

THE AWARDS
AWARD WINNER
UNIVERSITY OF THE YEAR

2012
THE AWARDS
WINNER
Entrepreneurial
University of
the Year



HRH The Duke of York has become patron of the University and during a visit in May 2013 His Royal Highness opened The Duke of York Young Entrepreneur Centre, based in the 3M Buckley Innovation Centre.



Financial Statements 2013

August 2012 – July 2013



University of
HUDDERSFIELD
Inspiring tomorrow's professionals

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UNIVERSITY OF THE YEAR

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The Huddersfield Formula Student team (pictured) was the top British entry in an international competition in July 2013. The competition to design and build a single-seater racing car, run annually by the Institution of Mechanical Engineers (IMechE), welcomed 90 entries and the University's Team HARE topped the British contingent coming 15th overall. IMechE describe the competition as the 'testing ground for the next generation of young engineers'.

THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL STATEMENTS
For the year ended 31 July 2013

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THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL STATEMENTS
For the year ended 31 July 2013

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OPERATING AND FINANCIAL REVIEW

The University Council of the University of Huddersfield hereby submits its twenty first annual report together with the audited financial statements for the year ended 31 July 2013. The Financial Statements comprise the consolidated results for the University and its subsidiary undertakings. The principal wholly owned subsidiary is The University of Huddersfield Enterprises Limited, which has continued to trade satisfactorily during the year. The purpose of this company is to conduct those commercial activities of the University which are not compatible with the University's charitable status and may be subject to corporation tax on profits generated. The profits of the company are paid by deed of covenant to the University annually. The University's other wholly owned trading subsidiary, Huddersfield Enterprise and Innovation Centre Limited, which was formed last year to house the 3M Buckley Innovation Centre, has commenced trading during this period.

CONSTITUTION AND POWERS

The University of Huddersfield is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. The Trustees are the people who serve on the governing body of a charity. For our purposes, the Trustees are known as Members of the University Council in accordance with our Instrument and Articles of Government.

The University's revised Articles of Government were adopted by the University Council on 22 February 2012.

The Vice-Chancellor is the Chief Executive of the University.

PUBLIC BENEFIT STATEMENT

The Charities Act 2011 introduced the requirement for Council Members to demonstrate explicitly that the main activities of the University are in furtherance of its charitable purposes which are for the public benefit. The University Council has complied with its duty under the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission, which is available directly to Members.

This guidance states that the two key principles of public benefit are that:

- there must be an identifiable benefit or benefits; and
- benefits must be to the public or section of the public.

The University's principal aim is the advancement of education.

The University of Huddersfield's roots go back some 185 years to the Huddersfield Scientific and Mechanic Institute. Throughout its history the University has been committed to meeting the needs and aspirations of its students. This remains our key focus. Our long term objective is to embed knowledge exchange activity, drawing on excellence in learning and teaching and research.

We are a successful, popular and innovative modern university that offers a wide range of education, training and research facilities and we are proud of our achievements. The University of Huddersfield has a student population approaching 23,000 undertaking a wide range of courses covering the wealth creating, cultural and social welfare aspects of our economy.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Vision

To be an inspiring, innovative University of international renown.

Mission

To deliver an accessible and inspirational learning experience; to undertake pioneering research and professional practice; and to engage fully with employers and the community.

Stakeholder Expectations

Our students can expect:

- an education that challenges and creates excellent career opportunities;
- to learn from staff at the leading edge of knowledge and application; and
- high quality physical and supportive learning environments.

Our partners can expect:

- a responsive and flexible University that delivers high quality work efficiently and effectively;
- to deal with leading experts in their field; and
- high quality and fit for purpose facilities.

Strategic Aims

In December 2007 the University adopted a strategic plan for the period 2008-2013. A new strategic plan for the period 2013-2018 was approved in July 2013.

Our strategic aims are:

- to inspire our students to attain the highest academic and professional standards;
- to inspire our students to enjoy an outstanding University experience;
- to inspire employable and enterprising graduates;
- to increase the number of our research active staff and the quality of their outputs;
- to increase the quantity and quality of our postgraduate research student community;
- to increase the quality and range of our external research, enterprise and innovation income;
- to become an increasingly popular destination of choice for world class international students;
- to ensure our international students have an inspiring world class student experience; and
- to become ranked as an outstanding international University.

We achieve our aims through developing and empowering our staff, financial sustainability and improving our efficiency and effectiveness. Our achievement is measured against a number of KPIs which are underpinned by specific targets.

Achievement of Objectives

Inspirational Teaching

All subjects inspected by the Quality Assurance Agency for Higher Education (QAA) since 2000 have achieved the highest teaching quality rating available. The latest university-wide QAA Audit in 2006 confirmed “complete confidence” in the University’s teaching programmes and the future management of academic standards.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

This year we increased the proportion of students gaining first and upper second class degrees for the 7th consecutive year. In the summer of 2013 students completing their degrees again achieved levels of 'good degrees' (1/2i classifications) higher than the previous year. Particularly gratifying were improvements in some areas such as the School of Computing and Engineering which had previously lagged behind the university average (gaining 10 percentage points) and others where performance, already excellent, was advanced still further (such as the School of Music, Humanities and Media, where the proportion now stands just short of 75%).

The University was proud to be awarded a further National Teaching Fellowship this year out of only 55 granted per annum. We have now been awarded 10 Fellowships in the last 6 years, the best performance in the UK, ahead of Exeter and Warwick.

The University's unique achievement of 100% professional recognition for all colleagues with substantive teaching roles, through Fellowship of the Higher Education Academy, was marked in November 2012 by a joint ceremony involving the Chief Executive of the Higher Education Academy and the Vice Chancellor.

In the National Student Survey, the University recorded a further increase in its average satisfaction score for the fifth year in succession; we are now able to show average scores in each of the main categories (Teaching, Assessment and Feedback, Organisation and Management etc), for the first time, at least equal to and in some cases significantly in advance of the national average.

Innovation and enterprise form an integral part of the University's mission to engender an entrepreneurial spirit amongst its students and in November 2012 the University's successes in this area were recognised when Huddersfield was named as the *Entrepreneurial University of the Year* by the Times Higher Education Supplement. Many students, both undergraduate and postgraduate, embrace this enterprise ethos as part of their studies or alongside them and many realise the success of their hard work. Just two examples are Jacob Hill, who whilst developing his camping equipment business, *The Lazy Camper*, was selected to present his venture to businessman Richard Branson; and students Adam Thompson's and Jeff Postlethwaite's start-up fast food business, *Twists Pasta Bar*, which featured on the BBC television programme, *Be Your Own Boss*, presented by entrepreneur Richard Reed of innocent smoothies. Such has been the University's success in promoting enterprise that former Dragons' Den panellist Theo Paphitis has become a regular mentor to students on the BA(Hons) Enterprise Development degree and in May 2013 His Royal Highness The Duke of York officially opened *The Duke of York Young Entrepreneur Centre* on the campus.

We endeavour to equip our graduates with the life-skills and behaviours necessary to be citizens and members of society. From September 2012, all students entering undergraduate courses of more than one year's duration will have the opportunity to experience significant work related experience in their studies, following the extension of work of this kind into areas such as Psychology and English.

We have a world-leading library and IT service. The library was the first to be awarded the UK National Customer Service Excellence Award and following a recent re-inspection is able to claim that no other HE service has more 'compliance plus' marks of distinction. The Service was in September 2012 awarded £1.5m to create a state-of-the-art archive facility.

Widening Participation

The University places the needs of students first. We are proud of our record in widening access to higher education and have one of the 20 most socially inclusive student populations in England. This is combined with high levels of student achievement and success in graduate employment. The University is committed to its local community and actively to take education to students in order to widen participation, as well as delivering excellence in teaching and enhancing student success. Our 2013/14 Access Agreement was approved by the Office for Fair Access (OFFA) without revision.

The University has performed well in terms of recruiting from low-income groups and local ethnic-minority communities. Since the publication of the first set of HEFCE Performance Indicators for widening participation in 1999 the University has performed above the national benchmarks in the all-England averages and the average for universities in Yorkshire. For example, throughout the last five years, the University has recruited a higher percentage of young full-time undergraduate entrants from state schools than any other university in Yorkshire. Despite sector-wide growth in these areas, further improvement has been achieved with the result that we continue to exceed the benchmarks. For example, over 40% of our home and EU first year students come from the lowest socio-economic groups.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

We recognise that some sections of society perceive that there are entry barriers to Higher Education, for instance based upon price. We work hard to raise aspirations and awareness of HE amongst those currently under-represented and in 2012/13 we carried out over 550 visits to schools, colleges and community groups, reaching around 16,000 learners. We also provide role models and advice through our Student Ambassador Scheme. We give all of our Post Graduate Research students the most comprehensive guide to alternative funding sources currently available in the UK.

In 2012/13 we distributed £1.7m in discretionary bursaries to 3,440 students. We also awarded Access to Learning Funds of over £505k to 690 students. 90% of those eligible took a tuition fee loan from the Student Loan Company. The Vice-Chancellor led an innovative and highly successful fund raising initiative which enabled us to provide 942 scholarships in 2012-13 for widening participation students.

Student Support

The commitment made by the University to supporting students from a disadvantaged background is reflected in a number of ways.

The University Wellbeing service has supported a total of 1,302 students who have sought and gained the support they required, many of whom could otherwise have withdrawn. Some of them saw the Counselling Service who supported 195 students with a further 405 seeing our student welfare advisers and 260 students being seen by the Mental Health adviser. The instant and open access side of the Wellbeing service has seen our daily drop-in facility support 239 students with the group work support programme supporting a further 77 students and we have seen 75 students in an urgent or emergency capacity.

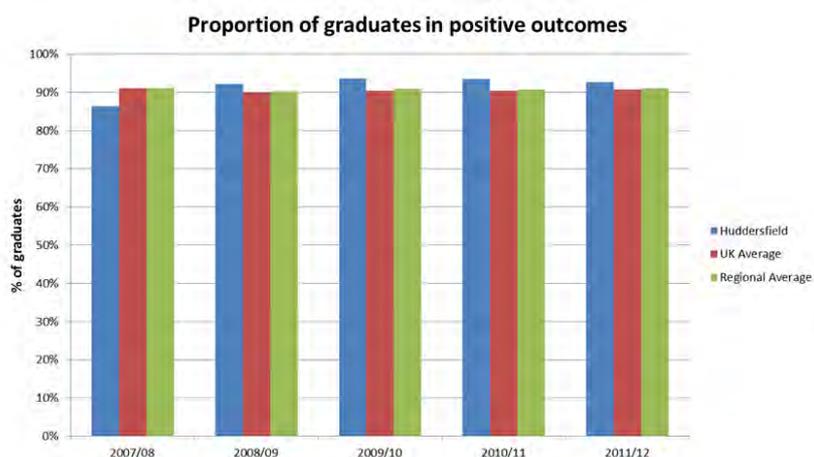
During the year over 2,800 disabled students registered with Disability Services and received support ranging from dyslexia tuition and BSL interpretation, to students with multiple disabilities receiving 24 hour support from Community Service Volunteers.

The University has over the past three years made a commitment to supporting students who are care leavers. This year 81 students were still in receipt of support.

Back on Track provides support to students who are having difficulties engaging with their studies or whose attendance is poor. In 2012-13, 625 individual students contacted Back on Track of which approximately 80% attended drop-in or one-to-one appointments with a Back on Track adviser, attending between one and five appointments each.

Employable and Enterprising Graduates

Our target of being in the top 50% of graduate destination tables was achieved in 2008/09. The following graph shows that we are now ahead of the sector average for producing employable and enterprising graduates with 92.6% (full time, first degree) into work or further study within 6 months of graduation (with average salaries of all graduates six months after graduation of £23k p.a.) - in the top 10 for English mainstream Universities when averaged over the past three years.



(Source : HESA Destination of Leavers from HE survey 2011/12)

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Innovative Research Excellence and Enterprise

In the last Research Assessment Exercise in 2008, the University submitted in 12 subject areas. Ten subjects - Chemistry, Computing, Education, Engineering, Accountancy, Social Work, Sociology, English, History and Music - had research that was identified as being 'World Leading' or 'Internationally Excellent'. Preparations for submission to REF2014 are under way and the University will be submitting to 13 subject areas with more than a doubling of academic staff returned.

A growing number of our postgraduate researchers and research staff are funded to explore the public benefit of their research through the Researcher Development Fund.

We have more than trebled our numbers of Postgraduate Research students since 2006/07, and have made similar increases in our Research and Enterprise income.

The University now has 104 Professors and we have continued to develop our centres of research excellence including:

- a £9M Engineering and Physical Sciences Research Council (EPSRC) Centre for Innovative Manufacturing in Advanced Metrology;
- the International Institute for Advanced Accelerator Applications including the Medium Energy Ion Source;
- the Microscope and Ion Accelerator for Materials Investigations Facility;
- the Institute for Materials, Medicines and Molecular Sciences
- and the Rail Research Institute

The beneficiaries of our research and knowledge transfer (KT) activity are diverse and the University was recognised for its KT and enterprise activity in 2012/13 through the award of THES Entrepreneurial University of the Year and 2 Queen's Awards for Enterprise. Our research and KT activities cover the spectrum from pure 'blue skies' research through to user inspired and applied research where outputs are put to immediate use in products, services and policy.

Our research output contributes to the expansion of the knowledge base - to the benefit of other researchers in the field and in other disciplines, a growing consideration in the increasingly connected environment with boundary - spanning and open innovation approaches becoming the norm to address business and societal challenges.

Given the nature of our institutional research portfolio with regard to professional and vocational research, much of our research has 'beneficiary' involvement from the outset either by their funding of or partnership in the research. In this context beneficiaries include:

- multinational companies e.g. 3M, IBM, Rolls Royce, Agilent and Siemens;
- regional companies such as Severn Unival, Paxman Coolers and Yorkshire Water;
- charities e.g. The Prince's Trust, NSPCC and Refuge;
- public sector organisations e.g. Rail Standards and Safety Board (RSSB), UNICEF, National Physical Laboratory (NPL), NHS, Science and Technology Facilities Council (STFC) and Food and Environment Research Agency (FERA);
- and museums and galleries e.g. Royal Armouries, Yorkshire Sculpture Park and Barbara Hepworth Gallery.

Knowledge Transfer activities generally have clearly defined beneficiaries and the benefits quantified in some way. A good example of KT activity is the Knowledge Transfer Partnership programme managed by the Technology Strategy Board where beneficiaries include Weir Valves and Borg Warner.

We have also been proactive at a regional level engaging with businesses through the Government's Regional Growth Fund initiative. Partners include: David Brown Gears, Borg Warner, RSSB, Unipart Rail, Omnicom and The National Skills Academy for Rail Engineering (NSARE). Through the Vice Chancellor, the University is represented on the Leeds City Region Local Enterprise Partnership Board ensuring direct engagement with the regional growth and innovation agenda.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

A significant activity which will enhance public access to our research services is the development of our new 3M Buckley Innovation Centre which is designed to promote and facilitate collaborative working in R & D and Knowledge Transfer from the HE knowledge base; and to promote entrepreneurial culture in both HE and the business community. Partially funded through the European Regional Development Fund, it will be recognised as a regional and national exemplar of open innovation, providing unique modes of access to the University's knowledge base, state of the art facilities and services. Through the physical infrastructure of the building, facilities management arrangements and the planned business development interventions, we will create an innovation community (start-ups, SMEs, blue-chip and University programmes) that will facilitate dynamic interactions to promote supply chain and demand-led innovation.

The Innovation Centre is now 85% occupied. The Duke of York Young Entrepreneur Centre is now established within the Centre, which encourages student and graduate start-up companies within a business environment. The University currently supports ~50 start-up companies per annum.

Any private benefit arising from commercially funded research or knowledge exchange activity is incidental to our principal aims. The arrangements for the diversion of any revenue arising from the successful exploitation of knowledge and expertise are set out in the University's policy on Intellectual Property.

Detriment or Harm

A principle of public benefit is that benefits must be balanced against any detriment or harm. We have considered this issue and we have not identified anything to report. None of our research activity falls into areas such as animal testing or non-ethical research.

Contribution to economic, social and cultural development

The University has a history of close involvement with industry, business and its cultural community. The extent of that involvement is probably best illustrated by the fact that in terms of headcount we are in the top 10 HEIs in the UK for sandwich course placements. The University connects with the world outside the campus, with links to a broad range of external organisations and professional bodies. More than 40 professional bodies accredit our provision. Our connections help us to keep our courses relevant to the world of work and ensure our students have good employability skills. Recent additions to the curriculum include Investigative Psychology, through the British Psychological Society.

We are the 3rd largest employer in Huddersfield and it is estimated that we are responsible for more than £300M in direct and indirect contributions to the local economy.

We make major contributions to our community in terms of fashion, art, drama, media and music. We run the Huddersfield Literature Festival and we are a key sponsor and supporter of the Huddersfield Contemporary Music Festival.

Enhancing our standing, Developing our identity and Raising our profile

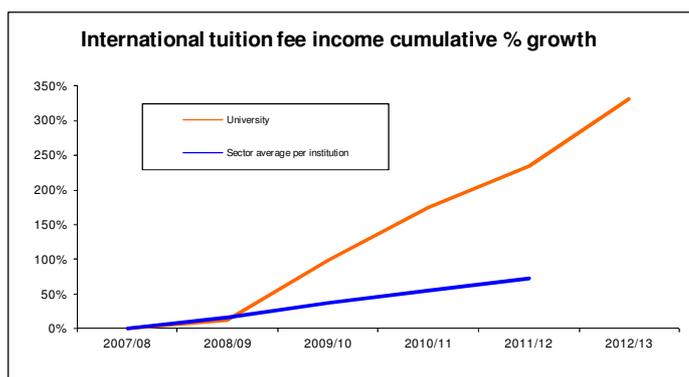
Our marketing and communications activity aims to increase awareness of the University among those who may influence students and also those in business and research fields within which we are active. This work involves media relations, holding a range of events on campus and inviting key influencers into the University to see the work we do. We were honoured that HRH Prince Andrew, KG, agreed to become Patron of the University during last year.

Our media relations work continues to focus on offering expert comment on issues that are in the news, and disseminating information about our academic research, through both traditional and online media. Work with alumni is developing an active network of advocates for the University around the globe.

International Renown

The University again saw a significant increase in its international applications and enrolled student numbers, an indication of its growing international reputation and its status as a first-class university for international students. This has resulted in a further increase in international tuition fee income to £16.9m, which is now 12% of the university's total income.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)



After topping the whole world in the 2011/12 International Student Barometer, in the 2012/13 survey of over 160,000 international students we came a very creditable 13th out of 188 institutions across the world, still comfortably in the top 10%. The International Food and Culture Festival, held twice a year, is one of the most popular and exciting events on campus, along with the Spring Festival which was organised by students from China, Vietnam, Thailand and Malaysia.

2012/13 saw the first full year of operation for the University's China Office in Beijing, which is helping us to establish and build our reputation in the fastest growing economy in the world. For six of our seven schools Chinese students are now their largest international student body and our Chinese Society is one of the most active on campus. Winning a Queen's Award for Enterprise in the International Trade category was another highlight of the year, along with the reception at Buckingham Palace.

The award itself was presented by the Duke of Kent in Huddersfield, at an event that took place in the 3M Buckley Innovation Centre.

Equal Opportunities and Employment of Disabled Persons

The University is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, able-bodiedness, belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The University's Equal Opportunities Policy and Diversity Statement is published on our website.

The University considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the University continues. The University's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Disability Statement

The University seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disabilities Act 2001 and 2005. The University has been awarded the Disability Symbol. This is in recognition by Jobcentre Plus that we have agreed to take action to meet five commitments regarding the employment, retention, training and career development of disabled employees.

Environmental and Social Sustainability

The University is committed to the principles of environmental protection and sustainable development. Our ambition to green our campus, curriculum and University community has seen us become a recognised sector leader in environmental management and best practice. We are proud to be acknowledged among the UK's greenest Universities in the nationally recognised People and Planet Green League, our solid environmental performance topping the Upper Second Class Awards in 2013, and previously achieving a First Class Award for five years running.

Environmental Management

The University has a comprehensive environmental policy, established in 2008, linking our key environmental impact areas to specific time-bound targets. Core themes are substantially addressed through additional strategies, such as our Carbon Management Plan and Travel Plan.

A dedicated Carbon Manager supported by an Environmental Coordinator oversee environmental, carbon and energy management in conjunction with specialist teams, within a wider governance framework that includes reporting to the Estates Development Committee and the University's Senior Management Team.

Further specialist expertise is offered by a Sustainable Procurement Officer and an Active Travel Project Officer (via working partner Sustrans), both appointed during 2012.

Carbon emissions being one of our most significant environmental impacts, our Carbon Management Plan, established and driven forward by our Carbon Management Committee, includes a series of SMART targets specifically addressing carbon reduction, which is subject to annual progress reporting.

Environmental Performance

We have achieved a BREEAM Excellent rating for our most recent new build, the 3M Buckley Innovation Centre, following several 'Very good' ratings on new builds since 2007. We are committed to 'Excellent', plus Energy Performance Certificate 'B' ratings, for all future construction projects, including our Learning and Leisure Centre currently under construction.

We are consistently in the top 20 best performing Universities on carbon emissions - our historically low emissions were last year classed as 18th lowest per head out of all UK Universities (People and Planet Green League 2013).

We have an ongoing programme of Invest to Save projects, from boiler replacements, building facade replacement and the installation of LED lighting. We are one of only 22% of Universities to purchase all of our electricity from renewable sources (biomass generation), and amongst the minority (44%) who are experimenting with on-site energy generation.

We have the 7th lowest water consumption per head out of all UK Universities (People and Planet Green League 2013), plus 'rainwater recycling' systems installed for all new builds. Last year 2.5% of our water consumption came from grey/rainwater sources, which is 6th best amongst UK Universities.

Last year we adopted a 'zero to landfill' waste policy and recycled over 90% of our waste, maintaining our consistently high recovery rate and putting us at 6th best amongst UK Universities for recycling. We are implementing waste reuse schemes, such as SPURS, the 'Sustainable Procurement: University Recycling Scheme' for furniture and equipment, launched in 2012.

We were one of the first and largest businesses in Huddersfield to adopt a Sustainable Travel Plan, and have seen a 23% reduction in 'car alone' journeys to campus since its initial implementation in 2007. Additionally, we are working in partnership with Sustrans to deliver the 'Huddersfield ConnectED' active travel project on campus during 2012-15.

We are amongst the 55% of UK Universities working to a sustainable food procurement policy (introduced in 2010), achieving a Good Egg Award in 2011 for our continuing commitment to using free range eggs in all our catering outlets.

Our involvement in sustainability education has increased, with our Education for Sustainable Development (ESD) Forum launched in 2012, a new resource for teaching and academic staff. As a result of the activities of the Forum, a commitment to ESD is now being incorporated into our Teaching and Learning strategy from 2013.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Cementing our strong stance on Corporate Social Responsibility, our achievement of Fairtrade University status in 2009 was described as 'trailblazing for Huddersfield' by the Fairtrade Foundation and we have since been central in achieving 'Fairtrade Borough' status for Kirklees in partnership with Kirklees Council.

We have become a respected and acknowledged local leader on environmental and social responsibility issues, engaging in dialogue and partnerships with organisations from the Canal & River Trust to Kirklees Council, and hosting events such as the 'Solutions for the Planet 2012' regional heat for school children to develop innovative sustainability projects.

We have entered innovative student-led sustainability projects into a number of green awards, previously being shortlisted for a Green Gown award.

Financial Performance

Accounting Policies

The principal accounting policies of the University have been applied consistently throughout the period since incorporation. Those which are critical to interpretation of the results relate to accounting for our share of the West Yorkshire Pension Fund assets and liabilities under FRS17 (see note 28); a revaluation of land and buildings every 5 years which took place in 2010 (see note 12); and the recognition of research grant and contract income which is included to the extent that recoverable expenditure has been incurred.

Results for the year

The University's consolidated income, expenditure and result for the year to 31 July are summarised as follows:

	<u>2013</u> <u>£'000</u>	<u>2012</u> <u>£'000</u>
Income	142,526	139,575
Expenditure	<u>(120,071)</u>	<u>(118,036)</u>
Surplus after depreciation of assets at valuation, disposal of assets and before and after taxation	22,455	21,539
Transfers from revaluation reserve	<u>878</u>	<u>956</u>
Historical cost surplus for the year	<u>23,333</u>	<u>22,495</u>

The University is pleased to record a healthy operating surplus for the year at 15.8% of total income.

Total income increased by 2.11%. A fall in Funding Council income was offset by higher tuition fee income from UK and EU Higher Education students and an increase in international student numbers.

Despite this growth and pressures on the University's cost base, the underlying staff cost to income ratio only increased from 51.1% to 51.7%.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Operating expenses increased by only £0.34m or 0.8%. Many categories of expenditure showed a decrease from the previous year, with significant increases in only:

- Consumables and other equipment, £1.4m, as a result of kitting out the new 3M Buckley Innovation Centre;
- Student related expenses, £0.6m, being additional commission related to the growth in international tuition fees; and
- Hired services, £0.6m, being additional english language tuition for our international students

Significant balance sheet movements arose from:

- A net increase in cash balances and investments of £14.8m arising from operating activities

As a consequence of the change in government policy to replace teaching grants with higher tuition fees, our campuses in Oldham and Barnsley were no longer financially viable under our ownership. The University Campus Oldham was therefore transferred to the Oldham College on 31 July 2012 and the University Campus Barnsley was transferred to the Barnsley College on 31 July 2013. Both of these providers will continue to deliver higher education programmes there, validated by the University. Provision has been made to reflect the disposal of Barnsley in these accounts.

Capital Investment

Over 88% of the total capital spend of £13.9m in the year was invested in the University's estate, with the remainder on educational equipment. Maintaining capital investment in the estate is critical to our recruitment of students, their experience whilst they are with us and the delivery of inspirational teaching and learning which is one of the University's key strategic objectives. That investment is funded through our own resources by retaining sufficient surpluses to generate the cash required.

Cash Flow

The consolidated cashflow statement shows an increase in cash balances of £27.027m before capital expenditure (net of grants received) which was largely the result of cash generated from operating activities. Liquidity at the year end represented 246 days of expenditure, compared with a sector average of 118 for 2011/12.

The University has a target for generating sufficient cash to fund its estates and other strategic objectives which was achieved in 2012/13. Our strategy is to pay for estate developments out of current earnings and only to borrow when accelerating the estate strategy would contribute to the achievement of our overall strategic aims.

Our surplus cash is invested at low to medium risk and for capital growth rather than income.

Financial Outlook and Liquidity

The University's financial forecast for the period to 2016 demonstrates the sustainability of our strategy to retain sufficient surpluses to invest in improving the student experience; at the same time as maintaining liquidity and managing risks to our future financial strength. Over the past two years we have retained an additional contingency primarily by generating income growth without increasing costs, so that adverse economic conditions can be managed without endangering our underlying surplus. Key Financial Indicators are the level of operating surplus as a percentage of income and staff costs as a percentage of income, the control of which are key to delivering the cash for our strategic needs.

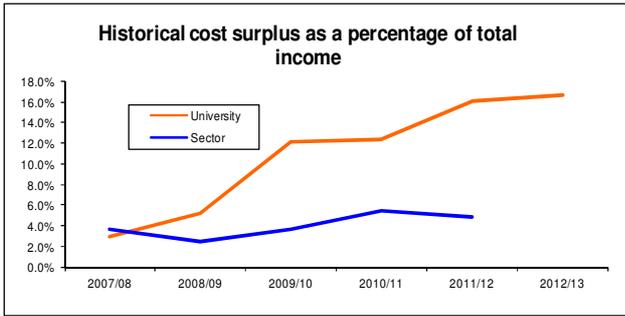
Going Concern

The University has a reasonable expectation that there will be adequate resources to continue in operational existence for the foreseeable future. The Financial Forecast submitted to HEFCE in July 2013 demonstrates surpluses in each year to 2015/16, with strong and increasing cash balances despite incurring significant capital expenditure, and no debt requirement, based on a conservative set of assumptions for future income and expenditure.

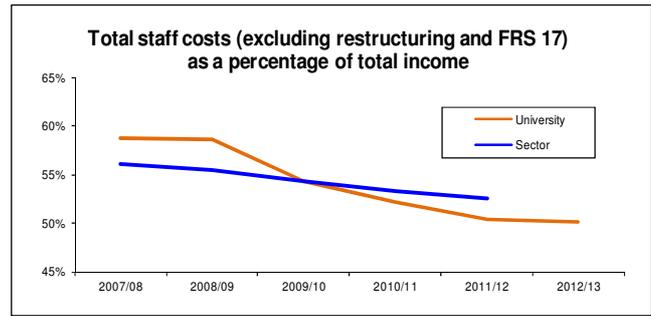
Financial Sustainability

Three of our KPIs relate directly to financial performance. The following ratios represent some of the Key Financial Indicators which are recognised across the Higher Education Sector and can indicate the financial health of a university relative to its peers. They are shown for the University against the latest published figures for the sector. The University's aim is to be better than the average against each indicator when these statistics are published.

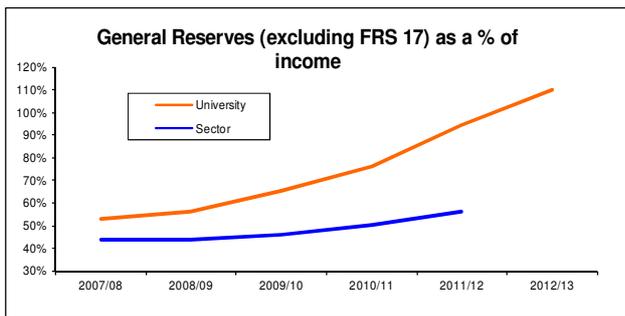
Comparative results (excluding the impact of Financial Reporting Standard 17) for the last 5 years show the following trends:



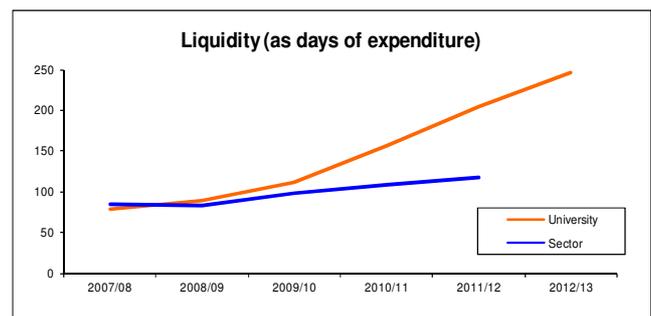
The University's surplus has been steadily increasing over the last 5 years and is higher than the sector average.



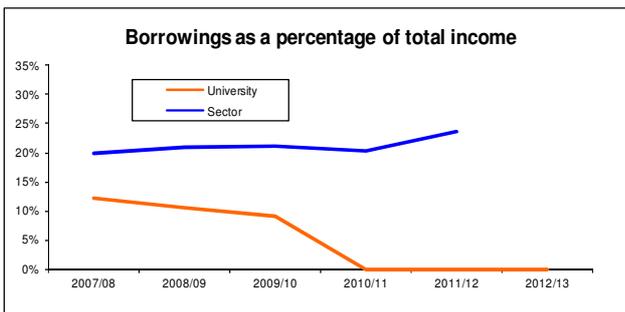
The University's core staffing cost as a % of income is now below the sector average.



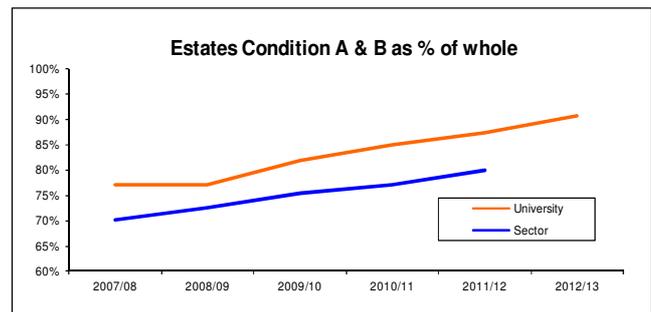
The University's reserves are well above the average for the sector.



The University generates sufficient cash to meet its strategic needs and its liquid reserves are higher than the sector average.



The University repaid its outstanding loans in April 2011.



90% of the University's estate is now classified as "new or sound", demonstrating our continuing commitment to maintain the best facilities for our students.

The University is financially strong and is generating sufficient cash to meet its strategic objectives.

Key Risks

Our risk management processes continue to identify and manage the major strategic and financial risks to the University. These can be broadly categorised as follows:

- the cut in government funding for HE teaching following the 2010 Comprehensive Spending Review, our vulnerability to NHS income streams, and the new funding methodology for teaching;
- the competitive environment for the recruitment of home and EU undergraduate students following the requirement to raise our tuition fees in order to compensate for the withdrawal of government funding;
- our ability to recover the full economic cost of our key activities;
- pay and pension costs increasing at a faster pace than our income; and
- current economic difficulties and the impact they may have on individual spending behaviour and borrowing costs.

Our response to these risks has been:

- to create an economic contingency reserve by generating growth, particularly of international tuition fee income;
- to reduce our staff cost to income ratio by controlling expenditure in this area;
- robust scenario planning to consider the options available together with an agile decision-making environment;
- to set a tuition fee at a fair rate which reflects no premium on the funding we have lost through government cuts;
- to review and refresh our course portfolio; and
- the recruitment of world class research academics.

The University continues to be diligent in protecting its financial strength, but the economic climate and changes in government policy will create challenges in the years ahead. Our operating environment is forecast to change rapidly as a consequence of reductions in public funding and the increase in tuition fees. This is against a background of increased competition, particularly for international student recruitment and research funding and less cash from industry and employer-funded tuition as a consequence of the recession. In the context of pay and pension pressures together with enhanced student expectations, this is a challenging environment for higher education.

Disclosure of Information to Auditors

The Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware and each Member has taken all the steps that he or she ought to have reasonably taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Insurance for Officers

During the year the University maintained liability insurance for the members of the University Council.

Political and Charitable Contributions

There were no political or charitable contributions during the year.

Payment of Creditors

The University is fully committed to the prompt payment of its suppliers' bills and supports the Confederation of British Industry's Prompt Payment Code. The University aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid notice, whichever is the later. Since December 2009 the University has complied with the Government's Prompt Payment Guidance for Public Sector Organisations.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The University is committed to exhibiting best practice in all aspects of corporate governance. The University complies with the Governance Code of Practice for members of the Governing Bodies of Universities and Colleges in England and Wales which was issued by the Committee of University Chairs (CUC) in March 2009. Its purpose is to help the reader of the accounts understand how the principles of corporate governance have been applied.

In the opinion of the Members of Council, the University complies with all the provisions of the CUC Code and it has complied throughout the year ended 31 July 2013.

COUNCIL

The members who served on the Council during the year are listed in the Table below:-

	Date of Appointment	Date of Retirement or End of Initial Term of Office	Committees Served
External Members			
Mr C J Brown	1 January 2001	31 July 2016	Chair of Council Employment & Finance Committee Estates Development Committee Chair of Governance & Membership Committee Honorary Awards Committee Chair of Remuneration Committee
Mr E L F Nicholls	1 April 1999	31 July 2015	Vice-Chair of Council Chair of Employment & Finance Committee Chair of Estates Development Committee Governance & Membership Committee Honorary Awards Committee Remuneration Committee
Mr P Butler	7 July 2011	31 July 2015	Estates Development Committee
Mr M Fisher	30 March 2006	31 July 2015	Employment & Finance Committee
Mrs J Harris	16 November 2010	31 July 2016	Governance & Membership Committee Honorary Awards Committee
Dr I Roscoe	16 November 2010	31 July 2016	Governance & Membership Committee Honorary Awards Committee
Mr B Swan	18 October 2007	31 July 2016	Audit Committee Governance & Membership Committee Honorary Awards Committee
Mrs H Thomson	16 November 2010	31 July 2016	Audit Committee
Mr J Thornton	20 July 2006	31 July 2015	Chair of Audit Committee
Co-opted Members			
Professor P Slee	1 January 2010	Ex-officio	Employment & Finance Committee Estates Development Committee Governance & Membership Committee
Members Nominated by Senate (Teaching Staff)			
Dr P Woodcock	22 October 2009	31 July 2015	
Professor S Donnelly	1 August 2012	31 July 2014	
Members Nominated by Senate (Admin Staff)			
Miss S Ford	1 August 2012	31 July 2015	
Student Member			
Mr M Wheelton	1 July 2012	30 June 2013	
Vice-Chancellor and Principal			
Professor R A Cryan	1 January 2007	Ex-officio	Chair of Honorary Awards Committee Employment & Finance Committee Estates Development Committee Governance & Membership Committee Remuneration Committee

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of Higher Education which has been provided by the Committee of University Chairs in its Guide for Members of Governing Bodies in the UK.

The University is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Instrument and Articles of Government which were adopted by the University Council on 20 December 1996. The current version of the Articles was approved by the Privy Council in their letter to the University of 4 November 1996. The Articles require the University to have a Council and a Senate each with clearly defined functions and responsibilities, to oversee and manage its activities.

The University Council is the 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 Council has a majority of external members, chosen in line with strict criteria contained in the legislation. It is customary for the Chair of the Council to be elected from the external 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 staff and of the student body. Members of the Council do not receive any remuneration for the work which they do for the Council.

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

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

It is the Council's responsibility to bring independent judgement to bear on issues of strategy, performance resources and standards of conduct.

The Council is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues.

Although the Council meets at least three times each year, much of its detailed work is initially handled by committees, in particular the Employment and Finance Committee, the Governance and Membership Committee, the Remuneration Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council. A brief description of their responsibilities is set out below:

The Employment and Finance Committee ensures the effectiveness of employment matters and the governance of the finances of the University.

The Governance and Membership Committee makes recommendations for effective governance arrangements and the appointment of University Council and Committee members.

The Remuneration Committee's responsibilities are to review the process of the remuneration of the salaries of senior staff and to determine the salaries of the Vice-Chancellor and University Secretary.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

The Audit Committee meets four times a year with the University's external and internal auditors in attendance. It establishes and reviews procedures for auditing the University's activities. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plan. It provides oversight of the University's risk management procedures. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. Once a year the Committee meets the internal and external auditors on their own for independent discussions.

A significant proportion of the membership of these committees consists of external and co-opted members of the Council, other than student and staff members, who are not eligible to serve on these committees, with the exception of staff members on the Governance and Membership Committee.

All Council members are able to take independent professional advice in furtherance of their duties at the University's expense. In accordance with the Articles of Government of the University, Council members have access to the University Secretary who acts as Clerk to the Council. He is responsible to the Council for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Secretary are matters for the University Council as a whole.

Formal agendas, papers and reports are supplied to Council members in a timely manner, prior to Council meetings. Briefings on a wide-range of topics are also provided on an ad-hoc basis.

The University Council has a strong and independent non-executive element and no individual or group dominates its decision-making processes. The Council considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interface with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Vice-Chancellor are separate.

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. The Deputy Vice-Chancellor, the Pro Vice-Chancellors and the senior administrative and academic officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

The University maintains a Register of Interests of members of the Council and the University's Senior Management Team which may be consulted by arrangement with the University Secretary. Full minutes of all meetings, except those deemed to be confidential by the University, are available from the University Secretary at The University of Huddersfield, Queensgate, Huddersfield, HD1 3DH.

INTERNAL CONTROL

As the governing body of the University, the University Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible.

The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements and accords with HEFCE guidance.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

The University's objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing, although the current key risks (foremost of which are changes in government policy and the achievement of recruitment targets) are likely to remain the major causes of concern. The University's internal control systems (on finance, planning, resource management etc) have enabled managers to manage and appropriately to control the risks. However, if progress is to be made in an increasingly competitive environment, then the University cannot expect to be risk-free.

The University's internal control systems and their associated procedures are aimed at:

- safeguarding the University's assets, limiting its liabilities and ensuring the appropriate use of public funds;
- facilitating effective and efficient operation of the University by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the University's objectives;
- ensuring the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the University (all of which are features of the approved University General Information Strategy); and
- ensuring compliance with applicable laws and regulations and also with internal policies with respect to the conduct of business.

The internal control system provides the framework in which the University operates. It includes:

- mechanisms for the control of activities;
- appropriate information and communication processes; and
- processes for monitoring the continuing effectiveness of the University's control of its activities.

The internal control system used to manage risk will continue:

- to be embedded within the operation of the University, forming an integral part of its culture. It should be viewed as a continuum, a constant checking of the radar for trouble ahead;
- to be capable of responding quickly to evolving risks to the University arising from factors within the University and to changes in the external environment;
- to include a reporting culture in which any failings or weaknesses in the control systems are reported to appropriate levels of management and corrective action duly taken - i.e. embedding a culture in which the second person to know about a failure is the line manager of the discoverer; and
- to be the ultimate responsibility of the Vice-Chancellor with operational responsibility devolved to the University's Senior Management Team.

As the governing body, Council has the responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a) Council meets regularly to consider the plans and strategic direction of the University.
- b) Council receives feedback from the Audit Committee on matters of internal control considered and debated by the Audit Committee. Council is routinely informed and consulted on key business decisions, the risks associated with them and the proposed management approach. Systems have been established to report risk to Council more explicitly in the form of the corporate risk register and as part of the financial forecasts.
- c) Council has established the University's Senior Management Team as the University's risk committee, charged with reviewing and updating the corporate risk register. The Audit Committee provides oversight of the processes involved.
- d) The Audit Committee receives regular reports from the internal audit service, which includes its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

- e) At a corporate level, risks are identified and discussed by the Senior Management Team, informed by formal and informal information flows between management, groups, committees and staff. The Senior Management Team reviews and where appropriate updates the corporate risk register. Guidance has been issued to Schools and Services which encourages their management teams to consider the key risks their areas face. The Senior Management Team explores and considers the risks identified by Schools and Services as part of the annual planning round.
- f) Risk awareness is raised through:
 - Risk being incorporated within the Management Development Programme and staff induction courses;
 - The planning and contextual documentation which is provided to Deans and Directors offering risk management guidance and being supplemented by discussions during the planning round; and
 - Deans and Directors discussing risk with their management teams during the planning round.
- g) Risks are linked to the key corporate objectives for which detailed key performance indicators have been derived.
- h) Risks have been prioritised on the basis of likelihood and impact. This assessment has been made both before and after considering the internal controls in place. The Senior Management Team has considered the risk priorities in order to distil the corporate risk register.
- i) An organisation-wide risk register is maintained. This is further informed by the risk registers completed by Schools and Services which are presented to Senior Management Team as part of the planning round.
- j) Council receives reports and updates on key risks and their management as part of routinely scheduled Council and Committee business.

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

Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The HEFCE Assurance Service makes an annual assessment of the relative risk attaching to each institution being either "at higher risk" or "not at higher risk". This is based upon any audit work they have done in the year and upon information supplied and returns made to comply with the Audit Code of Practice. On 3 April 2013 the Assurance Service concluded that the University is not at higher risk and is meeting its accountability obligations set out in the Financial Memorandum and Accountability and Audit Code of Practice.

The University Council has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2013 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the University Council and that it accords with the internal control guidance for directors in the UK Corporate Code of Governance as deemed appropriate for Higher Education.

STATEMENT OF RESPONSIBILITIES OF THE UNIVERSITY COUNCIL

In accordance with the University's Articles of Government, the Council of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

The University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions, guidance issued by the Higher Education Funding Council for England and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University Council, the latter, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the University Council has to ensure that:

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

The University Council is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the University. The University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation and other relevant accounting standards.

The University Council has taken reasonable steps:

- to ensure that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them;
- to ensure that funds from the Higher Education Funding Council for England (HEFCE), the National College for Teaching and Leadership (NCTL) and the Skills Funding Agency (SFA) are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which the HEFCE, NCTL or SFA may from time to time prescribe;
- to ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources and to ensure that they are used properly;
- to safeguard the assets of the Group and to prevent and detect fraud and other irregularities; and
- to secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial controls, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short term planning process, supplemented by annual budgets;
- regular reviews of business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the University Council; and
- an independent Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Council and whose head provides the University Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Any system of internal financial control can, however, only provide reasonable but not absolute assurance against material mis-statement or loss.

AUDITORS

A resolution to appoint Grant Thornton UK LLP as external auditor will be put to the University Council Meeting on 28 November 2013.

Mr C J Brown
Chair
28 November 2013

THE UNIVERSITY OF HUDDERSFIELD
INDEPENDENT AUDITOR'S REPORT (continued)

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF HUDDERSFIELD
('THE UNIVERSITY')

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

This report is made solely to the University's Council, in accordance with the University's articles of government and section 124B (4) of the Education 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 Council and auditor

As explained more fully in the Council's Responsibilities Statement set out on page 19, the Council 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 FRC'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 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.

THE UNIVERSITY OF HUDDERSFIELD
INDEPENDENT AUDITOR'S REPORT (continued)

Opinion on other matters

In accordance with HEFCE's Financial Memorandum dated July 2010, the funding agreements with the National College for Teaching and Leadership and the Skills Funding Agency, 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
- funds provided by HEFCE, the National College for Teaching and Leadership and the Skills Funding Agency have been applied in accordance with the funding council's Financial Memorandum, the funding agreements with the National College for Teaching and Leadership and the Skills Funding Agency, and any other terms and conditions attached to them.

Matters on which we are required to report by exception

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

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

THE UNIVERSITY OF HUDDERSFIELD **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education 2007 and in accordance with UK GAAP. They conform to guidance published by the Higher Education Funding Council for England.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Going concern

The University has a reasonable expectation that there will be adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements consolidate the results of the University and its subsidiary undertakings as shown in Note 13. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2 Accounting for Subsidiary Undertakings, the activities of the Students' Union have not been consolidated because the University does not control those activities. All financial statements are made up to 31 July 2013.

Recognition of income

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

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

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

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

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

Maintenance of premises

The University has a ten year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates and the resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Pension schemes

Retirement benefits for most employees of the University are provided by the Teachers' Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF). These are defined benefit schemes, of which the TPSS is unfunded and contracted out of the State Earnings Related Pension Scheme.

The TPS is a multi-employer defined benefit scheme requiring the University to pay a contribution to central government reflecting benefits earned during the year. It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers on a consistent and reasonable basis. Therefore it has been treated as though it is a defined contribution scheme. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

The assets of the WYPF are measured using closing market values. WYPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Further details of the pension schemes are given in Note 29.

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the SFA.

Tangible fixed assets

a. Land and buildings

The University's land and buildings are stated at cost or valuation. The University adopts a revaluation policy in relation to freehold and long leasehold land and buildings on a five year cycle. Increases in value are taken to the revaluation reserve except to the extent that they reverse revaluation losses on the same asset that were previously recognised in the income and expenditure account, in which case they are recognised in the income and expenditure account. Freehold and long leasehold land is not depreciated. Freehold and long leasehold buildings are depreciated over their expected useful economic lives to the University of 50 years for new build and 45 years for buildings revalued as at 31 July 2010. Short leasehold land is depreciated over the lives of leases. Capital additions are depreciated in full in the year of acquisition and none in the year of disposal.

The University's inherited assets from the local authority have been brought onto the balance sheet at valuation at the date of transfer with the corresponding credit taken to the revaluation reserve. The inherited assets and the related revaluation reserve have been adjusted by subsequent revaluations.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Finance costs which are directly attributable to the acquisition/construction of land and buildings are not capitalised as part of the cost of those assets.

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

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

b. Equipment

Equipment costing less than £25,000 is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Computer equipment	Three Years
Motor vehicles	Four Years
General equipment	Seven Years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

c. Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs; and
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

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

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

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

Taxation

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 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 OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

The University receives no similar exemption in respect of Value Added Tax and all non-recoverable Value Added Tax on purchases is included within the appropriate expenditure headings.

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

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Agency arrangements

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

Accounting for charitable donations

a. Unrestricted donations

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

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the institution can convert the donated sum into income.
3. 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.

c. Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

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 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution's treasury management activities. They exclude any such assets held as endowment asset investments.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013

GROUP INCOME AND EXPENDITURE ACCOUNT

		<u>Year Ended</u> <u>31 July 2013</u>	<u>Year Ended</u> <u>31 July 2012</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>
INCOME			
Funding council income	1	38,660	53,595
Tuition fees and education contracts	2	86,774	69,827
Research grants and contracts	3	5,191	4,188
Other income	4	10,979	10,725
Endowment and investment income	5	922	1,240
		<hr/>	<hr/>
Total Income		142,526	139,575
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	6	73,655	71,255
Staff costs – restructuring	6	495	370
Other operating expenses	7	41,268	40,929
Depreciation	12	4,224	5,016
Interest and finance charges payable	8	429	466
		<hr/>	<hr/>
Total Expenditure	9	120,071	118,036
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets but before taxation		22,455	21,539
		<hr/>	<hr/>
Taxation	10	-	-
		<hr/>	<hr/>
Surplus for the year retained within general reserves	11	22,455	21,539
		<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account for the year ended 31 July 2013 is in respect of continuing activities and retained within general reserves.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013

GROUP STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

	<u>Note</u>	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Surplus before and after taxation		22,455	21,539
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	23	878	956
Historical cost surplus for the period before and after taxation		23,333	22,495

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2013

	<u>Note</u>	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Surplus after depreciation of assets at valuation, disposal of assets and taxation		22,455	21,539
Actuarial gain/(loss) in respect of pension scheme	28	10,280	(19,583)
Movement on endowments	21	9	2,141
Total recognised gains and losses relating to the year		32,744	4,097

RECONCILIATION OF MOVEMENTS ON RESERVES AND ENDOWMENTS

	<u>2013</u> <u>£'000</u>	<u>2012</u> <u>£'000</u>
Opening reserves and endowments at 1 August	112,580	108,483
Total recognised gains and losses for the year	32,744	4,097
Closing reserves and endowments at 31 July	145,324	112,580

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013

BALANCE SHEETS

	Note	Group <u>2013</u> £'000	University <u>2013</u> £'000	Group <u>2012</u> £'000	University <u>2012</u> £'000
FIXED ASSETS					
Tangible assets	12	145,343	145,288	139,604	139,569
Investments	13	32	82	32	82
		<u>145,375</u>	<u>145,370</u>	<u>139,636</u>	<u>139,651</u>
ENDOWMENT ASSETS	14	<u>2,443</u>	<u>2,443</u>	<u>2,434</u>	<u>2,434</u>
CURRENT ASSETS					
Debtors	15	16,600	17,375	13,482	14,520
Investments	16	12,783	12,783	3,380	3,380
Cash at bank and in hand	17	65,373	65,251	59,987	58,162
TOTAL CURRENT ASSETS		<u>94,756</u>	<u>95,409</u>	<u>76,849</u>	<u>76,062</u>
LESS: CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	18	<u>(24,378)</u>	<u>(24,162)</u>	<u>(22,017)</u>	<u>(20,876)</u>
NET CURRENT ASSETS		<u>70,378</u>	<u>71,247</u>	<u>54,832</u>	<u>55,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>218,196</u>	<u>219,060</u>	<u>196,902</u>	<u>197,271</u>
LESS: PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(271)</u>	<u>(271)</u>	<u>(301)</u>	<u>(301)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>217,925</u>	<u>218,789</u>	<u>196,601</u>	<u>196,970</u>
PENSION LIABILITY	28	<u>(50,329)</u>	<u>(50,329)</u>	<u>(58,463)</u>	<u>(58,463)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>167,596</u>	<u>168,460</u>	<u>138,138</u>	<u>138,507</u>
DEFERRED CAPITAL GRANTS					
	20	<u>22,272</u>	<u>22,256</u>	<u>25,558</u>	<u>25,558</u>
Expendable endowments		2,210	2,210	2,202	2,202
Permanent endowments		233	233	232	232
TOTAL ENDOWMENTS	21	<u>2,443</u>	<u>2,443</u>	<u>2,434</u>	<u>2,434</u>
RESERVES					
Income and expenditure account excluding pension reserve		154,983	155,863	129,504	129,873
Pension reserve	23	<u>(50,329)</u>	<u>(50,329)</u>	<u>(58,463)</u>	<u>(58,463)</u>
Income and expenditure account including pension reserve	23	104,654	105,534	71,041	71,410
Revaluation reserve	22	<u>38,227</u>	<u>38,227</u>	<u>39,105</u>	<u>39,105</u>
TOTAL RESERVES		<u>142,881</u>	<u>143,761</u>	<u>110,146</u>	<u>110,515</u>
TOTAL FUNDS		<u>167,596</u>	<u>168,460</u>	<u>138,138</u>	<u>138,507</u>

The financial statements on pages 24 to 53 were approved by the University Council on 28 November 2013 and were signed on its behalf by:

PROFESSOR R A CRYAN
Vice-Chancellor

MR C J BROWN
Chair

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013

GROUP CASH FLOW STATEMENT

	<u>Note</u>	<u>Year Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Cash flow from operating activities	24	26,198	21,516
Returns on investments and servicing of finance	25	830	859
Capital expenditure and financial investment	26	(12,230)	(7,341)
Management of liquid resources		(9,403)	-
		<hr/>	<hr/>
Increase in cash in the year	27	5,395	15,034
		<hr/> <hr/>	<hr/> <hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>Note</u>	<u>Year Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Increase in cash in the year	27	5,395	15,034
Cash inflow from liquid resources	27	9,403	29
		<hr/>	<hr/>
Movement in net funds in the year	27	14,798	15,063
Net funds at 1 August	27	65,801	50,738
		<hr/>	<hr/>
Net funds at 31 July	27	80,599	65,801
		<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013

NOTES TO THE FINANCIAL STATEMENTS

1. FUNDING COUNCIL INCOME

	<u>Year Ended 31 July 2013</u>				<u>Year</u>
	<u>HEFCE</u>	<u>NCTL</u>	<u>LSIS</u>	<u>Total</u>	<u>Ended</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>31 July</u>
					<u>2012</u>
					<u>£'000</u>
Recurrent grant	35,808	174	-	35,982	51,160
Specific grants:					
HEIF Funding	920	-	-	920	713
Aim Higher	-	-	-	-	122
Priority Subject	263	-	-	263	265
Widening Disabled Access	193	-	-	193	190
Postgraduate professional development	-	22	-	22	40
Other	14	318	205	537	236
Deferred capital grants released in the year:					
Equipment (Note 20)	373	-	-	373	434
Buildings (Note 20)	370	-	-	370	435
	37,941	514	205	38,660	53,595

2. TUITION FEES AND EDUCATION CONTRACTS

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
UK and EU Higher Education Students	54,022	41,199
Non-EU Students	16,919	13,113
Total fees paid by or on behalf of individual students	70,941	54,312
NHS Workforce Development Confederation Contracts	12,698	12,583
Short Course Fees	1,189	749
Registration and Examination Fees	25	35
Research Training Support Grant	215	101
Education contracts	1,706	2,047
	86,774	69,827

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. RESEARCH GRANTS AND CONTRACTS

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Research councils	1,970	1,359
UK based charities	409	374
European commission	1,283	1,199
Other grants and contracts	1,499	1,226
Release from deferred capital grants (Note 20)	30	30
	<hr/>	<hr/>
	5,191	4,188
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Other grant income	2,690	1,719
Other income-generating activities	2,854	2,067
Forensic training	1,216	3,381
Catering and conferences	1,196	1,257
Release from deferred capital grants (Note 20)	454	278
Other income	2,569	2,023
	<hr/>	<hr/>
	10,979	10,725
	<hr/> <hr/>	<hr/> <hr/>

5. ENDOWMENT AND INVESTMENT INCOME

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Income from restricted expendable asset investments (Note 21)	4	3
Other interest receivable	918	1,237
	<hr/>	<hr/>
	922	1,240
	<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. STAFF COSTS

Average number of persons employed by the Group

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>Number</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>Number</u>
Teaching departments	1,105	1,124
Teaching support services	201	193
Administration and central services	144	139
Premises	149	159
Other	56	49
	<u>1,655</u>	<u>1,664</u>

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Staff costs for the above persons:		
Wages and salaries	58,715	57,309
Social security costs	4,853	4,683
Other pension costs (including FRS17 adjustments of £1,736,000 – 2013; £929,000 - 2012)	9,498	8,503
Pension enhancements	<u>(30)</u>	<u>(8)</u>
Payroll Sub Total	73,036	70,487
Contracted out Staffing Services	<u>619</u>	<u>768</u>
	73,655	71,255
Restructuring costs relating to a Voluntary Severance Scheme	<u>495</u>	<u>370</u>
	<u>74,150</u>	<u>71,625</u>

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Emoluments of the Vice-Chancellor, Professor R A Cryan		
Salary	226	207
Benefits	-	-
Standard rated employer pension contributions	<u>34</u>	<u>31</u>
	<u>260</u>	<u>238</u>

No other benefits are payable.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

Senior post-holder emoluments

The number of staff excluding the Vice-Chancellor who received emoluments, excluding pension contributions and benefits in kind in the following ranges was:-

	2013 Number	2012 Number
£100,000 - £109,999	1	3
£110,000 - £119,999	3	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	1
£140,000 - £149,999	1	-
	5	4

7. OTHER OPERATING EXPENSES

	Year <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	Year <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Consumables and other equipment	9,456	8,012
Repairs and general maintenance	4,180	4,024
Student bursaries	3,686	4,524
Student related expenses	3,444	2,800
Consultancy payments	2,456	3,160
Heat, light, water and power	2,220	1,903
Transport	1,778	1,695
Hired services	1,522	948
Publicity	1,397	1,327
Books and periodicals	1,349	1,264
Grants to University of Huddersfield Students' Union	1,243	1,227
Subscriptions	945	991
Staff development	913	738
Other property costs	904	696
Professional charges	794	490
Bad debts provision	564	215
Strategic maintenance	546	1,004
Franchise centre payments	530	1,912
Catering and conferences	473	325
Telephones	335	301
Insurance	314	350
Examination and registration fees	261	274
Rents	227	722
Asset disposal costs	215	237
Staff recruitment	207	171
Hire of machinery and vehicles - operating leases	143	114
Internal auditors remuneration	85	79
External auditors remuneration - Grant Thornton	47	45
External auditors remuneration in respect of grant audits and tax advice	12	20
Recharged servicing costs	-	1
Other expenses	1,022	1,360
	41,268	40,929

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

Council Members

No Council Members have received any remuneration/waived payments from the University during the year (2011/12 – None).

The total expenses paid to or on behalf of 15 Council members was £468 (2011/12 - £659 to 15 Council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

8. INTEREST AND FINANCE CHARGES PAYABLE

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Pension finance costs (Note 29)	411	448
Other	18	18
	<u>429</u>	<u>466</u>

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	<u>Staff</u> <u>Costs</u>	<u>Other</u> <u>Operating</u> <u>Expenses</u>	<u>Dep'n</u>	<u>Interest</u> <u>and</u> <u>Finance</u> <u>Charges</u> <u>Payable</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>Total</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Academic departments	44,892	11,314	824	-	57,030	59,030
Academic services	9,137	7,103	167	-	16,407	15,045
Research grants and contracts	2,708	1,656	30	-	4,394	3,652
Catering and conferences	666	458	44	-	1,168	1,090
Premises	3,577	8,268	2,895	18	14,758	14,771
Administration and Central Services	9,465	7,925	16	-	17,406	16,010
Other expenses	3,210	4,544	248	411	8,413	8,068
	<u>73,655</u>	<u>41,268</u>	<u>4,224</u>	<u>429</u>	<u>119,576</u>	<u>117,666</u>
Staff restructuring	495	-	-	-	495	370
Total per income and expenditure account	<u>74,150</u>	<u>41,268</u>	<u>4,224</u>	<u>429</u>	<u>120,071</u>	<u>118,036</u>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TAXATION

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
United Kingdom corporation tax at 20%	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	-	-

11. SURPLUS FOR THE PERIOD

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
University's surplus before deed of covenant payments from subsidiaries (Loss)/Profit in subsidiary undertakings	22,966 (511)	21,722 (183)
	22,455	21,539

12. TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2012	142,093	1,659	44	13,096	156,892
Additions	12,331	-	-	1,560	13,891
Disposals	(5,884)	-	-	(746)	(6,630)
At 31 July 2013	148,540	1,659	44	13,910	164,153
Depreciation					
At 1 August 2012	7,978	35	20	9,255	17,288
Charge for year	2,884	26	1	1,313	4,224
Eliminated in Respect of Disposals	(2,173)	-	-	(715)	(2,888)
Impairment write-down	186	-	-	-	186
At 31 July 2013	8,875	61	21	9,853	18,810
Net book value					
At 31 July 2013	139,665	1,598	23	4,057	145,343
Net Book Value					
At 1 August 2012	134,115	1,624	24	3,841	139,604
Financed by capital grant	20,752	-	-	1,520	22,272
Other	118,913	1,598	23	2,537	123,071
	139,665	1,598	23	4,057	145,343

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

University

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2012	142,093	1,659	44	13,055	156,851
Additions	12,331	-	-	1,520	13,851
Disposals	(5,884)	-	-	(745)	(6,629)
At 31 July 2013	148,540	1,659	44	13,830	164,073
Depreciation					
At 1 August 2012	7,978	35	20	9,249	17,282
Charge for year	2,884	26	1	1,294	4,205
Eliminated in Respect of Disposals	(2,173)	-	-	(715)	(2,888)
Impairment write-down	186	-	-	-	186
At 31 July 2013	8,875	61	21	9,828	18,785
Net book value At 31 July 2013	139,665	1,598	23	4,002	145,288
Net Book Value					
At 1 August 2012	134,115	1,624	24	3,806	139,569
Financed by capital grant	20,752	-	-	1,504	22,256
Other	118,913	1,598	23	2,498	123,032
	139,665	1,598	23	4,002	145,288

At 31 July 2013, freehold land and buildings included £5.5m (2012 - £5.3m) in respect of freehold land and is not depreciated.

Within tangible fixed assets at 31 July 2013 there were £11,683,857 (2012: £7,061,339) of assets under construction, which are not being depreciated.

The impairment write down is due to the planned consolidation of campus activity.

The freehold and long leasehold land and buildings of the Group and the University were revalued as at 31 July 2010 by GVA Grimley, Chartered Surveyors at depreciated replacement cost for existing use, open market value for existing use or open market value with vacant possession. This is in accordance with the RICS Appraisal and Valuation Manual.

Buildings with a cost or valuation of £76,819,541 and a net book value of £71,916,904 have been partially funded from Treasury sources. A repayment of funding would only occur in exceptional circumstances.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FIXED ASSET INVESTMENTS

	<u>Group</u> <u>2013</u> <u>£'000</u>	<u>University</u> <u>2013</u> <u>£'000</u>	<u>Group</u> <u>2012</u> <u>£'000</u>	<u>University</u> <u>2012</u> <u>£'000</u>
Subsidiary companies	-	50	-	50
Participating interest	32	32	32	32
	<u>32</u>	<u>82</u>	<u>32</u>	<u>82</u>

Subsidiary Companies

At 31 July 2013 The University owned 100% of the issued share capital of The University of Huddersfield Enterprises Limited (UHEL), The University of Huddersfield Properties Limited (UHPL), Wetlands & Natural Resources Development Limited (WNRDL) and Huddersfield Enterprise and Innovation Centre Limited (HEICL), trading as 3M Buckley Innovation Centre Limited. It owned 92% of JRC Management Ltd, a company for the management of residential flats owned by the University. All the companies are registered in England and Wales and are included in the consolidated results. UHEL operates in the UK and its primary purpose is providing forensic training and consultancy. UHPL and WNRDL are dormant.

Participating Interests

The University has a 25% interest in C & K Careers, a company limited by guarantee. This is not consolidated given that the University lacks significant influence over operating and financial policies.

The participating interest represents a minority shareholding in CVCP Properties plc, Yhman Limited and TDL Sensors Limited.

14. ENDOWMENT ASSETS

	<u>2013</u> <u>£'000</u>	<u>2012</u> <u>£'000</u>
Balance at 1 August	2,434	293
Additions	-	2,139
Increase in cash balances held at fund managers	9	2
Balance at 31 July	<u><u>2,443</u></u>	<u><u>2,434</u></u>

15. DEBTORS

	<u>Group</u> <u>2013</u> <u>£'000</u>	<u>University</u> <u>2013</u> <u>£'000</u>	<u>Group</u> <u>2012</u> <u>£'000</u>	<u>University</u> <u>2012</u> <u>£'000</u>
Amounts falling due within one year:				
Debtors	6,612	6,385	2,441	2,220
Amounts owed by subsidiary undertakings	-	1,608	-	1,739
Prepayments and accrued income	9,988	9,382	11,041	10,561
	<u><u>16,600</u></u>	<u><u>17,375</u></u>	<u><u>13,482</u></u>	<u><u>14,520</u></u>

The increase in debtors is due to the timing of two large invoices, both cleared in August 2013.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. INVESTMENTS

	Group & University	Group & University
	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Deposits maturing: In one year or less	12,783	3,380

Deposits are held with investment managers, Schroder, HSBC and Deutsche Bank, with more than 24 hours maturity at the balance sheet date. The market value of investments held was £14,030k.

17. CASH AT BANK AND IN HAND

Cash balances are made up as follows:

	Group	University	Group	University
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Current and investment accounts	65,373	65,251	59,987	58,162

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	University	Group	University
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Payments received in advance	12,207	12,034	10,951	10,563
Trade creditors	2,248	2,085	1,812	1,492
Other taxation and social security	293	412	164	108
Accruals and deferred income	9,624	9,625	9,076	8,699
Other creditors	6	6	14	14
	<u>24,378</u>	<u>24,162</u>	<u>22,017</u>	<u>20,876</u>

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Group & University	Group & University
	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Enhanced pensions:		
At 1 August	301	309
Transferred from income and expenditure account	(30)	(8)
At 31 July	<u>271</u>	<u>301</u>

The enhanced pensions provision is in respect of enhanced pensions payable to staff who accepted early retirement prior to 1994. The principal assumptions for this calculation are:-

	<u>2013</u>	<u>2012</u>
Price inflation	3.6%	3.1%
Discount rate	4.5%	4.1%

Payments made to the employees as a result of early retirement have been measured and provided in full in accordance with FRS 17 because the benefits are not given in exchange for services rendered by employees.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. DEFERRED CAPITAL GRANTS

Group	<u>HEFCE</u>	<u>Other</u> <u>Grants</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 August 2012			
Land and buildings	17,662	6,207	23,869
Equipment	684	1,005	1,689
	<u>18,346</u>	<u>7,212</u>	<u>25,558</u>
Cash received			
Land and buildings	-	1,112	1,112
Equipment	26	514	540
	<u>26</u>	<u>1,626</u>	<u>1,652</u>
Released to income and expenditure account			
Land and buildings (Notes 1, 3 and 4)	(370)	(148)	(518)
Equipment (Notes 1, 3 and 4)	(373)	(336)	(709)
	<u>(743)</u>	<u>(484)</u>	<u>(1,227)</u>
Accelerated write down			
Land and buildings (Impairment and disposal)	(2,776)	(935)	(3,711)
	<u>14,853</u>	<u>7,419</u>	<u>22,272</u>
At 31 July 2013			
Land and buildings	14,516	6,236	20,752
Equipment	337	1,183	1,520
	<u>14,853</u>	<u>7,419</u>	<u>22,272</u>
University			
	<u>HEFCE</u>	<u>Other</u> <u>Grants</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 August 2012			
Land and buildings	17,662	6,207	23,869
Equipment	684	1,005	1,689
	<u>18,346</u>	<u>7,212</u>	<u>25,558</u>
Cash received			
Land and buildings	-	1,112	1,112
Equipment	26	490	516
	<u>26</u>	<u>1,602</u>	<u>1,628</u>
Released to income and expenditure account			
Land and buildings (Notes 1, 3 and 4)	(370)	(148)	(518)
Equipment (Notes 1, 3 and 4)	(373)	(328)	(701)
	<u>(743)</u>	<u>(476)</u>	<u>(1,219)</u>
Accelerated write down			
Land and buildings (Impairment and disposal)	(2,776)	(935)	(3,711)
	<u>14,853</u>	<u>7,403</u>	<u>22,256</u>
At 31 July 2013			
Land and buildings	14,516	6,236	20,752
Equipment	337	1,167	1,504
	<u>14,853</u>	<u>7,403</u>	<u>22,256</u>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. SPECIFIC ENDOWMENTS

	<u>Restricted</u> <u>Permanent</u> <u>£'000</u>	<u>Restricted</u> <u>Expendable</u> <u>£'000</u>	<u>2013</u> <u>Total</u> <u>£'000</u>	<u>2012</u> <u>Total</u> <u>£'000</u>
Capital	2,191	232	2,423	285
Accumulated income	11	-	11	8
	<u>2,202</u>	<u>232</u>	<u>2,434</u>	<u>293</u>
New endowments	-	-	-	2,138
New endowments non capital	-	1	1	1
Investment income	8	3	11	5
Expenditure non capital	-	(3)	(3)	(3)
	<u>8</u>	<u>1</u>	<u>9</u>	<u>2,141</u>
At 31 July 2013	<u>2,210</u>	<u>233</u>	<u>2,443</u>	<u>2,434</u>
Represented by:				
Capital	2,191	233	2,424	2,423
Accumulated income	19	-	19	11
	<u>2,210</u>	<u>233</u>	<u>2,443</u>	<u>2,434</u>

22. REVALUATION RESERVE

	<u>2013</u> <u>£'000</u>	<u>2012</u> <u>£'000</u>
At 1 August	39,105	40,061
Transfer from revaluation reserve to general reserve in respect of:		
Impairment	(186)	(189)
Realised gain on disposal	-	(73)
Difference between historic cost depreciation and the actual charge on the revalued amount	(692)	(694)
	<u>38,227</u>	<u>39,105</u>
At 31 July	<u>38,227</u>	<u>39,105</u>

23. MOVEMENT ON GENERAL RESERVES

	<u>Group</u> <u>2013</u> <u>£'000</u>	<u>University</u> <u>2013</u> <u>£'000</u>	<u>Group</u> <u>2012</u> <u>£'000</u>	<u>University</u> <u>2012</u> <u>£'000</u>
Income and Expenditure Account Reserve				
At 1 August	71,041	71,410	68,129	68,315
Surplus retained for the year	22,455	22,966	21,539	21,722
Transfer from revaluation reserve	878	878	956	956
	<u>10,280</u>	<u>10,280</u>	<u>(19,583)</u>	<u>(19,583)</u>
Actuarial loss in respect of pension scheme				
At 31 July	<u>104,654</u>	<u>105,534</u>	<u>71,041</u>	<u>71,410</u>
Balance represented by:				
Pension reserve	(50,329)	(50,329)	(58,463)	(58,463)
Income and expenditure account reserve excluding pension reserve	<u>154,983</u>	<u>155,863</u>	<u>129,504</u>	<u>129,873</u>
At 31 July	<u>104,654</u>	<u>105,534</u>	<u>71,041</u>	<u>71,410</u>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

**24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Surplus after depreciation of assets at valuation	22,455	21,539
Depreciation and impairment	4,224	5,016
Disposal of property	215	237
Deferred capital grants released to income (Notes 1, 3 & 4)	(1,227)	(1,177)
FRS17 Pension staff costs less contributions payable (Notes 6 & 28)	1,736	929
FRS17 Pension finance costs/(income) (Notes 8 & 28)	411	448
Interest payable (Note 8)	18	18
Interest receivable (Note 5)	(918)	(1,237)
(Increase)/Decrease in debtors	(3,047)	1,543
(Decrease)/Increase in creditors	2,361	(5,763)
(Decrease) in provisions	(30)	(8)
(Increase) in current asset investments	-	(29)
Net cash inflow from operating activities	26,198	21,516

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Income from endowments	4	3
Other interest received	844	874
Interest paid	(18)	(18)
Net cash inflow from returns on investments and servicing of finance	830	859

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2013</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2012</u> <u>£'000</u>
Purchase of tangible fixed assets	(13,891)	(13,510)
Deferred capital grants received	1,652	4,028
Endowments received	9	2,141
Net cash (outflow) from capital expenditure and financial investment	(12,230)	(7,341)

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

27. ANALYSIS OF CHANGES IN NET FUNDS/DEBT

	<u>At 1 August 2012</u>	<u>Cashflows</u>	<u>Other</u>	<u>At 31 July 2013</u>
	<u>£'000</u>	<u>£'000</u>	<u>Changes</u>	<u>£'000</u>
			<u>£'000</u>	
Cash in hand and at bank	59,987	5,386	-	65,373
Endowment asset investments	2,434	9	-	2,443
	62,421	5,395	-	67,816
Current asset investments	3,380	-	9,403	12,783
	65,801	5,395	9,403	80,599

28. PENSION AND SIMILAR OBLIGATIONS

The University's employees belong to three principal pension schemes: the Teachers' Pension Scheme, the Universities Superannuation Scheme and the West Yorkshire Pension Fund. The total pension cost for the year was £9,498,000 (2012 : £8,503,000).

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined benefit scheme. Contributions made on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates.

The pension cost is assessed periodically in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment return per annum	6.5%
Salary scale increases per annum	5.0%
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teacher's Pension (Employers' Supplementary contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions.

For the period from 1 August 2012 to 31 July 2013 the contribution rates were 14.1% for employers and banded contributions of 6.4% to 11.2% for employees. The pensions' charge recorded by the University during the accounting period was equal to the contributions payable, taking into account benefit improvements subsequent to the valuation and the spreading of surplus over future service lives of employees. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

FRS 17

The TPS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

Universities Superannuation Scheme (USS)

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

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

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

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

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

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

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

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

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

New entrants

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

Normal pension age

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

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

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

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

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

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

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

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 March 2013, USS had over 148,000 active members and the institution had 85 active members participating in the scheme.

The total pension cost for the institution was £563k (2012: £486k). The contribution rate payable by the institution was 16% of pensionable salaries.

FRS 17

The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

West Yorkshire Pension Fund (WYPF)

The WYPF is a funded defined benefit pension scheme with the assets held in separate trustee administered funds. The total contribution for the year ended 31 July 2013 was £5,127,000 of which employer's contributions totalled £3,563,000 and employees' contributions totalled £1,564,000. The latest agreed contribution rates for future years are 13.0% for the employer plus an additional 'shortfall' contribution payable annually and banded contributions of 5.5% to 7.5% for employees. The estimate for the employer's contributions for the year ending 31 July 2014 is £3,700,000.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2013	At 31 July 2012
Retiring today		
Males	22.1	22.0
Females	24.3	24.1
Retiring in 20 years		
Males	23.9	23.8
Females	26.2	26.1

FRS 17

This information is based upon a full actuarial valuation of the Fund at 31 March 2011 updated to 31 July 2013 by a qualified independent actuary.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

	<u>Year Ended</u> <u>31 July 2013</u>	<u>Year Ended</u> <u>31 July 2012</u>	<u>Year Ended</u> <u>31 July 2011</u>
Actuarial assumptions			
Rate of inflation (RPI)	3.6%	3.1%	3.7%
Rate of increase in salaries	4.6%	4.6%	5.2%
Rate of increase for pensions	2.7%	2.1%	2.8%
Discount rate for liabilities	4.5%	4.1%	5.3%
Rate of inflation (CPI)	2.7%	2.1%	2.8%

The assets in the scheme (of which the University's share is estimated at 0.87%) and the expected rates of return were:

	<u>2013</u>	<u>Value at</u>	<u>2012</u>	<u>Value at</u>	<u>2011</u>	<u>Value at</u>
	<u>Long term</u>	<u>31 July</u>	<u>Long term</u>	<u>31 July</u>	<u>Long term</u>	<u>31 July</u>
	<u>rate of</u>	<u>2013</u>	<u>rate of</u>	<u>2012</u>	<u>rate of</u>	<u>2011</u>
	<u>return</u>	<u>£m</u>	<u>return</u>	<u>£m</u>	<u>return</u>	<u>£m</u>
	<u>expected at</u>		<u>expected at</u>		<u>expected at</u>	
	<u>31 July</u>		<u>31 July</u>		<u>31 July</u>	
	<u>2013</u>		<u>2012</u>		<u>2011</u>	
Equities	7.8%	7,057	7.5%	5,944	7.9%	6,349
Government Bonds	3.3%	290	2.5%	306	3.9%	313
Other Bonds	4.0%	1,102	3.2%	1,131	4.7%	1,008
Property	7.3%	551	7.0%	485	7.4%	347
Cash	0.9%	367	1.4%	238	1.5%	182
Other	7.8%	<u>300</u>	7.5%	<u>400</u>	7.9%	<u>486</u>
Total market value of assets		<u>9,667</u>		<u>8,504</u>		<u>8,685</u>

The University of Huddersfield employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2013.

	<u>Year Ended</u> <u>31 July 2013</u>	<u>Year Ended</u> <u>31 July 2012</u>	<u>Year Ended</u> <u>31 July 2011</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
University's estimated asset share	109,568	90,975	89,084
Present value of scheme liabilities	<u>(159,897)</u>	<u>(149,438)</u>	<u>(126,587)</u>
Deficit in scheme	<u>(50,329)</u>	<u>(58,463)</u>	<u>(37,503)</u>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Analysis of the amount charged to the income and expenditure account:		
Employer service cost (net of employer contributions)	(1,642)	(310)
Past service (cost)	(93)	(619)
	<hr/>	<hr/>
Total operating charge	(1,735)	(929)

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Analysis of pension finance (costs)/income:		
Expected return on pension scheme assets	5,796	6,296
Interest on pension liabilities	(6,207)	(6,744)
	<hr/>	<hr/>
Pension finance costs	(411)	(448)

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Amount recognised in the statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	10,585	(4,820)
Experience gains and losses arising on the scheme liabilities	(305)	(14,763)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in STRGL	10,280	(19,583)

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Movement in deficit in the year:		
Deficit in scheme at 1 August	(58,463)	(37,503)
Movement in year:		
Current service cost	(5,205)	(4,212)
Employer contributions	3,563	3,902
Past service/curtailment (cost)	(93)	(619)
Net (loss) on assets	(411)	(448)
Actuarial gain/(loss)	10,280	(19,583)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(50,329)	(58,463)

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

Asset and Liability Reconciliation

Reconciliation of Liabilities

	<u>Year Ended</u> <u>2013</u> <u>£'000</u>	<u>Year Ended</u> <u>2012</u> <u>£'000</u>
Liabilities at start of period	149,438	126,587
Service cost	5,205	4,212
Interest cost	6,207	6,744
Employee contributions	1,564	1,525
Actuarial loss	305	14,763
Benefits paid	(2,309)	(2,542)
Retirement lump sum paid	(606)	(2,470)
Past Service cost	93	619
	<hr/>	<hr/>
Liabilities at end of period	<u>159,897</u>	<u>149,438</u>

Reconciliation of Assets

	<u>Year Ended</u> <u>2013</u> <u>£'000</u>	<u>Year Ended</u> <u>2012</u> <u>£'000</u>
Assets at start of period	90,975	89,084
Expected return on assets	5,796	6,296
Actuarial gain/(loss)	10,585	(4,820)
Employer contributions	3,563	3,902
Employee contributions	1,564	1,525
Benefits paid	(2,915)	(5,012)
	<hr/>	<hr/>
Assets at end of period	<u>109,568</u>	<u>90,975</u>

History of experience gains and losses

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Difference between the expected and actual return on assets:					
Amount £000	10,585	(4,820)	4,061	5,391	(7,648)
% of scheme assets	10	5	5	7	12
Experience gains and losses on scheme liabilities:					
Amount £000	(304)	(14,763)	(6,024)	(11,671)	14,781
% of scheme liabilities	-	10	5	10	15
Total amount recognised in STRGL:					
Amount £000	10,281	(19,583)	(1,963)	2,446	7,133
% of scheme liabilities	6	13	2	2	7

Total pension cost for the Group

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Contributions to TPS	3,728	3,805
Contributions to WYPF	5,206	4,212
Contributions to USS	564	486
	<hr/>	<hr/>
Total pension cost (Note 6)	<u>9,498</u>	<u>8,503</u>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

29. POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

30. CAPITAL COMMITMENTS

Group and University

	<u>Year Ended</u> <u>2013</u> <u>£'000</u>	<u>Year Ended</u> <u>2012</u> <u>£'000</u>
Commitments contracted for at 31 July	11,136	-
Authorised but not contracted by 31 July	2,250	23,100

31. FINANCIAL COMMITMENTS

Group and University

At 31 July the University had annual commitments under non-cancellable operating leases for machinery and vehicles as follows:-

	<u>Year Ended</u> <u>2013</u> <u>£'000</u>	<u>Year Ended</u> <u>2012</u> <u>£'000</u>
Amounts expiring within one year	39	15
Amounts expiring between one and two years	34	8
Amounts expiring between two and five years	62	4
	<u>135</u>	<u>27</u>

32. RELATED PARTY TRANSACTIONS

The Group has taken the FRS 8 exemption not to disclose transactions with other group organisations where the wholly owned companies are fully consolidated within the group accounts.

Due to the nature of the University's operations and the composition of the University Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the University Council may have an interest. All transactions involving organisations in which a member of the University Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Significant transactions were:-

	<u>Sales</u> <u>2013</u> <u>£'000</u>	<u>Purchases</u> <u>2013</u> <u>£'000</u>	<u>Sales</u> <u>2012</u> <u>£'000</u>	<u>Purchases</u> <u>2012</u> <u>£'000</u>
Huddersfield University Students Union	425	1,271	398	1,234
Nationwide Children's Research Centre Ltd	-	49	71	66
JRC Management Ltd	-	14	-	-
Yorkshire Universities Ltd	-	-	-	24
Huddersfield Town Centre Partnership Ltd	-	1	-	-
	<u>425</u>	<u>1,335</u>	<u>469</u>	<u>1,324</u>

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

33. CONTINGENT LIABILITIES

There are no contingent liabilities.

34. ACCESS FUNDS

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
Balance at 1 August	9	25
HEFCE grants	517	550
Interest earned	1	1
	<hr/>	<hr/>
	527	576
Disbursed to students	<hr/> (525)	<hr/> (567)
Balance unspent at 31 July	<hr/> <hr/> 2	<hr/> <hr/> 9

HEFCE grants are available solely for students: the University acts only as paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

35. TRAINING BURSARIES

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
HEFCE, National College for Teaching and Leadership also Yorkshire Forward grants	480	375
Disbursed to students	<hr/> (480)	<hr/> (375)
	<hr/> <hr/> -	<hr/> <hr/> -

HEFCE, National College for Teaching and Leadership and Yorkshire Forward training grants are available solely for students: the University acts only as paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

36. AGENCY ARRANGEMENTS

The University receives and disburses funds as an accountable body on behalf of the European Commission and HEFCE.

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
HEFCE - Aim Higher	-	298
Disbursed to partners	<hr/> -	<hr/> (298)
	<hr/> <hr/> -	<hr/> <hr/> -
HEFCE - West Yorkshire Lifelong Learning Network	5	51
Disbursed to partners	<hr/> (5)	<hr/> (51)
	<hr/> <hr/> -	<hr/> <hr/> -

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2013
NOTES TO THE FINANCIAL STATEMENTS (continued)

36. AGENCY ARRANGEMENTS (Continued)

	<u>Year Ended</u> <u>31 July 2013</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2012</u> <u>£'000</u>
European Commission - Non Timber Forest Products – Phase 2	543	542
Disbursed to partners	(543)	(542)
	-	-
European Commission – Children of Prisoners, Interventions and Mitigations to Strengthen Mental Health	657	415
Disbursed to the University	(431)	-
Disbursed to partners	(226)	(415)
	-	-
European Commission - Coffee Consortium	54	176
Disbursed to partners	(54)	(176)
	-	-
European Commission - NanoClear	207	2,665
Disbursed to the University	-	(357)
Disbursed to partners	(207)	(2,308)
	-	-
EPSRC - C14 and Irradiated Graphite	64	56
Disbursed to partners	(64)	(56)
	-	-
ERDF - Graduate Entrepreneurship	260	197
Disbursed to the University	(160)	-
Disbursed to partners	(100)	(197)
	-	-
PCB Project	2	-
Disbursed to the University	-	-
Disbursed to partners	(2)	-
	-	-
STFC Clasp Project	20	-
Disbursed to partners	(20)	-
	-	-
HEFCE - WYKE	17	-
Disbursed to partners	(17)	-
	-	-
AHRC Technology of Electroacoustic Project	22	-
Disbursed to partners	(22)	-
	-	-



2012
THE AWARDS
WINNER
Entrepreneurial
University of
the Year

THE AWARDS
AWARD WINNER
UNIVERSITY OF THE YEAR



Jessica Dean Cutler achieved the best mark of any student to graduate from the University in November 2013. Her super-high average of 90.47% earned her a coveted 2013 Chancellor's Award, which she received at a special ceremony. Pictured: Jessica with the University's Pro Vice-Chancellor for Teaching and Learning, Professor Tim Thornton.

We are the UK's most financially secure mainstream university.*

An Inspiring University

- We are the first and only University to have 100% of our teaching staff as Fellows of the Higher Education Academy.
- We are the No.1 English mainstream University for the standard of our assessment and feedback.**
- Over the past six years we've become the UK's leading university for National Teaching Fellowships marking Britain's best academics.

An Innovative University

- We are the Times Higher Education's 2013 University of the Year and their 2012 Entrepreneurial University of the Year.
- We are the recipient of the Queen's Award for Enterprise Promotion.
- We have tripled our postgraduate research numbers in five years.

An International University

- We are in the Top 10 in the International Student Barometer.
- We have quadrupled our international income in the past five years.
- We are the recipient of the Queen's Award for International Trade.

*2011/12 Security Index.

**2011-13 National Student Surveys.



Huddersfield is the first University to gain 100% Fellowship of the Higher Education Academy (HEA) for all its teaching staff - the HEA champions excellence in teaching in Higher Education. We believe this achievement is a major contributor to our excellent National Student Survey results.

Pictured left to right: Professor Tim Thornton; Professor Craig Mahoney (CEO of the HEA); Vice-Chancellor, Professor Bob Cryan and Lisa Ward at a ceremony to mark this achievement.



Professor Liz Towns-Andrews, Director for Research and Enterprise, was awarded the Queen's Award for Enterprise Promotion (one of two Queen's Awards for the University this year).



The University was awarded the Queen's Award for Enterprise: International Trade (one of two Queen's Awards for the University this year). Pictured: Professor Dave Taylor and Professor Chris Cowton receive the award from HRH The Duke of Kent.

