Action Plan. A commitment has been made to a major capital project to refurbish the Brynmor Jones Library.

The University co-located a number of its student-facing services (Accommodation; Immigration Services; Student Administrative Services; Student Financial Services) within refurbished accommodation in University House where the Students' Union is located. These services join Careers and Student Support Services. An integrated customer services desk has been developed to enhance service to students.

On the Scarborough campus administrative support for most academic areas has been co-located to form one central team for the campus, providing students with a single access point for many academic and service functions. In September 2010 a major campus refurbishment, focused on providing improved learning spaces in the Keith Donaldson Library and the upgrade of many teaching rooms, was completed.

### **3. Research**

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

### **4. Staffing**

The pay:income ratio, which is total staff costs as a % of total income, fell to 50.8% in 2010-11, from 52.4% in 2009-10, an improvement of 1.6%. These figures exclude fee payments, which are classified as Other Operating Expenses within the Financial Statements. This ratio will be closely monitored over the coming years as it is a key indicator of cost control within the University.

### **5. Estate**

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

## 6. Financial Sustainability

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

### • Capital Programme

In 2010-11 the University invested £10.4m in capital projects associated with concluding the HEFCE Capital Investment Framework scope, which encompassed upgrades to teaching and research facilities. It finalised the 5 year programme of refurbishing its student residences and launched its 2011-15 Capital Programme.

The programme of Long Term Maintenance continues with expenditure in the year of £2.95m. The annual spend is based around the University's 10 Year Forward Planned Maintenance Plan, which is annually refreshed with the Residential Estate now included along with Academic Buildings.

The new Capital Programme outlines an investment of £94.4m over the next four years, funded from our own cash reserves and annual surpluses. £18.2m is allocated for the financial year 2011-12, including the prestigious Allam building for biomedical research, upgrades of various lecture theatres and laboratories, improved sports facilities at Scarborough and the first phase of an upgrade to our ICT infrastructure. In addition, work has started on a detailed design and specification for £15m redevelopment of the Brynmor Jones Library, aimed at enhancing the student and staff experience.

### • Future Financial Performance

The Council has tasked the University with achieving surpluses at or above the HEFCE recommended target of 3% of turnover and the future projections are indicating that this will be achieved. The cumulative effects of financial pressures, particularly around pay, pensions and future funding levels and mechanisms following the Browne Review need to be modelled and prudent financial management will need to be exercised in order to maintain this target moving forward.

### • Cash flow

- Information regarding the University's cash position for 2010/11 is included in the accounts and demonstrates that the University's net cash flow from operating activities was highly positive in the year (almost £16m per note 23). The £16m was broadly attributed in the accounts as follows: £5m to fund capital investment over and above capital grants received, and a £11m increase in short term cash deposits held. Debt repayment on fixed term loans was a modest £0.3m.
- Moving forward, the achievement of budgeted surpluses over the next few years should mean that the University is generating cash from operating activities, although the net outcome is adjusted by other factors such as movement in debtors and creditors and provisions. In conjunction with this and cash deposits at the year end, the University will link available cash to capital commitments and the future capital programme.

### • Going Concern

- At the end of the financial year ending 31 July 2011 the University had a strong balance sheet with cash deposits (current asset investments and bank) of £44.8m and net assets of £111.3m after accounting for the pension liability. Gearing was low with borrowing of £6.8m in loans repayable up to 2034.
- The University's budgeted surplus of £7.1m and planned capital expenditure of £18.2m for 2011/12 along with projections of other variables produces an estimated cash balance of just over £36m at 31 July 2012.
- Despite changes in the funding regime from August 2012 the size of this balance means the University remains in a strong liquidity position and the estimated balance at the end of November 2012, representing a position 12 months forward from the approval of the 2011/12 financial statements, should be greater than £36m due to expected adjustments to the payment profile of the Student Loans company in advancing payment of 25% of all 2012/13 fees to October 2012 (current payment profile is 50% in February, 50% in May over the academic year).
- 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 any highly rated UK institution. 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.
- In practice the University now places no deposits with Irish institutions and few with UK building societies.
- 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 deficit has fallen from £30.2m to £28.4m during the year. This deficit is a combination of £3.6m from the North Yorkshire Local Government Scheme and £24.8m from the in house University of Hull Pension and Assurance Scheme (UHPAS).

The deficit on the University of Hull Pension and Assurance Scheme has fallen by almost £2.2m over the year due to a combination of a number of factors: on the adverse side scheme liabilities increased due to reduction in discount rate of 0.1% along with increase in inflation assumptions of 0.2%; exceeded by better than expected asset performance and excess of University employer contributions over required FRS17 income and expenditure charge. There was also a gain of around £0.9m from applying a valuation based on CPI rather than RPI to the pre-February 2005 deferred pension element of the obligation which under Scheme rules is linked to statutory increases now indexed to CPI. The discount rate used as per Financial Reporting Standard 17 is based on AA rated corporate bond yield over a 15 year period.

- **Endowments**

Following a strategic review and exercise in March 2010 the University sold down those assets originally invested in an FTSE all share equity tracker fund. They were spread across three more diversified portfolios partly representing specific and general endowments and the CMRI reserve. A more pro-active management approach with a new fund manager was adopted and this year comprises the first full one under the revised strategy. Assets with a market value of £9.3m at the start of the year partly representing the three portfolios appreciated by 7.8% or £723k from capital revaluation gains as well as yielding income of around 2.7%.

- **Linked Charities**

The University has a number of endowment funds supporting prizes, scholarships, chairs *et al* 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**

With regard to human resources policy and activity our aim, in the broadest terms, has been to enable and support the delivery of the Strategic Plan. More specifically, 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.
- We will promote diversity, respect individual dignity and ensure equality of opportunity in all staff relations and processes.

## ACADEMIC REVIEW

### • Students

The University experienced a rise of 17% in terms of Home/EU full time undergraduate applications, compared with 13.4% for the Sector. Demand was fairly consistent across all subject areas. Recruitment from the region continues to be strong and meets or outperforms national widening participation benchmarks. Efforts to improve academic Entry Tariff for the 2009/10 intake were successful, with the University's overall Entry Tariff increasing by almost 20 points (equivalent to one grade at A-Level). The outcome of similar efforts for the 2010/11 intake will be known later in the year.

Efforts continue to be made to reverse the slight increase in non-completion rates. The 3 year HEFCE pilot on 'Good practise in student retention' (joint with the Universities of Newcastle and Sunderland) has been completed and outputs will be published some time before Christmas. A working group on retention is being established, with the expectation of producing an Institutional strategy on retention.

### • Academic Portfolio

There were no major changes to the University's academic portfolio for 2010-11. However, following the development of a new strategic plan, and in light of the impending changes to the funding of higher education, we are anticipating major changes in the areas of part-time education, short courses and adult education, and collaborative provision.

### • Quality and Standards

The University underwent a QAA Collaborative Provision Audit in 2011, which resulted in confidence being declared in the present and future management of quality and standards in this area. The report made five recommendations and an action plan has been developed to address these. Implementation of the recommendations of the QAA Institutional Audit of 2009 is complete, and the University continues to develop its risk-based approach to quality assurance and the maintenance of standards.

### • Research

Several strands of initiatives have been developed and implemented which are aimed at enhancing the University's research portfolio. Aligned with the University strategic themes and declared research groups within each Research Excellence Framework (REF) unit of assessment, we are able to carefully manage the transition from a modest research activity base to one which raises the profile of the University.

The principal management tool is the implementation of a Research Information System (RIS). This is all embracing and includes functionality for applications, awards, publications, patents and will soon deliver Post Graduate student and REF specific tasks. This system will allow researchers to update their profiles which will feed into the University and researcher web pages. This RIS will also provide management with a suite

of reporting tools that can inform for REF decisions and support Faculty Deans as they implement specific research strategies.

At the time of writing, the system is in Phase 1 & 2 of the implementation. The loading of historical data, initially from 2008 has been done with data before 2008 soon to be loaded. Student management (Phase 3) will come on line early 2012 with REF specific functionality (Phase 4) following soon afterwards.

Application approvals are also included in the system. This will help manage the University's initiative to improve the quality of applications through internal peer review which in turn ties into the Research Council's strategy for Demand Management.

Preparation for the REF indicates that the University will adopt a strategy of increased selectivity and concentration, intended to enhance the quality of submission in 2013 and to maximise HEFCE QR funding. The implementation of the RIS has been central to this strategy, ensuring that appropriate management information is available to University leaders.

External consultants RAND Europe have been engaged to work with academic colleagues to identify areas of research which could form the basis of impact case studies. These are now being developed and will be peer reviewed throughout 2012 to ensure their high quality.

The University is working towards achieving the European Commission 'HR Excellence in Research' badge which will complement its implementation of the Concordat to Support the Career Development of Researchers. The achievement of this award will support the recruitment of high quality researchers to the University, building long-term sustainability and a vital research environment.

Research grant and contract income shown in the accounts as released against spend remains around £10m, with declared awards for 2010/11 at £11.4m. Significantly our top four awards are within the Health strategic theme and are valued at approx £3m. Within this is the development of the Allam Translational Research Institute. The Institute will provide a state-of-the-art centre for translational biomedical research, building on the successful RAE 2008 outcome, bringing the University's activities from the three relevant disciplines (Biological Sciences, Chemistry and PGMI/HYMS) together in a single integrated building. The Institute's central research strengths, that provide a critical mass of researchers and funding, will be applied to cancer and cardiovascular disease in an interdisciplinary manner.

In addition to this income the University attracted HEFCE core research funding of £8.8m in 2010/11.

Research Council awards have doubled over the period despite a background of funding cutbacks by the funders. This is a reflection of successes against larger value grant calls.

Post Graduate Medical Institute and Faculty of Health & Social Care have both seen significant increases in declared awards over the period.

- **Enterprise**

The University achieved a substantial increase in its allocation under the next round of the Higher Education Innovation Fund (HEIF). This is due to its consistent performance against the income-based funding criteria of the Higher Education Business and Community Interaction (HE-BCI) returns. The University has been awarded £1.96million a year for each of the next four years (2011-2015). This is £630k per year (£2.52m overall) more than Hull's highest award under HEIF4. The annual increase secured is greater than the total amount Hull received under HEIF3 (£532k per year). It demonstrates significant progress at a time when other HEIs have seen a reduction – even removal – of HEIF funding because of the shift to a formula based solely on income from specified activity. HEIF awards are calculated on the basis of income from key business-facing activities, specifically, Collaborative Research; Contract Research; Business use of facilities; Consultancy; Non-credit bearing CPD; IP and commercialisation.

The University's latest HE-BCI return, for 2009-2010, was £20,012,802. The figures for 2010-2011 will be returned in January 2012.

As part of its HEIF institutional strategy returned to HEFCE in July 2011, the University was able to report financial success from collaborative HEIF4 projects including £4,185,237 in external funding for applied telehealth-related research for the period 2007-11, with a further £1,474,278 already secured for 2011-14. It was also able to report £1.6million in external funding from businesses and organisations including the Food

Standards Agency for its work on functional foods through the Hull Obesity, Education and Innovation (HONEI) programme. University expertise in energy and environment matters played a key role in the creation of Green Ports Hull, a £100million project that persuaded Siemens to name Hull as the preferred site for their UK base for offshore wind. It is estimated that up to 10,000 jobs could be created on the back of that investment. The University's Enterprise Centre has encouraged the development of more than 70 knowledge-based businesses since it was opened by the Duke of Edinburgh in December 2008. Around 30 such businesses operate in the Centre at any one time. The Centre has become the base of For Entrepreneurs Only, a group of the region's leading entrepreneurs, many of whom are working with the University for the first time.

The University last year secured £1.18million (£683k to University; £497k to business partner) from the *Technology Strategy Board* (through EPSRC) for taking towards commercialisation micro-fluidic technology for the detection of Sexually Transmitted Infections (STIs). It also attracted £175k from *EPSRC's Follow-on Fund* for the commercialisation of lab-on-a-chip technology for DNA profiling and £650k from the *National Institute for Health Research (NIHR)* to take closer to market University work on new generation naso-gastric feeding tubes.

### Disability Statement

The University seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disabilities Act 2001.

### PUBLIC BENEFIT

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

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

#### • Aims and Objectives

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

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

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

The Strategic Plan is available on the University website.

- **Student Admissions and Widening Participation**

The University 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). The University continues to meet or exceed its benchmark targets for widening participation and retention.

The University is concerned by the cutting of funding for AimHigher and for the Connexions service, and is 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.

The University's new Access Agreement was agreed by OFFA in July, with a headline commitment to invest at least 22% of fee income from 2012/13 in promoting fair access.

- **Quality Research and Scholarships**

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

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

Mrs N J Duncumb  
University Treasurer

Professor C W I Pistorius  
Vice-Chancellor

# Corporate Governance Statement

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

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

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

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

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

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

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

- **The Council** is the 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 2010 to 22 November 2011:

#### Lay Members:

Mr M Bartlett  
Mr L Cotter  
Mr J Dick  
Judge J Dowse  
Mrs N J Duncumb  
Mr A Eavis  
Mr N Hildyard (from 1 August 2011)  
Dr K Hopkins  
Mr S Lunt  
Dr S Potestà  
Mr J Standen (Chair)  
Mrs R Vincent  
Mr A Wardle (to 31 July 2011)  
Mr R Williamson

#### Non Lay Members:

Vice-Chancellor  
Finance Director

Senate (a Pro-Vice-Chancellor)

Professor C Pistorius  
Miss A Galbraith (Acting Finance Director to 22 August 2010)  
Mr Chris Reilly (Chief Finance Officer to 17 June 2011)  
Mr Simon Attwell (Interim Chief Finance Officer from 18 June 2011)  
Professor B Winn (to 31 July 2011)  
Professor G Burgess (from 1 August 2011)

Senate (a Dean)	Dr C Gaskell (to 31 July 2011) Professor S Kelly (from 3 October 2011)
Senate (a Head of Department)	Professor D Gibbs (from 1 November 2010)
Senate (elected member)	Professor S Haywood (to 31 July 2011)
Senate (elected member)	Ms S Shastri (to 31 July 2011)
Senate (elected member)	Dr C Gaskell (from 11 November 2011)
Senate (elected member)	Professor C Kennedy-Pipe (from 11 November 2011)
Non academic staff	Mr A Lee (to 31 July 2011) Miss H MacCarthy (from 1 August 2011)
President, Students' Union	Mr A Mersh (2010/11 and 2011/12)

- **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.

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 2010-2011, 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;  
secure the economical, efficient and effective management of the University's resources and expenditure.

In so far as each of the Council is aware:

- there is no relevant audit information of which the auditor is unaware;
- 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 2011 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

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

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

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

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

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

We have audited the financial statements of the University of Hull ('the University') for the year ended 31 July 2011 which comprise the statement of principle accounting policies, the income and expenditure account, the statement of total recognized gains and losses, the statement of historical cost surpluses and deficits, the University balance sheets, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with the Charter and Statutes of the University. 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 and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Responsibilities of the Council Statement set out within the Corporate Governance Statement, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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') and the Training and Development Agency for Schools.

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 2011 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 and Development 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 2011 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2011 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 and Development Agency for Schools and the funding agreement with the Chief Executive of Skills Funding.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
LEEDS  
November 2011

# 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 Accounting Standards.

## 2. Basis of consolidation

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

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

The consolidated financial statements include the University of Hull and its subsidiary undertaking, Nursco Ltd. The results of subsidiaries acquired during the period are included in the consolidated profit and loss account from the date of their acquisition. Intragroup sales and profits are eliminated fully on consolidation.

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

## 3. Provisions for liabilities and charges

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

## 4. Recognition of income

Income from specific 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.

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.

## 5. Pensions

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



## 11. Endowment Asset Investments

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

## 12. Stocks

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

## 13. Cash flows and liquid resources

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

## 14. Taxation status

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

## Consolidated Income and Expenditure Account for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
<b>INCOME</b>			
Funding Council Grants	1	61,960	59,416
Tuition Fees and Education Contracts	2	74,522	69,894
Research Grants and Contracts	3	9,764	9,715
Other Income	4	29,552	28,860
Endowment and Investment Income	5	597	459
<b>TOTAL INCOME</b>		<b>176,395</b>	<b>168,344</b>
<b>EXPENDITURE</b>			
Staff Costs	6	89,527	88,261
Other Operating Expenses	7	59,438	56,301
Depreciation	10	7,482	7,629
Interest Payable	8	687	1,303
		<b>157,134</b>	<b>153,494</b>
Exceptional Early Leaver costs	16	3,653	0
<b>TOTAL EXPENDITURE</b>	9	<b>160,787</b>	<b>153,494</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		15,608	14,850
Taxation		0	0
Transfer from/(to) accumulated income within specific endowments		21	(14)
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets, tax and exceptional items and transfers in respect of specific endowments	20	<b>15,629</b>	<b>14,836</b>

The income and expenditure account is in respect of continuing activities

## Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2011

		2011 £'000	2010 £'000
Surplus on continuing operations before taxation		15,608	14,850
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	19	47	47
Historical Cost Surplus for the year before and after taxation		<u>15,655</u>	<u>14,897</u>

## Statement of consolidated total recognised gains and losses for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Assets and before transfers in respect of specific endowments		15,608	14,850
Appreciation of Endowment Asset Investments	18	423	924
New Endowments	18	156	314
FRS17 actuarial gain/(loss) recognised in pension schemes	29	328	(1,059)
Net Movement on Specific MRI reserve	21	300	680
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>16,815</u>	<u>15,709</u>

### Reconciliation

Opening Reserves and Endowments	37,409	21,700
Total recognised gains for the year	16,815	15,709
Closing Reserves and Endowments	<u>54,224</u>	<u>37,409</u>



## Balance Sheets as at 31 July 2011

	Note	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
<b>FIXED ASSETS</b>					
Tangible Assets	10	110,016	107,089	110,016	107,089
Investments	11	4,556	4,256	4,556	4,256
		<b>114,572</b>	<b>111,345</b>	<b>114,572</b>	<b>111,345</b>
<b>ENDOWMENT ASSETS</b>					
	12	<b>11,706</b>	<b>11,148</b>	<b>11,706</b>	<b>11,148</b>
<b>CURRENT ASSETS</b>					
Stocks		93	87	93	87
Debtors	13	13,454	9,775	13,454	9,775
Investments		44,520	33,880	44,520	33,880
Cash at Bank and in Hand		357	395	357	395
		<b>58,424</b>	<b>44,137</b>	<b>58,424</b>	<b>44,137</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	14	<b>(33,831)</b>	<b>(35,791)</b>	<b>(33,831)</b>	<b>(35,791)</b>
<b>NET CURRENT ASSETS</b>					
		<b>24,593</b>	<b>8,346</b>	<b>24,593</b>	<b>8,346</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>150,871</b>	<b>130,839</b>	<b>150,871</b>	<b>130,839</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	15	<b>(6,575)</b>	<b>(6,875)</b>	<b>(6,575)</b>	<b>(6,875)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	16	<b>(4,598)</b>	<b>(992)</b>	<b>(4,598)</b>	<b>(992)</b>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>					
		<b>139,698</b>	<b>122,972</b>	<b>139,698</b>	<b>122,972</b>
<b>PENSION LIABILITY</b>					
	29	<b>(28,431)</b>	<b>(30,204)</b>	<b>(28,431)</b>	<b>(30,204)</b>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>					
		<b>111,267</b>	<b>92,768</b>	<b>111,267</b>	<b>92,768</b>
<b>DEFERRED CAPITAL GRANTS</b>					
	17	<b>57,043</b>	<b>55,359</b>	<b>57,043</b>	<b>55,359</b>
<b>ENDOWMENTS</b>					
	18	<b>11,706</b>	<b>11,148</b>	<b>11,706</b>	<b>11,148</b>
<b>RESERVES</b>					
Designated MRI Reserve	21	5,078	4,778	5,078	4,778
Revaluation Reserve	19	2,422	2,469	2,422	2,469
		<b>7,500</b>	<b>7,247</b>	<b>7,500</b>	<b>7,247</b>
General reserve excluding pension liability	20	63,449	49,218	63,449	49,218
Pension Reserve	29	(28,431)	(30,204)	(28,431)	(30,204)
General reserve including pension liability	20	35,018	19,014	35,018	19,014
<b>TOTAL</b>					
		<b>111,267</b>	<b>92,768</b>	<b>111,267</b>	<b>92,768</b>

The financial statements were approved by the Council on 22 November 2011, 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 2011

	Note	2011 £000	2010 £000
Cash flow from operating activities	23	15,999	23,129
Returns on investments and servicing of finance	24	230	76
Capital expenditure and financial investment	25	(5,327)	(6,228)
Management of liquid resources	26	(10,640)	(16,831)
Financing	27	(300)	(275)
(Decrease) in cash in the year		<u>(38)</u>	<u>(129)</u>

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

	2011 £000	2010 £000
Decrease in cash in the year	(38)	(129)
Inflow from liquid resources	<u>10,640</u>	<u>16,831</u>
Change in net debt resulting from cash flows	10,602	16,702
Decrease in Debt	<u>300</u>	<u>275</u>
MOVEMENT IN NET FUNDS IN THE PERIOD	10,902	16,977
Net Funds at 1 August	27,100	10,123
NET FUNDS AT 31 JULY	<u>38,002</u>	<u>27,100</u>

## Notes to the Accounts

	2011 £'000	2010 £'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	49,215	49,774
Specific Grants		
TDA	3,623	3,337
JISC	390	426
Other	6,468	3,603
Deferred Capital Grants Released in Year (Note 17)	2,264	2,276
	61,960	59,416

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

	2011 £'000	2010 £'000
2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	46,981	44,895
Full-time Students Charged Overseas Fees	21,318	19,235
Part-time Students	3,033	2,696
Research Training Support Grants	907	815
Short Course Fees	2,283	2,253
	74,522	69,894

	2011 £'000	2010 £'000
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,019	2,707
UK Charities	1,207	1,463
UK Central Govt	1,079	969
Local Authorities	290	137
Health & Hospitals	581	584
UK Industry	2,191	1,450
EU	1,829	1,568
Overseas and Other Sources	568	837
	9,764	9,715

## Notes to the Accounts

	2011 £'000	2010 £'000
<b>4. OTHER INCOME</b>		
Residences, Catering and Conferences	13,757	12,620
Other Services Rendered	3,204	3,409
Health Authorities	5,448	5,403
Other Donations	76	202
Released from Deferred Capital Grants	1,067	1,249
Rents Receivable and Facilities income	785	746
ERASMUS Grants	292	270
Other Revenue Grant and Departmental income	3,089	3,399
Other Income	1,834	1,562
	<u>29,552</u>	<u>28,860</u>

### 5. ENDOWMENT INCOME AND INVESTMENT INCOME

Transferred from Specific Endowments (note 18)	92	102
Income from General Endowment Asset Investments (note 18)	121	138
Income from Short Term Investments	384	212
Loan Interest receivable	0	7
	<u>597</u>	<u>459</u>

### 6. STAFF

#### Staff Costs:

Wages & Salaries	69,861	69,398
Social Security Costs	5,777	5,682
Other Pension Costs	13,889	13,181
	<u>89,527</u>	<u>88,261</u>
Exceptional Early Leaver Scheme costs (note 16)	3,653	0
	<u>93,180</u>	<u>88,261</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 (2011: £3,562,000; 2010: £3,842,000).

#### Emoluments of the Vice-Chancellors

Previous	0	18
Present	225	206
	<u>225</u>	<u>224</u>

The emoluments of the Vice-Chancellor exclude the University's pension contributions to USS on his behalf which amounted to £36,000 (2010: present and previous Vice-Chancellors £48,260).

Total emoluments therefore comprised £261,000 (2010: £272,260).

## Notes to the Accounts

6. STAFF (continued)	2011 Number	2010 Number
Average Staff Numbers by Major Category		
Academic/Clinical	1,161	1,122
Technical	116	118
Administrative	419	419
Other	306	314
	<u>2,002</u>	<u>1,973</u>

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 \*.

	2011		2010	
	*	No. of Staff	*	No. of Staff
£220,000 - £229,999	0	1	0	0
£210,000 - £219,999	0	0	0	0
£200,000 - £209,999	0	0	0	0
£190,000 - £199,999	0	0	0	0
£180,000 - £189,999	1	0	2	0
£170,000 - £179,999	3	0	2	0
£160,000 - £169,999	5	0	2	0
£150,000 - £159,999	1	1	3	0
£140,000 - £149,999	6	0	5	1
£130,000 - £139,999	1	2	2	0
£120,000 - £129,999	1	3	1	1
£110,000 - £119,999	0	1	2	1
£100,000 - £109,999	3	0	1	0

## Notes to the Accounts

	2011	2010
	£000	£000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	5,809	5,410
Academic Departmental Expenditure	18,529	16,883
Books, Periodicals and Related Media	2,115	1,740
Other Library and Computing and Academic Services	4,160	4,295
General Educational Expenditure	3,031	3,346
Administration	1,969	2,000
Fellowships, Scholarships and Prizes	6,652	6,343
Heat, Light, Water and Power	2,205	2,504
Repairs and General Maintenance	994	1,056
Planned Maintenance	2,948	2,793
Rent, Rates and Insurance	704	760
Grants to University's Students Union	1,487	1,114
Research Grants and Contracts	3,956	3,814
Services Rendered	992	1,061
Auditors' Remuneration	41	39
Auditors' Remuneration re Non-Audit Services	11	10
Bad and Doubtful Debts	143	596
Other Expenses	3,692	2,537
	59,438	56,301

## Notes to the Accounts

	2011 £000	2010 £000
8. INTEREST PAYABLE		
Bank and other Loans repayable within 1 year	0	0
Bank and other Loans wholly or partly repayable in more than 5 years	367	383
FRS17 pension finance charge	320	920
	<u>687</u>	<u>1,303</u>

### 9. ANALYSIS OF 2010/2011 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreciation £000	Other Operating Expenditure £000	Interest Payable £000	Total £000
Academic Departments	57,831	886	18,530	0	77,247
Academic Services	7,986	730	6,275	0	14,991
Research Grants and Contracts	3,899	46	3,956	0	7,901
Residences, Catering and Conferences	2,406	1,621	5,809	0	9,836
Premises	5,309	4,193	7,191	687	17,380
Administration	7,106	6	1,969	0	9,081
Services Rendered	1,287	0	992	0	2,279
Other Expenses	3,703	0	14,716	0	18,419
	<u>89,527</u>	<u>7,482</u>	<u>59,438</u>	<u>687</u>	<u>157,134</u>
Exceptional Early Leaver Scheme	3,653	0	0	0	3,653
	<u>93,180</u>	<u>7,482</u>	<u>59,438</u>	<u>687</u>	<u>160,787</u>

The depreciation charge has been funded by:	£000
Deferred Capital Grants Released (note 17)	3,377
Revaluation Reserve Released (note 19)	47
General Income	<u>4,058</u>
	<u>7,482</u>

# Notes to the Accounts

## Consolidated and University

### 10. TANGIBLE ASSETS

	Land & Buildings		Equipment	Total
	Freehold	Leasehold		
	£000	£000	£000	£000
Cost/Valuation:				
At 1 August 2010				
Cost/Valuation	128,702	865	37,413	166,980
Additions at Cost	7,643	0	2,766	10,409
Assets written out	0	0	(53)	(53)
At 31 July 2011	<u>136,345</u>	<u>865</u>	<u>40,126</u>	<u>177,336</u>
Depreciation:				
At 1 August 2010				
Charge for the year	4,752	43	2,687	7,482
Assets written out	0	0	(53)	(53)
At 31 July 2011	<u>33,574</u>	<u>645</u>	<u>33,101</u>	<u>67,320</u>
Net Book Value				
At 31 July 2011	<u>102,771</u>	<u>220</u>	<u>7,025</u>	<u>110,016</u>
Net Book Value				
At 1 August 2010	<u>99,880</u>	<u>263</u>	<u>6,946</u>	<u>107,089</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 £41,693,397 (2010: £40,306,228) 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 2011 include £1,299,606 (2010: £5,521,904) 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	
	2011 £000	2010 £000	2011 £000	2010 £000
11. FIXED ASSET INVESTMENTS	4,556	4,256	4,556	4,256

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held (%)	Nature of business
Nursco Limited	England & Wales	Ordinary	100	Nursing training
Abiquest Limited	England & Wales	Ordinary	100	Dormant
Polar Oled Limited	England & Wales	Ordinary	52	Materials
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.

£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 £4,469,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 21) as follows:

	Consolidated and University £000
At 1 August 2010	4,169
Additions	0
Appreciation on revaluation	300
At 31 July 2011	4,469

## Notes to the Accounts

	Consolidated and University	
	2011 £000	2010 £000
<b>12. ENDOWMENT ASSET INVESTMENTS</b>		
At 1 August	11,148	9,896
Additions	0	5,182
Increase in cash balances	135	827
Disposals	0	(5,681)
Appreciation on Revaluation	423	924
At 31 July	<u>11,706</u>	<u>11,148</u>
Fixed Interest Stocks	2,411	2,098
Equities	3,122	3,012
Bank Balances	6,173	6,038
	<u>11,706</u>	<u>11,148</u>
Equities and Fixed Interest Stocks at Cost	<u>5,177</u>	<u>5,177</u>

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>13. DEBTORS</b>				
Trade, student and research debtors	10,628	8,437	10,628	8,437
Prepayments and Accrued Income	2,826	1,338	2,826	1,338
	<u>13,454</u>	<u>9,775</u>	<u>13,454</u>	<u>9,775</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 2011/12 for the loan to novate to the Centre for Low Carbon Futures Company (CLCF) 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.

## Notes to the Accounts

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Grants and Donations Received in Advance	11,336	12,131	11,336	12,131
Secured Bank Loan (note 15)	300	300	300	300
Creditors	12,757	13,355	12,757	13,311
Amounts owed to subsidiary undertakings	0	0	0	44
Social Security and other Taxation Payable	2,131	2,202	2,131	2,202
Accruals and Deferred Income	7,307	7,803	7,307	7,803
	<u>33,831</u>	<u>35,791</u>	<u>33,831</u>	<u>35,791</u>

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Secured Bank Loan Repayable 2010 to 2034	6,575	6,875	6,575	6,875
	<u>6,575</u>	<u>6,875</u>	<u>6,575</u>	<u>6,875</u>

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

The secured loan has several elements as follows:

	Consolidated and University
	£000
Fixed interest rate of 4.94% repayable 2009 to 2034	2,250
Fixed interest rate of 5.30% repayable 2010 to 2034	2,325
Fixed interest rate of 5.38% repayable 2010 to 2034	2,300
	<u>6,875</u>

The secured loan is repayable as follows:

	Consolidated	
	2011	2010
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	5,375	5,675
	<u>6,875</u>	<u>7,175</u>

## Notes to the Accounts

	Consolidated and University			Total £000
	Pension £000	Early Leaver Scheme £000	ERDF £000	
16. PROVISION FOR LIABILITIES AND CHARGES				
At 1 August 2010	652	0	340	992
Expenditure in Year	(47)	0	0	(47)
Additions from Income & Expenditure Account	0	3,653	0	3,653
At 31 July 2011	605	3,653	340	4,598

The pension enhancement provision of £605,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£527,000); plus an amount of £78,000 for former University of Hull employees where the pension is paid directly by the University.

The Early Leaver Scheme was announced by the University in July 2011 and the provision of £3,653,000 represents the costs of those employees who expressed interest prior to 31 July 2011 and have subsequently been accepted by the University under the Scheme terms and conditions before completion of the accounts for the year end 31 July 2011. A second Scheme tranche is expected in 2011/12.

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

	Consolidated and University		
	Funding Council £000	Other Grants & Benefactors £000	Total £000
17. DEFERRED CAPITAL GRANTS			
At 1 August 2010			
Buildings	40,307	11,736	52,043
Equipment	1,901	1,415	3,316
	42,208	13,151	55,359
Received in year			
Buildings	3,129	1,505	4,634
Equipment	188	239	427
	3,317	1,744	5,061
Released in year			
Buildings	(1,741)	(585)	(2,326)
Equipment	(523)	(528)	(1,051)
	(2,264)	(1,113)	(3,377)
At 31 July 2011			
Buildings	41,695	12,656	54,351
Equipment	1,566	1,126	2,692
	43,261	13,782	57,043

## Notes to the Accounts

### 18 ENDOWMENTS

#### Consolidated and University

	Unrestricted Permanent £000	Restricted Expendable £000	Restricted Permanent £000	Restricted Total £000	Total £000
Capital value	6,258	643	2,662	3,305	9,563
Accumulated income	0	38	1,547	1,585	1,585
At 1 August 2010	6,258	681	4,209	4,890	11,148
Additions	0	152	4	156	156
Appreciation of Endowment Asset Investments	211	0	212	212	423
Income for year	121	7	85	92	213
Released to income and expenditure (note 5)	(121)	(7)	(85)	(92)	(213)
Transferred (to)/from Income and Expenditure (see below)	0	(81)	60	(21)	(21)
At 31 July 2011	6,469	752	4,485	5,237	11,706
Represented by:					
Capital	6,469	713	2,878	3,591	10,060
Accumulated income	0	39	1,607	1,646	1,646
	6,469	752	4,485	5,237	11,706

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 130 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
19. REVALUATION RESERVE		
At 1 August 2010	2,469	2,469
Released in Year (note 9)	(47)	(47)
At 31 July 2011	<u>2,422</u>	<u>2,422</u>

	Consolidated £000	University £000
20. GENERAL RESERVE		
At 1 August 2010	19,014	19,014
Surplus for the year	15,629	15,629
Release from Revaluation Reserve	47	47
FRS 17 actuarial gain on pension scheme	328	328
At 31 July 2011	<u>35,018</u>	<u>35,018</u>
The general reserve is subdivided as follows at 31 July 2011:		
Excluding pension reserve	63,449	63,449
Pension reserve	(28,431)	(28,431)
Total	<u>35,018</u>	<u>35,018</u>

	Consolidated £000	University £000
21 DESIGNATED MRI RESERVE		
At 1 August 2010	4,778	4,778
Additions	0	0
Appreciation from element invested on revaluation	300	300
At 31 July 2011	<u>5,078</u>	<u>5,078</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 2011 the reserve was represented by portfolio equity investments of £4,469,000 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	
	2011 £000	2010 £000
22 CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>1,824</u>	<u>7,652</u>

These commitments will be funded by operating cash flows.



## Notes to the Accounts

	2011 £000	2010 £000
<b>23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus	15,608	14,850
Depreciation (note 10)	7,482	7,629
Deferred Capital Grants Released to Income (note 17)	(3,377)	(3,742)
Investment Income (notes 5,18)	(597)	(459)
Interest Payable (note 8)	687	1,303
(Increase)/Decrease in Stocks	(6)	2
(Increase)/Decrease in Debtors	(3,679)	2,168
(Decrease)/Increase in Creditors	(1,960)	2,194
Increase in Provisions	3,606	347
Difference between pension charge and cash contributions	(1,765)	(1,163)
Net Cash Inflow from Operating Activities	<u>15,999</u>	<u>23,129</u>
<b>24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Income from endowments (note 18)	213	240
Income from short term investments (note 5)	384	212
Interest paid (note 8)	(367)	(383)
Interest receivable (note 5)	0	7
Net cash inflow from returns on investments and servicing of finance	<u>230</u>	<u>76</u>
<b>25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Tangible fixed assets and investments acquired (note 10)	(10,409)	(12,010)
Endowment asset investments acquired (note 12)	(135)	(6,009)
Sales of endowment asset investments (note 12)	0	5,681
Deferred Capital Grants Received (note 17)	5,061	5,796
Endowments Received (note 18)	156	314
Net cash outflow from capital expenditure and financial investment	<u>(5,327)</u>	<u>(6,228)</u>

## Notes to the Accounts

	2011 £000	2010 £000
26. MANAGEMENT OF LIQUID RESOURCES		
Increase in short term deposits	(10,640)	(16,831)
Outflow from management of liquid resources	<u>(10,640)</u>	<u>(16,831)</u>

	2011 £000	2010 £000
27. FINANCING		
	Loans	Total
Balance at 1 August	7,175	7,175
Capital Repayments	(300)	(300)
Balance at 31 July	<u>6,875</u>	<u>6,875</u>
		Total
		7,450
		(275)
		<u>7,175</u>

	At 1 August 2010 £000	Cash Flow £000	Other Changes £000	At 31 July 2011 £000
28. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	395	(38)	0	357
Liquid Resources:				
Short term deposits	33,880	10,640	0	44,520
	<u>34,275</u>	<u>10,602</u>	<u>0</u>	<u>44,877</u>
Debt Due within one year	(300)	300	(300)	(300)
Debt Due after one year	(6,875)	0	300	(6,575)
	<u>(7,175)</u>	<u>300</u>	<u>0</u>	<u>(6,875)</u>
	<u>27,100</u>	<u>10,902</u>	<u>0</u>	<u>38,002</u>

# Notes to the Accounts

## 29. PENSION SCHEMES

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

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

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

The latest actuarial valuation of the scheme was at 31 March 2011. The results will not be published until later in 2011. The last published valuation was held on 31 March 2008. The assumptions used at the 2008 valuation which have the most significant effect on the valuation are those relating to the rate of return on investments (ie. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum, that the rate of increase in salaries would be 4.3% per annum and that of pensions in payment, 3.3% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum; that the rate of increase in salaries would be 4.3% per annum and that pensions in payment would be 3.3% per annum. The valuation was carried out using the projected unit method.

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

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

The next actuarial valuation is due to take place on 31 March 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 £7,747,997 (2010: £7,365,819). The contribution rate payable by the University at 31 July 2011 was 16% of pensionable salaries.

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

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

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

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

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

# Notes to the Accounts

## 29. PENSION SCHEMES (cont.)

Employer contributions to the scheme during the year totalled £3,401,309 (2010: £2,740,457). Following the actuarial valuation at 6 April 2009 and in order to meet the agreed recovery plan, the University revised its contribution rate to 13.55% of pensionable salaries plus an additional monthly sum of £165,000. The effective date for the new rate and lump sum payment was 1 July 2010. The monthly lump sum increased to £173,700 with effect from 1 July 2011.

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

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £917,803 during the year (2010: £756,496).

## Notes to the Accounts

### (d) Financial Reporting Standard 17

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

#### (i) Universities Superannuation Scheme

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

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

A full actuarial valuation of this scheme was carried out at 6 April 2009 and financial assumptions updated to 31 July 2011 by a qualified independent actuary. The major assumptions used by the actuary were:

	2011	2010	2009
Rate of increase in salaries	3.80%	3.60%	3.80%
Rate of increase in pensions in payment	3.30%	3.10%	3.30%
Discount rate	5.30%	5.40%	6.00%
RPI Inflation assumption	3.30%	3.10%	3.30%
CPI Inflation assumption	2.40%	N/A	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:

	2011	2010
Retiring today		
Males	21.4	21.3
Females	24.0	23.9
Retiring in 20 years		
Males	23.3	23.2
Females	25.9	25.8

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

	Long-term expected return	2011 £000	Long-term expected return	2010 £000	Long-term expected return	2009 £000
Equities	8.60%	43,340	8.60%	37,775	8.90%	31,839
Bonds	5.00%	14,824	5.00%	13,538	5.25%	12,045
Property	8.60%	3,517	8.60%	2,969	8.90%	1,414
Cash/Other	0.50%	167	0.50%	569	0.50%	1,537
		<u>61,848</u>		<u>54,851</u>		<u>46,835</u>

Note: in 2011 the equity element includes £21,510k invested in hedge and absolute return funds (2010: £nil).

## Notes to the Accounts

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

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Total market value of assets	61,848	54,851	46,835	48,282	52,187
Present value of scheme liabilities	(86,692)	(81,876)	(72,823)	(63,498)	(62,939)
(Deficit) in the scheme	(24,844)	(27,025)	(25,988)	(15,216)	(10,752)

The following amounts are recognised in the performance statements in the year to 31 July 2011 under the requirements of FRS 17:

	2011	2010
	£000	£000
<b>OPERATING SURPLUS</b>		
Current service cost	2,371	2,214
Past service cost	0	0
Total Operating Charge	<u>2,371</u>	<u>2,214</u>
<b>OTHER FINANCE INCOME</b>		
Expected return on pension scheme assets	4,224	3,660
Interest on pension scheme liabilities	(4,405)	(4,364)
Net (loss)	<u>(181)</u>	<u>(704)</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	2,273	4,310
Experience gains and losses arising on scheme liabilities	(101)	(2,015)
Changes in assumptions underlying the present value of the scheme liabilities	(1,580)	(3,800)
Actuarial gain/(loss) recognised in STRGL	<u>592</u>	<u>(1,505)</u>

## Notes to the Accounts

MOVEMENT IN (DEFICIT) DURING THE YEAR	2011 £000	2010 £000
(Deficit) in scheme at beginning of the year	(27,025)	(25,988)
Movement in the year:		
Current service cost	(2,371)	(2,214)
Contributions	4,141	3,386
Past service costs	0	0
Other financial income	(181)	(704)
Actuarial gain/(loss)	592	(1,505)
(Deficit) in scheme at end of year	<u>(24,844)</u>	<u>(27,025)</u>

ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES	2011 £000	2010 £000
At beginning of the year	81,876	72,823
Current service cost	2,371	2,214
Interest on liabilities	4,405	4,364
Contributions	24	28
Pensions paid	(3,665)	(3,368)
Actuarial losses	1,681	5,815
At end of year	<u>86,692</u>	<u>81,876</u>

ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS	2011 £000	2010 £000
At beginning of the year	54,851	46,835
Expected return on assets	4,224	3,660
Contributions	4,165	3,414
Pensions paid	(3,665)	(3,368)
Actuarial gains	2,273	4,310
At end of year	<u>61,848</u>	<u>54,851</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2011

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

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

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

A full actuarial valuation of this scheme was carried out at 31 March 2010 and financial assumptions updated 31 July 2011 by a qualified actuary. The major assumptions used by the actuary were:

	2011	2010	2009
Rate of increase in salaries	4.65%	4.95%	5.45%
Rate of increase in pensions in payment	2.90%	2.70%	3.70%
Discount rate	5.30%	5.50%	6.30%
Inflation assumption RPI	3.40%	3.20%	3.70%
Inflation assumption CPI	2.90%	2.70%	3.20%

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

	2011	2010
Retiring today		
Males	22.1	21.2
Females	24.7	24.0
Retiring in 20 years		
Males	23.5	22.2
Females	26.3	25.0



## Notes to the Accounts

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

	Long-term expected return	2011 £000	Long-term expected return	2010 £000	Long-term expected return	2009 £000
Equities	7.00%	3,619	7.50%	2,968	7.50%	2,273
Bonds	4.90%	1,123	5.10%	868	5.80%	744
Property/Cash/Other	0.50%	38	0.50%	70	0.50%	149
		<u>4,780</u>		<u>3,906</u>		<u>3,166</u>

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

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Total market value of assets	4,780	3,906	3,166	3,449	3,618
Present value of scheme liabilities	(8,367)	(7,085)	(6,566)	(6,464)	(5,144)
(Deficit) in the scheme	<u>(3,587)</u>	<u>(3,179)</u>	<u>(3,400)</u>	<u>(3,015)</u>	<u>(1,526)</u>

## Notes to the Accounts

The following amounts are recognised in the performance statements in the year to 31 July 2011 under the requirements of FRS 17:

	2011 £000	2010 £000
<b>OPERATING SURPLUS:</b>		
Current service cost	300	298
Past service cost	0	0
Total Operating Charge	<u>300</u>	<u>298</u>
	2011 £000	2010 £000
<b>OTHER FINANCE INCOME:</b>		
Expected return on pension scheme assets	258	203
Interest on pension scheme liabilities	(397)	(419)
Net (loss)	<u>(139)</u>	<u>(216)</u>
	2011 £000	2010 £000
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	354	370
Experience gains and losses arising on scheme liabilities	(362)	0
Changes in assumptions underlying the present value of the scheme liabilities	(256)	76
Actuarial (loss)/gain recognised in STRGL	<u>(264)</u>	<u>446</u>
	2011 £000	2010 £000
<b>MOVEMENT IN (DEFICIT) DURING THE YEAR</b>		
(Deficit) in scheme at beginning of the year	(3,179)	(3,400)
Movement in the year:		
Current service cost	(300)	(298)
Contributions	295	289
Past service costs	0	0
Other financial income	(139)	(216)
Actuarial (loss)/gain	(264)	446
(Deficit) in scheme at end of year	<u>(3,587)</u>	<u>(3,179)</u>

## Notes to the Accounts

	2011 £000	2010 £000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES		
At beginning of the year	7,085	6,566
Current service cost	300	298
Interest on liabilities	397	419
Contributions	104	107
Pensions paid	(137)	(229)
Actuarial loss/(gain)	618	(76)
At end of year	<u>8,367</u>	<u>7,085</u>

	2011 £000	2010 £000
ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS		
At beginning of the year	3,906	3,166
Expected return on assets	258	203
Contributions	399	396
Pensions paid	(137)	(229)
Actuarial gain	354	370
At end of year	<u>4,780</u>	<u>3,906</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2011

	2011	2010	2009	2008
Differences between the expected and actual return on scheme assets:				
Amount (£000)	354	370	(810)	(673)
Percentage of scheme assets	7%	9%	(26%)	(20%)
Experience gains and losses on scheme liabilities:				
Amount (£000)	(362)	0	0	(119)
Percentage of the present value of the scheme liabilities	(4%)	0%	0%	(2%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(264)	446	(168)	(1,309)
Percentage of the present value of the scheme liabilities	(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:

	2011 £000	2010 £000	2009 £000
Net assets excluding pension liability	139,698	122,972	104,393
Pension liability-UOH	(24,844)	(27,025)	(25,988)
Pension liability-NYPF	(3,587)	(3,179)	(3,400)
Net assets including pension liability	<u>111,267</u>	<u>92,768</u>	<u>75,005</u>
Income and expenditure reserve excluding pension liability	63,449	49,218	34,578
Pension liability-UOH	(24,844)	(27,025)	(25,988)
Pension liability-NYPF	(3,587)	(3,179)	(3,400)
Income and expenditure reserve including pension liability	<u>35,018</u>	<u>19,014</u>	<u>5,190</u>

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

	2011 £000	2010 £000	2009 £000
	<u>(28,431)</u>	<u>(30,204)</u>	<u>(29,388)</u>

## Notes to the Accounts

	Consolidated and University	
	2011	2010
30 ACCESS FUNDS	£000	£000
Balance brought forward at 1 August	0	3
Funding Council Grants	448	480
Interest earned	1	2
	<hr/>	<hr/>
	449	485
Disbursed to students	(436)	(485)
Balance unspent at 31 July	<hr/>	<hr/>
	13	0

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

	Consolidated and University	
	2011	2010
31 TDA BURSARY FUNDS	£000	£000
Balance brought forward at 1 August	(52)	45
TDA Grants	1,756	1,684
	<hr/>	<hr/>
	1,704	1,729
Disbursed to students	(1,607)	(1,781)
Balance unspent at 31 July	<hr/>	<hr/>
	97	(52)

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

	Consolidated and University	
	2011	2010
32 TDA MINORITY ETHNIC RECRUITMENT	£000	£000
Balance brought forward 1 August	1	0
TDA Grants	(1)	4
	<hr/>	<hr/>
	0	4
Expenditure	0	(3)
Balance unspent at 31 July	<hr/>	<hr/>
	0	1

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

# Notes to the Accounts

## 33 UNIVERSITY COMPANIES AND OTHER INTERESTS

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

The University of Hull Maritime History Trust Limited is a company limited by guarantee which has 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 £7,224 (2010: £29,284). The University payment from the Trust for payments made on its behalf amounted to £6,962 (2010: £25,225). The amount owing to the University at 31 July 2011 was £nil (2010: £nil). The amount owing by the University to the Trust at 31 July 2011 was £1,843 (2010: £1,580).

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

During the year grants were made from the Trust to the University amounting to £33,540 (2010: £22,775). The amount owing to the University at 31 July 2011 was £1,358 (2010: £22,606).

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

## 34 RELATED PARTY DISCLOSURE

During the year ended 31 July 2011, the University paid a grant of £ 856,064 (2010: £851,349) to the Students Union. Further payments were made to the Union of £332,095 (2010: £221,210) in respect of goods and services rendered. The Union made payments to the University of £380,827 (2010: £76,708) in respect of facilities recharges. At 31 July 2011 the University owed the Union £17,796 (2010: £310,640). An amount of £3,927 (2010: £324,090) was owing from the Union to the University.

During the year ended 31 July 2011, the University made payments to EMIH Ltd of £58,222 (2010: £78,421) 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 (2010: £nil). At the year end the University owed EMIH Ltd £481 (2010: £81). An amount of £nil (2010: £nil) was owing from EMIH Ltd to the University. The company has charitable status with a Board of nine directors, three of whom are nominees of the University.

During the year ended 31 July 2011, the University made payments to Information by Design of £nil (2010: £nil). Information by Design Ltd made payments to the University of £4,845 (2010: £4,294) in respect of cleaning and maintenance charges. At the year end the University owed Information by Design £nil (2010:nil). An amount of £1,411 (2010: £2,867) was owing from Information by Design Ltd.

During the year ended 31 July 2011, the University made payments to Kingston Chemicals Ltd of £1,052 (2010: £1,359) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £49,690 (2010: £14,253) for goods and services. At the year end the University owed Kingston Chemicals Ltd £nil (2010: £323). An amount of £nil (2010: £nil) was owing from Kingston Chemicals Ltd to the University.

During the year ended 31 July 2011, Chemtrix BV made payments to the University of £71,964 (2010: £36,618) for use of laboratory facilities. An amount of £14,724 (2010: £16,988) was owing from Chemtrix BV to the University. The University made payments to Chemtrix BV of £17,610 (2010:£nil) for equipment and materials. At the year end the University owed Chemtrix BV £nil (2010: £nil).

## 35 EXPENSE PAYMENTS TO TRUSTEES

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

During the year ended 31 July 2011, payments totalling £22,216 (2010: £30,098) were made to 13 Trustees who served for all or part of the year with a further 11 receiving £nil.