

University of
Hertfordshire

U
H



Financial Statements 2013/2014

Contents

Chairman's Statement	5
Vice-Chancellor's review	6
Operating and financial review	8
Statement of corporate governance	26
Statement of internal control	29
Statement of responsibilities of the Board of Governors	30
Report of the independent auditor to the Board of Governors of the University of Hertfordshire	32
Consolidated income and expenditure account	33
Statement of Group historical cost surpluses and deficits	34
Statement of Group total recognised gains and losses	35
Balance sheets	36
Consolidated cash flow statement	38
Statement of principal accounting policies	39
Notes to the accounts	43
Board of Governors	74
Advisors	75
Members of the Executive Team	76



Introduction by Richard Beazley Chairman of the Board of Governors

It has been a great privilege to have taken over from Jo Connell as the chairman of the Board of Governors of the University of Hertfordshire. Jo made an enormous contribution to the University, serving on the Board for 12 years, for the last six of which she was the Board's chairman. During her tenure on the Board, the University emerged as one of the very best of the newer British universities. As a vibrant, forward thinking, 'business-facing' seat of excellent teaching and research, its graduates have a suite of attributes that have enabled them to make their way in life successfully. Jo made a significant contribution to this, and we are all very grateful to her.

For me, it has been a pleasure to get to know the University's staff and students, and increasingly to participate in university life. The public face of the University is the wonderful, modern campus (which continues to be expanded to provide facilities and accommodation of outstanding quality), the opportunities for top class sport, and the excellence of the performing arts. Within the University, what strikes me is the enthusiasm and commitment of the staff I meet, whether they be academics, or the professional and technical teams constantly looking for ways to make the University a better place.

The students are a credit to the University. The cheerful energy they bring to the University during term is extraordinary; and it is a privilege to hand them their degrees at the award ceremonies. I am extremely confident they will make their way in their chosen careers successfully.

Despite all this, the University, along with all other British universities to varying degrees, faces significant challenges as a result of changes in government policy, the development of technology, and international competition. These are challenges the University relishes, and we believe we are in a position to rise to them successfully. However, there is no room for complacency, and it is important the University remains constantly focused on its long-term vision, and being the very best at what it does.

Finally, I would like to thank the Board for all it has done this year. All the Governors give unstintingly of their time and take a close interest in the University, bringing to bear a remarkable range of experience.

Richard Beazley
November 2014



Vice-Chancellor's review of the year

It has been a year of substantial progress and achievement for the University. Our curricula continue to evolve to encourage the broad attributes of professionalism, intellectual flexibility and social responsibility which we expect of our graduates, and this has been reflected in our graduate employment figures whereby over 93% of our graduates successfully find a job within six months of graduation. Our submission to the Research Excellence Framework comprised more staff with more highly rated research than ever before and our impact case studies demonstrate the enormous contribution which we make to the economy and to society at large. This was further emphasised in an economic impact survey which demonstrated that the University contributed about £1.03 billion per year to the economy and directly and indirectly supported 11,000 jobs.

Our building programme has successfully delivered an extended sports facility, a new reception and social facility, seven hundred new bedrooms and a new student recreational facility called The Oval. These are part of a ten year plan which is progressing well and will entirely rejuvenate the College Lane campus. They also contributed to our Estates Department receiving the Times Higher Leadership and Management Estates Team of the Year.

Our two major subsidiary companies, Exemplas (business support) and Uno (bus services) have recovered from the recessionary period recording profits and carrying buoyant forward projected activities.

We have also recorded solid results with tangible improvements in almost all the league tables by which we are measured. It was particularly pleasing to be placed 52nd in the world league table for most international universities, and 60th in the world league table of universities under 50 years old.

The robust financial performance and good recruitment figures for 2014/15 place the University well for the challenges which will inevitably come as we enter an election year.

Staff in the University have made very substantial contributions across all areas of endeavour for which I am deeply grateful and immensely proud.

Professor Quintin McKellar CBE

November 2014



About the University of Hertfordshire

The University of Hertfordshire has successfully positioned itself as the UK's leading business-facing university. We strive to put the experience of our students first by our efforts in distinguishing them for being innovative, creative, highly employable and equipped for their future careers. We have established a thoroughly ambitious and entrepreneurial university with superb facilities and a close relationship with industry, commerce and the public sector.

We have a strong commitment to excellence in diverse research that has a powerful impact on the wider world. It is central to the mission of the University and the experience of all students is enhanced through exposure to the extensive range of research and scholarship undertaken by our enthusiastic and competent staff.

The University of Hertfordshire is one of the region's largest employers with over 2,500 staff and a turnover of £239 million. With a student community of over 25,200 including more than 2,900 international students from over 120 different countries, the University has a global network of over 190,000 alumni.

The University ranked 9th in the UK universities under 50 years old and 60th in the world.

Source: 2014 Times Higher Education 100 under 50

Our vision

We will shape the next generation of business-facing universities. We will continue to be an exemplar in the sector and we will play a leading role in addressing the economic and social challenges facing the UK in increasingly competitive global markets. Innovation, creativity and an enterprising mindset will be the defining characteristics of our University. We will provide flexible and transformational learning and commit to adding value to our partners and delivering positive and productive engagements with business, industry and the professions. The University will continue to play a central role in the local and regional economy, contributing positively to its social and economic development, and we will build our international profile and global reputation.

Our values

The following core values inform and underpin all of our activities. We aspire to be:

- Student centred
- Innovative, creative and enterprising
- Committed to supporting and developing our people
- Focused on excellence and its celebration
- Dedicated to enjoyment in learning and work
- A place of integrity where the individual is respected

Our mission

To be an innovative and enterprising university, challenging individuals and organisations to excel.

Corporate Structure

Full details of the corporate structure are given in the Statement of Corporate Governance on page 26. The Vice-Chancellor, as Chief Executive and Academic Head of the University, has responsibility to the Board of Governors for the organisation, direction and management of the University.

Officers appointed by the Board

Vice-Chancellor

Professor Quintin McKellar CBE

Deputy Vice-Chancellor

Professor Ian Campbell

Secretary and Registrar

Sue Grant

Group Finance Director

Alistair Moffat

These positions, together with three Pro Vice-Chancellors, Deans of the ten Academic Schools (listed below), Director of Human Resources, Director of Estates, Chief Information Officer, Academic Registrar and the Dean of Students, form the Chief Executive's Group, which is responsible for the day-to-day management and leadership of the University.



Academic Structure

The University's academic provision is delivered by its ten academic schools:

- **Hertfordshire Business School**
- **Computer Science**
- **Creative Arts**
- **Education**
- **Engineering and Technology**
- **Health and Social Work**
- **Humanities**
- **Law**
- **Life and Medical Sciences**
- **Physics, Astronomy and Mathematics**

Our research takes place within three dedicated research institutes:

- **Health and Human Sciences**
covering Agriculture, Environment, Health, Life Sciences, Nursing, Pharmacy, Psychology and Sport
- **Science and Technology**
covering Astrophysics, Atmospheric Science, Computer Science and Engineering
- **Social Sciences, Arts and Humanities**
covering Art and Design, Business, Education, English Literature, Film, History, Language, Law, Management, Music and Philosophy

The University works in partnership with four regional further education colleges through the Hertfordshire Higher Education Consortium (HHEC) and offers distance learning through its UH Online provision.

The University also has a number of franchise arrangements with a variety of institutions spread across the world, including institutions in Malaysia, Singapore, Malta and Canada.

Public benefit – the University as a charity

The University of Hertfordshire is a Higher Education Corporation and, as such, is an exempt charity under the Charities Act 2011. The University is regulated by the Higher Education Funding Council for England (HEFCE), which is the principal regulator of English higher education institutions that are exempt charities. During 2013/14 the Board of Governors, as Trustee of the University, continued to have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education.

Strategic Drivers

The University has six key strategic drivers that facilitate the delivery of its charitable objectives of providing higher and further education to its students, carrying out research and publishing the results of the research. The following outlines how the University has contributed to public benefit in its activities and sets out key achievements during the year.

Learning and teaching

The main business of the University of Hertfordshire remains the provision of high quality bespoke learning, tailored to meet the specific needs of individuals and organisations. It is delivered by staff who are experts in their field and who provide timely assessment and meaningful feedback to support learning. Professor Ian Campbell joined the University as Deputy Vice Chancellor in September 2013 and he is responsible for the delivery of academic input to students through his leadership of the Deans of School.

Following two years of student recruitment below target but at an increased tariff, a number of cost efficiencies were needed to maintain funds for re-investment during 2013/14, and these largely delivered a financial surplus on target. It is encouraging to report that recruitment for September 2014 is much improved.

The quality of academic provision relies on the quality of the staff providing it. The University now has 22 senior fellows of the Higher Education Agency and is also celebrating the award of a National Teaching Fellowship to Professor Sally Graham. There was a record attendance at the local Learning and Teaching conference as staff showed genuine interest and enthusiasm in looking at ways to improve delivery to students.

A number of initiatives have been introduced to further enhance the performance of academic schools, including:

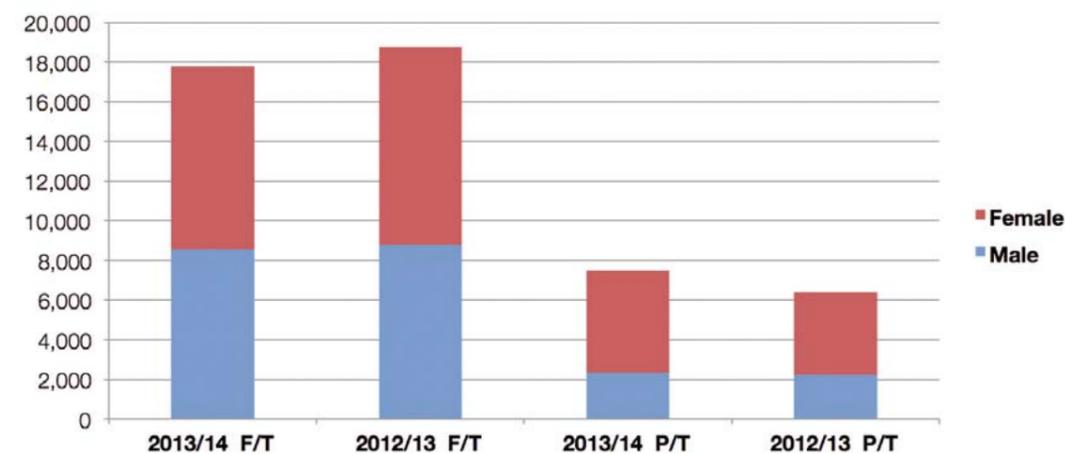
- Use of software to authenticate student work submitted online;
- Stronger working relationships with collaborative partners;
- Small group tutorials to share learning experiences;
- A School prize-giving event to recognise and celebrate the achievements of current and graduating students;
- The use of the Self-Assessment Reflective Tool (SART) for student feedback;
- An extended range of co-curricular activities to enhance student employability;
- Use of alumni and existing students in the educational experience;
- Student-led study groups for peer support;
- Extensions to placements and accredited work experience.

Many of the above items, as well as several others, are disseminated from the University's Student Experience and Education Committee (SEEC) which seeks to identify and share good practice within the institution.

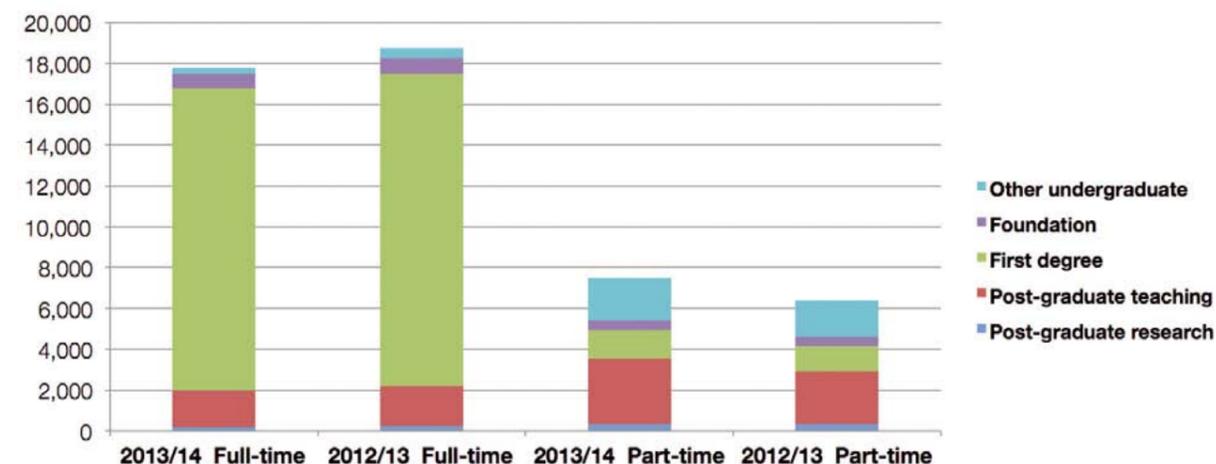
In January 2014, the Quality Assurance Agency (QAA) Higher Education Review of West Herts College, one of the colleges within HHEC, received a 'commended' judgement for enhancement of the quality of learning opportunities, partly due to the support the University of Hertfordshire offers through its Consortium Quality Commission (CQC) and link tutors.

Student numbers have remained stable with a total enrolment of 25,290 in 2013/14 compared to 25,130 in 2012/13. This includes students based at consortium colleges and other partner institutions. There has been a fall in the number of full-time/sandwich students who comprised 70% of the total student population in 2013/14 compared to 75% in 2012/13. However there has been a corresponding increase in the number of part-time students. The student profile for 2013/14 compared with 2012/13 is illustrated below.

Analysis of student population by mode of study and gender



Analysis of student population by programme



Around 8,400 students graduate every year including 350 qualified nurses and 60 qualified paramedics.

During 2013/14 the University prepared for the introduction of a revised academic year to provide more time for reflection, cross cultural activities and work experience. Curricula changes will be implemented that concentrate on the transition of students moving from school to the University and then between levels within the University. Work-based learning and placement activities will ensure that employability and enterprise skills are tailored to the programme needs. The development of cross-disciplinary activities will include the introduction of a common reading programme and a student conference.

There has also been a continued growth of our on-line and tutor supported distance learning programmes to both home and international students. This provision offers access to education for students unable to attend in the traditional manner.

Work continued on improving assessments and providing timely feedback to students through the use of an electronic voting system.

Student experience

We are passionate about giving our students a unique university experience – one that is both enjoyable and fulfilling. As well as shaping their living and learning environments, we encourage them to be active and independent learners.

In the 2014 National Student Satisfaction Survey the overall satisfaction score for the University increased by 3% to an institution high.

Student experience is very important to the University and after disappointing results in the National Student Satisfaction (NSS) Survey in 2013, we worked very hard with the student body to understand their issues and improve levels of satisfaction. It is pleasing to report that in 2014 the University achieved its highest ever score in this survey. The results provide a good base for the University to continue to build and improve on.

The University engaged in the Postgraduate Research Experience Survey (PRES) in 2013 with a positive outcome. High satisfaction was expressed in terms of research skills, supervision, progress and assessment.

We celebrate student successes and support them long after they graduate. Our graduates leave us with a set of attributes that stand them in good stead.

These are:

- Professionalism, employability and enterprise
- Learning and research skills
- Intellectual depth, breadth and adaptability
- Respect for others
- Social responsibility

The graduate attributes provide a shared vision and a set of common values which characterise the University's students in all their diversity. These attributes describe the skills and qualities we expect our students to achieve by graduation, in addition to their subject expertise and proficiency.

This can be illustrated by two notable student success stories during the year.

- A final year student studying event management at the University won an Apprentice style competition to secure a graduate job. Elena Clowes was one of fifteen finalists in ESP Recruitment's national Eventice competition, where final year students from across the country compete to win one of two jobs in the events industry.
- A business student, Daniella Di Stazio, was crowned the best Higher Apprentice in British engineering and advanced manufacturing at the inaugural Semta Skills Awards. Daniella, a Business Apprentice at MBDA UK in Stevenage received her award during a glittering ceremony at London's Park Plaza Riverbank.



Student facilities

The 2020 Estates Vision, which was approved in 2011, is a £200 million investment programme to update and refresh the campuses creating an outstanding, state of the art environment and community for students and staff for the future. In 2013/14 a new reception and innovative learning zone were completed on the College Lane campus. Work also commenced on the new Hutton Hub, a one stop shop for non-academic student services, and on the construction of a new science building. On the de Havilland campus the Hertfordshire Sports Village extension was opened in February 2014.

Phase One of the student accommodation project on the College Lane campus has been delivered, with 700 new rooms being available for students commencing their studies in September 2014. Three thousand rooms will be available at the conclusion of the project in 2016, which constitutes 1,500 more than were previously on the College Lane campus. This is part of a £190 million investment, funded by a bond raised by a third party consortium, Uliving@Hertfordshire.

We set the pace

There is a University of Hertfordshire graduate in every **British Formula 1 team**

We open minds over 3,700 new teachers have qualified from the University of Hertfordshire in the last 10 years

We are delivering miracles

Most babies born in Hertfordshire are delivered by a University of Hertfordshire educated midwife

Student support

The University admits students to its programmes on the basis of merit and potential to benefit, and has in place an agreement with the Office for Fair Access (OFFA) to demonstrate that access should not be limited on the grounds of individual financial circumstances.

The University has continued to support students from backgrounds of low-income and low-participation in higher education. In 2013/14, 650 first year and 250 returning students were recipients of the National Scholarship Programme (NSP). Our unique approach in structuring the NSP provision allowed students to choose a tailored programme of support that best meets their needs. Options available under the NSP scheme included: peer mentoring, tuition and accommodation fee waivers, a laptop, book allowance, gym membership and vouchers for both food and travel.

A range of scholarships are available to reward and encourage students who work hard or show great talent. These are both sponsored directly by the University and by our commercial and professional partners.

In addition to academic and financial support, a vast array of facilities and support mechanisms have been made available to ensure student success. These include counselling, advice, disability medical, child care, accommodation and careers services.

Employability and entrepreneurship

The University is committed to providing its students with excellent educational opportunities and ensuring that its students are highly employable whilst developing a lifelong passion for learning.

Highly-employable students

Over 93% of students were in employment or further study shortly after graduation.

In 2013/14 the University received its highest graduate employment rate for 10 years. The national Destination of Leavers from Higher Education (DLHE) Survey showed that over 93% of our students were in employment or further study six months after graduation. Almost a third of those in employment chose to work in Hertfordshire.

The Careers and Placements Service underwent a change of name to Careers, Employment and Enterprise (CEE) to reflect the integration of the Enterprise team within the wider service. As part of the re-focussing of activities of CEE to enhance partnership working, School Engagement Teams (SETs) were introduced at the beginning of the academic year to provide the whole spectrum of support, specifically tailored to each of the University's academic schools, and to foster employability.

Research

Research income and activity has continued to grow in 2013/14 with an increase in applications for funding both within the EU as well as the UK. Confirmed research awards are £2 million higher than last year, including a prestigious award for a World War One Engagement Centre, in collaboration with the University of Essex. A significant grant was also awarded to investigate new energy resource devices in the context of the low carbon future.

Research income

2013/14 £11.8m

2012/13 £10.2m

2011/12 £8.4m

During the year Research Councils UK (RCUK) awarded the University a rating of substantial assurance, which is the highest rating possible, for the operation of expenditure against grants awarded and compliance with the university research ethics policies and procedures.

The University carried out its final preparations for the Research Excellence Framework (REF) submission. 24% more staff were submitted compared to the 2008 exercise. 13 submissions were made to 12 units of assessment with a total of 755 outputs together with 31 research impact case studies.

The number of research degree students has been increasing with the development of the Doctoral College. There were a record number of doctoral awards and the research degree qualification rates continue to be well above our benchmark level against the sector.



Innovation and enterprise

As well as growing the region's young talent pool, the University is a major resource for Continuing Professional Development, especially in relation to health and social care.

The University continued to offer Knowledge Transfer Partnerships (KTP) in eligible disciplines, supplemented by our Knowledge for Business (K4B) product which is accessible by a wider range of Small and Medium Enterprises (SMEs). Six new KTP projects were won in the schools of Computer Science and Engineering and Technology earning income of over £1million; eight new K4B projects started in the School of Engineering and Technology and the Hertfordshire Business School, as well as eight innovation voucher projects with new SME clients. 20 of our graduates participated in Knowledge Transfer projects, evidencing the University's commitment to developing employment-ready talent through business engagement.

We were also successful in winning Technology Strategy Board funding of £367,000 towards work with AMSCI (the Advanced Manufacturing Supply Chain consortium), C4 Carbides and Optisense, demonstrating the University's growing reputation as a valuable innovation partner in such business-led projects.

Our programme to implement online booking for all short courses was completed this year, ensuring our offers for the employed workforce and life-long learners are readily accessible online.

Our long-established Biodet and Cimtech units continued to deliver consultancy services for corporates such as the General Dental Council, Affinity Water, GSK, Johnson Controls and British Gas, as well as dozens of SMEs in the environmental sector nationwide.

The University is firmly committed to exploiting commercially viable research outputs through both licensing and venture creation. A further round of our Proof of Concept scheme was opened with seven projects funded across five schools. Five UH-originated innovations, including Kaspar the social robot and the Cube Project micro-home were made market-ready in conjunction with the UK Design Council as part of its national Design Leadership Programme.

A new partnership was finalised with MTB Exams Limited in the area of music examinations, a project originally initiated through the School of Creative Arts' Music department. We also entered into an exploitation agreement with the SME inventor of CapaValve, a new form of medical syringe endorsed by our schools of Engineering and Technology and Life and Medical Sciences, and following successful development and testing are already in negotiation with potential licensees.

The University holds an annual competition, FLARE, to help students and alumni launch new businesses or come up with an innovative idea. Since its launch in 2005, the FLARE competition has awarded £120,000 to 25 start-up businesses enabling them to take their initial ideas and turn them into a reality. The 2013/14 'Best Business' prize was awarded to graduate Olivia Berry for her bespoke photographic company.

In support of the University's primary purpose and public benefit obligations, the University also has a range of commercial enterprises ranging from the provision of a sports facility, business advice and consultancy services, conference facilities and regional bus services. These subsidiary undertakings contributed over £31 million to the Group's total income for 2013/14.



International engagement

With students from more than 120 countries on campus, and an expanding overseas alumni network, our vibrant community promotes a high level of multicultural understanding.

The recruitment of international students to programmes here in Hertfordshire has been maintained despite the influences of government home office immigration policy. This is particularly pleasing as we believe the mix of international and home students enriches the experience for all. The University has an associate college, Hertfordshire International College (HIC), which provides a pathway for international students into UK higher education at the University of Hertfordshire. Overseas based students typically constitute 15-20% of the overall student population.

Our involvement in the Erasmus and Study Abroad programmes goes from strength to strength and it is encouraging that we have seen an increase in both UK students availing themselves of this opportunity as well as welcoming those from Europe and further afield to study on our campuses for one or two semesters. Around 5,000 students are studying for University of Hertfordshire qualifications in partner institutions in the UK and overseas. In 2013/14 there were over 290 students on study or work placements in 35 countries.

Strategic enablers

The delivery of our strategic drivers is underpinned by the University's academic profile, people and culture, infrastructure, sustainability and community engagement as well as by our financial strength. The financial review can be found on page 20.

People and culture

With 2,500 full-time equivalent staff members, the University Group is one of Hertfordshire's major employers.

The University has won a Silver award in the prestigious annual scheme run by the Royal Society for the Prevention of Accidents (RoSPA).

The excellence of University staff was reflected in the number of accolades they received from external bodies. Recognition of particular note included:

- Julie Newlan, Pro Vice-Chancellor of Enterprise and Director of Marketing Communications at the University of Hertfordshire, was honoured for her services to higher education in the Queen's Birthday Honours list, 2014.
- Professor Keith Laws was elected Fellow of the Royal Society of Arts (RSA) in recognition of his outstanding contribution to research in the field of cognitive neuropsychology.
- Dr Chamu Kuppuswamy, School of Law, featured on the seventh annual Independent on Sunday Happy List of 100 people who, without thought of personal gain, give back and help others, rather than themselves.
- The University won the Outstanding Estates Team award at the Times Higher Education Leadership and Management Awards.
- The University was also commended in the Human Resources Organisational Impact category of the University Human Resources awards for the 'Leading through coaching' programme, a collaborative initiative between the Human Resources department and the School of Education.
- The University's Marketing and Communications department received a Gold Award for 'Best use of Digital and Social Media' (#HertsIsTheOne project) and was highly commended for 'Best use of Innovation and Creative Thinking' (2013 Roadshow) at the 2014 Heist Awards. The Heist Awards recognise excellent practice in higher education marketing and this year there was a record number of entries. The University was shortlisted five times for four awards.
- The Hertfordshire Sports Village won the 'Lifeguard Team of the Year 2014' award at the Royal Life Saving Society (RLSS) and Institute of Qualified Lifeguards (IQL) awards ceremony. The Sports Village team was nominated following the successful rescue and resuscitation of someone who suffered a cardiac arrest while swimming at the Sports Village pool last October.



In autumn 2013 a staff survey was undertaken to assess staff opinion on working life at the University. Overall there were some very positive results:

- 89% said their work is varied and interesting
- 79% felt overall the University offers a good pay and benefits package
- 79% said their manager takes a positive interest in their health and wellbeing
- 95% are satisfied with the level of awareness of diversity issues

87% of staff said the University is a good place to work.

In particular, staff said the things they liked about working in the University was the support they received from their colleagues (90%) and the feeling of belonging to a team (82%).

The survey also highlighted certain aspects of working life that could be improved, such as communication, and the University is currently taking action based on those findings.

During the year the wellbeing initiative has been expanded and embedded into normal life at the University. Wellbeing Wednesdays were introduced including sessions on disability, mindfulness, volunteering, mental health, nutrition, equality, fitness and dance.

Equality and diversity

The University promotes an inclusive ethos of fairness, courtesy and respect which encourages differences to be shared, explored and celebrated. This commitment to promoting equality and valuing diversity, which informs policies, procedures and activities, is made known to Governors, students and staff, applicants and visitors. The University provides development opportunities on equality for Governors, staff and students.

As part of its equality objectives the University has launched the Black and Minority Ethnic (BME) Success Project relating to the attainment of BME students. During the year there was another reduction in the attainment gap between white and BME students, which is a key equality objective for the University.

The University became a member of Athena Swan in 2012, an Equality Challenge Unit (ECU) charter mark for women in science that focuses on advancing women's careers in Science, Technology, Engineering, Maths and Medicine (STEMM). During 2013/14 the University has been preparing for the Bronze award at institutional and school level. As part of this preparation the University has developed a Women in STEMM network which was launched during a very successful one day conference in May 2014 attended and presented by a range of women researchers from across the higher education sector.

The University proactively takes steps to ensure it provides an inclusive environment in which disabled people can study, work and access services without unnecessary barriers. The University anticipates the requirements of disabled people in its policy development and service delivery. It also makes reasonable adjustments for individuals where required.

The University's Student Wellbeing team provide a range of specialist services to support disabled students and staff offering advice and support on issues such as disclosure and identifying and implementing support and adjustments and helping to develop and deliver inclusive practice and policy and to meet the needs of individual disabled people. This work is also supported by the University's Equality Office, HR, Occupational Health and Safety and other specialist services.

We are one of only five UK universities to have achieved both the EcoCampus EMS Platinum award and ISO14001 certification.

Infrastructure and sustainability

The University of Hertfordshire is recognised as a leading university in terms of environmental management and performance and has achieved a First Class Award in the annual People and Planet Green League since 2007. It is committed to embedding environmental improvement into its business model and ethos and has achieved the internationally recognised ISO 14001 Environmental Management System (EMS) Standard and the EcoCampus EMS Platinum award.

Other key achievements, noted in the University's Environment and Sustainability Annual Report issued in 2014, include:

- Reductions in carbon emissions of 11% and 13% respectively against the Carbon Management Plan and University Group baseline years.
- Scope three carbon emissions were measured for a second year.
- Recycling performance increased to 82%.
- 93 environmental features were included in the capital projects that were implemented in 2012/13.
- The new student accommodation represents a first in terms of sustainability; it is set to achieve 'true' zero carbon accreditation and meet BREEAM outstanding status.



The Hatfield Community Free School, of which the University is one of the founders, was rated by Ofsted as outstanding in every category.

Community engagement

The University plays an active and very significant role in supporting its communities, both within the University and throughout the county.

During 2013/14 the University commissioned a report on the economic, social and cultural impact of the University in relation to its community. As an entrepreneurial institution and a large employer in the region, the University makes a significant and sustained contribution to the local economy.

The University raises the education aspirations of school students in Hertfordshire. Central to this is the programme of work with schools, colleges and authorities, which

include summer schools, master classes, mentoring schemes as well as workshops. In particular where there is a tradition of low participation our widening access activity has positive implications in terms of improving social cohesion and mobility.

The University actively engages with the community. We have established a number of free schools and are in partnership as the lead University in two university technical colleges in Elstree and Watford. Over 90 staff are school governors and students are involved in numerous volunteering activities. We run a series of free lectures and, via UH Arts, provide access to a wide range of cultural activities and events open to staff, students and the wider community.

The University regularly opens its doors to the public. Each year Hertfordshire Sports Village receives around 275,000 visits from members of the public and our Learning Resource Centres receive around 10,000 visits each year from students at other universities and local schools.

More than **250** different sports clubs use the facilities at Hertfordshire Sports Village

Every year we hold more than **20,000** arts experiences

uno buses carry **7 million** passengers each year

Each year around **200** students volunteer to work as university ambassadors at school and college outreach events

More than **20,000** hours of advice is given to businesses each year

Our School of Education works with around **600** nursery, primary and secondary schools

Around **90** members of staff volunteer as school governors

Financial Review

The financial statements

The financial statements presented by the Board comprise the consolidated results of the University and its subsidiary companies, associates and joint ventures (the Group). The Group companies undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. These subsidiaries and their activities are listed in note 13. Where possible subsidiary companies pay their taxable profits to the University under the Gift Aid scheme.

Results for the year

The Group monitors its financial performance against the key financial metrics as defined and required by HEFCE, and the results are as follows for 2013/14:

	Actual 2013/14	Sector mean 2012/13
Historic cost surplus to income	6.0%	5.0%
Liquidity	134 days	123 days
Borrowing to income	32.1%	25.8%
Reserves	84.1%	61.7%
Cash flow	12.0%	8.3%
Staff costs to income	51.6%	52.4%

The Group considers that it is in good financial health and HEFCE consider that it is not at higher risk.

Following the announcement by the Government of substantial reductions in public funding, the Group embarked on several initiatives to reduce non-staff costs through enhanced procurement activity, re-specification of its requirements and delivery of several measures to eliminate waste. Investment in financial management has also enhanced the decision-making abilities of senior management.

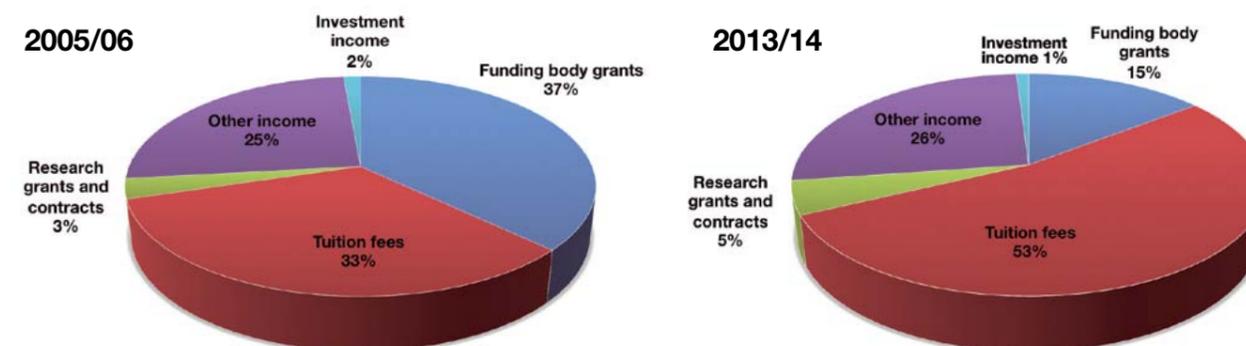
The financial performance of the subsidiary companies in 2013/14 showed an improvement over 2012/13, particularly in Exemplar Holdings Limited and Universitybus Limited. Overall, the companies delivered a profit of £0.4 million.

The following demonstrates the impact of the adjustments required under FRS17 to account for retirement benefits. These adjustments increased the Group surplus for the year ended 31 July 2014 by £5.7 million (2013: £2.5 million). Further details can be found in note 33.

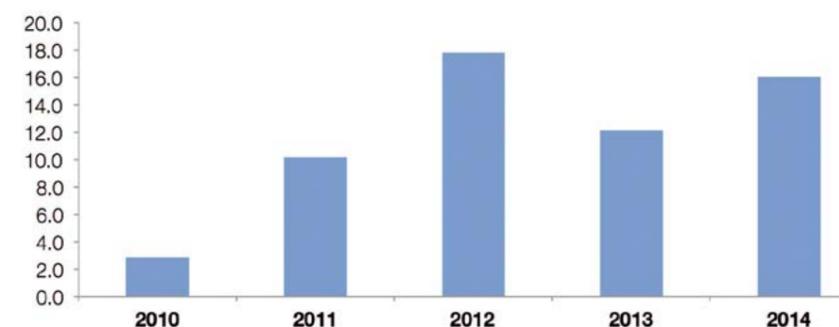
	2014 £ million After FRS 17 adjustment	2014 £ million Before FRS 17 adjustment	2013 £ million After FRS 17 adjustment	2013 £ million Before FRS 17 adjustment
Income	238.6	237.0	234.2	234.2
Expenditure	(222.5)	(226.6)	(221.9)	(224.4)
Tax, joint venture profit and minority interest	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>(0.2)</u>
Surplus before exceptional items	16.0	10.3	12.1	9.6
Exceptional items	<u>(1.3)</u>	<u>(1.3)</u>	<u>43.0</u>	<u>43.0</u>
Surplus	<u>14.7</u>	<u>9.0</u>	<u>55.1</u>	<u>52.6</u>

Changes in income source 2005/06 compared to 2013/14

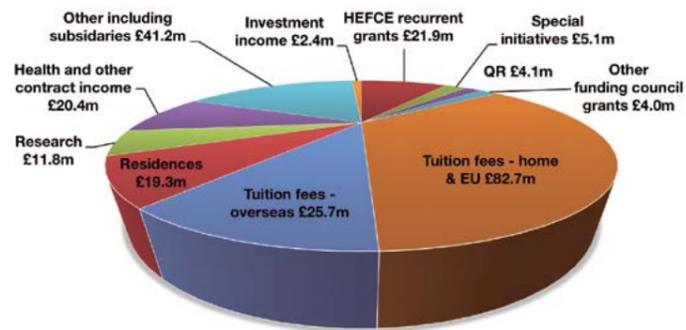
The charts below demonstrate the changes in funding over the past eight years, with a move away from central government grant funding towards student tuition fees.



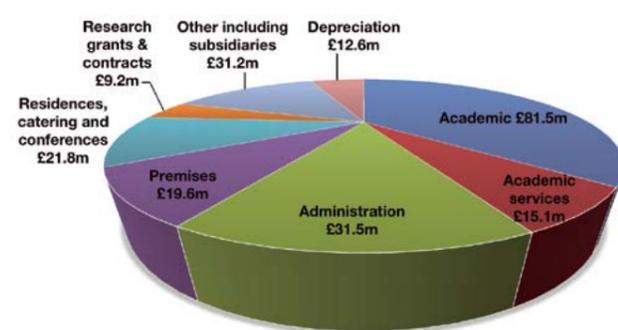
Group operating surplus from 2009/10 to 2013/14 (£ million)



Analysis of Group income 2013/14 (£ million)



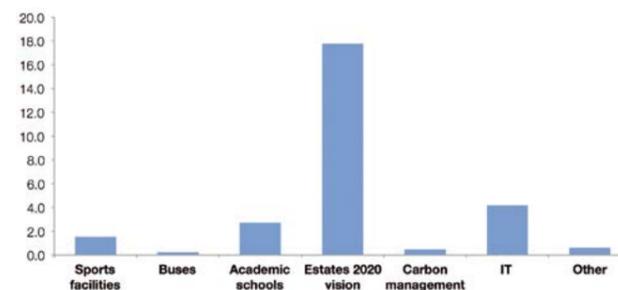
Analysis of Group expenditure 2013/14 (£ million)



Capital projects

£27.1 million was spent during 2013/14 on capital projects, the majority of which is to improve facilities for staff and students on the College Lane campus as part of the Estates 2020 Vision. A further £10 million was invested in other facilities and equipment for both teaching and research.

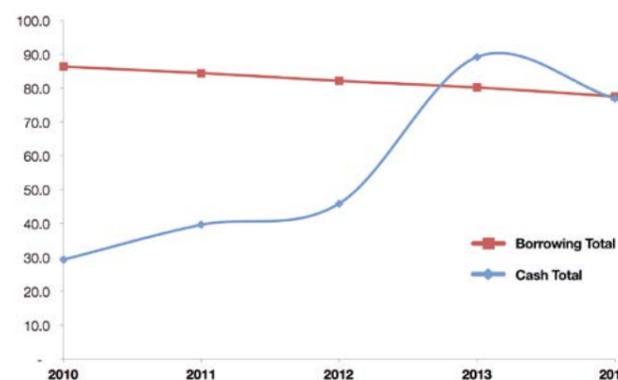
Group capital expenditure 2013/14 (£ million)



Cash flow

The cash balance of £77 million remains healthy and is adequate for future investment commitments. The reduction in cash of £12 million during the year is largely due to the capital expenditure outlined above. External debt of £2 million has also been repaid. The following graph shows Group cash balances versus borrowings over the last five years.

Group borrowing and cash (£ million)



Investment policy and performance

The investment policy of the University provides that deposits are made on the basis of the long-term credit rating assigned by the Fitch global rating agency to the financial institution with which the proposed investment is to be made. Deposit limits with one financial institution range from £1 million to £10 million depending on the rating.

Key Performance Indicators (KPIs) and risk

During 2013/14 the University was subject to the HEFCE Financial Memorandum, which is being replaced by the HEFCE Memorandum of Assurance and Accountability with effect from 1 August 2014. It also adheres to the Council of University Chairs (CUC) Higher Education Code of Governance. As such the governing body must ensure institutional financial health including adopting effective systems of control and risk management which promote value for money, meet mandatory audit requirements, and produce accurate and quality assured institutional data.

The KPIs agreed by the Board of Governors include student recruitment targets, student satisfaction, the position of the University within the sector, the financial strength of the Group and student employment indicators.

In order to ensure that the strategy and the KPIs can be achieved the Board also identifies and closely monitors business risks.

The top strategic risks and measures taken to mitigate them are:

Under-recruitment of UK students

- Detailed planning process to agree realistic yet challenging targets.
- Implementation of the 'conversion' campaign to ensure applicants choose the University.
- Well managed and strategically led clearing operation followed by effective 'keeping warm' activities to ensure applicants become students.

Government policy impacting overseas student recruitment

- Rigorous adherence to Home Office regulation.
- Implementation of strong recruitment practices including conversion and keeping warm activities.
- Close partnership working with recruiting agencies and associate colleges.
- Positive activities overseas to ensure applicants feel welcome.

Financial stability not being maintained

- Rigorous monitoring of all budgets takes place.
- Caution is taken in relation to the capital programme and staff recruitment.
- Value for money strategy is implemented and regularly monitored and updated.
- Position with regards to pensions closely monitored.

Accidents on site during construction work

- The Health and Safety policy and behaviours of staff and contractors working on site is regularly monitored.
- All Health and Safety policies are enforced.

Members of the executive team provide regular briefings to the Audit Committee and the Board allowing Governors to monitor the assessment, mitigation and responses to these risks. Further details on the University's risk management procedures and policies are set out in the statement of corporate governance.

Auditor

A resolution to reappoint Grant Thornton UK LLP as auditor of the University for this purpose was proposed at the meeting of the Audit Committee of the Board of Governors.

S C Grant

Secretary and Registrar

A Moffat

Group Finance Director

Date: 17 November 2014

Statement of corporate governance

The following statement is provided to enable readers of the financial statements of the University of Hertfordshire to gain a better understanding of the governance and legal structure of the University.

Legal status

The University of Hertfordshire is an independent corporation, established as a Higher Education Corporation under the provisions of the Education Reform Act 1988 and the Further and Higher Education Act 1992. It is an exempt charity as defined under the Charities Act 2011 and is regulated by the Higher Education Funding Council for England (HEFCE).

The University conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life and with the guidance to institutions of higher education provided by the Committee of University Chairs (CUC). The Board is satisfied that it is in compliance with the revised 'Guide for Members of Higher Education Governing Bodies in the UK' published by the CUC in March 2009.

Its objects, powers and framework of governance are set in the Articles of Government. Amendments to these Articles must be approved by the Privy Council.

Governance structure

The Articles require the University to constitute a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

Board of Governors

The Board of Governors is the overall governing body, responsible for the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction. The Board has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chairman of the Board to be elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and for representatives of the Academic Board and of the student body. No members of the Board, apart from staff members, receive any reimbursement for the work they do for the Board. Meetings of the Board are held 8 times a year and average attendance during 2013/14 was 83%.

Members of the Board of Governors are listed on page 74. The University maintains a Register of Interests of members of the Board of Governors and of members of the Office of the Vice-Chancellor, which may be consulted by arrangement with the Secretary and Registrar.

Chief Executive

The Vice-Chancellor is the head of the University and has responsibility to the Board for the organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and HEFCE, the Vice-Chancellor is the designated accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Academic Board

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the University and draws its membership entirely from the staff and students of the University. It is particularly concerned with issues relating to the teaching and research work of the University.

Committees

Certain matters such as the approval of the strategic plan, the annual budget, major investments and the sale and purchase of land are reserved matters for the Board. However much of its detailed work is handled initially by committee.

Finance and Employment Committee

The Finance and Employment Committee is responsible for the financial management and regulation of the Group. It also considers employment and other industrial relations matters. The Committee normally meets four times during each academic year.

Governance and Nominations Committee

The Governance and Nominations Committee is responsible to the Board for consideration and oversight of all matters relating to the good governance of the Board. Its role is distinct from that of the Audit Committee which is responsible to the Board for compliance. The Committee is established by the Board to act as the Appointments Committee in respect of all appointments made by the Board of Governors, save and except that final responsibility for the appointment of the Vice-Chancellor rests with the Board itself.

Statement of corporate governance

Audit Committee

The Audit Committee normally meets four times each year, including a meeting with the External Auditors to discuss audit findings. The committee considers the detailed internal audit report findings, reviews the effectiveness of the systems of internal controls and monitors adherence with regulatory requirements. It reviews the annual financial statements together with the accounting policies. It reviews the system and processes in respect of the preparation and submission of statutory returns to HEFCE and the Higher Education Statistics Agency (HESA).

Remuneration Committee

The Remuneration Committee determines and reviews the remuneration and conditions of appointees of the Board and sets the framework of pay and conditions of designated senior managers whose detailed pay and conditions are determined by the Vice-Chancellor. The Committee normally meets once each term.

Major Projects Committee

This committee has oversight of the management, financial management, administration and progress of significant capital projects.

Other than the Audit Committee, whose composition includes a staff governor nominated by the Board of Governors, these committees are composed of independent and external co-opted members of the Board. The decisions of all of these committees are reported formally to the Board.

The Board of Governors conducts regular effectiveness reviews of itself and its committees. These reviews include an analysis of attendance, work undertaken and the views of members so that changes can be introduced as appropriate during the next cycle. As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of University strategy, the identification and planning of new developments and the shaping of the University ethos. Members of the Office of the Vice-Chancellor, currently the Deputy Vice-Chancellor, the Group Finance Director and the Secretary and Registrar, all contribute in various ways to this aspect of the work but the ultimate responsibility to the Board rests with the Vice-Chancellor.

In accordance with the Articles of Government of the University, the University Secretary and Registrar has been designated Secretary to the Board and in that capacity provides independent advice on matters of governance to all Board members.

Going Concern

The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future and for this reason the Board consider that the accounts of the Group should be prepared on a going concern basis. The Group has made surpluses in each of the past five years and has cash reserves at a high level. The budget for 2014/15 is also indicating the achievement of a surplus and the medium and long-term cash forecasts demonstrate financial sustainability. In each of the past five years, more than six applications were made for each place for UK and EU based undergraduates.

Investments in fixed assets are carefully reviewed prior to approval. The Board only undertake such investments with the knowledge that the Group will remain solvent, and are likely to add value as a result of the investment. Although no new external borrowing is likely to be required in the near-term, the Board is confident that funding would be available from its lenders should the need arise.

Professor Q A McKellar

Vice-Chancellor

R Beazley

Chairman of the Board of Governors

Date: 17 November 2014

Statement of internal control



Statement of internal control

The Board of Governors acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated by the University of Hertfordshire Group. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against budgets and forecasts
- setting targets to measure financial and other performance using KPIs as appropriate
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines where appropriate.

The Board has established the processes for the identification, evaluation and management of risks the University faces. The Board 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 Instrument and Articles of Government and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; 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 policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The Board has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Board meets at regular intervals to consider performance reports, operational plans and the strategic direction of the University.
- The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit Committee provides an oversight of risk management and receives regular reports from the internal audit service, which includes the internal audit service's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- A programme of risk awareness training has been completed and a system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is maintained.
- Procurement procedures are in place that promote economy, efficiency and ensure value for money.
- Effective review processes are in place to provide assurance over the quality and completeness of data management.

Statement of the responsibilities of the Board of Governors

The Board of Governors is responsible for keeping adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for Further and Higher Education 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 (HEFCE) and the Board of Governors of the University of Hertfordshire, the Board of Governors, through its designated accountable officer, 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 of Hertfordshire and Group and of the surplus or deficit and cash flows for that year. At the University of Hertfordshire the designated accountable officer has been identified as the Vice-Chancellor.

In preparing those financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent and state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in operation.

The Board of Governors has taken reasonable steps to:

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

In so far as each of the Governors is aware:

- there is no relevant audit information of which the University's auditors are unaware; and
- the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.



We have audited the financial statements of the University of Hertfordshire for the year ended 31 July 2014 which comprise the consolidated income and expenditure account, the statement of Group historical cost surpluses and deficits, the statement of Group total recognised gains and losses, the University and Group balance sheets, the consolidated cash flow statement, the statement of principle accounting policies, 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 Board of Governors, in accordance with the University's articles of government and section 124B (4) of the Education and Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992. Our audit work has been undertaken so that we might state to the University's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governing Body and auditor

As explained more fully in the statement of responsibilities of the Board of Governors on page 30, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by HEFCE and the National College for Teaching and Leadership have been applied in accordance with the 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
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Date: 17 November 2014

	Notes	2014 £'000	2013 £'000
Income			
Funding body grants	1	35,059	49,200
Tuition fees and education contracts	2	128,789	115,605
Research grants and contracts	3	11,762	10,246
Other operating income	4	63,400	60,595
Endowment and investment income	5	2,412	629
Total income		241,422	236,275
Less: Share of income from joint ventures		(2,789)	(2,076)
Net income		238,633	234,199
Expenditure			
Staff costs	6	124,467	121,286
Other operating expenses	8	82,742	84,123
Depreciation	8	12,607	13,002
Interest and other finance costs	10	2,727	3,423
Total expenditure	8	222,543	221,834
Surplus after depreciation of tangible fixed assets at valuation and before tax		16,090	12,365
Share of operating loss in joint ventures		(72)	(14)
Taxation	9	(69)	51
Surplus after depreciation of assets at valuation and tax		15,949	12,402
Minority interest		-	(233)
Surplus before exceptional items		15,949	12,169
Exceptional item: continuing operations			
Surplus on disposal of fixed assets		28	42,960
Loss on revaluation of investment property		(1,377)	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		14,600	55,129
Deficit for the year transferred to accumulated income in endowment funds		(32)	(42)
Surplus for the year retained within general reserves		14,568	55,087

All results are from continuing operations.

The notes on pages 43 to 72 form an integral part of these financial statements.

Statement of Group historical cost surpluses and deficits
Year ended 31 July 2014

	Notes	2014 £'000	2013 £'000
Surplus on continuing operations before taxation		14,669	55,078
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	<u>282</u>	<u>2,365</u>
Historical cost surplus for the year before taxation		<u>14,951</u>	<u>57,443</u>
Historical cost surplus for the year after taxation		<u>14,882</u>	<u>57,494</u>

Statement of Group total recognised gains and losses
Year ended 31 July 2014

	Notes	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		14,600	55,129
Appreciation of endowment asset investments	24	53	185
New endowments	24	46	83
Transfer from endowments to income	24	14	(668)
Deferred tax on pension scheme		148	(140)
Actuarial (loss)/gain relating to pension scheme	33	(21,439)	<u>31,367</u>
Total recognised (losses)/gains for the year		<u>(6,578)</u>	<u>85,956</u>
Reconciliation of group reserves and endowments		2014 £'000	2013 £'000
Opening reserves and endowments		209,447	123,491
Total recognised (losses)/gains for the year		<u>(6,578)</u>	<u>85,956</u>
Closing reserves and endowments		<u>202,869</u>	<u>209,447</u>

Balance sheets as at 31 July 2014

	Notes	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Fixed assets					
Intangible assets	14	1,445	-	1,622	-
Tangible assets	12	279,241	214,335	266,411	201,180
Investments	13	7,203	72,941	7,360	73,024
Investment in joint ventures:					
Share of gross assets		874	-	1,188	-
Share of gross liabilities		(799)	-	(1,124)	-
		287,964	287,276	275,457	274,204
Endowment assets	15	2,443	673	2,298	660
Current assets					
Stock and work in progress	16	532	348	434	159
Debtors - within one year	17	16,932	16,239	19,860	18,401
- more than one year	17	880	305	-	2,487
Short term deposits		66,916	66,305	77,008	76,363
Cash at bank and in hand		10,048	7,569	12,353	10,082
		95,308	90,766	109,655	107,492
Creditors: amounts falling due within one year	19	(51,886)	(49,267)	(57,571)	(58,401)
Net current assets		43,422	41,499	52,084	49,091
Total assets less current liabilities		333,829	329,448	329,839	323,955
Creditors: amounts falling due after more than one year	20	(74,719)	(61,551)	(77,608)	(63,408)
Provisions for liabilities	22	(1,419)	(1,272)	(1,609)	(1,365)
Total net assets excluding pension (liability)/asset		257,691	266,625	250,622	259,182
Pension scheme (liability)/asset	33	(14,724)	(16,086)	996	(1,590)
Total net assets including pension (liability)/asset		242,967	250,539	251,618	257,592

Balance sheets as at 31 July 2014

	Notes	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Deferred capital grants	23	40,098	39,996	42,171	42,079
Endowments - Permanent	24	2,443	673	2,298	660
Reserves					
Income and expenditure account excluding pension reserve	25	197,783	209,729	188,504	199,934
Pension reserve	25	(14,724)	(16,086)	996	(1,590)
Income and expenditure reserve including pension reserve		183,059	193,643	189,500	198,344
Revaluation reserve	25	17,367	16,227	17,649	16,509
Total reserves		200,426	209,870	207,149	214,853
Total funds		242,967	250,539	251,618	257,592

The Financial Statements were approved by the Board of Governors on 13 November 2014 and signed on their behalf on 17 November by:

Mr R Beazley
Chairman

Professor Q A McKellar
Vice-Chancellor

Mr A Moffat
Group Finance Director

Consolidated cash flow statement

Year ended 31 July 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	26	20,326	17,472
Return on investments and servicing of finance	27	(1,790)	(2,315)
Taxation – UK corporation tax received/(paid)		3	(33)
Capital expenditure and financial investment	28	(27,361)	30,498
Acquisitions and disposals	29	(950)	-
Cash (outflow)/inflow before use of liquid resources and financing		(9,772)	45,622
Management of liquid resources	30	10,092	(43,564)
Financing	31	(2,585)	(2,013)
(Decrease)/increase in cash for the year		(2,265)	45
Reconciliation of net cash flow to movement in net debt			
		2014 £'000	2013 £'000
(Decrease)/increase in cash for the year		(2,265)	45
Cash used to (decrease)/ increase liquid resources	30	(10,092)	43,564
Loans repaid		2,585	2,013
Change in net (debt)/funds	32	(9,772)	45,622
Opening net funds/(debt) at 1 August	32	10,055	(35,567)
Closing net funds at 31 July	32	283	10,055

Statement of principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable United Kingdom Accounting Standards.

The accounting policies are unchanged compared with the prior year and have been applied consistently in dealing with items considered material in the financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings.

Going Concern

The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future and for this reason the Board consider that the accounts of the Group should be prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate those of the University and its subsidiary undertakings for the year ended 31 July 2014. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

The Group's share of the results of associate undertakings is included in the consolidated income and expenditure account from operating surplus onwards.

Investments in joint ventures and associated undertakings are carried in the consolidated balance sheet at the Group's share of their net assets/liabilities at the date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition, net of amortisation.

Under the gross equity method the income and expenditure account also shows the Group's share of the joint venture's turnover and the balance sheet shows the gross assets and liabilities in amplification of the net investment in joint ventures. Where gross assets are greater than gross liabilities this is shown in fixed asset investments; where gross liabilities are greater than gross assets the balance is shown in provisions.

In accordance with FRS2 (Accounting for subsidiary undertakings), the consolidated financial statements do not include those of the University of Hertfordshire Students' Union, as it is a separate organisation in which the University has no control or significant influence over policy decisions.

Recognition of income

Recurrent grants received from the Higher Education Funding Council for England and the National College for Teaching and Leadership (formerly the Teaching Agency) are recognised in the period to which they relate.

Fee income is credited to the income and expenditure account over the period in which the students are studying and is shown net of discount. Bursaries and scholarships are accounted for as expenditure in accordance with the SORP.

Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities. Any future predicted losses on individual long-term contracts are recognised immediately.

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.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied or the terms of the contract have been satisfied.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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

Statement of principal accounting policies

to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. Where a commitment has been entered into prior to 31 July and not expended, a provision is made for work started prior to the balance sheet date.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the year-end rates and the resulting surplus or deficit transferred to the income and expenditure account.

Agency arrangements

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

Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and as such 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 section 287 of the Corporation Taxes Act 2009 and sections 471 and 478-488 of the Corporation Taxes Act 2010 (formerly enacted in section 505 of the Income and Corporation Taxes Act 1988), or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and the results as stated in the financial statements. Deferred tax is measured at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse based on rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Derivative financial instruments

The Group uses derivative financial instruments designated as hedging to reduce exposure to changes in fuel prices to acceptable levels. The initial contracts were introduced in March 2010 within its bus operations. No more than 75% of future estimated annual consumption is contracted. Any resulting gains or losses on these contracts are recognised in the income and expenditure account as they arise.

Goodwill

Goodwill represents the difference between the cost of an acquired operation and the aggregate of the fair values of that operation's identifiable assets and liabilities. Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Where goodwill is regarded as having limited useful economic life, it is amortised over that life up to a maximum of twenty years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment.

Intangible fixed assets

Purchased patents, licences and other similar rights over assets are recognised on the balance sheet by capitalising the purchase cost and amortising over the useful economic life.

Tangible fixed assets

(a) Land and buildings

Land and buildings, other than investment properties, are stated at cost. On adoption of FRS 15, the institution followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment on an annual basis in accordance with FRS 11. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to the income and expenditure account.

Investment properties are stated at market value with an annual revaluation and are not depreciated.

Statement of principal accounting policies

Depreciation on buildings is provided on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	30 - 50 years
Refurbishments	10 years

Leasehold land and buildings are amortised over the life of the lease up to a maximum of fifty years. Freehold land is not depreciated.

Assets in the course of construction represent those assets which have not yet been brought into use. These assets are transferred to the relevant category of asset and depreciated from the date they are substantially complete at the appropriate rate for that category.

Finance costs are capitalised where they can be directly attributable to the construction of tangible fixed assets and only for the period of construction.

Donated assets are included within the relevant heading within tangible fixed assets with a corresponding amount shown as a deferred capital grant amortised over the useful economic life of the asset to match depreciation. Donated assets are valued at comparable market value at the time of the donation.

(b) Equipment

Capitalised equipment is stated at cost and depreciated over its useful life on a straight line basis as follows:

Plant and machinery	1 - 15 years
Fixtures, fittings and equipment	3 - 10 years

Leases

Leasing agreements that transfer substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets.

Investments

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

Endowment asset investments are included in the balance sheet at market value. Gains and losses on revaluations of endowment assets are recognised in the statement of total recognised gains and losses.

Current asset investments are included at the lower of cost and net realisable value.

Investments in subsidiary and associated companies are valued at the lower of cost or net realisable value.

Where trade and net assets have been transferred from subsidiaries to the University as the parent, the value of the transferred net assets has been recorded as an investment to reflect the fact that the value of the remaining business has been retained by the University.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes staff time, direct materials and attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within twenty-four hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable store of value. They consist of term deposits held as part of the institution's treasury management activities. They exclude any such assets held as endowment asset investments.

Charitable donations

a) Unrestricted donations

Charitable donations are recognised in the accounts under other operating income when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

b) Endowment funds

Where the 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 two main types:

1) 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.

2) 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.

Provisions

Provisions are recognised when the institution 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.

Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. These defined benefit schemes are externally funded and contracted out of the State Second Pension.

It is not possible to identify the University's share of the underlying assets and liabilities in the TPS and USS schemes and hence, using the exemption under FRS 17 (Retirement Benefits), contributions to the schemes are accounted for as if they were defined contribution schemes. The employer contributions payable to the schemes are charged as expenditure in the period in which they relate to.

The University is able to identify its share of the underlying assets and liabilities of the LGPS and thus fully adopts FRS17. The LGPS pension scheme figures include the University's unfunded pension liability, which relates to pension enhancements payable to staff who have taken early retirement. The scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service costs and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in

other finance costs/income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Staff employed by Exemplas Holdings Limited and its subsidiary companies are either members of the LGPS or are members of the group administered personal pension plan, which is a defined contribution scheme. The costs of providing retirement and related benefits for the group administered personal pension plan are charged to the income and expenditure account as incurred.

1. Funding body grants

			2014	2013	
		Higher Education Council for England £'000	National College for Teaching and Leadership (formerly Teaching Agency) £'000	Total funding body grants £'000	Total funding body grants £'000
Recurrent grants		26,002	1,305	27,307	40,044
Selective initiatives		5,099	-	5,099	6,303
Release of deferred capital grants:					
Buildings	23	2,093	-	2,093	2,114
Equipment	23	560	-	560	739
		33,754	1,305	35,059	49,200

2. Tuition fees and education contracts

	2014	2013
	£'000	£'000
UK Higher Education students	78,659	65,027
European Union (EU) (excluding UK) students	4,040	3,138
Non-EU students	25,655	27,546
Total fees paid by or on behalf of individual students	108,354	95,711
Education contracts	20,435	19,894
	128,789	115,605

3. Research grants and contracts

	2014	2013
	£'000	£'000
Research councils	1,498	1,556
UK based charities	622	358
European Commission	2,693	2,838
Other grants and contracts	6,949	5,494
	11,762	10,246

Notes to the accounts

4. Other operating income

	2014 £'000	2013 £'000
Residences, catering and conferences	19,326	22,245
Other services rendered	33,597	30,063
Release of capital grant	631	631
Other income	9,846	7,656
	<u>63,400</u>	<u>60,595</u>

5. Endowment and investment income

	2014 £'000	2013 £'000
Income from permanent endowments	59	72
Net return on pension scheme	1,565	-
Interest receivable	788	557
	<u>2,412</u>	<u>629</u>

6. Staff costs

The average weekly number of full time equivalent (FTE) employees (including senior post-holders) during the year was made up as follows:

	2014 Numbers	2013 Numbers RESTATED
Academic	875	847
Research	120	118
Professional	967	902
Technical	106	108
Other	507	534
	<u>2,575</u>	<u>2,509</u>

The aggregate payroll costs of these employees were as follows:

	2014 £'000	2013 £'000 RESTATED
Academic	59,391	57,933
Research	5,829	5,856
Professional	36,103	34,403
Technical	3,880	4,099
Other	19,264	18,995
	<u>124,467</u>	<u>121,286</u>

Notes to the accounts

6. Staff costs (continued)

The allocation of staff costs in 2013 has been restated across certain categories in line with the allocation of staff FTE. There is no change to the total costs reported.

	2014 £'000	2013 £'000 RESTATED
Staff costs:		
Wages and salaries	103,845	98,248
Social security costs	8,653	8,553
Other pension costs	15,309	17,400
FRS 17 adjustments	(4,155)	(3,193)
Restructuring costs	815	278
	<u>124,467</u>	<u>121,286</u>
	2014 £'000	2013 £'000
Employment costs for staff on permanent contracts	110,389	107,421
Employment costs for staff on short-term contracts	14,078	13,865
	<u>124,467</u>	<u>121,286</u>

Remuneration of higher paid staff other than the Vice-Chancellor, excluding employer's pension and national insurance contributions but including benefits, fall within the following bands:

	2014 Number	2013 Number
£100,000 - £110,000	4	6
£110,001 - £120,000	6	3
£120,001 - £130,000	3	-
£130,001 - £140,000	-	2
£140,001 - £150,000	-	2
£160,001 - £170,000	-	1
£170,001 - £180,000	-	1
£180,001 - £190,000	1	-
	<u>14</u>	<u>15</u>

The members of the Board of Governors received no remuneration during the year (2013: £nil)

Notes to the accounts

7. Emoluments of the Vice-Chancellor

Emoluments of the Vice-Chancellor, excluding national insurance contributions:

	2014 £'000	2013 £'000
Salary	269	267
Benefits in kind	1	2
Pension contributions	39	38
	<u>309</u>	<u>307</u>

The University's pension contributions are paid at the same rate for the Vice-Chancellor as for other staff.

During the year the Vice-Chancellor donated fees of £150 (2013: £22,525) to the University of Hertfordshire Charitable Trust.

8. Analysis of expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Interest payable £'000	2014 Total £'000	2013 Total £'000
Academic departments	63,779	17,762	-	81,541	84,836
Academic services	9,030	6,102	-	15,132	14,591
Administration*	22,359	9,160	-	31,519	31,123
Premises	2,680	14,992	1,953	19,625	17,963
Residences, catering and conferences	3,017	18,746	-	21,763	19,433
Research grants and contracts	5,595	3,622	-	9,217	7,897
Other expenses	18,007	12,358	774	31,139	32,989
	<u>124,467</u>	<u>82,742</u>	<u>2,727</u>	<u>209,936</u>	<u>208,832</u>
Depreciation				<u>12,607</u>	<u>13,002</u>
				<u>222,543</u>	<u>221,834</u>

The depreciation charge has been funded by:

	Notes	2014 £'000	2013 £'000
Deferred capital grants released	23	3,283	3,484
Revaluation reserve released to fund current year depreciation	25	282	2,365
General income		9,042	7,153
		<u>12,607</u>	<u>13,002</u>

* Administration expenses include internal auditors remuneration of £20,000 (2013: £nil) and external auditors remuneration of £94,000 (2013: £161,000). The external auditors remuneration includes £44,000 borne by the University (2013: £40,000), £45,000 for the subsidiary companies (2013: £51,000) and £5,000 in respect of non-audit work (2013: £70,000). These amounts include irrecoverable VAT of £6,000. Internal audit work is primarily undertaken by an internal department, supported by external advisors as required.

Notes to the accounts

9. Taxation

	2014 £'000	2013 £'000
UK corporation tax on surplus for the year	39	18
Adjustment in respect of prior years	(2)	(51)
Current tax	37	(33)
Deferred tax	32	(18)
Tax on surplus on ordinary activities	<u>69</u>	<u>(51)</u>
	2014 £'000	2013 £'000
Current tax reconciliation:		
Surplus on ordinary activities before tax	14,674	55,078
Surplus on ordinary activities multiplied by standard rate in the UK (22.33%) (2012: 23.67%)	3,276	13,037
Effects of:		
Depreciation for the period in excess of capital allowances	(156)	195
Non-taxable income/expenditure	(1,817)	(13,248)
Expenses not deductible for tax purposes	44	34
Tax losses	(75)	-
Gift Aid in respect of prior years	(12)	-
Tax losses not utilised	78	539
Trade losses carried back	-	31
Other timing differences	(18)	35
Tax at marginal rate	(3)	(4)
Adjustments in respect of prior years	(2)	(51)
Additional income taxable	-	6
Timing differences relating to pension liability	(1,278)	(607)
Current tax charge/(credit) for the year	<u>37</u>	<u>(33)</u>

The above taxation charge/(credit) relates to the profits of a number of the subsidiary companies.

10. Interest payable and other finance costs

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years	64	316
Repayable wholly or partly in more than five years	1,953	1,766
Finance leases	709	738
Other interest payable	1	(22)
Net charge on pension scheme	-	625
	<u>2,727</u>	<u>3,423</u>

Notes to the accounts

11. Surplus on continuing operations for the period for the University

The University's income and expenditure is not separately presented. The University made a surplus on continuing operations for the period after the depreciation of tangible fixed assets, disposal of fixed assets and taxation of £14,903,000 (2013: £58,104,000). This surplus includes a loss on disposal of fixed assets £30,000 (2013: profit of £42,919,000) and diminution in value of investment properties of £1,377,000 (2013: nil). The impact of the FRS17 adjustment on the University's surplus is a credit of £5,382,000 (2013: £2,316,000).

12. Tangible assets

Group	Land and Buildings						Total
	Land and Buildings		Investment property	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	
	Freehold	Long Leasehold					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 August 2013	289,127	19,390	234	13,678	39,548	10,415	372,392
Deficit on revaluation	-	-	(1,352)	-	-	-	(1,352)
Additions at cost	1,589	90	256	18,233	5,815	1,121	27,104
Transfers between accounts	157	-	-	(2,374)	2,184	33	-
Less disposals in year	-	(407)	(234)	(14)	(902)	(140)	(1,697)
Reclassify investment property	(15,415)	-	13,652	-	-	-	(1,763)
At 31 July 2014	275,458	19,073	12,556	29,523	46,645	11,429	394,684
Depreciation							
At 1 August 2013	75,649	5,520	-	-	20,008	4,804	105,981
Charge for the year	6,240	487	-	-	5,098	782	12,607
Less disposals in year	-	(407)	-	-	(848)	(127)	(1,382)
Reclassify investment property	(1,763)	-	-	-	-	-	(1,763)
At 31 July 2014	80,126	5,600	-	-	24,258	5,459	115,443
Net book value At 31 July 2014	195,332	13,473	12,556	29,523	22,387	5,970	279,241
At 31 July 2013	213,478	13,870	234	13,678	19,540	5,611	266,411
Inherited	21,457	-	-	-	-	-	21,457
Financed by capital grant	36,022	-	-	-	3,558	867	40,447
Other	137,853	13,473	12,556	29,523	18,829	5,103	217,337
Net book value At 31 July 2014	195,332	13,473	12,556	29,523	22,387	5,970	279,241

Notes to the accounts

12. Tangible assets (continued)

University	Land and Buildings					Total
	Freehold	Investment property	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	
Cost or valuation						
At 1 August 2013	228,500	234	13,593	36,747	1,512	280,586
Deficit on revaluation	-	(1,352)	-	-	-	(1,352)
Additions at cost	192	256	18,139	5,371	883	24,841
Transfers between accounts	157	-	(2,374)	2,184	33	-
Less disposals in year	-	(234)	-	-	-	(234)
Reclassify investment property	(15,415)	13,652	-	-	-	(1,763)
At 31 July 2014	213,434	12,556	29,358	44,302	2,428	302,078
Depreciation						
At 1 August 2013	60,783	-	-	18,444	179	79,406
Charge for the year	5,040	-	-	4,926	134	10,100
Less disposals in year	-	-	-	-	-	-
Reclassify investment property	(1,763)	-	-	-	-	(1,763)
At 31 July 2014	64,060	-	-	23,370	313	87,743
Net book value At 31 July 2014	149,374	12,556	29,358	20,932	2,115	214,335
At 31 July 2013	167,717	234	13,593	18,303	1,333	201,180
Inherited	21,457	-	-	-	-	21,457
Financed by capital grant	36,022	-	-	3,558	499	40,079
Other	91,895	12,556	29,358	17,374	1,616	152,799
Net book value At 31 July 2014	149,374	12,556	29,358	20,932	2,115	214,335

12. Tangible assets (continued)

The net book value of assets held under finance leases as at 31 July was:

	2014	2014	2013	2013
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Buildings	11,927	-	12,233	-
Plant and machinery	795	-	874	-
	12,722	-	13,107	-

The depreciation charge for the year was:

	2014	2014	2013	2013
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Buildings	306	-	306	-
Plant and machinery	79	-	79	-
	385	-	385	-

Buildings with a cost of £82.8 million have been partly funded from Treasury sources. Should these particular buildings be sold, the University would either have to surrender part of the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

The amount of finance costs capitalised in the year amounts to £nil (2013: £nil). The accumulated amount of capitalised finance costs is £1.8 million which is included in freehold land and buildings. There were no assets constructed during the year financed by loan capital.

During the year ended 31 July 2014 a review was undertaken of the value of the estate belonging to the University and its subsidiary companies. The review considered the current value in use of all buildings and was conducted by the Director of Estates and his senior management team. The review concluded that none of the University's properties had suffered a permanent diminution in value over and above that which has been previously recognised and all were still suitable for current activities.

The major site at Hatfield, east of College Lane, is subject to a deed of gift and conveyance dated 12 December 1946 for the purposes of education to the charity called Hatfield Polytechnic. The charity is part of the assets transferred from Hertfordshire County Council and trusteeship now rests with the Board of Governors of the University. Any proposed change in use or ownership is subject to the agreement of the Charity Commission.

It is a condition of funding, imposed by the Secretary of State and the Treasury, that no transaction involving either the acquisition of land and buildings to be maintained with the aid of funding from the Higher Education Funding Council for England or the disposal of land and buildings purchased with the aid of public funds, shall be entered into without the prior approval of the Council.

12. Tangible assets (continued)

During 1999 the University entered into a Private Finance Initiative scheme with a contractor for the construction of residential and sports facilities, and for the facilities management of those premises for a period of thirty years. Construction was completed in September 2003 and under the terms of the scheme the contractor raised the finance for the construction of buildings.

Having reviewed the arrangement on completion, the University deemed that the risk and reward associated with the sports facilities rested with Polyfield Property Limited, and that associated with the residences remained with the PFI contractor. As a result the buildings comprising the Sports Village have been subsequently let on a long lease to Polyfield Property Limited. The transactions for the sports facilities have been reflected in the accounts for the University Group and Polyfield Property Limited as a fixed asset under Land and Buildings at a net book value of £11.9 million with a consequential, and matching, finance lease as a long-term creditor. At the end of the lease period ownership of the Sports Village will revert to Polyfield Property Limited.

The buildings comprising the residences on the de Havilland campus do not appear in the Group's balance sheet. The agreement with the PFI provider sets out an annual rental and facilities management charge in respect of these properties which the University is contracted to pay on a monthly basis for the period of the agreement. These costs are benchmarked periodically and subject to variations to base contract dependent on changes in the University's requirements. During the current year the total charge paid to the PFI provider in respect of the residences was £7,345,000 (2013: £7,247,000), and this sum increases annually by a predetermined rate which incorporates both RPI as set by the Office of National Statistics and LPI (subject to a 5% increase cap). These costs are accounted for within other operating expenses. At the end of the contract period, ownership of the residential properties will revert to the University.

In May 2013 the University disposed of its remaining residential accommodation on the College Lane campus to ULiving@Hertfordshire plc, a third party property developer and operator under a contract to demolish the existing accommodation and construct 3,000 student bedrooms over a three year period. ULiving@Hertfordshire plc will then operate the residential accommodation until 2063, at which point the facilities will revert back to University ownership. The University does not recognise an asset in its financial statements as the majority of the risk and rewards lie with ULiving@Hertfordshire plc.

Investment properties

The property held at 1 August 2013 was purchased on 14 August 2008 at a cost of £234,000. This property was sold in September 2014 and the asset was transferred to current assets at 31 July 2014 at the amount realised in the sale of £204,000.

During the year one of the Group's freehold buildings became an investment property following the relocation of a number of the Group's professional departments into other premises allowing this property to be marketed in its entirety to third parties. The value of this property was assessed at 31 July 2014 by Lambert Smith Hampton and the carrying value was restated to the current market value estimated to be £12.3 million. The reduction in the carrying value is shown in the consolidated income and expenditure account as an exceptional item. This asset has not been depreciated.

A further investment property was purchased on 19 March 2014 at a cost of £256,000. This asset is not depreciated. The value of the property was assessed at 31 July 2014 by the Director of Estates and the carrying value of £256,000 is still considered to be a reasonable estimate of the market value at that date.

Notes to the accounts

13. Investments

	2014	2014	2013	2013
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Balance at 1 August	7,360	73,024	823	67,240
Additions	127	-	6,468	6,206
Disposals	-	(83)	(306)	-
Revaluations	-	-	405	-
Impairments	(284)	-	(30)	(422)
Balance at 31 July	<u>7,203</u>	<u>72,941</u>	<u>7,360</u>	<u>73,024</u>
Representing:				
Subsidiary undertakings	-	66,698	-	66,698
Other	<u>7,203</u>	<u>6,243</u>	<u>7,360</u>	<u>6,326</u>
	<u>7,203</u>	<u>72,941</u>	<u>7,360</u>	<u>73,024</u>

The impairments are in respect of trading losses made in companies which have ceased to trade completely or where events or changes in circumstances indicate the carrying value of any investments may not be recoverable. Where the trade and net assets have been transferred within the Group, no impairment has been made to reflect the value of the remaining businesses within the Group.

The University's subsidiaries (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of business	% Shareholding	Number of shares
UH Holdings Limited	Holding company	100%	69,081,211
Student Forum Limited	Dormant	100%	Limited by guarantee
UH Science and Technology Academy	Dormant	100%	Limited by guarantee
UH Trust	Charity	100%	Limited by guarantee

The University consolidates the results of its linked charities, UH Trust and the University of Hertfordshire Charitable Trust, on the basis that it exercises dominant influence.

Notes to the accounts

13. Investments (continued)

The subsidiary companies of UH Holdings Limited are all registered in England and Wales except UH Global Education (Asia-Pacific) Sdn Bhd. and Corporate Fit Science Limited which are registered in Malaysia and Scotland respectively. Its percentage shareholding in each is as follows:-

Company	Nature of business	% Shareholding	Number of shares
UH Ventures Limited	Training, consultancy, and conference services	100%	2
Universitybus Limited	Transport services	100%	2
Exemplas Holdings Limited	Business advice and support	100%	100
Polyfield Property Limited	Provision of property services and sports facilities	100%	75,099,854
UH Global Education (Asia-Pacific) Sdn Bhd	Overseas student recruitment	100%	2
EValu8 Transport Innovations Limited	Installation of electric posts, research and consultancy	100%	Limited by Guarantee
Corporate Fit Science Limited	Dormant	100%	60,000
Cimtech Limited	Dormant	100%	2
Fit Corporation Limited	Dormant	100%	1,000
Unisecure Limited	Dormant	100%	3
UH Recordings Limited	Dormant	100%	2

The company also owns three redeemable preference shares in Cimtech Limited.

The company owns 100,000 'A' ordinary shares of £1 and 51 'B' ordinary shares of £1 in University Campus St Albans Limited. The company's principal activity is the delivery of flexible degree level education and is a joint venture between the University of Hertfordshire and Oaklands College Further Education Corporation. The Group's share of the company's results are shown in the consolidated income and expenditure account and its share of the gross assets and liabilities on the consolidated balance sheet.

13. Investments (continued)

The subsidiary companies of Exemplas Holdings Limited (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of business	% Shareholding	Number of shares
Exemplas Limited	Provision of services to business	100%	2
Training Skills Academy Group Limited	Provision of services to business	66%	66
BioPark Hertfordshire Limited	Provision of facilities management	100%	2
Film Link Limited	Services to the film industry	100%	2
London Brokerage Limited	Provision of services to business	100%	2
Metropolitan Enterprises Limited	Provision of services to business	100%	99
Exemplas Trade Services Limited	Provision of services to business	100%	1
East of England Business Links Limited	Dormant	100%	Limited by Guarantee
East of England Trade Limited	Dormant	100%	1

All of the above subsidiaries are consolidated in the Group accounts.

In addition Exemplas Holdings Limited has a 50% interest in Enterprise Growth Solutions Limited which has been accounted for as a joint venture.

Exemplas Holdings Limited sold its 49% interest in BioPark Interactive Limited during the year.

14. Intangible assets

Group	Goodwill £'000	Other £'000	Total £'000
At 1 August 2013	1,513	109	1,622
Addition	-	-	-
Amortisation	<u>(108)</u>	<u>(69)</u>	<u>(177)</u>
At 31 July 2014	<u>1,405</u>	<u>40</u>	<u>1,445</u>

The goodwill is being amortised over a period of 20 years. Other intangibles comprise a license that has been fully amortised during the year and a patent that was purchased in 2012/13 and which is being amortised over 20 years.

There are no intangible assets on the University balance sheet.

15. Endowment assets

	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Balance at 1 August	2,298	660	2,656	631
Less endowments reclassified from/(to) income funds	14	-	(668)	-
New endowments invested	52	-	-	-
Increase in cash balances held for endowment funds	26	8	125	18
Increase in market value of investments	53	5	185	11
Balance at 31 July	<u>2,443</u>	<u>673</u>	<u>2,298</u>	<u>660</u>
Represented by:				
Securities	1,571	78	1,466	73
Cash at bank held for endowment funds	872	595	832	587
Total	<u>2,443</u>	<u>673</u>	<u>2,298</u>	<u>660</u>

As at 1 August 2013 income funds with a value of £14,000 were reclassified as endowment funds. These funds are held as cash.

Notes to the accounts

16. Stocks and work in progress

	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Stocks and work in progress	<u>532</u>	<u>348</u>	<u>434</u>	<u>159</u>

17. Debtors

	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Amounts falling due within one year:				
Trade debtors	7,900	5,466	10,078	8,546
Other debtors	614	476	1,895	475
Corporation tax	32	-	38	-
Amounts due from subsidiaries	-	5,465	-	3,700
Amounts due from associated undertakings	66	-	118	-
Prepayments and accrued income	<u>8,320</u>	<u>4,832</u>	<u>7,731</u>	<u>5,680</u>
	16,932	16,239	19,860	18,401
Amounts falling due after more than one year:				
Amounts due from subsidiaries	-	305	-	2,487
Other debtors	<u>880</u>	<u>-</u>	<u>-</u>	<u>-</u>
	17,812	16,544	19,860	20,888

The Group debtor due after more than one year relates to a loan made by Exemplas Holdings Limited to BioPark Interactive Limited for £1 million for the purchase of assets. The loan is repayable over 5 years. Interest at a rate of 5% is payable monthly on the outstanding loan balance. As security, Exemplas Holdings Limited has first fixed charge and ownership of the goods in the event of any default in payment of the loan.

18. Deferred tax

	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Other timing differences	(32)	-	(7)	-
Deferred tax on pension scheme	<u>(14)</u>	<u>-</u>	<u>(156)</u>	<u>-</u>
	(46)	-	(163)	-

The above deferred tax liability relates to Exemplas Holdings Limited and its subsidiary companies.

A deferred tax liability arises for Universitybus Limited and Exemplas Holdings Limited in respect of the FRS17 pension scheme asset. The deferred tax liability in respect of the University and Universitybus Limited are not expected to crystallise and have therefore not been recognised. This is due to the charitable status of the University and the fact that Universitybus Limited gift aids all of its taxable profits to the University. A deferred tax liability of £14,000 arising on the net pension asset in Exemplas Holdings Limited has been recognised.

A deferred tax asset of £130,000 (2013:£552,000) in relation to tax losses has not been recognised due to uncertainty as to the extent and timing of relief. Management will continue to assess this situation on an annual basis and update their estimate as appropriate.

Notes to the accounts

19. Creditors: amounts falling due within one year

	Notes	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Bank loan and overdraft	21a	2,242	1,854	2,023	1,654
Obligation under finance lease	21b	592	-	562	-
Payments received on account		11,683	11,614	14,003	14,003
Research and other commercial activity payments received in advance		4,537	4,420	5,970	5,912
Trade creditors		11,346	9,702	8,012	7,044
Other creditors		3,185	2,875	3,589	3,042
Amounts due to subsidiaries		-	8,370	-	11,493
Amounts due to associated undertakings		81	-	39	-
Corporation tax		-	-	-	-
Deferred tax	18	46	-	163	-
Other taxation and social security		2,639	2,008	2,659	2,248
Accruals and deferred income		15,332	8,221	19,599	12,053
Deferred revenue grants		<u>203</u>	<u>203</u>	<u>952</u>	<u>952</u>
		51,886	49,267	57,571	58,401

The corporation tax creditor relates to a number of subsidiary companies.

20. Creditors: amounts falling due after more than one year

	Notes	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Bank loan and overdraft	21a	62,278	61,551	64,521	63,408
Other creditors		-	-	55	-
Obligation under finance leases	21b	<u>12,441</u>	<u>-</u>	<u>13,032</u>	<u>-</u>
		74,719	61,551	77,608	63,408

21. Borrowings

a. Bank loans and overdrafts and other loans

	Notes	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Bank loans and overdrafts are repayable as follows:					
In one year or less		2,242	1,854	2,023	1,654
Between one and two years		2,291	1,883	2,242	1,854
Between two and five years		6,198	5,879	6,478	5,753
In five years or more		<u>53,789</u>	<u>53,789</u>	<u>55,801</u>	<u>55,801</u>
		64,520	63,405	66,544	65,062

The outstanding bank loans as at 31 July 2014 are a twenty-five year term loan facility for £11 million, a thirty-four year revolving term facility for £40 million, a seven year chattel mortgage and an unsecured loan facility. These facilities, which are linked to the base rate, offer the option to fix part of the loan at certain times.

The term loan facility of £11 million is fully drawn down. The outstanding balance at 31 July 2014 was £8.9 million of which £5.0 million is fixed at a rate of 5.44%, the balance charged at a variable rate. £37.9 million of the £40 million facility has been drawn down and as at 31 July 2014 the outstanding balance was £35.1 million. Of this balance £7.6million is fixed at a rate of 5.39%, £2.1 million at 5.2%, £18.8 million at 4.5% and the balance charged at variable rate. Repayment of the £20 million fixed term loan commenced during the year. Interest is charged on this debt at a variable rate and the outstanding balance at 31 July 2014 was £19.5 million. The chattel mortgage is at a fixed rate of 2.6% and £1.1 million was outstanding at 31 July 2014.

21. Borrowings (continued)**b. Finance leases**

The net finance lease obligations to which the Group is committed are:

	2014	2014	2013	2013
	Group	University	Group	University
	£'000	£'000	£'000	£'000
In one year or less	592	-	562	-
Between one and two years	624	-	592	-
Between two and five years	1,430	-	1,558	-
In five years or more	10,387	-	10,882	-
	13,033	-	13,594	-

The above represents the finance lease in respect of the Hertfordshire Sports Village and a number of buses.

22. Provision for liabilities

Group	Insurance provision	Long-term maintenance	VAT capital goods scheme	Total
	£'000	£'000	£'000	£'000
At 1 August 2013	-	416	1,193	1,609
Increase in provision	148	478	-	626
Provision utilised	<u>-</u>	<u>(415)</u>	<u>(401)</u>	<u>(816)</u>
At 31 July 2014	<u>148</u>	<u>479</u>	<u>792</u>	<u>1,419</u>
University		Long-term maintenance	VAT capital goods scheme	Total
		£'000	£'000	£'000
At 1 August 2013		416	949	1,365
Increase in provision		478	-	478
Provision utilised		<u>(415)</u>	<u>(156)</u>	<u>(571)</u>
At 31 July 2014		<u>479</u>	<u>793</u>	<u>1,272</u>

The long-term maintenance provision relates to the committed maintenance programme for premises, work on which has started at the balance sheet date. The value of the maintenance programme can be reliably estimated and works are scheduled to be carried out over the summer period as it is the only practical time when certain types of maintenance can be undertaken.

The VAT capital goods scheme provision reflects the current estimate of the VAT liability payable over the next ten years under the capital goods scheme on costs incurred in the construction and refurbishment of various properties within the Group's estate.

During the year Universitybus Limited established an insurance provision following the introduction of a new policy of self-insurance. The provision represents the current estimate of the value of expected settlements in respect of incidents that have occurred during 2013/14.

23. Deferred capital grants

Group	Funding body grants	Other grants	Total
	£'000	£'000	£'000
At 1 August 2013			
Buildings	30,716	7,017	37,733
Equipment	2,655	1,426	4,081
Plant and machinery	<u>-</u>	<u>357</u>	<u>357</u>
	<u>33,371</u>	<u>8,800</u>	<u>42,171</u>
Cash received			
Buildings	921	-	921
Equipment	230	-	230
Plant and machinery	<u>-</u>	<u>59</u>	<u>59</u>
	<u>1,151</u>	<u>59</u>	<u>1,210</u>
Released to income and expenditure			
Buildings	2,093	220	2,313
Equipment	560	361	921
Plant and machinery	<u>-</u>	<u>49</u>	<u>49</u>
	<u>2,653</u>	<u>630</u>	<u>3,283</u>
At 31 July 2014			
Buildings	29,544	6,797	36,341
Equipment	2,325	1,065	3,390
Plant and machinery	<u>-</u>	<u>367</u>	<u>367</u>
	<u>31,869</u>	<u>8,229</u>	<u>40,098</u>
University	Funding body grants	Other grants	Total
	£'000	£'000	£'000
At 1 August 2013			
Buildings	30,716	7,282	37,998
Equipment	2,655	1,426	4,081
	<u>33,371</u>	<u>8,708</u>	<u>42,079</u>
Cash received			
Buildings	921	-	921
Equipment	230	-	230
	<u>1,151</u>	<u>-</u>	<u>1,151</u>
Released to income and expenditure			
Buildings	2,093	220	2,313
Equipment	560	361	921
	<u>2,653</u>	<u>581</u>	<u>3,234</u>
At 31 July 2014			
Buildings	29,544	7,062	36,606
Equipment	2,325	1,065	3,390
	<u>31,869</u>	<u>8,127</u>	<u>39,996</u>

Notes to the accounts

24. Endowments

Group	Unrestricted permanent £'000	Restricted permanent £'000	2014 Total £'000	2013 Total £'000
Balance at 1 August				
Capital	529	1,519	2,048	2,289
Accumulated income	131	119	250	367
	660	1,638	2,298	2,656
New endowments	-	46	46	83
Reclassification from/(to) income funds	-	14	14	(668)
Investment income	8	51	59	72
Expenditure	-	(27)	(27)	(30)
Increase in market value of investments	5	48	53	185
Balance at 31 July	673	1,770	2,443	2,298
Represented by:				
Capital	534	1,622	2,156	2,048
Accumulated income	139	148	287	250
Total	673	1,770	2,443	2,298

As at 1 August 2013 income funds with a value of £14,000 were reclassified as endowment funds. These funds are held as cash.

University

	Unrestricted permanent	2014 Total £'000	2013 Total £'000
Balance at 1 August			
Capital		529	518
Accumulated income		131	113
		660	631
New endowments		-	-
Investment income		8	18
Expenditure		-	-
Increase in market value of investments		5	11
Balance at 31 July		673	660
Represented by:			
Capital		534	529
Accumulated income		139	131
Total		673	660

Notes to the accounts

25. Reserves

Group	Income and expenditure reserve £'000	Pension reserve £'000	Income and expenditure reserve including pension reserve £'000	Revaluation reserve £'000	Total £'000
At 1 August 2013	188,504	996	189,500	17,649	207,149
Transfer from endowments	(32)	-	(32)	-	(32)
Transfer to income and expenditure - depreciation	282	-	282	(282)	-
Transfer to income and expenditure	(5,719)	5,719	-	-	-
Surplus after depreciation of assets at valuation and tax	14,600	-	14,600	-	14,600
Deferred tax on pension scheme	148	-	148	-	148
Actuarial loss	-	(21,439)	(21,439)	-	(21,439)
At 31 July 2014	197,783	(14,724)	183,059	17,367	200,426

The consolidated income and expenditure reserves include £4.0 million in respect of Exemplar Holdings Limited and its subsidiary companies. According to that company's Memorandum of Association, these reserves cannot be transferred to the shareholders by way of dividend, bonus or other distribution.

University

	Income and expenditure reserve £'000	Pension reserve £'000	Income and expenditure reserve including pension reserve £'000	Revaluation reserve £'000	Total £'000
At 1 August 2013	199,934	(1,590)	198,344	16,509	214,853
Transfer from endowments	(8)	-	(8)	-	(8)
Transfer to income and expenditure - depreciation	282	-	282	(282)	-
Transfer to income and expenditure	(5,382)	5,382	-	-	-
Surplus after depreciation of assets at valuation and tax	14,903	-	14,903	-	14,903
Actuarial loss	-	(19,878)	(19,878)	-	(19,878)
At 31 July 2014	209,729	(16,086)	193,643	16,227	209,870

Notes to the accounts

26. Reconciliation of net cash flow from operating activities

	Notes	2014 £'000	2013 £'000
Operating surplus before tax		16,090	12,365
Investment income		(788)	(557)
Endowment income		(59)	(72)
Deferred capital grants released to income	23	(3,283)	(3,484)
Depreciation	12	12,607	13,002
Impairment of investment		65	30
Amortisation of goodwill	14	177	139
Interest payable		2,727	2,798
Pension costs		(5,720)	(2,568)
(Increase)/decrease in stocks		(98)	175
Decrease in debtors		1,990	2,780
Decrease in creditors		(3,192)	(6,943)
Decrease in provisions		(190)	(193)
Net cash inflow from operating activities		<u>20,326</u>	<u>17,472</u>

27. Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Income from endowments	59	72
Other interest received	886	463
Interest paid	(2,735)	(2,850)
Net cash outflow from returns on investments and servicing of finance	<u>(1,790)</u>	<u>(2,315)</u>

28. Capital expenditure and financial investment

	2014 £'000	2013 £'000
Payments to acquire tangible fixed assets	(28,514)	(17,197)
Investments acquired	(127)	(6,468)
New endowments received	48	83
Endowment funds invested	(52)	-
Receipts from sales of tangible fixed assets	24	52,995
Receipts from the sale of investment	50	2
Deferred capital grant received	1,210	1,083
Net cash outflow from capital expenditure and financial investment	<u>(27,361)</u>	<u>30,498</u>

Notes to the accounts

29. Acquisitions and disposals

	Notes	2014 £'000	2013 £'000
Proceeds from disposal of joint venture		50	-
Loan issued on disposal of joint venture		(1,000)	-
Net cash outflow from disposals		<u>(950)</u>	<u>-</u>

30. Management of liquid resources

	2014 £'000	2013 £'000
Withdrawals from/(deposits to) short-term investments	10,092	(43,564)
Net cash inflow/(outflow) from management of liquid resources	<u>10,092</u>	<u>(43,564)</u>

31. Financing

	2014 £'000	2013 £'000
Debt due beyond a year:		
Repayment of loans	(2,024)	(1,479)
Capital element of finance lease repayments/principal	(561)	(534)
Net cash outflow from financing	<u>(2,585)</u>	<u>(2,013)</u>

32. Analysis of changes in (net debt)/net funds

	Notes	2013 £'000	Cashflows £'000	Other changes £'000	2014 £'000
Cash at bank and in hand		12,353	(2,291)	(14)	10,048
Endowment bank balance	15	832	26	14	872
		13,185	(2,265)	-	10,920
Debt due over more than one year:					
Long-term loans	20	(64,521)	1	2,242	(62,278)
Obligations under finance lease	20	(13,032)	(1)	592	(12,441)
Debt due under one year:					
Bank loan	19	(2,023)	2,023	(2,242)	(2,242)
Obligation under finance lease	19	(562)	562	(592)	(592)
Short-term deposits		77,008	(10,092)	-	66,916
		10,055	(9,772)	-	283

33. Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. The assets of the schemes are held in separate administered funds.

Summary of pension scheme costs

	2014 Employer contributions £'000	2014 FRS17 adjustment £'000	2014 Total £'000	2013 Employer contributions £'000	2013 FRS17 adjustment £'000	2013 Total £'000
TPS	6,279	-	6,279	6,159	-	6,159
LGPS	8,382	(4,155)	4,227	7,462	(3,193)	4,269
USS	304	-	304	149	-	149
Other	344	-	344	437	-	437
	<u>15,309</u>	<u>(4,155)</u>	<u>11,154</u>	<u>14,207</u>	<u>(3,193)</u>	<u>11,014</u>

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme provides pensions to teachers who have worked in schools and other educational establishments in England and Wales. The scheme is an unfunded statutory public service pension scheme with the benefits underwritten by the Government. The scheme is financed by payments from the employer and from those current employees who are members of the scheme who pay contributions at different rates which depend on their salaries. The rate of employer contributions is typically set following an actuarial valuation.

The latest actuarial valuation of the scheme was carried out by the Government Actuary as at 31 March 2012 using the projected unit methodology.

The total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million (31 March 2004: £117,600 million). The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million (31 March 2004: £115,800 million). This gives a shortfall of £14,900 million (31 March 2004: £1,800 million).

The employer contribution rate payable in respect of the period 1 April 2015 to 31 March 2019 will be 16.4% of pay (the previous calculation of the scheme was carried out as at 31 March 2004 and this recommended an employer contribution rate of 14.1% of pay). This increase will take effect from 1 September 2015.

Financial assumptions

Rate of return on assets	3% pa above pension increases
Discount rate	3% pa
Pension increases	2% pa
Long term salary growth	4.75%, 2.75% in excess of assumed CPI

The full actuarial report can be found at <https://www.teacherspensions.co.uk/members/the-scheme.aspx>

33. Pension schemes (continued)*Universities Superannuation Scheme (USS)*

The USS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify the University's share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account is equal to the contributions payable to the scheme in respect of the accounting period.

The pensions cost is assessed every three years. The latest actuarial valuation of the scheme was at 31 March 2011 and was carried out using the projected unit method.

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 three years following the valuation and 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.

As part of the valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 (the date of the next valuation) would be £2.2 billion, equivalent to a funding level of 95%.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

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.

As at the valuation date the scheme was a full final salary scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Local Government Pension Scheme (LGPS)

The LGPS is regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme. It is a funded scheme, with some ninety-nine separate funds administered locally by administering authorities. Each fund has many employing authorities. The Hertfordshire County Council is the administering authority with the District Councils in their County, and other bodies, for example the University, being employing authorities within that scheme. The University's wholly owned subsidiary company Universitybus Limited, a number of whose employees are members of the LGPS, is an admitted body to the fund. All other wholly owned subsidiary companies contribute to the scheme through the University. A number of staff employed by Exemplas Holdings Limited and its subsidiary companies are also members of the LGPS.

The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme.

33. Pension schemes (continued)

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash.

HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

The LGPS widened its eligibility rules involving casual members of staff. The University commenced automatically enrolling qualifying casual members of staff from 1 July 2013.

Employer contributions are affected by a surplus or deficit in the scheme. All new entrants to the fund are now single status employees and there is no longer any classification of officer and manual employees. The agreed contribution rates for future years are:

Year ending 31 March	2015	2016	2017
University of Hertfordshire	23.7%	23.7%	23.7%
Universitybus Limited:			
Employer – weekly paid staff	21.9%	21.9%	21.9%
Employer – monthly paid staff	23.7%	23.7%	23.7%
Exemplas Holdings Limited	25.0%	25.0%	25.0%
Employees	5.5%-12.5%	5.5%-12.5%	5.5%-12.5%

33. Pension schemes (continued)

For weekly paid staff there is an additional annual lump sum payable for each active member of £29,000 in 2015 rising to £30,000 the following year.

The estimated employer contribution payable for the year ending 31 July 2015 is £7,977,000.

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2014 by a qualified independent actuary.

	2014	2013	2012
Inflation and rate of increase in pension	2.3%	1.9%	1.9%
Rate of increase in salaries	2.1%	1.9%	1.9%
Expected return on assets	5.8%	5.8%	4.9%
Discount rate for liabilities	4.3%	4.8%	4.3%

The salary increase assumption is 1.5% until 31 March 2015 reverting to the long term rate shown above thereafter.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectancies on retirement at age 65 are:

	Males	Females
University and Exemplas Holdings Limited:		
Current pensioners	22.1 years	25.1 years
Future pensioners	23.2 years	26.1 years
Universitybus Limited:		
Current pensioners	17 years	19 years
Future pensioners	18 years	20 years

The assets in the scheme (of which the Group's share is 4.79%) and the expected rates of return were:

	Long-term rate of return expected 2014	Fair value 2014 £'000	Long-term rate of return expected 2013	Fair value 2013 £'000	Long-term rate of return expected 2012	Fair value 2012 £'000
Equities	6.6%	2,225,000	6.4%	2,270,000	5.6%	1,733,000
Bonds	3.7%	720,000	3.8%	515,000	3.4%	502,000
Property	4.7%	229,000	4.6%	151,000	3.7%	151,000
Cash	3.6%	98,000	3.4%	91,000	2.8%	126,000
Total market value of assets		<u>3,272,000</u>		<u>3,027,000</u>		<u>2,512,000</u>

Expected rates of return on the fund are estimated based on the actual fund returns as provided by the administering authority (Hertfordshire County Council) and index returns where necessary.

Notes to the accounts

33. Pension schemes (continued)

The pension scheme liability detailed below also takes account of the University's unfunded pension liability, which relates to pension enhancements payable to staff who have taken early retirement.

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Group's estimated asset share	168,592	145,119	118,526	112,017	105,244
Present value of scheme liabilities	(175,407)	(137,459)	(143,660)	(128,528)	(121,896)
Present value of unfunded liabilities	(6,929)	(6,664)	(7,805)	(6,932)	(6,721)
(Deficit)/surplus in the scheme	(13,744)	996	(32,939)	(23,443)	(23,373)
Effect of cap on pension surplus	(980)	-	-	-	-
Adjusted (deficit)/surplus in the scheme	(14,724)	996	(32,939)	(23,443)	(23,373)

The pension scheme deficit for the University was £16,086,000 as at 31 July 2014 (2013: £1,590,000).

Analysis of the amount charged to staff costs

	2014 £'000	2013 £'000
Service cost	4,167	4,259
Curtailement and settlements	60	10
Total operating charge	4,227	4,269

Analysis of net return on pension assets

	2014 £'000	2013 £'000
Expected return on pension scheme assets	8,519	5,907
Interest on pension liabilities	(6,903)	(6,532)
Net credit/(charge) on pension scheme	1,616	(625)
Effect of cap on expected return of pension scheme assets	(51)	-
Adjusted net credit on pension scheme	1,565	-

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	11,161	16,575
Experience gains and losses arising on the scheme liabilities	(6,541)	535
Changes in financial and demographic assumptions underlying the present value of liabilities	(25,130)	14,257
Effect of cap on pension surplus	(929)	-
Actuarial (loss)/gain recognised in STRGL	(21,439)	31,367

Notes to the accounts

33. Pension schemes (continued)

The amount of the actuarial loss relating to changes in financial assumptions for the year ended 31 July 2014 is £25,130,000 (2013: actuarial gain of £14,257,000). The cumulative actuarial loss recognised in STRGL as at 31 July 2014 is £8,182,000 (2013: actuarial gain of £12,327,000).

The actual return on scheme assets in the year was £11,041,000 (2013: £22,482,000).

Movement in asset/(deficit) during the year

	2014 £'000	2013 £'000
Asset/(Deficit) in scheme at 1 August	996	(32,939)
Current service cost	(4,167)	(4,259)
Employer contributions	8,382	7,462
Curtailement and settlements	(60)	(10)
Net interest/(return) on assets	1,616	(625)
Actuarial (loss)/gain	(20,511)	31,367
(Deficit)/asset in scheme at 31 July	(13,744)	996
Effect of cap on pension surplus	(980)	-
Adjusted pension deficit at 31 July	(14,724)	-

The pension asset within Exemplar Holdings Limited has been capped in accordance with the guidance in FRS17 and following advice from the actuary.

Analysis of movement in the present value of the scheme liabilities

	2014 £'000	2013 £'000
At 1 August	144,123	151,465
Current service cost	4,167	4,259
Contributions by members	2,258	2,058
Past service costs	-	-
Curtailement and settlements	60	10
Interest cost	6,903	6,532
Actuarial loss/(gain)	31,672	(14,792)
Estimated unfunded benefits paid	(506)	(511)
Estimated benefits paid	(6,341)	(4,898)
At 31 July	182,336	144,123

Analysis of movement in the fair value of the scheme assets

	2014 £'000	2013 £'000
At 1 August	145,119	118,526
Contributions by members	2,258	2,058
Employer contributions	7,876	6,951
Contributions in respect of unfunded benefits	506	511
Expected return on assets	8,519	5,907
Actuarial gain	11,161	16,575
Estimated unfunded benefits paid	(506)	(511)
Estimated benefits paid	(6,341)	(4,898)
At 31 July	168,592	145,119

Notes to the accounts

33. Pension schemes (continued)

History of experience gains and losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the expected and actual return on assets	11,161	16,575	(3,248)	(2,799)	7,623
Percentage of scheme assets	6.6%	11.4%	(2.7%)	(2.5%)	7.2%
Experience (losses) /gains on scheme liabilities	(6,541)	535	(2,305)	3,889	1,273
Percentage of scheme liabilities	3.6%	(0.4%)	1.5%	(2.9%)	(1.2%)

Other pension schemes

Exemplas Holdings Limited operates a group administered personal pension plan, for those employees who are not members of LGPS, which is a defined contribution scheme.

Universitybus Limited participates in NEST, a qualifying pension scheme established by law to support the introduction of automatic enrolment. It is a national multi-employer defined contribution scheme. The company also provides a group Life Assurance Scheme for employees that are not members of LGPS.

34. Capital commitments

	2014 Group £'000	2014 University £'000	2013 Group £'000	2013 University £'000
Contracted at 31 July	33,443	33,336	15,575	14,159
Authorised but not contracted at 31 July	15,658	15,647	53,196	53,358
	49,101	48,983	68,771	67,517

35. Financial instruments

The fuel hedging contracts entered into by Universitybus Limited have a fair value at 31 July 2014 of £890,962 (2013: £1,069,950).

Notes to the accounts

36. Access to Learning Fund

	2014 £'000	2013 £'000
Balance at 1 August	9	-
Funding body grants received	363	356
Interest earned	1	1
	373	357
Disbursed to students	(345)	(337)
Administration charges	(11)	(11)
Balance at 31 July	17	9

Access to Learning Funds are available solely for students; the University acts only as paying agent. The grants and related disbursements are accounted for as agency arrangements and are therefore excluded from the income and expenditure account.

37. Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (many of whom are involved with other local public and private sector organisations), there are transactions with organisations in which a member of the Board of Governors or senior staff may have an interest. All such transactions are conducted at arm's length and in accordance with the University's Financial Regulations. Members of the Board of Governors are required to declare any outside interest. When an item arises in which a member has a pecuniary, business, family, or other personal interest, it must be declared and the member concerned may not take part in the consideration of the matter nor vote on it.

During the year the University incurred expenditure with the University of Hertfordshire Students' Union to the value of £1,291,000 (2013:£1,083,000). This includes the 2013/14 Students' Union Subvention of £766,000 (2013:£763,000), and the balance in respect of facilities and student ambassadors. Income earned from the University of Hertfordshire Students' Union during the year amounted to £445,000 (2013:£467,000) in respect of rent and recharge of other services. The balance sheet as at 31 July 2014 includes a debtor of £88,000 (2013: £22,000) and a creditor of £21,000 (2013: £16,000) due from/to the Students' Union.

In the year ended 31 July 2014 the Governors received payments of £1,000 (2013:£2,600) for the reimbursement of travel and subsistence expenses incurred in the course of their duties. The University also incurred expenditure of £300 (2013:£2,500) in respect of computer equipment provided to Governors to enable them to carry out their duties.

The University has granted a loan of £300,000 to the Vice-Chancellor as part of his relocation package. This loan shall be subject to the interest rate determined by Her Majesty's Revenue and Customs ("the Official Rate") being 4% pa for the year to 31 July 2014. Interest paid on the loan in the year to 31 July 2014 amounted to £12,000 and the balance of the loan outstanding at that date was £300,000. £250,000 of the outstanding balance was repaid in August 2014.

The consolidated financial statements include sales to the Group's joint venture undertakings of £209,000 (2013: £348,000). The balance sheet as at 31 July 2014 includes a debtor of £66,000 (2013: £107,000) and a creditor of £81,000 (2013: £38,000) due from/to the Group's joint venture undertakings.

The University has applied the exemption in FRS 8 and has not disclosed transactions with wholly owned subsidiary companies.

38. Connected charitable institutions

UH Trust and the University of Hertfordshire Charitable Trust are connected charitable institutions of the University of Hertfordshire and under paragraph 28 of Schedule 3 to the Charities Act 2011 are exempt from registration with the Charity Commission.

UH Trust, a company limited by guarantee, started its operations on 10 February 2014 upon the transfer of the assets and business from the University of Hertfordshire Charitable Trust. The permanent endowments were not transferred and have remained in the University of Hertfordshire Charitable Trust. The University of Hertfordshire Charitable Trust was registered with the Charities Commission in 1986 and deregistered in 2013 following the appointment of UH Trust as its sole trustee.

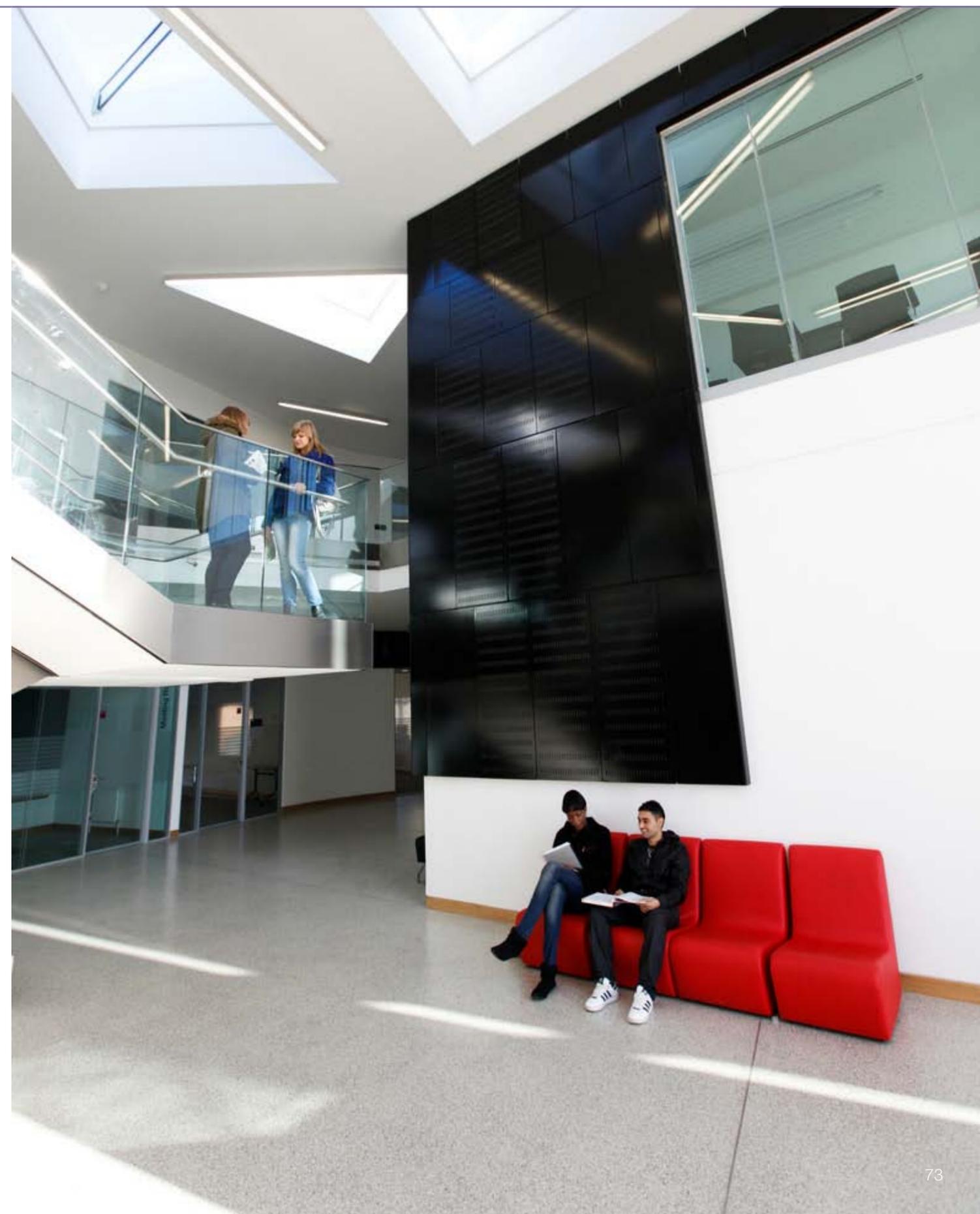
The charities were established to raise funds and make awards of grants, scholarships, bursaries and prizes that advance further education, learning and research at the University of Hertfordshire and that assist in the provision of buildings and facilities at the University.

The activities of UH Trust and the University of Hertfordshire Charitable Trust, as summarised below, are consolidated into the Group accounts as detailed in note 13.

	2014
	£'000
Opening net assets at 1 August	2,576
Income	423
Expenditure	(425)
Change in market value	66
	<hr/>
Closing net assets at 31 July	2,640

Major donors to the Group during the year include:

Dato' Azmil Khalid
 Eastern Counties Educational Trust
 Estate of Professor Peter Lines
 Santander Universities
 Stavros Niarchos Foundation
 The Worshipful Company of Leathersellers
 Warner Brothers Entertainment UK Limited



Board of Governors

Board of Governors Independent Members

Mr R Beazley (*Chairman from 1/09/2013*)
Mrs J L Connell (*Chairman to 31/08/2013*)
His Honour Michael Baker (*to 31/08/2014*)
Ms Y Batliwala
Mr P L Block (*to 31/08/2013*)
Mr D J Goodridge
Mr C J Gordon
Mr A P Graham (*to 31/08/2013*)
Mr J K Heywood
Professor A J Hunter (*from 1/09/2013*)
Dr J M Knott (*from 1/09/2013*)
Mr N F Matthews (*to 31/08/2013*)
Mr G Morrison
Mr J F H Park (*to 31/08/2013*)

Vice-Chancellor Professor Q A McKellar

Member nominated by the Academic Board Dr L Mitchell

Students' Union Mr G Singh (*from 1/07/2014*) Mr M Gillett (*to 30/06/2014*)

Co-opted members Professor Sir Graeme Davies Mr R I N Gordon Miss J L McCue Mrs P M Morton (*from 22/07/2014*) Dr D A Neil (*to 31/08/2013*)

Audit Committee Mr J K Heywood (*Chairman*) His Honour Michael Baker (*to 31/08/2014*) Ms Y Batliwala Mr P L Block (*to 31/08/2013*) Mr A P Graham (*to 31/08/2013*) Dr J M Knott (*from 01/09/2013*) Dr L Mitchell Mr J F H Park (*to 31/08/2013*)

Remuneration Committee Mr R Beazley (*Chairman from 1/09/2013*) Mrs J L Connell (*Chairman to 31/08/2013*) Mr C J Gordon Mr J K Heywood Dr J M Knott (*from 1/09/2013*) Mr N F Matthews (*to 31/08/2013*) Mr J F H Park (*to 31/08/2013*)

Advisors

Auditor
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Bankers
Barclays Bank plc
St Albans

Solicitors
Mills and Reeve LLP
Cambridge

Finance and Employment Committee

Mr C J Gordon (*Chairman*)
Mr R Beazley
Mrs J L Connell (*to 31/08/2013*)
Mr D J Goodridge
Mr R I N Gordon
Professor A J Hunter (*from 1/09/2013*)
Mr N F Matthews (*to 31/08/2013*)
Professor Q A McKellar
Mr G Morrison
Dr D A Neil (*to 31/08/2013*)

The above committees have a direct responsibility for the financial activities of the University.

Members of the Executive Team



Professor Quintin McKellar CBE, Vice-Chancellor
BVMS PhD DVM DipECVPT FSB FRSA FRAGS MRCVS FRSE

Professor McKellar joined the University on 1 January 2011. As Vice-Chancellor and Chief Executive, his responsibilities include the day-to-day running of the institution, the delivery of strategic and operation plans, performance, its internal structure and organisation and its interface with external bodies and agencies.

Having graduated from Glasgow University Veterinary School in 1981, Professor McKellar went on to gain his PhD in Veterinary Parasitology in 1984 and was appointed to a lectureship at the Veterinary School in the same year. He became Head of the Veterinary Pharmacology Department in 1990 and was awarded a personal professorship by the University of Glasgow in 1996. In August 1997 Professor McKellar took up the post of Scientific Director of Moredun Research Institute and Chief Executive of the Moredun Foundation. He became a Doctor of Veterinary Medicine (DVM) with Honours in 2002 and was elected Fellow of the Institute of Biology in 2001, Fellow of the Royal Agricultural Societies in 2002 and Fellow of the Royal Society of Edinburgh in 2003.

In 2004, Professor McKellar was appointed Principal of The Royal Veterinary College of the University of London, the first and largest institution of its kind in the UK which was identified as the top English veterinary school in the 2008 Research Assessment Exercise. He is a member of the Department for the Environment Food and Rural Affairs Science Advisory Council, Chair of the Biological and Biotechnological Research Council Animal Research Club and a member of the Hertfordshire Local Enterprise Partnership.

Professor McKellar was made a Commander of the Order of the British Empire (CBE) in 2011 for services to science. He was a distinguished researcher with interests in the pharmacology of anti-infective and anti-inflammatory drugs in domestic animals.



Professor Ian Campbell, Deputy Vice-Chancellor
BSc MSc PhD

Professor Campbell, a professor of Exercise Physiology joined the University of Hertfordshire in September 2013 as Deputy Vice-Chancellor.

He previously held the role of Pro Vice-Chancellor at Brunel University, a position he has held since 2008 and responsible for a number of key University functions including student experience, staff development, learning and teaching and external relations.

Professor Campbell is an established researcher, particularly active in applied research. He has a strong track record of both research income generation and research output and has a leading reputation in the study of exercise physiology.

As the sole Deputy Vice-Chancellor he is currently engaged in all strategic and operational decisions which underpin the positioning and success of the University.

He has overall responsibility for the strategic development of all academic areas of the University through his management of all Deans of School, Chairmanship of the Academic Development Committee and the co-ordination of the annual University planning process.

He regularly deputises for the Vice-Chancellor in relation to both internal and external affairs.

Members of the Executive Team



Sue Grant, Secretary and Registrar
BSc FAUA

Sue Grant was appointed Secretary and Registrar in September 2013. She is responsible for the management and operation of the Board of Governors and the Academic Board; compliance with University policies, regulations and procedures; legal matters of the university and its wholly owned subsidiaries; health and safety; internal audit, equality, process review and professional staffing.

She joined the University in May 1983 and has been the Academic Registrar since 2004. At national level she has been Chair of the Academic Registrars Council which she stepped down from on becoming Secretary and Registrar of the University. This involved working with HEIs across the sector and with BIS, UUK and the Home office. She is a Director of Uliving@ Hertfordshire. At a local level she is a member of the Board of Oaklands FE Corporation.



Alistair Moffat, Group Finance Director
BA FCMA CGMA MIOD

Alistair Moffat was appointed Group Finance Director in 2009. He has responsibility for all aspects of financial management within the Group including financial control, statutory reporting, treasury, tax, insurance, procurement and commercial financial support for the academic community. His role also incorporates board responsibility for the management of the Estate. He attends several of the board committees including the main Board itself, is a director of UH Holdings Limited which oversees the commercial subsidiaries in the Group and a director of many subsidiary companies also.

He joined the University from Monarch Airlines where he was Chief Financial Officer. Previous roles in industry include: Finance Director Scotland at First Group Plc; Finance Director at Alstom Signalling Limited; a number of senior finance positions within British Rail; and Finance Director at Mainline Freight Limited, through the rail privatisation process.

Graduating in Accounting and Finance, he then qualified as an accountant in 1989 and is a Fellow of the Chartered Institute of Management Accountants.

The above listed members of the executive team have a direct responsibility for the financial activities of the University.



University of Hertfordshire

Hatfield
AL10 9AB

t. +44 (0)1707 284000
e. ask@herts.ac.uk
w. herts.ac.uk

 /UniofHerts

 @UniofHerts

