



Annual Report and Accounts 2012/2013

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Chairman's statement

The Academic year 2012/13 proved turbulent for higher education in the United Kingdom. This was perhaps inevitable with the introduction of a new fees regime for full time undergraduate students entering universities in Autumn 2012. In addition, the Government also removed a number of controls on recruiting students who had achieved AAB grades at A Level thus enabling some institutions to expand if they could recruit high achieving students. Not surprisingly the numbers applying to university for Autumn 2012 entry declined on previous years whilst a few Russell Group universities took advantage of their position and recruited more students by taking more who had achieved AAB grades.



Many universities opted to charge the maximum fee permitted of £9,000. However, the University of Hertfordshire chose to fix its average fee at approximately £7,500 for the September 2012 cohort as we believed as a Board that we should offer value, whilst maintaining high quality education but also so that many groups would not be priced out of the market. As it was the figures now show a sizeable drop in mature students applying to universities because of their reluctance to accept fee debt although it is hoped over time this will recover and not become a permanent feature. Perhaps inevitably the Board has reviewed its policy on tuition fees and agreed to increase them in order to enable the University to continue improving the quality of its offering to students. The new fees will take effect from September 2014.

Along with several other universities we under-recruited students. The University had taken a key decision to increase the entry tariff for almost all courses to raise quality and to further differentiate itself from what were perceived to be a number of peer universities. Whilst the University could have achieved recruitment targets by reducing its entry tariffs, this would not have met the long term objective of the Board. We now know that the average entry tariff for those students joining in Autumn 2012 was 314 UCAS points, considerably ahead of our strategic target. The University might have expected to have experienced some financial difficulty because of under-recruitment. However, it is a measure of the general all-round strength of the University that the targeted surplus for 2012/13 was exceeded. The operating surplus (before exceptional items) declared in these accounts of £12.1 million has been achieved through a combination of good cost control and strong income from research and consultancy activities. A number of our commercial trading companies experienced a difficult year due to the adverse economic climate, although our Hertfordshire Sports Village performed remarkably well. With the expected improvement in economic conditions it is hoped that the various subsidiary companies will all make a profit in 2013/14.

Chairman's statement

The Board continued to focus attention on the quality of the student experience and graduate employability. Following disappointing student satisfaction results, the Board was pleased to see a great deal of work was underway in terms of issues that were of concern to students: timetabling; attendance monitoring and pastoral care; the length and structure of the academic year. All of which were of major consequence and would take time to implement. Considerable effort was also going into the promotion of the graduate attributes and increasing the employability of University of Hertfordshire graduates. In difficult economic conditions and with a large graduating year, graduate employability improved significantly. This is heartening and is vital if the University is to make good its credentials as the leading business-facing University.

My report cannot ignore probably one of the most significant decisions ever taken by the University. As part of the 2020 Estates Vision we finally concluded the deal to totally re-construct the residences on the College Lane campus. This is an enormous project, funded by a bond, and to be run by a special purpose vehicle in which the University has a share to construct residences at College Lane for 3,000 students. The project is worth nearly £200 million and it will secure high quality accommodation for our students for the next 50 years. The University received a capital receipt of £53 million which will be used to help fund academic infrastructure and staffing and the 2020 Estates Vision. The capital receipt helped strengthen the balance sheet and led to record cash balances. The Board was also very pleased to see the commencement of work on the College Lane teaching buildings with the College Lane Phase 1 project.

The University has continued to maintain its standing in the various world league tables. It appeared again in the top 400 Universities in the World in the Times Higher World University Rankings and also in the table of the top 100 Universities under 50 years of age.

Our students have also posted many successes notably:

The School of Creative Arts was highly commended at the 3D Artist CG Student Awards. The University was successful in four award categories with the School of Creative Arts highly commended for the School of the Year. The University had four students in the Next Gen Gaming – Student of the Year category, more than any other university worldwide.

Students worked with local school pupils in St Albans to encourage them go to university by volunteering as their mentors. Twenty young people at Nicholas Breakspear School, who had not previously considered Higher

Education as an option, were involved in the ten-week programme.

Two senior student ambassadors from the University of Hertfordshire, Ben Harwood and Jack Carpenter, raised over £8,000 for leading charity Cancer Research UK, after they cycled with a fellow student to St. Tropez. Ben and Jack, two final year students known for their roles as ambassadors for encouraging young people to go to university, cycled over 1000 miles from Hatfield to St. Tropez with Tom Porter – taking ten days to complete the challenge.

It was a pleasure that our Chancellor, Lord Salisbury, who does so much to promote the position of the University, has accepted another term as Chancellor of the University until 2017.

All of these achievements would not be possible without the commitment and talents of the staff of the University, to whom the Board and I express our gratitude especially in what becomes an even more difficult time for Higher Education.

As I relinquish Chairmanship of the Board I would like particularly to thank the members of the Board, especially my colleagues who are also retiring from the Board, who give freely of their time and experience to ensure the continuing success of the University. I am sure that my successor as Chairman, Richard Beazley, will enjoy his association with the University as it continues to mark out its successful and distinctive position in British higher education.

Mrs Jo Connell

Chairman Board of Governors until 31 August 2013

It was a great privilege for me to be offered the role of Chairman of the Board of Governors of the University. As the report of my predecessor and the statements in these accounts demonstrate, the University plays a vital role in the life of our County and its wider region. The University has clearly manoeuvred its path successfully through a turbulent year for higher education and is declaring a substantial surplus both from its operational activities and its landmark residences deal. This financial strength is, of course, essential to enable the University to invest in its future.



I would like to pay tribute to the enormous contribution made to the University by Mrs Jo Connell OBE DL. She has served for 12 years as a member of the Board of Governors, the last six as Chairman of the Board. She leaves the University in a much stronger position and this is due in no small measure to the manner in which she guided the business of the Board and worked with two Vice-Chancellors, Professor Sir Tim Wilson and now Professor Quintin McKellar.

I look forward to the year ahead.

Richard Beazley
Chairman
Board of Governors

Strategic Plan

The University of Hertfordshire has successfully positioned itself as the leading business-facing university. We have established a thoroughly ambitious and entrepreneurial university with superb facilities and a close relationship with industry, commerce and the public sector. 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.

The revised 2012/2015 Strategic Plan is based upon the excellent 2010/2015 strategy and has not radically changed but embraces activities that have taken place over the last three years. The refreshed plan reflects key institutional and sector changes, such as Student Charter, Graduate Attributes and increased undergraduate tuition fees. The 2012/2015 strategic plan will be in use for the next three years until we develop the new 2015/2020 strategy.

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 mission

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

Our values

The following core values will inform and sustain 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 strategic focus

We will deliver our vision through a focus on five key strategic drivers:

- Student experience
- Learning and teaching
- Employability and entrepreneurship
- Research, innovation and enterprise
- International engagement

The delivery of these drivers will be underpinned by our:

- Academic profile
- People and culture
- Financial strength
- Infrastructure and sustainability
- Community engagement

Each of these ten areas is supported by a detailed strategy and action plan. A set of key performance indicators for each area provides the basis for monitoring progress and help to define the future size, shape and profile of the University.

Key Performance Indicators (KPIs)

The University has adopted a revised set of KPIs which are used by the Board of Governors to monitor the overall strength of the University. Areas covered include: student recruitment, retention and employability, financial health, volume and nature of business interactions, general management and organisational development. Key facts and figures relating to student recruitment are set out on pages 8 to 10 and financial data on page 12 to 15.

The KPIs are monitored constantly by the Board of Governors and are updated on an annual basis. The Group has committed to meet its financial targets and its UK undergraduate tariff target.

Risk awareness and mitigation

Risk assessment and management is embedded in the institution, and risk registers are prepared at project level, Strategic Business Unit level and institution level. At the strategic level, a number of key risks have been identified which relate to delivery of the University's Strategic Plan and good performance against the KPIs. The major risks which the University has identified include recruitment and retention of students, both home and overseas, and the position of the institution in a difficult future economic climate. As stated in our investment policy below, the University manages its investment portfolio and cash reserves in such a way as to mitigate this risk as far as possible.

We have a risk manager who has collated all of the updated risk registers from each of the business units. This process informs the top risks register compiled by the Vice-Chancellor and reported to the Board of Governors as part of the normal business of their meetings where key risks and mitigating actions are considered. The process is reported to and monitored overall by the Audit Committee.

The top risks are considered to be:

- Under recruitment of students to target
- Changes to UK visa regulations impacting overseas recruitment
- Changes to educational contract funding arrangements eg National Health Service and National College for Teaching and Leadership
- Economic environment adversely affects commercial businesses

In order to mitigate these risks the University pays attention to fee levels, effective procurement and cost control generally.

Student facts and figures

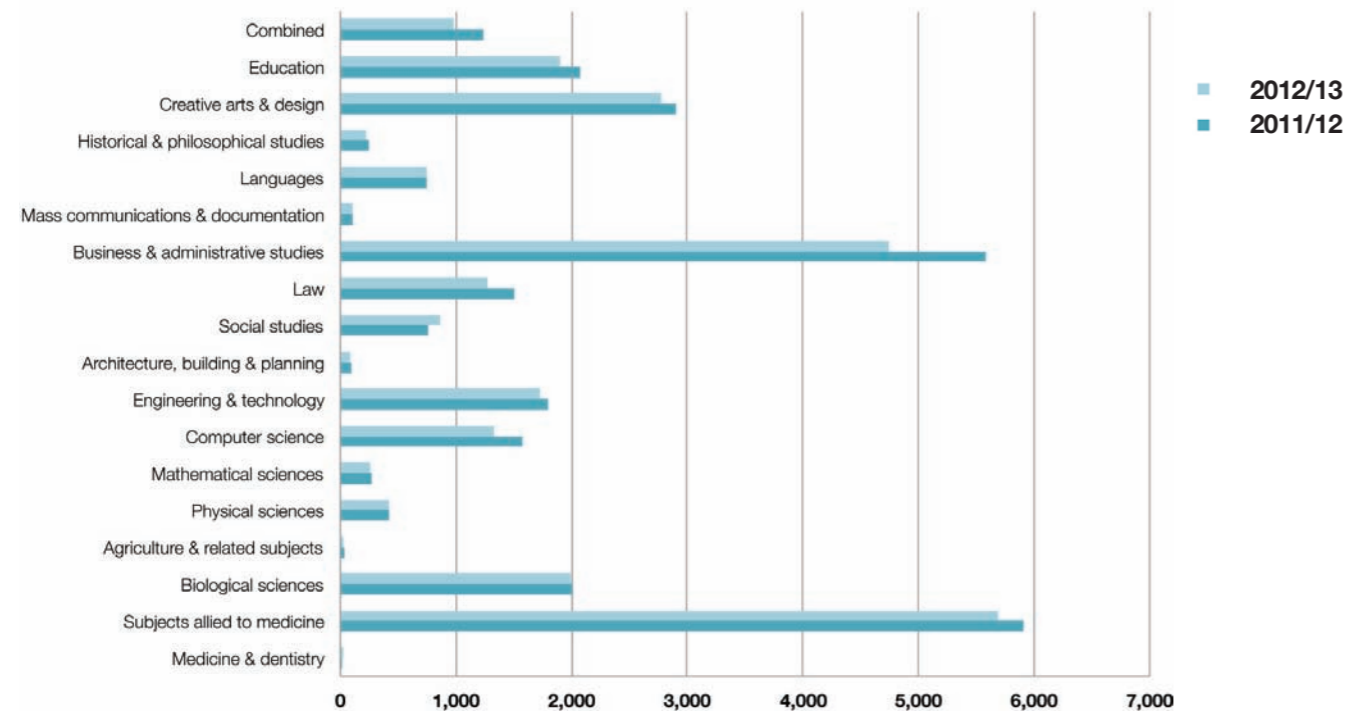
Student profile

Student numbers have decreased from a total enrolment of 27,230 in 2011/12 to 25,130 in 2012/13. This includes students based at consortium colleges and other partner institutions. The decrease is attributable to under-recruitment of new full-time undergraduates in 2012/13 and a large departure of final year graduates. As is the case across the sector, there has been a decline of part-time and post-graduate students.

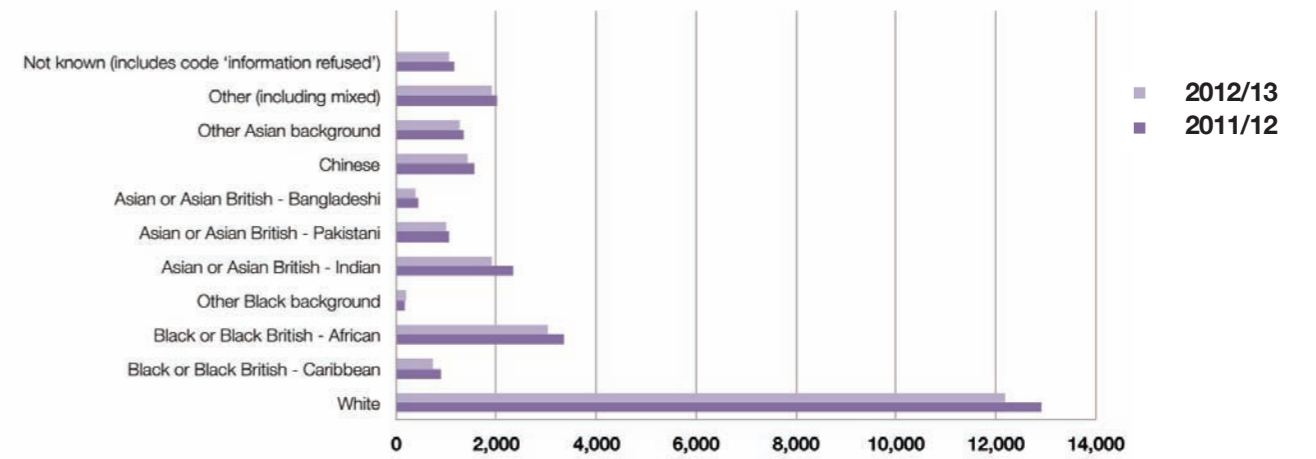
Distribution of Higher Education students in 2012/13 compared with 2011/12 was as follows and is illustrated in the tables and charts below.

- The University continues to offer a very wide range of subject mix with business and subjects allied to medicine being the most popular.
- The student ethnic mix also continues to be diverse.
- 56% (2012: 56%) of the University's students were female
- 75% (2012: 74%) were full-time/sandwich of which 78% (2012: 78%) were first degree students
- 25% (2012: 26%) were part-time, 46% (2012: 41%) of whom were postgraduate (taught (PGT) and research (PGR))

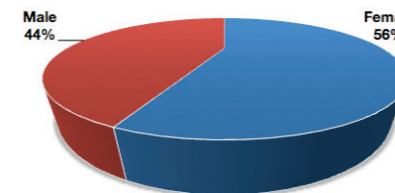
Total number of students by subject area



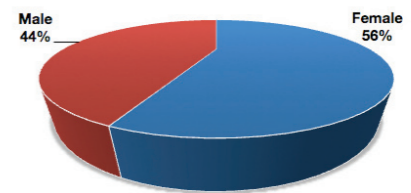
Total number of students by ethnicity



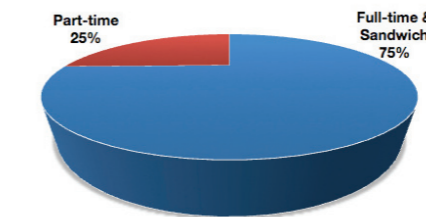
Gender 2012/13



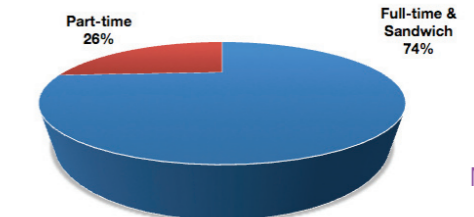
Gender 2011/12



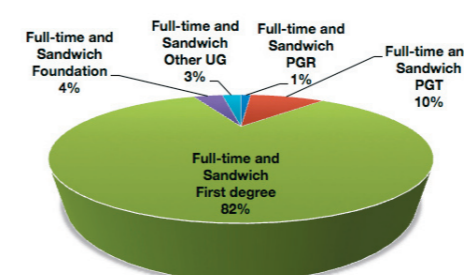
Mode split 2012/13



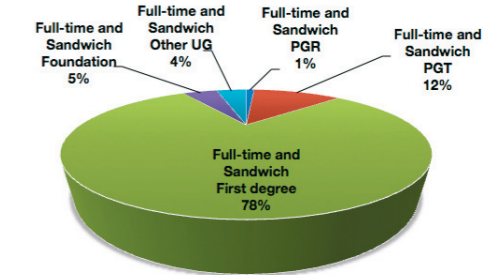
Mode split 2011/12



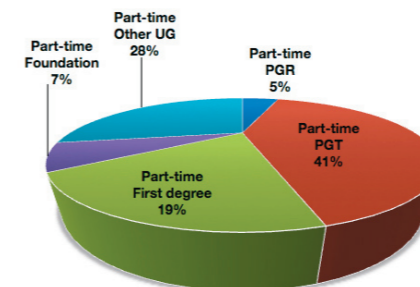
Full-time/sandwich 2012/13



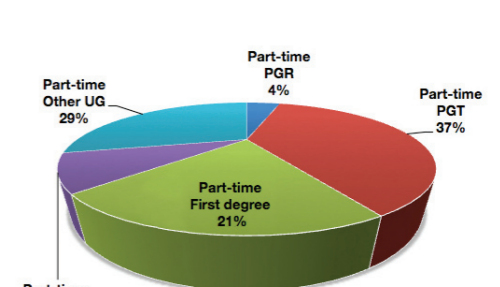
Full-time/sandwich 2011/12



Part-time 2012/13



Part-time 2011/12

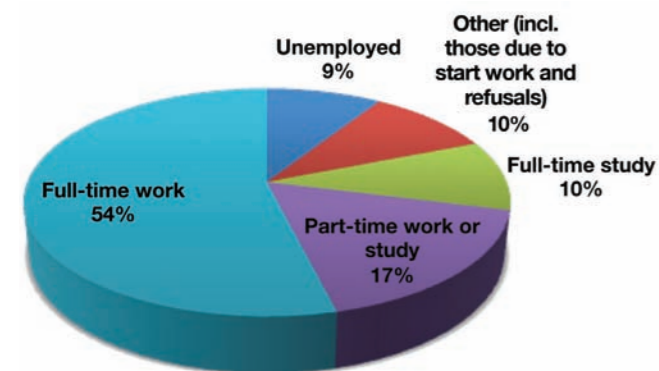


Destination of Leavers from Higher Education (2011/12 students surveyed in 2012/13)

The Destination of Leavers from Higher Education (DLHE) is an annual survey reviewing destinations of students six months after they have left higher education, in this case between August 2011 and July 2012. The Careers and Placements Service manage the collection of the data on behalf of the University. The cohort that determines our Times graduate employment league table position is the home, full-time, first degree students. The employment indicator for this group is 88.8%, the highest at the University for 5 years (86.6% in 2011/12).

Employment status of full-time, first degree, UK domiciled graduates

The chart shows only the full-time, first degree UK undergraduates, UK domiciled. This is the subset most frequently analysed by publishers such as The Times and The Guardian. Please note that due to questionnaire changes the percentages relate to the activity most important to the respondent.



The University was particularly pleased with these results given the economic climate and the fact that they relate to a very large cohort of graduates.

Other highlights from this survey indicate that:

- The average salary for all leavers is £23,000.
- 70% of all leavers in 2011/12 that were in UK employment were in professional/managerial roles (formerly referred to as graduate roles).
- 187 of leavers this year responded that they are either self-employed/freelance, starting up their own business or developing a professional portfolio/creative practice, an increase on last year (although due to changes in the questionnaire options this year, no direct numerical comparisons can be made).
- Most of our leavers are opting to work in the East of England, followed by London and the South East, a total of 90% overall for these three regions.

Research and Innovation

It is pleasing to report that despite the continuing difficult external economic climate, the University's research income grew by more than 22% during 2012/13 to £10.2 million, with substantial increases in research income from UK-based Charities and non-UK Research Council grants and contracts. Additionally, we won research awards in excess of £9 million during 2012/13 which will impact positively on the University's research income in 2013/14. We have also continued to be successful with UK funders, winning grants from the UK Research Councils with a total value in excess of £1.6 million and from UK Government sources with a total value above £1.8 million. In addition we successfully secured 19 awards from UK Industry and 12 awards from UK-based Charities with a combined value of over £1.1 million. Of particular note is the award of a prestigious University Research Fellowship from the Royal Society, and a large research contract from the US Government, both of which were won in the face of fierce competition. The last year of Framework Programme 7 (FP7), Europe's biggest funding programme for research, led to a surge of applications across Europe, resulting in lower than usual success rates. Despite this, we have recently been notified of two successes in the Socio-Economic Sciences and Humanities (SSH) and in the Environment themes. We have also been successful in other European schemes, securing a European Cooperation in Science and Technology (COST) action, tenders from the European Food Safety Authority, a second Daphne project, and joining on-going collaborative research projects in Italy, Greece and the Netherlands. Active preparation for Horizon 2020, the successor to FP7 is now taking place.

Supporting researchers in their career development is a key to success. The University was one of the first UK Higher Education Institutions to hold the European Commission's HR Excellence in Research Award in recognition of its achievements in this area, receiving external re-approval in January 2013. To complement our highly regarded Generic Training Programme for Researchers, open to research students and staff, we launched a specialist programme of events for postdoctoral researchers. Outcomes of the Careers in Research Online Survey (CROS) 2013, aimed at research staff, resulted in above the national average positive responses in almost all categories, particularly with regard to the access to training and development opportunities.

The University launched a new Doctoral College in September 2012 which oversees all Masters and Doctoral level research students across our three Research Institutes. In Autumn 2012 a series of research activities were organised as part of the Diamond Jubilee year including a research student photography competition,



an interactive research exhibition for schoolchildren and a research alumni dinner. Our research student population also participated in the Postgraduate Research Experience Survey (PRES) 2013 (with a response rate of over 54%) with high satisfaction rates, above the national average in core areas, including supervision and research skills.

Preparations for the 2014 Research Excellence Framework (REF) assessment of its research are underway. A second mock exercise was undertaken in early 2013 and the final submission will include 13 units of assessment, around 35 impact case studies and the outputs from over 210 research staff. The results of the REF will be published in December 2014.

The Higher Education Innovation Fund (HEIF) grant for the period 2012/15 will be partly used to establish a Growth Hub for medium-sized businesses in Hertfordshire. The relaxation of funding constraints by the Technology Strategy Board this year saw a significant recovery in Knowledge Transfer Partnerships, with new awards exceeding £1.0 million, and a stronger pipeline of opportunities going forwards. In part this is a result of continued telemarketing activity to raise awareness among businesses.

Three business development units are now in operation, with six new members of staff poised to make a

significant impact on innovation and knowledge exchange. The Science and Technology Development Unit is housed in a new office near key academic resources on the College Lane campus; meanwhile a combined Continuing Professional Development centre and development office will open on the de Havilland campus this October. On the innovation front, the spin-out company Pathways2Wellbeing Limited, which grew out of long-term healthcare research at the University, and 'QB2', a second-generation low carbon micro-building whose design has now been registered in the EU, USA and Canada, were launched. We have also commenced four flagship Proof-of-Concept projects in areas including manufacturing, resource planning and pseudo-quantum cryptography, where our intellectual property is already well-established.

A second 'follow-on' funding grant from the Natural Environment Research Council to apply patented particle analysis technology to the atmospheric testing market worldwide, was won. Meanwhile a license agreement has also been concluded with a UK-based company concerned with terrestrial particle analysis instrumentation and another is currently being negotiated in relation to asbestos detection.

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 the wholly owned 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 2012/13:

	Forecast 2012/13	Actual 2012/13	Sector mean 2011/12
Net margin	23.0%	23.3%	5.3%
Liquidity	141 days	156 days	109 days
Borrowing to income	33.3%	33.9%	22.7%
Reserves	78.6%	80.0%	55.5%
Cash flow	8.3%	11.8%	8.5%
Staff costs to income	52.8%	51.3%	53.1%

It should be noted that the historic cost surplus to income ratio was 5.2% without the benefit of the exceptional item. The group considers that it is in good financial health and HEFCE consider that it is not at higher risk.

The consolidated results for the Group for the year to 31 July 2013 are summarised below:

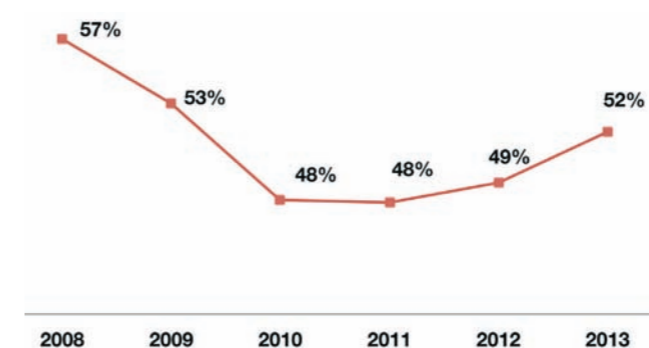
	2013 £'000 (after FRS 17)	2013 £'000 (before FRS 17)	2012 £'000 (after FRS 17)	2012 £'000 (before FRS 17)
Income	236,275	236,275	237,827	237,827
Less: share of income in joint ventures	(2,076)	(2,076)	(4,991)	(4,991)
Total Income	234,199	234,199	232,836	232,836
Expenditure	(221,834)	(224,402)	(215,292)	(217,648)
Surplus on continuing operations	12,365	9,797	17,544	15,188
Share of operating (loss)/profit in joint ventures	(14)	(14)	86	86
Taxation	51	51	(94)	(94)
Minority interest	(233)	(233)	162	162
Surplus before exceptional items	12,169	9,601	17,698	15,342
Surplus on sale of fixed assets	42,960	42,960	12	12
Surplus for the year	55,129	52,561	17,710	15,354

The results above are presented before and after the adjustments made under FRS17 to give a clearer understanding of the impact of accounting for retirement benefits. These adjustments increased the group surplus for the year by £2.5 million (2012: £2.4 million). Further details can be found in note 33.

During the year, significant investment was made in new staffing in order to improve student to staff ratios thereby enhancing student experience. The staff costs to income ratio is now at its highest level and will increase during 2013/14 as the full-year impact of the investment is realised.

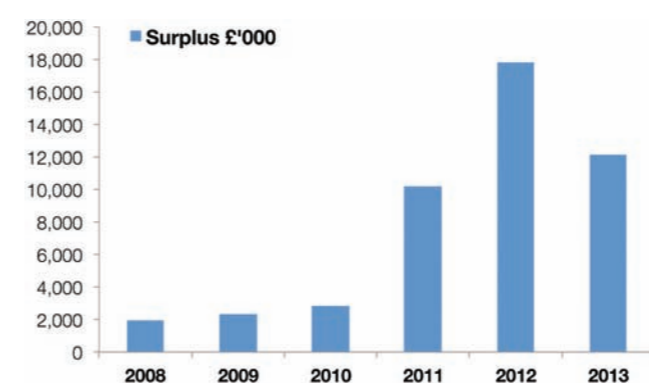
Staff costs as a proportion of income remain some of the lowest in the sector.

Staff costs as a percentage of total income 2008 to 2013



The financial results of the Group for the year show a trading surplus before exceptional items of £12.2 million and cash of £89 million demonstrating a strong position in the uncertain environment. The results were boosted by the profit on sale of premises at College Lane of £42.5 million to a consortium in preparation for the construction of 3,000 student residences; the results are the best in the history of the Group inclusive of the exceptional item.

Group operating surplus/deficit 2008 to 2013

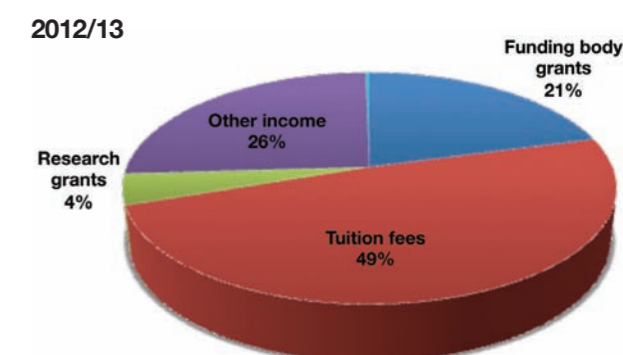
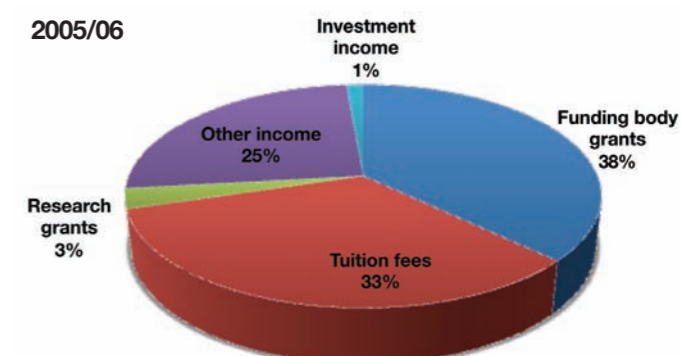


Following the announcement by the Government of substantial reductions in public funding, the Group embarked on several initiatives to reduce non-staff costs through enhanced procurement activity, re-specification of its requirements and delivery of several measures to

eliminate waste. Investment in financial management has also enhanced the decision-making abilities of senior management. The Finance department won the Times Higher Leadership and Management 2013 award in the category of Outstanding Finance department of the year, recognising its contribution to the Group's success.

Changes in income source 2005/06 compared to 2012/13

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



The University continued to deliver its academic and research portfolio, achieving targets in many of its key non-financial measures. UH Holdings Limited, which owns the various commercial subsidiary companies, suffered a loss in the year which was offset against its accumulated reserves, in a very demanding economic climate. The activities of the subsidiary companies are detailed on pages 15 to 18.

The financial standing of the local government pension scheme, of which most non-academic staff are members, has improved significantly and is now shown as an asset on the balance sheet of £1 million, as detailed in note 33. This is primarily due to improvements in asset valuation and is the first time that such an asset has been recorded.



The University is mindful of its responsibilities to future students. Following the introduction of maximum fees of £9,000 and the corresponding reduction in HEFCE grant income, the University set its undergraduate fees for UK and EU students starting in September 2012 well below the maximum permitted and within the £7,500 average suggested by Government. A tiered approach has been adopted to offer some choice to students in deciding where to study, and the Board believes that this represents very good value for the quality of the experience delivered. A package of support for eligible students was also offered. Fee levels and supporting packages will be reviewed annually on the basis of fairness to students, market forces and the continuing need to invest and be financially sustainable.

Capital projects

The Group invested £18.5 million in capital projects including equipment purchases for academic areas, improvements to its website and on a number of vehicle purchases for its bus company, Uno. The redevelopment of the University's campus facilities and accommodation over the next decade - the £200 million "2020 Estates Vision" - has commenced and nearly £11 million has been invested in improvements on both main campuses during the year. The initial sub-project, at the de Havilland campus, comprising a new mezzanine informal learning and social space, was completed in Autumn 2012.

Work at the College Lane campus has commenced and will deliver a new student learning zone, student union building, reception area and a student hub comprising many student-facing services.

Due to the limited Government funding available for capital projects, an innovative financing deal was completed. A project to rebuild student accommodation at the College Lane campus was awarded to ULiving@Hertfordshire plc, a consortium made up of major developer Bouygues Development and not-for-profit accommodation operator, Derwent Living. This unique demand-transfer project, funded by a Legal and General bond, delivered a capital receipt of £53 million to the Group to be used on enhancing student experience. Building work commenced on site in 2013. 3,000 new rooms will be available at the conclusion of the project in 2016, which constitutes 1,500 more than are currently on the College Lane campus. The accommodation is being delivered in three phases from 2014.

Private Finance Initiative

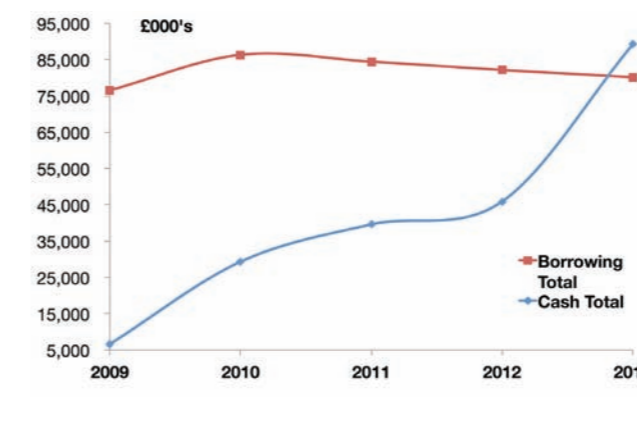
The Group has, under the terms of the agreement with the PFI provider, permanent use of 1,600 student residences at the de Havilland campus. This development has been provided by the private sector through a Private Finance Initiative for which the Group pays an annual unitary charge for facilities management over the next twenty-one years. At the end of this period

(2032/33) ownership of the residences will revert to the University.

Cash flow

Cash and short-term deposits during the year increased by £43 million to £89 million as a result of the capital receipt from the College Lane residences deal and the strong trading performance. Loans and other financing of £1.2 million have been repaid during the year in respect of The Forum, Hertfordshire Sports Village, residences and buses. The graph below shows the Group's cash and borrowings position over the last five years.

Last five years borrowing and cash (Group)



Investment policy and performance

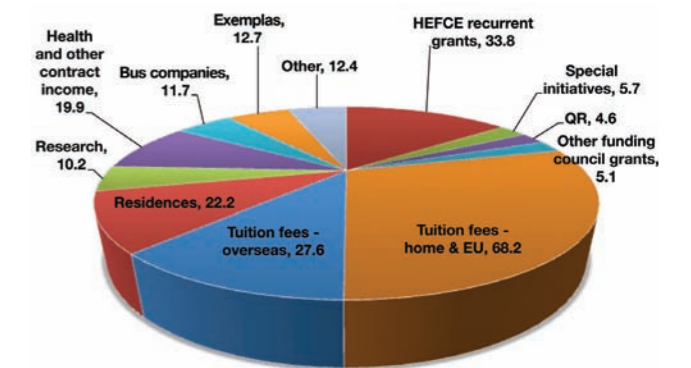
The investment policy of the University provides that deposits are made on the basis of the long-term credit rating assigned by the Fitch global rating agency to the financial institution with which the proposed investment is to be made. Deposit limits with one financial institution range from £1 million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

Commercial activity

In accordance with its business-facing strategy, the University has grown its income from the delivery of a wide range of services to the business community and the general public through its subsidiary companies. The group also holds investments in some small start-up companies and is the majority shareholder in Exemplas Holdings Limited.

The income from the subsidiary companies is an important aspect of the Group's activity amounting to £31 million in 2012/13, and represents 13% of the total Group income.

Source of total Group income 2012/13 (£ million)



The University's main trading subsidiaries with details of their activities in the year are as follows (see also note 13).

Uno

Uno is the trading name of Universitybus Limited. Established in 1992, Uno was designed as a bus service for the University of Hertfordshire. With the continued success of the company and the ever increasing expansion of the route network, Uno was opened to all members of the public and is now a leading public transport operator for Hertfordshire, transporting on average 18,000 passengers on a daily basis and employing over 200 staff. The network extends from Luton in the North to London Victoria in the South with 100 buses operating 75,000 miles per week. Uno is recognised as a major regional transport operator throughout Hertfordshire and surrounding areas. Uno is a member of the Intalink partnership which brings together Hertfordshire County Council, district councils and the county's bus operators to promote a high quality passenger transport network for the entire county. Uno tenders for routes into London and surrounding urban environments, which will link with existing routes. It remains central to the University in that it ensures that substantial numbers of students and staff can access the University where otherwise they might not.

In 2012/13 the company made a loss for the year following adverse trading conditions including the loss of several lucrative contracts. A recovery plan has been implemented to restore the company to good operating profit including the removal of loss making routes, the winning of new profitable contracts and the introduction of a lower cost operation. An operation has commenced in September 2013 for Cranfield University and the local population between Bedford and Milton Keynes.

Uno Buses (Northampton) Limited, has operated since



September 2012, through a joint venture with the University of Northampton, focusing on transporting students to their campuses.

Polyfield Property Limited - Hertfordshire Sports Village

Hertfordshire Sports Village is the main facility where sports, health and fitness services are provided for the University students, staff and the wider community.

The Sports Village was highlighted in the 2012/13 national independent "student barometer" study as the second highest "better than benchmark" area of the university. The survey also highlighted very high levels of satisfaction for the sports facilities within the institution.

The principal role of the Sports Village is to provide for the University students and to manage the formal and informal sports activity programmes.

In the formal sport competition (inter University BUCS leagues) the Hertfordshire teams performed well and finished 46th in 2012/13.

In the informal sports, the intramural Campus Football competition attracted more teams and our Active Students project, providing free, informal sport activities, continued to be regarded as one of the flagships of the national Active Universities programme supported

by Sport England funding. The project targets the less physically active students and has a target of reaching 7,500 participants over its three year funding cycle which it has achieved in the first two years.

With 2012/13 being the first year of higher tuition fees (and with the success of the free, informal Active Students programme referred to above) there was concern about potential negative impact on revenue from the student membership of the gym and the Athletic Union. However, both of these rose in numbers sold and revenue taken and, in fact, the higher value options sold better than the previous year indicating students were prepared to pay more for more choice of usage hours.

Another area of success started last year that has continued to grow has been the health and wellbeing initiatives targeted primarily at the University's staff but with a view to driving this to external users. The "Nudge" brand has been trademarked and a review of the technology that is key to the work has been carried out leading to greater potential for project expansion that ties in well with Business and Government agendas around workplace health.

The Sports Village continues to work with a variety of high level sports organisations including Arsenal Ladies FC, England Women's FA, Hertfordshire Mavericks Superleague netball and England Golf. High standard

sports events such as the UITF Tae Kwon Do World Championships, GB Wheelchair Basketball, England Badminton Youth Camps, Junior and Cadet UK Table Tennis Championships were hosted during 2012/13.

Two of the three artificial grass pitches were resurfaced during summer 2013 as part of the PFI facility lifecycle plan and we are actively searching for ways to enhance the Sports Village space to cope with demand. During 2012/13 plans were developed and finance approved to extend the gym facility. This will mean a much-needed enlargement of the free weights area and a return of the performance gym and physiotherapy clinic to the Sports Village building by February 2014.

Exemplas

For 20 years Exemplas has delivered business and enterprise programmes along with work based learning activities that focus on the skills development of individuals. 2012/13 has been a challenging year with the company. For the first time in history, it made a significant loss against its reserves, arising from the closure of two major services and investments in new projects not yet delivering yields as expected.

At the same time the position on business booked at the start of the next financial year (starting August 2013) – was over £15 million compared with £10.1 million at the start of the 2012/13 financial year.

EValu8 Transport Innovations Limited



EValu8 Transport Innovations Limited has been set up to foster public acceptance of Low Emission Vehicles, to promote innovation in the field and to lead and manage the delivery of the 'EValu8 Plugged in Places Programme'.

EValu8 aims to accelerate the development and uptake of electric vehicles (EV) in the East of England providing both a contribution to reducing CO2 emissions and the

development of the low carbon economy, with benefit to sustainability and economic growth, in particular in small-to-medium sized enterprises (SMEs). EValu8 has been funded by the Office of Low Emission Vehicles (OLEV) and European Regional Development Fund (ERDF) to install an operationally effective electric vehicle (EV) recharging network across the East of England, using it as a test bed and innovation platform to build upon the region's significant innovation capabilities and help catalyse the new global EV economy. The company has been awarded further funding from Department of Energy and Climate Change (DECC) for the project on energy storage to support the national grid.

The company is advised by a Steering Group made up of representatives of key corporate bodies drawn from across the East of England. This business-led group is supported by the relevant universities, local authorities and other not-for-profit organisations.

In addition EValu8 Transport Innovations Limited plans to contribute to education and policy, regionally, nationally and internationally in the area of Low Emission Vehicles.

UH Ventures Limited

The Company comprises three distinct brands – Cimtech, ConferenceHertfordshire, and University delivered commercial business by academic schools. Cimtech's main area of business is in document management solutions whilst ConferenceHertfordshire manages the Group's portfolio of residences and conference venues for customers other than students.

ConferenceHertfordshire started the financial year by continuing to host a large booking for the Metropolitan Police Service and the British Transport Police, with numbers of police officers peaking at over 2,000 on both campuses during the Olympic and Paralympic Games period. The success of this booking was a huge achievement for the small events team in view of the logistical challenges posed, and produced an encouraging surplus for the company.

The summer conference season started well with a number of corporate conferences, while the month of July was filled with two language schools from Italy on both campuses.

ConferenceHertfordshire is now working with ULiving@ Hertfordshire plc (the new operator for the residences on the College Lane campus).

The main activities by the academic schools are the delivery of Knowledge Transfer Partnerships (see section

above on Research and Innovation), short courses, and consultancy through Biodet. It performs microbiological analysis and investigations for clients across the globe. The laboratory has held UKAS accreditation for microbiological water testing since 1997, and enjoys valuable working relationships with several Hertfordshire based international pharmaceutical industries. Biodet also offers services in indoor and outdoor air quality investigations. It has been investigating Sick Building events for over twenty years, and has recently developed a bioaerosol occupational exposure quantification method.

Corporate responsibility

People and culture

The People and Culture enabler underpins the 2012/2015 Strategic Plan.

Throughout 2012/13 sessions have been delivered to help Deans of School better understand the responsibilities and accountabilities of their new role following a major internal organisation - 'Project Agile' - during 2011/12. This project removed faculties from the corporate structure and gave Deans of School more autonomy.

More than 40 managers completed an accredited programme in Coaching and Mentoring, supported by colleagues in the School of Education. This programme follows on from Making Sense of Leading, and provides participants with the necessary credits towards a Master's degree in Leadership and Management.

The Wellbeing Group has delivered a programme of Wellbeing Wednesdays. Events included a wellbeing fair and sessions on smoking cessation, stress management, disability awareness, appreciating difference and your impact on the place you live.

The University has been engaged in preparing for and launching pension auto enrolment as well as preparing for HMRC Real Time Information. Due to changes made to the Local Government Pension Scheme, almost all staff are now eligible to join either TPS or LGPS. The remaining staff are enrolled into a NEST scheme.

Preparation began for the staff survey which will be undertaken in Autumn 2013.

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.

The University continued to keep policies and practices under review to ensure compliance with the Equality Act 2010. Governors adopted a revised Equality and Diversity Policy. Equality policies, and other information showing how the University is meeting the Public Sector Equality Duty, are published at www.herts.ac.uk/equality

The University continues to work closely with a range of partners and networks, including the Equality Challenge Unit, Hertfordshire County Council, Welwyn Hatfield Borough Council, Hertfordshire Partnership NHS Foundation Trust, Hertfordshire Equality Council, Hertfordshire Lesbian, Gay, Bisexual & Transgender Partnership and Hertfordshire Carer Champions for Learning, to advance equality and to foster good community relations.



Health and safety

The University continued to promote a positive safety culture which has been underpinned by focusing on three main themes for safety management – leadership, risk control, and engagement with staff. These themes have been the core principles used to review safety management during the University structure changes through 'Project Agile'. The Occupational Health and Safety Office have been maintaining an oversight of the Government reviews on safety and responding to them and their impacts for the University.

The University maintained a low staff accident rate compared to the sector average. Different safety monitoring techniques are used to establish assurances that sit alongside a comprehensive safety development programme to support the management of the University's safety risks. The University's safety



management system was audited in 2012 and it can be reported that the University has substantial levels of assurance for the control of its health and safety risks.

Sustainability and environment

The Department of Estates, the Environment and Sustainability Team within the Centre for Sustainable Communities, the Office of the Chief Information Officer, and Procurement work together to enhance the University's energy efficiency and sustainability. This area of activity is overseen by the Infrastructure and Sustainability Group, chaired by the Group Finance Director.

The University is proud to have achieved a first class award for the seventh year running in the People and Planet Green League, which ranks universities and colleges on environmental management and performance. This reflects a continuing commitment to embed sustainability into all the University's activities and to develop the environmental stewardship of staff, students and visitors.

Another major success was the achievement of the EcoCampus Platinum award for implementation of an Environmental Management System (EMS) specifically designed for universities and colleges. The effectiveness of our EMS also enabled us to qualify for the prestigious and internationally recognised environmental standard

ISO 14001.

A full and successful internal environmental audit was carried out across the University and a framework is now in place to continue this under the EMS.

The Green Impact Scheme was expanded, building on the success of its first year, achieving greater staff and student engagement. The positive experiences of the competing teams should encourage even further growth in the coming year.

The University achieved its carbon emissions KPI and surpassed the recycling target by achieving 81% recycling of waste. Turning its attention to external factors, the University has begun work on sustainable procurement by becoming part of the European Pathway to Zero Waste (EPOW) programme and working with a dedicated consultant to help reduce resource use throughout the supply chain.

Community

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

A range of innovative educational partnerships involving the University have helped to deliver a new school in Hatfield, a University Technical College (UTC) in Elstree and new consortia of schools in Stevenage, Harpenden

and Letchworth. Approval has been obtained from the DfE for a new UTC in Watford and for a further three free schools. Our students are involved with all of these projects, gaining placements, work experience and graduate jobs. Staff continue to support the regional community as governors in Hertfordshire schools and colleges; 77 are registered on the University's School Governors programme.

Local politicians have continued to praise the University for its efforts to support students and the community. Through initiatives developed within the Office of the Dean of Students, complaints from members of the community are 10% fewer than last year. Significant funding is provided to Welwyn Hatfield Borough Council to support the Housing Accreditation Scheme, additional refuse collections and environmental health services. The Community Partnerships Office visits every student living in Hatfield to encourage them to be a good neighbour and contribute positively to the community.

The Chaplaincy has continued to offer a varied programme of activity to support the student body and wider University. The Islamic Reference Group met in January and agreed to a proposal to have a Muslim Chaplain.

The University-owned Hertfordshire Sports Village, which is in its tenth year of operation, continues to be a major resource for the local community and beyond. It hosts an estimated 900,000 visits per annum and has over 200 clubs, groups, teams and organisations which make regular, one off and block bookings throughout the year. Similarly, UHArts provides a rich cultural programme for both the University and local communities. Attendance at exhibitions has been around 13,000 formal visits; over 3,000 at theatre and performance events; over 2,200 at film events; and over 5,500 people have attended musical performances.

Each of the University's schools has engaged in a range of public-facing activities, such as open lectures, masterclasses or exhibitions, some of which were aimed at specific target groups such as professional bodies or sixth formers, and others were open to the general public. The University has also organised various major public lectures and events, with an emphasis in Autumn 2012 on continuing its Diamond Jubilee celebrations.

The Social Enterprise Unit has continued to support local Third Sector organisations through engagement of students, staff, alumni and the local business community. The value of this support was in excess of £105,000.

The University has formal partnerships with the County Council, St Albans District Council, and Welwyn Hatfield

Borough Council. Notable collaborative projects with Herts County Council include collaboration on Health and Social Care courses to meet the needs of the County and development of sustainable transport through a project funded by the Local Sustainable Transport Fund. The University works with St Albans District Council as leading partner in Network St Albans to develop an integrated public transport system; the two organisations work together on curating the art gallery in the Museum of St Albans, and are developing a 'green triangle' of expertise in sustainability centred on St Albans and involving the University, Building Research Establishment and Rothamsted Experimental Station. Welwyn Hatfield Borough Council and the University collaborate on initiatives to improve relationships between 'town and gown' and also on projects related to food security and wellbeing.

The Vice-Chancellor is a member of the Board of the Hertfordshire Local Enterprise Partnership (LEP) and the University is represented on three of the four Programme Groups which report to the Board – Investment and Advocacy, Innovation and Enterprise, and Skills and Employment.

Charitable Trust

On 21 October 2009 the University became the sole trustee of the University of Hertfordshire Charitable Trust whose objects are to support the advancement of teaching and research and students at the University. Major corporate and charity donors of the Charitable Trust are shown on Page 73. During the year the University created a new corporate vehicle, UH Trust, a linked charity of the University to take over the charitable activities of the Charitable Trust.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors 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: 14 November 2013



Statement of the responsibilities of the Board of Governors and internal control

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, 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.

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 of Governors
- regular reviews by the Board of Governors 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 of Governors has established the processes to comply with the revised direction from HEFCE for the identification, evaluation and management of risks the University faces. The following is a statement of the University's internal control and risk management policy:

- as the Board of Governors of the University of Hertfordshire, we have 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 we are responsible, in accordance with the responsibilities assigned to the governing body in the charter and statutes/instrument and articles 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

Statement of the responsibilities of the Board of Governors and internal control

achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

As the Board of Governors, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- we have met at regular intervals to consider performance reports, operational plans and the strategic direction of the University
- we receive periodic reports from the Chairman of the Audit Committee concerning internal control, and we require 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
- the Audit Committee 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. All new managers will receive training in risk management as part of the New Managers' programme and Making Sense of Leading. This is one of the mandatory aspects within our Management Development Strategy. 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
- reports are received from budget holders, department heads and project managers on internal control activities.

Our review of the effectiveness of the system of internal control is informed by the work of the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2005. The HEFCE Audit Service visited again in February 2006 to carry out 'Evaluation of Risk Management, Control, and Governance Arrangements'. The overall conclusion of the Audit Service report was that the University achieved a 'high level of assurance'. A further visit was made in September 2012 by HEFCE as part of its review programme. The overall conclusion of the auditor following this visit was that at this time, they were able to place reliance on the University's accountability information. The Audit Committee oversees the work of the internal audit service. The work of the internal audit service is informed by an analysis of the risks to which the University is exposed,

and annual internal audit plans are based on this analysis. The Board of Governors endorses the analysis of risks and the internal audit plans on the recommendations of the Audit Committee. The head of internal audit provides the Audit Committee with an annual report on internal audit activity in the University and is required to provide the Board and the Vice-Chancellor with an opinion on the adequacy and effectiveness of the University's risk management, control and governance processes. A full discussion on the risk management effectiveness takes place within the Audit Committee with questioning by members of the head of internal audit and officers in attendance. Within this context the head of internal audit, based upon the work undertaken for the twelve months ended 31 July 2013, gave the opinion that the University has adequate and effective risk management, governance and control processes to manage the achievement of the organisation's objectives.

During 2012/13 the audit committee commissioned UNIAC a specialised consultancy service endorsed by HEFCE to carry out a forensic analysis of the HESSES return in terms of data quality. HESSES is one of the main student returns required by HEFCE to inform and monitor grant allocation. The report provided reasonable assurance that the system of internal control is effective, efficient and economic and that governance is effective. No material discrepancies were identified.

Our review of the effectiveness of the system of internal control is also informed by the work of the Office of the Vice-Chancellor within the institution, which has responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The University has demonstrated that it has proper arrangements in place to promote economy, efficiency and effectiveness, and a value for money programme has been approved.

Returns to HEFCE and HESA (Higher Education Statistics Agency)

As part of the annual accountability return to the funding council, from Autumn 2009 the Chairman of the Audit Committee was required to complete and sign various documents before submission. Discussion with the Funding Council took place over 2009/10 who confirmed that they sought assurance on the process. The Audit Committee can give full assurance on the processes associated with these returns submitted during 2012/13 and this assurance is also confirmed in the Annual Report of the Audit Committee to the Board of Governors for 2012/13.

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

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee 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. 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. Also at the beginning of each meeting of the Board and its Committees an item headed 'Declaration' allows for those attendees to make known any conflicts or associations with the matters under consideration.

The University 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, and is a charity exempt from registration. Its objects, powers and framework of governance are set in the Articles of Government, which were approved in 1989 by the Secretary of State for Education. The current version of the Articles was approved by the Privy Council in 1993. 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. Minor changes to the Instrument and Articles of Government were approved by the Privy Council to take effect on 1 September 2012.

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, will receive any reimbursement for the work they do for the Board. The full list of the Board of Governors is shown on page 68.

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 general issues relating to the teaching and research work of the University. The Vice-Chancellor, as Chief Executive, is the head of the University and has a general responsibility to the Board of Governors 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.

Whilst certain matters such as approval of the strategic plan, the annual budget, major investments and the sale and purchase of land, are reserved matters for the Board, much of its detailed work was handled initially by committee, in particular the Finance and Employment Committee and the Governance and Nominations Committee (the Vice-Chancellor is a member of these Committees) and the Audit and Remuneration Committees. Other than the Audit Committees, whose composition include 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, the 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.

Activities of the Board

The Board met on nine occasions during the year (16 October 2012, 27 November 2012, 29 January 2013, 5 March 2013, 19 March 2013, 1 May 2013, 11 June 2013,

9 July 2013 and for an Away Day on 19 January 2013). Average attendance was 79%. It was an immensely busy year for the Board as it considered the impact upon the University on the changes in the student fees regime.

The Board continued to discharge its primary responsibilities set out in the Articles of Government with enthusiasm and due diligence. It determined the educational character and position of the University whilst ensuring the efficient and effective use of resources, solvency and the safeguarding of assets.

Unsurprisingly, the Board spent significant time considering the impact of the changes to student fees from Autumn 2012. The Board carefully scrutinised the undergraduate recruitment data for 2012/13 entry. The University had under recruited by several hundred students; this was in part due to the decline in the number of those applying to universities because of the increase in fees, the actions of some universities to increase their recruitment of AAB students, but more particularly for this University by the decision to increase and then hold to UCAS tariff during confirmation and clearing. Whilst the numbers of new students had reduced nevertheless the new intake showed a significant increase in entry tariff which the Board agreed was in line with their long term strategy for the University.

Much attention was paid to the financial impact of recruitment but given good cost control and strong performance in other areas of the University activities, it soon became evident that the University would achieve its target budget surplus. The Board re-affirmed that it wished to retain higher entry tariffs for 2013/14, accepting that this might mean a smaller entry of undergraduate students than might otherwise have been the case. Discussions also centred on the need to improve staff/student ratios in order to improve the quality of experience for the students. Accordingly, the Board took the view, and as applications between universities had not appeared dependent on the different level of fee, that the fee should rise for the 2013/14 entry and beyond within the maximum fee permitted. This decision gave the University a robust financial base upon which to agree its budget for 2013/14 and would provide sufficient funds to continue to improve the quality of the student experience and support the 2020 Estates Vision. The 5 year forecast to HEFCE was prepared and approved on this basis.

In the light of this turbulent climate the KPIs for 2011/12 were reviewed and those for 2012/13 were set. The KPIs focused on a range of mainly academic issues among which graduate employability and entrepreneurship, innovation and enterprise were key. The concept of graduate attributes was supported and the Board was heartened to learn of the 2013 DLHE statistics, which

showed a considerable improvement of graduate employment for the graduating group of students leaving in the Summer 2012. This was seen as a real achievement especially in the light of the very large size of the group and the poor economic climate and employment market at the time.

Presentations were made on Learning and Teaching which highlighted the steps being taken to narrow the differential achievement of black minority ethnic students from other groups and on the International Student Barometer and the Student Barometer which showed some improvement over previous years. The Board acknowledged the disappointing National Student Satisfaction results and received presentations on the preparations and the conduct of the 2013 National Student Survey (NSS) and learned that a good rate of participation in the survey had been achieved.

Following descriptions on the portfolio last year the Board confirmed its support for developments in the field of agriculture and food security and also the joint venture with Oaklands College to provide flexible degree programmes for the local market. The title of the new venture was agreed as UCSA (University Campus St Albans).

A presentation on the international portfolio was considered. International recruitment despite all the issues and risks with the recent approach of the Home Office, had almost reached target whilst further discussions were held on the shape of the international portfolio. In this light arrangements for the wind down of the University's relationship with its partner in Greece, IST Athens, were monitored.

At the Away Day in February the Board analysed the University's Unique Selling Propositions (USP's) and confirmed the business-facing mission and agenda as being critical to this. The recently devised set of graduate attributes were seen as a key consequence of this approach. Ways of improving the educational experience of students were examined through projects such as timetabling, attendance monitoring and pastoral care, and the review of the academic year. The direction of the portfolio was again under discussion and presentations were made on some key areas of the submission under the Research Excellence Framework (REF) which was due at the end of the year. The Board also discussed the impact of alternative providers and alternative methods of academic delivery of massive online open courses (MOOCs).

Again, with a mind to the student experience, the Board received a presentation from the Students' Union on their activities with a new branding and continuing focus on student participation in clubs and societies as well as social

activity. Commercial activity within UH Holdings was also considered particularly in view of the challenging economic situation. Whilst the Hertfordshire Sports Village continued to trade well both Exemplas and the bus companies had experienced more difficult years. Discussions centred on the measures requested to restore these operations to full profitability.

Whilst it was recognised that the quality of the estate was supportive of and secondary to the quality of academic activity, nevertheless the Board did reach final agreement to the College Lane Residences Project, one of the most important initiatives in the history of the University. The Project which required the raising of a bond of close to £200 million, would see the creation of high quality residences and all supporting infrastructure for 3,000 students at the College Lane Campus. The residences will be managed by a special purpose vehicle for 50 years, ULiving@Hertfordshire plc, in which the University holds a share. The University received a capital receipt of £53 million in respect of the arrangement which will be invested in academic infrastructure and staff and securing the Estates 2020 vision. The Board congratulated the project team led by the Director of Estates, Mr Andrew May, on the delivery of such a significant milestone for the University. This outcome paved the way for approving the new Science Building and associated work subject to recruitment in Autumn 2013 being satisfactory. Progress reports were made on College Lane Phase 1 and a project to expand the footprint of the Hertfordshire Sports Village was approved.

Reports were received on league tables with the University remaining listed in the Times Higher World University Rankings, the preparations for the REF, Community Engagement including progress with both the Elstree and Watford UTC's, People and Culture, health and safety, risk, equality and diversity, and academic appeals and student discipline and complaints. The Board was delighted when the Chancellor of the University, Lord Salisbury, accepted the initiation to serve a further term until 31 August 2017.

A whole range of governance and constitutional issues were considered including the creation of UH Trust, a linked charity which took responsibilities from the temporary body UH Charity and the Charitable Trust, reports from the CUC, and the annual report on academic governance. Appointments were made to replace Professor Graham Galbraith who was appointed Vice-Chancellor of the University of Portsmouth from September 2013 and Philip Waters who retired at the end of September 2013, after 24 years service at the University. Professor Ian Campbell from Brunel University was appointed Deputy Vice-Chancellor and Mrs Sue Grant, Academic Registrar, was appointed Secretary and Registrar both from 1 September 2013.

The Board through its Governance and Nominations Committee, and involving the Independent Members where required by the Instrument and Articles of Government, considered a whole range of membership issues. On 1 September 2012, Mr David Goodridge, Mr Colin Gordon, and Mr John Heywood began further terms of office as Independent Members until 31 August 2015. Miss Jane McCue began a further term of office as a Co-opted Member until 31 August 2015. Following her nomination by the Trustees of the Students' Union, Ms Erika Masefield began a further term of office serving in this capacity from 1 July 2012 to 30 June 2013. Mr Richard Beazley was appointed an Independent Member of the Board from 1 January 2013 for a term of office to conclude on 31 August 2016. Mr Beazley was also elected Chairman of the Board with effect from 1 September 2013.

Proposals from the Governance and Nominations Committee concerning memberships to take effect from 1 September 2013 were approved by the Board. His Honour Michael Baker was re-appointed as an Independent Member for a further period of office until 31 August 2014. Ms Yasmin Batiwala and Mr Gordon Morrison were appointed for further terms of office until 31 August 2016. Professor Jackie Hunter and Dr Judith Knott were appointed Independent Members, both for terms of office to 31 August 2016. Mr Robert Gordon was re-appointed as a Co-opted Member for a further term until 31 August 2016.

At its annual dinner in June 2013, the Board paid tribute to retiring Governors, many of whom had been long serving members of the Board. The retiring members were Mr Peter Block, Mr Alan Graham, Mr Nigel Matthews, Mr Jim Park, Dr Dwain Neil, Mrs Sharon Harrison-Barker (who following her appointment as Academic Registrar, had resigned as the Co-opted Member elected by the professional staff) and last, but not least Mrs Jo Connell the Chairman of the Board.

A particular tribute was paid at the dinner to Mrs Connell in recognition of her outstanding service and contribution to the Board and to the University. Mrs Connell had been Chairman of the Board for 6 years and in all, had served on the Board for 12 years.

Public Benefit

The University performs its responsibilities as set out in legislation to carry out teaching and research and in relation to this the University has regard to the Charity Commissioner's Guidance on Public Benefit. The University admits students to its full-time undergraduate 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 engages enthusiastically in a wide range of activities to not only advance education but to the benefit of its wider communities, as set out earlier. A statement on charitable status now appears on the governance section of the University website in accordance with HEFCE guidance as regulator on behalf of the Charity Commission.

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 four years and has cash reserves at a record high level. The budget for 2013/14 is also indicating the achievement of a surplus and the medium and long-term cash forecasts demonstrate financial sustainability. In each of the past four 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 Executive 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.

The commercial subsidiary companies return payments to the University as Gift Aid each year, further sustaining the academic organisation.

Report of the independent auditor to the Board of Governors of the University of Hertfordshire

Consolidated income and expenditure account Year ended 31 July 2013

We have audited the financial statements of the University of Hertfordshire for the year ended 31 July 2013 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) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Governing Body, in accordance with the University's articles of government, 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 Governing Body's Responsibilities Statement on pages 22 to 23, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2013 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

In accordance with HEFCE's Financial Memorandum dated July 2010, we are required to report to you whether, in our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum 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: 14 November 2013

	Notes	2013 £'000	2012 £'000
Income			
Funding body grants	1	49,200	63,614
Tuition fees and education contracts	2	115,605	103,914
Research grants and contracts	3	10,246	8,354
Other operating income	4	60,595	61,308
Endowment and investment income	5	629	637
Total income		236,275	237,827
Less: Share of income from joint ventures continuing operations		(2,076)	(679)
Less: Share of income from joint ventures discontinuing operations		-	(4,312)
Net income		234,199	232,836
Expenditure			
Staff costs	6	121,286	114,252
Other operating expenses	8	84,123	84,459
Depreciation	8	13,002	12,747
Interest and other finance costs	10	3,423	3,834
Total expenditure	8	221,834	215,292
Surplus after depreciation of tangible fixed assets at valuation and before tax		12,365	17,544
Share of operating (loss)/profit in joint ventures continuing operations		(14)	26
Share of operating profit/(loss) in joint ventures discontinuing operations		-	60
Taxation	9	51	(94)
Surplus after depreciation of assets at valuation and tax		12,402	17,536
Minority interest		(233)	162
Surplus before exceptional items		12,169	17,698
Exceptional item: continuing operations			
Surplus on disposal of fixed assets		42,960	12
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		55,129	17,710
Deficit for the year transferred to accumulated income in endowment funds		(42)	(6)
Surplus for the year retained within general reserves		55,087	17,704

Other than where shown all results are from continuing operations.

The notes on pages 39 to 67 form an integral part of these financial statements.

Statement of Group historical cost surpluses and deficits

	Notes	2013 £'000	2012 £'000
Surplus on continuing operations before taxation		55,078	17,804
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	<u>2,365</u>	<u>563</u>
Historical cost surplus for the year before taxation		<u>57,443</u>	<u>18,367</u>
Historical cost surplus for the year after taxation		<u>57,494</u>	<u>18,273</u>

Statement of Group total recognised gains and losses

	Notes	2013 £'000	2012 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		55,129	17,710
Appreciation of endowment asset investments	24	185	58
New endowments	24	83	81
Transfer from endowments to income		(668)	(16)
Deferred tax on pension scheme	24	(140)	-
Actuarial gain/(loss) relating to pension scheme	33	<u>31,367</u>	<u>(11,852)</u>
Total recognised gains for the year		<u>85,956</u>	<u>5,981</u>
Reconciliation of group reserves and endowments			
		2013 £'000	2012 £'000
Opening reserves and endowments		123,491	117,510
Total recognised gains for the year		<u>85,956</u>	<u>5,981</u>
Closing reserves and endowments		<u>209,447</u>	<u>123,491</u>

Balance sheets as at 31 July 2013

	Notes	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Fixed assets					
Intangible assets	14	1,622	-	1,718	-
Tangible assets	12	266,411	201,180	268,922	202,038
Investments	13	7,360	73,024	823	67,240
Investment in joint ventures:					
Share of gross assets		1,188	-	559	-
Share of gross liabilities		(1,124)	-	(540)	-
		275,457	274,204	271,482	269,278
Endowment assets	15	2,298	660	2,656	631
Current assets					
Stock and work in progress	16	434	159	609	191
Debtors - within one year	17	19,860	18,401	22,441	17,229
- more than one year	17	-	2,487	-	2,807
Short term deposits		77,008	76,363	33,444	33,444
Cash at bank and in hand		12,353	10,082	12,448	9,298
		109,655	107,492	68,942	62,969
Creditors: amounts falling due within one year	19	(57,571)	(58,401)	(60,246)	(60,764)
Net current assets		52,084	49,091	8,696	2,205
Total assets less current liabilities		329,839	323,955	282,834	272,114
Creditors: amounts falling due after more than one year	20	(77,608)	(63,408)	(80,195)	(65,066)
Provisions for liabilities	22	(1,609)	(1,365)	(1,802)	(1,313)
Total net assets excluding pension liability		250,622	259,182	200,837	205,735
Pension scheme asset/(liability)	33	996	(1,590)	(32,939)	(33,545)
Total net assets including pension asset/(liability)		251,618	257,592	167,898	172,190

Balance sheets as at 31 July 2013

	Notes	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Deferred capital grants	23	42,171	42,079	44,572	44,431
Endowments - Permanent	24	2,298	660	2,656	631
Reserves					
Income and expenditure account excluding pension reserve	25	188,504	199,934	133,760	141,799
Pension reserve	25	996	(1,590)	(32,939)	(33,545)
Income and expenditure reserve including pension reserve		189,500	198,344	100,821	108,254
Revaluation reserve	25	17,649	16,509	20,014	18,874
Total reserves		207,149	214,853	120,835	127,128
Minority interest		-	-	(165)	-
Total funds		251,618	257,592	167,898	172,190

The Financial Statements were approved by the Board of Governors on 14 November 2013 and signed on their behalf 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 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	26	17,472	24,411
Return on investments and servicing of finance	27	(2,315)	(2,519)
Taxation – UK corporation tax (paid)/received		(33)	44
Capital expenditure and financial investment	28	30,498	(13,427)
Acquisitions and disposals	29	-	(313)
Cash inflow before use of liquid resources and financing		45,622	8,196
Management of liquid resources	30	(43,564)	(18,999)
Financing	31	(2,013)	(2,286)
Increase/(decrease) in cash for the year		45	(13,089)
Reconciliation of net cash flow to movement in net debt		2013 £'000	2012 £'000
(Decrease)/increase in cash for the year		45	(13,089)
Cash used to increase liquid resources	30	43,564	18,999
Loans repaid		2,013	2,286
Change in net debt	32	45,622	8,196
Opening net debt at 1 August	32	(35,567)	(43,763)
Closing net funds/(debt) at 31 July	32	10,055	(35,567)

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.

Basis of consolidation

The consolidated financial statements incorporate those of the University and its subsidiary undertakings for the year ended 31 July 2013. 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.

The Group's share of the results of the joint venture, University Campus St Albans Limited, has not been included in the consolidated accounts as the results for the period ended 31 July 2013 are immaterial.

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

Statement of principal accounting policies

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.

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

Statement of principal accounting policies

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 including the PFI arrangement, 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.

Statement of principal accounting policies

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.

Notes to the accounts

1. Funding body grants

			2013	2012
			Total funding body grants	Total funding body grants
			£'000	£'000
			£'000	£'000
		Higher Education Council for England		
		National College for Teaching and Leadership (formerly Teaching Agency)		
		£'000	£'000	£'000
		£'000	£'000	£'000
Recurrent grants		38,430	40,044	55,479
Selective initiatives		5,647	6,303	5,224
Release of deferred capital grants:				
Buildings	23	2,114	2,114	2,212
Equipment	23	739	739	699
		46,930	49,200	63,614

2. Tuition fees and education contracts

		2013	2012
		£'000	£'000
UK Higher Education students		65,027	54,059
European Union (EU) (excluding UK) students		3,138	1,986
Non-EU students		27,546	28,315
Total fees paid by or on behalf of individual students		95,711	84,360
Education contracts		19,894	19,554
		115,605	103,914

3. Research grants and contracts

		2013	2012
		£'000	£'000
Research councils		1,556	2,006
UK based charities		358	133
European Commission		2,838	2,935
Other grants and contracts		5,494	3,280
		10,246	8,354

Notes to the accounts

4. Other operating income

	2013 £'000	2012 £'000
Residences, catering and conferences	22,245	20,955
Other services rendered	30,063	33,854
Release of capital grant	631	409
Other income	<u>7,656</u>	<u>6,090</u>
	60,595	61,308

5. Endowment and investment income

	2013 £'000	2012 £'000
Income from permanent endowments	72	65
Interest receivable	<u>557</u>	<u>572</u>
	629	637

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:

	2013 Numbers	2012 Numbers
Academic	847	812
Research	118	120
Professional	902	866
Technical	108	115
Other	<u>431</u>	<u>445</u>
	2,406	2,358

The aggregate payroll costs of these employees were as follows:

	2013 £'000	2012 £'000
Academic	58,285	56,410
Research	5,856	5,748
Professional	43,460	39,122
Technical	4,099	4,010
Other	<u>9,586</u>	<u>8,962</u>
	121,286	114,252

Notes to the accounts

6. Staff costs (continued)

	2013 £'000	2012 £'000
Staff costs:		
Wages and salaries	98,526	93,204
Social security costs	8,553	8,033
Other pension costs	<u>14,207</u>	<u>13,015</u>
	121,286	114,252
	2013 £'000	2012 £'000
Employment costs for staff on permanent contracts	107,421	101,764
Employment costs for staff on short-term contracts	<u>13,865</u>	<u>12,488</u>
	121,286	114,252

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:

	2013 Numbers	2012 Numbers
£100,000 - £110,000	6	4
£110,001 - £120,000	3	4
£130,001 - £140,000	2	2
£140,001 - £150,000	2	-
£160,001 - £170,000	1	1
£170,001 - £180,000	<u>1</u>	<u>1</u>
	15	12

The members of the Board of Governors received no remuneration during the year (2012: £nil)

7. Emoluments of the Vice-Chancellor

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

	2013 £'000	2012 £'000
Salary	267	251
Benefits in kind	2	2
Pension contributions	<u>38</u>	<u>37</u>
	307	290

Notes to the accounts

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 £22,525 (2012: £68,000) to the University of Hertfordshire Charitable Trust.

8. Analysis of expenditure by activity

	Staff costs	Other operating expenses	Interest payable	2013 Total	2012 Total
	£'000	£'000	£'000	£'000	£'000
Academic departments	61,387	23,449	-	84,836	89,106
Academic services	8,690	5,901	-	14,591	11,535
Administration*	21,305	9,818	-	31,123	25,821
Premises	2,805	13,414	1,744	17,963	19,894
Residences, catering and conferences	3,590	15,608	235	19,433	18,996
Research grants and contracts	5,700	2,197	-	7,897	6,670
Other expenses	17,809	13,736	1,444	32,989	30,523
	121,286	84,123	3,423	208,832	202,545
Depreciation				13,002	12,747
				221,834	215,292
The depreciation charge has been funded by:				2013	2012
			Notes	£'000	£'000
Deferred capital grants released			23	3,484	3,371
Revaluation reserve released to fund current year depreciation			25	2,365	563
General income				7,153	8,813
				13,002	12,747

* Administration expenses include internal auditors remuneration of £nil (2012: £nil) and external auditors remuneration of £161,000 (2012: £134,000). The external auditors remuneration includes £70,000 in respect of non-audit work (2012: £44,000). These amounts include irrecoverable VAT of £6,000. Internal audit work is undertaken by an internal department.

Notes to the accounts

9. Taxation

	2013 £'000	2012 £'000
UK corporation tax on surplus for the year	18	43
Adjustment in respect of prior years	(51)	(90)
Current tax	(33)	(47)
Deferred tax	(18)	141
Tax on surplus on ordinary activities	(51)	94
	2013 £'000	2012 £'000
Current tax reconciliation:		
Surplus on ordinary activities before tax	55,078	17,804
Surplus on ordinary activities multiplied by standard rate in the UK (23.67%) (2012: 25.33%)	13,037	4,512
Effects of:		
Depreciation for the period in excess of capital allowances	195	242
Non-taxable income/expenditure	(13,248)	(4,140)
Expenses not deductible for tax purposes	34	203
Tax losses	-	35
Tax losses not utilised	539	(114)
Trade losses carried back	31	-
Other timing differences	35	(94)
Tax at marginal rate	(4)	(4)
Adjustments in respect of prior years	(51)	(108)
Additional income taxable	6	1
Revenue expenditure capitalised	-	(3)
Timing differences relating to pension liability	(607)	(577)
Current tax credit for the year	(33)	(47)

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

10. Interest payable and other finance costs

	Notes	2013 £'000	2012 £'000
On bank loans, overdrafts and other loans:			
Repayable within five years		316	425
Repayable wholly or partly in more than five years		1,766	1,807
Finance leases		738	773
Other interest payable		(22)	50
Net charge on pension scheme	33	625	779
		3,423	3,834

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 £58,104,000 (2012: £17,120,000). This surplus includes a profit arising on the sale of fixed assets of £42,919,000 (2012 loss: £59,000). The impact of the FRS17 adjustment on the University's surplus is a credit of £2,316,000 (2012: £2,082,000).

12. Tangible assets

Group	Land and Buildings		Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2012	303,848	19,294	4,685	36,946	9,965	374,738
Additions at cost	1,922	72	11,622	4,076	775	18,467
Transfers between accounts	535	243	(1,359)	581	-	-
Less disposals in year	(16,944)	(219)	(1,270)	(2,055)	(325)	(20,813)
At 31 July 2013	289,361	19,390	13,678	39,548	10,415	372,392
Depreciation						
At 1 August 2012	81,216	4,024	-	16,180	4,396	105,816
Charge for the year	5,859	1,652	-	4,764	727	13,002
Less disposals in year	(11,426)	(156)	-	(936)	(319)	(12,837)
At 31 July 2013	75,649	5,520	-	20,008	4,804	105,981
Net book value At 31 July 2013						
At 31 July 2012	222,632	15,270	4,685	20,766	5,569	268,922
Inherited	22,047	-	-	-	-	22,047
Financed by capital grant	37,856	-	-	4,363	949	43,168
Other	153,809	13,870	13,678	15,177	4,662	201,196
Net book value At 31 July 2013	213,712	13,870	13,678	19,540	5,611	266,411

12. Tangible assets (continued)

University	Land and buildings Freehold	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2012	243,221	4,520	33,974	1,356	283,071
Additions at cost	1,922	11,320	4,009	156	17,407
Transfers between accounts	535	(1,106)	571	-	-
Disposals	(16,944)	(1,141)	(1,807)	-	(19,892)
At 31 July 2013	228,734	13,593	36,747	1,512	280,586
Depreciation					
At 1 August 2012	66,350	-	14,608	75	81,033
Charge for the year	5,859	-	4,533	104	10,496
Disposals	(11,426)	-	(697)	-	(12,123)
At 31 July 2013	60,783	-	18,444	179	79,406
Net book value At 31 July 2013					
At 31 July 2012	176,871	4,520	19,366	1,281	202,038
Inherited	22,047	-	-	-	22,047
Financed by capital grant	37,856	-	4,363	539	42,758
Other	108,048	13,593	13,940	794	136,375
Net book value At 31 July 2013	167,951	13,593	18,303	1,333	201,180

12. Tangible assets (continued)

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

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Buildings	12,233	-	12,539	-
Plant and machinery	874	-	954	-
	13,107	-	13,493	-

The depreciation charge for the year was:

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Buildings	306	-	306	-
Plant and machinery	79	-	79	-
	385	-	385	-

Freehold land and buildings includes one investment property purchased on 14 August 2008 at a cost of £234,000. This asset is not depreciated. The value of the property was reassessed at 31 July 2013 by the Director of Estates and the carrying value of £234,000 is still considered to be a reasonable estimate of the market value at that date.

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 (2012: £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 2013 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.

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 Hertfordshire 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 £12.2 million with a consequential, and matching, finance lease as a long-term creditor. At the end of the lease period ownership of the Hertfordshire 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 £7,247,000 (2012: £7,099,000), 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 who will be demolishing and rebuilding existing accommodation and constructing 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.

Profit on disposal relating to this transaction has been recognised in these financial statements as £42.5 million. Under FRS 5, as the majority of the risk and rewards lie with ULiving@Hertfordshire plc, the University does not recognise an asset in its financial statements and the future revenues and costs associated with the accommodation in question will belong to ULiving@Hertfordshire plc until the termination of the arrangement in 2063.

13. Investments

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Balance at 1 August	823	67,240	2,226	68,501
Additions	6,468	6,206	145	-
Disposals	(306)	-	(1,066)	(1)
Revaluations	405	-	-	-
Impairments	(30)	(422)	(482)	(1,260)
Balance at 31 July	<u>7,360</u>	<u>73,024</u>	<u>823</u>	<u>67,240</u>
Representing:				
Subsidiary undertakings	-	66,698	-	67,119
Other	<u>7,360</u>	<u>6,326</u>	<u>823</u>	<u>121</u>
	<u>7,360</u>	<u>73,024</u>	<u>823</u>	<u>67,240</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	Dormant	100%	Limited by guarantee

The University consolidates the results of the University of Hertfordshire Charitable Trust on the basis that it exercises dominant influence. During the year the University created a new corporate vehicle, UH Trust, a linked charity of the University which will take over the charitable activities of the Charitable Trust in 2013/14.

The Building Hub, a company limited by guarantee in which the University has a 50% interest, was dissolved during the year. Previous results had not been consolidated on the basis of materiality.

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	98%	98
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 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.

UH Invest Limited, UH Hospitality Limited and UH Health Limited were dissolved on 14 August 2012.

With effect from 1 August 2012 the existing activities of Uno Buses Limited were transferred to Universitybus Limited, its parent company. The share capital of Uno Buses Limited was increased from 100 ordinary shares of £1 to 100,000 shares of £1 of which 49,999 'A' ordinary shares were issued to Universitybus Limited and 50,001 B ordinary shares were issued to University of Northampton Enterprises Limited, a subsidiary of University of Northampton. This new joint venture, to operate bus services in the Northampton area, commenced trading on 1 September 2012 and the company changed its name to Uno Buses (Northampton) on 20 September 2012.

The company owns an ordinary share 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. Following the balance sheet date further shares will be issued to the two partners. The company's results have not been included in the year on the basis of materiality.

Notes to the accounts

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
Traning 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
Polyfield Services Limited	Dormant	100%	14
London Brokerage Limited	Provision of services to business	100%	2
Metropolitan Enterprise Limited	Provision of services to business	100%	99
Exemplas Trade Services Limited	Provision of services to business	100%	2
Hertfordshire Local Enterprise Partnership Limited	Dormant	100%	2
Hertfordshire Business Centre Limited	Dormant	100%	2
Hertfordshire Development Organisation Limited	Dormant	100%	2
Exemplas Training Limited	Dormant	100%	2
East of England Brokerage Limited	Dormant	100%	2
Hertfordshire Business Centre Services Limited	Dormant	100%	2
Herts IDB Limited	Dormant	100%	2
Anglo Management Development International Limited	Dormant	100%	50
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. Exemplas Holdings Limited also holds the following investments:

Company	Nature of business	% Shareholding	Number of shares
Sales Skills Academy Limited	Dormant	51%	51
Capital Growth Partners Limited	Dormant	50%	1
Apprentice 1st	Dormant	50%	1

Exemplas Holdings Limited also has a 50% interest in East of England IDB Limited and Y & H IDB Limited. These companies are currently in Member's Voluntary Liquidation.

In addition Exemplas Holdings Limited has a 50% interest in Enterprise Growth Solutions Limited and a 49% interest in Biopark Interactive Limited. These companies have been accounted for as joint ventures.

Notes to the accounts

14. Intangible assets

Group	Goodwill £'000	Other £'000	Total £'000
At 1 August 2012	1,618	100	1,718
Addition	-	43	43
Amortisation	(105)	(34)	(139)
At 31 July 2013	<u>1,513</u>	<u>109</u>	<u>1,622</u>

The addition during the year comprises the purchase of a patent. This will be amortised over the period of the patent being 20 years.

There are no intangible assets on the University balance sheet.

15. Endowment assets

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Balance at 1 August	2,656	631	2,527	614
Less endowments reclassified to income funds	(668)	-	-	-
New endowments invested	-	-	461	-
Increase/(decrease) in cash balances held for endowment funds	125	18	(390)	3
Increase in market value of investments	185	11	58	14
Balance at 31 July	<u>2,298</u>	<u>660</u>	<u>2,656</u>	<u>631</u>
Represented by:				
Securities	1,466	73	1,974	62
Cash at bank held for endowment funds	832	587	682	569
Total	<u>2,298</u>	<u>660</u>	<u>2,656</u>	<u>631</u>

Endowments with a value of £668,000 as at 1 August 2012 were reclassified as income funds during the year. At 1 August 2012 £693,000 of this endowment balance was held as securities and (£25,000) as cash.

Notes to the accounts

16. Stocks and work in progress

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Stocks and work in progress	<u>434</u>	<u>159</u>	<u>609</u>	<u>191</u>

17. Debtors

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Amounts falling due within one year:				
Trade debtors	10,078	8,546	10,329	8,137
Other debtors	1,895	475	2,561	849
Corporation tax	38	-	-	-
Amounts due from subsidiaries	-	3,700	-	3,814
Amounts due from associated undertakings	118	-	-	-
Prepayments and accrued income	<u>7,731</u>	<u>5,680</u>	<u>9,551</u>	<u>4,429</u>
	19,860	18,401	22,441	17,229
Amounts falling due after more than one year:				
Amounts due from subsidiaries	-	<u>2,487</u>	-	<u>2,807</u>
	19,860	20,888	22,441	20,036

18. Deferred tax

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
(Accelerated) capital allowances	(7)	-	(56)	-
Other timing differences	<u>(156)</u>	-	<u>17</u>	-
	(163)	-	<u>(39)</u>	-

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

A deferred tax asset of £552,000 (2012:£nil) 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	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Bank loan and overdraft	21a	2,023	1,654	1,477	1,126
Obligation under finance lease	21b	562	-	533	-
Payments received on account		14,003	14,003	12,815	12,815
Research and other commercial activity payments received in advance		5,970	5,912	7,716	7,586
Trade creditors		8,012	7,044	9,546	8,125
Other creditors		3,589	3,042	3,206	2,728
Amounts due to subsidiaries		-	11,493	-	11,353
Amounts due to associated undertakings		39	-	-	-
Corporation tax		-	-	43	-
Deferred tax		163	-	39	-
Other taxation and social security		2,659	2,248	2,562	2,201
Accruals and deferred income		19,599	12,053	19,266	11,787
Deferred revenue grants		<u>952</u>	<u>952</u>	<u>3,043</u>	<u>3,043</u>
		57,571	58,401	60,246	60,764

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

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

	Notes	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Bank loan and overdraft	21a	64,521	63,408	66,546	65,064
Other creditors		55	-	54	2
Obligation under finance leases	21b	13,032	-	13,595	-
		77,608	63,408	80,195	65,066

21. Borrowings

a. Bank loans and overdrafts and other loans

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	2,023	1,654	1,477	1,126
Within two and five years	8,720	7,607	7,026	5,544
In five years or more	<u>55,801</u>	<u>55,801</u>	<u>59,520</u>	<u>59,520</u>
	66,544	65,062	68,023	66,190

The outstanding bank loans as at 31 July 2013 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 2013 was £9.2 million of which £5.2 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 2013 the outstanding balance was £35.8 million. Of this balance £7.7million is fixed at a rate of 5.39%, £2.2 million at 5.2% , £19.2 million at 4.5% and the balance charged at variable rate. A £20 million fixed term loan, at a rate of 1.5% renewable on a quarterly basis was also outstanding at 31 July 2013. The chattel mortgage is at a fixed rate of 2.6% and £1.5 million was outstanding at 31 July 2013.

21. Borrowings (continued)

b. Finance leases

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

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
In one year or less	562	-	533	-
Between two and five years	2,150	-	2,242	-
In five years or more	10,882	-	11,353	-
	<u>13,594</u>	<u>-</u>	<u>14,128</u>	<u>-</u>

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

22. Provision for liabilities

Group	Long-term maintenance £'000	VAT capital goods scheme £'000	Total £'000
At 1 August 2012	188	1,614	1,802
Increase in provision	416	-	416
Provision utilised	(188)	(421)	(609)
At 31 July 2013	<u>416</u>	<u>1,193</u>	<u>1,609</u>

University	Long-term maintenance £'000	VAT capital goods scheme £'000	Total £'000
At 1 August 2012	188	1,125	1,313
Increase in provision	416	-	416
Provision utilised	(188)	(176)	(364)
At 31 July 2013	<u>416</u>	<u>949</u>	<u>1,365</u>

The long-term maintenance provision is for costs in relation to the committed maintenance programme for premises taking place over the summer vacation. Works are scheduled to be carried out over this 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.

23. Deferred capital grants

Group	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2012			
Buildings	32,241	7,237	39,478
Equipment	2,960	1,728	4,688
Plant and machinery	-	406	406
	<u>35,201</u>	<u>9,371</u>	<u>44,572</u>
Cash received			
Buildings	589	-	589
Equipment	434	60	494
Plant and machinery	-	-	-
	<u>1,023</u>	<u>60</u>	<u>1,083</u>
Released to income and expenditure			
Buildings	2,114	220	2,334
Equipment	739	362	1,101
Plant and machinery	-	49	49
	<u>2,853</u>	<u>631</u>	<u>3,484</u>
At 31 July 2013			
Buildings	30,716	7,017	37,733
Equipment	2,655	1,426	4,081
Plant and machinery	-	357	357
	<u>33,371</u>	<u>8,800</u>	<u>42,171</u>

University	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2012			
Buildings	32,241	7,502	39,743
Equipment	2,960	1,728	4,688
	<u>35,201</u>	<u>9,230</u>	<u>44,431</u>
Cash received			
Buildings	589	-	589
Equipment	434	60	494
	<u>1,023</u>	<u>60</u>	<u>1,083</u>
Released to income and expenditure			
Buildings	2,114	220	2,334
Equipment	739	362	1,101
	<u>2,853</u>	<u>582</u>	<u>3,435</u>
At 31 July 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>

24. Endowments

Group	Unrestricted permanent £'000	Restricted permanent £'000	2013 Total £'000	2012 Total £'000
Balance at 1 August				
Capital	957	1,332	2,289	2,166
Accumulated income	271	96	367	361
	1,228	1,428	2,656	2,527
New endowments	-	83	83	81
Reclassification to income funds	(597)	(71)	(668)	(16)
Investment income	18	54	72	76
Expenditure	-	(30)	(30)	(70)
Increase in market value of investments	11	174	185	58
Balance at 31 July	660	1,638	2,298	2,656
Represented by:				
Capital	529	1,519	2,048	2,289
Accumulated income	131	119	250	367
Total	660	1,638	2,298	2,656

Endowments with a value of £668,000 as at 1 August 2012 were reclassified as income funds during the year. At 1 August 2012 £693,000 of this endowment balance was held as securities and (£25,000) as cash.

University

	Unrestricted permanent	2013 Total £'000	2012 Total £'000
Balance at 1 August			
Capital		518	515
Accumulated income		113	99
		631	614
New endowments		-	-
Investment income		18	3
Expenditure		-	-
Increase in market value of investments		11	14
Balance at 31 July		660	631
Represented by:			
Capital		529	518
Accumulated income		131	113
Total		660	631

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 2012	133,760	(32,939)	100,821	20,014	120,835
Transfer from endowments	(42)	-	(42)	-	(42)
Transfer to income and expenditure - depreciation	2,365	-	2,365	(2,365)	-
Transfer to income and expenditure	(2,568)	2,568	-	-	-
Surplus after depreciation of assets at valuation and tax	55,129	-	55,129	-	55,129
Deferred tax on pension scheme	(140)	-	(140)	-	(140)
Actuarial gain	-	31,367	31,367	-	31,367
At 31 July 2013	188,504	996	189,500	17,649	207,149

The consolidated income and expenditure reserves include £4.0 million in respect of Exemplas 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 2012	141,799	(33,545)	108,254	18,874	127,128
Transfer from endowments	(18)	-	(18)	-	(18)
Transfer to income and expenditure - depreciation	2,365	-	2,365	(2,365)	-
Transfer to income and expenditure	(2,316)	2,316	-	-	-
Surplus after depreciation of assets at valuation and tax	58,104	-	58,104	-	58,104
Actuarial gain	-	29,639	29,639	-	29,639
At 31 July 2013	199,934	(1,590)	198,344	16,509	214,853

Notes to the accounts

26. Reconciliation of net cash flow from operating activities

	Notes	2013 £'000	2012 £'000
Operating surplus before tax		12,365	17,544
Investment income		(557)	(572)
Endowment income		(72)	(65)
Deferred capital grants released to income	23	(3,484)	(3,371)
Depreciation	12	13,002	12,747
Impairment	13	30	-
Amortisation of goodwill	14	139	108
Interest payable		2,798	3,055
Pension costs		(2,568)	(2,356)
Decrease/(increase) in stocks		175	(51)
Decrease/(increase) in debtors		2,780	(4,278)
(Decrease)/increase in creditors		(6,943)	2,416
Decrease in provisions		(193)	(766)
Net cash inflow from operating activities		<u>17,472</u>	<u>24,411</u>

27. Returns on investments and servicing of finance

	2013 £'000	2012 £'000
Income from endowments	72	76
Other interest received	463	419
Interest paid	(2,850)	(3,014)
Net cash outflow from returns on investments and servicing of finance	<u>(2,315)</u>	<u>(2,519)</u>

28. Capital expenditure and financial investment

	2013 £'000	2012 £'000
Payments to acquire tangible fixed assets	(17,197)	(15,060)
Investments acquired	(6,468)	(145)
New endowments received	83	81
Endowment funds invested	-	(461)
Receipts from sales of tangible fixed assets	52,995	68
Receipts from the sale of investments	2	1,123
Deferred capital grant received	1,083	967
Net cash outflow from capital expenditure and financial investment	<u>30,498</u>	<u>(13,427)</u>

Notes to the accounts

29. Acquisitions and disposals

	Notes	2013 £'000	2012 £'000
Purchase of subsidiary undertaking	14	-	(1,266)
Cash acquired with subsidiary undertaking		-	953
Net cash outflow from acquisitions		<u>-</u>	<u>(313)</u>

30. Management of liquid resources

	2013 £'000	2012 £'000
Deposits to short-term investments	(43,564)	(18,999)
Net cash outflow from management of liquid resources	<u>(43,564)</u>	<u>(18,999)</u>

31. Financing

	2013 £'000	2012 £'000
Debt due beyond a year:		
Repayment of loans	(1,479)	(1,690)
Capital element of finance lease repayments/principal	(534)	(596)
Net cash outflow from financing	<u>(2,013)</u>	<u>(2,286)</u>

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

	Notes	2012 £'000	Cashflows £'000	Other changes £'000	2013 £'000
Cash at bank and in hand		12,458	(105)	-	12,353
Endowment bank balance	15	682	125	25	832
		13,140	20	-	13,185
Debt due over more than one year:					
Long-term loans	20	(66,546)	2	2,023	(64,521)
Obligations under finance lease	20	(13,595)	1	562	(13,032)
Debt due under one year:					
Bank loan		(1,477)	1,477	(2,023)	(2,023)
Obligation under finance lease	19	(533)	533	(562)	(562)
Short-term deposits		33,444	43,564	-	77,008
		<u>(35,567)</u>	<u>45,597</u>	<u>25</u>	<u>10,005</u>

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.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within fifteen years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

33. Pension schemes (continued)

From 1 April 2012 to 31 March 2013, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013/14 and 2014/15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

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

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.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime has fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment return and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

33. Pension schemes (continued)*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.

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.

The total contributions to the LGPS for the year ended 31 July 2013 were:

	Total £'000	Employers £'000	Employees £'000
University	9,096	7,118	1,978
Universitybus Limited	302	238	64
Exemplas Holdings Limited	122	106	16
Total	9,520	7,462	2,058

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 2014	
University	23.7%
Universitybus Limited	21.6%
Exemplas Holdings Limited	27.5%
Employees	5.5-7.5%

33. Pension schemes (continued)

The contribution rates for the year ending 31 March 2015 and subsequent years are currently under review following the publication of the Independent Public Service Pensions Commission Report in March 2011. There is expected to be a New Local Government Pension Scheme 2014 from 1 April 2014.

The estimated employer contribution payable for the year ending 31 July 2014 is £7,325,000.

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary

	2013	2012	2011
Inflation and rate of increase in pension	1.9%	1.9%	3.0%
Rate of increase in salaries	1.9%	1.9%	3.0%
Expected return on assets	5.8%	4.9%	6.2%
Discount rate for liabilities	4.8%	4.3%	5.8%

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:

University and Exemplas Holdings Limited:	Males	Females
Current pensioners	22.1 years	25.1 years
Future pensioners	23.2 years	26.1 years
Universitybus Limited:	Males	Females
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 2013	Fair value 2013 £'000	Long-term rate of return expected 2012	Fair value 2012 £'000	Long-term rate of return expected 2011	Fair value 2011 £'000
Equities	6.4%	2,270,000	5.6%	1,733,000	7.0%	1,643,000
Bonds	3.8%	515,000	3.4%	502,000	4.6%	507,000
Property	4.6%	151,000	3.7%	151,000	5.1%	121,000
Cash	3.4%	91,000	2.8%	126,000	4.0%	145,000
Total market value of assets		3,027,000		2,512,000		2,416,000

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. This liability, which relates to pension enhancements payable to staff who have taken early retirement, was previously included in the accounts as a provision before the full adoption of FRS 17 in the year ended 31 July 2006.

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Group's estimated asset share	145,119	118,526	112,017	105,244	87,893
Present value of scheme liabilities	(137,459)	(143,660)	(128,528)	(121,896)	(142,544)
Present value of unfunded liabilities	(6,664)	(7,805)	(6,932)	(6,721)	(8,242)
Surplus/(deficit) in the scheme	996	(32,939)	(23,443)	(23,373)	(62,893)

The pension scheme deficit for the University was £1,590,000 as at 31 July 2013 (2012: deficit of £33,545,000).

Analysis of the amount charged to income and expenditure account

	2013 £'000	2012 £'000
Service cost	4,259	3,427
Past service cost	-	18
Curtailment and settlements	10	73
Total operating charge	4,269	3,518

Analysis of net return on pension assets

	2013 £'000	2012 £'000
Expected return on pension scheme assets	5,907	7,065
Interest on pension liabilities	(6,532)	(7,844)
Net charge on pension scheme	(625)	(779)

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

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	16,575	(3,248)
Experience gains and losses arising on the scheme liabilities	535	(2,305)
Changes in financial and demographic assumptions underlying the present value of liabilities	14,257	(6,299)
Actuarial gain/(loss) recognised in STRGL	31,367	(11,852)

The amount of the actuarial gain relating to changes in financial assumptions for the year ended 31 July 2013 is £14,257,000 (2012: actuarial loss of £6,299,000). The cumulative actuarial gain recognised in STRGL as at 31 July 2013 is £12,327,000 (2012: actuarial loss of £10,772,000).

The actual return on scheme assets in the year was £22,482,000 (2012: £3,847,000).

Notes to the accounts

33. Pension schemes (continued)

Movement in asset/(deficit) during the year

	2013 £'000	2012 £'000
Deficit in scheme at 1 August	(32,939)	(23,433)
Current service cost	(4,259)	(3,427)
Employer contributions	7,462	6,653
Past service costs	-	(18)
Curtailment and settlements	(10)	(73)
Net return on assets	(625)	(779)
Actuarial gain/(loss)	31,367	(11,852)
Asset/(deficit) in scheme at 31 July	996	(32,939)

Analysis of movement in the present value of the scheme liabilities

	2013 £'000	2012 £'000
At 1 August	151,465	135,460
Current service cost	4,259	3,427
Contributions by members	2,058	1,997
Past service costs	-	18
Curtailment and settlements	10	73
Interest cost	6,532	7,844
Actuarial (gain)/loss	(14,792)	8,604
Estimated unfunded benefits paid	(511)	(488)
Estimated benefits paid	(4,898)	(5,470)
At 31 July	144,123	151,465

Analysis of movement in the fair value of the scheme assets

	2013 £'000	2012 £'000
At 1 August	118,526	112,017
Contributions by members	2,058	1,997
Employer contributions	6,951	6,165
Contributions in respect of unfunded benefits	511	488
Expected return on assets	5,907	7,065
Actuarial gain/(loss)	16,575	(3,248)
Estimated unfunded benefits paid	(511)	(488)
Estimated benefits paid	(4,898)	(5,470)
At 31 July	145,119	118,526

Notes to the accounts

33. Pension schemes (continued)

History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Difference between the expected and actual return on assets	16,575	(3,248)	(2,799)	7,623	(17,311)
Percentage of scheme assets	11.4%	(2.7%)	(2.5%)	7.2%	(19.7%)
Experience gains/(losses) on scheme liabilities	535	(2,305)	3,889	1,273	2,004
Percentage of scheme liabilities	(0.4%)	1.5%	(2.9%)	(1.2%)	(1.8%)

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.

Employer and employee total contributions

	Employer £'000	Employee £'000	2013 Total £'000	2012 Total £'000
Contributions to TPS	6,159	4,128	10,287	9,243
Contributions to LGPS	7,462	2,058	9,520	8,650
Contributions to USS	149	74	223	84
Other Pension Schemes	437	84	521	353
Total contributions	14,207	6,344	20,551	18,330

34. Capital commitments

	2013 Group £'000	2013 University £'000	2012 Group £'000	2012 University £'000
Contracted at 31 July	15,575	14,159	4,028	4,208
Authorised but not contracted at 31 July	53,196	53,358	89,515	89,375
	68,771	67,517	93,723	93,583

35. Financial instruments

The fuel hedging contracts entered into by Universitybus Limited have a fair value at 31 July 2013 of £1,069,950 (2012: £1,058,406)

Notes to the accounts

36. Access to Learning Fund

	2013 £'000	2012 £'000
Balance at 1 August	-	51
Funding body grants received	356	374
Interest earned	1	1
	357	426
Disbursed to students	(337)	(415)
Administration charges	(11)	(11)
Balance at 31 July	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 £1,083,000 (2012: £1,334,000). This includes the 2012/13 Students' Union Subvention of £763,000 (2012: £860,000), and the balance in respect of facilities and student ambassadors. Income earned from the University of Hertfordshire Students' Union during the year amounted to £467,000 (2012: £287,000) in respect of rent and recharge of other services. The amount owed to the University of Hertfordshire Students' Union at 31 July 2013 is £7,000 (2012: £23,000).

The Students' Union occupies University buildings for which it is not charged. The market rent for such occupancy amounted to £180,000 (2012: £180,000).

In the year ended 31 July 2013 the Governors received payments of £2,600 (2012: £1,900) for the reimbursement of travel and subsistence expenses incurred in the course of their duties. The University also incurred expenditure of £2,500 (2012: £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 2013. Interest paid on the loan in the year to 31 July 2013 amounted to £12,000 and the balance of the loan outstanding at that date was £300,000. The full capital amount of the loan shall be repaid on termination of the employment.

The consolidated financial statements include sales to the Group's joint venture undertakings of £348,000 (2012: nil). The balance sheet as at 31 July 2013 includes a debtor of £107,000 (2012: nil) and a creditor of £38,000 (2012: nil) 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.

Board of Governors

Board of Governors

Independent Members

Mr R Beazley (*Independent Member from 1/01/2013 and Chairman from 1/09/2013*)
Mrs J L Connell (*Chairman to 31/08/2013*)
His Honour Michael Baker
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

Ms E Masfield (*to 30/06/2013*)
Mr M Gillett (*from 1/07/2013*)

Co-opted members

Professor Sir Graeme Davies
Mr R I N Gordon
Mrs S D Harrison-Barker (*to 19/07/2013*)
Miss J L McCue
Mrs P M Morton (*from 4/11/2013*)
Dr D A Neil (*to 31/08/2013*)

Audit Committee

Mr J K Heywood (*Chairman*)
His Honour Michael Baker
Ms Y Batliwala
Mr P L Block (*to 31/08/2013*)
Mr A P Graham (*to 31/08/2013*)
Dr L Mitchell
Dr J Knott (*from 1/09/2013*)
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*)

Finance and Employment Committee

Mr C J Gordon (*Chairman*)
Professor A J Hunter (*from 1/09/2013*)
Mr R Beazley (*from 1/01/2013*)
Mrs J L Connell (*to 31/08/2013*)
Professor Sir Graeme Davies
Professor Q A McKellar
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*)
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.

Advisors

Auditors

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 & Reeve LLP
Cambridge

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 is 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



Professor Graham Galbraith, Deputy Vice-Chancellor
BSc MSc PhD CEng MCIBSE FHEA

Professor Galbraith joined the University of Hertfordshire in September 2008 as Deputy Vice-Chancellor. He took up the position of Vice-Chancellor at the University of Portsmouth in August 2013.

He previously held the role of Pro Vice-Chancellor (International) at Glasgow Caledonian University which he joined in 1993 after spending ten years at Strathclyde University.

Professor Galbraith has a strong record of research achievement, having been particularly active in applied research. He has a significant publication record in the study of condensation in buildings, and has been very successful in research income generation from a range of sources including the UK Research Councils.

He has interests in Sustainable Living and sponsored the development of a new Centre for Sustainable Communities at the University of Hertfordshire.

He had responsibility for the strategic development of all academic areas of the University through his management of all Deans of School and his Chairmanship of the Academic Development Committee. He co-ordinated the annual University planning process, chaired the capital investment panel as well as the residences project steering group.

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



Philip Waters, Secretary and Registrar
BSc FRSA

Philip Waters was appointed Secretary and Registrar in 2001 and retired in September 2013. He was 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, process review and professional staffing.

He joined the University in 1989 as Deputy Secretary and Registrar. At national level he was Chairman of Southern Universities Purchasing Consortium (SUPC), a Director of SUMS and is Director and Trustee of Higher Education Careers Services Unit (HECSU). At local and regional level he is a Director and Trustee of Groundwork Hertfordshire, Chairman of Universitybus Ltd (UNO), and serves on several bodies in St Albans.

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 plc. 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.

Major corporate and charity donors

Sylvia Adams Charitable Trust
John Apthorp Charity
Beds Bucks and Herts Society of Chartered Accountants
The Worshipful Company of Carpenters
The Hedley Foundation
The Hobson Charity Limited
Jarvis Group Limited
Lafarge Tarmac
The Worshipful Company of Leathersellers
Stavros Niarchos Foundation
The Rank Foundation
Santander Universities
The Garfield Weston Foundation
Willmott Dixon Group

There are numerous generous individuals as well as other foundations and trusts that have also donated to the University during the year.



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