



Statement of Accounts 2015/16

UNIVERSITY OF HULL

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Operating and Financial Review

Introduction

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

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

In November 2015, Quality Assurance Agency (QAA) reviewers visited the University to conduct a six-yearly Higher Education Review (HER). The review concluded that the University's academic standards, the quality of student learning opportunities and the quality of information about learning opportunities all met UK expectations, and the University received a commendation for its enhancement of student learning opportunities. Areas of good practice highlighted by the reviewers included the embedding of employability into the curriculum and the provision of work-related opportunities for students, the University's new approaches to learning and teaching, the contribution of the Brynmor Jones Library redevelopment to the enhancement of learning support for students, and the effective partnership working between professional services and academic teams and between the University and its students and Students' Union.

"The QAA commendation affirms the proactive and systemic approach of the University towards quality enhancement in all of its learning and teaching activities, and the close partnership working which enables this enhancement work to be truly transformative and cross-institutional.

"The University will continue to build on this very welcome recognition of strength in its ongoing enhancement activities, which are currently centred on curriculum renewal, technology enhanced learning, and learning opportunities beyond the immediate curriculum."

Professor Alan Speight, Pro-Vice-Chancellor (Education)

The Higher Education and Research Bill currently before Parliament proposes significant reforms to the sector which would establish a new regulatory architecture, make it easier for 'challenger' institutions to gain degree awarding powers and university title, and create a link between performance in the new Teaching Excellence Framework and the capacity for institutions to increase tuition fees in line with inflation. Similarly, the impact of the vote for the UK to leave the EU will be considerable, with implications across many aspects of the University's activities – from the recruitment of EU students and staff and participation in EU research funding programmes to providing intellectual leadership and engaging locally, nationally and internationally as an outward-looking partner and anchor institution. The likely prolonged period of uncertainty while the UK's exit from the EU is negotiated and the scale of change associated with both Brexit and the Higher Education and Research Bill will present challenges and risks to the University and the sector as a whole, but also opportunities on which the institution will seek to capitalise.

The University's financial position provides a foundation for significant investment and growth. Building on the successes achieved over recent years through a programme of strategic change initiatives, the University will continue to invest in academic excellence and the very best experience and environment for its students and staff. Its Strategic Plan and investment strategy will ensure the University remains able to respond in an agile and sustainable manner to the challenging higher education environment.

The following Operating and Financial Review aims to provide context for the financial statements for the year ending 31 July 2016 through a review of the University's strategy, performance and operations.

Strategy and Performance

Strategic Plan

The University adopted a new Strategic Plan in November 2015. An investment-driven plan, Strategic Plan 2016–2020 is designed to pursue an agenda of excellence, empowerment and sustainability, and articulates the strategic priorities which will guide the University over the period to 2020.

- **Empower:** Placing students at the heart of all that the University does and pursuing a people plan which supports a workforce that is capable and inspired to deliver the strategic plan with commitment and confidence.
- **Invest:** Investing in the University's academic portfolio, ensuring that it is academically rigorous, constantly refreshed, aligned to student and employer demand, and sustainable.
- **Engage:** Fulfilling the University's role as an internationally-engaged anchor institution, extending the University's reach and impact by engaging actively with stakeholders locally, regionally, nationally and internationally.
- **Sustain:** Ensuring the University's academic, financial and environmental sustainability.

The University's Strategic Plan 2016–2020 will continue to transform institutional and individual performance through investment in people, research and teaching, the student experience, estates, facilities and infrastructure. The University's investment plans will see in excess of £200m being invested by 2020/21 in projects such as the establishment of a new health campus for the University's medical and health courses, upgraded sports facilities and the enhancement of infrastructure and capacity to support science and engineering research.

Implementation of the new Strategic Plan commenced during 2015/16. Transition to a new model of academic support tuition designed to enhance the University's proactive approach to supporting its students throughout their student journey is well advanced. A new Virtual Learning Environment (VLE), Canvas, has been launched, enhancing flexible and effective approaches to learning. The University's High Performance Computing facility, Viper, went live at the end of June 2016. Viper provides the University's researchers with access to one of the leading research computing facilities in the sector, with a specification that is the highest rated within the north of England, within the top ten nationally and top 100 globally.

During 2015/16, the University conducted a fundamental 'Shape Review', a key element of Strategic Plan 2016–2020, designed to ensure that the institution's academic structures and the way these are organised are effective, efficient and sustainable. In April 2016, the University's Senate and Council approved a new academic structure for the University which retains the faculty-based nature of the institution but reconfigures its academic disciplines into eleven multidisciplinary schools across four faculties.

- Faculty of Arts, Cultures and Education – comprising the School of Arts, School of Education and Social Sciences, and School of Histories, Languages and Cultures.
- Faculty of Business, Law and Politics – comprising the Hull University Business School and School of Law and Politics.
- Faculty of Health Sciences – comprising the Hull York Medical School (shared with the University of York), School of Health and Social Work, and School of Life Sciences.
- Faculty of Science and Engineering – comprising the School of Engineering and Computer Science, School of Environmental Sciences, and School of Mathematics and Physical Sciences.

The first phase in the transition to the new structure came into effect on 1 August 2016, with a second phase due to be completed by 1 August 2017.

While continuing to support individual academic disciplines and recognise subject identity, the new structures are designed to encourage interaction at the intersections of disciplines, stimulating interdisciplinarity and academic renewal. By bringing together and promoting cognate disciplines under a common banner, the University aims to create a stronger academic presence, enhancing stature, reputation and competitiveness, and to achieve economies of scale and scope, enhancing efficiency, productivity and value for money in management and administration.

The implementation of the new academic configuration will be complemented by enhancements to leadership and management structures and a new blueprint for the professional services within faculties.

Key Performance Indicators

Progress at an institutional level is monitored by the University Council against Key Performance Indicators (KPIs) and associated targets.

Graduate employability has continued to improve, with the proportion of students in graduate-level employment or further study six months after graduation increasing from 66.8% to 72.6%. The University met its targets for the KPIs relating to student:staff ratio (SSR) and the proportion of first class and upper second class degrees awarded, though progress towards the KPI targets relating to home/EU undergraduate entry tariff and the proportion of postgraduate research (PGR) new entrants slowed during 2015/16.

Although there was a decrease at institutional level in the average of scores measured by the National Student Survey (NSS) KPI, investments in the University Library and ICT facilities were reflected in an increase to 91% for satisfaction with library resources and services and ICT resources.

2015/16 saw a fall in annual expenditure on research grants and contracts (RGC) and knowledge transfer partnerships (KTP) compared to 2014/15. The University aims to further enhance its research capacity and grow its research income through focused investment in a range of initiatives, including its interdisciplinary University Institutes, the targeted development of science and engineering research, and the implementation of an enhanced research support infrastructure.

During 2015/16, the University completed a project to refresh its KPIs and has agreed a new set of indicators and targets aligned with the ambitions in the new Strategic Plan.

League Tables

The Times Higher World University Rankings, published in September 2015, rated the University of Hull as one of the top 500 institutions globally. The University also features in the Times Higher Education top 200 list of the most international universities in the world 2016 (published July 2016). The University is ranked 157th in the world ranking and is in 54th position in the UK.

With 96% of its graduates in work or further study after six months, the University is now ranked joint 8th in England for employability, rising from 20th the previous year.

"We are delighted to be ranked in the top 10 for graduate employability.

"We know how important career prospects are to our students and we are very proud of how well we prepare our graduates for the world of work."

Norman Day, Director of Careers and Employability

The University was ranked between 71st and 67th in the three UK league tables published during 2015/16. This decline compared to the previous year reflects, in part, the sensitivity of the tables to small fluctuations in NSS scores. The University is pursuing a strategy designed to enhance its overall academic performance, and continues to work in partnership with Hull University Union to provide an exceptional, personalised and integrated student experience.

Public Benefit Statement

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

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

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

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

To aid diversity and encourage academic excellence, the University offers several financial awards to both undergraduate and postgraduate students. In 2015/16 the University funded awards totalling in excess of £3.9m to provide financial support to over 1,400 undergraduate students, particularly those from low income backgrounds.

The University applies an integrated approach to providing support across the entire student life cycle, addressing outreach, access, retention, progression and completion. A number of high-profile activities were funded through the Access, Funding and Support Office in 2015/16. These included a two-day Science Festival on the University campus in March, a 'Teen TECH' science and technology event in July, and a summer school in Aarhus, Denmark for current students from a widening participation background. Funding totalling £900,000 was used to support the retention and progression of students via funds for travel, childcare and care leavers and additional pastoral support for widening participation students, and to provide careers advice and internships for underrepresented groups. In addition, the University offers students a comprehensive learning and welfare support package, including academic study skills, health and wellbeing services, advice and support for students with disabilities, mature student advisors, careers advice and sports and exercise facilities.

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

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

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

Significant public benefit is derived from the University's research and enterprise. The results of the 2014 Research Excellence Framework confirmed that research conducted by each of the University's submitted units has considerable or outstanding impact, in terms of its benefit to the economy, society, culture, public policy or services, health, the environment or quality of life. Research in the School of Life Sciences is helping identify the most dangerous forms of prostate cancer and develop personalised treatment programmes. The impact this research has already had in improving the lives of people diagnosed with cancer was recognised at the Educate North Awards in April 2016, where the

international group, led by one of the University's biomedical scientists, won the Research Team of the Year award. VERT, the 3D virtual training environment for radiotherapy developed by University computer scientists working in collaboration with Hull and East Yorkshire Hospitals, is already used by every trainee radiographer in England and the system is installed at 110 locations in twenty countries across the globe. From 2016, the software is also being used to train oncology clinical teams in Africa. The Wilberforce Institute for the study of Slavery and Emancipation established the Global Slavery Index (GSI), in partnership with the Walk Free Foundation in Australia, and advises governments around the world on tackling the problems highlighted by the GSI. The Institute's pioneering work on combating modern slavery was recognised this year with the award of a prestigious Queen's Anniversary Prize, presented to the Vice-Chancellor and the Director of the Wilberforce Institute at a ceremony at Buckingham Palace in February 2016.

"Receiving this award is recognition of the Institute's cutting-edge research, not least in revising estimates of those enslaved today. Winning the Queen's Anniversary Prize not only confirms our global reputation in the field of slavery studies but puts us in a position to attract the levels of funding that will allow us to go on producing research that informs public practice and policy, at local, national and international levels."

Professor John Oldfield, Director of the Wilberforce Institute for the study of Slavery and Emancipation

An independent study of the economic impact of the University in 2013/14 was published in 2015. The report shows that the University of Hull generated £913.2m gross added value (GVA) and supported 7,972 jobs in the UK in 2013/14. Of these, 5,004 jobs and £498.4m GVA were generated in the Humber Local Enterprise Partnership region, including 4,103 jobs and £369.8m GVA in Hull alone. A further 372 jobs and £41.9m GVA were generated in Scarborough. The report demonstrates that for every £1 of public funding it receives, the University generates £26.98 GVA for the UK economy. The study captures many facets of the University's anchor institution role. In addition to its core operations, the University supports economic growth and employment in many ways, including via students working and spending in the local economy, the companies created in the University's Enterprise Centre, additional graduate earnings and tourism from visitors and open days.

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

Through its OpenCampus programme, the University offers a variety of public engagement activities for adult lifelong learners in the region, including 'Culture Café' sessions (a regular series of talks for those interested in culture, the arts and humanities), public lectures and seminars, concerts, performances and tea-time talks. During 2015/16, the programme included talks on diverse topics such as artificial intelligence, the fall of Napoleon, and British counter-terrorism policy, lecture series on mental health and wellbeing and on modern American culture, and a summer reading group on gothic literature. The Brynmor Jones Library incorporates a purpose-built art gallery and an exhibition hall. Both are designed so that members of the public can access and engage with the University's art collection and temporary exhibitions—such as 'Poppies: Women, War, Peace', a photographic exhibition by Lee Karen Stow exploring the experiences of women affected by conflict from the First World War to the present day, or an exhibition featuring some of the more than 5,000 photographs taken by the poet (and former University of Hull Librarian) Philip Larkin, including family snaps of his childhood, portraits of his women companions and literary friends, landscape photography, cityscapes and self-portraits.

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

Facilitated by Hull University Union (HUU), members of the University community participate in a wide range of volunteering and fundraising activities which deliver benefits locally and globally. During 2015/16, HUU's Raising and Giving (RAG) committee focused on fundraising for Teenage Cancer Trust and Hull Children's University, two charities making a big difference to young people in the region. In addition, funds were raised to support a range of charities, including Action Against Hunger, RSPCA, Mind and Childreach International.

Hull Union Social Services Organisation (HUSSO) supports students to develop and lead their own volunteering projects, and successful initiatives during 2015/16 saw students working with local schools, in residential care for the elderly and on environmental issues. In parallel, HUU continues to match students with volunteering projects across the city and local region, and in 2015/16 students volunteered at organisations including the Alzheimer's Society, the Samaritans and Oakwood Dog Rescue.

Looking ahead to Hull UK City of Culture 2017, over 200 University staff and students had registered as volunteers by the end of the 2015/16 academic year.

Review of Operations

Student Recruitment

Recruitment of students within a competitive market, nationally and internationally, remains one of the most significant challenges both for the University and across the higher education sector. Through initiatives such as the Curriculum 2016+ and Student Experience change programmes and capital investments in facilities and infrastructure such as the Library, student accommodation and ICT, the University seeks to ensure continuous improvement in the quality and relevance of its academic offer and student experience.

During 2015/16, a total of 14,402 students were registered on standard foundation degree, undergraduate, postgraduate taught (PGT) or postgraduate research (PGR) programmes at the University's Hull or Scarborough campuses.

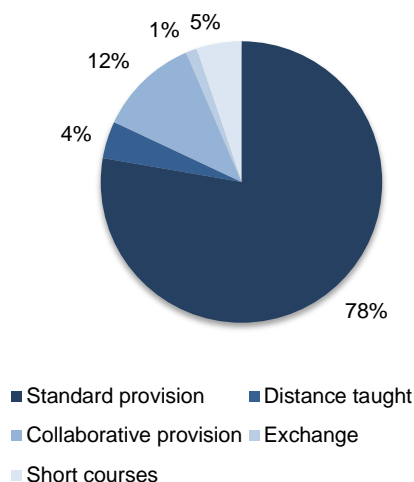
A further 4,130 were studying on distance taught programmes overseas, on short courses or exchange programmes, or were registered on programmes delivered through franchise arrangements or collaborative provision at a validated partner institution.

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

Across standard degree programmes, a total of 5,951 new students were recruited in 2015. Of these, 88% were home/EU students and 12% international. Undergraduate and foundation degree students accounted for 78% of the 2015 intake, with 17% PGT and 5% PGR.

The University has taken steps to meet the recent sectoral shift in student demand towards science, medicine and health disciplines, through effective deployment of staff and resources, the restructuring of academic areas, the modification of programmes, and the expansion of Foundation Year provision. Recruitment to STEM programmes has increased by over 10% between 2013 and 2015. The University will continue to build on strengths, such as the double accreditation of its Business School and

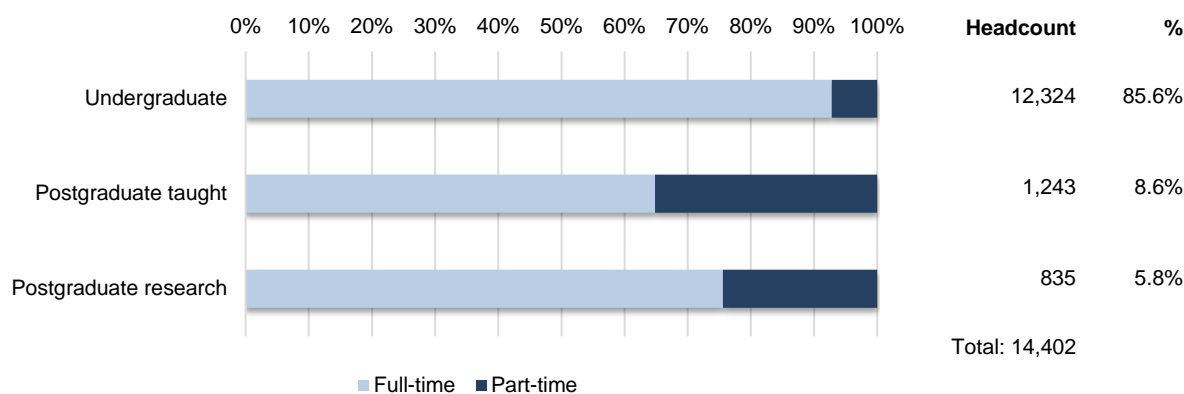
2015/16 Total student population (headcount)



opportunities presented by Hull UK City of Culture 2017, to support growth in recruitment to humanities, arts and social science disciplines.

2015/16 Full-time and part-time student population by level of study

Standard provision only; excludes distance taught, collaborative provision, exchange programmes and short courses



Learning and Teaching

The University achieved a highly successful outcome in the Higher Education Review conducted by the Quality Assurance Agency in November 2015. The review confirmed that the University met UK expectations in all areas with the lowest possible level of risk. It also commended the University's work on enhancement of student learning opportunities. As a consequence, the University is well-positioned for the initial stages of the Teaching Excellence Framework (TEF). Significant development is underway to address the adoption of a more metrics-based approach in internal reporting to inform the institutional self-evaluation required as part of subsequent TEF submissions.

Through the Curriculum 2016+ change programme, which concluded at the end of 2015/16, the University has conducted a substantive review and revalidation of its undergraduate and postgraduate portfolio. The first intake to the new programmes will start in September 2016 or 2017, depending on the subject area. The Curriculum 2016+ programme also embraced a modernisation of the University's approach to curriculum design and delivery, taking account of pedagogical developments such as international and workplace mobility and placements, graduate attributes and competencies, blended learning integration and extra-curricular activities and recognition.

Implementation of the University's new Virtual Learning Environment (VLE) has progressed successfully, with migration of materials from the existing VLE and staff training completed by the end of summer 2016. The new VLE is part of a wider Virtual Campus Initiative that is enabling fully mobile access to learning and assessment through a variety of platforms.

The University made a successful application to the Higher Education Academy (HEA) for re-accreditation of its academic teaching qualification (Postgraduate Certificate in Academic Practice) and CPD Framework (Disciplinary Approaches to Research and Teaching Excellence), and 51% of eligible University staff now hold an HEA Fellowship.

Academic Partnerships

The Academic Partnerships Office (APO) was established in February 2016 to provide a strategic and coordinated approach to partnership development. A cross-institution consolidation exercise is currently underway to expand the initial core staffing team.

New partnership arrangements agreed with UK and international providers over the last year include initial validation arrangements with Wakefield College and Lincoln City College and a range of initiatives to develop and diversify international student recruitment. 2015/16 saw the University sign Erasmus+

agreements with institutions in France, Hungary, Italy and Sweden to facilitate staff and student exchange, and sign student exchange agreements with institutions in Canada, China and Mexico. Double degree agreements have been established with institutions in China, Cyprus, Hong Kong, India, Indonesia, Poland and South Korea.

The University values its relationships with local schools and in 2015/16 provided development grant support to Wyke College, Wilberforce College and Franklin College.

In January 2016, the first students were recruited through the agreement with Cambridge Education Group (CEG) to ONCAMPUS Hull pathway programmes in Business and Engineering. It is anticipated that this first cohort will progress to University study in September 2016. A Masters Foundation Programme in the Business School and an International Year 1 Mechanical Engineering programme are under development for launch in September 2016.

The University of Hull took the decision in 2014 to withdraw most of its academic provision from the Scarborough campus and has subsequently indicated that it will deliver no programmes in Scarborough after the summer of 2017. Existing programmes are being 'taught out', with careful management of the student experience as student cohorts decline. Discussions are taking place with potential partners to take over the campus from 2017. The University's move away from its Scarborough campus is part of a strategy to focus on the performance of its core activities in Hull. The University will continue, however, to have an outreach office in Scarborough and to sponsor the University Technical College that is being established in the borough.

Student Experience

A range of initiatives were completed or progressed during 2015/16 to ensure that the University continues to offer an exceptional personalised student experience, characterised by flexibility and the highest service standards.

Part of the ongoing implementation of a new student information system, the Student Information Desk (SID) went live in July 2016. This case management tool is enabling the University to transform its management of student enquiries. Customer service training of over 200 members of professional services staff across the University has taken place and six new mobile kiosks are being used to gather feedback from students.

The Student Wellbeing, Learning and Welfare Support Team (SWLWS) has seen over 5,000 students on a face to face basis since the start of the academic year and has supported many more via telephone and email. A newly introduced duty adviser system has significantly reduced waiting times, with the majority of students now seen within the same day. A new website and resources have been developed to support the University's enhanced model of academic support tuition, offering a systematic approach to ensuring that every undergraduate and taught postgraduate student at the University receives the support they need to fulfil their potential and develop the academic, disciplinary and professional skills required to become independent and creative learners.

The Careers and Employability Service continues to develop new international volunteering and internship opportunities to provide life-changing experiences for the University's students and graduates, help them develop a broad set of employability skills and enhance their graduate career prospects. During the summer of 2016, over fifty students were supported to undertake placements in a wide range of locations, including Ghana, India, Romania, Sri Lanka and Thailand. The University was shortlisted by the Association of Graduate Careers Services and the Association of Graduate Recruiters for five awards in 2015/16. These included the most improved commitment to employability and outstanding contributions to work experience.

Research and Enterprise

Following the results of REF2014, a review of the University's research capabilities has been completed and the findings integrated in the University's Strategic Plan 2016–2020. The University continues to invest in enhancing its research support services and infrastructure. The creation of a central Research and Enterprise team is nearing completion, and the first phase of the new Research Information System (RIS) was launched in September 2016.

Development of the University's interdisciplinary Institutes progressed during 2015/16, with directors appointed to the new Institute for Research on Culture and the Creative Industries, the Marine and Maritime Institute, and the Energy and Environment Institute. The Institute for Clinical and Applied Health Research, to be established in the new health campus in 2017, was awarded a £500,000 Wolfson Foundation grant to support its planned research centre for palliative care.

The Enterprise Centre continues to provide support to new businesses both internal and external to the University. Significant progress has been made with developing software products for the emergency services and there has been further investment in the University's spin-out businesses, such as Polar OLED Ltd. The University is investing with the East Riding of Yorkshire Council in a Business Centre for the High Tech sector at the new Bridgehead Business Park. Many of the fledgling businesses created through the Enterprise Centre are now rooted in the city of Hull and employing graduate-level staff. Office of National Statistics data released in November 2015 confirmed that, with fifty-six per cent of tenants, past and present, having operated for five years or more, the success rate of Enterprise Centre start-ups exceeds the national, Yorkshire and the Humber and Hull averages.

The University has continued to enhance its portfolio of academic and sector-driven research and development activity in offshore wind. A project team (Project Aura) has been established to develop an Innovation and Education Centre to support the offshore wind sector. The project aims to create a world-leading multidisciplinary centre that changes the culture and practice of collaboration in the offshore wind industry and supports the sector to drive down the cost of energy through the supply chain. The project is receiving strong support from industry and the Green Port Growth Programme, and collaborations are being developed with other universities and sector organisations.

Hull UK City of Culture 2017

Being a principal partner to Hull2017 has provided the University with the unique opportunity to connect with the city, the region and the nation through the planning and programming of a year-long cultural programme. This engagement is strengthening the University's role as an anchor institution, while at the same time building its reputation as an outstanding University. The coordination of the University's contribution to the year across the five key areas of programming, research, marketing, legacy and student opportunities is managed through the Culture Campus office. The vision is to build a Campus of Culture that capitalises on the University's recent investment in its cultural infrastructure and connects schools and faculties across campus, to provide a platform for debate, insight and academic exploration, alongside and connected to the City of Culture celebrations. The University is the exclusive academic partner for evaluation and research relating to the social, economic and civic impact of City of Culture 2017 on Hull.

Professional Services

The Development and Alumni Relations Office continues to expand its programme of increasing philanthropic income and of engaging and keeping in touch with alumni, supporters and friends of the University. Major gifts received included a gift of £7m from local businessman Dr Assem Allam towards the Allam Medical Building at the heart of the new £28m health campus. Across the world, alumni groups organised events, including high-profile ones in London and Hong Kong.

The IT Transformation Journey is enhancing and enriching academic and non-academic life across the University through investment in information systems and services. During 2015/16, the programme has delivered a new High Performance Computing facility, progressed the implementation of enhanced systems for HR and payroll, research information and telephony, and initiated a project to automate the generation of management information and business intelligence.

The University's marketing and communications teams have been centralised and restructured and the team's capability increased through successful recruitment to key roles. The team has supported student recruitment and corporate relationships through a greater digital presence, tailored content and style and improved publications such as the University annual report and Venn magazine for alumni. The redevelopment of the University website is in beta phase, a new content management system has been commissioned and a brand development project is underway.

In addition to ongoing major capital projects, such as the new student residences, Allam Medical Building and Middleton Hall, the University undertook smaller capital works to reroof the Robert Blackburn building, upgrade student houses, upgrade campus toilet facilities and improve the electrical infrastructure in the Hardy and Chemistry buildings. The Estates Directorate undertook a review of the Portering and Security Services to improve efficiency and service quality.

Risk Management

The University has a robust systematic method of assessing and managing risks. Risk assessment is an integral part of the planning and budgeting processes, and directorates, schools and faculties assist with identifying and addressing risks. The 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.

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 2016.

Financial Performance in the 2015/16 year

Implementation of FRS 102

These are the University's first financial statements prepared in accordance with Financial Reporting Standard (FRS) 102 and the 2015 Higher Education Statement of Reporting Practice (SORP). The comparative information for the year ended 31 July 2015, and an opening FRS 102 financial position at 1 August 2014, has also been restated in accordance with FRS 102.

The Income and Expenditure Account and the Statement of Total Recognised Gains and Losses (STRGL) are replaced by a Statement of Comprehensive Income and Expenditure (SOC1). The Balance Sheet remains in its previous layout, although there are changes to the way particular items are shown (see below). The Cash Flow statement is now more detailed, showing all items on the face of the statement rather than in accompanying notes.

A summary of the effects of the transition to FRS 102 on the financial statements is shown in note 24 to the financial statements, with the major changes as follows:

- In line with most other institutions, the University chose to conduct a one-off revaluation of some of its land and buildings as at 1 August 2014 (the transition date), and use this valuation as the deemed cost of those assets. The effect of this has been to strengthen the University's Balance Sheet, with fixed assets increasing by £129m at the transition date.
- At the same time as the revaluation, the economic useful life of the revalued buildings was reassessed and depreciation calculated using that new life. This resulted in no significant restatement of the depreciation charge in 2015.
- Universities participating in the USS pension scheme are now required to recognise on the Balance Sheet their share of the scheme's agreed deficit recovery plan. The initial provision at the FRS 102 transition date of 1 August 2014 amounted to £9.6m. As the scheme's triennial review took place during the 2014/15 financial year, further reassessment of the provision was required at 31 July 2015, leading to an almost doubling of the figure to £18.7m.
- The University has chosen to adopt a policy of accounting for government capital grants using the accruals accounting method, whereby funds are held in the Balance Sheet and released each year in line with the economic useful life of the asset to which they relate. Their position in the Balance Sheet has now changed to be included within creditors. Under FRS 102 non-government capital grants must be accounted for using the performance accounting method,

where they are deferred as creditors on the Balance Sheet until the purpose for which they were given has been achieved. They are fully released to the SOCI at that point.

- All revenue grants, regardless of source of funding, are required to be accounted for using the performance accounting method.
- An accrual for annual holiday leave entitlement not taken at the financial year end is required under FRS 102. This was calculated as at 1 August 2014 using a sample of holiday leave records from departments across the University, and will be reviewed each year to determine whether any change in the accrual is required. Any change will be charged/credited to staff costs in that year.

Financial Performance Compared to Prior Years

The University has achieved a surplus of £5m, representing 2.7% of total income.

The restated 2015 year end position is a deficit of £6.3m, from a previously stated UK GAAP surplus of £5.9m. The factors in this movement of £12.2m are:

- Recalculation of the USS deficit recovery plan, following a triennial review of the scheme in 2015, requiring an increase of £9.1m in the provision;
- Restatement of pension scheme adjustments in relation to the University and North Yorkshire schemes, as FRS 102 requires the expected return on assets to be calculated using the discount rate with no credit taken for expected outperformance of assets, requiring an increase of £1.7m in interest and other finance costs;
- The move to performance accounting for all grants except government capital grants required income to be reduced by £2.2m, as balances previously released to income under UK GAAP were released to reserves at the transition date of 1 August 2014;
- Items previously shown in the STRGL are now shown in the SOCI, resulting in an increase of £0.5m restated income.

Total income increased by £5.3m from £179.5m in 2014/15 (restated) to £184.8m in 2015/16. Funding Council grants fell by £2.9m, whilst tuition fee income rose by £4.3m. Income from research grants and contracts fell by £0.5m.

£1.7m was received in the financial year from HM Revenue & Customs in relation to Research & Development Expenditure Credits. This is an initiative offered by the Government under which, following a change in legislation, universities were entitled to claim for a short space of time (from April 2013 to July 2015) for qualifying expenditure on certain types of research - where the intention of the work was to advance existing knowledge or capability in science or technology. Legislation has since been changed again to make universities ineligible for any further claims from 1 August 2015.

The University was informed of a legacy in excess of £3m from an alumna during the year, which has been included in this year's financial statements due to entitlement to the funds being confirmed by probate of the will. Actual receipt of the assets concerned commenced in August 2016.

As outlined in the Statement of Principal Accounting Policies, an impairment review of assets is carried out if circumstances indicate the carrying amount of fixed assets may not be recoverable. Scarborough land, buildings and equipment were previously held at historic depreciated cost, but indications of market values at the year end for the land, buildings and equipment show a likely value of £4m. Thus an impairment charge of £3.2m in the SOCI has been made this year.

Total expenditure for the year fell to £177.4m (restated 2015: £185.6m). Total pay costs decreased to £101.7m (restated 2014/15: £110.8m). In addition, £1.3m was incurred on a selective voluntary leavers scheme (2015: £2.7m). Operating expenses fell by £0.8m.

The depreciation charge for the year increased by £2.8m to £12.8m, as the University's capital investment plan for its estate, facilities and computer systems continues.

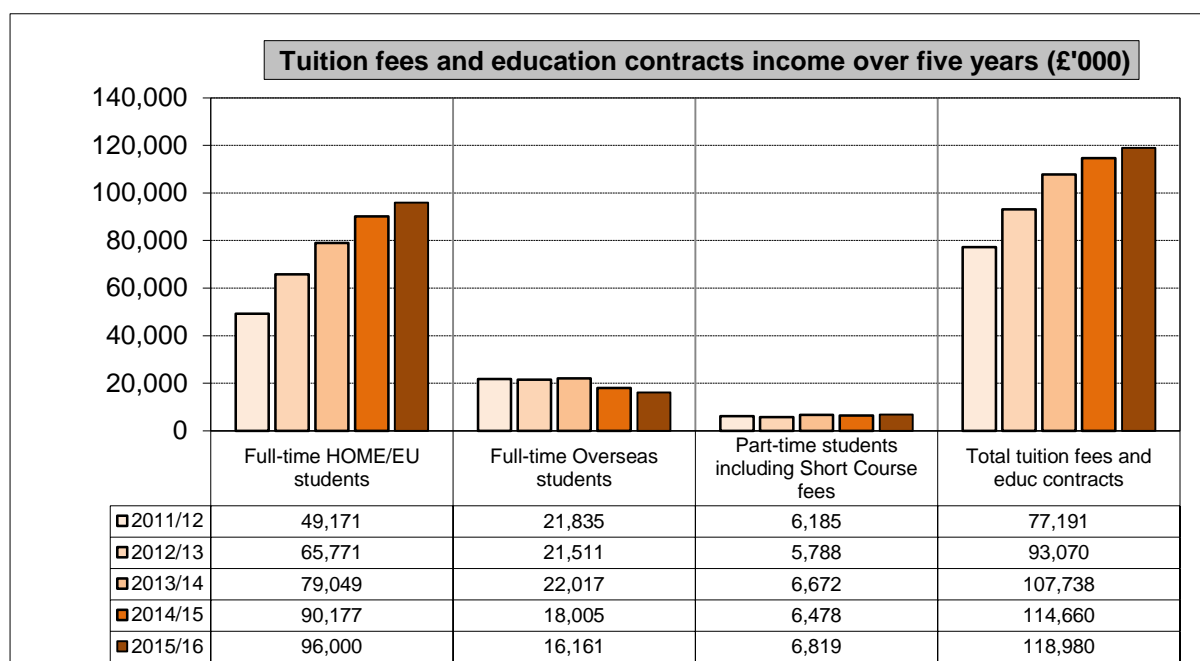
The funding of the capital expenditure programme has reduced cash and cash equivalents (deposits maturing in less than three months) and short term investments (maturing in 3 - 12 months) to £27.7m. Net assets are £185.6m at the year end.

The following table and charts summarise key financial indicators and track University financial performance over the last five years (2014/15 restated for the transition to FRS 102).

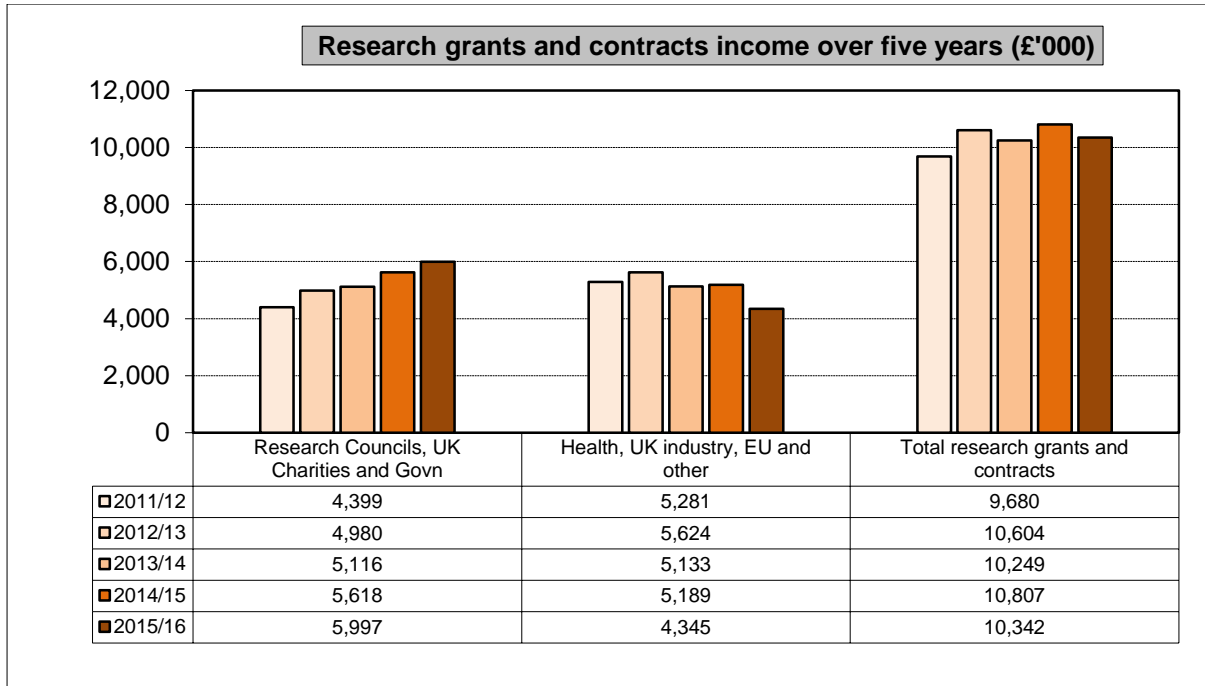
£m	2015/16	2014/15	2013/14	2012/13	2011/12
Income	184.8	179.5	180.4	176.0	172.4
Expenditure	177.4	185.6	170.7	165.8	161.8
Surplus/(deficit) before gains & losses	7.4	(6.1)	-	-	-
Gains and losses	(2.4)	(0.2)	-	-	-
Surplus/(deficit) for the year	5.0	(6.3)	9.8	10.2	10.6

Significant, exceptional costs included in expenditure in the table above:

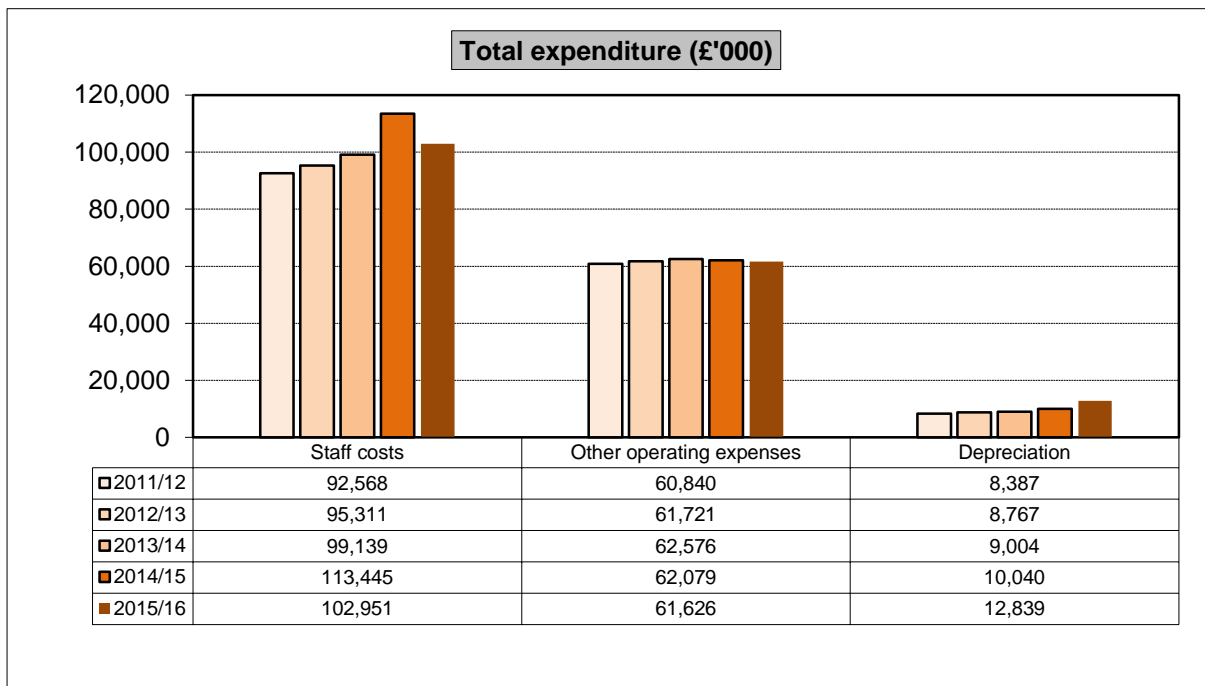
Voluntary Leavers Scheme	1.3	2.7	-	-	1.9
USS pension provision	-	9.1	-	-	-



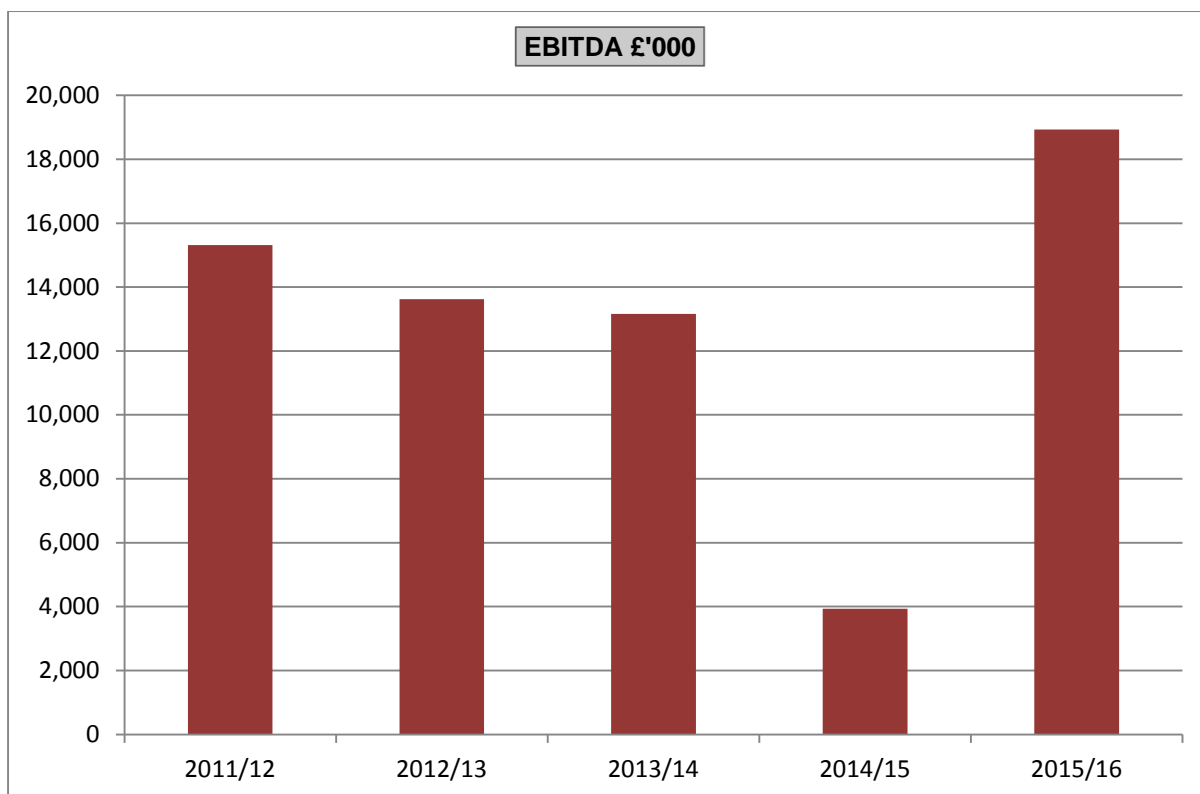
The level of fee income from full time Home/EU students continues to rise, although overseas student income continues to fall, this year by almost £2m. Part time student income shows a modest increase after two static years.



Overall, research income has decreased by £0.5m this year. Funding from research councils, charities and government sources actually increased by £0.4m, although this was masked by a fall of £0.9m from other funding sources.

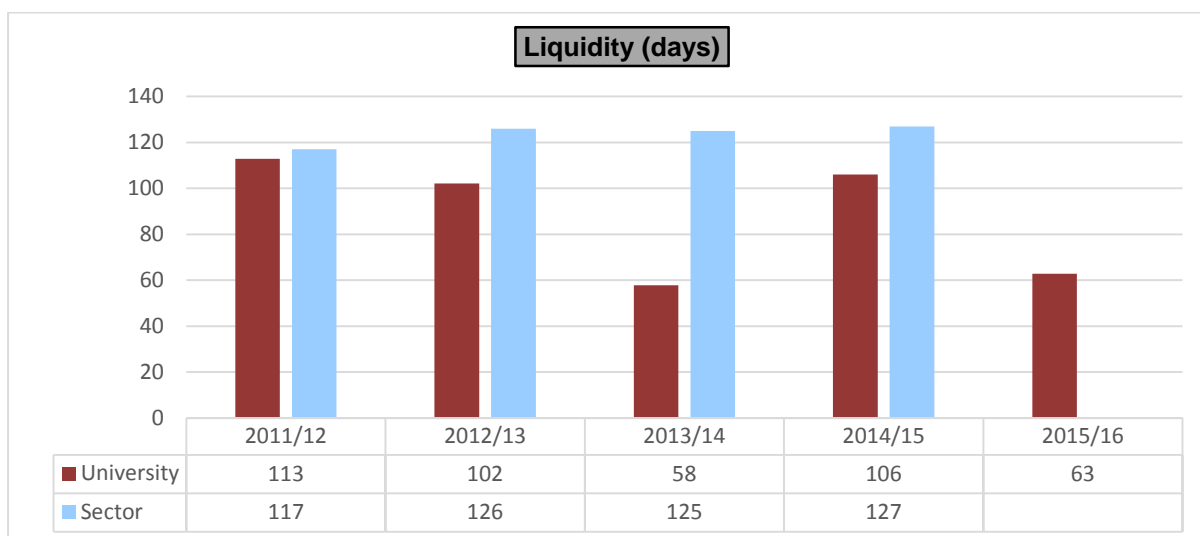


Staff costs in 2015 (restated) are inflated by the increase required in the USS provision under FRS 102. Operating expenses fell by £0.4m in 2015/16 due to successfully implementing cost savings across all departments.



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.

EBITDA for 2014/15 has fallen from the UK GAAP position of £13.2m to the FRS 102 position of £3.9m. This is mainly due to the original surplus of £5.9m being restated to a deficit of £6.3m (for reasons outlined previously), with the adjusting items of interest, depreciation, deferred capital grants released and pension credits also being restated under the requirements of the new accounting framework.



Liquidity (days cover) measures the number of days the University could meet its immediate obligations with the cash and short term investments it holds. Ongoing capital expenditure has reduced the cash and short term investments held by the University and thus liquidity has fallen as planned this year.

Cash Flow

The University generated £16.6m of cash from operating activities. This contributed to funding capital expenditure of £42.3m. Spend on these capital projects led the University to reduce its cash and cash equivalents and short term cash deposits by £21.9m. The University made debt repayments of £1.3m.

The University is funding its investment plans through cash generation from operating activities, and through external loan funding from the European Investment Bank. The University also has in place a £40m Revolving Credit Facility with Lloyds Bank.

Treasury Management

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

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

Pensions

Provisions for pensions have risen to £63.6m. £19.2m of this relates to the provision for the USS agreed deficit recovery plan; £38.6m of this relates to the University of Hull Pension and Assurance Scheme (UHPAS) (2015: £36.6m).

The remaining £5.8m of the University's total pension liability relates to the North Yorkshire Pension Fund (NYPF) (2015: £3.5m).

Going Concern

As at 31 July 2016 the University had cash deposits (current asset investments and bank) of £27.7m and net assets of £185.6m, with flexibility of further funding available as noted under Cash Flow above. Financial forecasts support the ongoing delivery of the University's Strategic Plan, and it is therefore considered that the University has adequate resources to continue in operational existence for the foreseeable future and is a going concern.

Capital Programme

In 2015/16, the University invested £42.3m in capital projects, of which estates capital projects accounted for £34m. Capital investment will rise again during 2016/17 as the health campus project, Staff House refurbishment and sports facilities project, along with costs associated with the new West Campus residence development, are delivered within the year.

The programme of long-term maintenance and improvement of the estate continued with an investment of £1.4m in 2015/16. Projects included upgrades to heating and lighting in Larkin, roadway repairs, improvements to University House, roof access safety improvements, Thwaite Hall external wall repairs, CCTV upgrades, internal and external decoration to specific building areas, fire upgrades to buildings in line with the Fire Regulatory Reform Act, and upgrades to server areas at Thwaite Hall and University House.

The major refurbishment of Middleton Hall was completed for the start of the 2016/17 academic year. A state-of-the-art contemporary performance facility, Middleton Hall will serve as one of the major venues for the delivery of Hull UK City of Culture events in 2017. An official launch, including a film screening and evening concert, was held on 15 October 2016. During 2015/16, the refurbished Brynmor Jones Library, which was formally opened in September 2015, garnered awards from RIBA (Royal Institute of British Architects) Yorkshire and the Hull Civic Society.

The Courtyard, the new 562-bedroom student accommodation located on the main campus, is also nearing completion, with students moving into the new accommodation blocks between September and December 2016. A major bidding process was carried out in 2016 to appoint a partner to provide an

additional 1,450 student bedrooms on the West Campus. The University is working alongside the preferred bidder to develop the project, with the first phase expected to be delivered in September 2018. The sale of 87 University-owned student houses to local student accommodation provider Kexgill is underway. Kexgill will continue to work closely with the University to provide a high standard of local student housing. The University has also agreed the sale of Needler Hall for a total receipt of £3.15m. Appropriate planning permission has been agreed for the site and completion is anticipated by December 2016.

There are three main capital projects currently being developed for delivery in 2016/17. Work on the £28m health campus is well underway, with the Allam Medical Building and Loxley Building refurbishment on target for completion by September 2017. The University is investing around £15m in new sports facilities, including two new sports halls, enlarged fitness facilities and improvements in changing and pitch provision. Work on this development commenced in October 2016. Staff House is undergoing a major refurbishment to upgrade the catering and conferencing provision to support the growth in on-campus accommodation and the demand created by UK City of Culture 2017. The £7m refurbishment is due to be completed by January 2017.

Energy consumption for the year was 17,699 tonnes of CO₂ (tCO₂). The University's Carbon Management Plan aims to achieve a reduction in CO₂ emissions from the University estate from 19,090 tCO₂/year in 1990 to 12,599 tCO₂/year in 2020, a 34% reduction. Consumption remains slightly above target, though the annual targets do not fully reflect the considerable changes currently underway to develop the estate, student numbers or campus occupancy.

Future Outlook

Many immediate challenges lie ahead in the new higher education environment, not least the increasingly competitive nature of student recruitment and research funding, implementation of the Teaching Excellence Framework and other changes to the regulatory architecture proposed in the Higher Education and Research Bill, and the impact of the vote for the UK to leave the EU.

The University continues to invest in the step change in performance and infrastructure demanded by its ambitious vision for the future. It is confident that its focus on excellence, empowerment and sustainability will enable the University to build on its successes and continue to deliver world-class and transformative research, enterprise, learning and teaching, and an exceptional experience for its students, staff and partners.

Mr B J Dodd CBE
Chair of Council
24 November 2016

Professor P G Burgess
Acting Vice-Chancellor
24 November 2016

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. In December 2014 a revised and updated Higher Education Code of Governance was published by the Committee of University Chairs, which was formally adopted by the University Council on 2 July 2015.

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

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

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.

The following members served during the period 1 August 2015 to 24 November 2016:

Lay Members:

Mr J Darrock	(from 19 November 2015)
Mr B J Dodd CBE	(Chair)
Mr A J Eavis	
Mr J Fallon	(from 19 November 2015)
Mr D A Gibbons	
Sir P Grant	
Dr K G Hopkins	
Mrs U Lidbetter MBE	(from 17 March 2016)
Mr S W Lunt	
Lady C M Roberts	
Mrs E W Smith	
Mrs R Vincent	
Mrs J Whittaker	

Non Lay Members:

Vice-Chancellor	Professor C W I Pistorius (Professor Pistorius will step down as Vice-Chancellor at the end of January 2017, but is taking a three-month sabbatical from 1 August 2016 returning to campus in December 2016 for a two-month handover period. During this period of sabbatical and transition, Professor Glenn Burgess, Deputy Vice-Chancellor will assume the position of Acting Vice-Chancellor).
Chief Finance Officer A Pro-Vice-Chancellor	Mr S Willis Professor P G Burgess (Acting Vice-Chancellor 1 August 2016 to 30 November 2016)
Senate (a Dean)	Professor S M Kelly
Senate (a Head of Department or School)	Professor C M Kennedy (to 31 July 2016)
Senate (appointed member)	Dr M Lorch Professor C Montgomery (to 30 September 2016)
Non academic staff	Mr K J Butler (to 10 May 2016)
President, Students' Union	Mr C Okide (2015/16) Mr M Evans (2016/17)

The Council will appoint to vacant slots on 24 November 2016.

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

The 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 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 2015/16, 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 Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum of assurance and accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;
- safeguard the assets of the University and 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 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 2016 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/Schools are briefed annually on risk processes and controls are reviewed at least once per year;
- A risk prioritisation methodology is used based on the probability and likely impact of the risk materialising.

An internal audit of risk management was conducted in 2016. The report stated that the institutional risk register contains examples of good risk management practice. It suggested some enhancements to the risk register which were introduced in 2016.

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 October 2015.

Council - Statement of Primary Responsibilities

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

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

14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University; and
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Mr B J Dodd CBE (Chair of Council)

Professor P G Burgess (Acting Vice-Chancellor)

24 November 2016

24 November 2016

Independent Auditor's 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 2016 which comprise the University statement of comprehensive income, the University statement of changes in reserves, the University Balance Sheet, the University statement of cash flows 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) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of the Council and auditor

As explained more fully in the Statement of responsibilities of the Council set out on page 20, the Council is 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/auditscopeukprivate.

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 2016, and of the University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014.

Opinion on other matters prescribed by HEFCE's Memorandum of Assurance and Accountability dated July 2016 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 University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE and the National College for Teaching and Leadership have been applied in accordance with the Memorandum of Assurance and Accountability, the funding agreement with the National College for Teaching and Leadership and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
November 2016

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

2. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition has affected the reported financial position and performance is provided at note 24.

3. 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.

4. Recognition of income

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

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

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

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

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

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

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

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

5. Pensions

The two principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS) for academic and academic-related staff and the University of Hull Pension and Assurance Scheme for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Pension costs are assessed in accordance with the advice of the actuaries to each scheme, based on the latest actuarial valuations of the schemes. A small number of staff remain in other pension schemes.

(i) Universities' Superannuation Scheme

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

(ii) University of Hull Pension and Assurance Scheme

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

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the SOCI.

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

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

6. Land and buildings

Land and Buildings are stated at historic or deemed cost. A one off valuation exercise as at 1 August 2014 was conducted under the transition to FRS 102 by an external chartered surveyor, as detailed in note 11 to the financial statements. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over their expected useful lives of 50 years, or the length of lease for leasehold properties.

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

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

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

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

7. Equipment

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

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

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

All motor vehicles, regardless of cost, are capitalised, and depreciated over 8 years. No depreciation is charged in the year of acquisition.

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

8. Heritage assets

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

9. Maintenance of premises

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

10. 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.

11. Investments

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

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

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

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

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

12. Stocks

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

13. Cash and cash equivalents

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

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

14. 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.

15. 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.

16. Agency arrangements

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

17. Financial instruments

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

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

18. Judgements and estimates

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

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

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

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

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
INCOME			
Tuition Fees and Education Contracts	1	118,980	114,660
Funding Council Grants	2	24,012	26,866
Research Grants and Contracts	3	10,342	10,807
Research and Development Expenditure Credit (RDEC)	10	1,664	-
Other Income	4	25,143	26,306
Investment Income	5	471	373
TOTAL INCOME BEFORE ENDOWMENTS AND DONATIONS		180,612	179,012
Donations and endowments	6	4,216	510
TOTAL INCOME		184,828	179,522
EXPENDITURE			
Staff Costs	7	101,690	110,771
Fundamental restructuring costs	7	1,261	2,674
Other Operating Expenses	9	59,117	59,911
Depreciation	9	12,839	10,040
Interest Payable	8	2,509	2,168
TOTAL EXPENDITURE		177,416	185,564
Surplus/(deficit) before other gains and losses		7,412	(6,042)
Gain/(loss) on disposal of fixed assets		181	(498)
Impairment of assets		(3,251)	-
Gain on investments		642	266
Surplus/(deficit) before taxation		4,984	(6,274)
Taxation		-	-
Surplus/(deficit) for the year		4,984	(6,274)
Actuarial loss in respect of pension schemes		(4,743)	(3,277)
Total comprehensive income for the year		241	(9,551)
Represented by:			
Endowment comprehensive income for the year	19	682	118
Unrestricted comprehensive income for the year		(441)	(9,669)
		241	(9,551)

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

University Statement of Changes in Reserves

Year ended 31 July 2016

	Income and expenditure account		Total
	Endowment £'000	Unrestricted £'000	£'000
Balance at 1 August 2014	17,962	177,455	195,417
Unrestricted surplus/(deficit) from the income and expenditure statement	-	(9,669)	(9,669)
Endowment (CMRI)	(157)	-	(157)
Release unrestricted funds to endowment	275	(275)	-
Total comprehensive income for the year	118	(9,944)	(9,826)
Balance at 1 August 2015	18,080	167,511	185,591
Unrestricted surplus/(deficit) from the income and expenditure statement	-	(441)	(441)
Other comprehensive income	422	-	422
Release unrestricted funds to endowment	260	(260)	-
Total comprehensive income for the year	682	(701)	(19)
Balance at 31 July 2016	18,762	166,810	185,572

Balance Sheet as at 31 July 2016

	Note	2016 £'000	2015 £'000
NON CURRENT ASSETS			
Fixed Assets	11	298,866	276,736
Investments	12	15,578	13,005
		<u>314,444</u>	<u>289,741</u>
CURRENT ASSETS			
Properties for sale	11	4,075	-
Stocks		67	110
Trade and other receivables	13	13,034	10,192
Investments	14	15,000	7,000
Cash and cash equivalents	15	12,699	42,604
		<u>44,875</u>	<u>59,906</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(47,114)</u>	<u>(38,929)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,239)</u>	<u>20,977</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>312,205</u>	<u>310,718</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(62,333)	(65,590)
PROVISIONS			
Pension provisions	18	(63,573)	(58,811)
Other provisions	18	(727)	(726)
TOTAL NET ASSETS		<u>185,572</u>	<u>185,591</u>
RESTRICTED RESERVES			
Restricted endowments reserve	19	18,762	18,080
UNRESTRICTED RESERVES			
Unrestricted I&E reserve		166,810	167,511
TOTAL		<u>185,572</u>	<u>185,591</u>

The financial statements were approved by the Council on 24 November 2016, and signed on its behalf by:

Mr B J Dodd CBE (Chair of Council)

Professor P G Burgess (Acting Vice-Chancellor)

Statement of Cash Flows for the year ended 31 July 2016

	2016	2015
	£'000	£'000
Cash flow from operating activities		
Surplus/(deficit) for the year	4,984	(6,274)
Adjustment for non-cash items:		
Depreciation	12,839	10,040
Loss/(gain) on investments	(642)	(266)
Decrease/(increase) in stock	43	(5)
Decrease/(increase) in debtors	(2,842)	(689)
Increase/(decrease) in creditors	3,805	2,750
Increase/(decrease) in pension provision	4,762	11,867
Actuarial (loss) in respect of pension schemes	(4,743)	(3,277)
Increase/(decrease) in other provisions	-	(13)
Reverse revaluation reserve release	-	(47)
Impairment of assets	3,251	-
Adjustment for investing or financing activities:		
Investment income	(471)	(373)
Interest payable	815	350
Endowment income	(338)	(227)
CMRI disposal	180	-
Increase endowment investments	(1,811)	(1,313)
(Profit)/loss on the sale of fixed assets	(181)	498
Capital grant income	(3,042)	(3,013)
Net cash inflow from operating activities	16,609	10,008
Cash flows from investing activities		
Proceeds from sales of fixed assets	239	-
Capital grants receipts	1523	2,051
(Increase)/withdrawal of deposits	(8,000)	3,000
Investment income	471	373
Payments made to acquire fixed assets	(42,332)	(13,949)
New non-current asset investments	(300)	-
New deposits	(338)	(227)
	(48,737)	(8,752)
Cash flows from financing activities		
Interest paid	(815)	(350)
Endowment cash received	338	227
New unsecured loans	4,000	20,000
Repayments of amounts borrowed	(1,300)	(300)
	2,223	19,577
(Decrease)/increase in cash and cash equivalents in the year	(29,905)	20,833
Cash and cash equivalents at beginning of the year	42,604	21,771
Cash and cash equivalents at end of the year	12,699	42,604

Notes to the Accounts

	2016	2015
	£'000	£'000
1 TUITION FEES AND EDUCATION CONTRACTS		
Full-time home and EU students	96,000	90,177
Full-time international students	16,161	18,005
Part-time Students	3,404	3,236
Research Training Support Grants	280	352
Short Course Fees	3,135	2,890
	<u>118,980</u>	<u>114,660</u>
2 FUNDING COUNCIL GRANTS		
Recurrent Grant	19,017	21,671
Specific Grants		
National College for Teaching & Leadership	325	354
Higher Education Innovation Fund	1,447	1,945
JISC	44	51
Other	457	376
Deferred Capital Grants Released in Year	2,722	2,469
	<u>24,012</u>	<u>26,866</u>
Funding Council Grants represent grants from the Higher Education Funding Council for England and the National College for Teaching & Leadership.		
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	2,939	2,465
UK Charities	1,764	1,981
UK Central Government	1,294	1,172
Local Authorities	71	56
Health & Hospitals	996	1,189
UK Industry	1,283	1,506
EU	1,339	1,978
Overseas and Other Sources	656	460
	<u>10,342</u>	<u>10,807</u>

Notes to the Accounts

	2016 £'000	2015 £'000
4 OTHER INCOME		
Residences, Catering and Conferences	15,133	15,440
Other Services Rendered	3,409	3,190
Health Authorities	2,722	3,512
Released from Deferred Capital Grants	337	385
Rents Receivable and Facilities income	581	536
ERASMUS Grants	277	446
Other Revenue Grant and Departmental income	1,303	1,626
Other Income	1,381	1,171
	<u>25,143</u>	<u>26,306</u>
5 INVESTMENT INCOME		
Investment income from endowments	257	211
Other investment income	214	162
	<u>471</u>	<u>373</u>
6 DONATIONS AND ENDOWMENTS		
New endowments	338	227
Unrestricted donations	3,878	283
	<u>4,216</u>	<u>510</u>
7 STAFF		
Staff Costs:		
Wages & Salaries	78,778	78,422
Social Security Costs	6,352	6,417
Movement on USS provision	251	8,762
Other Pension Costs	18,235	19,160
Other pension adjustments	(1,926)	(1,990)
	<u>101,690</u>	<u>110,771</u>
Exceptional Early Leaver Scheme costs	1,261	2,674
	<u>102,951</u>	<u>113,445</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 (2016: £4,880k; 2015: £4,762k).

Notes to the Accounts

7 STAFF (cont.)

	2016	2015
	£'000	£'000
Emoluments of the Vice-Chancellor	249	247
Salary	11	11
Benefits in kind as assessed for HMRC purposes	<u>260</u>	<u>258</u>
Employer contributions to USS	<u>42</u>	<u>40</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff and the employer contributions to USS are paid at the same rate as for other academic staff.

	2016	2015
	Number	Number
Average Staff Numbers by Major Category		
Academic/Clinical	1,225	1,223
Technical	177	183
Administrative	444	426
Support	246	236
	<u>2,092</u>	<u>2,068</u>

Excluding the Vice-Chancellor, remuneration of Higher Paid Staff (excluding employers pension contributions): Staff to whom payments are made on behalf of the NHS, in respect of contracted clinical responsibilities, are shown in the column headed *.

	2016		2015	
	No. of Staff		No. of Staff	
	*		*	
£200,000 - £209,999	-	-	1	-
£190,000 - £199,999	-	-	-	-
£180,000 - £189,999	1	-	-	-
£170,000 - £179,999	-	-	1	-
£160,000 - £169,999	5	1	3	-
£150,000 - £159,999	-	-	2	-
£140,000 - £149,999	-	-	1	1
£130,000 - £139,999	-	3	1	3
£120,000 - £129,999	3	1	4	1
£110,000 - £119,999	1	2	-	1
£100,000 - £109,999	-	6	2	5

Key management personnel

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

	2016	2015
	£'000	£'000
Key management personnel	<u>1,409</u>	<u>1,263</u>

Notes to the Accounts

	2016 £'000	2015 £'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	815	350
Net charge on pension scheme	1,694	1,818
	<u>2,509</u>	<u>2,168</u>

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Depreciation £'000	Other Operating Expenditure £'000	Interest Payable £'000	2016 Total £'000	2015 Total £'000
Academic Departments	59,301	1,467	12,070	-	72,838	78,558
Academic Services	14,965	881	9,181	-	25,027	20,081
Research Grants and Contracts	3,904	105	4,100	-	8,109	8,493
Residences, Catering and Conferences	2,701	1,473	5,449	-	9,623	10,991
Premises	5,326	8,886	7,095	2,509	23,816	21,303
Administration	9,367	27	4,185	-	13,579	12,123
Services Rendered	917	-	731	-	1,648	1,712
Movement in pension costs	251	-	-	-	251	8,848
Other Expenses	4,958	-	16,306	-	21,264	20,781
	<u>101,690</u>	<u>12,839</u>	<u>59,117</u>	<u>2,509</u>	<u>176,155</u>	<u>182,890</u>
Exceptional Early Leaver Scheme	1,261	-	-	-	1,261	2,674
	<u>102,951</u>	<u>12,839</u>	<u>59,117</u>	<u>2,509</u>	<u>177,416</u>	<u>185,564</u>

Other operating expenses include:	£'000	£'000
External auditors remuneration in respect of audit services	45	42
External auditors remuneration in respect of non audit services	14	3

10 TAXATION

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

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

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

The income relates to the actual claims for the 4 months ended 31 July 2013, year ended 31 July 2014 and year ended 31 July 2015.

Notes to the Accounts

11 FIXED ASSETS

	Land & Buildings		Mechanical & electrical Equipment		Work in progress	Total £'000
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000	
Cost:						
At 1 August 2015	240,812	1,085	44,277	16,253	7,090	309,517
Additions	-	-	-	145	42,187	42,332
Transfers from WIP	1,137	-	1,505	3,321	(5,963)	-
Disposals	(88)	-	-	-	-	(88)
Impairment of assets	(3,251)	-	-	-	-	(3,251)
Reclassification to current assets	(6,605)	-	-	-	-	(6,605)
At 31 July 2016	<u>232,005</u>	<u>1,085</u>	<u>45,782</u>	<u>19,719</u>	<u>43,314</u>	<u>341,905</u>
Depreciation:						
At 1 August 2015	22,313	829	855	8,784	-	32,781
Charge for the year	6,812	51	3,159	2,817	-	12,839
Disposals	(32)	-	-	-	-	(32)
Reclassification to current assets	(2,549)	-	-	-	-	(2,549)
At 31 July 2016	<u>26,544</u>	<u>880</u>	<u>4,014</u>	<u>11,601</u>	<u>-</u>	<u>43,039</u>
Net Book Value						
At 31 July 2016	<u>205,461</u>	<u>205</u>	<u>41,768</u>	<u>8,118</u>	<u>43,314</u>	<u>298,866</u>
Net Book Value						
At 1 August 2015	<u>218,499</u>	<u>256</u>	<u>43,422</u>	<u>7,469</u>	<u>7,090</u>	<u>276,736</u>

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

Heritage assets

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

12 NON CURRENT INVESTMENTS

	2016 £'000	2015 £'000
CHeMTriX/Kingston Chemicals	87	87
Polar Oled	300	-
CMRI	5,312	5,249
Endowment investments	<u>9,879</u>	<u>7,669</u>
	<u>15,578</u>	<u>13,005</u>

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

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held %	Nature of business
Abiquest Limited	England & Wales	Ordinary	100	Dormant
Avoco Medical Ltd	England & Wales	Ordinary	100	Dormant
Polar Oled Limited	England & Wales	Ordinary	27	Materials
Vertual	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 operated entirely in their country of incorporation except for CHeMTriX Ltd.

Notes to the Accounts

	2016 £'000	2015 £'000
13 TRADE AND OTHER RECEIVABLES		
Trade, Student and Research Debtors	10,031	8,245
Prepayments and accrued income	3,003	1,947
	<u>13,034</u>	<u>10,192</u>
14. CURRENT INVESTMENTS		
Deposits maturing in one year or less	<u>15,000</u>	<u>7,000</u>
<p>Deposits are held with banks and building societies in accordance with the University's Treasury Management Policy with more than 3 months maturity at the Balance Sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.</p>		
15 CASH AND CASH EQUIVALENTS		
Endowments	3,571	5,162
Short term investments (< 3 months to maturity)	6,929	14,023
Cash at bank	2,199	23,419
	<u>12,699</u>	<u>42,604</u>
16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Grants and Donations Received in Advance	10,706	7,321
Secured Bank Loan	5,300	1,300
Trade Creditors	12,646	12,164
Social Security and other Taxation Payable	2,489	2,246
Accruals and Deferred Income	12,494	12,734
Deferred Capital Grants	3,479	3,164
	<u>47,114</u>	<u>38,929</u>
17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Bank Loans Repayable 2010 to 2035	23,075	24,375
Deferred Capital Grants	39,258	41,215
	<u>62,333</u>	<u>65,590</u>
<p>One bank loan is secured on the Business School and the Lawns residential complex.</p>		
<p>The bank loans are repayable as follows:</p>		
Less than one year	5,300	1,300
Between one and two years	1,300	1,300
Between two and five years	3,900	3,900
In five years or more	17,875	19,175
	<u>28,375</u>	<u>25,675</u>

Notes to the Accounts

18 PROVISION FOR LIABILITIES AND CHARGES	USS provision £'000	Other pension scheme provisions £'000	Other provisions £'000	Total £'000
At 1 August 2015	18,677	40,134	726	59,537
Utilised in the year	-	-	-	-
Additions	578	4,184	1	4,763
At 31 July 2016	<u>19,255</u>	<u>44,318</u>	<u>727</u>	<u>64,300</u>

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

The pension enhancement provision of £726k partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£720k); plus an amount of £6k for former University of Hull employees where the pension is paid directly by the University.

19. ENDOWMENT RESERVES

	Unrestricted Permanent £'000	Restricted Expendable £'000	Restricted Permanent £'000	CMRI Endowment £'000	Restricted Total £'000	2016 Total £'000	2015 Total £'000
Capital Value	6,814	708	3,373	5,247	9,328	6,142	15,714
Accumulated Income	-	46	1,778	114	1,938	1,938	2,247
At 1 August 2015	<u>6,814</u>	<u>754</u>	<u>5,151</u>	<u>5,361</u>	<u>11,266</u>	<u>18,080</u>	<u>17,961</u>
New endowments	-	287	51	-	338	338	228
Increase in market value of investments	265	-	133	244	377	642	266
Investment income	141	6	109	1	116	257	211
Expenditure	(141)	(76)	(76)	(262)	(414)	(555)	(586)
Total endowment comprehensive income for the year	<u>265</u>	<u>217</u>	<u>217</u>	<u>(17)</u>	<u>417</u>	<u>682</u>	<u>119</u>
At 31 July 2016	<u>7,079</u>	<u>971</u>	<u>5,368</u>	<u>5,344</u>	<u>11,683</u>	<u>18,762</u>	<u>18,080</u>
Represented by:							
Capital	7,079	924	3,556	5,312	9,792	16,871	16,143
Accumulated Income	-	47	1,812	32	1,891	1,891	1,937
	<u>7,079</u>	<u>971</u>	<u>5,368</u>	<u>5,344</u>	<u>11,683</u>	<u>18,762</u>	<u>18,080</u>
Analysis by type of purpose:							
Fellowships and scholarships	0	692	2,208	0	2,900	2,900	2,603
Prize funds	0	28	468	0	496	496	454
Chair and lectureship funds	0	1	1,582	0	1,583	1,583	1,595
Other	7,079	250	1,110	5,344	6,704	13,783	13,428
	<u>7,079</u>	<u>971</u>	<u>5,368</u>	<u>5,344</u>	<u>11,683</u>	<u>18,762</u>	<u>18,080</u>
Analysis by asset:							
Current and non current asset investments						15,191	12,918
Cash and cash equivalents						<u>3,571</u>	<u>5,162</u>
						<u>18,762</u>	<u>18,080</u>

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

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

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

	2016 £000	2015 £000
20 CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>26,160</u>	<u>2,148</u>

These commitments will be funded by operating cash flows.

21 EVENTS AFTER THE REPORTING PERIOD

The sale of student houses, shown in the balance sheet as current assets rather than fixed assets at 31 July 2016, was completed on 3 August 2016.

Notes to the Accounts

22 FINANCIAL INSTRUMENTS	2016	2015
	£000	£000
Financial assets:		
Bank and cash	12,699	42,604
Trade & other debtors	10,031	8,245
	<u>22,730</u>	<u>50,849</u>
Financial liabilities:		
Creditors falling due within one year	30,440	26,198
Creditors falling due after one year	23,075	24,375
	<u>53,515</u>	<u>50,573</u>

23 PENSION SCHEMES

(a) Universities Superannuation Scheme (“USS”)

The total cost charged to the SOCI is:

	2016	2015
	£	£
Final Salary	4,517,973	7,091,438
CRB	5,396,022	2,213,893

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

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

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

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year, 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

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

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

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

	2016	2015
Males currently aged 65 years	24.3	24.2
Females currently aged 65 years	26.5	26.4
Males currently aged 45 years	26.4	26.3
Females currently aged 45 years	28.8	28.7
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

(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 31st 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 1st January 2012. With effect from 1 April 2016 the University utilises Friends Life as the support vehicle for this scheme.

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

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

Following the previous actuarial valuation at 6 April 2012, and in order to meet the agreed recovery plan, the University revised its contribution rate to 16.40% of pensionable salaries plus an additional monthly sum, which would increase annually in line with a formula linked to inflation increases. The monthly lump sum increased to £203k with effect from 1 July 2016.

The total pension contributions paid by and charged to the University, including those staff members who participate in the Salary Sacrifice arrangement, totalled £3,690k (2015: £4,009k).

(c) Friends Life Defined Contribution Stakeholder Scheme

On the 31st 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 1st

January 2012. With effect from 1 April 2016 the University changed to Friends Life (from Scottish Widows) as the main support vehicle.

Employer contributions to the scheme during the year, including those staff members who participate in the Salary Sacrifice arrangement, totalled £379k (2015: £319k).

(d) Other Pension Schemes

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £708k during the year (2015: £804k).

Notes to the Accounts

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

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

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

	2016	2015
Rate of increase in salaries	2.70%	3.20%
Rate of increase in pensions in payment	2.70%	3.20%
Discount rate	2.35%	3.60%
RPI Inflation assumption	2.70%	3.20%
CPI Inflation assumption	1.60%	2.10%

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

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

Retiring today		
<i>Males</i>	22.4	21.8
<i>Females</i>	24.5	24.1
Retiring in 20 years		
<i>Males</i>	24.1	23.2
<i>Females</i>	26.4	25.6

The assets in the scheme were:

	2016	2015
	£'000	£'000
Equities	62,328	60,267
Bonds	20,740	17,350
Property	-	-
LDI pooled funds	22,860	15,641
Cash/Other	256	603
	<u>106,184</u>	<u>93,861</u>

Note: In 2016 the equity element includes £29,038k invested in hedge and absolute return funds (2015: £29,610k).

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

Total market value of assets	106,184	93,861
Present value of scheme liabilities	(144,699)	(130,458)
Deficit in the scheme	<u>(38,515)</u>	<u>(36,597)</u>
Current service cost	1,936	2,200
Past service cost	-	-
Total operating charge	<u>1,936</u>	<u>2,200</u>
Expected return on pension scheme assets	3,373	3,373
Interest on pension scheme liabilities	(4,622)	(4,772)
Net charge to other finance income	<u>(1,249)</u>	<u>(1,399)</u>
Gain on assets	9,281	8,941
Loss on liabilities	(11,858)	(11,553)
Changes in assumptions re present value of scheme liabilities	-	-
Actuarial (loss)/gain	<u>(2,577)</u>	<u>(2,612)</u>

Notes to the Accounts

History of experience gains and losses

	2016	2015	2014	2013	2012
Differences between the expected and actual return on scheme assets:					
Amount (£'000)	9,281	8,941	237	4,458	(1,524)
Percentage of scheme assets	9%	10%	0.30%	6%	(2%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(11,858)	(11,553)	(10,002)	(3,815)	590
Percentage of the present value of the scheme liabilities	8%	9%	9%	-	1%
	2016	2015			
	£'000	£'000			

Analysis of movement in deficit

Deficit in scheme at beginning of the year	(36,597)	(34,527)
Movement in the year:		
Current service cost	(2,407)	(2,561)
Contributions by employer	4,315	4,502
Past service costs	-	-
Other financial charges	(1,249)	(1,399)
(Loss) recognised as other comprehensive income	(2,577)	(2,612)
Deficit in scheme at end of year	<u>(38,515)</u>	<u>(36,597)</u>

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

At beginning of the year	130,458	115,559
Current service cost	1,936	2,200
Interest on liabilities recorded within other comprehensive income	4,622	4,772
Contributions by employee	14	22
Past service costs	-	-
Pensions paid	(4,135)	(3,648)
Actuarial losses	11,858	11,553
At end of year	<u>144,753</u>	<u>130,458</u>

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

At beginning of the year	93,861	81,032
Expected return on assets	3,373	3,373
Total contributions	4,329	4,524
Pensions paid	(4,135)	(3,648)
Administration costs	(525)	(361)
Actuarial gain	9,281	8,941
At end of year	<u>106,184</u>	<u>93,861</u>

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

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

A full actuarial valuation of this scheme was carried out at 31 March 2013 and financial assumptions updated 31 July 2016 by a qualified actuary. The major assumptions used by the actuary were:

	2016	2015
Rate of increase in salaries	3.30%	3.50%
Rate of increase in pensions in payment	1.80%	2.00%
Discount rate	2.40%	3.50%
Inflation assumption RPI	2.90%	3.10%
Inflation assumption CPI	1.80%	2.00%

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

Retiring today		
<i>Males</i>	23.3	23.2
<i>Females</i>	25.8	25.7
Retiring in 20 years		
<i>Males</i>	25.6	25.4
<i>Females</i>	28.1	28

Notes to the Accounts

The assets in the scheme were:

	2016	2015
	£'000	£'000
Equities	5,521	5,077
Bonds	1,816	1,935
Property/Cash/Other	1,699	1,436
	<u>9,036</u>	<u>8,448</u>

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

Total market value of assets	9,036	8,448
Present value of scheme liabilities	<u>(14,839)</u>	<u>(11,985)</u>
Deficit in the scheme	<u>(5,803)</u>	<u>(3,537)</u>
Current service cost	356	368
Past service cost	-	-
Total operating charge	<u>356</u>	<u>368</u>
Expected return on pension scheme assets	291	317
Interest on pension scheme liabilities	<u>(409)</u>	<u>(429)</u>
Net charge	<u>(118)</u>	<u>(112)</u>
Gain on assets	559	734
Loss on liabilities	<u>(2,725)</u>	<u>(1,399)</u>
Changes in assumptions re present value of scheme liabilities	-	-
Actuarial (loss)/gain	<u>(2,166)</u>	<u>(665)</u>

History of experience gains and losses

	2016	2015	2014	2013	2012
Differences between the expected and actual return on scheme asset					
Amount (£'000)	559	734	158	995	(290)
Percentage of scheme assets	6%	9%	2%	15%	6%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	<u>(2,725)</u>	<u>(1,399)</u>	-	-	-
Percentage of the present value of the scheme liabilities	18.4%	11.7%	-	-	-

Analysis of movement in deficit

Deficit in scheme at beginning of the year	(3,537)	(2,809)
Movement in the year:		
Current service cost	(356)	(368)
Employer contributions	374	417
Past service costs	-	-
Other financial income	(118)	(112)
(Loss) recognised as other comprehensive income	<u>(2,166)</u>	<u>(665)</u>
Deficit in scheme at end of year	<u>(5,803)</u>	<u>(3,537)</u>

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

At beginning of the year	11,985	10,133
Current service cost	356	368
Interest on liabilities recorded within other comprehensive income	409	429
Employee contributions	88	109
Past service costs	-	-
Pensions paid	(724)	(453)
Actuarial loss	<u>2,725</u>	<u>1,399</u>
At end of year	<u>14,839</u>	<u>11,985</u>

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

At beginning of the year	8,448	7,324
Expected return on assets	291	317
Total contributions	462	526
Pensions paid	(724)	(453)
Actuarial gain	<u>559</u>	<u>734</u>
At end of year	<u>9,036</u>	<u>8,448</u>

Notes to the Accounts

24 FRS 102 TRANSITION

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP.

The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements, the accounting policies for the year ended 2015 and in the preparation of an opening FRS 102 Balance Sheet at 1 August 2014. In preparing its FRS 102, SORP based Balance Sheet, the University has adjusted amounts previously reported in the financial statements which were prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position and financial performance is set out in the following tables.

	Notes	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts	a	114,822	-	(162)	114,660
Funding body grants	b	27,561	-	(695)	26,866
Research grants and contracts	c	11,095	-	(288)	10,807
Other income	d	27,426	-	(1,120)	26,306
Investment income		373	-	-	373
Total income before donations and endowments		<u>181,277</u>	<u>-</u>	<u>(2,265)</u>	<u>179,012</u>
Donations and endowments		-	227	283	510
Total income		<u>181,277</u>	<u>227</u>	<u>(1,982)</u>	<u>179,522</u>
Expenditure					
Staff costs	e	101,923	-	8,848	110,771
Fundamental restructuring costs		2,674	-	-	2,674
Other operating expenses		60,418	-	(507)	59,911
Depreciation		9,894	-	146	10,040
Interest and other finance costs	f	424	-	1,744	2,168
Total expenditure		<u>175,333</u>	<u>-</u>	<u>10,231</u>	<u>185,564</u>
Gain/(loss) on disposal of fixed assets	g	-	-	(498)	(498)
Gain/(loss) on investments		-	266	-	266
Surplus before tax		<u>5,944</u>	<u>493</u>	<u>(12,711)</u>	<u>(6,274)</u>
Taxation		-	-	-	-
Surplus after tax		<u>5,944</u>	<u>493</u>	<u>(12,711)</u>	<u>(6,274)</u>
Transfer from accumulated income within specific endowments		100	-	(100)	-
Surplus for the year		<u>6,044</u>	<u>493</u>	<u>(12,811)</u>	<u>(6,274)</u>
Actuarial (loss)/gain in respect of pension schemes		-	(3,277)	-	(3,277)
Total comprehensive income for the year		<u>6,044</u>	<u>(2,784)</u>	<u>(12,811)</u>	<u>(9,551)</u>

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement Of Comprehensive Income (SOC).

- With the exception of government capital grants, all grants are accounted for using the performance method, whereby they are held as deferred income in the Balance Sheet only until the performance related condition(s) for which the grants were given are completed. Historical deferred income balances on the Balance Sheet were reviewed and those which no longer had outstanding performance related conditions, at 1 August 2014, were fully released to reserves on transition.
- The subsequent restatement of the year ended 31 July 2015 required reversal of income released under previous UK GAAP, which has affected all income lines, except investment income.
- Government capital grants are accounted for using the accruals method, and are now held within creditors on the Balance Sheet rather than as a separate line. The 2014/15 release of such grants was recalculated following the revaluation of parts of the University's estate and reassessment of the related economic useful life.
- Donations and endowments income increased due to the FRS 102 requirement to show new endowments in the SOCI rather than as previously in the STRGL.
- The increase in provision for the agreed USS deficit recovery plan following the 2015 triennial review was charged to staff costs - see Balance Sheet transition note below.
- Interest and other finance costs increased due to the restatement of adjustments for the University and North Yorkshire pension schemes.
- The reduction in other operating expenses of £507k is due to the requirement to disclose the loss on disposal of fixed assets on a separate line of the SOCI. Following the revaluation of parts of the estate, the loss on disposal was recalculated at £498k, compared to the previously recognised loss of £504k.

Notes to the Accounts

24 FRS 102 TRANSITION (CONT.)

Notes	01-Aug-14			31-Jul-15			
	2007	Effect of transition to 2015	2015	2007	Effect of transition to 2015	2015	
	SORP	SORP	SORP	SORP	SORP	SORP	
	£'000	£'000	£'000	£'000	£'000	£'000	
Non-current assets							
Fixed Assets	h	144,362	128,962	273,324	147,911	128,825	276,736
Investments		5,163	6,263	11,426	5,336	7,669	13,005
		<u>149,525</u>	<u>135,225</u>	<u>284,750</u>	<u>153,247</u>	<u>136,494</u>	<u>289,741</u>
Endowment assets							
	i	12,498	(12,498)	-	12,718	(12,718)	-
Current assets							
Stock		105	-	105	110	-	110
Trade and other receivables		9,503	-	9,503	10,257	(65)	10,192
Investments		20,114	(10,114)	10,000	31,137	(24,137)	7,000
Cash and cash equivalents	j	5,422	16,349	21,771	13,418	29,186	42,604
		<u>35,144</u>	<u>6,235</u>	<u>41,379</u>	<u>54,922</u>	<u>4,984</u>	<u>59,906</u>
Less: Creditors: amounts falling due within one year	k	(34,080)	(948)	(35,028)	(36,694)	(2,235)	(38,929)
Net current (liabilities)/assets		<u>1,064</u>	<u>5,287</u>	<u>6,351</u>	<u>18,228</u>	<u>2,749</u>	<u>20,977</u>
Total assets less current liabilities		163,087	128,014	291,101	184,193	126,525	310,718
Creditors: amounts falling due after more than one year	k	(5,675)	(42,326)	(48,001)	(24,375)	(41,215)	(65,590)
Provisions							
Pension liability	l	(37,336)	(9,608)	(46,944)	(40,134)	(18,677)	(58,811)
Other provision		(739)	-	(739)	(726)	-	(726)
Total net assets		<u>119,337</u>	<u>76,080</u>	<u>195,417</u>	<u>118,958</u>	<u>66,633</u>	<u>185,591</u>
Deferred capital grants		49,250	(49,250)	-	47,509	(47,509)	-
Endowments	m	12,498	(12,498)	-			
Restricted Reserves							
Income and expenditure reserve - endowment reserve		-	17,962	17,962	12,718	5,362	18,080
Income and expenditure reserve - restricted reserve		-	-	-	5,362	(5,362)	-
CMRI reserve		5,464	(5,464)	-			
Pension reserve		(37,336)	37,336	-	(40,134)	40,134	-
Unrestricted Reserves							
Income and expenditure reserve - unrestricted		87,180	90,275	177,455	91,269	76,242	167,511
Revaluation reserve		2,281	(2,281)	-	2,234	(2,234)	-
Total Reserves		<u>57,589</u>	<u>137,828</u>	<u>195,417</u>	<u>71,449</u>	<u>114,142</u>	<u>185,591</u>
		<u>119,337</u>	<u>76,080</u>	<u>195,417</u>	<u>118,958</u>	<u>66,633</u>	<u>185,591</u>

- h) On transition to FRS 102, the University conducted a one off revaluation of some of its land and buildings, resulting in an increase in net book value of assets on the balance sheet of £129m, and a corresponding increase in the University's unrestricted reserves.
- i) Endowment assets are no longer disclosed as a separate line on the balance sheet. The assets are now split between non-current investments and current investments. This is a presentational change, with no impact on the net assets and reserves of the University.
- j) Cash and cash equivalents now includes investments with less than 3 months to maturity that were previously disclosed as current investments. Again, a presentational change with no net impact on the University's net assets or SOCI.
- k) Creditors now includes deferred capital grants, split between due in less than one year and due in more than one year, according to when the funds will be released.
- Creditors due in less than one year also now includes an accrual for holiday leave due to members of University staff at the year end but not taken at that date. A liability of £1.1m was recognised in creditors, and a corresponding reduction to the University's unrestricted reserve was also recognised. At 31 July 2015 this liability did not change, and hence there was no impact in the 2014/15 SOCI.
- l) The pension liability is now shown within provisions, and now includes an element against the University's share of the USS deficit recovery agreement - the opening provision for this at 1 August 2014 was £9.6m, which increased to £18.7m as at 31 July 2016 share of the USS deficit recovery agreement.
- m) Endowments are now shown as a restricted endowment reserve, which also includes the former CMRI restricted reserve.

Notes to the Accounts

25 NATIONAL COLLEGE FOR TEACHING & LEADERSHIP BURSARY FUNDS	2016	2015
	£'000	£'000
Balance brought forward at 1 August	149	66
NCTL Grants	2,174	1,722
	<hr/> 2,323	<hr/> 1,788
Disbursed to students	(2,080)	(1,639)
Balance unspent at 31 July	<hr/> 243	<hr/> 149

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

Notes to the Accounts

26 RELATED PARTY DISCLOSURES

Details of investments are given in Note 12.

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

During the year, payments were made by the University to the Trust for donations received amounting to £29,815 (2015: £15,310). The University receipts from the Trust for payments made on its behalf amounted to £12,317 (2015: £18,521). The amount owing to the University at 31 July 2016 was £10,455 (2015: £7,396). The amount owing by the University to the Trust at 31 July 2016 was £28,189 (2015: £7,632).

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

During the year grants were made from the Trust to the University amounting to £33,830 (2015: £33,385). The Trust owed the University £6,965 at 31 July 2016 (2015: the University owed the Trust £1,578).

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

The University paid a grant of £1,481,790 (2015: £1,311,791) to the Students Union, the official students' union for the University of Hull. Further payments were made to the Union of £89,384 (2015: £45,395) in respect of goods and services rendered. The Union made payments to the University of £245,483 (2015: £228,923) in respect of facilities recharges. At 31 July 2016 the University owed the Union £19,286 (2015: £978). An amount of £3,176 (2015: £311) was owing from the Union to the University.

The University made payments to EMIH Ltd of £63,353 (2015: £41,145) 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 (2015: £nil). At the year end the University owed EMIH Ltd £11,287 (2015: £5,567). The company has charitable status with a Board of seven directors, three of whom are nominees of the University. The University has links with the research and educational activity of EMIH Ltd at The Deep, in Hull.

Kingston Chemicals Ltd made payments to the University of £15,756 (2015: £31,495) for goods and services.

CHeMTriX BV made payments to the University of £21,041 (2015: £10,530) for use of laboratory facilities. An amount of £6,098 (2015: £11,383) was owing from CHeMTriX BV to the University.

27 EXPENSE PAYMENTS TO TRUSTEES

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

The total expenses paid to or on behalf of five trustees was £2,111 (2015: £1,522 to four trustees). This represents travel and subsistence expenses incurred in attending Council, meetings and events in their official capacity.