



## Statement of Accounts 2013/14

UNIVERSITY OF HULL

# Contents

Operating and Financial Review	2
Corporate Governance Statement	13
Independent Auditors' Report	18
Statement of Principal Accounting Policies	20
Income and Expenditure Account	24
Statement of Total Recognised Gains and Losses	25
Balance Sheet	26
Cash flow Statement	27
Notes to the Accounts	28

# Operating and Financial Review

Amidst a fast-moving and competitive environment the University of Hull continued to pursue the objectives of its Strategic Plan (2011-2015) during the 2013/14 financial year. Its approach to doing so must flex in response to the external environment, and it is recognised that some external changes will heighten the challenges posed by the ambitious Strategic Plan. As institutions worked to implement previous policy decisions further significant changes continued to be announced, such as the decision to abolish the cap on student numbers from 2015/16. This has resulted in extensive debate about how the potential resultant expansion in student numbers will be funded, and seems likely to intensify competition for high-achieving applicants. Turbulence in the sector seems likely to continue in the years ahead.

The University of Hull remains confident that its chosen vision has set it on the right course towards enhanced stature and reputation; and that this will ensure the continuing success and sustainability of the institution in the years ahead. The Strategic Plan (2011-2015) and the associated key performance indicators provided a comprehensive planning framework. Given the extent of change in the external environment since the publication of the plan in July 2011, and the scope of ambitious internal change imperatives that it prompted, it is desirable for the University to commence with the development of the next phase of its Strategic Plan (2015-2020) that will set the strategy until the end of the decade. It is evident that step changes rather than mere incremental improvements are required, and that will be the driver for the new strategic planning imperative.

## Strategic & Operational Review

### Institutional Performance: Key Performance Indicators

Progress at an institutional level is measured against the University's institutional Key Performance Indicators (KPIs) and associated targets, which are monitored on a Council level. A summary of these indicators is provided below, together with an overview of performance in 2013/14:

**Competitive Income:** This indicator measures the annual expenditure on research grants and contracts (RGC) and on knowledge transfer partnerships (KTP). The RGC and KTP income has remained relatively flat during recent years, and indications are that the KPI target will not be reached by the end of the 2015/16 year. The University has launched a number of initiatives to address this, including investment in Engineering, the establishment of a number of University institutes, plans to recruit a substantial number of high-profile researchers and an enhanced research support infrastructure, as well as the Academic Investment Initiative (all described in more detail below).

**The proportion of academic staff with high-quality research outputs:** This indicator maps the research capacity of the University by monitoring its academic staff profile. The Academic Investment Initiative, referred to later in this report, was progressed during 2013/14 and will help drive the University towards its ambitious target.

**Student-Staff Ratio:** This indicator tracks the number of students per academic staff member, using the Times League Table definition and data. The final datum for 2013/14 is not yet available but it is anticipated that the ratio will have further improved from 17.8 to c17.5, meeting the target range.

**Entry tariff of undergraduate Home/EU entrants:** This indicator measures the mean total UCAS tariff point scores of undergraduate entrants, using the Times League Table definition and data. Although final data for 2013/14 are not available yet, an increase of at least 12 tariff points (based on internal mean total tariff) is anticipated (on the back of a final total of 333 for 2012/13). A range of initiatives to achieve a progressive increase in entry tariff is now in place and beginning to deliver positive outcomes.

**Undergraduate achievement:** This indicator measures the proportion of First Class and Upper Second Class degrees out of all undergraduate classified degrees awarded, using the Times League Table definition and data. It is anticipated that the data will confirm that the University has made further progress against its target for 2013/14 (in the range of 65 – 70%), which will ensure that the proportion of such degrees awarded remains in line with sector norms.

**Employability:** This indicator measures the proportion of students in graduate level employment or further study ('positive outcomes') six months after graduation, using the Times League Table definition and data. The University has made significant recent investment in its Careers Service and, over the last year, considerable effort has focused on improving the University's graduate employability rate. This has been rewarded by an increase of 8.7% to 63.5%. New initiatives continue to be implemented to achieve a figure closer to 70%.

**Number of postgraduate research (PGR) students:** This indicator measures the PGR student population as a proportion of the total student population. There has been a slight underperformance against the target number of new PGR entrants required to deliver an increase in the proportion of the total student population.

This market is becoming increasingly competitive and challenging, however, the population trend analysis reveals that the University is expected to reach its target by 2015.

**Quality of student experience:** As of April 2014, the quality of student experience became a formal KPI, following approval from Council (before that date it was tracked as an indicator, together with financial health). The definition of this KPI is being finalised. Once the definition and an associated target are approved by Council progress, will be formally measured and reported as part of the normal KPI reporting process. To date, the indicator has measured the proportion of departments/subjects achieving a score of 90% or more for 'overall satisfaction', as measured by question 22 of the National Student Survey. The NSS results published in the 2013/14 year (specifically in August 2013) revealed a significant improvement in the number of departments/subjects achieving a score of 90% or more for 'overall satisfaction'.

At an institutional level, the score for 'Overall Satisfaction' (question 22 on the NSS) increased by 2% in 2013 to give a score of 90%. This is the highest overall satisfaction score the University has achieved since the NSS began in 2005. The University continues to seek both incremental and transformational improvements to the student experience, and maintains a strong relationship with Hull University Union (the students' union).

The University also tracks measures of financial health, although these do not constitute a formal KPI. Details of the University's financial health are provided later in this report.

The institutional KPIs are translated into faculty and departmental KPIs (now integrated into the annual planning and budgeting process), and 'dashboards' are used to provide a clear overview of performance in each academic area.

The University initiated a project to refresh the KPIs and the associated targets, and will bring these to Council in the 2014/15 year as a prelude to the development of the next phase of the Strategic Plan. A new set of institutions that will be used for benchmarking was approved by Council in July 2014, which opened the way for a refinement of the definitions of the KPI and a recalibration of the targets for the 2019/2020 framework.

## Management structure

During the period, the University changed the structure of its Executive team. The position of Pro-Vice-Chancellor (Academic Affairs) was added to the existing portfolio of Pro-Vice-Chancellor (Learning and Teaching), Pro-Vice-Chancellor (Research and Enterprise) and Pro-Vice-Chancellor (Engagement). One of the PVCs is now designated as the Deputy Vice-Chancellor.

## Institutional Performance: Student Recruitment

Applications for undergraduate Home/EU places to start courses at the University in September 2013 were at a similar level to 2012. However, the number of offers made and acceptance of those offers fell slightly. A successful recruitment activity in Clearing ensured that undergraduate student numbers were in line with targets and exceeded the Student Number Control but only by an amount within the allowable band.

Strong recruitment during Clearing resulted in Undergraduate numbers exceeding the number recruited in 2012. Slightly fewer International students entered the first year of Undergraduate programmes but this was balanced by over-recruitment of students directly entering years 2 or 3 of a degree. Most Science-based subjects were particularly successful in attracting students, Computer Science and Biological Science being notable in this respect. Recruitment in the Arts and Social Sciences was more mixed; some subjects fell short of their projected numbers. Overall, a continued decline in the number of students studying these disciplines was seen, continuing a trend observed since the introduction of higher tuition fees.

A total of 1,431 Postgraduate students were recruited during 2013, a slight increase over last year. Postgraduate research students accounted for 246 of those recruited to postgraduate programmes.

1,108 new International students were recruited in 2013, just 21 fewer than in 2012.

## Major change initiatives

The Strategic Plan (2011-2015) has spawned a number of strategic change initiatives. Four major programmes are being pursued, and will form major elements of the next phase of the strategic plan, viz.

- The Student Journey Programme which keeps students at the heart of the University by ensuring they are offered a personalised experience in a supportive and creative environment. The Student Experience Programme was initiated to ensure that the University delivers an exceptional student experience characterised by flexibility, the highest service standards, a personalised experience and a supportive environment for all students. The programme will be delivered through a portfolio of projects including the Student Journey project which will review the end-to-end student experience from first contact to becoming alumni.
- Curriculum 2016 which will refine and define the University's core offering so that its students benefit from modern, attractive and stimulating courses. This will bring about a completely refreshed portfolio of undergraduate and postgraduate taught programmes by July 2016. Part of the overall goal of the programme is to develop a distinctive approach to learning and teaching that will help the University to take full advantage of the exciting opportunities presented by new learning technologies. The Hull

Employability Awards were piloted earlier this year and will run from September 2014. Curriculum 2016 will also progress the University's plans for its virtual campus.

- The Academic Investment Initiative which will shape the profile of the University's academic staff for 2020 and support them to develop their research and teaching in new and exciting ways. This includes supporting the development of existing academic staff with regard to teaching, research and enterprise, as well as the recruitment of new staff. The initiative was progressed throughout the 2013/14 financial year and will help the University maximise the potential of all its academic staff to contribute to a stronger institutional academic profile.
- The IT Transformation Journey which will enhance and enable academic and non-academic life across the University by improving information systems and services and introducing innovative solutions. Transformative investments in the University's core information technology infrastructure continued during the 2013/14 financial year. An information systems and technology transformation roadmap, put in place during 2012/13, is providing the framework within which the University's core systems and processes are being replaced and refreshed over the coming years. A new wireless network was delivered on time and under budget. It covers the University's two campuses and all university-owned student accommodation, significantly enhancing the student experience. In August 2013, 150 Freshers were surveyed about the new wireless network and 91% regarded Hull as a "tech savvy" university. A major project to refresh the University's website and web-based strategies has also been initiated, and will culminate in a comprehensively redesigned web site. A new app for mobile devices was also implemented and will form a core element of the institution's future digital strategy.

## Risk Management

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

Principal risks identified at corporate level include:

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

The University has responded to these risks by:

- maintaining high NSS scores and investment in overseas recruitment
- developing actions to improve further our academic standing
- investing in more high quality research active staff, and creating responsive academic structures
- developing an IT strategy and infrastructure investment priorities
- operating robust long-term planning procedures linked to the Strategic Plan
- delivering implementation plans and carefully reviewing achievement
- strengthening the management and leadership cadre.

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

## Academic realignments and the academic portfolio

### University institutes

A significant enhancement in the scale and scope of the University's research and enterprise activities is planned, and much of the activity will be directed to this end. Proposals were recommended by Senate in the year, and supported by Council. This includes the recruitment of more outstanding research scholars, and the fostering of multi-disciplinary academic initiatives which will build on the disciplinary strengths in faculties, departments and schools. Such research transcends traditional disciplinary boundaries to capture relevant academic expertise and offer solutions to real-world problems. The interdisciplinary research themes introduced upon publication of the University's Strategic Plan 2011-2015 were described in the Operating and Financial Review 2012/13, and were designed to offer solutions to real-world problems. As these themes evolved during the 2013/14 financial year, it became clear that their activities could best be progressed through the creation of new university institutes that will operate on the institutional level and cut across all faculties. Such institutes are tangible vehicles for interaction with industry and other partners, and bring prominence to the academic activities that they encompass.

A set of university institutes was subsequently created in the 2013/14 year. In 2014/15 the five new institutes will be progressed along with two existing ones which are being repositioned:

- Energy and Environment Institute
- Logistics Institute (existing institute to be repositioned)
- Maritime Institute
- Humber Development Institute
- Wilberforce Institute for the Study of Slavery and Emancipation (WISE) (existing institute to be repositioned)

- Institute for Clinical and Applied health Sciences
- Digital/Creative Industries Institute

### **Scarborough Campus**

The University assessed its multi-campus strategy during the year, including its offer on the Scarborough campus, a satellite campus on which the University of Hull has offered higher education since 2000. The University believes that the campus presents an excellent site which should remain the base for a higher education offer that will serve Scarborough's future needs.

It is evident, however, that the University needs to change its mode of engagement in Scarborough, particularly the nature of its offer and delivery of academic programmes on the Scarborough campus, since a continuation of the current 'business as usual' satellite campus model and the current academic offer there is not viable in the medium and longer term. Following decisions in the University's Senate and Council, the University proposed that the Scarborough campus be repositioned as, and evolve with, a new institutional model as a Scarborough-centric institution for higher education delivery. The University of Hull remains committed to contributing to shaping the future of higher education provision in Scarborough, and has announced that it intends to continue to maintain a presence in Scarborough. This would ensure that the University can continue to engage in the Borough with aspects of educational, economic, social and cultural development there.

In May 2014 an options paper, setting out the University's position and inviting potential partners that may have an interest in the campus to enter into discussions with the University, was published. A number of institutions expressed an interest, and the University continues to pursue their proposals. It is foreseen that a preferred partner will be identified in 2014/15, with a view to finalising an agreement for the new partner to assume operations on the campus as soon as possible.

During the 2013/14 year it was decided that intakes to existing Honours and Masters programmes on the Scarborough campus would cease after the September 2014 intake. Those programmes will recruit on the Hull campus from 2015 (in the same or a redesigned form), be replaced by new programmes recruiting in Hull, or be withdrawn. Intakes to other programmes on the Scarborough campus continue. Students admitted to Scarborough programmes in 2014 will be taught in Scarborough until the end of the 2016/17 academic year and the University will ensure that they have the best possible student experience. They will not, therefore, be required to move campuses except that:

- entrants to the HUBS Foundation Year from 2014 would be expected to enter the Certificate stage of their programme on the Hull campus from 2015, and to continue there until completion;
- entrants to four year programmes in 2014 – these are mainly programmes with a year in industry – would very likely undertake the final year (2017/18) on the Hull campus;
- students who intercalate or do not for other reasons complete in three years are likely to have to complete their programme of study on the Hull campus.

### **Senate Review**

The recommendations which emerged from the review of Senate were approved by Council. A key theme which emerged from the review was the strengthening of the role of Faculty Boards, as part of the broader senate structure. The review concluded that the role of Faculty Boards as committees of Senate required enhancement, and that Faculty Boards needed a broader membership of academic staff and students. From 2014/15 elected members of Senate will be elected by Faculty Boards (rather than nominated by Deans as was previously the case) and can be of any academic rank. An action plan was put in place to implement the recommendations approved by Council. Faculty Constitutions have since been rewritten to reflect the new approach, and the first meetings of the new Faculty Boards will take place in the 2014/15 financial year.

### **Engagement**

November 2013 saw the announcement of Hull as the City of Culture 2017. The University played an important role in preparing the bid; indeed, a success factor cited after the award was the involvement of the University. The University will be heavily involved in the development and delivery of the programme of events in 2017. The University recognises the strategic importance of this event, and will integrate its engagement with the City of Culture with the new strategy that is to be developed.

The University is supporting three University Technical College (UTC) projects: the Humber UTC in Scunthorpe; Scarborough UTC; and one in Hull. Both the Humber and Scarborough UTCs were approved to pre-opening stage during the year and an application prepared for one to be located in Hull. Construction had begun on the site for the Humber UTC. The University has a seat on the board on the Humber UTC.

The Federation of Colleges is a formal grouping of local FE colleges, coordinated by the University, working together synergistically to provide FE and HE in the region. The group of 7 colleges was joined in 2013 by Leeds College of Music, whose degree programmes are now validated by the University as of the 2013/14 year.

The University expanded its international horizons with the opening of a regional office in Kuala Lumpur, to serve South East Asia, and relocated its office in China from Xiamen to Shanghai. These points of presence will, in time, support alumni and careers activities as well as acting as focal points for student recruitment. The University's alumni body held its Annual General Meeting outside Hull for the first time, in Accra, Ghana, in November 2013. More than 70 alumni attended.

Dr Assem Allam, a prominent University of Hull alumnus, made a generous pledge for a major donation towards a new building for the medical school. This will be the largest single donation the University has ever received. Further details regarding the 'Health Hub', on which the new building for the medical school will be located, are provided later in this report.

### Quality and Standards

The University has continued to map its quality assurance codes against the new chapters of the QAA Quality Code, which is now virtually complete. The University has conducted an externally facilitated review of the quality and standards framework, and developed plans to restructure and rewrite all degree regulations, and quality assurance and enhancement codes and policies over the next year. The University has begun preparation for a QAA Higher Education Review that will take place in 2015/16. During 2013/14 the institution participated in the Higher Education Academy's pilot of NSSE (National Survey of Student Engagement), and used it with level 4 and level 5 students.

### Research and Enterprise

The University's strategic aim is to significantly enhance the scale and scope of its research and enterprise activities, including the number of research-active staff, outputs and impact, research and enterprise-related revenue, engagement with industry and the region, and particularly the enhancement of reputation and stature.

A number of initiatives have been launched toward this end. These include the Academic Investment Initiative and the establishment of the University institutes, described earlier in this Review. During the year the University also took the decision to fund a significant number of additional research chairs of the highest calibre as part of its investment strategy, thereby allowing it to build critical mass in key areas of research.

The early part of the 2013/14 financial year saw institutions across the sector finalising their submissions for the 2014 Research Excellence Framework (REF) ahead of the November 2013 deadline. The results of the assessment, which are due to be released in December 2014, will be influential in determining institutions' research stature and income until the next REF in 2020. The University's QR (quality-related) income from the previous research assessment exercise, RAE2008, will remain largely static until 2015, when the results of the REF will be used to decide HEFCE funding for the following years.

During the 2013/14 financial year the University achieved national recognition for its engagement with enterprise and entrepreneurship. Its successful relationship with For Entrepreneurs Only, which now comprises leading local entrepreneurs with a combined annual turnover of £3billion, employing 16,000 people, won the Guardian University Award 2014 for Business Partnership. It was also shortlisted in the Times Higher Leadership and Management Awards for Knowledge Exchange Initiative of the Year.

Almost 150 new businesses have now been created through the Enterprise Centre since it opened in December 2008, helping to firmly establish the University as a catalyst for economic change in the region. Many of those fledgling businesses are now rooted in the city, employing graduate-level staff. The Knowledge Exchange continues to exert regional influence as the University's primary interface with businesses and related communities, including the Humber Local Enterprise Partnership, local authorities, Chamber of Commerce and other key stakeholder organisations.

### Staff

The average numbers of staff employed increased by 3% over the year, although salary costs rose by 3.7%. The additional 0.7% in salaries and wages reflect a 0.5% national cost of living award together with a small amount of incremental adjustment.

25% of the 2014 REF submission consisted of academic staff recruited over the last two years, reflecting the strategic drive to enhance research performance.

# Financial Review

## Scope of the Financial Statements

The Council of the University of Hull presents the financial results of the University for the year ended 31 July 2014.

### 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 is read with the Statutes and Ordinances. The University’s strategic trajectory and goals are set out in its Strategic Plan (2011 – 2015) which is available on the University website. Council is mindful of its responsibility to ensure that the University acts for the benefit of the public.

### Public Benefit

The University of Hull is an independent corporation established by Royal Charter and an exempt charity within the meaning of the Charities Act 2011. The Higher Education Funding Council for England (HEFCE) acts on behalf of the Charity Commission as the principal regulator for English higher education institutions under the Charities Act 2006. In setting and reviewing the University’s objectives and activities, Council has had due regard to HEFCE’s guidance on *Reporting on the delivery of public benefit* and *Public benefit and education*, together with the Charity Commission’s guidance on *Charities and Public Benefit*, *Public benefit and Fee-Charging* and *The Advancement of Education for the Public Benefit*.

The University’s Council has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its members are representatives of the staff of the University and the student body. Lay members receive no fees or payment for the work they do for the University, although reasonable travel expenses and appropriate training costs are met.

The University offers various scholarships and bursaries for undergraduate and postgraduate students, to aid diversity and encourage academic excellence. In 2013/14 just over 4,000 students received some financial support from the University in the form of bursaries and scholarships. Many of these awards, the ones aimed at students from backgrounds of low participation in Higher Education, provide a mixture of fee waivers and maintenance support. Additionally, the University’s Access Agreement also earmarks funds to support the retention of students with an increase in hardship funds, and increase in travel and childcare funds and the provision of additional pastoral support in academic departments.

The University continued to meet or exceed all its benchmark targets for widening participation and retention with the exception of entrants from specified socio-economic classes. The University continues to submit annual Access Agreements to Office for Fair Access (OFFA), to maintain its ability to charge the maximum permitted fee. The University’s interim Widening Participation Strategic Statement (WPSS), submitted to HEFCE in 2011/12 is updated annually in accordance with reporting requirements.

Members of the University community participate in a wide range of volunteering and fundraising activities which deliver benefits locally and globally. During 2013/14 Hull University Union’s Raising and Giving organisation raised c£51k for charities ranging from Hull’s Dove House Hospice to Project Mwezi, which trains and consults groups across East Africa. The largest single amount came from ClimbKili4Kids, which saw University of Hull students climb Mount Kilimanjaro and raise c£33k for Childreach International.

HUSSO’s (Hull University Social Services Organisation) 114 active volunteers carried out 12 projects in the local community. They organised over 200 project outings and completed an impressive 2,000 volunteering hours between them.

In August 2013 four teams comprising students, staff and alumni took part in Hell on the Humber, a 12 hour race running back and forth across the Humber Bridge, raising over £1k for sports development at the University.

The University of Hull’s Legal Advice Centre provides free, confidential and independent legal advice to the local community, whilst giving law students the opportunity to gain practical experience under the supervision of qualified staff. In April 2014 it was highly commended at the LawWorks & Attorney General Student Awards 2014 in the category of Best New Student Pro Bono Activity for the introduction of a new specialist family law clinic. This was the fourth consecutive year that the Legal Advice Centre had been shortlisted for one of the prestigious LawWorks & Attorney General Student Awards.

The University offers a variety of events and activities which are open to all. This includes ‘Culture Café’ sessions (a regular series of talks for those interested in culture, the arts and humanities), public lectures and seminars, concerts, performances and tea-time talks.

Significant public benefit is also derived from the University’s research and teaching. Disciplinary and interdisciplinary research teams are striving to understand and tackle a vast range of problems faced around the globe, ranging from tiny moths attacking the UK’s horse chestnut trees to life-threatening diseases. Through its teaching and research the University is committed to producing graduates who, as perpetual learners, will thrive on the challenges of the world ahead.



The University's enterprise-related activities (referred to earlier in this report) are also of great benefit to the public, contributing to the creation of wealth and jobs.

#### Financial Performance in the 2013/14 year

The University has achieved an operating surplus of £9.8m, representing 5.4% of turnover (2013: £10.2m, 5.8% of turnover).

Total income increased by £4.4m (2.5%) to £180.4m. Funding Council grants continue to fall, by £9.8m, whilst tuition fee income rose by £14.6m. Income from research grants and contracts decreased by £0.4m (3.3%).

Total expenditure for the year rose by £4.9m (3%) to £170.7m. Pay costs increased by £3.8m (4%) and other operating expenses rose by £0.9m (1.5%).

The depreciation charge for the year increased by £0.2m to £9m, as the University continues its capital investment programme in the estate and its facilities.

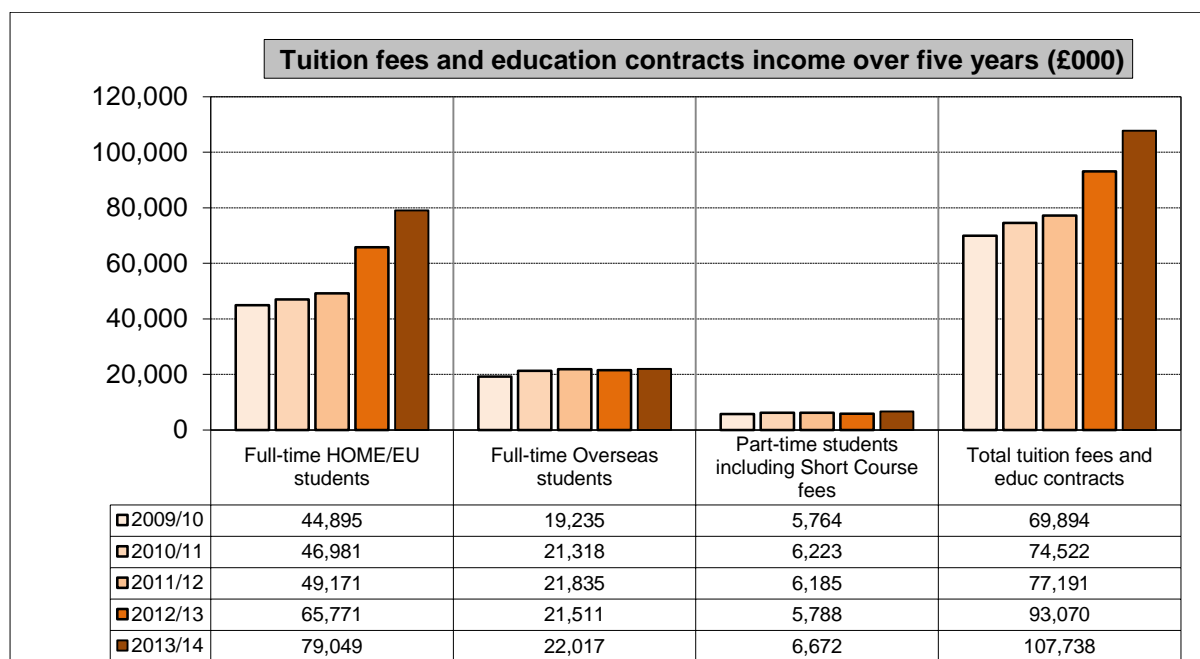
On the balance sheet, cash and deposits have fallen by £18.3m to £25.5m, due to the funding of the capital investment programme. Net assets are £119.3m after accounting for the pension liability.

#### Financial Performance Compared to Prior Years

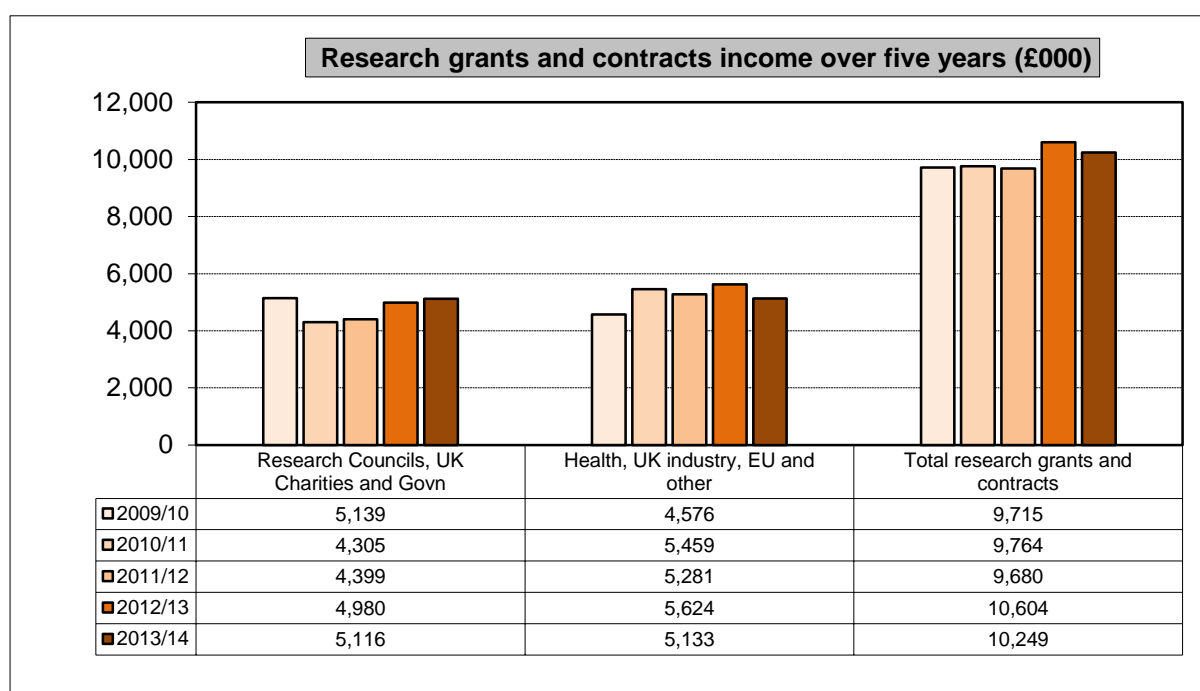
The table below summarises key financial indicators for the last five years.

£m	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Income</b>	180.5	176.0	172.4	176.4	168.3
<b>Expenditure</b>	170.7	165.8	159.9	157.1	153.5
<b>Early Leavers scheme</b>	-	-	1.9	3.7	-
<b>Operating surplus</b>	9.8	10.2	10.6	15.6	14.8

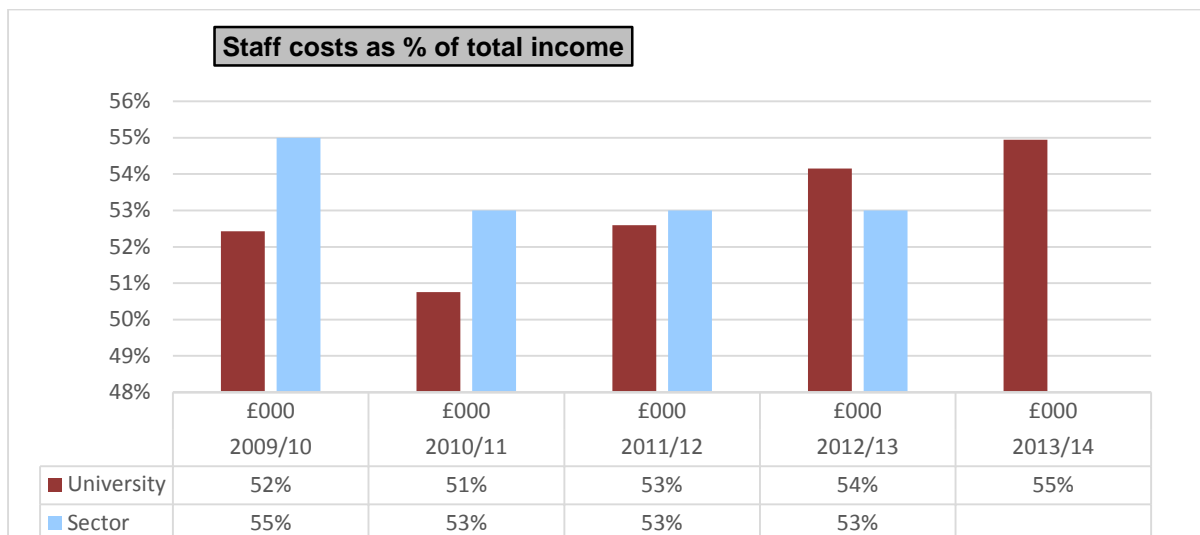
The following charts track the University financial performance over the last five years:



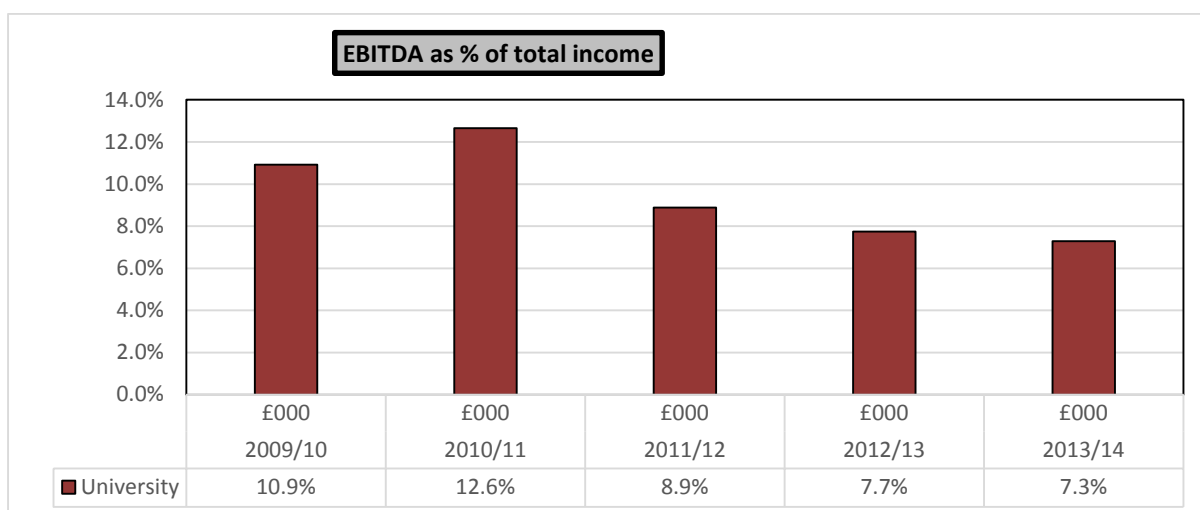
Since the introduction of higher tuition fees for first year undergraduates in 2012/13, the level of fee income from Home/EU students has risen dramatically, and accounts for the rise in total tuition fee income over the last five years – income from overseas and part-time students has remained static over this period.



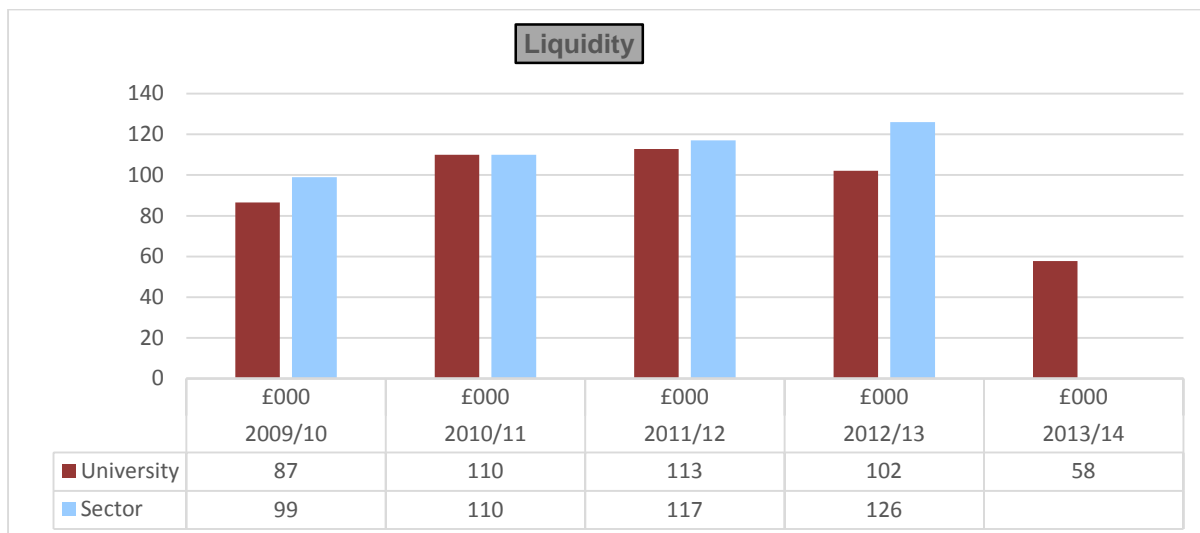
Research income has remained relatively constant over the last five years. A number of institutional initiatives designed to drive improved performance in this area are underway.



Staff costs as a percentage of total income have risen this year. Recruitment of academic staff has continued under the University's Academic Investment Initiative, aiming to enhance research performance, as referred to earlier in this report.



Earnings before interest, tax, depreciation and amortisation (EBITDA) is a widely used performance measure in the commercial sector. A multiple of EBITDA is being introduced by HEFCE as a threshold above which permission will be needed to borrow external funds. The University's EBITDA as a percentage of total income remains healthy.



Cash and short term investments have significantly reduced this year, by £18.2m, due to planned investment in the University's capital programme. This planned investment has resulted in almost halving the University's liquidity days.

### Capital Programme

In 2013/14 the University invested £27.3m in capital projects, an increase of £9.1m over the previous year.

Refurbishment works totalling £4m were completed in the period to: the Lawns Centre to improve the student living facility; Applied Sciences ICT Department office provision upgrade; further lab upgrades in Hardy Building to create a collaborative lab space; a new Chemistry lab; and relocation and expansion of Chemical Engineering. There was also significant infrastructure works associated with the wireless and wired network upgrade across the sites.

The improvement programme through long-term maintenance of the Estate continued with an investment of £2.3m in 2013/14 including refurbishment of student houses on Cottingham Road, re-roofing of properties on Cranbrook Avenue, refurbishment of two residential blocks in Taylor Court, and refurbishment and upgrade of Larkin first floor provision. A range of boilers were also replaced in Venn and Fenner to improve efficiency and some electrical infrastructure was upgraded to improve the resilience of supply.

Work progressed on the major refurbishment of the Brynmor Jones Library on the Hull campus, and the bulk of the work was completed by the end of the 2013/14 year. The Library has been in use throughout the refurbishment period, with new sections progressively opened to students as they came into service. It is foreseen that the work will be completed before the end of the 2014 calendar year. This undertaking will result in the University of Hull having one of the most modern university libraries in the country, and will contribute significantly to the student experience, creating a distinct competitive advantage.

There are three main capital projects currently being developed for delivery in 2016/17, viz. the creation of a state of the art performance facility in Middleton Hall (the first phase of which has commenced on site); construction of a circa 600-bedroom student accommodation and social facility on the Hull main Campus which is now entering detailed design stage; and the creation of a new Health campus including a new building for the medical school (funded in part by a generous donation from Dr Assem Allam) and refurbishment of the facilities of the Faculty of Health and Social Care, along with refurbishment of Loxley and Calder Building.

Consideration is being given to the development of new sports provision, where a strategic case is currently being explored, as well as the development and expansion of Engineering provision.

A new 3G Multi Use Games Area (MUGA) and new changing rooms on the Scarborough Campus were officially opened by the Mayor and Mayoress of Scarborough in March 2014. The facilities have generated extremely positive feedback from students, and are also available for booking by the local community (apart from at times specifically reserved for student use).

The University's carbon emissions reduced by 955 tonnes during 2012/13. This represents a 6% overall reduction for the period. The University invested £0.3m on projects directly related to energy reduction during 2013/14 (including installation of photovoltaic panels to the Enterprise Centre, Aire, Dearne and Larkin Buildings) which will result in carbon savings next year. The University's emissions target 2013/14 was 16,881 tonnes and the University's emissions were 17,232 tonnes overall. This is a shortfall of 351 tonnes, which is a significant improvement on last year. It should, however, be recognised that a relatively high proportion of the reduction in carbon would have been due to milder weather over the winter period and there is still considerable work to be undertaken to support a sustained improvement.

## Future Financial Performance

The University's financial strategy aims to achieve surpluses as set out in its multi-year forecasts. The cumulative effects of financial pressures, particularly around student numbers, pay, pensions and future funding levels have been modelled and are monitored closely to maintain a strong cash flow from operating activities.

### Cash flow

The University generated £8m of cash from operating activities, which partially funded capital expenditure of £26.2m (after deducting capital grants received). The University decreased its short term cash deposits by £13.1m and cash at bank by £5.1m, again in funding the University's capital expenditure programme. In addition, the University made debt repayments, on fixed term loans, of £0.3m.

The University's financial strategy is to fund its investment plans in the first instance through existing cash reserves and positive cash generation from operating activities. The University has also set in place a five year £30m Revolving Credit Facility should it be required.

The University is also exploring the option of obtaining a bank loan of c£80-100 Million to fund its investment programmes. The budgetary and cash flow implications have been included in the financial modelling and longer term forecasts.

### Treasury Management

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

A small internal team manages treasury management and is responsible for producing rolling cash flow forecasts, monitoring the daily cash position and ensuring ongoing requirements are met and surpluses are appropriately invested.

### Pensions

The FRS17 pension liability has risen to £37.3m at 31 July 2014, from £31.1m at 31 July 2013. £34.5m of this relates to the University of Hull Pension and Assurance Scheme (UHPAS) (2013: £27.3m). This is mainly due to a decrease in the discount rate used this year in the actuarial assumptions.

The remaining £2.8m of the University's total pension liability relates to the North Yorkshire Local Government Scheme (NYLGS) (2013: £3.8m).

In April 2013, a new Trustee Company was formed to act as Corporate Trustee for UHPAS. The existing individual Trustees of the Scheme were appointed Directors of the new Trustee Company. The incorporated body acts as Trustee of UHPAS instead of individual Trustees. The Company was incorporated on 24 April 2013. The first Board meeting took place on 1 May 2013, when all formal, legal and administrative documents and procedures were completed and ratified.

### Going Concern

As at 31 July 2014 the University had a strong balance sheet with cash deposits (current asset investments and bank) of £25.5m and net assets of £119.3m after accounting for pension liabilities of £37.3m. Gearing continues to be low with manageable borrowing of £5.9m. These loans are repayable up to 2034.

The University continues to budget for a positive cash balance at the end of 2014/15. It is considered that the University has adequate resources to continue in operational existence for the foreseeable future and is a going concern.

Mr B J Dodd CBE  
Chair of Council

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 2011.

The Higher Education Funding Council for England (HEFCE) acts on behalf of the Charity Commission as the principal regulator for English higher education institutions under the Charities Act 2011. 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*.

During 2013/14 the University's Charter, Statutes and Ordinances required 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 B Dodd CBE.

Proposals to change the composition of Council, with effect from 1 August 2013, were considered and approved by the Privy Council on 9 October 2013. The changes included removing the role of Treasurer; updating the category "Finance Director" to "Chief Finance Officer"; removing "the Deputy Vice-Chancellor" as an ex-officio category; "a Pro-Vice-Chancellor" becoming an ex-officio category, reducing the number of Senate members from five to four; Senate members to be appointed by Council rather than elected by the relevant Senate constituency.

The following members served during the period 1 August 2013 to 27 November 2014:

### Lay Members:

Mr F M Bartlett	
Mr L C Cotter	(to 31 July 2014)
Mr J L Dick OBE	
Mr B J Dodd CBE	(Chair)
Mr A J Eavis	
Mr D A Gibbons	
Mr N A C Hildyard	
Dr K G G Hopkins	
Mr S W Lunt	
Dr S M Potestà	(to 31 July 2014)
Lady C M Roberts	
Mrs E W Smith	
Mrs R Vincent	

Non Lay Members:

Vice-Chancellor	Professor C W I Pistorius
Chief Finance Officer	Mr N R Scott
A Pro-Vice-Chancellor	Professor P G Burgess
Senate (a Dean)	Professor S M Kelly (to 31 July 2014)
Senate (a Head of Department or School)	Professor C M Kennedy
Senate (appointed member)	Dr C Gaskell (to 31 July 2014)
	Vacancy (to 31 July 2014)
Non academic staff	Miss H M MacCarthy (to 31 July 2014)
	Mr K J Butler (from 1 August 2014)
President, Students' Union	Mr R L Brooks (2013/14 and 2014/15)

The Council will appoint to vacant slots on 27 November 2014.

- **The Senate** has delegated authority from the Council to oversee the academic work of the University. It directs and regulates the learning, teaching, research, and enterprise work of the University, the enhancement of academic quality and assurance of academic standards, and the regulation of student discipline. It draws its membership from the academic staff and the students of the institution and is chaired by the Vice-Chancellor.
- A proposal to disestablish the University's **Court** was considered by Council at its meetings on 10 April and 3 July 2014. Amendments to the University's Charter and Statutes to implement this were proposed (and subsequently approved by the Privy Council on 8 October 2014). Power to elect the Chancellor of the University transferred from Court to Council. In future, the role of Court as a public forum where members of Court could raise matters about the University will be replaced by events for stakeholders at the University but also in London and internationally to highlight the work of the University and provide a forum for relevant stakeholders. The Court was chaired by the Chancellor, Baroness Bottomley of Nettlestone.

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 (from 1 August 2014 – the Memorandum of assurance and accountability) between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

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

Although the Council normally meets four times each academic year, much of its detailed work is initially handled by committees, in particular during 2013-14, the Finance and Investment Committee (chaired by Dr K Hopkins), the Nominations Committee (chaired by the Chair of Council, Mr B Dodd CBE), the Remuneration Committee (chaired by the Chair of Council, Mr B Dodd CBE), and the Audit Committee (chaired by Mr S Lunt). The decisions of these committees are formally reported to the Council.

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

The Honorary Awards Committee (chaired by the Vice-Chancellor) and the University Ethics Committee (chaired by the Pro-Vice-Chancellor for Research and Enterprise) are joint committees of Senate and Council.

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 (from 1 August 2014 – the Memorandum of assurance and accountability) agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum (from 1 August 2014 – the Memorandum of assurance and accountability) with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

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

## Statement of Internal Control

As the governing body of the University of Hull, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the University's Charter and Statutes and the Financial Memorandum (from 1 August 2014 – the Memorandum of assurance and accountability) with the HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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



- The plans and strategic direction of the institution are reviewed at regular intervals;
- Council receives regular reports from the Audit Committee concerning internal control, and reviews annually the results of risk identification, evaluation and management. Council also approves annually the institutional risk register;
- The Executive, chaired by the Vice-Chancellor, takes responsibility for risk identification, evaluation and management;
- An institution-wide risk register, maintained by the Executive, is revised 'in year' as the result of emergent risks. Risks are monitored regularly, at least quarterly, by the Executive. The register is reviewed annually on a more formal basis;
- Risk assessment is an integral part of the planning and budgeting processes. Each academic and service area Head is required to compile a risk register, to manage and review regularly the identified risks. Deans and Heads of Departments are briefed annually on risk processes and controls are reviewed at least once per year;
- A risk prioritisation methodology is used based on the probability and likely impact of the risk materialising; and
- An internal audit of risk management was conducted in 2012. The report raised no immediate concerns. It suggested some enhancements to the risk register and risk management policy, which were introduced in 2012/13.

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

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

The most recent HEFCE assurance review took place in March 2009. A further HEFCE assurance review was scheduled to take place in October 2014.

## Council - Statement of Primary Responsibilities

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

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

9. To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability;
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy;
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate;
12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name;
13. To ensure that appropriate provision is in place for the general welfare of students, in consultation with the Senate;
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University; and
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

MR B J DODD CBE (CHAIR OF COUNCIL)

27 November 2014

PROFESSOR C W I PISTORIUS (VICE-CHANCELLOR)

27 November 2014

# 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 2014 which comprise the statement of principal accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the statement of historical cost surpluses and deficits, the 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).

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

## Respective responsibilities of the Council and auditor

As explained more fully in the Council's Responsibilities Statement set out on page 15, the Council are responsible for the preparation of the financial statements which 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 Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council'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 2014, and of its income and expenditure, recognised gains and losses and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

## Opinion on other matters prescribed by HEFCE's Financial Memorandum dated July 2010 and the funding agreement with the National College for Teaching and Leadership

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation; and
- funds provided by HEFCE and the National College for Teaching and Leadership have been applied in accordance with the funding council's Financial Memorandum, the funding agreement with the National College for Teaching and Leadership and any other terms and conditions attached to them.

## Matters on which we are required to report by exception

We have nothing to report in respect of where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion, the Statement of Internal Control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds  
November 2014

# Statement of Principal Accounting Policies

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

## 1. Accounting convention

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

## 2. Going concern

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

## 3. Basis of consolidation

The University has no subsidiary companies. A small number of companies in which the University has a shareholding are accounted for as fixed asset investments as disclosed in Note 11.

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

## 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 accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

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

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

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

Other income is recognised when the right to consideration exists.

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

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

## 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.

(i) Universities' Superannuation Scheme

The Universities' Superannuation Scheme is a multi-employer scheme. The scheme is unable to identify the University's share of the underlying assets and liabilities on a consistent and reasonable basis, so accounts for participation on a defined contribution basis. The contributions payable to the scheme are recognised within staff costs in the income and expenditure account.

(ii) University of Hull Pension and Assurance Scheme

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

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

## 6. Foreign currencies

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

## 7. Land and buildings

Land and Buildings are stated at cost or valuation. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over their expected useful lives of 50 years or the length of lease for leasehold properties.

From financial year 2013/14, new capital expenditure classed as building refurbishment is depreciated over 10 – 25 years according to the type of refurbishment and the asset that is being refurbished. From financial year 2007/08 all capital expenditure (recent and historic) classed as building refurbishment is depreciated over 20 years (previously written off over 25 years). No depreciation is charged in the year of acquisition on either category.

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

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

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

Following the implementation of FRS15, buildings that had previously been revalued have been retained in the books at that value, as permitted by the transitional provisions of FRS15. The valuation has not been updated.

## 8. Equipment

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

From financial year 2013/14, new capitalised non-IT equipment is depreciated over 5 - 25 years according to the type of equipment. IT equipment is depreciated over 5 – 10 years according to the type of equipment.

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

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

No depreciation is charged in the year of acquisition.

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

## 9. Heritage assets

Heritage assets are treated in line with the University's capitalisation policy, i.e. those with a cost or value over £20,000 are capitalised.

Virtually no heritage assets have been capitalised, having been donated or historically expensed through the income and expenditure account. Details of the nature and age of these assets are disclosed in note 10 to the accounts.

## 10. Maintenance of premises

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

## 11. Provisions for liabilities

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

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

## 12. Investments

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

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

Investments that form part of Endowment Assets are included in the balance sheet at market value.

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

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

## 13. Endowment Funds

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

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

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments after the result for the year has been struck. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

## 14. Stocks

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

## 15. 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.

## 16. Restricted MRI reserve

Funds provided by Yorkshire Cancer Research (YCR) are held by the University in a restricted reserve. Investment income received is used to fund research activities of the Centre for Magnetic Resonance Imaging (CMRI) and other projects as approved by YCR.

## 17. Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

## 18. Agency arrangements

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



# Income and Expenditure Account for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
Funding Council Grants	1	33,853	43,678
Tuition Fees and Education Contract	2	107,738	93,070
Research Grants and Contracts	3	10,249	10,604
Other Income	4	27,777	27,321
Endowment, Investment and other finance Income	5	816	1,327
<b>TOTAL INCOME</b>		<b>180,433</b>	<b>176,000</b>
<b>EXPENDITURE</b>			
Staff Costs	6	99,139	95,311
Other Operating Expenses	7	62,173	61,257
Depreciation	10	9,004	8,767
Interest Payable	8	403	464
<b>TOTAL EXPENDITURE</b>	9	<b>170,719</b>	<b>165,799</b>
<b>Surplus after depreciation of tangible fixed assets at valuation and before tax</b>		<b>9,714</b>	<b>10,201</b>
Taxation		-	-
Transfer from/(to) accumulated income within specific endowments		91	(16)
<b>Surplus for the year retained within general reserves</b>	21	<b>9,805</b>	<b>10,185</b>

The income and expenditure account is in respect of continuing activities

## Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2014

		2014	2013
		£'000	£'000
<b>Surplus on continuing operations before taxation</b>		9,714	10,201
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	20	47	47
<b>Historical Cost Surplus for the year before and after taxation</b>		<u>9,761</u>	<u>10,248</u>

## Statement of Total Recognised Gains and Losses for the year ended 31 July 2014

		2014	2013
	Note	£'000	£'000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Assets and before transfers in respect of specific endowments		9,714	10,201
(Depreciation)/Appreciation of Endowment Asset Investments	19	(39)	534
New Endowments	19	84	141
FRS17 actuarial (loss)/gain recognised in pension schemes	21	(8,736)	1,449
Net Movement on Specific MRI reserve	22	(188)	555
Transfer from MRI to General reserve	22	0	44
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<u>835</u>	<u>12,924</u>

### Reconciliation

Opening Reserves and Endowments		69,252	56,328
Total recognised gains for the year		835	12,924
<b>Closing Reserves and Endowments</b>		<u>70,087</u>	<u>69,252</u>

# Balance Sheet as at 31 July 2014

	Note	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	10	144,362	126,578
Investments	11	5,163	5,174
		<u>149,525</u>	<u>131,752</u>
<b>ENDOWMENT ASSETS</b>	12	<u>12,498</u>	<u>12,544</u>
<b>CURRENT ASSETS</b>			
Stocks		105	101
Debtors	13	9,503	9,260
Investments	14	20,114	33,257
Cash at Bank and in Hand		5,422	10,563
		<u>35,144</u>	<u>53,181</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(34,080)</u>	<u>(38,423)</u>
<b>NET CURRENT ASSETS</b>		<u>1,064</u>	<u>14,758</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>163,087</u>	<u>159,054</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(5,675)	(5,975)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(739)</u>	<u>(750)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		156,673	152,329
<b>PENSION LIABILITY</b>	30	(37,336)	(31,149)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>119,337</u>	<u>121,180</u>
<b>DEFERRED CAPITAL GRANTS</b>	18	<u>49,250</u>	<u>51,928</u>
<b>ENDOWMENTS</b>	19		
Expendable		567	646
Permanent		11,931	11,898
		<u>12,498</u>	<u>12,544</u>
<b>RESERVES</b>			
Restricted MRI Reserve	22	5,464	5,652
Revaluation Reserve	20	2,281	2,328
		<u>7,745</u>	<u>7,980</u>
General reserve excluding pension liability	21	87,180	79,877
Pension Reserve	30	(37,336)	(31,149)
General reserve including pension liability	21	<u>49,844</u>	<u>48,728</u>
<b>TOTAL</b>		<u>119,337</u>	<u>121,180</u>

The financial statements were approved by the Council on 27 November 2014, and signed on its behalf by:

MR B J DODD CBE (Chair of Council)

PROFESSOR C W I PISTORIUS (Vice-Chancellor)

# Cash Flow Statement

## for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Cash flow from operating activities	24	8,004	13,835
Returns on investments and servicing of finance	25	114	412
Capital expenditure and financial investment	26	(26,102)	(16,788)
Management of liquid resources	27	13,143	12,879
Financing	28	(300)	(300)
(Decrease)/Increase in cash in the year		<u>(5,141)</u>	<u>10,038</u>

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

	2014 £'000	2013 £'000
(Decrease)/Increase in cash in the year	(5,141)	10,038
(Outflow) from liquid resources	(13,143)	(12,879)
Loan repayment in year	<u>300</u>	<u>300</u>
Movement in net funds in the period	(17,984)	(2,541)
Net funds at 1 August 2013	37,545	40,086
Net funds at 31 July 2014	<u>19,561</u>	<u>37,545</u>

# Notes to the Accounts

	2014	2013
	£'000	£'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	27,591	36,393
Specific Grants		
National College for Teaching & Leadership	804	1,760
JISC	18	75
Other	2,558	2,736
Deferred Capital Grants Released in Year (Note 18)	2,882	2,714
	<u>33,853</u>	<u>43,678</u>

Funding Council Grants represent grants from the Higher Education Funding Council for England and the National College for Teaching & Leadership (formerly the Teaching Agency).

	2014	2013
	£'000	£'000
2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	79,049	65,771
Full-time Students Charged Overseas Fees	22,017	21,511
Part-time Students	3,106	2,699
Research Training Support Grants	417	473
Short Course Fees	3,149	2,616
	<u>107,738</u>	<u>93,070</u>

	2014	2013
	£'000	£'000
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,071	1,861
UK Charities	1,793	1,841
UK Central Govt	1,252	1,278
Local Authorities	57	117
Health & Hospitals	1,047	1,066
UK Industry	1,166	1,837
EU	1,848	1,795
Overseas and Other Sources	1,015	809
	<u>10,249</u>	<u>10,604</u>

## Notes to the Accounts

	2014 £'000	2013 £'000
<b>4. OTHER INCOME</b>		
Residences, Catering and Conferences	15,203	15,138
Other Services Rendered	3,221	2,547
Health Authorities	4,201	4,460
Other Donations	171	85
Released from Deferred Capital Grants	795	1,047
Rents Receivable and Facilities income	567	683
ERASMUS Grants	591	353
Other Revenue Grant and Departmental income	1,628	1,655
Other Income	1,400	1,353
	<u>27,777</u>	<u>27,321</u>

	2014 £'000	2013 £'000
<b>5. ENDOWMENT INCOME AND INVESTMENT INCOME</b>		
Transferred from Specific Endowments (note 19)	112	113
Income from General Endowment Asset Investments (note 19)	109	191
Income from Short Term Investments	213	443
FRS17 pension adjustment	382	580
	<u>816</u>	<u>1,327</u>

	2014 £'000	2013 £'000
<b>6. STAFF</b>		
Staff Costs:		
Wages & Salaries	76,435	73,674
Social Security Costs	6,354	6,179
Other Pension Costs	18,600	17,439
FRS17 pension adjustment	(2,250)	(1,981)
	<u>99,139</u>	<u>95,311</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 (2014: £4,648,110; 2013: £4,466,798).



## Notes to the Accounts

	2014 £'000	2013 £'000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	6,418	6,057
Academic Departmental Expenditure	14,956	14,676
Books, Periodicals and related Media	2,344	2,187
Other Library and Computing and Academic Services	5,816	5,024
General Educational Expenditure	3,889	3,329
Administration	2,678	2,439
Fellow ships, Scholarships and Prizes	7,634	8,547
Heat, Light, Water and Power	2,726	2,976
Repairs and General Maintenance	1,506	1,570
Planned Maintenance	2,319	2,809
Rent, Rates and Insurance	682	723
Grants to University's Students Union	1,315	1,326
Research Grants and Contracts	3,660	4,297
Services Rendered	893	727
Auditors' Remuneration	43	42
Auditors' Remuneration re Non-Audit Services	13	15
Bad and Doubtful Debts	678	219
Other Expenses	4,603	4,294
	<u>62,173</u>	<u>61,257</u>



## Notes to the Accounts

	2014 £'000	2013 £'000
8. INTEREST PAYABLE		
Bank and other Loans repayable within 1 year	-	-
Bank and other Loans wholly or partly repayable in more than 5 years	320	335
FRS17 pension adjustment	83	129
	<u>403</u>	<u>464</u>

### 9. ANALYSIS OF 2013/2014 EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Depreciation £'000	Other Operating Expenditure £'000	Interest Payable £'000	Total £'000
Academic Departments	62,753	1,445	14,956	-	79,154
Academic Services	9,697	834	8,160	-	18,691
Research Grants and Contracts	4,386	122	3,660	-	8,168
Residences, Catering and Conferences	2,635	1,863	6,418	-	10,916
Premises	5,692	4,731	7,567	403	18,393
Administration	9,102	9	2,678	-	11,789
Services Rendered	867	-	893	-	1,760
Other Expenses	4,007	-	17,841	-	21,848
	<u>99,139</u>	<u>9,004</u>	<u>62,173</u>	<u>403</u>	<u>170,719</u>

The depreciation charge has been funded by:	£'000
Deferred Capital Grants Released (note 18)	3,799
Revaluation Reserve Released (note 20)	47
General Income	<u>5,158</u>
	<u>9,004</u>

## Notes to the Accounts

10. TANGIBLE ASSETS	Land & Buildings		Equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Cost/Valuation:				
At 1 August 2013				
Cost/Valuation	159,944	865	50,136	210,945
Additions at Cost	22,271	-	5,043	27,314
Disposals	(1,214)	-	(15)	(1,229)
At 31 July 2014	<u>181,001</u>	<u>865</u>	<u>55,164</u>	<u>237,030</u>
Depreciation:				
At 1 August 2013				
Charge for the year	5,933	43	3,028	9,004
Disposals	(688)	-	(15)	(703)
At 31 July 2014	<u>49,721</u>	<u>774</u>	<u>42,173</u>	<u>92,668</u>
Net Book Value				
At 31 July 2014	<u>131,280</u>	<u>91</u>	<u>12,991</u>	<u>144,362</u>
Net Book Value				
At 1 August 2013	<u>115,468</u>	<u>134</u>	<u>10,976</u>	<u>126,578</u>

Certain buildings were revalued at market value during the year ended 31 July 1998 by E.C. Harris, Chartered Surveyors and Messrs 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.

Land and Buildings and Equipment at 31 July 2014 include £32,264,490.30 (2013: £12,307,655) 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 prior 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.
- 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. 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 from 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.

#### (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.

## Notes to the Accounts

	2014	2013
	£'000	£'000
11. FIXED ASSET INVESTMENTS	5,163	5,174

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

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

£87,000 of the University investments relate to the holdings in CHeMTriX Limited and Kingston Chemicals Limited. The investment in CHeMTriX Limited 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 investments of £5,087,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 22) as follows:

	£'000
At 1 August 2013	5,087
Depreciation on revaluation	(11)
At 31 July 2014	<u>5,076</u>

## Notes to the Accounts

	2014 £'000	2013 £'000
<b>12. ENDOWMENT ASSET INVESTMENTS</b>		
At 1 August	12,544	11,853
Additions	50	110
(Decrease)/Increase in Cash Balances	(57)	47
(Depreciation)/Appreciation on Revaluation	(39)	534
At 31 July	<u>12,498</u>	<u>12,544</u>
Fixed Interest Stocks	2,535	2,565
Equities	3,728	3,729
Bank Balances	6,235	6,250
	<u>12,498</u>	<u>12,544</u>
Equities and Fixed Interest Stocks at Cost	<u>5,345</u>	<u>5,294</u>
	2014 £'000	2013 £'000
<b>13. DEBTORS</b>		
Trade, Student and Research Debtors	7,474	6,197
Prepayments and Accrued Income	2,029	3,063
	<u>9,503</u>	<u>9,260</u>

A loan of £125,000 to the University of York was written off during the year. The loan was paid in August 2010 to provide working capital for the Centre for Low Carbon Futures.

	2014 £'000	2013 £'000
<b>14. INVESTMENTS</b>		
Deposits maturing in one year or less	<u>20,114</u>	<u>33,257</u>

## Notes to the Accounts

	2014 £'000	2013 £'000
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Grants and Donations Received in Advance	11,008	11,450
Secured Bank Loan (note 16)	300	300
Trade Creditors	10,291	14,493
Social Security and other Taxation Payable	2,239	2,185
Accruals and Deferred Income	10,242	9,995
	<u>34,080</u>	<u>38,423</u>

	2014 £'000	2013 £'000
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Secured Loan Repayable 2010 to 2034	<u>5,675</u>	<u>5,975</u>

The loan is secured on the Business School and the Lawns residential complex and has several elements as follows:

	£'000
fixed interest rate of 4.94% repayable 2009 to 2034	1,950
fixed interest rate of 5.30% repayable 2010 to 2034	2,000
fixed interest rate of 5.38% repayable 2010 to 2034	<u>2,025</u>
	<u>5,975</u>

The secured loan is repayable as follows:

	2014 £'000	2013 £'000
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	<u>4,475</u>	<u>4,775</u>
	<u>5,975</u>	<u>6,275</u>

## Notes to the Accounts

	Pension £'000	Total £'000
17. PROVISION FOR LIABILITIES AND CHARGES		
At 1 August 2013	750	750
Expenditure in Year	(41)	(41)
Additions from Income & Expenditure Account	30	30
At 31 July 2014	<u>739</u>	<u>739</u>

The pension enhancement provision of £739,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£733,000); plus an amount of £6,000 for former University of Hull employees where the pension is paid directly by the University.

	Funding Council £'000	Other Grants & Benefactors £'000	Total £'000
18. DEFERRED CAPITAL GRANTS			
At 1 August 2013			
Buildings	37,890	11,507	49,397
Equipment	1,874	657	2,531
	<u>39,764</u>	<u>12,164</u>	<u>51,928</u>
Received in year			
Buildings	776	0	776
Equipment	295	50	345
	<u>1,071</u>	<u>50</u>	<u>1,121</u>
Released in year			
Buildings	(2,163)	(638)	(2,801)
Equipment	(719)	(279)	(998)
	<u>(2,882)</u>	<u>(917)</u>	<u>(3,799)</u>
At 31 July 2014			
Buildings	36,503	10,869	47,372
Equipment	1,450	428	1,878
	<u>37,953</u>	<u>11,297</u>	<u>49,250</u>

## Notes to the Accounts

### 19. ENDOWMENTS

	Unrestricted Permanent £'000	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000	Total £'000
Capital Value	6,780	601	3,328	3,929	10,709
Accumulated Income	-	45	1,790	1,835	1,835
At 1 August 2013	6,780	646	5,118	5,764	12,544
Additions	-	35	49	84	84
Depreciation of Endowment Asset Investments	(17)	-	(22)	(22)	(39)
Income for Year	109	4	108	112	221
Released to Income and Expenditure (note 5)	(109)	(4)	(108)	(112)	(221)
Transferred (to)/from Income and Expenditure	-	(114)	23	(91)	(91)
At 31 July 2014	6,763	567	5,168	5,735	12,498
Represented by:					
Capital	6,763	521	3,355	3,876	10,639
Accumulated Income	-	46	1,813	1,859	1,859
	6,763	567	5,168	5,735	12,498

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 size. Income generated within the year is used to support students in accordance with the terms of the endowment, generally through scholarships, bursaries and prizes and staff through academic sponsorship.



## Notes to the Accounts

	£'000
20. REVALUATION RESERVE	
At 1 August 2013	2,328
Released in Year (note 9)	(47)
At 31 July 2014	<u>2,281</u>

	£'000
21. GENERAL RESERVE	
At 1 August 2013	48,728
Surplus for the Year after Depreciation of Assets at Valuation	9,805
Release from Revaluation Reserve	47
FRS17 Actuarial Loss on Pension Scheme	(8,736)
At 31 July 2014	<u>49,844</u>

The general reserve is subdivided as follows at 31 July 2014:

Excluding pension reserve	87,180
Pension reserve	(37,336)
Total	<u>49,844</u>

	£'000
22. RESTRICTED MRI RESERVE	
At 1 August 2013	5,652
Transfer to P&L reserve	(177)
Appreciation from element invested on revaluation	(11)
At 31 July 2014	<u>5,464</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 2014 the reserve was represented by portfolio equity investments of £5,086,795 and current asset investments of £388,000. £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.

	2014	2013
	£000	£000
23. CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>2,148</u>	<u>17,638</u>

These commitments will be funded by operating cash flows.

## Notes to the Accounts

	2014 £'000	2013 £'000
24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	9,714	10,201
Depreciation (note 10)	9,004	8,767
Loss on Fixed Asset disposals (note 10)	526	77
Deferred Capital Grants Released to Income (note 18)	(3,799)	(3,816)
Investment Income (notes 5, 19)	(434)	(747)
Interest Payable (note 5, 8)	21	(116)
(Increase) in Stocks	(4)	-
(Increase)/Decrease in Debtors	(243)	1,911
(Decrease) in Creditors	(4,343)	(445)
(Decrease) in Provisions	(11)	(16)
Release of CMRI reserve to I&E	(177)	-
Difference between Pension Charge and Cash Contributions	(2,250)	(1,981)
Net Cash Inflow from Operating Activities	<u>8,004</u>	<u>13,835</u>
25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments (note 19)	221	304
Income from short term investments (note 5)	213	443
Interest paid (note 8)	(320)	(335)
Net cash inflow from returns on investments and servicing of finance	<u>114</u>	<u>412</u>
26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired (note 10)	(27,314)	(18,180)
Endowment asset investments acquired (note 12)	7	(157)
Deferred Capital Grants Received (note 18)	1,121	1,408
Endowments Received (note 19)	84	141
Net cash outflow from capital expenditure and financial investment	<u>(26,102)</u>	<u>(16,788)</u>

## Notes to the Accounts

	2014 £'000	2013 £'000
27. MANAGEMENT OF LIQUID RESOURCES		
Decrease in short term deposits	13,143	12,879
Inflow from management of liquid resources	13,143	12,879

	2014 £'000	2013 £'000
28. FINANCING		
	Loans	Total
Balance at 1 August	6,275	6,275
Capital Repayments	(300)	(300)
Balance at 31 July	5,975	5,975

	At 1 August 2013 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2014 £'000
29. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	10,563	(5,141)	-	5,422
Liquid Resources:				
Short Term Deposits	33,257	(13,143)	-	20,114
	43,820	(18,284)	-	25,536
Debt Due within one year	(300)	300	(300)	(300)
Debt Due after one year	(5,975)	-	300	(5,675)
	(6,275)	300	-	(5,975)
	37,545	(17,984)	-	19,561

# Notes to the Accounts

## 30. PENSION SCHEMES

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

The University participates in the USS, a defined benefit scheme which is contracted-out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Ltd.

The latest actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An “inflation risk premium” adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England’s target of 2% for CPI which corresponds broadly to 2.75% RPI per annum)

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme’s technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme’s historic gilt basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme has discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using the AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall as at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

# Notes to the Accounts

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included. In addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

## *New Entrants*

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued benefits (CRB) basis rather than a Final Salary (FS) basis.

## *Normal Pension Age*

The normal pension age was increased for future service and new entrants, to age 65

## *Flexible retirements*

Flexible retirement options were introduced.

## *Member contributions increased*

Contributions were uplifted to 7.5% pa and 6.35% pa for FS section members and CRB section members respectively.

## *Cost Sharing*

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to fund as additional contributions.

## *Pension increase cap*

For service derived after September 2011, USS will match increases to official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2014 under the scheme specific funding regime had fallen from 92% to 77%. The estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March estimation.

# Notes to the Accounts

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2014 was 68%. An estimate of the funding level measured on a historic gilts basis at the date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers of USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

At 31 March 2014, USS had over 148,000 active members and the University had 1,355 active members participating in the scheme.

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

	2014	2013
	£	£
Final Salary	7,411,544	7,540,958
CRB	1,509,517	825,768

The contribution rate payable by the University at 31 July 2014 was 16% of pensionable salaries for both schemes.

## **(b) University of Hull Pension and Assurance Scheme ("UHPAS")**

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

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

On the 31<sup>st</sup> December 2011, the University closed the Final Salary Defined Benefit scheme to new entrants and launched a new Defined Contribution Stakeholder scheme for new support staff on 1<sup>st</sup> January 2012. The University choose Scottish Widows as the main support vehicle.

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The last declared actuarial valuation was carried out at 6 April 2012. The market value of the scheme assets as at the 2012 date, excluding additional voluntary contributions, was £64.7 million. The value placed on the scheme liabilities was £92.4m, resulting in a shortfall of £27.6m. On this basis the scheme was funded at 70%.

The key assumptions are the rate of return assumed on the scheme's investments and the rate of price inflation. The assumptions for the various pension increases payable by the scheme and the assumption for pensionable salary increases are all built up from the assumption for price inflation with pensionable salary increases assumed to be 0.5% p.a. above retail prices inflation. The valuation assumes that the scheme's assets will be invested such that the scheme holds higher returning assets to fund members' benefits up to the point of retirement, but that at

## Notes to the Accounts

the point of retirement the assets will be switched into bonds to fund the pension payments. The investment return assumed up to the point of retirement is 6.5% p.a. The assumed rate of return on bonds and the rate of price inflation are assumed to vary with the duration of each projected cash flow out of the scheme. The assumed rates of retail prices inflation applying in future years are assumed to be in line with the Bank of England inflation curve. The assumed rates of return on the scheme's bond investments are assumed to be 1% p.a. above the Bank of England gilt yield curve.

Following the actuarial valuation at 6 April 2012, and in order to meet the agreed recovery plan, the University revised its contribution rate to 16.40% of pensionable salaries plus an additional monthly sum of £182,941. The monthly lump sum would increase annually in line with a formula linked to inflation increases. The monthly lump sum increased to £195,514 with effect from 1 July 2014.

The total pension contributions paid by and charged to the University, including those staff members who participate in the Salary Sacrifice arrangement, totalled £3,804,575 (2013: £3,586,889).

### **(c) Scottish Widows Defined Contribution Stakeholder Scheme**

On the 31<sup>st</sup> December 2011, the University closed the Final Salary Defined Benefit scheme to new entrants and launched a new Defined Contribution Stakeholder scheme for new support staff on 1<sup>st</sup> January 2012. The University choose Scottish Widows as the main support vehicle.

Employer contributions to the scheme during the year, including those staff members who participate in the Salary Sacrifice arrangement, totalled £235,616 (2013: £68,171)

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

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £991,890 during the year (2013: £950,420).

## Notes to the Accounts

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

A full actuarial valuation of this scheme was carried out at 6 April 2012.

	2014	2013
Rate of increase in salaries	3.25%	3.20%
Rate of increase in pensions in payment	3.25%	3.20%
Discount rate	4.15%	4.50%
RPI Inflation assumption	3.25%	3.20%
CPI Inflation assumption	2.35%	2.30%

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:

	2014	2013
Retiring today		
<i>Males</i>	21.6	21.5
<i>Females</i>	23.9	24.1
Retiring in 20 years		
<i>Males</i>	22.9	22.8
<i>Females</i>	25.4	25.4

The assets in the scheme and the expected rate of return (as per the actuary's capital market assumptions) were:

	Long-term expected return	2014 £'000	Long-term expected return	2013 £'000
Equities	7.50%	55,621	8.00%	55,755
Bonds	3.65%	15,457	3.95%	14,319
Property	N/A	-	8.00%	3,572
LDI pooled funds	3.15%	9,615	N/A	-
Cash/Other	0.50%	339	0.50%	1,187
		<u>81,032</u>		<u>74,833</u>

Note: In 2014 the equity element includes £27,315,000 invested in hedge and absolute return funds (2013: £25,495,000).



## Notes to the Accounts

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	£'000	£'000	£'000	£'000	£'000
Total market value of assets	81,032	74,833	65,139	61,848	54,851
Present value of scheme liabilities	(115,559)	(102,201)	(95,714)	(86,692)	(81,876)
Deficit in the scheme	<u>(34,527)</u>	<u>(27,368)</u>	<u>(30,575)</u>	<u>(24,844)</u>	<u>(27,025)</u>

The following amounts are recognised in the performance statements in the year to 31 July 2014 under the requirements of FRS 17:

	<b>2014</b>	<b>2013</b>
	£'000	£'000
<b>OPERATING PROFIT</b>		
Current service cost	2,285	2,299
Past service cost	-	-
Total operating charge	<u>2,285</u>	<u>2,299</u>
<b>OTHER FINANCE INCOME</b>		
Expected return on pension scheme assets	4,950	4,612
Interest on pension scheme liabilities	(4,568)	(4,032)
Net return	<u>382</u>	<u>580</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	237	4,458
Experience gains and losses arising on scheme liabilities	(10,002)	(3,815)
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial (loss)/gain	<u>(9,765)</u>	<u>643</u>

## Notes to the Accounts

MOVEMENT IN (DEFICIT) DURING THE YEAR	2014 £'000	2013 £'000
Deficit in scheme at beginning of the year	(27,368)	(30,575)
Movement in the year:		
Current service cost	(2,285)	(2,299)
Contributions by employer	4,509	4,283
Past service costs	-	-
Other financial income	382	580
Actuarial (?)/gain	(9,765)	643
Deficit in scheme at end of year	<u>(34,527)</u>	<u>(27,368)</u>

### ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES

	2014 £'000	2013 £'000
At beginning of the year	102,201	95,714
Current service cost	2,285	2,299
Interest on liabilities	4,568	4,032
Contributions by employee	22	22
Past service costs	-	-
Pensions paid	(3,519)	(3,681)
Actuarial losses	10,002	3,815
At end of year	<u>115,559</u>	<u>102,201</u>

### ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS

	2014 £'000	2013 £'000
At beginning of the year	74,833	65,139
Expected return on assets	4,950	4,612
Total contributions	4,531	4,305
Pensions paid	(3,519)	(3,681)
Actuarial gain	237	4,458
At end of year	<u>81,032</u>	<u>74,833</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2014

	2014	2013	2012	2011	2010
Differences between the expected and actual return on scheme assets:					
Amount (£'000)	237	4,458	(1,524)	2,273	4,310
Percentage of scheme assets	0.30%	6%	(2%)	4%	9%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(10,002)	(3,815)	590	(101)	(2,015)
Percentage of the present value of the scheme liabilities	8.70%	-	1%	(0%)	(3%)
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(9,765)	643	(7,891)	592	(1,505)
Percentage of the present value of the scheme liabilities	8.50%	1%	(12%)	1%	(2%)

### (e) (ii) North Yorkshire Pension Fund (within "other pensions schemes" at (d) above)

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

A full actuarial valuation of this scheme was carried out at 31 March 2010 and financial assumptions updated 31 July 2013 by a qualified actuary. The major assumptions used by the actuary were:

	2014	2013
Rate of increase in salaries	3.80%	4.15%
Rate of increase in pensions in payment	2.30%	2.40%
Discount rate	4.30%	4.50%
Inflation assumption RPI	n/a	n/a
Inflation assumption CPI	2.30%	2.4%

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

	2014	2013
Retiring today		
Males	23	22.6
Females	25.5	25.3
Retiring in 20 years		
Males	25.3	24.4
Females	27.8	27.2

The assets in the scheme and the expected rate of return (as per the actuary's capital market assumptions) were:

	Long-term expected return	2014 £'000	Long-term expected return	2013 £'000
Equities	7%	4,489	7%	4,275
Bonds	4.10%	1,721	4.3%	1,336
Property/Cash/Other	0.50%	1,114	0.50%	906
		<u>7,324</u>		<u>6,517</u>

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Total market value of assets	7,324	6,517	4,941	4,780	3,906
Present value of scheme liabilities	(10,133)	(10,298)	(9,396)	(8,367)	(7,085)
Deficit in the scheme	<u>(2,809)</u>	<u>(3,781)</u>	<u>(4,455)</u>	<u>(3,587)</u>	<u>(3,179)</u>

## Notes to the Accounts

The following amounts are recognised in the performance statements in the year to 31 July 2014 under the requirements of FRS 17:

	<b>2014</b>	<b>2013</b>
	£'000	£'000
<b>OPERATING SURPLUS:</b>		
Current service cost	364	340
Past service cost	-	-
Total operating charge	<u>364</u>	<u>340</u>
<b>OTHER FINANCE INCOME:</b>		
	<b>2014</b>	<b>2013</b>
	£'000	£'000
Expected return on pension scheme assets	386	281
Interest on pension scheme liabilities	(469)	(410)
Net Return	<u>(83)</u>	<u>(129)</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
	<b>2014</b>	<b>2013</b>
	£'000	£'000
Actual return less expected return on pension scheme assets	158	995
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	871	(189)
Actuarial gain recognised in STRGL	<u>1,029</u>	<u>806</u>
<b>MOVEMENT IN DEFICIT DURING THE YEAR</b>		
	<b>2014</b>	<b>2013</b>
	£'000	£'000
Deficit in scheme at beginning of the year	(3,781)	(4,455)
Movement in the year:		
Current service cost	(364)	(340)
Employer contributions	390	337
Past service costs	-	-
Other financial income	(83)	(129)
Actuarial gain	1,029	806
Deficit in scheme at end of year	<u>(2,809)</u>	<u>(3,781)</u>
<b>ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES</b>		
	<b>2014</b>	<b>2013</b>
	£'000	£'000
At beginning of the year	10,298	9,396
Current service cost	364	340
Interest on liabilities	469	410
Employee contributions	116	104
Past service costs	-	-
Pensions paid	(243)	(141)
Actuarial (gain)/loss	(871)	189
At end of year	<u>10,133</u>	<u>10,298</u>
<b>ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS</b>		
	<b>2014</b>	<b>2013</b>
	£'000	£'000
At beginning of the year	6,517	4,941
Expected return on assets	386	281
Total contributions	506	441
Pensions paid	(243)	(141)
Actuarial gain	158	995
At end of year	<u>7,324</u>	<u>6,517</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2014

Differences between the expected and actual return on scheme assets:	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Amount (£'000)	158	995	(290)	354	370
Percentage of scheme assets	2%	15%	6%	7%	9%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	-	-	-	(362)	-
Percentage of the present value of the scheme liabilities	-	-	-	(4%)	-
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	1029	806	(736)	(264)	446
Percentage of the present value of the scheme liabilities	10%	8%	(8%)	(3%)	6%

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
	£'000	£'000	£'000
Net assets excluding pension liability	156,673	152,329	145,694
Pension liability-UOH	(34,527)	(27,368)	(30,575)
Pension liability-NYPF	(2,809)	(3,781)	(4,455)
Net assets including pension liability	<u>119,337</u>	<u>121,180</u>	<u>110,664</u>
Income and expenditure reserve excluding pension liability	87,180	79,877	72,033
Pension liability-UOH	(34,527)	(27,368)	(30,575)
Pension liability-NYPF	(2,809)	(3,781)	(4,455)
Income and expenditure reserve including pension liability	<u>49,844</u>	<u>48,728</u>	<u>37,003</u>
The total pension liability for the group is therefore shown as:	<u>(37,336)</u>	<u>(31,149)</u>	<u>(35,030)</u>

## Notes to the Accounts

	2014	2013
	£'000	£'000
31. ACCESS FUNDS		
Balance brought forward at 1 August	-	1
Funding Council Grants	397	397
Interest earned	1	2
	<u>398</u>	<u>400</u>
Disbursed to students	(363)	(400)
Balance unspent at 31 July	<u>35</u>	<u>-</u>

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

	2014	2013
	£'000	£'000
32. NATIONAL COLLEGE FOR TEACHING & LEADERSHIP BURSARY FUNDS		
Balance brought forward at 1 August	177	33
NCTL Grants	1,776	2,025
	<u>1,953</u>	<u>2,058</u>
Disbursed to students	(1,887)	(1,881)
Balance unspent at 31 July	<u>66</u>	<u>177</u>

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

# Notes to the Accounts

## 33 UNIVERSITY INTERESTS

Details of investments are given in note 11.

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

During the year payments were made to the Trust for donations received amounting to £12,496 (2013: £2,177). The University payment from the Trust for payments made on its behalf amounted to £6,571 (2013: £5,607). The amount owing to the University at 31 July 2014 was £1,735 (2013: £2,479). The amount owing by the University to the Trust at 31 July 2014 was £5,182 (2013: £nil).

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

During the year grants were made from the Trust to the University amounting to £24,977 (2013: £25,995). The University owed the Trust £1,491 at 31 July 2014 (2013: £230).

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

## 34 RELATED PARTY DISCLOSURE

During the year ended 31 July 2014:

The University paid a grant of £1,311,791 (2013: £1,311,791) to the Students Union, the official students' union for the University of Hull. Further payments were made to the Union of £128,513 (2013: £85,842) in respect of goods and services rendered. The Union made payments to the University of £241,002 (2013: £237,199) in respect of facilities recharges. At 31 July 2014 the University owed the Union £3,091 (2013: £13,274). An amount of £3,378 (2013: £1,739) was owing from the Union to the University.

The University made payments to EMIH Ltd of £57,505 (2013: £62,405) 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 (2013: £nil). At the year end the University owed EMIH Ltd £3,599 (2013: £342). An amount of £nil (2013: £nil) was owing from EMIH Ltd to the University. The company has charitable status with a Board of seven directors, three of whom are nominees of the University. The University has links with the research and educational activity of EMIH Ltd at The Deep, in Hull.

The University made payments to Information by Design of £nil (2013: £nil). Information by Design made payments to the University of £nil (2013: £1,176) in respect of cleaning and maintenance charges. At the year end the University owed Information by Design £nil (2013: £nil). An amount of £nil (2013: £nil) was owing from Information by Design to the University. The company was set up by former staff at the University.

The University made payments to Kingston Chemicals Ltd of £449 (2013: £960) for chemicals and equipment. Kingston Chemicals Ltd made payments to the University of £31,770 (2013: £30,466) for goods and services. At the year end the University owed Kingston Chemicals £nil (2013: £nil). An amount of £11,502 (2013: £nil) was owing from Kingston Chemicals Ltd to the University. The University owns 21% of the shares in Kingston Chemicals Ltd.

CHeMTriX BV made payments to the University of £4,706 (2013: £59,482) for use of laboratory facilities. An amount of £1,607 (2013: £nil) was owing from CHeMTriX BV to the University. The University made payments to CHeMTriX BV of £nil (2013: £9,268) for equipment and materials. At the year end the University owed CHeMTriX BV £nil (2013: £nil). The University's investment in CHeMTriX Ltd represents an underlying 24% holding in the company CHeMTriX BV, two thirds equity, one third subordinate loan.

## Notes to the Accounts

### 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.

The total expenses paid to or on behalf of **3** trustees was £1,179 (2013: £3,808 to 3 trustees). This represents travel and subsistence expenses incurred in attending Council, meetings and events in their official capacity. No payments or other benefits for being a member of Council were paid to, or waived by, Council members.