



## Statement of Accounts 2012/13

UNIVERSITY OF HULL

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# Operating and Financial Review

The 2012/13 financial year continued to exhibit the changes that have characterised the higher education sector in the UK during recent years. The year saw the first intake of students subject to the new fees regime, amidst an increasingly competitive student recruitment environment. Universities and their students were also confronted with new developments in government immigration policy – an issue which became the topic of fierce public debate. Changing student expectations, further advancements in digital technologies, and preparations for the Research Excellence Framework (REF) 2014 posed further challenges for higher education institutions.

These testing times neither detracted from the University of Hull's determination to pursue its vision and mission, nor inhibited its many successes during 2012/13. The University continued to implement its Strategic Plan (2011-2015) with confidence, mindful that continuous improvement will be required to better (or even maintain) its standing in such a competitive sector. As implementation of the Strategic Plan gathers momentum, independent indicators (such as improved rankings in all major UK league tables published in 2012/13) point to the University's growing stature. As we look to the future – and the many opportunities and challenges that lie ahead – we remain confident that pursuit of our Plan will continue to generate significant benefits for the institution and its stakeholders in the years to come, whilst at the same time recognising the challenges that the ambitious plan presents.

## Strategic & Operational Review

### Institutional Performance: Key Performance Indicators

Progress at an institutional level is measured against our institutional Key Performance Indicators (KPIs) and associated targets (to be achieved by the end of the 2015/16 year), which are monitored on a Council level. A summary of these indicators is provided below, together with an overview of performance in 2012/13:

**Competitive Income:** This indicator measures the annual expenditure on research grants and contracts (RGC) and on knowledge transfer partnerships (KTP). Although RGC and KTP expenditure has not yet increased to the target level, it is noted that the research awards announced in 2012/13 increased by nearly 30% over the previous year; this is expected to bring increased research expenditure in subsequent years and thus improved performance against target. Strategies to increase research income are in place in all Faculties.

**The proportion of academic staff with high-quality research outputs:** This indicator seeks to measure the research capacity of the University by monitoring its academic staff profile. The KPI remains under development; great care is being taken to develop a definition which is appropriately rigorous but which reflects the complexities of assessing research quality. The University's Academic Investment Initiative is a transformational project aimed at addressing this issue.

**Student-Staff Ratio:** This indicator tracks the number of students per academic staff member, using the Times League Table definition and data. Final data for 2012/13 are not yet available but we anticipate that the ratio will have improved significantly and that the University will have reached its target range for this KPI.

**UCAS tariff of undergraduate Home/EU entrants:** This indicator measures the mean total UCAS tariff point scores of undergraduate entrants, using the Times League Table definition and data. As a result of the highly competitive student recruitment environment it is anticipated that there will not have been a significant increase in tariff in 2012/13 (although final data are not yet available), relative to the previous year.

**Undergraduate achievement:** This indicator measures the proportion of First Class and Upper Second Class degrees awarded out of all undergraduate degrees awarded, using the Times League Table definition and data. It is anticipated that the 2012/13 data will confirm that the University is now very close to its target, and that the proportion of such degrees awarded will be in line with the sector average (normalised for the entry tariff three years earlier).

**Employability:** This indicator measures the proportion of students in graduate level employment or further study ('positive outcomes') 6 months after graduation, using the Times League Table definition and data. Whilst the University has outperformed the sector average for this measure in recent years, the most recent dataset (for 2012 graduates) shows a reduction in the University's score which places it below the sector average. Activity is already underway to improve future performance, and a new Director of Careers and Employability is in post.

**Number of postgraduate research (PGR) students:** This indicator measures the PGR student population as a proportion of the total student population. The PGR population increased in line with the KPI in 2012/13, although this market is becoming increasingly competitive and challenging.

The University also tracks two other metrics – namely financial health and the institution's performance in the National Student Survey (NSS) – although these are not formal KPIs.

Details of the University's financial health are provided later in this report.

The NSS results published in the 2012/13 year (specifically in September 2012) saw, at institutional level, a slight decrease in the score for 'Overall Satisfaction' from 89% in 2011 to 88% in 2012, with a subsequent fall in rankings. However, it should be noted that the more recent NSS results, published in September 2013, saw the score for 'Overall Satisfaction' rise from 88% to 90% - the University's best score to date – placing it in equal tenth place out of mainstream English higher education institutions for overall student satisfaction. We continue to seek both incremental and transformational improvements to the student experience, and maintain a strong relationship with Hull University Union (the students' union).

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

### Institutional Performance: Student Recruitment

The University recruited its first cohort of students under the new fees regime in September 2012. This was a challenging year for the sector, with fewer school leavers applying to University. In the face of this increase in competition, particularly for well qualified students, the University managed its admissions successfully to recruit within its student number control whilst experiencing only a slight reduction in the quality of its student intake (entry tariff). The University continues to meet or exceed its benchmark targets for widening participation and retention with the exception of entrants from specified socio-economic classes.

In this, the first year of the introduction of higher student fees, the University was able to fund 980 student scholarships and bursaries as outlined in its Access Agreement. These awards, aimed at students from backgrounds of low participation in Higher Education, provide a mixture of fee waivers and maintenance support. Additionally the University's Access Agreement also earmarks funds to support the retention of students with an increase in hardship funds, and increase in travel and childcare funds and the provision of additional pastoral support in academic departments. Efforts to reduce non-completion rates continued to be successful, with an improvement in performance for this year.

The University continues to submit annual Access Agreements to Office for Fair Access (OFFA) to enable it to charge the maximum permitted fee. The University's interim Widening Participation Strategic Statement (WPSS), submitted to HEFCE in 2011/12, was updated during 2012/13 in accordance with reporting requirements. The Higher Education Funding Council for England (HEFCE) has indicated that in future the WPSS will be integrated with the OFFA Access Agreements so as to reduce duplication and burden on institutions.

Looking ahead, the Government has placed a clear emphasis on student choice and new measures have been introduced to allow institutions successful in attracting students to expand enabling more students to take up a place at their first choice institution. For 2013/14 entry institutions experiencing strong demand are now able to grow their controlled intake by 3%. Further measures to increase recruitment flexibility for 2014 include the transfer of unfilled places from institutions with low demand to those experiencing high demand and the release of more places from control by including a limited number of combined qualifications. High achieving students remain outside of the control measures; the threshold originally set at AAB+ for 2012/13 and lowered to ABB+ for 2013/14 will remain at ABB+ for 2014/15. The Government also intends to bring new publicly funded and alternative providers with students currently claiming student support into the control mechanism from 2014. International student numbers continue to be less directly controlled by Government, although the markets in which the University operates can be affected by immigration policies and tighter visa controls.

### Major Transformation Projects

The Strategic Plan is predicated upon a programme of investment in people, academic programmes, facilities, the estate, infrastructure, systems and equipment. To support this, a multi-year Investment Strategy and concomitant budget have been developed and implemented, providing a constant 'forward view' and the flexibility to promptly address emerging issues.

A period of significant renewal and transformation is underway across the institution. Physical manifestations of this include a total refurbishment of the Brynmor Jones Library – a £27.4m project due for completion by summer 2014. The project has already begun to deliver benefits to students, with the first phase (consisting of the high demand reading room) now complete. Another exciting development was the completion of the new Allam Building, which was officially opened in July 2013. The building houses a new biomedical research facility and was supported by a generous donation from Dr Assem Allam.

The 2012/13 year also saw a range of other improvements to our facilities including the refurbishment of the Graduate School's student study spaces and common room, and the development of a new changing room block and multi-use games area on the Scarborough campus (due to be completed in 2013/14). A significant investment in new squash facilities enabled the University to host opening rounds of the prestigious Allam British Open in May 2013 and brought many international sporting stars to the Hull campus.

Less visible but equally important are the significant and transformative investments in the University's core information technology infrastructure, including enhancing our networks, server infrastructure, and wireless technology. An information systems and technology transformation roadmap was put in place during 2012/13 and will provide the framework within which our core systems and processes will be replaced and refreshed in the coming years. A new wireless network, covering our two campuses and all university-owned student accommodation, has proved very popular, significantly enhancing the student experience. A major programme to refresh the University's website and web-based strategies was also initiated during the year, and will culminate in a comprehensively redesigned web site. A new app for mobile devices was also developed.

Alongside the physical and technological changes across the University's campuses, a major initiative to support, strengthen, and expand the research performance and income generation of the University's academic workforce was instigated. At the same time, the recruitment of a new cadre of Heads of Schools/Departments commenced. This followed the adoption of new role and person descriptions for Heads of Schools/Departments in October 2012 which emphasise the importance of academic leadership as well as personal academic stature, reputation, and research activeness, in addition to management ability. Ten new Heads of Schools/Departments were recruited and took up their posts during 2012/13, and a further three accepted offers (and subsequently took up those posts early in 2013/14).

A Curriculum Reform programme was launched to refresh undergraduate and postgraduate taught programmes, and to develop a distinctive approach to learning and teaching that will help us to take full advantage of the exciting opportunities presented by new learning technologies. A set of co-curricular awards will be introduced.

A new Student Experience Programme is being initiated to ensure that we deliver an exceptional student experience characterised by flexibility, the highest service standards and offering a personalised experience and supportive environment for all students. The programme will be delivered through a portfolio of projects.

## Risk Management

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

Principal risks identified at corporate level include:

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

We have responded to these risks by:

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

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

## Academic realignments and the academic portfolio

A number of changes to academic structures occurred during the year:

- Following approval by Senate and Council in November 2012 the Faculty of Science was renamed the Faculty of Science and Engineering.
- It was decided that a number of departments in some of the faculties should be combined into Schools to bring about greater academic synergy as well as operational efficiencies. These Schools are similar to academic departments as far as their position in the organisational hierarchy is concerned, but encompass multiple disciplines. Following approval by Senate:
  - The Faculty of Arts and Social Sciences combined a number of existing academic departments to create the following schools which became operational on 1 August 2013:
    - School of Drama, Music and Screen
    - School of Politics, Philosophy and International Studies

- School of Languages, Linguistics and Cultures
- School of Social Sciences.
- The Faculty of Science and Engineering renamed the Department of Engineering the School of Engineering, and renamed the Department of Biological Sciences the School of Biological, Biomedical and Environmental Sciences.
- Operational arrangements for the relocation of programmes in Creative Music Technology and Theatre and Performance from the Scarborough campus to the Hull campus were finalised. New students starting these programmes will be based on the Hull campus from 2013/14 onwards. The move will allow these programmes to be consolidated with related programmes and facilities in the School of Drama, Music and Screen, as outlined in the Operating and Financial Review 2011/12.
- The Scarborough Management Centre was renamed Hull University Business School at Scarborough.
- Senate approved the disestablishment of the Department of Humanities, effective from 1 August 2013, since their activities and staff were incorporated into the School of Social Sciences.
- Senate approved the restructuring of departments within the Faculty of Health and Social Care, so as to strengthen the clarity of academic focus and academic leadership within departments. From 1 August 2013, the former departments of Nursing and Midwifery and of Community Health and Social Care were dissolved and replaced by the Department of Midwifery and Child Health, and the Department of Nursing. The Department of Health Professional Studies was renamed the Department of Health Technology and Perioperative Practice. The Department of Clinical Psychology and Psychological Therapies was renamed the Department of Psychological Health and Wellbeing.
- With effect from 1 August 2012, the Department of Physical Sciences and the Centre for Mathematics were dissolved, the Department of Chemistry was re-instituted, and a new Department of Physics and Mathematics was established. The Centre for Environmental and Marine Science was relocated as a Centre within the Department of Biological Sciences.
- Following the disestablishment of the Postgraduate Medical Institute (PGMI) as a faculty at the end of the previous academic year, the PGMI's activities and staff were successfully redeployed and integrated into other faculties in the University, specifically the Hull York Medical School (HYMS), Faculty of Health and Social Care, and the Faculty of Science and Engineering.

The 2012/13 year saw the launch of new programmes in chemical engineering and mathematics. The University is particularly pleased to be re-introducing degree-level mathematics provision, which meets a demonstrable demand from local students, as well as nationally. We have introduced Chinese language teaching into the combined languages portfolio, with a raft of Chinese studies programmes now approved for 2013 entry. The Faculty of Science and Engineering has been developing its PGT portfolio, especially to address the needs of the energy sector locally, nationally and internationally.

### Quality and Standards

The University has continued to assess its provision and codes of practice against the new QAA Quality Code, as it has been released. We have done a detailed analysis of our codes of practice against each chapter of the new code, and made amendments where necessary. We have launched a new approach to module evaluation questionnaires, giving us better data for quality assurance and enhancement. Our Curriculum Reform programme will in time lead to a complete revision of our quality framework, and we are beginning to plan for this.

### Research and Enterprise

The University has an international reputation for much of its research. It aims to support a spectrum of both single-discipline and interdisciplinary research and a culture which celebrates research excellence and expects all academic staff to be innovative in their fields. At the same time, the University is keen to ensure that its research meets the needs of business and regional bodies and that this research is adequately resourced. Research is funded from a variety of sources, including a significant contribution from public bodies and organisations. The University itself funds a substantial number of postgraduate research scholarships, which will be increasingly targeted towards supporting our interdisciplinary research themes. Theme Leaders have been appointed for these themes, which are intended to tackle some of the most complex challenges facing the world today. The themes are: Connected Communities; Creative Economy; Energy and Environment; Ethics and Social Justice; Global Economy, Maritime & Security; Health and Wellbeing.

The University's QR income from RAE2008 is now largely static until 2015, when the results of the Research Excellence Framework (REF2014) will be used to decide HEFCE funding for the following years. Our comprehensive preparations for REF2014 are nearing completion.

The University stepped up its engagement with enterprise and entrepreneurship over the past year. More than 120 new businesses have now been created through the Enterprise Centre since it opened in December 2008. Many are now established in the city, employing graduate-level staff. The influential group For Entrepreneurs Only, whose members have a joint turnover of £1.5b and employ 8,000 people, established its operational base at the Centre this year. This has strengthened its working relationship with the University, which is also represented on its board. An active student enterprise and entrepreneurship society was formed and continues to

grow, through effective relationships with the Student Union. The Knowledge Exchange continues to exert regional influence as the University's primary interface with businesses and related communities.

## Staff

Total staff costs as a percentage of total income rose to 54.2% in 2012/13, from 52.6% in 2011/12. This increase reflects a deliberate decision to increase our spending on academic posts, as part of the implementation of our Strategic Plan. Whilst the average numbers of academic/clinical staff employed through the year have increased only marginally, there is a distinct underlying increase in academic staff numbers overall, reflected in the increased staff costs in academic departments. There has been a major emphasis on recruiting academic staff who can attract external grant income.

Pension costs have increased, partly reflecting extra University of Hull Pension and Assurance Scheme (UHPAS) contributions for past service deficits as the University seeks to manage its pension liabilities.

## 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 2013.

### Aims and Objectives

The overall aim of the University, as set out in its Charter, is to "advance education, scholarship, knowledge and understanding by teaching and research, for the benefit of individuals and society at large". The Charter is read with the Statutes and Ordinances. The University's strategic trajectory and goals are set out in its Strategic Plan (2011 – 2015) which is available on the University website. Council is mindful of its responsibility to ensure that the University acts for the benefit of the public.

### Public Benefit

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

### Current Financial Performance

The University has achieved an operating surplus of £10.2m, representing 5.8% of turnover (2012: £10.6m, 6.1% of turnover).

Total income increased by £3.6m (2.1%) to £176m. As expected under the new funding regime, Funding Council grants fell by £13.4m, whilst tuition fee income rose by £15.9m. Income from research grants and contracts increased by £0.9m (9.5%).

Operating costs for the year rose by £5.9m (3.7%) to £165.8m (excluding Early Leaver Scheme costs incurred in 2011/12). Pay costs increased by £4.7m (5.1%) and non-pay costs rose by £0.9m (1.5%).

The depreciation charge for the year increased by £0.4m to £8.8m, reflecting significant ongoing capital investment by the University in the estate and its facilities.

The balance sheet remains strong, with cash and deposits of £43.8m and net assets of £121.2m after accounting for the pension liability.

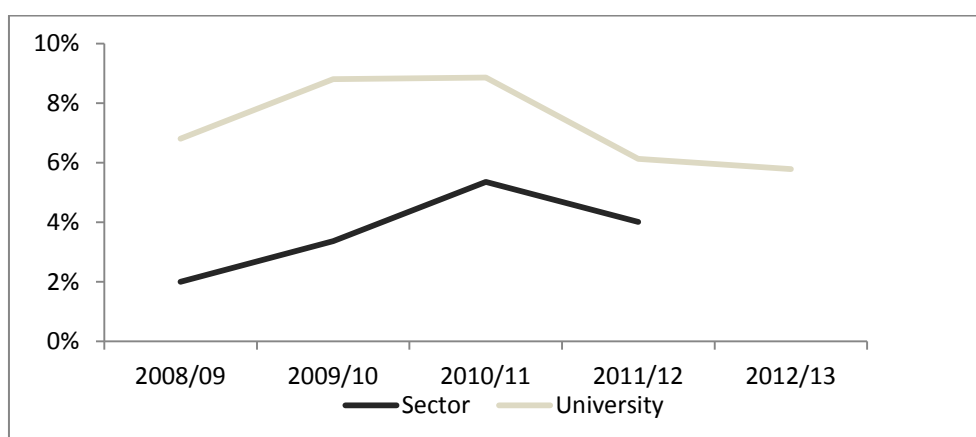
## Financial Performance Compared to Prior Years

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

£m	2012-13	2011-12	2010-11	2009-10	2008-09
<b>Income</b>	176.0	172.4	176.4	168.3	151.5
<b>Expenditure</b>	165.8	159.9	157.1	153.5	141.6
<b>Early Leavers scheme</b>	-	1.9	3.7	-	-
<b>Operating surplus</b>	10.2	10.6	15.6	14.8	9.9
<b>Asset disposals</b>	-	-	-	-	0.4
<b>Historical cost surplus</b>	10.2	10.6	15.6	14.8	10.3

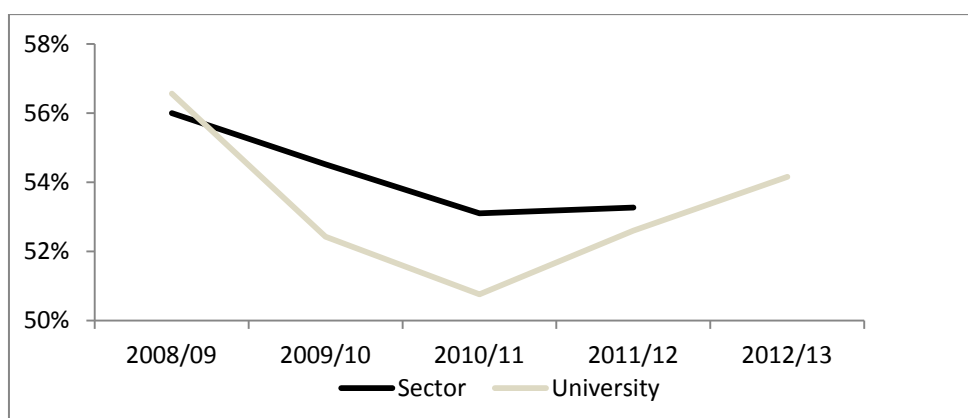
The five following charts track the University financial performance against published figures for the sector as a whole over the last five years.

**Chart 1 - Historical cost surplus as a percentage of total income**



As a percentage of total income, the University's historical cost surplus continues to fall, albeit only slightly, but at 5.8% in the current year still exceeds the 4% target.

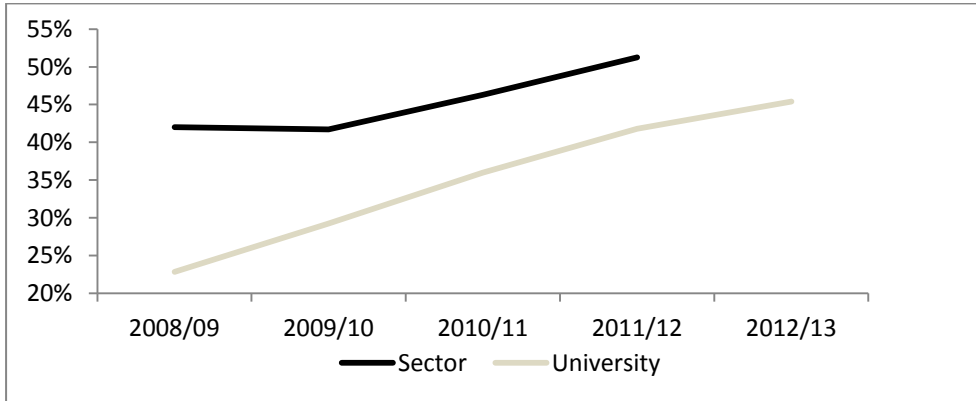
**Chart 2 - Total staff costs (excluding FRS 17) as a percentage of total income**



Staff costs as a percentage of total income have risen slightly this year, representing ongoing investment in recruitment to enable the achievement of the University's Strategic Plan.

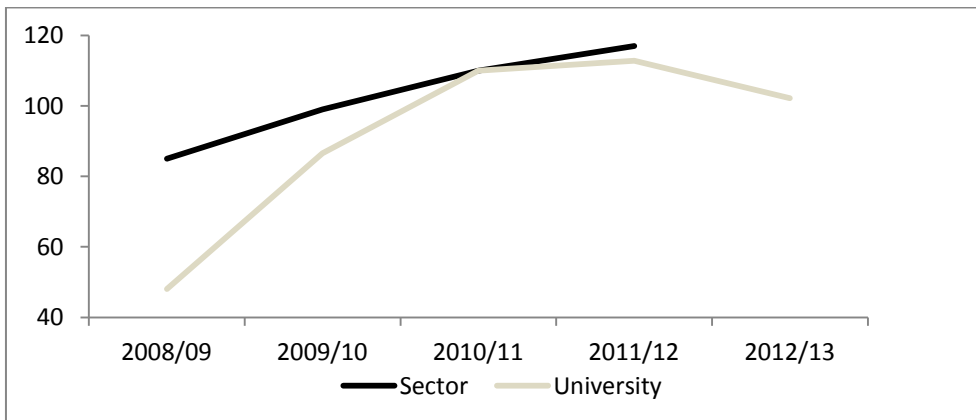


**Chart 3 - General reserves (excluding pension liability) as a percentage of total income**



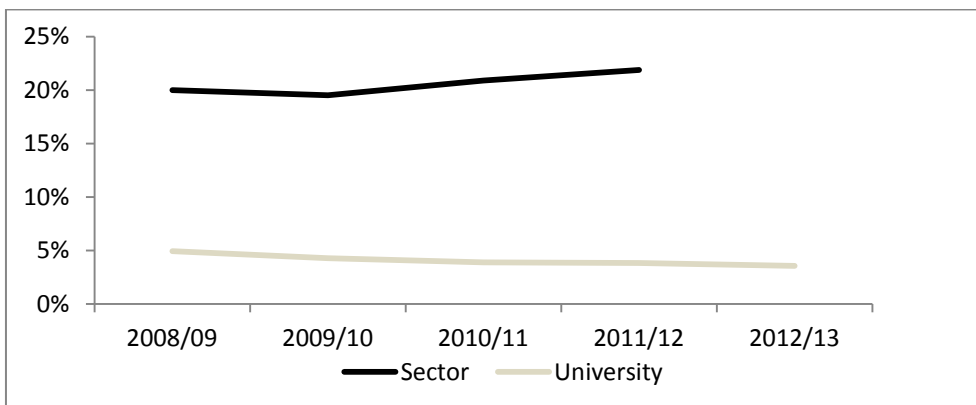
General Reserves continue to rise due to the achievement of surpluses. The increase is at a higher rate than for the sector as a whole, as the University has annual surpluses above the sector average (see Chart 1).

**Chart 4 - Liquidity as days of expenditure**



As planned, liquidity has declined this year as staff and other operating expenses have increased by 3.7% at the same time as cash and short term investments have fallen by 6%.

**Chart 5 - Borrowings as a percentage of total income**



With no new University debt, the level borrowings as a percentage of total income has declined slightly this year as current term loans are repaid.

## Capital Programme

In 2012/13 the University invested £18.2m in capital projects, an increase of £2.6m over the previous year. In addition to the many projects referred to earlier in this report:

- Refurbishment works totalling £1.8m were completed in the period to lecture theatres in Cohen and Applied Science Three and research laboratories in Chemistry, Hardy and Robert Blackburn Buildings.
- The improvement programme through Long Term Maintenance of the Estate continued with an investment of £2.8m in 2012/13 including Larkin First Floor West, Grant Hall, the next phase of the Student houses and Taylor Court. A range of mechanical and electrical projects have also been undertaken to improve heating systems, improve infrastructure and reduce energy consumption.

Looking ahead, a number of proposed further developments are under consideration. These include the creation of a state of the art performance facility in Middleton Hall and the development of a Health Hub – a joint initiative between three faculties, supporting the research strategy and overall quality of provision in the respective areas. An analysis of the University's student accommodation is also being undertaken with a possible future investment to significantly improve quality.

There has been a reduction in University carbon emissions of 188 tonnes during 2012/13 which represents a 1% overall reduction for the period. The University invested £808k on projects directly related to energy reduction during 2012/13 (including lighting upgrades and boiler replacements) which will result in carbon savings next year. The University's emissions target for 2012/13 was 17,326 tonnes and we are currently 861 tonnes away from achieving this target. In 2013/14 the target will be 16,881 tonnes requiring a reduction of 1,306 tonnes overall. Significant continued and focused investment against the Carbon Management Plan will be required in future years to meet the required outcomes.

## Future Financial Performance

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

## Cash flow

The University generated £13.8m of cash from operating activities, which funded capital expenditure of £16.8m (after deducting capital grants received). The University decreased its short term cash deposits by £12.9m but held £10m more as cash at bank. In addition, the University made debt repayments, on fixed term loans, of £0.3m.

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

## Treasury Management

During the year the University refreshed its Treasury Management Policy. Balancing risk against return, the University policy is clear that the overriding imperative is 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

The FRS17 pension liability has fallen to £31.1m from £35m at 31 July 2012. £27.4m of this relates to the UHPAS. This liability has decreased by £3.2m since 31 July 2012. This is due to increased discount rate and inflation rates used in the assumptions being outweighed by a £4.5m actuarial gain on scheme assets as at 31 July 2013.

The remaining £3.8m of the University's total pension liability relates to the North Yorkshire Local Government Scheme (NYLGS). This has decreased by £0.7 million since 31 July 2012.

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

## Going Concern

As at 31 July 2013 the University had a strong balance sheet with cash deposits (current asset investments and bank) of £43.8m and net assets of £121.2m after accounting for pension liabilities of £31.1m. Gearing continues to be low with borrowing of £6.3m. These loans are repayable up to 2034.

The University continues to budget for a strong positive cash balance at the end of 2013/14. It is considered that the University has adequate resources to continue in operational existence for the foreseeable future and is a going concern.

Mr B Dodd OBE  
Chair of Council

Professor C W I Pistorius  
Vice-Chancellor

# Corporate Governance Statement

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

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

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

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

The University of Hull is also an exempt charity under the terms of Charities Act 2011.

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

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

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

It has a majority of members from outside the University (described as lay members), from whom its Chair must be drawn. Also included in its members are representatives of the staff of the University and the student body. The lay members receive no fees or payment for the work which they do for the University. The Chair of Council was Mr J Standen to 7 April 2013, succeeded by Mr B Dodd.

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

The following members served from 1 August 2012 to 21 November 2013:

Lay Members:

Mr M Bartlett  
Mr L Cotter  
Mr J Dick  
Mr B Dodd (Chair from 8 April 2013)  
Mrs N J Duncumb (to 31 July 2013)  
Mr A Eavis  
Mr N Hildyard  
Dr K Hopkins  
Mr S Lunt  
Dr S Potestà  
Mrs E Smith  
Mr J Standen (Chair to 7 April 2013))  
Mrs R Vincent  
Vacancy  
Vacancy

Non Lay Members to 31 July 2013:

Vice-Chancellor	Professor C Pistorius
Finance Director	Mr Neil Scott
Senate (a Pro-Vice-Chancellor)	Professor G Burgess
Senate (a Dean)	Professor S Kelly
Senate (a Head of Department)	Professor D Gibbs
Senate (elected member)	Dr C Gaskell
Senate (elected member)	Professor C Kennedy
Non academic staff	Miss H MacCarthy
President, Students' Union	Mr M Mah (2012/13) Mr R Brooks (2013/14)

Non Lay Members from 1 August 2013:

Vice-Chancellor	Professor C Pistorius
Chief Finance Officer	Mr Neil Scott
A Pro-Vice-Chancellor	Professor G Burgess
Senate (a Dean)	Professor S Kelly
Senate (a Head of Department)	Vacancy
Senate (appointed member)	Dr C Gaskell
Senate (appointed member)	Vacancy
Non academic staff	Miss H MacCarthy
President, Students' Union	Mr R Brooks (2013/14)

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

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

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

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

Although the Council normally meets four times each academic year, much of its detailed work is initially handled by committees, in particular during 2012-13, the Finance and Investment Committee (chaired by the Treasurer, Mrs N J Duncumb), the Nominations Committee (chaired by the Chair of Council, Mr J Standen/Mr B Dodd), the Remuneration Committee (chaired by the Chair of Council, Mr J Standen/Mr B Dodd), and the Audit Committee (chaired by Dr K Hopkins/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 University has also had regard to the Committee of University Chairs Governance code of practice and its practices are consistent with the provisions of the code.

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the University Registrar and Secretary.

The Council has adopted a Risk Management Policy and agreed a Risk Register. The Vice Chancellor reports to the Council and the Audit Committee monitors the risk management process. The Council's practice complies with the guidance from the Higher Education Funding Council for England.

The University Registrar and Secretary acts as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the University Registrar and Secretary.

## Responsibilities of the Council of the University of Hull

In accordance with the University's Charter and Statutes, the Council is responsible for the strategic direction, administration and management of the affairs of the University. It has published a Statement of Primary Responsibilities which is reproduced at the end of this statement. One of its responsibilities is to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council for the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

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

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

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

## Statement of Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2013 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;
- the 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 and manage and review regularly the identified risks. Deans and Heads of Departments are briefed annually on risk processes and controls are reviewed at least once per year;
- a risk prioritisation methodology is used based on the probability and likely impact of the risk materialising; and
- an internal audit of risk management was conducted in 2012. The report raised no immediate concerns. It suggested some enhancements to the risk register and risk management policy which were introduced in 2012/13.

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

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

The most recent HEFCE review took place in March 2009.

## Council - Statement of Primary Responsibilities

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

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

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

MR B DODD OBE (CHAIR OF COUNCIL)  
21 November 2013

PROFESSOR C.W.I. PISTORIUS (VICE-CHANCELLOR)  
21 November 2013



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

We have audited the financial statements of the University of Hull (the 'University') for the year ended 31 July 2013 which comprise the statement of principal accounting policies, the income and expenditure account, statement of historical cost surpluses and deficits, the statement of total recognised gains and losses, the University balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net funds, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of the Council and auditor

As explained more fully in the Responsibilities of the Council statement set out on page 15 the Council are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2013, and of its income and expenditure, recognised gains and losses and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

## Opinion on other matters

In accordance with HEFCE's Financial Memorandum dated July 2010 and the funding agreement with the National College for Teaching and Leadership, we are required to report to you whether, in our opinion, in all material respects:

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

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

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

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds  
November 2013

# Statement of Principal Accounting Policies

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

## 1. Accounting convention

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

## 2. Going concern

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

## 3. Basis of consolidation

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

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

## 4. Recognition of income

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

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

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

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

Other income is recognised when the right to consideration exists.

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

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

## 5. Pensions

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



## 11. Provisions for liabilities

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

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

## 12. Investments

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

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

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

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

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

## 13. Endowment Funds

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

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

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

## 14. Stocks

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

## 15. Cash flows and liquid resources

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

## 16. Restricted MRI reserve

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

## 17. Taxation status

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

## 18. Agency arrangements

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

# Income and Expenditure Account

## for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
<b>INCOME</b>			
Funding Council Grants	1	43,678	57,103
Tuition Fees and Education Contract	2	93,070	77,191
Research Grants and Contracts	3	10,604	9,680
Other Income	4	27,321	27,383
Endowment, Investment and other finance Income	5	1,327	995
<b>TOTAL INCOME</b>		<b>176,000</b>	<b>172,352</b>
<b>EXPENDITURE</b>			
Staff Costs	6	95,311	90,650
Exceptional Staff Costs - Early Leaver costs	6,17	-	1,918
Other Operating Expenses	7	61,257	60,325
Depreciation	10	8,767	8,387
Interest Payable	8	464	515
<b>TOTAL EXPENDITURE</b>	9	<b>165,799</b>	<b>161,795</b>
<b>Surplus after depreciation of tangible fixed assets at valuation and before tax</b>		<b>10,201</b>	<b>10,557</b>
Taxation		-	-
Transfer (to)/from accumulated income within specific endowments		(16)	8
<b>Surplus for the year retained within general reserves</b>	21	<b>10,185</b>	<b>10,565</b>

The income and expenditure account is in respect of continuing activities

## Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2013

		2013	2012
		£'000	£'000
<b>Surplus on continuing operations before taxation</b>		10,201	10,557
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	20	47	47
<b>Historical Cost Surplus for the year before and after taxation</b>		<b>10,248</b>	<b>10,604</b>

## Statement of Total Recognised Gains and Losses for the year ended 31 July 2013

	Note	2013	2012
		£'000	£'000
Surplus on continuing operations after Depreciation of Assets at Valuation and Disposal of Assets and before transfers in respect of specific endowments		10,201	10,557
Appreciation of Endowment Asset Investments	19	534	110
New Endowments	19	141	45
FRS17 actuarial gain/(loss) recognised in pension schemes	21	1,449	(8,627)
Net Movement on Specific MRI reserve	22	555	19
Transfer from MRI to General reserve	22	44	-
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>12,924</b>	<b>2,104</b>

### Reconciliation

Opening Reserves and Endowments		56,328	54,224
Total recognised gains for the year		12,924	2,104
Closing Reserves and Endowments		<b>69,252</b>	<b>56,328</b>



# Balance Sheet as at 31 July 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	10	126,578	117,242
Investments	11	5,174	4,575
		<u>131,752</u>	<u>121,817</u>
<b>ENDOWMENT ASSETS</b>	12	<u>12,544</u>	<u>11,853</u>
<b>CURRENT ASSETS</b>			
Stocks		101	101
Debtors	13	9,260	11,171
Investments	14	33,257	46,136
Cash at Bank and in Hand		10,563	525
		<u>53,181</u>	<u>57,933</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(38,423)</u>	<u>(38,868)</u>
<b>NET CURRENT ASSETS</b>		<u>14,758</u>	<u>19,065</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>159,054</u>	<u>152,735</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(5,975)	(6,275)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(750)</u>	<u>(766)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		152,329	145,694
<b>PENSION LIABILITY</b>	30	(31,149)	(35,030)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>121,180</u>	<u>110,664</u>
<b>DEFERRED CAPITAL GRANTS</b>	18	<u>51,928</u>	<u>54,336</u>
<b>ENDOWMENTS</b>			
Expendable		646	693
Permanent		11,898	11,160
		<u>12,544</u>	<u>11,853</u>
<b>RESERVES</b>			
Restricted MRI Reserve	22	5,652	5,097
Revaluation Reserve	20	2,328	2,375
		<u>7,980</u>	<u>7,472</u>
General reserve excluding pension liability	21	79,877	72,033
Pension Reserve	30	(31,149)	(35,030)
General reserve including pension liability	21	<u>48,728</u>	<u>37,003</u>
<b>TOTAL</b>		<u>121,180</u>	<u>110,664</u>

The financial statements were approved by the council on 21 November 2013, and signed on its behalf by:

MR B. DODD OBE (Chairman of Council)

PROFESSOR C.W.I. PISTORIUS (Vice-Chancellor)

# Cash Flow Statement

## for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Cash flow from operating activities	24	13,835	15,870
Returns on investments and servicing of finance	25	412	643
Capital expenditure and financial investment	26	(16,788)	(14,429)
Management of liquid resources	27	12,879	(1,616)
Financing	28	(300)	(300)
Increase in cash in the year		<u>10,038</u>	<u>168</u>

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

	2013 £'000	2012 £'000
Increase in cash in the year	10,038	168
(Outflow)/inflow from liquid resources	(12,879)	1,616
Loan repayment in year	<u>300</u>	<u>300</u>
Movement in net funds in the period	(2,541)	2,084
Net funds at 1 August 2012	40,086	38,002
Net funds at 31 July 2013	<u>37,545</u>	<u>40,086</u>

# Notes to the Accounts

	2013	2012
	£'000	£'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant	36,393	47,452
Specific Grants		
National College for Teaching & Leadership	1,760	3,664
JISC	75	60
Other	2,736	3,239
Deferred Capital Grants Released in Year (Note 18)	2,714	2,688
	<u>43,678</u>	<u>57,103</u>

Funding Council Grants represent grants from the Higher Education Funding Council for England and the National College for Teaching & Leadership (formerly the Teaching Agency - merged 1 April 2013).

	2013	2012
	£'000	£'000
2. TUITION FEES AND EDUCATION CONTRACTS		
Full-time Students	65,771	49,171
Full-time Students Charged Overseas Fees	21,511	21,835
Part-time Students	2,699	2,968
Research Training Support Grants	473	763
Short Course Fees	2,616	2,454
	<u>93,070</u>	<u>77,191</u>

	2013	2012
	£'000	£'000
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	1,861	1,754
UK Charities	1,841	1,337
UK Central Gov't	1,278	1,308
Local Authorities	117	335
Health & Hospitals	1,066	812
UK Industry	1,837	1,783
EU	1,795	1,874
Overseas and Other Sources	809	477
	<u>10,604</u>	<u>9,680</u>

## Notes to the Accounts

	2013 £'000	2012 £'000
4. OTHER INCOME		
Residences, Catering and Conferences	15,138	14,643
Other Services Rendered	2,547	2,492
Health Authorities	4,460	4,878
Other Donations	85	78
Released from Deferred Capital Grants	1,047	1,115
Rents Receivable and Facilities income	683	608
ERASMUS Grants	353	318
Other Revenue Grant and Departmental income	1,655	1,728
Other Income	1,353	1,523
	<u>27,321</u>	<u>27,383</u>

	2013 £'000	2012 £'000
5. ENDOWMENT INCOME AND INVESTMENT INCOME		
Transferred from Specific Endowments (note 19)	113	121
Income from General Endowment Asset Investments (note 19)	191	169
Income from Short Term Investments	443	705
FRS17 pension adjustment	580	-
	<u>1,327</u>	<u>995</u>

	2013 £'000	2012 £'000
6. STAFF		
Staff Costs:		
Wages & Salaries	73,674	70,546
Social Security Costs	6,179	5,860
Other Pension Costs	17,439	16,435
FRS17 pension adjustment	(1,981)	(2,191)
	<u>95,311</u>	<u>90,650</u>
Exceptional Early Leaver Scheme costs(note 17)	-	1,918
	<u>95,311</u>	<u>92,568</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 (2013: £4,466,798; 2012: £4,145,636).

## Notes to the Accounts

### 6. STAFF (cont.)

Emoluments of the Vice-Chancellor	2013	2012
	£'000	£'000
Salary	270	225
Benefits in kind as assessed for HMRC purposes	13	15
	<u>283</u>	<u>240</u>
Employer contributions to USS	<u>38</u>	<u>36</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. The Vice-Chancellor was awarded a £30k non-consolidated bonus payment in December 2012 in recognition of his achievements over the last three years.

Average Staff Numbers by Major Category	2013	2012
	Number	Number
Academic/Clinical	1,184	1,174
Technical	128	117
Administrative	419	407
Support	303	292
	<u>2,034</u>	<u>1,990</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 \*.

	2013		2012	
	No. of Staff		No. of Staff	
	*		*	
£210,000 - £219,999	1	-	-	-
£200,000 - £209,999	-	-	-	-
£190,000 - £199,999	1	-	1	-
£180,000 - £189,999	-	-	2	-
£170,000 - £179,999	-	-	-	-
£160,000 - £169,999	2	-	2	-
£150,000 - £159,999	4	-	5	-
£140,000 - £149,999	6	2	5	-
£130,000 - £139,999	-	2	1	-
£120,000 - £129,999	3	-	-	2
£110,000 - £119,999	2	-	1	1
£100,000 - £109,999	1	5	1	-

## Notes to the Accounts

	2013 £'000	2012 £'000
7. OTHER OPERATING EXPENSES		
Residences, Catering and Conferences	6,057	6,189
Academic Departmental Expenditure	14,676	16,053
Books, Periodicals and related Media	2,187	2,251
Other Library and Computing and Academic Services	5,024	5,075
General Educational Expenditure	3,329	3,482
Administration	2,439	3,166
Fellow ships, Scholarships and Prizes	8,547	6,513
Heat, Light, Water and Power	2,976	2,672
Repairs and General Maintenance	1,570	1,246
Planned Maintenance	2,809	3,268
Rent, Rates and Insurance	723	674
Grants to University's Students Union	1,326	1,089
Research Grants and Contracts	4,297	3,987
Services Rendered	727	752
Auditors' Remuneration	42	42
Auditors' Remuneration re Non-Audit Services	15	20
Bad and Doubtful Debts	219	(8)
Other Expenses	4,294	3,854
	<u>61,257</u>	<u>60,325</u>

## Notes to the Accounts

	2013 £'000	2012 £'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	335	352
FRS17 pension adjustment	129	163
	<u>464</u>	<u>515</u>

### 9. ANALYSIS OF 2012/2013 EXPENDITURE BY ACTIVITY

	Staff Costs £'000	Depreciation £'000	Other Operating Expenditure £'000	Interest Payable £'000	Total £'000
Academic Departments	61,297	1,475	14,676	-	77,448
Academic Services	9,015	717	7,211	-	16,943
Research Grants and Contracts	4,303	54	4,297	-	8,654
Residences, Catering and Conferences	2,418	1,944	6,057	-	10,419
Premises	5,301	4,577	8,515	464	18,857
Administration	8,385	-	2,439	-	10,824
Services Rendered	783	-	727	-	1,510
Other Expenses	3,809	-	17,335	-	21,144
	<u>95,311</u>	<u>8,767</u>	<u>61,257</u>	<u>464</u>	<u>165,799</u>

The depreciation charge has been funded by:	£'000
Deferred Capital Grants Released (note 18)	3,816
Revaluation Reserve Released (note 20)	47
General Income	<u>4,904</u>
	<u>8,767</u>

## Notes to the Accounts

10. TANGIBLE ASSETS	Land & Buildings		Equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Cost/Valuation:				
At 1 August 2012				
Cost/Valuation	147,262	865	44,822	192,949
Additions at Cost	12,866	-	5,314	18,180
Disposals	(184)	-	-	(184)
At 31 July 2013	<u>159,944</u>	<u>865</u>	<u>50,136</u>	<u>210,945</u>
Depreciation:				
At 1 August 2012	38,943	688	36,076	75,707
Charge for the year	5,640	43	3,084	8,767
Disposals	(107)	-	-	(107)
At 31 July 2013	<u>44,476</u>	<u>731</u>	<u>39,160</u>	<u>84,367</u>
Net Book Value				
At 31 July 2013	<u>115,468</u>	<u>134</u>	<u>10,976</u>	<u>126,578</u>
Net Book Value				
At 1 August 2012	<u>108,319</u>	<u>177</u>	<u>8,746</u>	<u>117,242</u>

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

Land and Buildings and Equipment at 31 July 2013 include £12,307,655 (2012: £7,763,275) of assets in the course of construction which are not depreciated until completed.



# Notes to the Accounts

## 10. TANGIBLE ASSETS (cont.)

### Heritage Assets

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

#### (i) Art Collection

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

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

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

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

#### (ii) South East Asia Museum

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

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

#### (iii) Archive material

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

## Notes to the Accounts

	2013 £'000	2012 £'000
11. FIXED ASSET INVESTMENTS	5,174	4,575

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

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

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

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

The balance of University investments of £5,087,000 relate to equity portfolio investments partly representing the specific MRI reserve (see note 22) as follows:

	£'000
At 1 August 2012	4,488
Appreciation on revaluation	599
At 31 July 2013	5,087

## Notes to the Accounts

	2013 £'000	2012 £'000
12. ENDOWMENT ASSET INVESTMENTS		
At 1 August	11,853	11,706
Additions	110	7
Increase in Cash Balances	47	30
Appreciation on Revaluation	534	110
At 31 July	<u>12,544</u>	<u>11,853</u>
Fixed Interest Stocks	2,565	2,915
Equities	3,729	2,735
Bank Balances	6,250	6,203
	<u>12,544</u>	<u>11,853</u>
Equities and Fixed Interest Stocks at Cost	<u>5,294</u>	<u>5,184</u>

	2013 £'000	2012 £'000
13. DEBTORS		
Trade, Student and Research Debtors	6,197	7,145
Prepayments and Accrued Income	3,063	4,026
	<u>9,260</u>	<u>11,171</u>

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

	2013 £'000	2012 £'000
14. INVESTMENTS		
Deposits maturing in one year or less	<u>33,257</u>	<u>46,136</u>

## Notes to the Accounts

	2013 £'000	2012 £'000
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Grants and Donations Received in Advance	11,450	11,593
Secured Bank Loan (note 16)	300	300
Trade Creditors	14,493	14,236
Social Security and other Taxation Payable	2,185	2,159
Accruals and Deferred Income	9,995	10,580
	<u>38,423</u>	<u>38,868</u>

	2013 £'000	2012 £'000
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Secured Loan Repayable 2010 to 2034	<u>5,975</u>	<u>6,275</u>

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

	£'000
fixed interest rate of 4.94% repayable 2009 to 2034	2,050
fixed interest rate of 5.30% repayable 2010 to 2034	2,100
fixed interest rate of 5.38% repayable 2010 to 2034	<u>2,125</u>
	<u>6,275</u>

	2013 £'000	2012 £'000
The secured loan is repayable as follows:		
Less than one year	300	300
Between one and two years	300	300
Between two and five years	900	900
In five years or more	<u>4,775</u>	<u>5,075</u>
	<u>6,275</u>	<u>6,575</u>

## Notes to the Accounts

	Pension £'000	Total £'000
17. PROVISION FOR LIABILITIES AND CHARGES		
At 1 August 2012	766	766
Expenditure in Year	(48)	(48)
Additions from Income & Expenditure Account	32	32
At 31 July 2013	<u>750</u>	<u>750</u>

The pension enhancement provision of £750,000 partly represents the present value of future pension enhancements in respect of former University College Scarborough employees who have taken early retirement (£744,000); plus an amount of £6,000 for former University of Hull employees where the pension is paid directly by the University.

	Funding Council £'000	Other Grants & Benefactors £'000	Total £'000
18. DEFERRED CAPITAL GRANTS			
At 1 August 2012			
Buildings	39,950	12,059	52,009
Equipment	1,600	727	2,327
	<u>41,550</u>	<u>12,786</u>	<u>54,336</u>
Received in year			
Buildings	69	45	114
Equipment	859	435	1,294
	<u>928</u>	<u>480</u>	<u>1,408</u>
Released in year			
Buildings	(2,129)	(597)	(2,726)
Equipment	(585)	(505)	(1,090)
	<u>(2,714)</u>	<u>(1,102)</u>	<u>(3,816)</u>
At 31 July 2013			
Buildings	37,890	11,507	49,397
Equipment	1,874	657	2,531
	<u>39,764</u>	<u>12,164</u>	<u>51,928</u>

## Notes to the Accounts

### 19. ENDOWMENTS

	Unrestricted Permanent £'000	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000	Total £'000
Capital Value	6,522	646	2,943	3,589	10,111
Accumulated Income	-	47	1,695	1,742	1,742
At 1 August 2012	6,522	693	4,638	5,331	11,853
Additions	-	32	109	141	141
Appreciation of Endowment Asset Investments	258	-	276	276	534
Income for Year	191	7	106	113	304
Released to Income and Expenditure (note 5)	(191)	(7)	(106)	(113)	(304)
Transferred (to)/from Income and Expenditure	-	(79)	95	16	16
At 31 July 2013	6,780	646	5,118	5,764	12,544
Represented by:					
Capital	6,780	601	3,328	3,929	10,709
Accumulated Income	-	45	1,790	1,835	1,835
	6,780	646	5,118	5,764	12,544

The unrestricted permanent endowment fund is the founding bequest to the university made in 1927 by Mr Thomas Ferens with all income generated available for use by the University in supporting its recurrent activities. This is reflected in a release to the Income and Expenditure account each year.

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

## Notes to the Accounts

	£'000
20. REVALUATION RESERVE	
At 1 August 2012	2,375
Released in Year (note 9)	(47)
At 31 July 2013	<u>2,328</u>

	£'000
21. GENERAL RESERVE	
At 1 August 2012	37,003
Surplus for the Year after Depreciation of Assets at Valuation	10,185
Release from Revaluation Reserve	47
FRS 17 Actuarial Gain on Pension Scheme	1,449
Transfer from Designated MRI reserve	44
At 31 July 2013	<u>48,728</u>

The general reserve is subdivided as follows at 31 July 2013:

Excluding pension reserve	79,877
Pension reserve	(31,149)
Total	<u>48,728</u>

	£'000
22. RESTRICTED MRI RESERVE	
At 1 August 2012	5,097
Transfer to P&L reserve	(44)
Appreciation from element invested on revaluation	599
At 31 July 2013	<u>5,652</u>

In March 2007 the equivalent endowment asset investment was split between equity investments (£4,669,000) and current asset investments (£1,556,000) instead of being represented totally by current asset investments. Income generated by the reserve's assets is reported as research income in line with its original funder's requirements (Yorkshire Cancer Research). At 31 July 2013 the reserve was represented by portfolio equity investments of £5,086,795 and current asset investments of £565,303. £947,000 of the reserve represented by current asset investments was transferred to deferred capital grants in 2008/09 in connection with the funding of a new MRI scanner.

	2013	2012
	£000	£000
23. CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July	<u>17,638</u>	<u>3,557</u>

These commitments will be funded by operating cash flows.

## Notes to the Accounts

	2013 £'000	2012 £'000
24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus	10,201	10,557
Depreciation (note 10)	8,767	8,387
Loss on Fixed Asset disposals (note 10)	77	-
Deferred Capital Grants Released to Income (note 18)	(3,816)	(3,883)
Investment Income (notes 5, 19)	(747)	(995)
Interest Payable (note 5, 8)	(116)	515
(Increase) in Stocks	-	(8)
Decrease in Debtors	1,911	2,283
(Decrease)/Increase in Creditors	(445)	5,037
(Decrease) in Provisions	(16)	(3,832)
Difference between Pension Charge and Cash Contributions	(1,981)	(2,191)
Net Cash Inflow from Operating Activities	<u>13,835</u>	<u>15,870</u>
25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Income from endowments (note 19)	304	290
Income from short term investments (note 5)	443	705
Interest paid (note 8)	(335)	(352)
Net cash inflow from returns on investments and servicing of finance	<u>412</u>	<u>643</u>
26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Tangible fixed assets and investments acquired (note 10)	(18,180)	(15,613)
Endowment asset investments acquired (note 12)	(157)	(37)
Deferred Capital Grants Received (note 18)	1,408	1,176
Endowments Received (note 19)	141	45
Net cash outflow from capital expenditure and financial investment	<u>(16,788)</u>	<u>(14,429)</u>



## Notes to the Accounts

	2013 £'000	2012 £'000
27. MANAGEMENT OF LIQUID RESOURCES		
Decrease/(Increase) in short term deposits	12,879	(1,616)
Inflow/(Outflow) from management of liquid resources	<u>12,879</u>	<u>(1,616)</u>

		2013 £'000	2012 £'000
28. FINANCING	Loans	Total	Total
Balance at 1 August	6,575	6,575	6,875
Capital Repayments	(300)	(300)	(300)
Balance at 31 July	<u>6,275</u>	<u>6,275</u>	<u>6,575</u>

	At 1 August 2012 £'000	Cash Flow £'000	Other Changes £'000	At 31 July 2013 £'000
29. ANALYSIS OF CHANGES IN NET DEBT				
Cash at Bank and in Hand	525	10,038	-	10,563
Liquid Resources :				
Short Term Deposits	46,136	(12,879)	-	33,257
	<u>46,661</u>	<u>(2,841)</u>	-	<u>43,820</u>
Debt Due within one year	(300)	300	(300)	(300)
Debt Due after one year	(6,275)	-	300	(5,975)
	<u>(6,575)</u>	<u>300</u>	-	<u>(6,275)</u>
	<u>40,086</u>	<u>(2,541)</u>	-	<u>37,545</u>

# Notes to the Accounts

## 30. PENSION SCHEMES

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

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

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

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

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

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

## Notes to the Accounts

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

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

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

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

### *New Entrants*

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

### *Normal pension age*

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

### *Flexible retirements*

Flexible retirement options were introduced.

### *Member contributions increased*

Contributions were uplifted to 7.5% pa and 6.5% pa for FS section members and CRB section members respectively.

### *Cost sharing*

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

### *Pension increase cap*

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

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at the date was approximately 55%.

## Notes to the Accounts

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

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

At 31 March 2013, USS had over 148,000 active members and the University had 1,252 active members participating in the scheme.

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

	2013	2012
	£	£
Final Salary	7,540,958	7,691,123
CRB	825,768	185,260

The contribution rate payable by the University at 31 July 2013 was 16% of pensionable salaries for both schemes.

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

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

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

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

The contributions to the final salary scheme are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The last declared actuarial valuation was carried out at 6 April 2012. The market value of the scheme assets as at the 2012 date, excluding additional voluntary contributions, was £64.7 million. The value placed on the scheme liabilities was £92.4 million, resulting in a shortfall of £27.4 million. On this basis the scheme was funded at 70%.

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

## Notes to the Accounts

on bonds and the rate of price inflation are assumed to vary with the duration of each projected cash flow out of the scheme. The assumed rates of retail prices inflation applying in future years are assumed to be in line with the Bank of England inflation curve. The assumed rates of return on the scheme's bond investments are assumed to be 1% p.a. above the Bank of England gilt yield curve.

Following the actuarial valuation at 6 April 2012, and in order to meet the agreed recovery plan, the University revised its contribution rate to 16.40% of pensionable salaries plus an additional monthly sum of £182,941. The monthly lump sum would increase annually in line with a formula linked to inflation increases. The monthly lump sum increased to £189,499 with effect from 1 July 2013.

The total pension contributions paid by and charged to the University, including those staff members who participate in the Salary Sacrifice arrangement, totalled £3,586,889 (2012: £3,483,665).

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

On the 31<sup>st</sup> December 2011, the University closed the Final Salary Defined Benefit scheme to new entrants and launched a new Defined Contribution Stakeholder scheme for new support staff on 1<sup>st</sup> January 2012. The University chose 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 £68,171 (2012: £22,833)

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

A small number of staff remain in other pension schemes. Employer contributions to such schemes totalled £950,420 during the year (2012: £929,682).

## Notes to the Accounts

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

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

	2013	2012
Rate of increase in salaries	3.20%	2.60%
Rate of increase in pensions in payment	3.20%	2.60%
Discount rate	4.50%	4.25%
RPI Inflation assumption	3.20%	2.60%
CPI Inflation assumption	2.30%	1.70%

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

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

	2013	2012
Retiring today		
<i>Males</i>	21.5	21.5
<i>Females</i>	24.1	24.1
Retiring in 20 years		
<i>Males</i>	22.8	23.4
<i>Females</i>	25.4	26

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

	Long-term expected return	2013 £'000	Long-term expected return	2012 £'000
Equities	8.00%	55,755	8.60%	46,286
Bonds	3.95%	14,319	3.40%	14,447
Property	8.00%	3,572	8.60%	3,621
Cash/Other	0.50%	<u>1,187</u>	0.50%	<u>785</u>
		<u>74,833</u>		<u>65,139</u>

Note: In 2013 the equity element includes £25,495k invested in hedge and absolute return funds (2012: £22,562k).

## Notes to the Accounts

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	£'000	£'000	£'000	£'000	£'000
Total market value of assets	74,833	65,139	61,848	54,851	46,835
Present value of scheme liabilities	(102,201)	(95,714)	(86,692)	(81,876)	(72,823)
Deficit in the scheme	<u>(27,368)</u>	<u>(30,575)</u>	<u>(24,844)</u>	<u>(27,025)</u>	<u>(25,988)</u>

The following amounts are recognised in the performance statements in the year to 31 July 2013 under the requirements of FRS 17:

	<b>2013</b>	<b>2012</b>
	£'000	£'000
<b>OPERATING PROFIT</b>		
Current service cost	2,299	2,108
Past service cost	-	-
Total operating charge	<u>2,299</u>	<u>2,108</u>
<b>OTHER FINANCE INCOME</b>		
Expected return on pension scheme assets	4,612	4,548
Interest on pension scheme liabilities	(4,032)	(4,554)
Net return	<u>580</u>	<u>(6)</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	4,458	(1,524)
Experience gains and losses arising on scheme liabilities	(3,815)	590
Changes in assumptions underlying the present value of the scheme liabilities	-	(6,957)
Actuarial gain/(loss)	<u>643</u>	<u>(7,891)</u>

## Notes to the Accounts

MOVEMENT IN (DEFICIT) DURING THE YEAR	<b>2013</b> £'000	<b>2012</b> £'000
Deficit in scheme at beginning of the year	(30,575)	(24,844)
Movement in the year:		
Current service cost	(2,299)	(2,108)
Contributions by employer	4,283	4,274
Past service costs	-	-
Other financial income	580	(6)
Actuarial gain/(loss)	643	(7,891)
Deficit in scheme at end of year	<u>(27,368)</u>	<u>(30,575)</u>

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

	<b>2013</b> £'000	<b>2012</b> £'000
At beginning of the year	95,714	86,692
Current service cost	2,299	2,108
Interest on liabilities	4,032	4,554
Contributions by employee	22	24
Past service costs	-	-
Pensions paid	(3,681)	(4,031)
Actuarial losses	3,815	6,367
At end of year	<u>102,201</u>	<u>95,714</u>

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

	<b>2013</b> £'000	<b>2012</b> £'000
At beginning of the year	65,139	61,848
Expected return on assets	4,612	4,548
Total contributions	4,305	4,298
Pensions paid	(3,681)	(4,031)
Actuarial gain/(loss)	4,458	(1,524)
At end of year	<u>74,833</u>	<u>65,139</u>



## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2013

	2013	2012	2011	2010	2009
Differences between the expected and actual return on scheme assets:					
Amount (£'000)	4,458	(1,524)	2,273	4,310	(6,094)
Percentage of scheme assets	6%	(2%)	4%	9%	(13%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(3,815)	590	(101)	(2,015)	(57)
Percentage of the present value of the scheme liabilities	-	1%	(0%)	(3%)	0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	643	(7,891)	592	(1,505)	(12,068)
Percentage of the present value of the scheme liabilities	1%	(12%)	1%	(2%)	(17%)

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

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

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

	2013	2012
Rate of increase in salaries	4.15%	3.85%
Rate of increase in pensions in payment	2.40%	2.10%
Discount rate	4.50%	4.30%
Inflation assumption RPI	n/a	n/a
Inflation assumption CPI	2.4%	2.10%

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

	2013	2012
Retiring today		
Males	22.6	22.5
Females	25.3	25.2
Retiring in 20 years		
Males	24.4	24.3
Females	27.2	27.2

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

	Long-term expected return	2013 £'000	Long-term expected return	2012 £'000
Equities	7%	4275	7.00%	3513
Bonds	4.3%	1336	3.40%	1265
Property/Cash/Other	0.50%	906	0.50%	163
		<u>6,517</u>		<u>4,941</u>

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total market value of assets	6,517	4,941	4,780	3,906	3,166
Present value of scheme liabilities	(10,298)	(9,396)	(8,367)	(7,085)	(6,566)
Deficit in the scheme	<u>(3,781)</u>	<u>(4,455)</u>	<u>(3,587)</u>	<u>(3,179)</u>	<u>(3,400)</u>

## Notes to the Accounts

The following amounts are recognised in the performance statements in the year to 31 July 2013 under the requirements of FRS 17:

	<b>2013</b>	<b>2012</b>
	£'000	£'000
<b>OPERATING SURPLUS:</b>		
Current service cost	340	307
Past service cost	-	-
Total operating charge	<u>340</u>	<u>307</u>
<b>OTHER FINANCE INCOME:</b>		
Expected return on pension scheme assets	281	290
Interest on pension scheme liabilities	<u>(410)</u>	<u>(447)</u>
Net Return	<u>(129)</u>	<u>(157)</u>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)</b>		
Actual return less expected return on pension scheme assets	£'000 995	£'000 (290)
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(189)	(446)
Actuarial gain/(loss) recognised in STRGL	<u>806</u>	<u>(736)</u>
<b>MOVEMENT IN DEFICIT DURING THE YEAR</b>		
Deficit in scheme at beginning of the year	£'000 (4,455)	£'000 (3,587)
Movement in the year:		
Current service cost	(340)	(307)
Employer contributions	337	332
Past service costs	-	-
Other financial income	(129)	(157)
Actuarial gain/(loss)	806	(736)
Deficit in scheme at end of year	<u>(3,781)</u>	<u>(4,455)</u>
<b>ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME LIABILITIES</b>		
At beginning of the year	£'000 9,396	£'000 8,367
Current service cost	340	307
Interest on liabilities	410	447
Employee contributions	104	104
Past service costs	-	-
Pensions paid	(141)	(275)
Actuarial loss	189	446
At end of year	<u>10,298</u>	<u>9,396</u>
<b>ANALYSIS OF THE MOVEMENTS IN THE PRESENT VALUE OF THE SCHEME ASSETS</b>		
At beginning of the year	£'000 4,941	£'000 4,780
Expected return on assets	281	290
Total contributions	441	436
Pensions paid	(141)	(275)
Actuarial gain/(loss)	995	(290)
At end of year	<u>6,517</u>	<u>4,941</u>

## Notes to the Accounts

### DETAILS OF EXPERIENCE GAINS AND LOSSES FOR THE YEAR TO 31 JULY 2013

Differences between the expected and actual return on scheme assets:	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Amount (£'000)	995	(290)	354	370	(810)
Percentage of scheme assets	15%	6%	7%	9%	(26%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	-	-	(362)	-	-
Percentage of the present value of the scheme liabilities	-	-	(4%)	-	-
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	806	(736)	(264)	446	(168)
Percentage of the present value of the scheme liabilities	8%	(8%)	(3%)	6%	(3%)

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	£'000	£'000	£'000
Net assets excluding pension liability	155,740	145,694	139,698
Pension liability-UOH	(27,368)	(30,575)	(24,844)
Pension liability-NYPF	(3,781)	(4,455)	(3,587)
Net assets including pension liability	<u>124,591</u>	<u>110,664</u>	<u>111,267</u>
Income and expenditure reserve excluding pension liability	83,286	72,033	63,449
Pension liability-UOH	(27,368)	(30,575)	(24,844)
Pension liability-NYPF	(3,781)	(4,455)	(3,587)
Income and expenditure reserve including pension liability	<u>52,137</u>	<u>37,003</u>	<u>35,018</u>
The total pension liability for the group is therefore shown as:	<u>(31,149)</u>	<u>(35,030)</u>	<u>(28,431)</u>

# Notes to the Accounts

	<b>2013</b>	<b>2012</b>
	£'000	£'000
<b>31 ACCESS FUNDS</b>		
Balance brought forward at 1 August	1	13
Funding Council Grants	397	442
Interest earned	2	3
	<u>400</u>	<u>458</u>
Disbursed to students	(400)	(457)
Balance unspent at 31 July	<u>-</u>	<u>1</u>

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

	<b>2013</b>	<b>2012</b>
	£'000	£'000
<b>32 NATIONAL COLLEGE FOR TEACHING &amp; LEADERSHIP BURSARY FUNDS</b>		
Balance brought forward at 1 August	33	97
NCTL Grants	2,025	794
	<u>2,058</u>	<u>891</u>
Disbursed to students	(1,881)	(858)
Balance unspent at 31 July	<u>177</u>	<u>33</u>

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

# Notes to the Accounts

## 33 UNIVERSITY INTERESTS

Details of investments are given in note 11.

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

During the year payments were made to the Trust for donations received amounting to £2,177 (2012: £2,415). The University payment from the Trust for payments made on its behalf amounted to £5,607 (2012: £1,363). The amount owing to the University at 31 July 2013 was £2,479 (2012: £nil). The amount owing by the University to the Trust at 31 July 2013 was £nil (2012: £951).

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 £25,995 (2012: £27,573). The University owed the Trust £230 at 31 July 2013 (2012: the Trust owed the University £3,953).

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

## 34 RELATED PARTY DISCLOSURE

During the year ended 31 July 2013:

The University paid a grant of £1,311,791 (2012: £1,713,127) to the Students Union, the official students' union for the University of Hull. Further payments were made to the Union of £85,842 (2012: £55,754) in respect of goods and services rendered. The Union made payments to the University of £237,199 (2012: £598,392) in respect of facilities recharges. At 31 July 2013 the University owed the Union £13,274 (2012: £15,887). An amount of £1,739 (2012: £nil) was owing from the Union to the University.

The University made payments to EMIH Limited of £62,405 (2012: £43,967) in respect of rent for the flume laboratory, research facilities and the use of and admission to facilities. EMIH Limited made payments to the University of £nil (2012: £nil). At the year end the University owed EMIH Limited £342 (2012: £10,536). An amount of £nil (2012: £nil) was owing from EMIH Limited to the University. The company has charitable status with a Board of seven directors, three of whom are nominees of the University. The University has links with the research and educational activity of EMIH Limited at The Deep, in Hull.

The University made payments to Information by Design of £nil (2012: £nil). Information by Design made payments to the University of £1,176 (2012: £196) in respect of cleaning and maintenance charges. At the year end the University owed Information by Design £nil (2012: £nil). An amount of £nil (2012: £3,331) was owing from Information by Design to the University. The company was set up by former staff at the University.

The University made payments to Kingston Chemicals Limited of £960 (2012: £197) for chemicals and equipment. Kingston Chemicals Limited made payments to the University of £30,466 (2012: £39,521) for goods and services. At the year end the University owed Kingston Chemicals Limited £nil (2012: £960). An amount of £nil (2012: £nil) was owing from Kingston Chemicals Limited to the University. The University owns 21% of the shares in Kingston Chemicals Limited.

CHeMTriX BV made payments to the University of £59,482 (2012: £22,795) for use of laboratory facilities. An amount of £nil (2012: £26,369) was owing from CHeMTriX BV to the University. The University made payments to CHeMTriX BV of £9,268 (2012: £12,486) for equipment and materials. At the year end the University owed CHeMTriX BV £nil (2012: £6,424). The University's investment in CHeMTriX Limited represents an underlying 24% holding in the company CHeMTriX BV, two thirds equity, one third subordinate loan.

## Notes to the Accounts

The University paid £9,983 to Create Arts Development Limited for collaborative research and report writing. A member of University staff in the Hull University Business School, Mr John Munro, is co-chair of Create Arts Development Limited. He receives no remuneration from Create, and had no involvement in the procurement process carried out by the University.

### 35 EXPENSE PAYMENTS TO TRUSTEES

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

The total expenses paid to or on behalf of four trustees was £3,808 (2012: £5,584 to three trustees). This represents travel and subsistence expenses incurred in attending Council, meetings and events in their official capacity.