



## Financial Statements for year ending 31<sup>st</sup> July 2010

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 31<sup>st</sup> July 2010. 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	Vice-Chair (appointed 24 <sup>th</sup> November 2009)
Dr R Atlay	(resigned 31 <sup>st</sup> July 2010)
Mrs E. Benson	(appointed 1 <sup>st</sup> August 2009)
Sr KE Bishop SND	
Rev SD Brookes	(resigned 25 <sup>th</sup> November 2009)
Mr WK Brown	(resigned 31 <sup>st</sup> July 2010)
Dr JC Chubb	
Mr F Cogley	
Mr S Harrison	
Cllr. M Storey	(appointed 24 <sup>th</sup> November 2009)
Mr A Loveridge	
Miss CB McCann	
Dr J McClelland	
Mr J Norbury	
Very Rev M O'Dowd	
Reverend H. Sharp	
Sr M Walsh	
Professor GJ Pillay	Vice Chancellor and Rector
Bishop I Stuart	Rectorate Team
Dr P Haughan	Rectorate Team (appointed 1 <sup>st</sup> August 2009)
Professor A Nagar	Staff Member
Dr J Speake	Staff Member
Miss S McFarlane	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 (in the Chair)  
Mr S Harrison  
Mr J Norbury  
Professor GJ Pillay

### *Audit Committee*

Mr F Cogley  
Mr M Gilbertson (co-opted)  
Mr W Brown  
Mr A Loveridge

### *Nominations Committee*

Mgr J Devine (Chair)  
The Right Reverend Bishop David Jennings  
Professor GJ Pillay  
Dr Ian Vandewalle

## **Advisers**

External Auditors: KPMG LLP  
St James' Square  
Manchester  
M2 6DS

Bankers: National Westminster Bank plc  
Childwall Fiveways  
Liverpool  
L15 6YD

Solicitors: Weightmans  
India Building  
4 Water Street  
Liverpool  
L2 0NH

Internal Auditors: Mr G Jones  
Head of Internal Audit  
Liverpool Hope University  
Hope Park  
Liverpool  
L16 9JD

and RSM Bentley Jennison (now 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 agree research degrees. In the academic and financial year 2009/2010 there were 7,981 students and 956 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. The subsidiary was set up to undertake activities, which, for legal or commercial reasons, are more appropriately channelled through a limited company. These activities include other services for a wide variety of commercial and other organisations. Liverpool Hope Enterprises Ltd. covenants the whole of any taxable profits to the University.

### *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*

The Corporate Plan for the period 2007-2011 provides the strategic framework within which the University operates.

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

- its academic profile
- the student experience
- the staff experience
- diversifying income streams and being enterprising
- engagement with the community, city and the region
- developing international partnerships
- ensuring the infrastructure of the University is fit for purpose
- providing effective and efficient leadership, management and administration.

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”. Liverpool Hope had also moved significantly away from a reliance on teacher training (now only a little over 23% of its students are TDA funded) and so it is not a teacher training college with some other degree level provision. The essence of what Liverpool Hope is striving to be is summarised in the Corporate Plan – a top-quality, teaching-led, research-informed, Mission-focused, liberal arts inspired University.

### *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 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 bursary scheme 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.

## 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 Cornerstone Festival that are either free or 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. In 2008 the University launched its Service and Leadership award. This 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.

### *Review of the year*

The University reported on its range of Key Performance Indicators (KPIs) reflecting the Corporate Plan and the continued strategic repositioning. The KPIs encompass Academic Profile, Learning & Teaching, Financial Well-being and Sustainability, Student achievement, Student recruitment, Curriculum review and renewal.

### *Finance*

- Fee income

In 2009/10 Liverpool Hope University charged the maximum £3,225 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 2009/10 were £1.8 million. In addition, the University continued its Scholarships Scheme which paid out a total of £702,000 in relation to 2009/10.

- 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.

### *Academic Profile*

The University continued its academic repositioning, the framework for which was set out in the Corporate Plan adopted by Council in July 2007.

There continued to be senior academic appointments across the University at Professor, Associate Professor and Senior Lecturer level. To ensure viability and to promote efficiencies, two Faculties merged to form a new Faculty of Sciences & Social Sciences (which includes the Hope Business School) and that Faculty along with the Faculties of Education and of Arts & Humanities house all academic provision. The University continued to increase its standard entry point requirement for undergraduate programmes on a selective basis. The lower limit at which students were confirmed on receipt of results or admitted through clearing was raised. Recruitment targets were achieved.

## Operating and Financial Review *(continued)*

### *Staffing*

Staffing costs remain the largest single item of expenditure. The University continued to appoint academic staff where student numbers and the department's income justified it. In addition a number of professional posts were created in areas where a clear need had been identified – Legal Services, Data Analysis, Estates Management and Procurement. These appointments were all intended to produce efficiencies and reduce expenditure on external consultants or advisors.

A review of Catering led to a redundancy process which has reduced the subsidy to catering provision in line with a clear business plan, the aim of which is to ensure Catering becomes a self-sufficient Strategic Business Unit. The severance pay and costs of these 15 redundancies was £142,493.

A review of library services led to 5 redundancies at a cost of £61,868.

A Voluntary Severance Scheme for Senior Lecturers was implemented during the year and 13 members of staff from across all Faculties left at a cost of £366,436. In addition 3 members of non-academic staff accepted voluntary severance at a cost of £60,712.

### *Estates Development and Capital Projects*

Construction of the Capstone Building at the Creative Campus was completed, along with a landscaped renaissance garden. The funding of £6m for the Capstone Building came from the HEFCE Strategic and Development Fund and ERDF.

Construction of the Education, Enterprise & Innovation Building at Hope Park began, funded through ERDF and HEFCE Capital Funding. This project was delivered on time on 28<sup>th</sup> September 2010.

### *Miscellaneous*

The Students' Union worked closely with the finance department to manage its budget effectively. At the end of the year 2009/10 the Students' Union repaid £65k 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 31<sup>st</sup> July 2010 are summarised as below:

	<b>2009/10</b>	2008/09
	<b>£000s</b>	£000s
Income	<b>52,474</b>	50,758
Expenditure	<b>48,117</b>	48,391
Operating surplus	<b>4,357</b>	2,367

The University's total income increased by 3% compared with the previous year and income from the funding councils increased by 5%.

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 22.

## Operating and Financial Review *(continued)*

### *Student Numbers*

As at 31<sup>st</sup> July 2010 the University had 7,981 students (2008/09 – 7,194).

	<b>Full Time Students</b>	<b>Part Time Students</b>
Undergraduate	4,314	578
Postgraduate (taught)	354	585
Postgraduate (research)	50	51
PGCE	494	240
Other	283	1,032
	<hr/>	<hr/>
	5,495	2,486
	<hr/> <hr/>	<hr/> <hr/>

### *Funding*

The University derives its income mainly from funding council grants and tuition fees. The University management is responding to the challenges facing higher education and focusing on the three priority areas of recruitment and retention, quality and finance.

The University has been successful in bids to the funding councils and other agencies and in attracting substantial specific grants for additions and improvements to buildings.

### *Treasury Management Policy*

At the end of 2010 the cash at bank balance had reduced by £4,075,555 to £2,609,189. The cash at bank is composed of cash of £2,372,883 and endowments of £236,306. The reduction was due to the 2009 year end balance including capital grants received in advance in relation to the Education and Innovation building. The majority of the expenditure on this building was completed during 2009/10 and all of the grant income had been fully utilised by July 2010 which led to a decline in the cash and bank balance.

The significant capital investment over the last four years has been funded from reserves and from grants provided by HEFCE and NWDA. The University made a strategic decision not to undertake any loans to fund this building programme but were aware that it would result in a short term funding issue in 2010/11. As a result an overdraft facility of £2.5m has been put in place for 2010/11 to ensure that liabilities can be met as they fall due. The overdraft will not be required beyond May 2011 and the University intends to build its cash reserves steadily over the next few years.

University bank loans had reduced to £9,610,000 at the year end and no new loans were taken out in 2009/10. 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 2009/10 the overall reserves had increased by £16,612,532, this is due to an excellent financial result, increases in deferred capital grants and a revaluation of the estate. The pension reserve liability was reduced to £8,439,000 from £9,770,000 due to changes in actuarial assumptions and changes from RPI to CPI. Whilst it is a sector wide issue the University Finance and General Purposes Committee takes 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.

## **Operating and Financial Review** *(continued)*

### *Employee Involvement*

The University places considerable value on the involvement of its employees and on good communication with them. An electronic daily newspaper “Hope Virtually Daily” updates staff several times a day.

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 has a Single Equality Scheme adopted in November 2008 to meet its requirements under the public sector Equality Duties. In the preface, University Council states its commitment to meeting the challenge afforded by the Equality Duties to reflect critically on our practices, to measure the effectiveness of our practices against our values and to learn from best practice from other public authorities. Council is cognisant of the new Equality Act 2010 and will monitor its implications for policy and practice.

### *Environment and Sustainability*

The University Council through its Finance & General Purposes Committee receives regular reports on the Carbon Reduction Commitment and the University is being advised by the Carbon Trust on the development of a Carbon Management Plan.

### *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 any group company during the year.

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 for this period.

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.

### *Future Developments and Risks*

The University has positioned itself well for the challenging years ahead as severe cuts to public spending are anticipated. The 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 if the level of public funding decreases dramatically. The strong performance in student recruitment through establishing a broader geographical base and a more selective entry level as well as dramatic improvements in retention rates over recent years also position the University well. However, 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.

## **Operating and Financial Review** *(continued)*

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, each of which could have major financial consequences, for example the likely major cuts in grant funding, decline in the number of 18 year olds, the Browne Review on funding and tuition fees cap and pensions. 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 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 new CUC guide referred to previously, 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 20<sup>th</sup> 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, 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 2010 and 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 require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
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 database has been constructed and 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. We approved the decision to appoint an external provider of internal audit following the in-house internal auditor's decision to retire in July 2010.

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.

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 Auditors on their own for independent discussions. A fourth meeting has also been introduced 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.

KPMG LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom



## **Independent auditors' report to the Council of Liverpool Hope University**

We have audited the Group and University financial statements of Liverpool Hope University for the year ended 31 July 2010 set out on pages 22 to 45. 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, as a body 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 1 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Council 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, as a body, 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 14, the University Board of Directors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with Accounts Direction issued by the Higher Education Funding Council for England, The Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. It also includes those audit matters specified within the Audit Code of Practice issued by the Higher Education Funding Council for England.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of 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 regulatory matters**

In our opinion:

- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

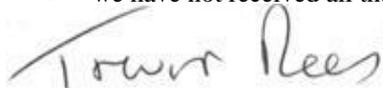
## **Opinion on other matter prescribed by the Companies Act 2006**

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 Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting reports have not been kept;
- the University's financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made; and
- 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

29 November 2010

## 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.

Details of the University's subsidiary undertakings are provided in Note 11 to the accounts.

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 £2,561,408 (2008/09: £2,531,960) (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 £295,772 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).

### 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 31<sup>st</sup> 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 are included at the revalued amount assessed as at 31<sup>st</sup> July 2010. The revaluation was undertaken by Eddisons, a firm of chartered surveyors on a depreciated replacement cost basis. The accounting policy is to revalue all assets within a class of revalued assets although for practical purposes there is one instance where this has not been possible and the property is carried at depreciated historical cost, namely the refurbishment of HE teaching facilities at St. Mary's 6<sup>th</sup> Form College, Blackburn. The net book value of the refurbishment in the financial statements as at 31<sup>st</sup> July 2010 is £157,500 (2009 - £168,750).

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 31<sup>st</sup> July. They are not depreciated until they are brought into use.

Building refurbishment works are capitalised subject to a minimum threshold of £10,000 per refurbishment project. Such costs are not depreciated until the works are completed. Costs of refurbishment projects costing less than £10,000 are written off to the profit and loss account in the period in which they are incurred.

Equipment costing less than £2,500 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 £2,500)	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 on its 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.

## Consolidated Income and Expenditure Account

For the year ended 31<sup>st</sup> July 2010

	<i>Note</i>	<b>2010</b> £	<b>2009</b> £
<b>Income</b>			
Funding council grants	<i>1</i>	25,905,559	24,680,782
Tuition fees and support grants	<i>2</i>	21,079,579	20,340,295
Research grants and contracts		170,065	39,134
Other operating income	<i>3</i>	5,265,535	5,602,293
Endowment and investment income	<i>4</i>	53,051	95,820
		<hr/>	<hr/>
<b>Total income</b>		<b>52,473,789</b>	<b>50,758,324</b>
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	<i>5</i>	26,076,324	25,926,400
Depreciation	<i>10</i>	2,540,372	2,517,684
Other operating expenses	<i>6</i>	18,503,487	19,086,975
Interest payable	<i>7</i>	996,997	859,685
		<hr/>	<hr/>
<b>Total expenditure</b>	<i>9</i>	<b>48,117,180</b>	<b>48,390,744</b>
		<hr/>	<hr/>
<b>Operating surplus after depreciation of assets</b>		<b>4,356,609</b>	<b>2,367,580</b>
<b>Exceptional items</b>			
Loss on disposal of asset	<i>10</i>	(510,400)	-
		<hr/>	<hr/>
<b>Surplus after exceptional item</b>		<b>3,846,209</b>	<b>2,367,580</b>
<b>Transfer from accumulated income within endowments</b>		<b>18,477</b>	<b>36,534</b>
		<hr/>	<hr/>
<b>Surplus after depreciation of assets, interest and tax</b>	<i>8</i>	<b>3,864,686</b>	<b>2,404,114</b>
		<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 31<sup>st</sup> July 2010*

	<i>Note</i>	<b>2010</b> £	<b>2009</b> £
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	<i>20</i>	<b>3,864,686</b>	<b>2,404,114</b>
Revaluation gains in previous years released on disposal of assets	<i>21</i>	<b>469,380</b>	-
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<i>21</i>	<b>327,405</b>	<b>278,807</b>
<b>Historical cost surplus</b>		<b>4,661,471</b>	<b>2,682,921</b>

## Balance Sheet As at 31<sup>st</sup> July 2010

	Note	Consolidated 2010 £	University £	Consolidated 2009 £	University £
<b>Fixed assets</b>					
Tangible assets	10	77,174,241	77,174,241	63,278,854	63,278,854
Investments	11	-	2,622,504	-	4,274,506
		<u>77,174,241</u>	<u>79,796,745</u>	<u>63,278,854</u>	<u>67,553,360</u>
<b>Endowment Assets</b>	12	236,306	236,306	179,783	179,783
<b>Current assets</b>					
Debtors	13	1,963,261	1,992,241	1,988,382	2,174,484
Cash at bank and in hand		2,372,883	2,059,579	6,504,962	6,319,380
		<u>4,336,144</u>	<u>4,051,820</u>	<u>8,493,344</u>	<u>8,493,864</u>
<b>Creditors: amounts falling due within one year</b>	14	(8,186,127)	(10,507,548)	(13,117,145)	(15,130,390)
<b>Net current liabilities</b>		<u>(3,849,983)</u>	<u>(6,455,728)</u>	<u>(4,623,801)</u>	<u>(6,636,526)</u>
<b>Total assets less current liabilities</b>		<u>73,560,564</u>	<u>73,577,323</u>	<u>58,834,836</u>	<u>61,096,617</u>
<b>Creditors: amounts falling due after more than one year</b>					
Provisions for liabilities and charges	15 16	(9,228,542) (295,772)	(9,228,542) (295,772)	(9,758,567) (321,551)	(11,976,724) (321,551)
<b>Net assets excluding pension liability</b>		<u>64,036,250</u>	<u>64,053,009</u>	<u>48,754,718</u>	<u>48,798,342</u>
<b>Pension liability</b>	17	(8,439,000)	(8,439,000)	(9,770,000)	(9,770,000)
<b>Total net assets</b>		<u>55,597,250</u>	<u>55,614,009</u>	<u>38,984,718</u>	<u>39,028,342</u>
<b>Deferred capital grants</b>	18	22,451,170	22,451,170	16,028,373	16,028,373
<b>Endowments</b>	19	236,306	236,306	179,783	179,783
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	20	18,307,469	18,324,228	13,115,998	13,159,622
Pension reserve		(8,439,000)	(8,439,000)	(9,770,000)	(9,770,000)
Income and expenditure account including pension reserve		9,868,469	9,885,228	3,345,998	3,389,622
Revaluation reserve	10/21	23,041,305	23,041,305	19,430,564	19,430,564
<b>Total funds</b>		<u>55,597,250</u>	<u>55,614,009</u>	<u>38,984,718</u>	<u>39,028,342</u>

The financial statements on pages 22 to 45 were approved by the University Council on 23rd November 2010, and signed on its behalf by:

Monsignor J Devine  
Chair of the University

Mrs A Seddon  
Chair of Finance & General Purposes Committee

Professor G Pillay  
Rector & Vice Chancellor

## Cash Flow Statement

For the year ended 31<sup>st</sup> July 2010

	<i>Note</i>	2010 £	2009 £
<b>Net cash inflow from operating activities</b>	23	<b>2,941,193</b>	8,816,957
<b>Returns on investments and servicing of finance</b>			
Other interest received		53,051	95,820
Interest paid		(996,997)	(859,685)
Net cash outflow from returns on investments and servicing of finance		<b>(943,946)</b>	(763,865)
<b>Capital expenditure and financial investment</b>	24	<b>(5,627,153)</b>	(3,819,134)
<b>Cash (outflow)/inflow before financing</b>		<b>(3,629,906)</b>	4,233,958
<b>Financing</b>	25	<b>(445,649)</b>	(420,791)
<b>(Decrease)/increase in cash</b>	27	<b>(4,075,555)</b>	3,813,167

## Statement of Total Recognised Gains and Losses

For the year ended 31<sup>st</sup> July 2010

	<i>Note</i>	<b>2010</b>	2009
		£	£
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets excluding appreciation of endowment asset		<b>3,846,209</b>	2,367,580
Unrealised gain on revaluation of fixed assets	21	<b>4,407,526</b>	-
Actuarial (loss) in respect of pension scheme	28	<b>(224,000)</b>	(4,409,000)
Impact of RPI to CPI	28	<b>2,085,000</b>	-
New endowment	19	<b>75,000</b>	100,000
		<hr/>	<hr/>
<b>Total recognised gains/(losses) relating to the period</b>		<b>10,189,735</b>	(1,941,420)
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		<b>22,956,345</b>	24,897,765
Total recognised losses for the year		<b>10,189,735</b>	(1,941,420)
		<hr/>	<hr/>
<b>Closing reserves and endowments</b>		<b>33,146,080</b>	22,956,345
		<hr/> <hr/>	<hr/> <hr/>

In its July 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University has considered the scheme rules and associated members' literature and has 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'). At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change in the financial statements for the following year.

## Notes

*(forming part of the financial statements)*

### 1 Funding council grants

	2010 £	2009 £
Recurrent grant – HEFCE	16,012,170	15,904,869
Recurrent grant – TDA	6,357,130	6,239,908
<b>Specific grants</b>		
HEFCE Research Assessment	475,919	101,466
HEFCE Special Initiatives	1,956,600	1,476,160
TDA Special Initiatives	619,156	195,599
<b>Deferred capital grants released in year</b>		
Buildings (Note 18)	371,030	297,022
Equipment (Note 18)	113,554	465,758
	<u>25,905,559</u>	<u>24,680,782</u>

### 2 Tuition fees and support grants

	2010 £	2009 £
Full-time students	15,407,530	14,703,087
Full-time students charged overseas fees	1,204,348	917,906
Part-time students	820,985	878,251
	<u>17,432,863</u>	<u>16,499,244</u>
Total fees paid by or on behalf of individual students		
Education contracts	240,546	635,841
Short course fees	3,406,170	3,205,210
	<u>3,646,716</u>	<u>3,841,051</u>
Total education contracts and short course fees		
Total	<u>21,079,579</u>	<u>20,340,295</u>

**Notes** (*continued*)

**3 Other operating income**

	<b>2010</b>	2009
	£	£
Residences, catering and conferences	<b>4,162,637</b>	4,496,805
Other income	<b>983,587</b>	1,046,034
Release of deferred capital grants (note 18)	<b>119,311</b>	59,454
	<hr/>	<hr/>
	<b>5,265,535</b>	5,602,293
	<hr/> <hr/>	<hr/> <hr/>

**4 Endowment and investment income and interest receivable**

	<b>2010</b>	2009
	£	£
Interest receivable	<b>51,875</b>	92,295
Interest on expendable endowment	<b>1,176</b>	3,525
	<hr/>	<hr/>
	<b>53,051</b>	95,820
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2010</b>	2009
	£	£
Wages and salaries	<b>21,783,711</b>	21,683,544
Social security costs	<b>1,731,205</b>	1,710,895
Other pension costs (Note 28)	<b>2,561,408</b>	2,531,961
	<hr/>	<hr/>
	<b>26,076,324</b>	25,926,400
	<hr/> <hr/>	<hr/> <hr/>

**Emoluments of the Rector (excl. pensions contributions)** **199,077**      165,097

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 £24,816 (2008/09: £22,396).

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.

**Notes** *(continued)*

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

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

	<b>2010</b>	2009
	<b>Number</b>	Number
£100,000 - £109,999	1	1
£110,000 - £179,999	-	-
£180,000 - £189,999	-	1
£190,000 - £219,999	-	-
£220,000 - £229,999	1	-
	<hr/>	<hr/>
	<b>2</b>	<b>2</b>
	<hr/> <hr/>	<hr/> <hr/>

University staff numbers were as follows:

	<b>2010</b>	2009
	<b>Number</b>	Number
	<b>FTE</b>	FTE
Academic	336	363
Administrative and technical	482	463
Manual and ancillary	138	159
	<hr/>	<hr/>
	<b>956</b>	<b>985</b>
	<hr/> <hr/>	<hr/> <hr/>

**6 Other operating expenses**

	<b>2010</b>	2009
	<b>£</b>	£
Residences, catering and conference operating expenses	1,478,582	2,291,334
Teaching departments	6,299,134	5,637,907
Books and periodicals	567,909	557,255
Heat, light, water and power	1,067,841	1,057,534
Repairs and general maintenance	1,443,240	1,238,797
Grants to Liverpool Hope Students' Union	225,000	218,700
External auditors' remuneration	45,649	46,000
External auditors' remuneration in respect of non-audit services	10,307	1,802
Other support services	501,838	731,872
Administration and central services	4,665,201	5,636,476
Other income generating activities	950,117	779,095
Other operating expenses	1,244,467	889,265
Reimbursement of Trustees' expenses	4,202	938
	<hr/>	<hr/>
	<b>18,503,487</b>	<b>19,086,975</b>
	<hr/> <hr/>	<hr/> <hr/>

Of the £45,649 auditors' remuneration £40,244 relates to the University.

In each year 3 Trustees were reimbursed for expenses directly connected with their duties as Trustees. In 2009/10 these expenses were travel (including international travel), conferences and hospitality. In 2008/09 the expenses related to travel and conferences.

## Notes (continued)

### 7 Interest payable

	2010 £	2009 £
Interest payable on bank loans not wholly repayable within five years	497,657	582,397
FRS 17 pension fund interest payable	488,000	261,000
Interest payable on finance lease	11,340	16,288
	<u>996,997</u>	<u>859,685</u>

### 8 The surplus on continuing operations for the year

	2010 £	2009 £
University surplus for the year	3,841,016	2,222,480
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	-	156,106
Surplus generated by subsidiary undertakings and not transferred to the University under gift aid	23,670	25,528
	<u>3,864,686</u>	<u>2,404,114</u>

### 9 Analysis of expenditure

	Staff costs £	Depreciation £	Interest payable £	Other operating expenses £	Total £
Academic departments	14,933,780	-	-	6,299,134	21,232,914
Academic support services	1,905,571	-	-	1,455,559	3,361,130
Other support services	1,055,502	-	-	726,838	1,782,340
Admin and central services	3,467,820	-	-	4,662,006	8,129,826
General education expenditure	-	-	-	50,798	50,798
Premises	2,244,177	-	-	2,880,453	5,124,630
Other income generating activities	1,563,204	-	-	950,117	2,513,321
Residences, catering and conferences	906,270	-	-	1,478,582	2,384,852
Depreciation	-	2,540,372	-	-	2,540,372
Interest payable	-	-	996,997	-	996,997
	<u>26,076,324</u>	<u>2,540,372</u>	<u>996,997</u>	<u>18,503,487</u>	<u>48,117,180</u>
Total per income and expenditure account					
Deferred capital grants released in the year (note 18)		603,895			
General income		1,936,477			
		<u>2,540,372</u>			

**Notes** (continued)

**10 Tangible fixed assets**

Consolidated & University	Assets in the course of construction	Additions and improvements to land and buildings	Vehicles	Equipment	Total
	£	£	£	£	£
<b>Valuation/cost</b>					
At 1 August 2009	3,975,757	64,176,846	121,501	4,182,136	72,456,240
Additions at cost	9,960,967	1,752,579	-	940,299	12,653,845
Disposals at cost	-	(580,000)	-	-	(580,000)
Transfers	(8,068,004)	7,948,804	-	119,200	-
Impairments	-	(115,214)	-	-	(115,214)
Revaluations	-	(3,312,015)	-	-	(3,312,015)
	<u>5,868,720</u>	<u>69,871,000</u>	<u>121,501</u>	<u>5,241,635</u>	<u>81,102,856</u>
At 31 July 2010	5,868,720	69,871,000	121,501	5,241,635	81,102,856
	<u>5,868,720</u>	<u>69,871,000</u>	<u>121,501</u>	<u>5,241,635</u>	<u>81,102,856</u>
<b>Depreciation</b>					
At 1 August 2009	-	5,971,229	62,618	3,143,539	9,177,386
Charge for the year	-	1,817,913	24,300	698,158	2,540,371
Eliminated on disposals	-	(69,600)	-	-	(69,600)
Revaluations	-	(7,719,542)	-	-	(7,719,542)
	<u>-</u>	<u>-</u>	<u>86,918</u>	<u>3,841,697</u>	<u>3,928,615</u>
At 31 July 2010	-	-	86,918	3,841,697	3,928,615
	<u>-</u>	<u>-</u>	<u>86,918</u>	<u>3,841,697</u>	<u>3,928,615</u>
<b>Net book value</b>					
<b>At 31 July 2010</b>	<b>5,868,720</b>	<b>69,871,000</b>	<b>34,583</b>	<b>1,399,938</b>	<b>77,174,241</b>
	<u>5,868,720</u>	<u>69,871,000</u>	<u>34,583</u>	<u>1,399,938</u>	<u>77,174,241</u>
At 31 July 2009	3,975,757	58,205,617	58,883	1,038,597	63,278,854
	<u>3,975,757</u>	<u>58,205,617</u>	<u>58,883</u>	<u>1,038,597</u>	<u>63,278,854</u>

The asset disposal refers to the partial demolition of the Keswick Building at Hope Park. The site is to be used as open space.

During 1999/00, Liverpool Hope Enterprises Ltd, a wholly owned subsidiary of Liverpool Hope, completed the construction of a sports centre at a cost of £2,301,000. Further costs of £90,000 were incurred in 2000/01 and £3,292 in 2001/02. Under the terms of the agreement between Liverpool Hope and the company, Liverpool Hope has a lease on the sports centre. Under an option to determine the lease can be terminated by giving one month's notice. At that point or at the end of its term, Liverpool Hope will pay an amount equal to the construction costs. The directors recognise that Liverpool Hope bears the principal risks and enjoys the principal rewards of the sports centre. Accordingly under FRS 5, Liverpool Hope recognises an interest in the asset with Liverpool Hope Enterprises Ltd, becoming a long-term creditor for the consideration. The lease runs for a period of 12 years less 3 days from 14<sup>th</sup> January 1999, Liverpool Hope and the company have agreed that the lease will not be terminated during the year ending 31<sup>st</sup> July 2010.

Included within fixed assets is £380,869 (NBV £332,082) which relates to a boiler replacement which has been funded via a hire purchase agreement and will be repaid over 60 months.

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

## Notes (continued)

### 11 Investments

	Consolidated 2010	University	Consolidated 2009	University
	£	£	£	£
Investment in subsidiaries at cost	-	2,622,504	-	4,274,506

The University owns 100% of the issued share capital of 2,622,504 (2008/09:2,622,504) £1 ordinary shares of Liverpool Hope Enterprises Ltd, a company registered in England and operating in the UK. The principal activity of the company is the operation and management of the Hope Park sports hall, which it leases from the University.

### 12 Endowment assets – expendable endowment

	Consolidated 2010	University	Consolidated 2009	University
	£	£	£	£
Balance at 1 <sup>st</sup> August 2009	179,783	179,783	116,318	116,318
Additions (see note 19)	75,000	75,000	100,000	100,000
Expenditure in year (see note 19)	(19,653)	(19,653)	(40,060)	(40,060)
Investment income in year (see note 19)	1,176	1,176	3,525	3,525
	<b>236,306</b>	<b>236,306</b>	179,783	179,783

The £75,000 received during the year was endowed by Rex Makin to fund a chair in Jewish law.

All the above endowment assets are represented by cash deposits.

### 13 Debtors

	Consolidated 2010	University	Consolidated 2009	University
	£	£	£	£
<b>Amounts falling due within one year</b>				
Trade debtors	1,129,933	1,129,361	1,375,338	1,375,338
Sundry debtors	425,407	425,407	91,467	84,997
Prepayments and accrued income	235,749	235,749	391,414	391,414
Amounts due from subsidiary companies	-	29,552	-	192,572
	<b>1,791,089</b>	<b>1,820,069</b>	1,858,219	2,044,321
<b>Amounts falling due after more than one year</b>				
Debtors	17,062	17,062	61,821	61,821
Prepayments and accrued income	155,110	155,110	68,342	68,342
	<b>1,963,261</b>	<b>1,992,241</b>	1,988,382	2,174,484

**Notes** (continued)

**14 Creditors: amounts falling due within one year**

	<b>Consolidated 2010</b>	<b>University</b>	<b>Consolidated 2009</b>	<b>University</b>
	£	£	£	£
Loans	438,290	438,290	424,928	424,928
Trade creditors	720,662	713,377	634,653	575,246
Social security and other taxation payable	901,668	899,450	907,340	907,340
Accruals and deferred income	6,054,493	6,054,502	11,084,158	11,084,162
Obligations under hire purchase agreement	71,014	71,014	66,066	66,066
Amounts due to subsidiary companies	-	2,330,915	-	2,072,648
	<u>8,186,127</u>	<u>10,507,548</u>	<u>13,117,145</u>	<u>15,130,390</u>

**15 Creditors: amounts falling due after more than one year**

	<b>Consolidated 2009</b>	<b>University</b>	<b>Consolidated 2008</b>	<b>University</b>
	£	£	£	£
Loans secured on residential and other property repayable by 2030	9,172,034	9,172,034	9,631,045	9,631,045
Obligations under hire purchase agreement	56,508	56,508	127,522	127,522
Amounts due to subsidiary companies	-	-	-	2,218,157
	<u>9,228,542</u>	<u>9,228,542</u>	<u>9,758,567</u>	<u>11,976,724</u>

Loans repayable as below

	<b>2010</b>	<b>2009</b>
	£	£
Within 1 to 2 years	395,387	429,548
Within 2 to 5 years	1,072,466	1,106,560
After 5 years	7,704,181	8,094,937
	<u>9,172,034</u>	<u>9,631,045</u>

**Notes** (continued)

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

Interest/terms on loans	Value	Interest rate	Basis	Number of years remaining
	£	%		
Alexander Jones Building	600,000	1.467	Fixed	13
Sports centre	1,900,000	7.124	Fixed	13
Great Hall	1,000,000	1.353	Variable	2
Cloisters/Hermitage	420,000	1.131	Fixed	18
Student accommodation	8,300,000	5.650	£7m Fixed	20
		1.087	£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**

	Enhanced pension scheme £
At 1 <sup>st</sup> August 2009	321,551
Decrease in provision	(25,779)
	<hr/>
At 31 <sup>st</sup> July 2010	295,772
	<hr/> <hr/>

**17 Pension liability**

University & consolidated	2010 £	2009 £
As at 1 August 2009	9,770,000	5,286,000
(Decrease)/increase in liability	(1,331,000)	4,484,000
	<hr/>	<hr/>
As at 31 <sup>st</sup> July 2010 (see note 28 for further details)	8,439,000	9,770,000
	<hr/> <hr/>	<hr/> <hr/>
The University's pension liability is analysed as follows:		
	£	£
Greater Manchester Pension Fund	6,530,000	7,518,000
Merseyside Pension Fund	1,909,000	2,252,000
	<hr/>	<hr/>
	8,439,000	9,770,000
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**18 Deferred capital grants**

	<b>HEFCE 2010 £</b>	<b>Other 2010 £</b>	<b>Total 2010 £</b>
<b>At 1<sup>st</sup> August 2009</b>			
Buildings	10,274,661	5,577,991	15,852,652
Equipment	175,721	-	175,721
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>10,450,382</b>	<b>5,577,991</b>	<b>16,028,373</b>
	<hr/>	<hr/>	<hr/>
<b>Cash Received</b>			
Buildings	6,875,412	151,280	7,026,692
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>6,875,412</b>	<b>151,280</b>	<b>7,026,692</b>
	<hr/>	<hr/>	<hr/>
<b>Release to income and expenditure account</b>			
Buildings (note 1 & 3)	371,030	119,311	490,341
Equipment (note 1 & 3)	113,554	-	113,554
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>484,584</b>	<b>119,311</b>	<b>603,895</b>
	<hr/>	<hr/>	<hr/>
<b>At 31<sup>st</sup> July 2010</b>			
Buildings	<b>16,779,043</b>	<b>5,609,960</b>	<b>22,389,003</b>
Equipment	<b>62,167</b>	<b>-</b>	<b>62,167</b>
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>16,841,210</b>	<b>5,609,960</b>	<b>22,451,170</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**19 Restricted expendable endowments**

	<b>Consolidated 2010 £</b>	<b>University £</b>	<b>Consolidated 2009 £</b>	<b>University £</b>
As at 1 <sup>st</sup> August 2009				
Capital	<b>179,783</b>	<b>179,783</b>	116,318	116,318
Investment income	<b>1,176</b>	<b>1,176</b>	3,525	3,525
Received during the year	<b>75,000</b>	<b>75,000</b>	100,000	100,000
Expenditure in year	<b>(19,653)</b>	<b>(19,653)</b>	(40,060)	(40,060)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st July 2010</b>				
<b>Capital</b>	<b>236,306</b>	<b>236,306</b>	179,783	179,783
<b>Accumulated income</b>	<b>-</b>	<b>-</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 2010 £	University £	Consolidated 2009 £	University £
At 1 <sup>st</sup> August 2009 as previously stated	3,345,998	3,389,622	5,072,075	5,181,229
Actuarial gain/(loss)	1,861,000	1,861,000	(4,409,000)	(4,409,000)
Other adjustments	-	(3,195)	-	-
Transfer from revaluation reserve	796,785	796,785	278,807	278,807
Surplus for the year	3,864,686	3,841,016	2,404,116	2,338,586
	<u>9,868,469</u>	<u>9,885,228</u>	<u>3,345,998</u>	<u>3,389,622</u>
<b>Balance represented by:</b>				
Pension reserve	(8,439,000)	(8,439,000)	(9,770,000)	(9,770,000)
Income and expenditure reserve excluding pension reserve	18,307,469	18,324,228	13,115,998	13,159,622
	<u>18,307,469</u>	<u>18,324,228</u>	<u>13,115,998</u>	<u>13,159,622</u>
<b>At 31st July 2010</b>	<u><u>9,868,469</u></u>	<u><u>9,885,228</u></u>	<u><u>3,345,998</u></u>	<u><u>3,389,622</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 2010 £	University £	Consolidated 2009 £	University £
At 1st August 2009	19,430,564	19,430,564	19,709,371	19,709,371
Revaluation in the period	4,407,526	4,407,526	-	-
Depreciation released to income and expenditure reserve	(327,405)	(327,405)	(278,807)	(278,807)
Asset disposals released to income and expenditure reserve	(469,380)	(469,380)	-	-
	<u>23,041,305</u>	<u>23,041,305</u>	<u>19,430,564</u>	<u>19,430,564</u>
<b>At 31st July 2010</b>	<u><u>23,041,305</u></u>	<u><u>23,041,305</u></u>	<u><u>19,430,564</u></u>	<u><u>19,430,564</u></u>

### 22 Capital commitments

	Consolidated 2010 £	University £	Consolidated 2009 £	University £
Commitments contracted for at 31 <sup>st</sup> July	3,014,000	3,014,000	11,187,000	11,187,000
	<u><u>3,014,000</u></u>	<u><u>3,014,000</u></u>	<u><u>11,187,000</u></u>	<u><u>11,187,000</u></u>

**Notes** (continued)

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

	2010	2009
	£	£
Surplus	3,864,686	2,404,114
FRS17 adjustment	530,000	75,000
Loss on disposal of fixed assets	510,400	-
Impairment of fixed assets	115,214	-
Depreciation (note 10)	2,540,372	2,517,684
Deferred capital grants released to income (note 18)	(603,896)	(822,234)
Investment income (note 4)	(53,051)	(95,820)
Interest payable (note 7)	996,997	859,685
Decrease in debtors (note 13)	25,121	891,701
Increase/(decrease) in creditors (note 14)	(5,015,394)	2,923,360
Increase in endowments (note 19)	56,523	63,467
Decrease in provisions (note 16)	(25,779)	-
	<u>2,941,193</u>	<u>8,816,957</u>
<b>Net cash inflow from operating activities</b>	<b><u>2,941,193</u></b>	<b><u>8,816,957</u></b>

**24 Capital expenditure and financial investment**

	2010	2009
	£	£
Tangible assets acquired (note 10)	(12,653,845)	(7,106,060)
Deferred capital grants received (note 18)	7,026,692	3,286,926
	<u>(5,627,153)</u>	<u>(3,819,134)</u>
	<b><u>(5,627,153)</u></b>	<b><u>(3,819,134)</u></b>

**25 Analysis of changes in consolidated financing during the year**

<b>Loans</b>	2010	2009
	£	£
As at 1 <sup>st</sup> August 2009	10,055,973	10,476,764
Capital repayments	(445,649)	(420,791)
	<u>(445,649)</u>	<u>(420,791)</u>
Net decrease in loans	<b><u>(445,649)</u></b>	<b><u>(420,791)</u></b>
<b>Balance at 31<sup>st</sup> July 2010</b>	<b><u>9,610,324</u></b>	<b><u>10,055,973</u></b>

## Notes (continued)

### 26 Analysis of changes in net debt

	At 1 August 2009	Cash flows	At 31 July 2010
	£	£	£
Net available cash	6,504,962	(4,132,079)	<b>2,372,883</b>
Endowment asset (note 12)	179,783	56,523	<b>236,306</b>
Debt due within 1 year	(424,920)	(13,370)	<b>(438,290)</b>
Debt due after 1 year	(9,631,045)	459,011	<b>(9,172,034)</b>
	<u>(3,371,220)</u>	<u>(3,629,915)</u>	<u><b>(7,001,135)</b></u>

### 27 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Increase/(Decrease) in cash in the period	<b>(4,075,556)</b>	3,813,167
Net decrease in debt	<b>445,641</b>	420,791
Change in net debt resulting from cash flows	<u><b>(3,629,915)</b></u>	<u>4,233,958</u>
Net debt at 1st August 2009	<u><b>(3,371,220)</b></u>	<u>(7,605,178)</u>
<b>Net debt at 31st July 2010</b>	<u><b>(7,001,135)</b></u>	<u>(3,371,220)</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 £2,561,408 (2009: £2,531,961).

#### 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 2009 to 31 July 2010 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 2010 was £1,278,000 of which employers contributions totalled £882,000 and employees contributions totalled £396,000. The agreed contribution rates for future years are 15% 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 2010 by a qualified independent actuary.

	2010	2009	2008
Rate of increase in salaries	4.90%	5.2%	5.3%
Rate of increase in pensions in payment/inflation	2.90%	3.7%	3.8%
Discount rate for liabilities	5.40%	6.70%	6.7%
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 2010	At 31 July 2009	At 31 July 2008
Retiring today			
Males	20.80	19.60	19.60
Females	24.10	22.50	22.50
Retiring in 20 years			
Males	22.80	20.70	20.70
Females	26.20	23.60	23.60
	=====	=====	=====

## 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 10	Value at 31 July 10 £000	Long term rate of return Expected 31 Jul 09	Value at 31 July 09 £000	Long term rate of return Expected 31 Jul 08	Value at 31 July 08 £000
Equities	7.30%	13,788	7.30%	11,867	7.80%	10,371
Bonds	4.80%	2,996	5.30%	2,307	5.70%	2,745
Property	5.30%	1,199	5.30%	989	5.70%	1,359
Cash	4.40%	1,998	4.30%	1,319	4.80%	1,452
Share of total market value of assets		19,976		16,482		15,927
Present value of scheme liabilities						
- Funded		(26,468)		(23,956)		(18,930)
- Unfunded		(38)		(44)		(42)
		(6,530)		(7,518)		(3,045)

Asset values are at bid value for 2010 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

	2010 £000	2009 £000	2008 £000
Employer service cost (net of employee contributions)	1,013	782	871
Past service cost	(1,759)	-	228
Total operating charge	(746)	782	1,099

### Analysis of pension finance income

	2010 £000	2009 £000	2008 £000
Expected return on pension scheme assets	1,115	1,145	1,264
Interest on pension scheme liabilities	(1,470)	(1,297)	(1,140)
Pension finance income	(355)	(152)	124

## Notes (continued)

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

	<b>2010</b> <b>£000</b>	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	<b>1,532</b>	(1,454)	(3,588)
Experience gains and losses arising on the scheme liabilities	<b>6</b>	1	1,324
Change in financial and demographic assumptions underlying the scheme liabilities	<b>(1,798)</b>	(2,952)	1,026
	<u><b>(260)</b></u>	<u>(4,405)</u>	<u>(1,238)</u>
Actual loss recognised in STRGL	<u><b>(260)</b></u>	<u>(4,405)</u>	<u>(1,238)</u>

### Movement in deficit during year

	<b>2010</b> <b>£000</b>	2009 £000
Deficit in scheme at beginning of year	<b>(7,518)</b>	(3,045)
Movement in year:		
Current service charge	<b>(1,013)</b>	(782)
Contributions	<b>882</b>	866
Past service costs	<b>1,759</b>	-
Settlements and Curtailments	<b>(25)</b>	-
Net interest/return on assets	<b>(355)</b>	(152)
Actuarial Loss	<b>(260)</b>	(4,405)
	<u><b>(6,530)</b></u>	<u>(7,518)</u>
Deficit in the scheme at end of year	<u><b>(6,530)</b></u>	<u>(7,518)</u>

### History of experience gains or losses

	2010 £	2009 £	2008 £	2007 £	2006 £
Difference between the expected and actual return on assets	1,532	(1,454)	(3,588)	486	671
Value of Assets	19,976	16,482	15,927	17,529	15,177
% of scheme assets	7.67%	(8.82%)	(22.53%)	2.8%	4.4%
Experience gains and losses on scheme liabilities	6	1	1,324	2	3
Total present value of liabilities	(26,506)	(23,900)	(18,972)	19,156	18,893
% of Total present value of scheme liabilities	(0.02%)	(0.00%)	6.98%	0.0%	0.0%
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(260)	(4,405)	(1,238)	2,341	(139)
	<u>0.98%</u>	<u>18.43%</u>	<u>6.53%</u>	<u>12.2%</u>	<u>-0.7%</u>
% of the present value of liabilities	<u>0.98%</u>	<u>18.43%</u>	<u>6.53%</u>	<u>12.2%</u>	<u>-0.7%</u>

**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 2010 was £218,000 of which employer's contributions totalled £190,000 and employees' contributions totalled £28,000. The agreed contribution rates for future years are 49.9% 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 2010 by a qualified independent actuary.

	<b>2010</b> <b>£000</b>	2009 £000	2008 £000
Rate of increase in salaries	<b>4.45%</b>	4.95%	5.05%
Rate of increase in pensions in payment/inflation	<b>2.70%</b>	3.70%	3.8%
Discount rate for liabilities	<b>5.50%</b>	6.30%	5.90%
Commutation of pension to lump sum	<b>50.00%</b>	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 2010	At 31 July 2009	At 31 July 2008
Retiring today			
Males	20.40	20.30	20.30
Females	23.20	23.20	23.10
Retiring in 20 years			
Males	21.30	21.30	21.30
Females	24.10	24.10	24.00

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:

	<b>Long term rate of return expected 31 Jul 10</b>	<b>Value at 31 July 10</b> <b>£000</b>	Long term rate of return expected 31 Jul 09	Value at 31 July 09 £000	Long term rate of return expected 31 Jul 08	Value at 31 July 08 £000
Equities	<b>7.50%</b>	<b>2,183</b>	7.50%	1,900	7.50%	1,810
Bonds – government	<b>4.20%</b>	<b>542</b>	4.80%	495	4.80%	67
Bonds – other	<b>5.10%</b>	<b>149</b>	5.90%	141	5.90%	23
Property	<b>6.50%</b>	<b>241</b>	6.50%	207	6.50%	283
Cash & other	<b>0.50%</b>	<b>425</b>	5.00%	388	5.00%	408
Total market value of assets		<b>3,540</b>		3,131		3,291
Present value of scheme liabilities						
- Funded		<b>(5,435)</b>		(5,368)		(5,516)
- Unfunded		<b>(14)</b>		(15)		(16)
Related deferred tax liability						
		<b>(1,909)</b>		(2,252)		(2,241)

**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**

	<b>2010</b> <b>£000</b>	2009 £000	2008 £000
Employer service cost (net of employee contributions)	<b>(76)</b>	(102)	(83)
Past service cost	<b>326</b>	-	(42)
	<hr/>	<hr/>	<hr/>
Total operating credit/(charge)	<b>250</b>	(102)	(125)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Analysis of pension finance income/(costs)**

	<b>2010</b> <b>£000</b>	2009 £000	2008 £000
Expected return on pension scheme assets	<b>200</b>	216	224
Interest on pension scheme liabilities	<b>(333)</b>	(325)	(254)
	<hr/>	<hr/>	<hr/>
Pension finance costs	<b>(133)</b>	(109)	(30)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2010</b> <b>£000</b>	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	<b>786</b>	(638)	(528)
Experience gains and losses arising on the scheme liabilities	<b>-</b>	-	(446)
Change in financial and demographic assumptions underlying the scheme liabilities	<b>(750)</b>	634	(257)
	<hr/>	<hr/>	<hr/>
Actuarial gain/(loss) recognised in STRGL	<b>36</b>	(4)	(1,231)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Movement in surplus during year**

	<b>2010</b> <b>£000</b>	2009 £000	2008 £000
Deficit in scheme at beginning of year	<b>(2,252)</b>	(2,241)	(1,023)
Movement in year:			
Current service charge	<b>(76)</b>	(102)	(83)
Contributions	<b>190</b>	204	175
Past service costs:	<b>326</b>	-	(42)
Net interest/return on assets	<b>(133)</b>	(109)	(30)
Actuarial gain or loss	<b>36</b>	(4)	(1,238)
	<hr/>	<hr/>	<hr/>
Deficit in scheme at end of year	<b>(1,909)</b>	(2,252)	(2,241)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**History of experience gains or losses**

	2010 £	2009 £	2008 £	2007 £	2006 £
Difference between the expected and actual return on assets	786	(638)	(528)	101	162
Value of assets	3,540	3,131	3,291	3,372	3,060
% of scheme assets	22.20%	(20.38%)	(16.04%)	3.00%	5.29%
Experience gains and losses on scheme liabilities	0	0	(446)	0	(74)
Total present value of liabilities	(5,449)	(5,383)	(5,532)	(4,402)	(4,230)
% of Total present value of scheme liabilities	0.00%	0.00%	8.06%	0.00%	1.75%
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	36	(4)	(1,231)	114	(25)
% of the present value of liabilities	<u>(0.66%)</u>	<u>0.07%</u>	<u>22.25%</u>	<u>2.59%</u>	<u>0.59%</u>

**29 Access funds**

	2010 £	2009 £
Unspent balance brought forward	17,764	-
Funding Council grants	264,304	305,560
	<u>282,068</u>	<u>305,560</u>
Administration fee	(7,929)	-
Disbursed to students	(257,995)	(287,796)
	<u>16,144</u>	<u>17,764</u>
<b>Balance unspent at 31st July 2010</b>	<b>16,144</b>	<b>17,764</b>

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**

	<b>2010</b>	2009
	£	£
Grant paid by Training Development Agency (TDA)	<b>3,679,956</b>	3,480,680
2% administration fee	<b>(72,156)</b>	(67,680)
	<hr/>	<hr/>
	<b>3,607,800</b>	3,413,000
Payments to trainees	<b>(3,660,840)</b>	(3,425,055)
	<hr/>	<hr/>
<b>Grant due from TDA</b>	<b>(53,040)</b>	(12,055)
	<hr/> <hr/>	<hr/> <hr/>

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 possible that transactions will take place with organisations in which a member of the board of governors 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.

Details of all transactions with the subsidiary during the year are disclosed within the financial statements of the subsidiary, Liverpool Hope Enterprises Ltd.

No director had any interest in any contract during the financial year other than as disclosed above.

**32 Commitments**

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

	<b>2010</b>	2009
Expiring after 5 years-Land & Buildings	<b><u>£1,190,109</u></b>	<u>£1,184,000</u>