



Financial Statements for year ending 31st July 2012

Registered Company Number: 3285547

A company limited by guarantee, without share capital, registered in England

Registered Charity number: 1060579

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Members of the University Council

The following persons served as governors during the year ended 31st July 2012. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

The governors are generally appointed for a period of three years. Each year they sign a register of interests. All the members of the Council are Trustees of the University and directors of the Company.

Mgr JP Devine	Chair
Ms A Seddon	Vice-Chair
The Right Reverend Richard Blackburn	
Mrs E. Benson	
Sr KE Bishop SND	
Dr JC Chubb	
Mr F Cogley	
Mr S Harrison	
Dr J McClelland	
Mr C Mills	
Mr J Norbury	
Very Rev M O'Dowd	
Professor Hilary Russell	
Reverend H. Sharp	
Cllr. N Small	(appointed 11 th October 2011)
Mrs M Swinson	(appointed 17 th April 2012)
Sr M Walsh	
Miss C Whittington-Egan	
Revd P Winn	
Professor GJ Pillay	Vice Chancellor and Rector
Dr J Brinkman	
Dr P Haughan	Rectorate Team
Professor A Nagar	Staff Member
Dr W Bignold	Staff Member
Ms R O'Byrne	President, Students' Union
Mr G Donelan	Secretary

Senior Salaries Remuneration Panel

Chair of University Council, Mgr J Devine
Mr F Cogley
Ms A Seddon

Professor GJ Pillay (except for discussion of his own salary)

Members of the University Council *(continued)*

Finance & General Purposes Committee

Ms A Seddon (Chair)
Bishop of Warrington
Mr S Harrison
Mr J Norbury
Professor GJ Pillay

Audit Committee

Mr F Cogley
Mr M Gilbertson (co-opted)
Mrs E Benson
Mr W Brown (co-opted)
Revd P Winn

Nominations Committee

Mgr J Devine (Chair)
Professor GJ Pillay
Ms A Seddon

Advisers

External Auditors:	KPMG LLP St James' Square Manchester M2 6DS
Bankers:	National Westminster Bank plc Childwall Fiveways Liverpool L15 6YD Barclays 48B & 50 Lord Street Liverpool L2 1TD
Solicitors:	Weightmans India Building 4 Water Street Liverpool L2 0NH
Internal Auditors:	RSM Tenon 1 Hollingswood Court, Stafford Park 1 Telford Shropshire TF3 3DE

Operating and Financial Review

Legal status

Liverpool Hope University was re-constituted in 2005 by order of the Privy Council under Section 129B of the Education Reform Act 1988, as a single, joint Anglican-Roman Catholic ecumenical University. It is registered in England and Wales as a Company Limited by Guarantee (3285547) and registered as a Charity (1060579).

Liverpool Hope University is the only ecumenical University in Europe, whose origins lie in colleges (one Anglican College founded in 1844, two Catholic Colleges founded in 1856 and 1965) which came together first in a federation, known as Liverpool Institute of Higher Education and then through full merger as a single ecumenical college. In 2002 taught degree awarding powers were secured and the title Liverpool Hope University College officially bestowed. In July 2005 the granting of full University status led to the adoption of the title Liverpool Hope University and in August 2009, the Privy Council granted the University the power to award research degrees. In the academic and financial year 2011/2012 there were 8,049 students and 586 members of staff, with a range of degrees at undergraduate and postgraduate levels.

Scope

The financial statements comprise the consolidated results of the University and its wholly-owned subsidiary, Liverpool Hope Enterprises Ltd. During financial year 2011/12 Liverpool Hope Enterprises Ltd. activity was processed through the University and Liverpool Hope Enterprises Ltd. became dormant.

Members of the University Council

All the members of the University Council are directors of the Company. No director had any interest in any contract made by the University during the financial year, other than a contract of employment as a member of staff and that described in note 31 to the accounts. None of the directors had any beneficial interest in Liverpool Hope Enterprises Ltd. during the year.

Mission Statement

The Mission Statement reflects both the University's traditions and its intention to develop and maintain a distinctive and forward-looking programme relevant to local, regional, national and international needs.

Liverpool Hope University is an ecumenical, Christian foundation which strives:

- to provide opportunities for the well-rounded personal development of all students;
- to educate the whole person in mind, body and spirit, irrespective of age, social or ethnic origins or physical capacity, including in particular those with promise who might otherwise not have had an opportunity to enter higher education;
- to be a provider of high quality educational programmes responsive to the needs of students in the UK and abroad;
- to sustain an academic community, enriched by Christian values and culture, which supports teaching and learning, scholarship and research, encourages the understanding of other faiths and beliefs, and promotes religious and social harmony;
- to be globally credible while contributing to the educational, religious, cultural, social and economic life of Liverpool, Merseyside, North-West England and beyond.

Operating and Financial Review *(continued)*

Corporate Plan and Strategic Objectives

Consultation on a Corporate Plan for the period 2012-16 took place in the year and was approved by Senate and University Council at the end of the academic year. It provides the strategic framework within which the University operates.

This Corporate Plan identifies goals for the University in five key areas:

- high quality academic pursuit
- knowing our students one by one – deepening the culture of the collegium
- a transformational experience for students and all those we serve
- an enterprising University that is financially self-sufficient
- a distinctive place for learning

Given its history and size, the University does not see itself competing with the large metropolitan Universities (ex-Polytechnics) nor, given the lack of a large science, engineering or medical base with the “red-bricks”. The essence of what Liverpool Hope is striving to be is summarised in the Corporate Plan – a path of excellence in scholarship and collegial life without reservation or hesitation. The University’s distinctive philosophy is to ‘educate in the round’ – mind, body and spirit - in the quest for Truth, Beauty and Goodness.

Areas of Public Benefit provided by Liverpool Hope University

In shaping its objectives and planning its activities the University has considered the Charity Commission guidance on public benefit. The University through oversight of its activities at University Council meetings is confident that it fully satisfies the Public Benefit requirements of the Charity Commission as there is a direct benefit to students from its activities and an indirect benefit to the public at large.

The Public Benefit requirement requires two principles to be met.

1. There must be an identifiable benefit or benefits.

The objects of the University are

- (a) the higher education of men and women including the education and training of persons intending to enter, or engaged in, the teaching profession
- (b) the furtherance of the Roman Catholic Church and the Church of England, of Christian education, of ecumenical ideals, and of understanding between Christian Churches in the promotion of the Gospel
- (c) the advancement of knowledge by research and scholarship and teaching and learning.

This is a clearly identifiable benefit.

2. The benefit must be to the public or a section of the public. This area is expanded below.

Widening Participation

The University is committed to the Widening Participation agenda and invests considerable money and effort each year on its work with schools and young people. The University’s Access Agreement has been approved by the Office of Fair Access and hardship loans are available for students who suffer financial difficulties. There are also a range of facilities available for disabled students to ensure that they are not disadvantaged in any way and are able to fully participate in the life of the University. The University has been awarded the Frank Buttle kitemark (for care leavers).

Operating and Financial Review *(continued)*

Public benefit

As well as the students themselves the University provides benefits for the general public. This includes a range of events such as concerts, lectures and the Cornerstone Festival that are either free or accessible for a minimal charge. The public can also use the University sports facilities through paid membership and book the sports field and Hall for community events. Health and well being initiatives are also run at the University which the public are able to attend. The University's Service and Leadership award encourages students to undertake a range of voluntary activities across the local community and overseas and is recognised by a formal award at the end of their degree.

Going concern

The financial position of the University, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The University currently has £8.7 million of loans outstanding with bankers, all being secured by a fixed and floating charge on University assets. The University's forecasts and financial projections indicate that it will be able to operate within these existing facilities and attached covenants for the foreseeable future, taking into account reasonably expected changes in performance. Accordingly, the University believes that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Finance

- Fee income

In 2011/12 Liverpool Hope University charged the maximum £3,290 for full-time undergraduate and PGCE programmes. Further changes to the Bursary Scheme, approved by the Office for Fair Access (OFFA), meant that the total bursaries in 2011/12 were £1,919,173. In addition, the University continued its Scholarships Scheme which paid out a total of £985,554 in relation to 2011/12.

- Budget management

The University's budget was devolved using a Resource Allocation Model which was based primarily on retained student numbers. The primary budget holders were the nine members of Rectorate Team who report directly to the Vice-Chancellor & Rector. One of the key performance measures for Rectorate Team is the management of their devolved budgets. Monthly variance reports are provided and each budget holder meets a Finance Officer each month to ensure budgets are monitored carefully. The Senior Management Team receives corporate variance reports and any issues are discussed openly.

Responding to external factors and the continued strategic development of the University

After the restructuring undertaken in 2010/11 which had created opportunities for financial space in order to respond effectively to the "market" demands of students, the University spent a lot of 2011/12 ensuring that those new structures were embedded and reviewed where necessary. The University made a large number of academic appointments, all in line with the well-established policy of appointing only those staff who would improve the University's academic profile and in all but the rarest of cases with doctorates. The University also appointed a limited number of professional staff in support services and administration to provide the best possible assistance to Faculties and students.

Operating and Financial Review *(continued)*

The University has maintained its entry standards and indeed for 2013 entry has increased them. However, there is no intention to increase undergraduate numbers and any growth will come with international and taught postgraduate students. This is a continuation of the carefully thought through strategy to provide a distinctive option for students – a liberal arts university where scholarship and the collegium are at the heart of the endeavor.

A national recruitment campaign using the natural links with Dioceses and church schools has moved the University from being a sub-regional provider to being a national recruiter. International links with like-minded institutions of quality in Africa, Asia, North and South America and Europe are continually explored.

Over £2million has been invested in Estates and IT developments, including an extensive refurbishment of the Sheppard Worlock Library, the creation of Our Place – a new social space for students, a new University website, significant improvements to the IT infrastructure and a range of other minor works. These investments were made from the University's reserves with no borrowing required.

After setting its undergraduate tuition fee at £8,250 for 2012 entrants and having its Access Agreement approved by the Office for Fair Access (OFFA), the government intervened in the market it had wanted to create. All institutions had a percentage of students removed from their Student Number Control (SNC) equal to the total number of those who had gained the equivalent of entry points at AAB or better in 2011. This was 122 for Hope. Then, any institution not charging an average fee of less than £7,500 had a further 10% removed from the SNC, thus reducing for Hope by a further 120. Coupled with further cuts in capital funding and a block on an inflationary increase of the 2012 fee, the University Council agreed to increase the fee for 2013 entrants to £9000. The University's Access Agreement with OFFA was approved in July 2012.

Miscellaneous

The Students' Union worked closely with the finance department to manage its budget effectively. At the end of the year 2010/11 the Students' Union repaid all of its outstanding debt to the University. The Students' Union continues to operate independently of the University.

Results for the Year

The University's consolidated income, expenditure and results for the year to 31st July 2012 are summarised as below:

	2011/12	2010/11
	£000s	£000s
Income	52,274	53,434
Expenditure	44,904	47,464
Operating surplus	7,370	5,970

The University's total income decreased by 2.17% compared with the previous year and income from the funding councils decreased by 10.37%.

The University continues to seek to generate additional income through a range of Strategic Business Units and increasingly through knowledge transfer CPD and professionally accredited programmes.

The consolidated income and expenditure account for the year is set out on page 21.

Operating and Financial Review *(continued)*

Student Numbers

As at 31st July 2012 the University had 8,049 students (2010/11 – 7,752).

	Full Time Students	Part Time Students
Undergraduate	4,646	283
Postgraduate (taught)	304	536
Postgraduate (research)	45	114
PGCE	426	150
Other	226	1,319
	<hr/>	<hr/>
	5,647	2,402
	<hr/> <hr/>	<hr/> <hr/>

Treasury Management Policy

At the end of 2012 the cash at bank balance had increased by £4,357,670 to £10,455,606. The cash at bank is composed of cash of £10,271,193 and endowments of £184,413.

There has been significant capital investment over the last four years which has been funded from reserves and grants provided by HEFCE and NWDA. The University made a strategic decision not to undertake any loans to fund this building programme.

University bank loans had reduced to £8,746,622 at the year end and no new loans were taken out in 2011/12. All borrowing is undertaken in the name of the University and conforms to HEFCE requirements. The Treasury Management policy is monitored by the Finance and General Purposes Committee.

Reserves policy

The University is determined to increase its reserves each year and further strengthen its Balance Sheet. During financial year 2011/12 the overall reserves had increased by £1,161,060, which is due to an excellent financial result. The pension reserve liability was increased to £11,505,000 from £5,616,000 due to changes in actuarial assumptions. Whilst it is a sector wide issue the University Finance and General Purposes Committee continues to take this liability very seriously and has established a group to review the University pension arrangements to report on what actions can be taken to minimise this risk.

Employee Involvement

The University places considerable value on the involvement of its employees and on good communication with them. Staff are encouraged to participate in formal and informal consultation at University, faculty and department level, sometimes through membership of formal Committees. The Joint Consultative and Negotiating Committee, (JCNC) is a forum for management and Trades Unions' representatives which meets regularly.

Diversity

The University is cognisant of its obligations under the Equality Act 2010 and has due regard to equality and diversity in its policy making processes.

Operating and Financial Review *(continued)*

Environment and Sustainability

The University Council through its Finance & General Purposes Committee receives regular reports on the Carbon Reduction Commitment and the University adopted an overall Sustainability Policy.

Members of the University Council

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires universities, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The University incurred no interest charges in respect of late payment in the year.

It is the University's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

Connected Charitable Institutions

The University is connected to one charitable institution, Liverpool Hope Preston Carter Foundation which was set up in its current state in April 2012. The University appoints two of the trustees. The Foundation has no income, expenditure, assets or liabilities as at 31 July 2012.

Future Developments and Risks

The University continues to scan the policy environment and is fully engaged with sector bodies and local, regional and national partners. The continued healthy surplus on the accounts and the capital investments made without additional borrowing will enable the University to make decisions from a position of relative strength as the level of public funding continues to decrease dramatically. With pressures on student recruitment, it has become even more important to diversify income streams and the strategy to achieve this – the Five Point Plan – remains in place:- increased taught postgraduate numbers, increased fee-paying international students, more bids and grant applications, more enterprise activity and increased fundraising. The University will continue to survive and flourish.

The University is acutely aware of a number of issues that will have an impact on the whole higher education sector over the next few years, primarily the marketization of higher education through the new fee regime and the entry of new providers of FE Colleges at a lower fee level. In order to minimise these risks the University models a range of scenarios to ensure that plans are in place to respond to any major changes and protect the financial position of the University.

Through its Risk Register, reviewed at Senior Management Team meetings, and overseen by the Audit Committee on behalf of University Council, risks which are not directly financial are also highlighted. These might be compliance or accountability risks such as data returns, health & safety, safeguarding matters or they might be reputational such as quality audits and inspections. The whims of government policy remain a major risk.



Professor G.J. Pillay

Vice-Chancellor and Rector

Statement on Corporate Governance and Risk Management

The following statement is based on both HEFCE guidelines and the model statement provided by the CUC guide, while offering details specific to the University:

1. This statement is provided to enable readers of the annual report and accounts of Liverpool Hope University to obtain a better understanding of its governance and legal structure.
2. The institution 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 from the Committee of University Chairmen in its *Guide for Members of HE Governing Bodies in the UK*.
3. Liverpool Hope 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 articles of government which were approved by the Privy Council in 1996. The current version of the articles was approved by the Privy Council with effect from 20th April 2005.
4. The articles require Liverpool Hope University to have a governing body and a senate, each with clearly defined functions and responsibilities to oversee and manage its activities.
 - a. The **University Council** is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

The governing body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of the governing body will receive any reimbursement for the work they do for that body.

- b. Subject to the overall responsibility of the governing body, the **Senate** has oversight of the academic affairs of Liverpool Hope University and draws its membership entirely from the staff and the students of the institution, save for 2 Network of Hope College Principals. It is particularly concerned with general issues relating to the learning and teaching and research work of Liverpool Hope University.
5. The Chief Executive Officer (Vice Chancellor and Rector) is the head of Liverpool Hope University and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of the formal financial memorandum between Liverpool Hope University and the Higher Education Funding Council (HEFCE), the head of the institution is the accounting officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
6. As chief executive, the head of the institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Rectorate Team (Deans, Pro Vice-Chancellors and the University Secretary) all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the governing body.
7. Liverpool Hope University maintains a register of interests of members of the governing body and Rectorate Team members which may be consulted by arrangement with the Secretary.
8. In accordance with the articles of government, a secretary to the governing body has been appointed. In that capacity, he provides independent advice on matters of governance to all members of the governing body.

Statement on Corporate Governance and Risk Management *(continued)*

As the governing body of Liverpool Hope University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument and articles and the Financial Memorandum with the HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been embedded and was in operation during the year ended 31 July 2012 and, up to the date of signing these financial statements, accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. Consistent with the Risk Management Strategy approved by us, the following processes have been established:

1. We meet four times a year to consider the plans and strategic direction of the institution.
2. We receive periodic reports from the chairman of the Audit Committee concerning internal control, and we receive regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
3. We receive a report on discussions of risk at Rectorate team (the University's senior management team) and have requested the Audit Committee to provide oversight on risk.
4. The Audit Committee receives regular reports from the internal auditor, which include the internal auditor's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
5. A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis is established.
6. An organisation-wide risk register is operational.
7. Reports are received from budget holders and project managers on internal control activities.
8. Policies such as the Code of Practice on Whistleblowing, Code of Conduct and Anti- Fraud Policy and Response Plan have been periodically reviewed and revised.
9. The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:
10. Clear definitions of the responsibilities of, and the authority delegated to, members of the Rectorate, Team and other senior managers;
11. A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
12. Regular reviews of academic performance and monthly reviews of financial performance involving variance reporting and updates of forecast outturns;
13. Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
14. Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance & General Purposes Committee; and

Statement on Corporate Governance and Risk Management *(continued)*

15. A professional Internal Audit function whose annual programme is approved by the Audit Committee and endorsed by the Governing Body, which provides the Governing Body 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.

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

Our review of the effectiveness of the system of internal control is informed by the internal auditor, which operates to standards defined in the HEFCE Audit Code of Practice. The Internal Auditor's unqualified opinion for 2010/11 is welcomed.

Our review of the effectiveness of the system of internal control is also informed by the HEFCE audit service current risk assessment letter to the University.

In addition it 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 University Council meets four times a year and has several committees, including a Finance & General Purposes Committee, a Staffing Committee, a Nominations Committee, a Senior Salaries Remuneration Panel and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Council, one of whom is the Chair.

In respect of its strategic and development responsibilities, the Council is responsible for adoption of the University's Corporate Plan and the Vice-Chair of Council has responsibility to liaise with officers on such matters. Council receives recommendations and advice on this and other strategic issues from the Planning and Strategic Support Committee and Senate, the body responsible for the University's academic affairs.

The Finance & General Purposes Committee, *inter alia*, recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Staffing Committee considers issues relating to staffing and employment in the University.

The Nominations Committee considers nominations for co-opted vacancies in the Council membership under the relevant Instrument of Government. The University Council comprises lay and academic persons appointed under the provisions of the Education Reform Act 1988, the majority of whom are non-executive. The roles of Chair and Vice Chair of the Council are separate from the role of the University's Vice Chancellor and Rector.

The Senior Salaries Remuneration Panel determines the remuneration of the most senior staff, including the Vice Chancellor and Rector and reports annually to Council.

The Audit Committee meets three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's system of internal control, management's responses and implementation plans. 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. The Committee is empowered to meet the External and Internal Auditors on their own for independent discussions. A fourth meeting has also been introduced, if required which does not include officers of the University.

Statement on Corporate Governance and Risk Management *(continued)*

The Rectorate Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The Rectorate Team and the Audit Committee also receive regular reports from internal audit and, as necessary, from the Health and Safety Committee, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control.

The Council's agenda includes consideration of risk and control via reports thereon from the Audit Committee and the Rectorate Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Statement of responsibilities of the Members of the University Council

In accordance with the Education Reform Act 1988 and the Memorandum and Articles of Association and Articles of Government, adopted on Incorporation on 29th November 1996 and amended thereafter, the University Council is responsible for the administration and management of the affairs of Liverpool Hope University and is required to present audited financial statements for each financial year. This also includes ensuring the operation of an effective system of internal control.

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 enable it to ensure that the financial statements are prepared in accordance with the revised Instrument and Articles of Government, the Audit Code of Practice issued by the Higher Education Funding Council for England, the Statement of Recommended Practice on Accounting in Higher and Further Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of Liverpool Hope University and in accordance with Company Law, the University Council through its designated office holder (the Vice Chancellor and Rector), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the University Council is responsible for ensuring that:

- suitable accounting policies are selected and applied consistently;
- judgments 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Council is responsible for taking reasonable steps to:

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

While the following is not a specific recreation of the constitutional provisions within the Articles of Government, the principal responsibilities of Council, adopted in December 2005, may be summarised as being:-

Statement of responsibilities of the Members of the University Council *(continued)*

1. To approve the educational character, mission and strategic vision of Liverpool Hope University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as Rector and Vice-Chancellor, for the academic, corporate, financial, estate and personnel management of the institution, and other responsibilities as detailed in the constitution, and keeping those functions under regular review.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of council itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of Liverpool Hope University.
8. To appoint the head of the institution as Rector and Vice-Chancellor, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to council and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of Liverpool Hope University, to ensure that proper books of account are kept and resources used properly, effectively and efficiently, and to approve the annual budget and financial statements and have overall responsibility for the university's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in Liverpool Hope University's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with senate, and for the operation of the Students' Union under a constitution approved by council.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of Liverpool Hope University.
15. To ensure that Liverpool Hope University's constitution is followed at all times and that appropriate advice is available to enable this to happen.



St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the Council of Liverpool Hope University

We have audited the Group and parent University financial statements of Liverpool Hope University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governing Council, and to the company's members, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 and to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Council and to the company's members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Council and the company's members, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Responsibilities set out on page 13 and 14, the Governing Council (and the Directors of the company for the purposes of company law) is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Council; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and the parent University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.

Independent auditors' report to the Council of Liverpool Hope University *(continued)*

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and other terms and conditions attached to them.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Operating and Financial Review and Report of the Governing Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

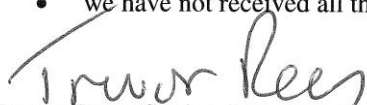
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters 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 Report of the Governing Council) is inconsistent with our knowledge of the Group and the parent University.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.



Trevor Rees (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St James Square

Manchester

M2 6DS

24 November 2012

The maintenance and integrity of the Liverpool Hope website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Principal Accounting Policies

1. Basis of preparation

The University is a company limited by guarantee, and was incorporated on 26 November 1996. Under the terms of the Memorandum and Articles of Association, the members of the University Governing Council have each undertaken to contribute a maximum of £1 in the event of winding up of the company.

These financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions (2007), applicable accounting standards, and Companies Act where appropriate. They conform to guidance published by the Higher Education Funding Council for England.

2. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

3. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertaking, Liverpool Hope Enterprises Ltd. Intra-group sales and profits are eliminated fully on consolidation.

The consolidated financial statements do not include those of Liverpool Hope Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

4. Format of the accounts

The directors have taken advantage of the Companies Act 2006 to adapt the format of the accounts to reflect the special nature of the Company's business.

5. Recognition of income

The recurrent grants from the Higher Education Funding Council for England and the Training and Development Agency for Schools represent the funding allocation which is attributable to the current financial year and is credited direct to the income and expenditure account.

Grants which are applied to acquire tangible fixed assets are credited to deferred capital grants and released to the income and expenditure account over the estimated useful lives of the relevant assets.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income from research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

The University acts as an agent in the payment of training bursaries from the Training and Development Agency and access funds from the Higher Education Funding Council. Related payments received and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in notes 29 and 30.

6. Maintenance of premises

The University undertakes a ten year rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

Statement of Principal Accounting Policies *(continued)*

7. Pension schemes

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and its employees.

The principal schemes for the University's staff are the Teacher's Pension Scheme (TPS) and the Local Government Superannuation Scheme (LGSS) for those staff not included as academic. These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employee's working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries.

Following full implementation of FRS 17 the pension charge for the year was £2,169,910 (2010/11: £2,489,391) (See note 28).

8. 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.

The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 2.5% in excess of price inflation.

An amount of £284,597 is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. (See note 16).

In addition £1,254,723 in 2010/11 relates to voluntary redundancy provisions as part of the restructuring costs as a result of the Change Management Programme.

9. Fixed assets

In 1980 the two former colleges, St. Katharine's and Christ's and Notre Dame, entered into a Deed of Adherence with the Liverpool Institute of Higher Education under which they provided their respective properties to the Institute. These were superseded in 1998 by similar Deeds of Arrangement of Membership with Liverpool Hope.

St. Katharine's College (Warrington Training College Incorporated), was granted a 99 year lease in 1963 from the Central Board of Finance of the Church of England for the properties provided to the Institute under the Deed of Adherence. The lease is renewable upon request for a second and final 99 years from 2062.

Christ's and Notre Dame College property is owned by the Trustees of Christ's and Notre Dame College. Under the Deed of Adherence the property of the College was made available for the use of the Institute. These buildings have been included on the balance sheet since 2004/05 to reflect the fact that the University carries the majority of the benefits and liabilities of the buildings.

Under the terms of the Deed of Adherence neither College shall withdraw from Liverpool Hope without the agreement of the remaining College and the consent of the Secretary of State for Education and Employment. Subject to the appropriate agreements, written notice must be given at least five years prior to any withdrawal and, in the first instance, may only be given to expire no earlier than 31st August 2023.

Statement of Principal Accounting Policies *(continued)*

9. Fixed assets *(continued)*

Within the Trust Deed and the Deeds of Adherence between the Colleges and the Institute, those elements of the tangible fixed assets which are additions and/or improvements to buildings also become the property of the respective College Trustees.

Fixed asset land and buildings were revalued as at 31st July 2010. The revaluation was undertaken by Eddisons, a firm of chartered surveyors on a depreciated replacement cost basis. Additional works and improvements to land and buildings carried out since 1st August 2010 are included in the accounts at depreciated cost. The accounting policy is to revalue all land and buildings within a class of revalued assets but for practical purposes there is one instance where this had not been possible and the property is carried at depreciated historical cost, namely the refurbishment of HE teaching facilities at St. Mary's 6th Form College, Blackburn. The net book value of the refurbishment in the financial statements as at 31st July 2012 is £136,500 (2010 - £147,000).

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as below. The related grants are treated as deferred capital grants and released to income over the expected useful life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the 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 31st July. They are not depreciated until they are brought into use.

Building refurbishment works are capitalised subject to a minimum threshold of £20,000 per refurbishment project. Such costs are not depreciated until the works are completed. Costs of refurbishment projects costing less than £20,000 are written off to the income and expenditure account in the period in which they are incurred.

Equipment costing less than £5,000 per individual item or group of related items constituting a single suite of equipment is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic lives as follows:

Land & Buildings

Buildings	50 years
Building refurbishments	20 years

Vehicles

Motor vehicles	5 years
----------------	---------

Equipment

Computer equipment (per item type)	3 years
Equipment (greater than £5,000)	3 years
Furniture & fittings	5 years
Boiler (hire purchase)	20 years
Steinway Pianos	10 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 the income and expenditure account over the expected useful economic life of the related equipment.

Statement of Principal Accounting Policies *(continued)*

10. Taxation Status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes. Subsidiary companies are liable for corporation tax for charitable purposes.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged as inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

11. Bursaries

The University provides bursaries to students from its own revenue funds. These bursaries are shown in the income and expenditure account gross, as expenditure and not deducted from income.

The University also distributes bursaries on behalf of other organisations. The University only acts as agent and has no interest in these funds. As such, these transactions are not recognised in the income and expenditure account.

12. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities.

13. Leases

Rental costs in respect of operating leases are charged to expenditure on a straight line basis over the lease term.

Fixed assets held under hire purchase agreements and the related hire purchase obligations are recorded in the balance sheet and these assets are depreciated over their useful life.

On 31st March 2011 the University acquired the remaining lease on Gerard Manley Hopkins Hall, a 188 bed student accommodation block at their Everton campus. The remainder of the lease was acquired for a premium of £625,000 payable to the former lease holder and will also require the payment of an annual rent payable to the lessor of £376,494 with inflationary increases every 5 years until the termination of the lease in November 2038. At the end of the term the University has the option to buy the freehold for 25% of market value and this outcome has been treated in the accounts as a foregone conclusion. Taking all aspects of the lease into account the University is accounting for it as a hire purchase, at the rate of interest implicit in the minimum lease payments (including the payment to acquire the freehold at the end of the term), and therefore including the asset at open market value of the property (£6,261,151 adjusting for dilapidations) at 31st March 2011.

Consolidated Income and Expenditure Account

For the year ended 31st July 2012

	<i>Note</i>	2012 £	2011 £
Income			
Funding council grants	1	22,454,662	24,984,244
Tuition fees and support grants	2	22,499,401	22,192,829
Research grants and contracts		175,190	131,549
Other operating income	3	7,005,787	6,106,029
Endowment and investment income	4	138,959	19,980
		<hr/>	<hr/>
Total income		52,273,999	53,434,631
		<hr/>	<hr/>
Expenditure			
Staff costs	5	22,599,087	24,691,325
Restructuring costs		-	1,964,133
Depreciation	10	3,065,039	2,752,703
Other operating expenses	6	18,278,957	17,208,397
Interest payable	7	960,483	847,815
		<hr/>	<hr/>
Total expenditure	9	44,903,566	47,464,373
		<hr/>	<hr/>
Operating surplus after depreciation of assets		7,370,433	5,970,258
		<hr/>	<hr/>
Transfer from accumulated income within endowments		26,614	25,279
		<hr/>	<hr/>
Surplus after depreciation of assets and interest	8	7,397,047	5,995,537
		<hr/> <hr/>	<hr/> <hr/>

The consolidated income and expenditure account of the University and its subsidiary relates wholly to continuing operations.

Statement of Historical Cost Surplus and Deficits


For the year ended 31st July 2012

	<i>Note</i>	2012 £	2011 £
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	<i>20</i>	7,397,047	5,995,537
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<i>21</i>	393,912	393,912
Historical cost surplus		7,790,959	6,389,449

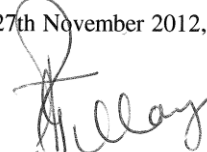
Balance Sheet as at 31st July 2012

	Note	Consolidated 2012 £	University £	Consolidated 2011 £	University £
Fixed assets					
Tangible assets	10	88,348,830	88,348,830	86,312,103	86,312,103
Investments	11	-	-	-	2,622,504
		<u>88,348,830</u>	<u>88,348,830</u>	<u>86,312,103</u>	<u>88,934,607</u>
Endowment Assets	12	184,414	184,414	211,027	211,027
Current assets					
Debtors	13	1,864,489	1,864,489	1,989,492	1,981,492
Cash at bank and in hand		10,271,189	10,271,190	5,886,909	5,280,649
		<u>12,135,678</u>	<u>12,135,678</u>	<u>7,876,401</u>	<u>7,262,404</u>
Creditors: amounts falling due within one year	14	(8,390,772)	(8,390,772)	(7,539,394)	(9,517,742)
Net current assets/(liabilities)		<u>3,744,906</u>	<u>3,744,906</u>	<u>337,007</u>	<u>(2,266,338)</u>
Total assets less current liabilities		<u>92,278,150</u>	<u>92,278,150</u>	<u>86,860,137</u>	<u>86,890,296</u>
Creditors: amounts falling due after more than one year					
Provisions for liabilities and charges	15 16	(14,018,020) (284,597)	(14,018,020) (284,597)	(14,391,530) (1,543,134)	(14,391,530) (1,543,134)
Net assets excluding pension liability		<u>77,975,533</u>	<u>77,975,533</u>	<u>70,925,473</u>	<u>70,955,632</u>
Pension liability	17	(11,505,000)	(11,505,000)	(5,616,000)	(5,616,000)
Total net assets		<u>66,470,533</u>	<u>66,470,533</u>	<u>65,309,473</u>	<u>65,339,632</u>
Deferred capital grants	18	22,567,654	22,567,654	23,196,118	23,196,118
Endowments	19	184,414	184,414	211,027	211,027
Reserves					
Income and expenditure account excluding pension reserve	20	33,043,216	33,043,216	24,944,167	24,974,326
Pension reserve		(11,505,000)	(11,505,000)	(5,616,000)	(5,616,000)
Income and expenditure account including pension reserve		21,538,216	21,538,216	19,328,167	19,358,326
Revaluation reserve	21	22,180,249	22,180,249	22,574,161	22,574,161
Total funds		<u>66,470,533</u>	<u>66,470,533</u>	<u>65,309,473</u>	<u>65,339,632</u>

The financial statements on pages 21 to 44 were approved by the University Council on 27th November 2012, and signed on its behalf by:


Monsignor J Devine
Chair of the University


Mr J. Norbury
On behalf of the Chair of Finance & General
Purposes Committee


Professor G. Pillay
Rector & Vice Chancellor

Cash Flow Statement

For the year ended 31st July 2012

	<i>Note</i>	2012 £	2011 £
Net cash inflow from operating activities	23	10,646,126	15,151,506
Returns on investments and servicing of finance			
Interest received		138,959	19,980
Interest paid		(888,024)	(627,843)
Net cash outflow from returns on investments and servicing of finance		(749,065)	(607,863)
Capital expenditure and financial investment	24	(5,137,144)	(10,593,427)
Cash inflow before financing		4,759,917	3,950,216
Financing	25	(402,231)	(461,471)
Increase in cash	27	4,357,686	3,488,745

Statement of Total Recognised Gains and Losses

For the year ended 31st July 2012

	<i>Note</i>	2012	2011
		£	£
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets excluding appreciation of endowment asset		7,370,433	5,970,258
Unrealised (loss) on revaluation of fixed assets	21	-	(73,232)
Actuarial (loss)/gain in respect of pension scheme	28	(5,595,991)	3,070,249
Gain on dissolution of subsidiary		15,081	-
Total recognised gains relating to the period		1,789,523	8,967,275
Reconciliation			
Opening reserves and endowments		42,113,357	33,146,080
Total recognised gains for the year		1,789,523	8,967,275
Closing reserves and endowments		43,902,880	42,113,355

Notes

(forming part of the financial statements)

1 Funding council grants

	2012 £	2011 £
Recurrent grant – HEFCE	15,050,676	15,846,492
Recurrent grant – TDA	5,944,250	6,698,230
Specific grants		
HEFCE Research Assessment	473,717	425,444
HEFCE Special Initiatives	507,714	1,121,173
TDA Special Initiatives	19,183	402,926
Deferred capital grants released in year		
Buildings (Note 18)	459,122	427,361
Equipment (Note 18)	-	62,168
	<u>22,454,662</u>	<u>24,984,244</u>

2 Tuition fees and support grants

	2012 £	2011 £
Full-time students	17,784,792	16,721,923
Full-time students charged overseas fees	1,435,882	1,452,739
Part-time students	1,030,457	1,052,408
	<u>20,251,131</u>	<u>19,227,070</u>
Total fees paid by or on behalf of individual students		
Education contracts	-	187,223
Short course fees	2,248,270	2,778,536
	<u>2,248,270</u>	<u>2,965,759</u>
Total education contracts and short course fees		
Total	<u>22,499,401</u>	<u>22,192,829</u>

Notes (*continued*)

3 Other operating income

	2012	2011
	£	£
Residences, catering and conferences	5,466,697	4,789,794
Other income	1,403,893	1,180,341
Release of deferred capital grants (note 18)	135,197	135,894
	<hr/>	<hr/>
	7,005,787	6,106,029
	<hr/> <hr/>	<hr/> <hr/>

4 Endowment and investment income and interest receivable

	2012	2011
	£	£
Interest receivable	136,229	18,930
Interest on expendable endowment	2,730	1,050
	<hr/>	<hr/>
	138,959	19,980
	<hr/> <hr/>	<hr/> <hr/>

5 Staff costs (including directors' emoluments)

	2012	2011
	£	£
Wages and salaries	18,919,646	20,610,342
Social security costs	1,509,531	1,660,492
Other pension costs (Note 28)	2,169,910	2,420,491
	<hr/>	<hr/>
	22,599,087	24,691,325
	<hr/> <hr/>	<hr/> <hr/>

The average numbers of staff employed by the University (FTE)

	2012	2011
	Number	Number
	FTE	FTE
		restated
Academic	216	243
Administrative and technical	282	275
Manual and ancillary	88	107
	<hr/>	<hr/>
	586	625
	<hr/> <hr/>	<hr/> <hr/>

Prior year restated to FTE as they were previously disclosed as headcount rather than FTE.

Notes *(continued)*

5 Staff costs (including directors' emoluments) *(continued)*

Emoluments of the Rector (excl. pensions contributions)	228,300	214,866
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The emoluments of the Rector are shown on the same basis as for higher paid staff (excluding employer's social security contributions). The University's pension contributions to the Teachers Pension Scheme are paid on behalf of the Vice-Chancellor & Rector at the same rate as for other academic staff and amounted to £29,779 (2011/11: £29,366).

All payments to directors are in respect of services as members of staff and relate to the period of office. Where appropriate these emoluments are also included in the bands for higher paid staff.

The number of staff, including senior post-holders and the Vice Chancellor & Rector, who received remuneration in the following ranges was:

	2012	2011
	Number	Number
£100,000 - £109,999	3	4
£110,000 - £119,999	2	-
£240,000 - £249,999	-	1
£250,000 - £259,999	1	-
	<hr/>	<hr/>
	6	5
	<hr/> <hr/>	<hr/> <hr/>

6 Other operating expenses

	2012	2011
	£	£
Residences, catering and conference operating expenses	1,943,848	1,749,874
Teaching departments	4,209,687	4,900,774
Books and periodicals	754,773	571,125
Heat, light, water and power	1,267,851	1,159,911
Repairs and general maintenance	1,709,838	1,473,724
Grants to Liverpool Hope Students' Union	225,000	225,000
External auditors' remuneration	46,620	44,844
External auditors' remuneration in respect of non-audit services	3,950	5,082
Other support services	506,185	492,890
Administration and central services	5,995,834	4,644,372
Other income generating activities	568,785	874,359
Other operating expenses	1,044,329	1,065,448
Reimbursement of Trustees' expenses	2,257	1,094
	<hr/>	<hr/>
	18,278,957	17,208,397
	<hr/> <hr/>	<hr/> <hr/>

Of the £46,620 auditors' remuneration £41,100 relates to the University.

In each year 3 Trustees were reimbursed for expenses directly connected with their duties as Trustees. In 2011/12 these expenses were travel (including international travel), conferences and hospitality amounting to £2,257. In 2010/11 the expenses related to travel and conferences and amounted to £1,094.

Notes (*continued*)

7 Interest payable

	2012	2011
	£	£
Interest payable on bank loans not wholly repayable within five years	467,453	483,112
FRS 17 pension fund interest payable	72,459	219,972
Interest payable on finance lease	420,571	144,731
	<u>960,483</u>	<u>847,815</u>

8 The surplus on continuing operations for the year

	2012	2011
	£	£
University surplus for the year	7,381,984	6,008,937
Surplus/(Loss) generated by subsidiary undertaking and not transferred to the University under gift aid	15,063	(13,400)
	<u>7,397,047</u>	<u>5,995,537</u>

9 Analysis of expenditure

	Staff costs	Depreciation	Interest payable	Other operating expenses	Total
	£	£	£	£	£
Academic departments	12,587,545	-	-	4,209,687	16,797,232
Academic support services	1,770,879	-	-	1,459,592	3,230,471
Other support services	1,226,900	-	-	731,185	1,958,085
Administration and central services	3,482,486	-	-	5,995,834	9,478,320
General education expenditure	-	-	-	48,328	48,328
Premises	1,733,246	-	-	3,328,823	5,062,069
Other income generating activities	871,441	-	-	561,660	1,433,101
Residences, catering and conferences	926,590	-	-	1,943,848	2,870,438
Depreciation	-	3,065,039	-	-	3,065,039
Interest payable	-	-	960,483	-	960,483
	<u>22,599,087</u>	<u>3,065,039</u>	<u>960,483</u>	<u>18,278,957</u>	<u>44,903,566</u>

The depreciation charge has been funded by:
Deferred capital grants released in the year (note 18)
General income

594,319
2,470,720
<u>3,065,039</u>

Notes (continued)

10 Tangible fixed assets

Consolidated & University	Assets in the course of construction	Land and Buildings	Vehicles	Equipment	Total
	£	£	£	£	£
Valuation/cost					
At 1 August 2011	115,299	86,308,510	121,501	6,448,111	92,993,421
Additions at cost	1,451,590	2,162,823	-	1,488,586	5,102,999
Disposals at cost	-	-	(14,788)	-	(14,788)
Transfers	(211,915)	211,915	-	-	-
	<u>1,354,974</u>	<u>88,683,248</u>	<u>106,713</u>	<u>7,936,697</u>	<u>98,081,632</u>
At 31 July 2012					
Depreciation					
At 1 August 2011	-	1,845,852	111,218	4,724,248	6,681,318
Charge for the year	-	1,963,611	9,050	1,092,378	3,065,039
Eliminated on disposal	-	-	(13,555)	-	(13,555)
	<u>-</u>	<u>3,809,463</u>	<u>106,713</u>	<u>5,816,626</u>	<u>9,732,802</u>
At 31 July 2012					
Net book value					
At 31 July 2012	<u>1,354,974</u>	<u>84,873,785</u>	<u>0</u>	<u>2,120,071</u>	<u>88,348,830</u>
At 31 July 2011	<u>115,299</u>	<u>84,462,658</u>	<u>10,283</u>	<u>1,723,863</u>	<u>86,312,103</u>

Included is £6,261,151 (NBV £6,113,568) which relates to Gerard Manley Hopkins Hall. The substantive nature of the transaction is that of a hire purchase arrangement with rental payments due for 27½ years from the date of acquisition. The property is being depreciated over its remaining useful economic life of 42 years.

Fixed assets include £5,843,500 in relation to land. The land has not been depreciated in the accounts.

Notes (continued)

11 Investments

	Consolidated 2012	University	Consolidated 2011	University
	£	£	£	£
Investment in subsidiaries at cost	-	-	-	2,622,504
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The University owned 100% of the issued share capital of 2,622,504 in 2010/11 £1 ordinary shares of Liverpool Hope Enterprises Ltd, a company registered in England and operating in the UK. The lease ran for a period of 12 years less three days from 14th January 1999 was terminated in January 2011. Activity in Liverpool Hope Enterprises Ltd was transferred to the University during 2011/12, and accordingly the investment has been written down to nil.

12 Endowment assets – expendable endowment

	Consolidated 2012	University	Consolidated 2011	University
	£	£	£	£
Balance at 1 st August	211,027	211,027	236,306	236,306
Expenditure in year (see note 19)	(29,343)	(29,343)	(26,329)	(26,329)
Investment income in year (see note 19)	2,730	2,730	1,050	1,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	184,414	184,414	211,027	211,027
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All the above endowment assets are represented by cash deposits.

13 Debtors

	Consolidated 2012	University	Consolidated 2011	University
	£	£	£	£
Amounts falling due within one year				
Trade debtors	1,181,312	1,181,312	1,282,533	1,274,796
Sundry debtors	215,401	215,401	492,278	492,278
Prepayments and accrued income	467,776	467,776	214,681	214,681
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,864,489	1,864,489	1,989,492	1,981,755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

14 Creditors: amounts falling due within one year

	Consolidated	University	Consolidated	University
	2012		2011	
	£	£	£	£
Loans	363,206	363,206	390,787	390,787
Trade creditors	797,239	797,239	732,843	713,626
Social security and other taxation payable	845,950	845,950	872,934	870,499
Accruals and deferred income	6,384,377	6,384,377	5,527,712	5,527,712
Obligations under hire purchase agreement	-	-	15,118	15,118
Amount due to subsidiary company	-	-	-	2,000,000
	<u>8,390,772</u>	<u>8,390,772</u>	<u>7,539,394</u>	<u>9,517,742</u>

15 Creditors: amounts falling due after more than one year

	Consolidated	University	Consolidated	University
	2012		2011	
	£	£	£	£
Loans secured on residential and other property repayable by 2030	8,383,416	8,383,416	8,758,066	8,758,066
Obligations under hire purchase agreement	5,634,604	5,634,604	5,633,464	5,633,464
	<u>14,018,020</u>	<u>14,018,020</u>	<u>14,391,530</u>	<u>14,391,530</u>

Loans are repayable as below

	2012	2011
	£	£
Within 1 to 2 years	363,206	342,087
Within 2 to 5 years	1,625,288	1,287,630
After 5 years	6,758,128	7,128,349
	<u>8,746,622</u>	<u>8,758,066</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Interest/terms on loans	Original Value	Interest rate	Basis	Number of years remaining
	£	%		
Alexander Jones Building	600,000	1.188	Fixed	11
Sports centre	1,900,000	7.380	Fixed	11
Cloisters/Hermitage	420,000	1.150	Fixed	16
Student accommodation	8,300,000	5.621	£7m Fixed	18
		1.377	£1.3m Variable	

The loans are secured on the relevant assets of the University. All loans are repaid by instalments over the period of the loan.

16 Provisions for liabilities and charges

	Restructuring Costs	Enhanced Pension scheme	Total
	£	£	£
At 1 st August 2011	1,254,723	288,411	1,543,134
Increase/(Decrease) in provision	(1,254,723)	(3,814)	(1,258,537)
	<hr/>	<hr/>	<hr/>
At 31 st July 2012	-	284,597	284,597
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17 Pension liability

University & consolidated	2012	2011
	£	£
As at 1 August 2010	5,616,000	8,439,000
Increase/(Decrease) in liability	5,889,000	(2,823,000)
	<hr/>	<hr/>
As at 31 st July 2011 (see note 28 for further details)	11,505,000	5,616,000
	<hr/> <hr/>	<hr/> <hr/>
The University's pension liability is analysed as follows:		
	£	£
Greater Manchester Pension Fund	8,965,000	3,769,000
Merseyside Pension Fund	2,540,000	1,847,000
	<hr/>	<hr/>
	11,505,000	5,616,000
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Deferred capital grants

	HEFCE 2012 £	Other 2012 £	Total 2012 £
At 1st August 2011			
Buildings	16,841,486	6,354,632	23,196,118
Equipment	-	-	-
	<u>16,841,486</u>	<u>6,354,632</u>	<u>23,196,118</u>
Total	<u>16,841,486</u>	<u>6,354,632</u>	<u>23,196,118</u>
Cash Repaid/Received			
Buildings	-	(34,145)	(34,145)
	<u>-</u>	<u>(34,145)</u>	<u>(34,145)</u>
Total	<u>-</u>	<u>(34,145)</u>	<u>(34,145)</u>
Released to income and expenditure account			
Buildings (note 1 & 3)	459,122	135,197	594,319
	<u>459,122</u>	<u>135,197</u>	<u>594,319</u>
Total	<u>459,122</u>	<u>135,197</u>	<u>594,319</u>
At 31st July 2012			
Buildings	<u>16,382,364</u>	<u>6,185,290</u>	<u>22,567,654</u>
Total	<u>16,382,364</u>	<u>6,185,290</u>	<u>22,567,654</u>

19 Restricted expendable endowments

	Consolidated 2012 £	University £	Consolidated 2011 £	University £
As at 1 st August 2011	211,027	211,027	236,306	236,306
Investment income	2,730	2,730	1,050	1,050
Expenditure in year	(29,343)	(29,343)	(26,329)	(26,329)
	<u>211,027</u>	<u>211,027</u>	<u>236,306</u>	<u>236,306</u>
At 31st July 2012	<u>184,414</u>	<u>184,414</u>	<u>211,027</u>	<u>211,027</u>

The endowments are from the Anthony Burgess Foundation for the advancement of study and research into the author's work, and Rex Makin for chairs in humanities and Jewish law.

The above endowments are all represented by cash deposits.

Notes (continued)

20 Income and expenditure account reserve

	Consolidated 2012 £	University £	Consolidated 2011 £	University £
At 1 st August 2011	19,328,167	19,358,326	9,868,469	9,885,228
Actuarial (loss)/gain	(5,595,991)	(5,595,991)	3,070,249	3,070,249
Other adjustments	15,081	-	-	-
Transfer from revaluation reserve	393,912	393,912	393,912	393,912
Surplus for the year	7,397,047	7,381,969	5,995,537	6,008,937
	<u>21,538,216</u>	<u>21,538,216</u>	19,328,167	19,358,326
Balance represented by:				
Pension reserve	(11,505,000)	(11,505,000)	(5,616,000)	(5,616,000)
Income and expenditure reserve excluding pension reserve	33,043,216	33,043,216	24,944,167	24,944,167
	<u>21,538,216</u>	<u>21,538,216</u>	19,328,167	19,358,326
At 31st July 2012	<u><u>21,538,216</u></u>	<u><u>21,538,216</u></u>	<u><u>19,328,167</u></u>	<u><u>19,358,326</u></u>

As permitted by the Companies Act 2006, the income and expenditure account of the parent company, Liverpool Hope University, is not separately presented as part of these financial statements.

21 Revaluation reserve

	Consolidated 2012 £	University £	Consolidated 2011 £	University £
At 1st August 2011	22,574,161	22,574,161	23,041,305	23,041,305
Revaluation in the year	-	-	(73,232)	(73,232)
Depreciation released to income and expenditure reserve	(393,912)	(393,912)	(393,912)	(393,912)
	<u>22,180,249</u>	<u>22,180,249</u>	22,574,161	22,574,161
At 31st July 2012	<u><u>22,180,249</u></u>	<u><u>22,180,249</u></u>	<u><u>22,574,161</u></u>	<u><u>22,574,161</u></u>

22 Capital commitments

	Consolidated 2012 £	University £	Consolidated 2011 £	University £
Commitments contracted for at 31 st July	2,863,475	2,863,475	1,610,212	1,610,212
	<u><u>2,863,475</u></u>	<u><u>2,863,475</u></u>	<u><u>1,610,212</u></u>	<u><u>1,610,212</u></u>

Notes (*continued*)

23 Reconciliation of consolidated surplus to net cash inflow from other operating activities

	2012 £	2011 £
Surplus	7,397,047	5,995,537
FRS17 adjustment	293,009	247,249
Gain on dissolution of subsidiary	15,101	-
Disposal of fixed assets	1,232	-
Depreciation (note 10)	3,065,039	2,752,702
Deferred capital grants released to income (note 18)	(594,319)	(625,422)
Investment income (note 4)	(138,959)	(19,980)
Interest payable (note 7)	888,024	627,843
(Increase)/Decrease in debtors (note 13)	125,004	(26,231)
Increase/(decrease) in creditors (note 14)	880,099	4,977,725
(Decrease)/increase in endowments (note 19)	(26,614)	(25,279)
Increase/(Decrease) in provisions (note 16)	(1,258,537)	1,247,362
	<u>10,646,126</u>	<u>12,151,506</u>

24 Capital expenditure and financial investment

	2012 £	2011 £
Tangible assets acquired (note 10)	(5,102,999)	(11,963,797)
Deferred capital grants (repaid)/received (note 18)	(34,145)	1,370,370
	<u>(5,137,144)</u>	<u>(10,593,427)</u>

25 Analysis of changes in consolidated financing during the year

Loans	2012 £	2011 £
As at 1 st August 2011	9,148,853	9,610,324
Capital repayments	(402,231)	(461,471)
	<u>(402,231)</u>	<u>(461,471)</u>
Net decrease in loans	(402,231)	(461,471)
Balance at 31st July 2012	<u>8,746,622</u>	<u>9,148,853</u>

Notes (continued)

26 Analysis of changes in net debt

	At 1 August 2011	Cash flows	At 31 July 2012
	£	£	£
Net available cash	5,886,908	4,384,299	10,271,207
Endowment asset (note 12)	211,027	(26,613)	184,414
Debt due within 1 year	(390,787)	27,581	(363,206)
Debt due after 1 year	(8,758,065)	374,650	(8,383,415)
	<u>(3,050,917)</u>	<u>4,759,917</u>	<u>1,709,000</u>

27 Reconciliation of net cash flow to movement in net debt

	2012 £	2011 £
Increase/(Decrease) in cash in the period	4,357,686	3,488,747
Net decrease in debt	402,231	461,471
Change in net debt resulting from cash flows	<u>4,759,917</u>	<u>3,950,218</u>
Net debt at 1st August 2011	<u>(3,050,917)</u>	<u>(7,001,135)</u>
Net debt at 31st July 2012	<u>1,709,000</u>	<u>(3,050,917)</u>

28 Pension and similar obligations

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension Fund (MPF) for non academic staff. The total pension cost for the period was £2,169,910 (2011: £2,489,391).

Teachers Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions 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 pensions cost is assessed no less than every four years 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 as follows:

Latest actuarial valuations Actuarial method	31 March 04 Prospective Benefits
Investment returns per annum	6.50%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£162,650m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Notes (continued)

Teachers Pension Scheme (continued)

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution rate was 14.1%. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioner benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of the anticipated contribution rates.

Greater Manchester Pension Fund (GMPF)

The GMPF is a funded defined benefit scheme, with the assets held in a separate trustee administered fund. The total contribution made for the year ended 31 July 2012 was £1,276,000 of which employers contributions totalled £892,000 and employees contributions totalled £384,000. The agreed contribution rates for future years are 15.5% for employers and ranges between 5.5% to 7.5% for employees, dependent on salary.

FRS 17

The following information is based upon a full actuarial valuation of the fund as 31 March 2008 updated to 31 July 2012 by a qualified independent actuary.

	2012	2011	2010
Rate of increase in salaries	4.00%	4.50%	4.9%
Rate of increase in pensions in payment/inflation	2.20%	2.70%	2.90%
Discount rate for liabilities	4.10%	5.30%	5.40%
Commutation of pension to lump sums	50.00%	50.00%	50.00%
	=====	=====	=====

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 2012	At 31 July 2011	At 31 July 2010
Retiring today			
Males	20.10	20.10	20.80
Females	22.90	22.90	24.10
Retiring in 20 years			
Males	22.50	22.50	22.80
Females	25.00	25.00	26.20
	=====	=====	=====

Notes (continued)

Greater Manchester Pension Fund (continued)

The University's share of assets in the scheme (which is estimated at 0.2% of total scheme assets) and the expected rates of return were:

	Long term rate of return Expected 31 Jul 12	Value at 31 July 12	Long term rate of return Expected 31 Jul 11	Value at 31 July 11	Long term rate of return Expected 31 Jul 10	Value at 31 July 10
		£000		£000		£000
Equities	5.50%	15,507	7.00%	15,099	7.30%	13,783
Bonds	3.30%	4,934	4.60%	4,219	4.80%	2,996
Property	3.70%	1,175	5.10%	1,110	5.30%	1,199
Cash	2.80%	1,880	4.00%	1,776	4.40%	1,998
		<u>23,496</u>		<u>22,204</u>		<u>19,976</u>
Share of total market value of assets						
Present value of scheme liabilities						
- Funded		(32,421)		(25,935)		(26,468)
- Unfunded		(40)		(38)		(38)
		<u>(8,965)</u>		<u>(3,769)</u>		<u>(6,530)</u>

Asset values are at bid value for 2012 while prior years are reported at mid market value. This adjustment has been made in current year as the value is not material.

Analysis of the amount charged to the income and expenditure account

	2012 £000	2011 £000	2010 £000
Employer service cost (net of employee contributions)	1,040	976	1,013
Past service cost	-	-	(1,759)
	<u>1,040</u>	<u>976</u>	<u>(746)</u>
Total operating charge	<u>1,040</u>	<u>976</u>	<u>(746)</u>

Analysis of pension finance income

	2012 £000	2011 £000	2010 £000
Expected return on pension scheme assets	1,398	1,321	1,115
Interest on pension scheme liabilities	(1,402)	(1,456)	(1,470)
	<u>(4)</u>	<u>(135)</u>	<u>(355)</u>
Pension finance income	<u>(4)</u>	<u>(135)</u>	<u>(355)</u>

Notes (continued)

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

	2012 £000	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	(811)	157	1,532
Experience gains and losses arising on the scheme liabilities	(295)	1,735	6
Change in financial and demographic assumptions underlying the scheme liabilities	(3,811)	1,203	(1,798)
	<hr/>	<hr/>	<hr/>
Actual gain/(loss) recognised in STRGL	(4,917)	3,095	(260)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Movement in deficit during year

	2012 £000	2011 £000
Deficit in scheme at beginning of year	(3,769)	(6,530)
Movement in year:		
Current service charge	(1,040)	(976)
Contributions	892	866
Past service costs	-	-
Settlements and Curtailments	(127)	(89)
Net interest/return on assets	(4)	(135)
Actuarial Gain/(Loss)	(4,917)	3,095
	<hr/>	<hr/>
Deficit in the scheme at end of year	(8,965)	(3,769)
	<hr/> <hr/>	<hr/> <hr/>

History of experience gains or losses

	2012 £	2011 £	2010 £	2009 £	2008 £
Difference between the expected and actual return on assets	(811)	157	1,532	(1,454)	(3,588)
Value of Assets	23,496	22,204	19,976	16,482	15,927
% of scheme assets	(3.45%)	0.71%	7.67%	(8.82%)	(22.53%)
Experience gains and losses on scheme liabilities	(295)	1,735	6	1	1,324
Total present value of liabilities	(32,461)	(25,973)	(26,506)	(24,000)	(18,972)
% of Total present value of scheme liabilities	0.91%	(6.68%)	(0.02%)	(0.00%)	6.98%
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(4,917)	3,095	(260)	(4,405)	1,238)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
% of the present value of liabilities	15.15%	11.92%	0.98%	18.43%	6.53%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

Merseyside Pension Fund (MPF)

The MPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2012 was £266,000 of which employer's contributions totalled £257,000 and employees' contributions totalled £9,000. The agreed contribution rates for future years are 34.4% for employers and ranges between 5.5% to 7.5% for employees, dependent on salary.

FRS 17

The following information is based upon a full actuarial valuation of the fund as at 31 March 2008 updated to 31 July 2012 by a qualified independent actuary.

	2012 £000	2011 £000	2010 £000
Rate of increase in salaries	3.50%	4.30%	4.45%
Rate of increase in pensions in payment/inflation	2.00%	2.80%	2.70%
Discount rate for liabilities	3.80%	5.10%	5.50%
Commutation of pension to lump sum	50.00%	50.00%	50.00%

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 2012	At 31 July 2011	At 31 July 2010
Retiring today			
Males	21.80	21.40	20.40
Females	24.60	24.10	23.20
Retiring in 20 years			
Males	23.60	22.80	21.30
Females	26.50	25.70	24.10

The University's share of assets in the scheme (which is estimated at 0.1% of total scheme assets) and the expected rates of return were:

	Long term rate of return expected 31 Jul 12	Value at 31 July 12	Long term rate of return expected 31 Jul 11	Value at 31 July 11	Long term rate of return expected 31 Jul 10	Value at 31 July 10
		£000		£000		£000
Equities	7.00%	2,233	7.00%	2,520	7.50%	2,183
Bonds – government	2.50%	605	3.90%	529	4.20%	542
Bonds – other	3.40%	151	4.90%	150	5.10%	149
Property	6.00%	329	6.00%	355	6.50%	241
Cash & other	0.50%	461	0.50%	395	0.50%	425
Total market value of assets		3,779		3,949		3,540
Present value of scheme liabilities						
- Funded		(6,306)		(5,783)		(5,435)
- Unfunded		(13)		(13)		(14)
Related deferred tax liability						
		(2,540)		(1,847)		(1,909)

Notes (*continued*)

Asset values are at bid value for 2010 while prior years are reported at mid market value. This adjustment has been made in year as the value is not material.

Analysis of the amount charged to the income and expenditure account

	2012 £000	2011 £000	2010 £000
Employer service cost (net of employee contributions)	(27)	(63)	(76)
Past service cost	-	-	326
	<hr/>	<hr/>	<hr/>
Total operating credit/(charge)	(27)	(63)	250
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of pension finance income/(costs)

	2012 £000	2011 £000	2010 £000
Expected return on pension scheme assets	231	222	200
Interest on pension scheme liabilities	(284)	(291)	(333)
	<hr/>	<hr/>	<hr/>
Pension finance costs	(53)	(69)	(133)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	2012 £000	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	156	781	786
Experience gains and losses arising on the scheme liabilities	0	(67)	-
Change in financial and demographic assumptions underlying the scheme liabilities	(516)	(736)	(750)
	<hr/>	<hr/>	<hr/>
Actuarial gain/(loss) recognised in STRGL	(672)	(22)	36
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Movement in surplus during year

	2012 £000	2011 £000	2010 £000
Deficit in scheme at beginning of year	(1,847)	(1,909)	(2,252)
Movement in year:			
Current service charge	(27)	(63)	(76)
Contributions	257	216	190
Past service costs:	-	-	326
Settlements and Curtailments	(198)	-	-
Net interest/return on assets	(53)	(69)	(133)
Actuarial gain or (loss)	(672)	(22)	36
	<hr/>	<hr/>	<hr/>
Deficit in scheme at end of year	(2,540)	(1,847)	(1,909)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

History of experience gains or losses

	2012 £	2011 £	2010 £	2009 £	2008 £
Difference between the expected and actual return on assets	(156)	781	786	(638)	(528)
Value of assets	3,779	3,949	3,540	3,131	3,291
% of scheme assets	(4.13%)	19.78%	22.20%	(20.38)%	(16.04)%
Experience gains and losses on scheme liabilities	-	67	0	0	(446)
Total present value of liabilities	(6,319)	(5,796)	(5,449)	(5,383)	(5,532)
% of Total present value of scheme liabilities	0.00%	1.16%	0.00%	0.00%	8.06%
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(672)	(22)	36	(4)	(1,231)
% of the present value of liabilities	10.63%	0.38%	(0.66%)	0.07%	22.25%

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Price Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31st July 2010, the University considered the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension Fund (MPF) scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL') in the 2009/10 financial statements. Following the issue of Urgent Issues Task Force ('UITF') Abstract 48 in December 2010, the University has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

29 Access funds

	2012 £	2011 £
Unspent balance brought forward	-	16,144
Funding Council grants	212,954	208,360
	<hr/>	<hr/>
Administration fee	(6,388)	224,504
Disbursed to students	(204,301)	(6,251)
	<hr/>	<hr/>
Balance unspent at 31st July 2012	2,265	-
	<hr/>	<hr/>

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

Notes (continued)

30 Training bursary payments

	2012	2011
	£	£
Grant paid by Training Development Agency (TDA)	912,703	3,440,460
2% administration fee	(18,180)	(67,460)
	894,523	3,373,000
Payments to trainees	(1,072,689)	(3,037,688)
Grant due to/(from) TDA	(178,166)	335,312

During the year the University administered the Training Bursary Scheme for PGCE students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

31 Related party disclosures

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 Board may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. No transactions were identified which are required to be disclosed under Financial Reporting Standard 8 – Related Party Disclosures.

32 Commitments

Annual commitments under non-cancellable operating leases at 31 July are as follows:-

	2012	2011
Expiring after 5 years-Land & Buildings	<u>£1,274,874</u>	<u>£1,231,762</u>