



Financial Statements 2013-14

Chancellor

Professor Sir David King, BSc, PhD, ScD, FRS, FRSC, FInstP (until December 2013)

Pro-Chancellor

Professor James Keaton, MBE, BSc, LLd, FSDC, FRSA

Vice-Chancellor

Professor Sir Howard Newby, CBE, BA, PhD, AcSS

President of Council

David McDonnell, CBE, DL, FCA, FRSA

Vice-President of Council

The Earl of Derby, DL

Lay Officers

Jon Haymer, MA, FCA
Dr Andrew Scott, MA, DPhil

Deputy Vice-Chancellor

Patrick Hackett, BArch

Provosts

Professor Ian Greer, MD, FRCP (Glas), FRCPE, FRCP, FRCPI, FFSRH, FAE, FCCP, FRCOG, FMedSci
Professor Stephen Holloway, BSc, PhD, FInstP, FAPS

Executive Pro-Vice-Chancellors

Professor Kenneth Badcock, BSc, DPhil, FRAeSoc
Professor Fiona Beveridge, LLB, MPhil (from 1 January 2014)

Pro-Vice-Chancellors

Professor Dinah Birch, BA, MA, DPhil, FEA (until 31 December 2013)
Professor Andrew Derrington, BA, PhD (until 31 December 2013)
Professor Kelvin Everest, BA, PhD, FEA

Director of Finance

Robert Eastwood, BA, FCA

Professional Advisers

Independent Auditors	KPMG LLP
Bankers	Barclays Bank plc
Lawyers	Pinsent Masons LLP

Financial Statements

Contents

The Council of the University.....	3
Review of the Year	5
Corporate Governance Statement.....	15
Responsibilities of the Council of the University.....	15
Auditor's Report.....	17
Consolidated Income and Expenditure Account	21
Consolidated and University Balance Sheets	20
Consolidated Cash Flow Statement	21
Statement of Consolidated Total Recognised Gains and Losses.....	22
Notes to the Accounts	23

The Council of the University

The key committees of the Council are:-

1. Planning & Resources Committee
2. Nominations Committee
3. Remuneration Committee
4. Audit Committee

Names	Membership of key committees
Ex Officio Members	
Pro-Chancellor Professor James Keaton, MBE, BSc, LLD, FSDC, FRSA	1, 3
Vice-Chancellor Professor Sir Howard Newby, CBE, BA, PhD, AcSS	1,2,3
Two of the Deputy Vice-Chancellors or Pro-Vice-Chancellors Mr Patrick Hackett, BArch Professor Stephen Holloway, BSc, PhD, FInstP, FAPS	1 1
President of the Guild of Students Mr Harry Anderson, BA (from 1 August 2014) Mr Sam Butler, BA (until 31 July 2014)	2 2
Lay Officers Mr Jon Haymer, MA, FCA Dr Andrew Scott, MA, DPhil	1,2,3 2
Lay Members appointed by the Council Mr Christopher Baker, MBE, BA, MA Professor Helen Carty, DL, MB BCh BAO (NUI), MRCPI, FRCR London, FRCPI, FRCP (Lon), FRCPC, FFRRCSI The Earl of Derby, DL (Vice-President of Council) Dr Paul Johnson, BSc, PhD Mr Ian Jones, ACIB (until 31 December 2013) Sir Colin Lucas, MA, DPhil, FRHistS David McDonnell, CBE, DL, FCA, FRSA (President of Council) Dame Lorna Muirhead, DBE, CStJ, SRN, SCM, MTD, FRCM, FRCOG, FJMU, Hon LLD Dr Roger Platt, BSc, PhD, MA, PhD Mrs Abila Pointing, MBE, DL, MA Mrs Patricia Young, BA	2,4 1 4 1,2,3 4 4 (from 1 January 2014) 3
Members of the Senate (three appointed by the Council and one elected from and by Senate's elected membership) Professor Fiona Beveridge, LLB, MPhil Professor Susan Dawson, BVMS, PhD, MRCVS Dr Stuart Marshall-Clarke, PhD, MIBiol (until 31 July 2014) Professor Ronan McGrath, BA, PhD, FInstP	2
Clerk to Council Mr Alastair Flett, BA, MA	

Review of the Year

The University delivered a strong financial performance during the year to 31 July 2014. Further cuts in Higher Education Funding Council for England (HEFCE) funding were absorbed. These cuts were offset by a rise in tuition fees, following the increase in tuition fees for Home and EU undergraduates to £9,000, and the continuing growth in student numbers. By continuing to generate a surplus and a strong cash flow from operating activities the University remains in a position to respond positively to continuing reductions in HEFCE funding. The University continued its investment programme, required to achieve the key ambitions contained within the Strategic Plan. This involved almost £114.1m invested in buildings and equipment during the year, including refurbishment of teaching and research facilities, continued investment in student residences, and the refurbishment of the Liverpool Guild of Students facilities.

The largest income growth came from increases in academic fees and support grants. This reflects the overall student numbers increasing by 1,032 during the year, a rise of 5.3% on the previous year. This is after the continuing impact of the £9,000 tuition fee for Home and EU undergraduates resulting in a fall in their student population by 207 students. The fall in Home and EU undergraduates was more than offset by the rise of overseas undergraduate students, including those from the joint venture in China Xi'an Jiaotong-Liverpool University (XJTLU), of nearly 1,000 students. The continued pressure on funding from HEFCE was evidenced in the total funding grants on continuing operations reducing further from £95m to £86.5m. Staff costs in continuing operations reduced from 55% of total income in the year to 31 July 2013 to 53.1% in the year to 31 July 2014 demonstrating the ability of the University to manage its cost base in order to meet the challenges it faces over the coming years.

The scale of the many challenges facing the University of Liverpool, in common with other universities, remains. The University continues to aim to achieve the objectives contained in its Strategic Plan by investing in staff and buildings to achieve success over the long term in a sustainable manner.

The University's Strategic Plan

The University has confirmed its commitment to its Strategic Plan. This defines how the University aims to be successful within the challenging and changing higher education environment. Delivery of the Plan will ensure that the University will be Liverpool-centric and globally connected, with the experience of the Liverpool graduate being distinctive.

The University is an internationally focused institution whose activities are rooted in world-leading research excellence and reflect the dynamics of the knowledge economy. The focus remains on existing and emerging strengths, aspiring to achieve growth in quality and scale across five key priorities:-

- Improving our research performance
- Positioning ourselves as a global university
- Driving knowledge exchange and innovation
- Enhancing the student experience
- Extending widening participation

Within each of these priorities are key ambitions or outcomes, and performance towards these ambitions is regularly monitored.

Key Events during the Year

a) Research

The Research Strategy of the University focuses on continuing to develop areas of excellence and identifying key research themes which will enable the University to optimise opportunities for interdisciplinary research and respond to global challenges.

Income generated from research grants and contracts, on the continuing operations, increased by 7.2% in the year to 31 July 2014. During the year the value of research grants and contracts awarded to the University of Liverpool exceeded £100m for the second consecutive year. In addition the awards per staff full time equivalent increased by over 13%. In an increasingly competitive funding environment this evidences the success of the University in improving performance in this area.

The increasingly global nature of research activity is reflected in the diverse nature of bodies funding research conducted by the University. In addition to the UK research councils grants, in excess of £1m have been awarded by the EU, UK government departments, international commercial organisations, charities and the US government departments. These grants included further funding into the University's strength in particle physics, zoonoses in livestock in Kenya, understanding language and communicative development, development of the Liverpool GeneMill, a micro bio refinery project, big data centre, stable interfaces for rechargeable batteries and a nutrient and carbon pump over mid-ocean ridges.

Review of the Year

Within Humanities and Social Sciences, research grants awarded to the University included topics such as youth justice and its long term impacts, trade roads in ancient deserts, the global impact of London punishment between 1780 and 1925, and empowering the young generation towards a new social contract in south and east Mediterranean countries.

b) Teaching

The University continues to deliver learning and teaching across a wide range of disciplines, meeting its HEFCE student number obligations. The following table shows the growth in student populations over the last three years:

Full time and part time students	2013/14	2012/13	2011/12
Home & EU undergraduates	12,794	13,001	13,406
Home & EU postgraduates	2,100	1,925	1,966
Overseas undergraduates	4,066	3,068	2,321
Overseas postgraduates	1,645	1,579	1,611
Total	20,605	19,573	19,304

One of the key priorities included in the Strategic Plan is extending widening participation activities. The following table demonstrates the University's success in this area for the last three years for which data is available:-

Widening Participation Indicators	University of Liverpool			Benchmark	Russell Group
	2012/13	2011/12	2010/11	2012/13	2012/13
	%	%	%	%	%
Percentage of young full time adults from state schools or colleges	87.3	87.6	85.6	84.3	73.2
Percentage of young full time adults from NS-SEC classes 4,5,6&7	24.4	22.0	23.5	27.2	19.7
Entrants from low participation neighbourhoods	9.6	8.5	8.7	8.0	6.5

c) Global Positioning

During the year the University continued to build on its global activities. The University's joint venture in China, XJTLU continues and is supported by the National Science Foundation in China. XJTLU continues to build its research infrastructure and to develop its links with multi-national companies on the Suzhou Industrial Park.

Demand for the University's online programmes, delivered in partnership with Laureate Online Education, has also increased and the e-learning unit continues to support and improve the University's capability for e-learning, both for programmes based on campus and the online programmes.

An Internationalisation Strategy has been developed to achieve this key priority. This concentrates on:

- Being a global institution
- Creating graduates for the 21st Century
- Improving research excellence and knowledge exchange
- Improving our reputation as a global University
- Reflecting internationalisation at Liverpool

d) Developing the Estate

The quality of the University estate is fundamental to the experience of both staff and students. Investment in the University campus continues in line with the capital expenditure programme identified in the Strategic Plan. During 2013/14 over £96m was invested to deliver improved infrastructure and facilities to ensure that research, learning, teaching space, student facilities, accommodation and catering facilities are fit for purpose and enhance the student experience.

Review of the Year

e) Driving Knowledge Exchange and Innovation

The University continues to actively support, promote and facilitate its knowledge exchange agenda to enable high quality research through collaborative programmes and commercial activities, supported by the Partnerships and Innovation department.

This department drives the University's stakeholder engagement and establishment of strategic partnerships. It promotes the University's civic mission through institutional leadership in the region and city, influences public policy development and engages citizens in cultural and educational pursuits. The department identifies regional, national and international opportunities through collaborative research, contract research, and consultancy which advance the University's knowledge capital into diverse markets.

Public Benefit Statement 2014

The University of Liverpool is an exempt charity and is required to demonstrate the public benefit of its work. The University's Council is aware of its duties in relation to the Charity Commission's guidance in this area.

One of the UK's leading research institutions, the University is ranked in the top 1% of higher education institutions worldwide and is a member of the prestigious Russell Group, comprising the leading research universities in the UK.

The University also has a strong identity as the original 'redbrick' university with a long and proud tradition of civic engagement in the city of Liverpool and its surrounding region. The University's Strategic Plan 2009-14 refers to a culture of support and collaboration that 'will benefit the communities in which we operate, both at home and overseas'.

Civic engagement cuts across our core business and is undertaken by academic and professional services staff as well as students. Staff and students contribute as corporate representatives, experts, volunteers and citizens.

The University's public engagement can be seen in activities such as:

- Corporate representation on bodies steering the implementation phase
- Acting as an honest broker and thought leader (for example facilitating discussions between disparate organisations)
- Targeting business support services such as Knowledge Transfer Partnerships with North Liverpool businesses
- Widening Participation activities
- Volunteering and work placement opportunities for students
- Working with partners to improve the graduate offer (for example housing) to enhance retention
- Research and evaluation of programmes

Activities are also in line with each of the five University priorities. Illustrations of these are:

Global University	<ul style="list-style-type: none">• Incubation networks with global / local relevance• Capacity building and capital investment in Malawi / Southern Africa• Overseas research collaborations and relevance to City Region knowledge economy
Research Performance	<ul style="list-style-type: none">• Research institutes with international expertise and local resonance (Liverpool Institute of Health Inequalities Research, Institute of Cultural Capital)• Community-based / community-led research
Knowledge Exchange	<ul style="list-style-type: none">• Public policy activities
Student Experience	<ul style="list-style-type: none">• Cross HE / FE collaborative volunteering programmes• Student-led consultancy and research
Widening Participation	<ul style="list-style-type: none">• Strategic University engagement with Academies

Review of the Year

Widening Participation / Developing Skills

The University has developed a four-stage framework for its Widening Participation activities. The stages are:

- Pre-16 Outreach – focus on awareness-raising / progression to higher education as both an option and a choice (ages 9-16)
- Post-16 Outreach Aspiration-raising – activities linked directly to choice and attainment (ages 16-17)
- Fair Admissions - Scholars, Realising Opportunities and Go Higher schemes, which are directly linked to supported admissions (16+ years and adults returning to education)
- Retention and Success - Activities to support students in achieving their potential

This framework has been developed over a number of years, working in partnership with other Merseyside HEIs and with a wide range of schools and colleges both regionally and nationally. Furthermore, prior to the 2012 introduction of increased tuition fees the effectiveness of the overall approach within the Merseyside region was evidenced by increased levels of enrolments of students from Low Participation Neighbourhoods. The University exceeds its benchmarks for both the recruitment of students from Low Participation Neighbourhoods and the State Schools and Colleges sector and is third in the English Russell Group for achievements in this area.

The University's outreach activities target the following under-represented groups:

- Those from National Socio-Economic Classifications 4-7 (lower socio-economic groups)
- Those living in low participation neighbourhoods
- Disabled learners
- Certain black and minority ethnic (BME) populations
- Young people who have been in local authority care
- Adults returners to education

The University provides a range of aspiration raising activities to over 8,000 young people each year, recognising that some of these might lead to increased participation in HE but not progression to the University of Liverpool. The focus of activity is on pupils who are 'most able but least likely to attend HE', and a progression curriculum has been developed and delivered over a number of years to schools and colleges primarily within the Merseyside region, although access to summer schools has been available to schools from across England.

The University has developed a partnership of Merseyside secondary schools and colleges whose performance at GCSE is below the national and local average and which have a high percentage of pupils living in one of the 13,000 most deprived lower super output areas (LSOA) in England, as identified by the Index of Multiple Deprivation. The University works on an intensive basis with these schools and with their feeder primary schools, to raise aspirations and support attainment.

The University co-sponsors three Academy Schools – the North Liverpool Academy, the Enterprise South Liverpool Academy, and University Academy, Birkenhead. It also co-sponsors a Trust school, Parklands High School, Speke, and two University Technical Colleges, the Liverpool Life Sciences UTC and the Birkenhead Engineering UTC.

The four-stage framework encompasses work with feeder primary schools, whole year interventions for Years 7 and 8, and increasingly targeted and more in-depth interventions from Year 9 onwards, including support for young people in care which has resulted in the award of the Frank Buttle Trust Quality Mark. The University continues to target specific under-represented groups through project-based activity and has a three year programme specifically targeted at the brightest but most disaffected young people. The institution also offers summer schools and residential with an emphasis on science, technology, engineering and maths (STEM) subjects. At post-16, the University's approach is to target individual

Review of the Year

learners, with an increasing focus on supporting schools and colleges to encourage learners to consider progression to a research intensive HEI, in particular, supporting applicants to the University of Liverpool.

The Scholars programme targets individual learners in year 12 who are studying a two year level 3 qualification in Merseyside schools, and who have 8 grade A* - C grades at GCSE including English and Maths, no family history of HE, and are in receipt of a 16-19 bursary from their current school or college. Scholars are provided with an academic mentor, a range of academic activities including academic skills workshops and lectures, and produce an academic assignment. If successful, they are offered a guaranteed conditional offer at the University and a reduction in the UCAS points needed for entry.

The University is also a member of the Realising Opportunities Group of research-intensive universities. The members of this Group recognise programmes such as Scholars when making decisions about applications, thus providing the young people taking part in such schemes access to a wider group of research-intensive universities. Care leavers, Scholars, and those students recruited from corresponding programmes at the universities in the Realising Opportunities Group will be eligible for an enhanced support package.

The University has developed access routes to science, engineering, medicine, dentistry, veterinary medicine and health sciences in partnership with Carmel College, St Helens and Birkenhead Sixth Form College. These Year 0 programmes offer guaranteed progression, on successful completion of the year at a specified standard, to the University's highly selective medicine, dentistry and veterinary science programmes, to its nursing and health sciences programmes, and to a range of science and engineering programmes. The University has extended the recruitment criteria for the programmes which are routes to clinical programmes from vocational learners, to under-represented groups more widely. In addition to the access routes to STEM subjects, a one year, part-time on-campus access course for adults, Go Higher, is available. This prepares students for entry to first year programmes in the humanities and social sciences.

The institution works closely with hundreds of businesses in the North West to promote knowledge transfer into the regional economy and introduce new skills and processes. A Masters in Public Administration and Management has been introduced which enables staff in key public agencies to come together to explore cross-sector perspectives and work together to address fundamental changes taking place in public and voluntary services. The University is also committed to providing lifelong learning for local people through its Continuing Education programme with professional updating and re-skilling opportunities.

Cultural Activities

The University's Victoria Gallery and Museum (VG&M) houses the University's fine art and museum collections. Free to the public, its special exhibitions programme, showcasing both local and international artists, is extremely popular and the VG&M welcomes more than 50,000 visitors each year. Housed in the University's original redbrick Victoria Building, designed by Alfred Waterhouse, the museum celebrated its fifth anniversary this year. Recent exhibitions included 'A World a Particle' which highlights Liverpool's role in the Higgs Boson discovery and its history with particular accelerator science.

The University's Confucius Institute aims to deliver improved understanding of Chinese culture and increased language development opportunities. The Institute is a collaborative project between the University, Xi'an Jiaotong University and Hanban, the Chinese Government agency for the promotion of Chinese language and culture.

The Institute aims to provide a focal point for all China-related activity in Merseyside, working closely with schools and colleges, local businesses, community groups and individuals to promote Chinese language and culture. Running Mandarin classes throughout the year, it also has a cultural programme focusing on calligraphy, Chinese ink painting, tai chi and dance, and a monthly lecture series that delves into the shared history of China and the UK.

The University also runs a number of thought-provoking lecture series for the public throughout the year on a wide variety of subject areas. The events are well-attended and are webcast to enable greater accessibility.

The University's Security and Conflict lecture series invited speakers to anticipate what 2020 holds in relation to the issues of global security and conflict and their impact on terrorism. Speakers included Harald Jäger, the Stasi officer who was instrumental in the fall of the Berlin Wall; Sir Bernard Hogan-Howe QPM, Commissioner of the Metropolitan Police and former Chief Constable of Merseyside; Maajid Nawaz, co-founder and Executive Director of Quilliam, the world's first

Review of the Year

counter-extremism think tank; Colonel Tim Collins, the military commander best known for his speech on the eve of the Iraq war; General The Lord Dannatt, British Army Chief of General Staff from 2006-2009; and Rageh Omaar, the Somali-born British writer and world affairs correspondent.

The University's Science and Society lecture series explores the beneficial relationship between science and society. Speakers have included Professor David Bish from Indiana University and Professor Malcolm Jackson from the University of Liverpool on coping with an ageing society.

Novelist, Tim Parks, gave the University's Lucrezia Zaina bequest lecture which promotes the exploration and enjoyment of Italian culture. The audience gathered to listen to an inspirational lecture on Italy's history.

Public Policy Engagement

The University plays a major role as a neutral space for discussion of issues of relevance to the Liverpool City Region.

The University's Policy Provocations debates take on big policy challenges shaping our future and asks how we can tackle them in new ways. Led by the University of Liverpool and City Region partners, the series brings together perspectives from leading international, UK and local thinkers to provide a platform for passionate public debate. Topics covered this year included: 'My doctor makes me sick'; 'Capital punishment'; 'Wish EU weren't here'; and 'Big Data or Big Brother'.

These events, staged at a variety of venues around the city, draw audiences from local decision-makers; employees from the public, private and third sectors; general public and representatives from targeted communities; as well as staff, students and alumni.

The University has established a new public policy institute to ask how we can secure a prosperous, healthy, sustainable and vibrant future whilst managing the impacts of global economic, environmental, social and cultural challenges upon them. The Institute is named in honour of Lord Heseltine in recognition of his commitment to giving cities greater powers to shape their own futures, and his role in revitalising Liverpool.

The Heseltine Institute for Public Policy and Practice seeks to deliver research and learning opportunities that have a direct impact on the way public policy responses to these challenges are understood, formulated, delivered and evaluated. It will provide a gateway for local, national and international audiences to access the University's public policy expertise and engage with staff leading solutions-focused projects.

Knowledge Transfer

The University is committed to making its ground-breaking research and frontier technologies available to its business partners for the benefit of the regional and national economies.

A key example of the University's work is the £20.47 million incubator for small and medium sized enterprises (SMEs) working in the area of personalised medicines.

The Liverpool Bio Innovation Hub (LBiH) includes laboratory and office space and allows commercial access to the latest biobank technologies and equipment in the study of areas such as genomics, proteomics and metabolomics.

Part funded by the European Regional Development Fund (ERDF), it will encompass more than 6,000 square metres of space in the Crown Street area of the city, situated next to the University's Institute of Infection and Global Health. It is due to open in the summer of 2015.

The University also uses Knowledge Transfer Partnerships to help organisations of all sizes to improve their competitiveness.

Health and Wellbeing

The University believes strongly in Corporate Social Responsibility and continues to play a valuable role in the treatment and prevention of disease in Malawi alongside the Queen Elizabeth Central Hospital, and is sharing its expertise in this area

Review of the Year

with the Clinton Global Initiative – a project established by former US President Bill Clinton to devise and implement innovative solutions to some of the world's most pressing challenges.

The University is also committed to improving the wellbeing of Liverpool's local population and has established a £2million Institute for Research into Health Inequalities, dedicated to the study of health and wellbeing issues. The institute is funded by the NHS and aims to provide leadership and excellence in public health research with a particular focus on health inequalities in the Liverpool city region.

Researchers at the University in partnership with the Liverpool Clinical Commissioning Group (CCG) have been awarded £9 million, as part of a £124 million programme to help tackle some of the nation's most pressing health problems.

Universities, NHS organisations, and local authorities along the North West coast have come together and invested a further £12.5m, to support research that improves services for patients.

The investment is supported by the National Institute for Health Research (NIHR) and will help ensure patients benefit from innovative new treatments and techniques which could revolutionise future health care.

As part of the project, scientists at the University's Institute of Psychology, Health and Society, in collaboration with Lancaster University and the University of Central Lancashire, will address issues of health inequalities through improvements in public health and chronic disease interventions. The Liverpool team will investigate how to improve mental health care and new ways of working with NHS organisations in delivering health programmes.

The University is committed to providing students, staff and members of our local communities with excellent sports and fitness provision along with a broad range of activities. The University has established community partnerships with a number of organisations that make use of its sports facilities including Liverpool Penguin Swimming Club, Liverpool Football Club Foundation Football College, Everton Ladies Football Club, L8 Community Group, the Liverpool Clinical Commissioning Group and Bridge Chapel Football Club.

Student Engagement

Volunteering enriches the learning experience of the University's students. The University works in collaboration with the Liverpool Guild of Students to offer volunteering opportunities in legal support; health and wellbeing; environment and conservation; working with young people; and arts and culture. One example is the Liverpool Law Clinic, a community-focused law in action programme, run by staff and undergraduate students from the University's Law School. The clinic offers the public free, first-rate legal advice on a wide range of issues including employment rights, consumer rights, divorce and immigration law.

Liverpool's 'Students In Free Enterprise' (SIFE) group, based in its Management School, runs educational outreach projects to impact the community and transform people's lives. Throughout their entrepreneurial journey students acquire an invaluable set of skills such as leadership, project management, communication, presentation and team-working skills. They use their knowledge learned in classes and get to apply them to real world challenges.

Knowledge Economy

External organisations benefit from the University's world class expertise through a range of mechanisms including: contract and collaborative research, consultancy, training and continuing professional development, knowledge transfer partnerships, student projects and placements, volunteering and access to world class equipment and facilities.

With the knowledge economy sector likely to remain a key source of employment growth, the University is helping local economies move away from a reliance on the public sector and towards private sector growth. It is helping to reduce regional disparities and align knowledge exchange activities with the economic priorities of the region.

To prepare students for the job market, the Careers and Employability Service has also introduced a programme of 'Graduate Boot camps'. Aimed at new leavers, the boot camps provide opportunities for networking with employers while developing a range of high-demand employability skills. The University has also invested £2 million in a unique internship programme to give students access to local, regional and national employers.

Review of the Year

Financial Performance

Financial performance during the year to 31st July 2014 continues to be strong. The consolidated surplus after depreciation and before tax was £19.9m, 4.6% of total income. In addition to this there was profit of £7.0m on the sale of fixed assets. Net cash inflow from operating activities during the year was £22.0m. The continued investment programme of the University invested £114.1m in capital expenditure, resulting in short term investments and cash held by the group of £68.8m as at 31st July 2014.

Total income from continuing activities increased to £435.3m, a rise of 10.8% on the previous year. All elements of income increased apart from the anticipated reduction in Funding Council Grants reflecting a strong response from the University to the continued challenges facing higher education institutions. Staff costs increased to £231.1m, a rise of 6.9%, though this represented a reduction expressed as a percentage of total income of 53.1% in the year to 31st July 2014 compared to 55.0% in the previous year. Similarly while other operating expenses increased to £144.7m, expressed as a percentage of total income these costs represented 33.2% of total income, compared to 34.1% in the previous year.

The balance sheet remains strong. Short term investments and cash balances total £68.8m, fixed assets are £526m while borrowings due after more than one year beyond the balance sheet date are £180.9m. Net assets, excluding the pension asset, increased to £515.5m. The pension fund is healthy with a surplus of £28.2m, estimated on the outcome of the triennial valuation as at 31st July 2012 and subsequent movement in financial assumptions to 31st July 2014.

While the financial markets remain volatile, management of the endowment portfolio and pension fund assets were ahead of benchmarks set by the University and the Trustee Board for the financial year.

The Future

Following the introduction of the £9,000 tuition fee for home and EU based undergraduate students by the University, approved under the Access Agreement, and in line with many other HEI's, the University experienced a fall in demand for students joining in September 2012. This reduction in the numbers joining the University was reversed in September 2013 and further growth was experienced in September 2014 evidencing that strong demand to study at the University of Liverpool continues. Uncertainty faced by the University remains, and in addition to further cuts in teaching funding due to occur in the medium term, the tuition fees are capped at £9,000 placing further pressure on the University to effectively manage its activities to ensure financial sustainability.

Investment in the student experience continues following the opening of the Crown Place residences on campus in September 2014. The University continues to invest in improving its student residences both on the city centre campus and the other residences. Work on refurbishing the Liverpool Guild of Students facilities was completed in time for the start of the academic year in 2014.

Further investment in research facilities is planned to continue during 2014 with construction planned for new research facilities related to materials innovation and bio-sciences.

The strong financial position of the University enables a medium to long term view of its activities to be taken, assessing demand for student places and research activity to be balanced alongside the investment programme in order to maintain its financial sustainability. External funding has been secured by the University to meet its current requirements and the University is finalising further funding to ensure it is able to manage its liquidity.

Key Performance Indicators

Improvements to the reporting of key performance indicators to senior management and the governance committees continue, with detailed performance reports being considered on a quarterly basis. The reports focus on the key priorities in the Strategic Plan, assessing performance towards the agreed key ambitions.

Review of the Year

Xi'an Jiaotong-Liverpool University (XJTLU)

XJTLU is a joint venture with its own campus in Suzhou, China. It is the only internationally collaborative university in China with dual degree awarding powers, from the Chinese Ministry of Education and from the University. Upon completion of their studies, students will be awarded a University of Liverpool degree and an XJTLU degree from the Chinese Ministry of Education.

The founding departments of XJTLU were in the areas of computer science and software, electrical and electronic engineering, mathematical sciences, and business and management. Provision has expanded to include the built environment, finance, industrial design, applied chemistry and biological sciences, and language and cultural studies. In 2011/12 XJTLU offered its first taught Masters programmes. Over the next three to five years XJTLU aims to expand its undergraduate provision further into the humanities and social sciences.

The campus at XJTLU has expanded rapidly over the past few years, with 12 academic departments, four teaching centres and excellent support and resource facilities all housed on the north campus. It is anticipated that the north campus will be able to accommodate over 10,000 students by 2015.

Development of the south campus is underway, the first phase due for completion in 2015/16, increasing the capacity for XJTLU to 14,000 students. The new facilities will include teaching and research space for humanities and social sciences, law, industrial design, interdisciplinary sciences, as well as an international academic exchange centre and an international research centre.

The share of the operating deficit for the year to 31 July 2014 is as a result of the accounting for the costs associated with the continued development of XJTLU exceeding fee income for the year.

Equal Opportunities Policy

The aim of the University's policy is to ensure that no job applicant or member of staff receives less than favourable treatment on the grounds of disability, sex, marital status, religion, race, colour, nationality or ethnic or national origins, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All members of staff will be given equal opportunity, and where appropriate, special training to progress within the University. The University is committed to ensuring that this policy remains fully effective.

Ethical Investment Policy

It is the role of Council to set out the ethical platform on which the University's endowment asset investments are managed. The Council instructs its investment managers, through the Investments Sub-Committee, to invest University funds only in those companies who meet the criteria for ethical investment. It is the role of the Investments Sub-Committee to maximize the potential returns on investments within such criteria as established by Council. Investment managers report regularly to the Investments Sub-Committee in actions they have taken relating to ethical investment.

Reserves Policy

The University recognises its obligations as an exempt charity to expend the resources provided to it for charitable purposes and its reserves are retained for a variety of purposes. A significant proportion is represented by endowments which are retained and used in accordance with the wishes of the benefactors. The University has also built up its own reserve balances over a number of years to provide a source of funding for future activities. Further reserves are retained to provide working capital to support the University's complex organisation and to invest in land, buildings and equipment to develop its activities.

Corporate Governance Statement

The University of Liverpool is a corporate body established by Royal Charter dated 1903. Under the corporate objectives set out in the Charter, the University remains committed to the 'advancement of learning and ennoblement of life'.

The University is governed by the Council which comprises lay and academic members appointed under the Statutes of the University, the majority of whom are non-executive (see page 3 for members). Council members are the University's Charitable Trustees. The Council has the responsibility for the ongoing strategic direction of the University, approval of major developments and the oversight of the day to day operations of its business and of its subsidiary companies. It meets a minimum of four times each year and has several Committees, the key ones being Planning and Resources Committee, Nominations Committee, Remuneration Committee and Audit Committee. All of these Committees are formally constituted with terms of reference and contain significant lay member representation. Council membership of the key committees is shown on page 3 and 4.

The Planning and Resources Committee, inter alia, recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Nominations Committee seeks and considers nominations for potential lay members of the Council, lay officers, Council-appointed Senate representatives on Council and Council-appointed members of University Committees and makes recommendations to the Council for the appointment of such.

The Remuneration Committee undertakes and determines the review of all professorial and senior administrative staff salaries, and the approval of any proposal for voluntary severance or early retirement of the most senior staff.

The Audit Committee, which meets four times a year, is responsible for advising the Council and Vice-Chancellor on the effectiveness of the University's management and control systems. To this end, it meets with the External Auditors to discuss their audit findings, and with the Internal Auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England and the National Audit Office as they affect the University's business and monitor adherence with the regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies. It advises the Council on the appointment and remuneration of the Internal and External Auditors. The Committee is chaired by the Pro-Chancellor, or another member of Council, and whilst senior executives and other lay officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets with the Internal and External Auditors on their own for independent discussions.

The roles of President and Vice-President of the Council are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University and in the Financial Memorandum with the Higher Education Funding Council for England.

The Vice-Chancellor is supported in his role by the Deputy Vice-Chancellor and three Executive Pro-Vice-Chancellors. They lead the academic management of the University which is organised into three academic Faculties and the professional services. The academic Faculties are managed by the Executive Pro-Vice-Chancellors and the professional services are managed by the Deputy Vice-Chancellor.

The Council of the University is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Council is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks. This process is regularly reviewed by the Council. It accords with the internal control guidance for directors of companies as set out in the Combined Code as deemed appropriate for higher education and with the HEFCE 'Best Practice' guidance on Risk Management and broad compliance with the Committee of University Chairs (CUC) Guidance.

Corporate Governance Statement

The Council and the University's Senior Executive Team receive reports setting out key performance and risk indicators. The Council also receives regular reports from the Audit Committee and the Health & Safety Committee setting out, where necessary, recommendations for change and improvement. Processes and systems are continually being refined to ensure that the reporting mechanism is enhanced. Council's view of the effectiveness of the system of internal control is also informed by the work of the executive officers of the University who have responsibility for the development and maintenance of the internal control framework.

Responsibilities of the Council of the University

Statement of Primary Responsibilities of the Council of the University of Liverpool

The Council, under the provisions of the Charter and the Statutes of the University, is the governing body of the University. The Charter identifies the Council as being responsible for “the management and administration of the whole revenue and property of the University and the conduct of the all of the affairs of the University”. The detailed powers and duties of the Council are defined in Statute 9.

The primary responsibilities of the Council may be defined as:

- To appoint the Vice-Chancellor and to agree and monitor the delegation of authority to him/her
- To approve the strategic direction of the University
- To approve the annual budget
- To monitor performance against plans/budgets and, for this purpose, to identify and utilise key performance indicators
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest
- To fulfil statutory/regulatory responsibilities

(Approved by the Council at its meeting on 16 June 2005)

Working through its Planning and Resources Committee and Audit Committee, the 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 Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education (July 2007), and all relevant accounting and financial reporting 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 the University, the Council, through its designated office holder (the Vice-Chancellor), is required to prepare audited 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 Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- they 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 in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum agreed with the Funding Council and any other conditions which the Funding Council 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 the University and prevent and detect fraud;

Responsibilities of the Council of the University

- secure the economical, efficient and effective management of the University's resources and expenditure. The key elements of the University's system of internal financial control, which are designed to discharge the responsibilities set out above, include the following:
 - clear definitions of the responsibilities of, and the authority delegated to, all heads of departments;
 - a comprehensive short and medium term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
 - regular reviews of academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
 - clearly defined and formalised requirements for approval and control of expenditure;
 - a formalised treasury management policy;
 - comprehensive Financial Regulations detailing financial controls and procedures, approved by the Audit Committee and Council; and
 - a professional independent Internal Audit team whose programme of work is approved annually by the Audit Committee.

The Council is satisfied that the system of internal control described above has been in place throughout the year ended 31 July 2014.

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF LIVERPOOL

We have audited the group and University financial statements (the "financial statements") of the University of Liverpool for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the 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 Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Review of the Year to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Auditor's Report

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.



Trevor Rees
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

[Date] 20 November 2014

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

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

Consolidated Income and Expenditure Account

for the year ended 31 July 2014

	Note	2014 Total £m	2013 Continuing Operations £m	2013 Discontinuing Operations £m	2013 £m
Income					
Funding Council grants	2	86.5	95.0	7.0	102.0
Academic fees and support grants	3	189.3	155.7	2.6	158.3
Research grants and contracts	4	83.6	78.0	46.6	124.6
Other operating income	5	82.2	74.9	3.6	78.5
Endowment income and interest receivable	6	13.4	8.9	0.2	9.1
Less: Share of joint venture income	10	(19.7)	(19.6)	-	(19.6)
Total Income		435.3	392.9	60.0	452.9
Expenditure					
Staff costs	7,9	231.1	216.1	18.0	234.1
Other operating expenses	7	144.7	133.9	38.8	172.7
Depreciation	7	35.3	26.2	1.0	27.2
Interest payable	7	4.3	4.6	-	4.6
Total Expenditure		415.4	380.8	57.8	438.6
Surplus after depreciation of tangible fixed assets and before tax		19.9	12.1	2.2	14.3
Share of operating (deficit)/surplus of joint venture	10	(4.3)	(2.4)	-	(2.4)
Taxation credit	8	-	-	-	-
Surplus after depreciation of tangible fixed assets and tax		15.6	9.7	2.2	11.9
Profit on the sale of fixed assets		7.0			2.7
Surplus on operations after depreciation of tangible fixed assets and tax		22.6			14.6
Loss on disposal of discontinued operation	33	-			(25.0)
Surplus/(deficit) after depreciation of tangible fixed assets, disposal of operation and tax		22.6			(10.4)
Surplus endowment income for the year transferred to accumulated income in endowment funds		(1.8)			(1.6)
Surplus/(deficit) for the year retained within general reserves		20.8			(12.0)

Consolidated and University Balance Sheets

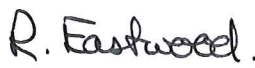
as at 31 July 2014

		Consolidated		University	
		2014	2013	2014	2013
	Note	£m	£m	£m	£m
Fixed Assets					
Tangible assets	11,12	526.0	447.8	499.7	428.1
Intangible assets	13	0.1	0.2	-	-
Investments	14	3.4	4.1	8.5	9.2
Investments in joint ventures					
Share of gross assets	10	79.9	65.0	-	-
Share of gross liabilities	10	(83.4)	(64.2)	-	-
		526.0	452.9	508.2	437.3
Endowment assets	15	141.7	143.5	141.7	143.5
Current assets					
Stock		1.0	1.0	0.9	0.8
Debtors	17	52.2	51.3	57.8	47.0
Asset held for resale		-	1.0	-	1.0
Investments	18	14.0	0.2	14.0	-
Cash at bank and in hand		54.8	69.4	53.5	65.8
		122.0	122.9	126.2	114.6
Less: Creditors - amounts falling due within one year	19	(93.3)	(92.3)	(95.1)	(84.4)
Net current assets		28.7	30.6	31.1	30.2
Total assets less current liabilities		696.4	627.0	681.0	611.0
Less: Creditors - amounts falling due after more than one year	20	(180.9)	(133.4)	(162.2)	(118.4)
Net assets excluding pension liability		515.5	493.6	518.8	492.6
Net pension asset	28	28.2	46.1	28.2	46.1
Net assets including pension liability		543.7	539.7	547.0	538.7
Represented by:					
Deferred capital grants	21	194.8	187.6	193.2	186.0
Endowments					
Expendable	16	20.7	21.3	20.7	21.3
Permanent	16	121.0	122.2	121.0	122.2
		141.7	143.5	141.7	143.5
Capital and Reserves					
Income and expenditure excluding pension reserve	23	176.4	159.9	181.2	160.4
Pension reserve	28	28.2	46.1	28.2	46.1
Income and expenditure including pension reserve		204.6	206.0	209.4	206.5
Revaluation reserve	22	2.6	2.6	2.7	2.7
		207.2	208.6	212.1	209.2
Total funds		543.7	539.7	547.0	538.7

The financial statements on pages 19 to 50 were approved by the Council on 18 November 2014 and signed on its behalf by:


 David McDonnell
 President


 Professor Sir Howard Newby
 Vice-Chancellor


 Robert Eastwood
 Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2014

	Notes	2014	2013
		£m	£m
Net cash (outflow)/inflow from operating activities	25	22.0	(3.3)
Returns on investments and servicing of finance			
Income from endowments	6	4.6	4.1
Other interest received	6	1.4	1.0
Interest paid on loans	7	(4.3)	(4.6)
		1.7	0.5
Taxation	8		
Capital expenditure and financial investment			
Payments to acquire fixed assets		(107.9)	(61.9)
Purchase of endowment assets	15	(29.7)	(45.5)
Receipts from sale of fixed assets		8.7	7.8
Investments acquired		-	(0.2)
Disposal of endowment assets	15	29.3	36.0
Deferred capital grants received	21	19.5	14.3
Endowments (released)/received	16	1.2	0.3
		(78.9)	(49.2)
Decrease in cash in the period		(55.2)	(52.0)
Reconciliation of net cash flow to movement in net funds/(debt)			
Decrease in cash in year	26	(55.2)	(52.0)
Net (debt)funds at 1 August	26	(65.0)	(13.0)
Net (debt)/funds at 31 July	26	(120.2)	(65.0)

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2014

	Note	2014	2013
		£m	£m
Surplus/(deficit)		22.6	(10.4)
Actuarial loss/gain in respect of pension scheme	28	(22.2)	36.0
Appreciation of endowment asset investments	15	2.7	25.5
Net of disposal of endowments	16	(6.3)	(6.4)
Endowments transferred to deferred capital grants	16	-	(2.6)
Revaluation of assets		-	0.4
Total recognised loss/gain relating to the year		(3.2)	42.5
Reconciliation			
Opening reserves and endowments		352.1	309.6
Total recognised gains for the year		(3.2)	42.5
Closing reserves and endowments		348.9	352.1

Statement of Group Historical Cost Surpluses and Deficits

for the year ended 31 July 2014

	2014	2013
	£m	£m
Surplus/(Deficit) for the year	22.6	(10.4)
Valuation gains realised on disposal of fixed asset investments	-	1.5
Historical cost surplus/(deficit) for the year	22.6	(8.9)

Notes to the Accounts

1. Statement of Principal Accounting Policies

a. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards and in accordance with the historical cost convention modified by the revaluation of certain fixed asset investments.

b. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings (as detailed in note 14) for the financial year to 31 July 2014. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the University does not control those activities. The 2013 Consolidated Income and Expenditure Account includes details of the results of the Liverpool School of Tropical Medicine (LSTM), an affiliated organisation, on the basis of dominant influence. This has been separately identified as a discontinued operation, as LSTM was granted independent status with effect from 2013/14. As such their results are not included in the 2014 Consolidated Income and Expenditure Account and their balances have been written out of the group balance sheet in both 2013 and 2014. Uniform accounting policies are applied consistently across the group.

c. Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity; the part relating to the Group's share is eliminated.

d. Recognition of income

Funding Council block grants are accounted for in the period to which they relate.

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

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when the relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

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

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment on the balance sheet.

Notes to the Accounts

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

e. Agency arrangements

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

f. Accounting for research and development

Expenditure on pure and applied research is treated as a part of the continuing activities of the University.

g. Foreign currencies

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

h. Land and buildings

Land and buildings are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Interest relating to the financing of constructed building projects has been capitalised in accordance with FRS 15.

i. Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred.

j. Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

k. Depreciation

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the University of between 30 and 50 years on the amount at which the tangible fixed asset is included in the balance sheet. Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS 15.

Leasehold land and buildings are amortised over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

Notes to the Accounts

Equipment funded by research grants is depreciated over the remaining life of the grant. Non-research grant funded equipment is depreciated over 4 years.

l. Leases

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under current and long-term liabilities. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against surplus in proportion to the reducing capital element outstanding. Assets acquired on finance leases are depreciated over the life of the lease.

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

m. Heritage assets

The University owns a considerable collection of works of art and museum objects, which were donated or bequeathed to the University during the last 120 years, and nearly all, prior to 1970. The vast majority of these items are not included in the financial statements. The University considers that in many cases it would not be practical to obtain a meaningful valuation. Very few heritage assets could be sold by the University due to the restrictive nature of their acquisition. Further information is provided in note 12. The cost of conservation and restoration of the heritage collection is reported in the Income and Expenditure Account in the year it is incurred.

n. Stock

Stock is stated at the lower of cost and net realisable value except for stock at Wood Park Farm, which has been valued at market value.

o. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as 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. They exclude any such assets held as endowment asset investments.

p. Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Investments in subsidiaries or in companies in which the University has been allotted shares are shown at cost. Investment properties were revalued as at 31 July 2013 by external professionally qualified valuers.

Investments are reviewed for impairment to their carrying value if there is any indication that impairment might have occurred.

Increases in market value over the original cost are credited to the revaluation reserve. Any deficit on revaluation which is not offset by amounts previously credited to and retained in the revaluation reserve in respect of that asset are written off to the Income and Expenditure Account.

Investment properties are held in the balance sheet at market value.

Notes to the Accounts

q. Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Para 1 of schedule 6 to the Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly the University, but not its subsidiary companies, is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly section 505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992) to the extent that such income or gains are applied to exclusively charitable purposes.

The University Group receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT relating to tangible fixed assets is included in their cost.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Corporation tax payable is provided on taxable profits at the current rate.

r. Accounting for charitable donations

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

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

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University [SORP para 144]
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income [SORP paragraph 143, 147]
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective [SORP para 144]

s. Accounting for retirement benefits

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF). Both schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme.

For ULPF, pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for in accordance with FRS 17.

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

Notes to the Accounts

t. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

u. Capitalisation of interest

Interest relating to the financing of constructed building projects has been capitalised in accordance with FRS 15. This is applied consistently across the Group.

v. Intangible Assets

The intangible asset relates to goodwill on the acquisition of a business and is being amortised over five years.

Notes to the Accounts

2. Funding Council grants

	2014 £m	2013 £m
HEFCE recurrent grants-Teaching	43.3	53.3
HEFCE recurrent grant-Research	30.7	30.9
HEFCE specific grants	7.5	6.4
Deferred capital grant released in year Buildings (see note 21)	5.0	4.4
Total continuing	86.5	95.0
Discontinued operation	-	7.0
Total	86.5	102.0

3. Academic fees and support grants

	2014 £m	2013 £m
Full time Home and EU students	84.2	70.6
Full time Overseas students	74.5	56.7
Part time students	5.0	4.2
Special courses	6.7	5.1
Research Training Support grants	0.7	0.6
Share of tuition fee income from joint venture	18.2	18.5
Total continuing	189.3	155.7
Discontinued operation	-	2.6
Total	189.3	158.3

4. Research grants and contracts

	2014 £m	2013 £m
Research Councils	33.4	30.4
Charities	13.2	13.1
Industry and commerce	8.7	7.9
Governmental (UK and EU)	23.9	23.2
Other	4.4	3.4
Total Continuing	83.6	78.0
Discontinued operation	-	46.6
Total	83.6	124.6

Included in the above is £5.9m in respect of deferred capital grant releases relating to research funded equipment.

Notes to the Accounts

5. Other operating income

	2014 £m	2013 £m
Residences and catering	17.0	15.1
Health Authorities	9.0	8.2
Other services	22.5	20.6
Donations	9.8	7.6
Released from deferred capital grants	1.4	1.7
Other income	22.0	21.4
Share of other income from joint venture	0.5	0.3
	<hr/>	<hr/>
Total continuing	82.2	74.9
Discontinued operation	-	3.6
Total	<hr/> 82.2	<hr/> 78.5

6. Endowment income and interest receivable

	2014 £m	2013 £m
Income from expendable endowments	0.6	0.7
Income from permanent endowments	4.0	3.3
Income from short term deposits	1.4	0.9
Pension Scheme - Income	6.5	3.1
Share of Investment Income from joint venture	0.9	0.9
	<hr/>	<hr/>
Total continuing	13.4	8.9
Discontinued operation	-	0.2
	<hr/> 13.4	<hr/> 9.1

7. Analysis of expenditure by activity

	Staff £m	Other Operating Expenses £m	Depreciation £m	Interest Payable £m	2014 £m	2013 £m
Academic departments	135.7	39.7	4.0	-	179.4	161.8
Research grants and contracts	37.4	25.1	6.7	-	69.2	65.4
Academic Services	16.3	12.7	3.7	-	32.7	31.5
General educational expenditure	6.3	23.1	-	-	29.4	27.2
Maintenance of premises	10.4	18.9	20.2	4.1	53.6	48.5
Administration and central services	12.5	8.9	-	-	21.4	17.2
Students & staff facilities & amenities	3.6	5.5	0.1	-	9.2	9.4
Residences and catering	4.8	7.1	0.4	0.2	12.5	12.8
Other services rendered	1.8	3.7	0.2	-	5.7	4.5
Additional Pension Costs per FRS17	2.3	-	-	-	2.3	2.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	231.1	144.7	35.3	4.3	415.4	380.8
Discontinued Operations	-	-	-	-	-	57.8
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	231.1	144.7	35.3	4.3	415.4	438.6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Accounts

Other Operating Expenses includes:

		2014 £'000	2013 £'000
KPMG LLP			
External Audit Fee	University	64	63
	University prior year	5	5
	Subsidiaries	30	12
Taxation and consultancy services	University	114	84
	Subsidiaries	42	57
PricewaterhouseCoopers LLP KPMG LLP			
Taxation and consultancy services	University	7	38
Internal Audit	University	196	191
Ellis Chapman and Associates			
Taxation	University	41	25
	Subsidiaries	-	1
Mitchell Charlesworth			
Taxation and consultancy services	University	-	5
Grant Thornton LLP			
External Audit Fee	LSTM	-	43
Taxation and consultancy services	University	5	6
	LSTM	-	14
RSM Tenon			
Internal Audit	LSTM	-	16
HBD Accountancy Services			
External Audit Fee	Liverpool University Press 2004 Limited	4	4
Eversheds			
Taxation and consultancy services	University	10	-

8. Taxation

As noted in the accounting policy on taxation there was no tax payable in either 2013 or 2014.

9. Staff Costs

	2014 £m	2013 £m
Staff costs were:		
Salaries	186.6	175.6
Social security costs	15.0	14.2
Pension costs including FRS 17 adjustments (note 28)	29.5	26.3
	<hr/>	<hr/>
Total continuing operations	231.1	216.1
Discontinued operation	-	18.0
	<hr/>	<hr/>
Total	231.1	234.1

Emoluments of the Vice-Chancellor, including benefits in kind and pension contribution for 2014 were £ 368k (2013: £360k).

Compensation paid for loss of office to members of staff whose annual remuneration is in excess of £100,000 per annum in 2014 was £222k (2013: £0k).

Notes to the Accounts

Staff Numbers by Major Category

	2014 Full time Equivalent	2013 Full time Equivalent
Academic	2,817	2,900
Clinical	164	153
Technical	579	571
Clerical	853	899
Other	301	338
	<u>4,714</u>	<u>4,861</u>

Staffing Full Time Equivalents (FTE's) are based on the HESA staff return and represent the actual FTE.

Remuneration bands of other higher paid staff, excluding pension costs, but including payments made on behalf of the NHS in respect of staff with contracted clinical responsibilities.

	2014 Number	2013 Number
£100,000 - £109,999	34	37
£110,000 - £119,999	11	18
£120,000 - £129,999	12	18
£130,000 - £139,999	15	5
£140,000 - £149,999	5	9
£150,000 - £159,999	8	8
£160,000 - £169,999	6	6
£170,000 - £179,999	4	6
£180,000 - £189,999	5	6
£190,000 - £199,999	4	3
£200,000 - £209,999	-	3
£210,000 - £219,999	3	4
£220,000 - £229,999	1	-
£260,000 - £269,999	-	1
£270,000 - £279,999	1	1
£280,000 - £289,999	-	1
£300,000 - £309,999	1	-
£350,000 - £359,999	1	1
	<u>111</u>	<u>127</u>

Notes to the Accounts

10. Joint Venture Xi'an Jiaotong-Liverpool University (XJTLU)

The University owns 50% of the issued ordinary capital of Xi'an Jiaotong-Liverpool University, which is registered in the People's Republic of China.

XJTLU Income and Expenditure Account – University of Liverpool 50% share

	2013/14 £m	2012/13 £m
Income	19.7	19.6
Expenditure	24.0	22.0
Net Income/(Expenditure)	(4.3)	(2.4)

XJTLU Balance Sheet – University of Liverpool 50% share

	2013/14 £m	Restated 2012/13 £m
Assets	79.9	88.3
Liabilities	(83.4)	(88.7)
Total Assets less Liabilities	(3.5)	(0.4)
Reserves	(4.8)	(1.7)
University of Liverpool Investment	1.3	1.3
Total Reserves and Capital	(3.5)	(0.4)

Due to non-coterminous accounting periods and difficulties in obtaining detailed information relating to capital build projects, adjustments have again been made to the opening balance sheet of XJTLU. This has resulted in total assets reported within the Group consolidated accounts increasing by £23.3m, total liabilities increasing by £24.5m and an additional loss of £1.2m being reported along with the £3.1m loss relating to activity for the year-ending 31 July 2014. The restated 2012/13 balances have been provided in the note above. However as the impact of this is immaterial in terms of the overall group position these restated balances have not been reflected in the group balance sheet.

Notes to the Accounts

11. Consolidated Tangible Assets

	Land and Buildings			Equipment	Assets Under Construction	Total
	Freehold £m	Leasehold £m	Finance Lease £m	£m	£m	£m
Cost at 1 August 2013	447.7	38.8	5.8	106.1	37.4	635.8
Additions in the year at cost	26.6	0.3	-	22.2	65.0	114.1
Transfer from assets under construction	27.4	-	-	2.7	(30.1)	-
Less: Disposals during the year	(1.3)	-	-	(1.8)	-	(3.1)
Cost at 31 July 2014	500.4	39.1	5.8	129.2	72.3	746.8
Accumulated Depreciation						
At 1 August 2013	98.8	12.6	3.9	72.7	-	188.0
Charge for the year	17.2	1.4	0.4	16.3	-	35.3
Eliminated on disposals	(0.6)	-	-	(1.9)	-	(2.5)
Depreciation at 31 July 2014	115.4	14.0	4.3	87.1	-	220.8
Net Book Value	31 July 2014	385.0	25.1	1.5	42.1	72.3
	31 July 2013	348.9	26.2	1.9	33.4	447.8

The University has freehold and leasehold interests in a wide range of properties including academic buildings, student residences and other associated properties. Land and buildings with a net book value of £135m, and a cost of £195.5m have been funded from Treasury sources; should these buildings be sold, the University would have to use the proceeds in accordance with the Financial Memorandum with the Higher Education Funding Council for England or surrender them to HM Treasury. The University has granted a long leasehold interest in a small part of its estate to Rosemary Young Persons Charitable Housing Ltd. (a charity), on which new student accommodation has been built. It has been agreed that the University will lease back this accommodation, with an option to purchase after 25 years (in the year 2019). This is the property to which the finance lease relates.

The insured value of the buildings is £940.5 million.

Included in the net book value of leasehold assets is a net sum of £12.5 million representing grant-aided expenditure on the Royal Liverpool University Hospital and the Dental Hospital, the title of which is vested in the Secretary of State for Health and for which the University has been granted a long lease.

Notes to the Accounts

12. University Tangible Fixed Assets

	Land and Buildings		Finance	Equipment	Assets Under Construction	Total
	Freehold £m	Leasehold £m	Lease £m	£m	£m	£m
Cost at 1 August 2013	447.8	38.8	5.8	85.4	34.8	612.6
Additions in the year at cost	26.6	0.3	-	16.4	62.9	106.2
Transfer from within the group						
Transfer from assets under construction	27.4	-	-	1.1	(28.5)	-
Transfer to assets for resale						
Disposals	(1.3)	-	-	(1.8)	-	(3.1)
Cost at 31 July 2014	500.5	39.1	5.8	101.1	69.2	715.7
Accumulated Depreciation						
At 1 August 2013	98.8	12.6	3.9	69.2	-	184.5
Charge for the year	17.2	1.4	0.4	15.0	-	34.0
Eliminated on disposal	(0.6)	-	-	(1.9)	-	(2.5)
Depreciation at 31 July 2014	115.4	14.0	4.3	82.3	-	216.0
Net Book Value						
31 July 2014	385.1	25.1	1.5	18.8	69.2	499.7
31 July 2013	349.0	26.2	1.9	16.2	34.8	428.1

Heritage Assets

The University holds its heritage assets in two collections:

The Fine and Decorative Art Collection consists of 7,000 items of metal ware, fine furniture, ceramics, paintings, drawings, prints and sculptures. It is held in the Victoria Gallery and Museum in the University's iconic redbrick Victoria Building, which is open to the public. An insurance valuation was updated professionally by Sotheby's in 2013 of £56.4m, but £34m of that related to two items only, pictures by Lucien Freud and Turner, valued at £14m and £20m respectively.

The Heritage Collection consists of 15,000 museum objects which have been collected over many years by academic departments of the University, and has been brought together into the Victoria Gallery and Museum. Many of the objects may originally have had value for teaching purposes, but this is no longer the case. 10,000 items are geological specimens, and the remainder come from a wide range of departments of the University. The Collection has never been valued, and, given the wide range of objects, such a valuation is not considered to be practical.

Notes to the Accounts

13. Intangible Assets

In the financial year 12/13 Liverpool University Press acquired the business of University of Exeter Press. The goodwill arising on the acquisition is £0.2m. This will be amortised over 5 years.

14. Fixed Asset Investments

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Market value of fixed asset investments	0.5	0.5	0.5	0.5
Properties	2.9	3.6	2.9	3.6
<i>University companies at cost</i>				
Liverpool University Press (2004) Ltd	-	-	0.7	0.7
University of Liverpool Energy Company Ltd (ULEC)	-	-	3.0	3.0
University of Liverpool Construction Company Ltd (ULCCo)	-	-	0.1	0.1
Xi'an Jiaotong-Liverpool University	-	-	1.3	1.3
	<u>3.4</u>	<u>4.1</u>	<u>8.5</u>	<u>9.2</u>

The University owns 100% of the issued ordinary capital of ULEC, ULCCo, ULCCo (Special Projects), University of Liverpool Commercial Services, University of Liverpool in Singapore (ULIS) Pte Ltd, UOLM Sdn Bhd, Tandem Nano Ltd and Liverpool University Press (2004) Ltd. The University's subsidiary companies are all registered in England and Wales with the exception of University of Liverpool in Singapore (ULIS) Pte Ltd and UOLM Sdn Bhd. All of these companies have been consolidated. The principal purpose of these companies is to support the activities of the University.

The University owns 50% of the issued ordinary capital of Xi'an Jiaotong-Liverpool University, which is registered in the People's Republic of China.

The University holds shares in the following companies, none of which are considered to be material; and are therefore not consolidated in these financial statements.

University Equity (%)

Liverpool Science Park Limited	24.5	Q Technologies Limited	24.9
Intellihep Limited	18.0	Pepsyn Limited	3.5
CDDM Technology Limited	3.0	Theryte Limited	3.6
Sepsis Limited	50.6	Provexis IBD Limited	25.0
Trucolour Limited	23.0	Senectus Therapeutics Limited	16.7
Aimes CIC Ltd	20.0	Laureate – University of Liverpool Ventures B.V.	20.0

Notes to the Accounts

15. Endowment Assets

	2014 £m	2013 £m
Balances as at 1 August	143.5	137.9
Purchases of investments	29.7	45.5
Disposal of investments	(29.3)	(36.0)
Net appreciation	2.7	25.3
Increase/(decrease) in cash balances	8.5	(16.7)
Transfer to current asset investments	(13.4)	-
Discontinued operations	-	(12.5)
As at 31 July	141.7	143.5
As at 31 July represented by:		
Quoted equities	103.4	113.5
Fixed interest bonds	15.8	21.1
Property and other investments	16.1	11.0
Cash in bank held for endowment funds	6.4	(2.1)
Total Endowment Assets	141.7	143.5

16. Endowments

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	Total £m
Capital Value	0.2	109.6	109.8	17.5	127.3
Accumulated Income	0.1	12.3	12.4	3.8	16.2
As at 1 August 2013	0.3	121.9	122.2	21.3	143.5
Net Additions/(disposals)	(0.3)	(6.6)	(6.9)	0.6	(6.3)
Appreciation/(Depreciation) of Investments	-	3.5	3.5	(0.8)	2.7
Transfer from Restricted Permanent to Restricted Expendable	-	(0.1)	(0.1)	0.1	-
Investment Income	-	4.0	4.0	0.6	4.6
Expenditure	-	(1.7)	(1.7)	(1.1)	(2.8)
As at 31 July 2014	0.0	121.0	121.0	20.7	141.7
Represented by:					
Capital Value	-	106.9	106.9	17.1	124.0
Accumulated Income	-	14.1	14.1	3.6	17.7
	-	121.0	121.0	20.7	141.7

During the financial year the University continued the review of its endowment portfolio. As part of this review £7.5m of endowments were released to income. Following investigation the terms and conditions of these endowments were deemed sufficiently general to allow the release.

Notes to the Accounts

17. Debtors

		Consolidated		University	
		2014	2013	2014	2013
		£m	£m	£m	£m
Debtors	- Trade	12.2	16.8	17.8	11.9
	- Intergroup	-	-	4.4	5.6
Prepayments and accrued income		40.0	34.5	35.6	29.5
		<u>52.2</u>	<u>51.3</u>	<u>57.8</u>	<u>47.0</u>

There were no intergroup debtors due over one year (2013 £Nil).

18. Current Asset Investments

		Consolidated		University	
		2014	2013	2014	2013
		£m	£m	£m	£m
Represented by:					
Fixed interest stocks (listed)		1.1	-	1.1	-
Equities (listed)		12.3	-	12.3	-
Cash balances		0.6	0.2	0.6	-
		<u>14.0</u>	<u>0.2</u>	<u>14.0</u>	<u>-</u>

19. Creditors: Amounts falling due within one year

		Consolidated		University	
		2014	2013	2014	2013
		£m	£m	£m	£m
Current portion of long term debt		1.3	-	-	-
Obligations under finance leases		0.4	0.4	0.4	0.4
Creditors - trade		16.0	21.4	15.2	10.9
- intergroup		-	-	4.0	2.6
Deferred Income		48.5	48.2	48.4	48.2
Social security and other taxation		6.1	5.3	6.1	5.3
Accrued charges		21.0	17.0	21.0	17.0
		<u>93.3</u>	<u>92.3</u>	<u>95.1</u>	<u>84.4</u>

Notes to the Accounts

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

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Unsecured Loans payable by 2036*	40.0	40.0	40.0	40.0
Unsecured Loans payable by 2028**	15.0	15.0	-	-
Unsecured Loans payable by 2018***	3.8	-	-	-
Unsecured Revolving facility****	120.0	75.0	120.0	75.0
Obligations under Finance Leases				
due 2-5 years	1.5	1.9	1.5	1.9
due over 5 years	-	-	-	-
Other Creditors	0.6	1.5	0.7	1.5
	<u>180.9</u>	<u>133.4</u>	<u>162.2</u>	<u>118.4</u>

* The Unsecured Loan payable by 2036 bears a fixed interest rate of 4.99% and the £40m is repayable in full in 2036.

** The Unsecured Loan payable by 2028 bears an interest rate of 4.975% and the £15m is repayable in full by bullet repayment on 13 March 2028 and the University has provided a parent company guarantee to Lloyds bank.

*** The Unsecured Loan payable by 2018 is from Salix Finance Ltd and is interest free. Both loans are held by ULEC Ltd.

**** The Unsecured Revolving facility bears an average interest rate of 2.68%. The facility matures in November 2016. £75m of the available £100m facility had been drawn down at 31 July 2013. In 2013/14 the facility was renegotiated and was increased from £100m to £160m and an additional £55m was drawn down leaving £40m available.

21. Deferred capital grants - university and consolidated

	Consolidated			University		
	Funding Council	Other Grants & Donations	Total	Funding Council	Other Grants & Donations	Total
	£m	£m	£m	£m	£m	£m
At 1 August 2013						
Buildings	140.7	44.3	185.0	139.0	44.4	183.4
Equipment	-	2.6	2.6	0.0	2.6	2.6
Total	<u>140.7</u>	<u>46.9</u>	<u>187.6</u>	<u>139.0</u>	<u>47.0</u>	<u>186.0</u>
Cash received/receivable						
Buildings	9.1	2.9	12.0	9.1	2.9	12.0
Equipment	-	7.5	7.5	-	7.5	7.5
Total	<u>9.1</u>	<u>10.4</u>	<u>19.5</u>	<u>9.1</u>	<u>10.4</u>	<u>19.5</u>
Released to income and expenditure						
Buildings	(5.0)	(1.3)	(6.3)	(5.0)	(1.3)	(6.3)
Equipment	-	(6.0)	(6.0)	-	(6.0)	(6.0)
Total	<u>(5.0)</u>	<u>(7.3)</u>	<u>(12.3)</u>	<u>(5.0)</u>	<u>(7.3)</u>	<u>(12.3)</u>
As 31 July 2014						
Buildings	144.8	45.9	190.7	143.1	46.0	189.1
Equipment	-	4.1	4.1	-	4.1	4.1
Total	<u>144.8</u>	<u>50.0</u>	<u>194.8</u>	<u>143.1</u>	<u>50.1</u>	<u>193.2</u>

Notes to the Accounts

22. Revaluation reserve

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Balance 1 August	2.6	4.2	2.7	4.2
Revaluations in the period	-	0.5	-	-
Transfer to profit & loss reserve	-	(1.2)	-	(1.5)
Discontinued operation	-	(0.9)	-	-
	<u>2.6</u>	<u>2.6</u>	<u>2.7</u>	<u>2.7</u>
Balance 31 July	2.6	2.6	2.7	2.7

23. Income and expenditure reserves

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Balance 1 August	206.0	167.5	206.5	160.4
Surplus/(Deficit) on income & expenditure account	20.8	(12.0)	25.1	8.6
Transfer from endowment reserve	-	12.5	-	-
Transfer from revaluation reserve	-	2.0	-	1.5
Actuarial gain on pension reserve	(22.2)	36.0	(22.2)	36.0
	<u>204.6</u>	<u>206.0</u>	<u>209.4</u>	<u>206.5</u>
Balance 31 July	204.6	206.0	209.4	206.5
Represented by:				
University reserves	181.2	160.4	181.2	160.4
Subsidiaries	(4.8)	(0.5)	-	-
	<u>176.4</u>	<u>159.9</u>	<u>181.2</u>	<u>160.4</u>
Income & expenditure excluding pension reserve	176.4	159.9	181.2	160.4
Pension reserve	28.2	46.1	28.2	46.1
	<u>204.6</u>	<u>206.0</u>	<u>209.4</u>	<u>206.5</u>

Notes to the Accounts

24. Access to Learning (Hardship) Funds

	2014	2013
	£000	£000
Income		
Excess of income over expenditure brought forward	31	37
Funding Council grants	240	240
Interest earned	1	1
	<u>272</u>	<u>278</u>
Expenditure		
Disbursed to students	(244)	(240)
Payments made	(7)	(7)
	<u>21</u>	<u>31</u>
Excess of income over expenditure carried forward		

Funding Council grants are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

25. Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	2014	2013
	£m	£m
Surplus after depreciation of assets and before tax	19.9	14.3
Pension costs less contributions payable (note 28)	(4.3)	(0.6)
Depreciation (notes 1 and 11)	35.3	27.2
Deferred capital grants released to income (note 21)	(12.3)	(9.7)
Endowment assets released to income	(7.5)	(6.7)
Decrease in fixed asset investments	0.7	-
Interest payable	4.3	4.6
(Increase)/Decrease in current asset investments	0.2	-
(Increase)/Decrease in debtors	(1.0)	(4.2)
Increase/(Decrease) in creditors < 1 year	(6.5)	(21.1)
Increase/(Decrease) in creditors > 1 year	(0.8)	(2.0)
Investment Income	(6.0)	(5.1)
	<u>22.0</u>	<u>(3.3)</u>
Net cash (outflow)/inflow from operating activities		

Notes to the Accounts

26. Analysis of Changes in Net Funds

	1 August 2013	Cashflows	31 July 2014
	£m	£m	£m
Cash in hand, and at bank			
Endowment assets investments	(2.1)	8.5	6.4
Current asset investments	-	0.6	0.6
Cash in hand, and at bank	69.4	(14.6)	54.8
	<u>67.3</u>	<u>(5.5)</u>	<u>61.8</u>
Finance leases			
Debt due within 1 year	(0.4)	-	(0.4)
Debt due after 1 year	(1.9)	0.4	(1.5)
Loans			
Debt due within 1 year	-	(1.3)	(1.3)
Debt due after 1 year	(130.0)	(48.8)	(178.8)
	<u>(65.0)</u>	<u>(55.2)</u>	<u>(120.2)</u>

27. Capital commitments

	Consolidated		University	
	2014	2013	2014	2013
	£m	£m	£m	£m
Authorised not yet contracted	51.4	39.4	49.6	37.4
Authorised and contracted	79.3	83.0	78.5	75.1
	<u>130.7</u>	<u>122.4</u>	<u>128.1</u>	<u>112.5</u>

Notes to the Accounts

28. Retirement benefits

The basis of the contributions to the schemes below are the long-term contribution rates. The total pension cost for the University was:

	2014	2013
	£m	£m
Contributions to Universities Superannuation Scheme	19.6	19.2
Contributions to University of Liverpool Pension Fund	8.4	7.3
Contributions to other schemes	1.6	1.7
Total Pension Cost (note 9)	29.6	28.2

Universities Superannuation Scheme (USS)

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

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are included in this note.

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

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

Notes to the Accounts

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% pa long term rate were also adopted.

The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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

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

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

However, changes in market conditions between March 2011 and March 2014 have had an impact on the scheme funding. The next formal triennial actuarial valuation is now due and the effective date will be 31 March 2014. Work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

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

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

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

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

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

Notes to the Accounts

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme, although these became effective from October 2011. These include:-

New Entrants

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

Normal Pension Age

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

Flexible Retirement

Flexible retirement options were introduced.

Member Contributions Increased

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

Cost Sharing

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

Pension Increase Cap

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

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in Assumption	Impact on Shortfall
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and nature of the scheme's liabilities. These parameters, taken together with anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the

Notes to the Accounts

scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 2964 active members participating in the scheme.

The total pension cost to USS for the institution was £19.7 m (2013: £18m). This includes £1.6m (2013: £1.6m) outstanding contributions at 31 July 2014. The contribution rate payable by the institution was 16% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

The ULPF is a defined benefit scheme operated in the UK. The final salary section of the Fund is closed to new entrants with effect from 31 July 2011 and from 1 August 2011, new members are eligible to join the CARE section of the Fund. A full actuarial valuation was carried out at 31 July 2012 and updated to 31 July 2014 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The employer currently pays contributions at the rate of 13.4% of pensionable pay plus £0.9m per annum. In addition deficit contributions of £0.6m per annum are payable. Member contributions are payable in addition at a rate of 7.5% of earnings for Final Salary members and 6.5% of pensionable pay for CARE members.

The major assumptions used by the actuary were (in nominal terms):

	2014	2013	2012	2011	2010
	%	%	%	%	%
Rate of increase in salaries	3.50 (plus promotional at salary scale)	3.55 (plus promotional at salary scale)	2.85 (plus promotional at salary scale)	5.25	5.00
Allowance for rate of increase in pensions of RPI or 5% p.a. if less	N/A	N/A	N/A	3.60	3.35
Allowance for rate of increase in pensions of CPI or 5% p.a. if less	2.50	2.55	1.85	3.10	N/A
Allowance for rate of increase in pensions of RPI or 2.5% p.a. if less	2.35	2.40	2.40	2.50	2.50
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	N/A	N/A	N/A	N/A	3.50
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.60	2.65	1.95	3.25	N/A
Allowance for revaluation of deferred pensions of RPI or 2.5% p.a. if less	N/A	N/A	N/A	N/A	2.50
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.45	2.45	1.95	2.50	N/A
Discount Rate	4.20	4.80	4.40	5.30	5.40
Inflation assumption (based on RPI)	3.50	3.55	2.85	3.75	3.50
Inflation assumption (based on CPI)	2.60	2.65	1.95	3.25	N/A
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	2.60	2.65	1.95	N/A	N/A
pensions of RPI or 5% p.a. if less					
Allowance for discretionary increases on benefits in excess if GMP accrued prior to 6 April 1997	No	No	No	Yes	Yes
Allowance for commutation of pension for cash at retirement	80% of members commute 25% for cash at retirement	80% of members commute 25% for cash at retirement	None	None	None

Notes to the Accounts

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 2014 %	Fair value at 2014 £m	Long-term rate of return expected at 2013 %	Fair value at 2013 £m	Long-term rate of return expected at 2012 %	Fair value at 2012 £m	Long-term rate of return expected at 2011 %	Fair value at 2011 £m	Long-term rate of return expected at 2010 %	Fair value at 2010 £m
Equities	6.8	229.9	6.0	220.2	7.4	171.8	7.70	172.7	8.00	149.8
Bonds	4.6	68.3	4.2	64.2	5.1	62.6	5.20	53.5	5.60	47.5
Cash	0.5	(0.7)	0.5	(0.2)	0.5	0.2	0.50	(0.8)	0.50	1.9
Property	6.8	11.0	6.0	9.8	7.4	11.4	7.70	11.8	8.00	11.2
Total market value of assets		308.5		294.0		246.0		237.2		210.4

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Total market value of assets	308.5	294.0	246.0	237.1	210.4
Actuarial present value of scheme liabilities	(280.3)	(247.9)	(236.5)	(293.9)	(272.0)
Surplus/(deficit) in the scheme	28.2	46.1	9.5	(56.8)	(61.6)

Notes to the Accounts

Analysis of the amount charged to income and expenditure account

	2014	2013
	£m	£m
Employer service costs (net of employee contributions)	8.6	7.1

Analysis of pension finance income

	2014	2013
	£m	£m
Expected return on pension scheme assets	18.4	13.4
Interest on pension liabilities	(11.9)	(10.4)
	—	—
Pension finance (charge)/income	<u>6.5</u>	<u>3.0</u>

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

	2014	2013
	£m	£m
Actuarial return less expected return on assets	-	39.3
Experience gains and losses on liabilities	1.8	1.8
Changes in assumptions underlying the present value of liabilities	(24.0)	(5.1)
	—	—
Actuarial gain/(loss)	<u>(22.2)</u>	<u>36.0</u>

Movement in illustrative balance sheet figures during the year:

	2014	2013
	£m	£m
Deficit in scheme at beginning of year	46.1	9.5
Movement in year:		
Current service cost	(8.6)	(7.1)
Contributions	6.4	4.7
Net interest/return on assets	6.5	3.0
Actuarial (loss)/gain	(22.2)	36.0
	—	—
Surplus/(deficit) in scheme at end of year	<u>28.2</u>	<u>46.1</u>

The total pension contribution to ULPF was £6.4 m (2013: £4.7m). The contribution rate payable by the University was 13.4% of pensionable salaries.

Notes to the Accounts

	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Cumulative Difference between expected and actual return on scheme assets					
Amount (£m)	-	39.3	(3.4)	17.8	19.9
Percentage of scheme assets	-	13%	-1%	8%	9%
Experience gains and losses on scheme liabilities					
Amount (£m)	1.8	1.8	9.1	7.0	10.7
Percentage of scheme liabilities	1%	1%	4%	-2%	-4%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount (£m)	(24.0)	(5.1)	63.3	(14.7)	(20.0)
Percentage of scheme liabilities	9%	2%	-27%	5%	7%
Total amount which is recognised in the consolidated statement of total recognised gains and losses					
Amount (£m)	(22.2)	36.1	69.0	10.1	10.6
Percentage of scheme liabilities	8%	-15%	-29%	-3%	-4%

29. Capitalisation of finance costs

The aggregate amount of capitalised interest included within fixed asset cost is £3.0m.

The value of finance costs capitalised in the year ending 31 July 2014 is £0.7m (2013 £0.1m)

Notes to the Accounts

30. Related party transactions

Due to the nature of the University's operations and the composition of its Council (being drawn from local public and private sector organisations) and Senior Executive Team, it is inevitable that transactions will take place with organisations in which a member of Council or the Senior Executive Team may have an interest. All such transactions are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. It is noted that the following transactions are in this category. The value as reflected in the University accounts is shown:

	Income	Expenditure	Balances at 31.7.14 due To/(from) the University
	£m	£m	£m
Professor Sir Howard Newby			
Chair, Liverpool Science Park	0.1	0.3	0.1
Member of the Board, Liverpool City Region LEP	-	0.2	-
Mr Patrick Hackett			
Non Executive Director, Aintree University Hospital NHS Foundation Trust	1.8	0.2	0.3
Trustee, University of Liverpool Pension Fund	0.4	9.2	(0.9)
Director, Liverpool International College	0.1	-	-
David McDonnell			
Director, University of Liverpool Pension Fund	0.4	9.2	(0.9)
Director, USS Ltd	-	19.7	(1.6)
Director, Arena Convention Centre Liverpool Ltd	-	0.1	-
Mr Christopher J Baker			
Chairman, Aintree University Hospital NHS Foundation Trust	1.8	0.2	0.3
Professor Ian Greer			
University Advisor, Alder Hey Children's Hospital NHS Trust	1.5	0.9	0.3
Chair, Regenerative Medicine and UK Regenerative Medicine Platform Board, MRC	1.1	-	-
HEI Representative, Health Education England	1.4	-	0.1
Mr Rob Eastwood			
Trustee, University of Liverpool Pension Fund	0.4	9.2	(0.9)
Mrs Carol Costello			
Member, Board of Trustees, University of Liverpool Pension Fund	0.4	9.2	(0.9)
Mrs Abila Pointing			
Trustee, University of Liverpool Pension Fund	0.4	9.2	(0.9)
Miss Catherine Jones			
Director, Liverpool International College	0.1	-	-
Management Board (Trustee), NCUK	-	0.1	-
Mr John Flamson			
Board Director, Liverpool Science Park	0.1	0.3	0.1
Board Director/Trustee, The Reader Organisation	0.1	-	-

Notes to the Accounts

31. Trustees Expenses

Expenses of £9,448.64 were paid to Trustees during the year.
There were no payments made for serving as a Trustee.
There were no payments made for services provided by a Trustee.

32. Leases

The total rental under operating leases, charged as an expense in the profit and loss account, are disclosed below:

	2014	2013
	£m	£m
Hire of plant and machinery	0.8	0.8
Other	1.6	0.8

Commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed to the period in which the lease expires

Obligations under operating lease comprise	2014 £m	2013 £m
Land and buildings		
Expiring within 1 year	-	-
Expiring during years 2-5	0.6	0.6
Expiring thereafter	0.1	0.1
Other assets		
Expiring within 1 year	-	0.1
Expiring during years 2-5	0.7	0.7
Expiring thereafter	-	-

Obligations under finance leases are included in creditors (note 19 and 20).

33. Discontinued Operations

Parliament granted independent status to the Liverpool School of Tropical Medicine with the effect that it is no longer a subsidiary of the University of Liverpool with effect from financial year 2013/14. This has resulted in an exceptional charge against the 2012/13 Consolidated Income and Expenditure Account of £25.0m representing the write off of the net assets of this entity.

34. Contingent Liabilities

The University is in dispute with the construction company regarding the final settlement figure relating to the Central Teaching Laboratories capital project which was completed in financial year 2012/13. The construction company is requesting £2.0m in settlement of the account.