Financial Statements 2010-11

The Chancellor
Professor Sir David King, BSc, PhD, ScD, FRS, FRSC, FinstP, KB

The Pro-Chancellor
Professor James Keaton, BSc, LLD, FSDC, FBIM, FRSA

The Vice-Chancellor
Professor Sir Howard Newby, CBE, BA, PhD, AcSS

The Deputy Vice-Chancellor
Professor Jonathan R Saunders BSc, PhD (until 31 March 2011)

The President
David C McDonnell, CBE, DL, FCA, FRSA

The Treasurer
Professor James Keaton, BSc, LLD, FSDC, FBIM, FRSA (until 31 December 2010)
Jon Haymer, MA, FCA (from 1 January 2011)

The Deputy Treasurer
Neil Ashbridge

The Pro-Vice-Chancellors
Professor Dinah Birch, BA, MA, MPhil, FEA (from 1 April 2011)
Professor Andrew Derrington, BA, PhD
Professor Kelvin Everest, BA, PhD, FBA
Professor Ian Greer, MBChB, MD, FRCP, FRCPE, FRCPI, FRCOG, FMedSki, FAE, MFFP
Professor Michael Hoey, BA, PhD, AcSS
Professor Stephen Holloway, BSc, PhD, FInstP, FAPS

Chief Operating Officer
Patrick Hackett, BArch

Director of Finance
Robert Eastwood, BA, ACA

Professional Advisers

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

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

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Neil Ashbridge	
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Professor Kelvin Everest, BA, PhD, FBA	
Professor Ian Greer, MBChB, MD, FRCP, FRCPE, FRCPI, FRCOG, FMedSki, FAE, MFFP	
Professor Michael Hoey, BA, PhD, Acss	
Professor Stephen Holloway, BSc, PhD, FinstP, FAPS	1
Clerk to Council	
Patrick Hackett, BArch	1
Appointed by the Court:	
Christopher Baker BA, MA, MBE (2011-2013)	2,4
Professor Sir Michael Barber Hon LLD (2010-2012)	
Patrick Reid, BSc, PhD, MBA, MCIM, MIoD (until 16 March 2011)	2,4

The Council of the University

Appointed by the Council:

Joseph D Duffey, PhD
Jon Haymer, MA, FCA (until 31 December 2010) 4
Ian Jones, ACIB (from 30 March 2011) 4
Guy Lance, BSc, CEng, MICE (until 31 December 2010)
Sir Colin Lucas, MA, DPhil, FRHistS
Dame Lorna Muirhead, DBE, CStJ, SRN, SCM, MTD, FRCM, FRCOG, FJMU, Hon LLD (from 1 January 2011)
Nirmala Pillay, PhD (until 31 December 2010) 3
Abila Pointing, MBE, DL, MA (from 1 January 2011)
Andrew Scott, MA, DPhil (from 12 January 2011) 4
Patricia Young, BA (from 1 January 2011) 3

Senate Appointed/Elected Members:

Professor Anu Arora, LLB, PhD, Barrister
Professor Charles Forsdick, BA, PhD
Professor Lu-Yun Lian, BSc, PhD, MBA 2
Stuart Marshall-Clarke, PhD
Professor Laura J. McAllister, BSc, PhD
Professor Michael J. Wooldridge, BSc, PhD

Elected by the Convocation

Helena V Hurt Pinsent, BA

The President of the Guild of Students

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Report of the Treasurer

I am pleased to present my report to accompany the financial statements of the University for the year ending 31st July 2011.

Following the publication in October 2010 of the Independent Review into Higher Education Funding and Student Finance entitled Securing a Sustainable Future for Higher Education and the subsequent Comprehensive Spending Review there remains uncertainty over the future funding for higher education institutions. The University's plan to charge a £9,000 fee for undergraduate courses has been accepted by the Office for Fair Access, though uncertainty remains over the Higher Education Funding Council for England (HEFCE) funding for teaching and research activity beyond September 2012 and further changes in funding for Universities are expected.

By continuing to generate a surplus and a strong cash flow from operating activities the University remains in a position to respond positively to any further changes in funding methodology. The University continued its investment programme required to achieve the key ambitions contained within the Strategic Plan with over £60m invested in buildings and equipment during the year. The three major investments were new facilities for teaching and research in central teaching laboratories, a biosciences building and investment in new student residences situated on the University campus in the city centre.

The significant area of growth in income was from academic fees and support grants. This reflects the increasing popularity of the University of Liverpool as a place to study at all levels, with overall student numbers increasing by over 1,000 during the year, a rise of 5.7% on the previous year. The pressure on funding from HEFCE was evidenced in the total funding grants reducing from £123.3m to £121.4m. The voluntary disengagement scheme continued into the year ending 31st July 2011 helping to limit the overall increase in staff costs to 1.2%. Staff costs now account for 53.0% of total income. This demonstrates the ability of the University to manage its activities 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, is recognised. The University continues to aim to achieve the objectives contained in its Strategic Plan, 2009 to 2014, 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 an ambitious Strategic Plan for the period 2009 to 2014. This defines how the University aims to be successful within the challenging and changing higher education environment. Delivery of the Plan will ensure that 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. Council have re-affirmed that the Plan is still appropriate to the University's needs and situation.

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 whilst responding to global challenges.

During the year research grants and contracts were received relating to nanoscale drug delivery systems, rotor technology, understanding and improving the outcomes of viral encephalitis, a UK lung cancer screening process to investigating the genomic diversity of streptococcus pneumonia across sub-Saharan Africa. As well as receiving UK research councils grants the University has been successful in securing awards from the Department of Health, GlaxoSmithKline, the Gates Foundation, Technology Strategy Board and the European Commission.

Within Humanities and Social Science, research grants awarded to the University ranged from the culture of Spanish Verse in the late Middle Ages, maritime connectivity and the seaways of Britain 5000 to 3500 BC, development of products to support sustainable growth strategies in existing and new markets to Rome 600 to 900 AD.

This reflects the excellence in research across the University, further re-enforcing the conclusions of the 2008 UK Research Assessment Exercise.

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 gives an overview of the student populations:

Table 1 – Full Time & Part Time Students	**2011**	**2010**	**2009**
Home & EU undergraduates	13,422	13,257	12,499
Home & EU postgraduates	1,944	1,812	1,865
Overseas undergraduates	2,350	1,934	1,587
Overseas postgraduate	1,738	1,403	1,117
Total	19,454	18,406	17,068

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

Table 2 – Widening Participation Indicators

	University of Liverpool				
	2009/10	2008/09	2007/08	Target Benchmark 2009/10	Russell Group 2009/10
	%	%	%	%	%
Percentage of young full time undergraduate entrants from state schools or colleges	85.6	84.7	85.8	82.8	72.9
Percentage of young full time undergraduate entrants from NS-SEC classes 4,5,6,7	23.3	25.2	23.6	24.2	19.8
Entrants from low participation neighbourhoods	8.2	8.7	9.2	7.5	5.4

Source : Higher Education Statistics Agency (HESA) Performance Indicator Tables

c) Global Positioning

During the year the University continued to build on its global activities. The University's joint venture in China, Xi'an Jiaotong Liverpool University (XJTLU), celebrated its first graduation ceremony during 2010. XJTLU has grown from 164 students in 2006, to over 4,800 students in 2010/11. 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 University's online programmes, delivered in partnership with Laureate Online Education has also increased. Over 11,000 students are currently registered on the online programmes, with over 90% of these students from outside of the UK. 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 strategic objective. 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, and
- Reflecting internationalisation at Liverpool.

d) **Developing the Estate**

The quality of the University estate is fundamental to the experience of both staff and students and investment in the University campus continues.

During 2010/11 over £60m was invested to deliver improved infrastructure and facilities to ensure that research, learning and teaching space, accommodation and catering facilities are fit for purpose and enhance the student experience. Investment in the central teaching laboratories, biosciences building and new student residences also continued throughout 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 consists of three outward facing business units, in addition to the International Development Office.

The Partnerships and Innovation 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

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.

The University has a strong identity as an internationally renowned, research led university. It also has an equally strong complementary 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 is part of the lifeblood of the University, cutting across its core activities. It is undertaken by academic and professional services staff as well as students throughout the institution. The nature of this engagement varies with staff and students contributing as corporate representatives, experts, volunteers and citizens.

The University's engagement with the public is 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 (for example the Year of Health and Wellbeing in the Liverpool City Region, 2010)

These activities also support each of the University's key priorities as illustrated below:

Research Performance	• Research institutes with international expertise and local resonance (Liverpool Institute of Health Inequalities Research, Institute of Cultural Capital) • Community-based / community-led research
Global University	• 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
Knowledge Exchange	• Public policy activities
Student Experience	• Cross HE / FE collaborative volunteering programmes • Student-led consultancy and research
Widening Participation	• Strategic University engagement with Academies

Widening Participation / Developing Skills

Recognised as one of the UK leaders in widening participation, the University is committing in the region of £6 million each year to support significant numbers of students through substantial bursaries and scholarships. The University strives to ensure people from all backgrounds have access to a world-class education and its Widening Participation unit offers additional education opportunities to some 8,000 young people each year.

These activities are targeted at schools where there is not a strong tradition of progression to higher education, and include summer schools, study skills sessions and visit days, with a focus on STEM subjects. The University has a specific programme of activity aimed at Looked After Children and has been awarded the Frank Buttle Trust Quality Mark for its Plan of Commitment to Care Leavers.

The University has developed the National Primary Network which is supporting universities and colleges across the country to deliver aspiration raising activities for primary age young people, their families and teachers. A Teachers' Pack is available, which enables teachers to develop activities aimed at raising awareness of higher education in young people in primary school.

The University is co-sponsor of four Academies within the Merseyside region which are all sited in areas of economic deprivation. Staff and students at the University are involved in a range of activities within the Academies to help improve academic performance.

In collaboration with local Further and Higher Education providers, the University has created a Year 0 foundation programme for Home/EU students that leads to access onto programmes including Medicine, Dentistry and Physiotherapy. The programme is aimed at those with significant workplace experience or those with related vocational rather than traditional A level qualifications.

For adults living locally who want to return to full-time education and who may have no formal qualifications, the University offers a 'Go Higher' access programme. After successful completion of 'Go Higher', participants are eligible to apply for a wide range of University of Liverpool degrees.

The University has established a compact arrangement - the 'Scholars Scheme' - with Year 12 students currently studying in one of 19 designated Greater Merseyside Schools. Students accepted onto this programme participate in a number of academic workshops, are assigned an academic tutor, given revision support from the University, and complete a piece of academic work. Following successful completion of the programme students receive a differentiated offer, reduced by up to 40 UCAS Tariff points and the guaranteed offer of a place to study at the University of Liverpool. Scholars who enter full-time undergraduate study at Liverpool receive a non-repayable University of Liverpool bursary for every year of their studies.

The University of Liverpool is part of the 'Realising Opportunities Group' of 13 research led universities which is working on a shared project to identify common approaches to outreach activities and admissions. This includes the Mutual Recognition Scheme, which will enable applicants to these universities who have participated in 'Scholars', or similar programmes in the other universities, to be given additional consideration.

The University 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) opened to the public in 2008 following a £9 million restoration. The University's 'gift' to the city for its year as European Capital of Culture, it 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.

The University's Liverpool Confucius Institute aims to support the increasing economic interaction between Liverpool and China by providing a range of tuition options for Mandarin learners and promoting greater appreciation and understanding of the Chinese culture. The institute is a collaboration between the University of Liverpool, Xi'an Jiaotong University and Hanban.

Over 4,500 people have attended a number of thought provoking lectures given by a variety of individuals across a wide variety of subject areas throughout the past year.

The Burning Issues lecture series looks to address the burning issues of today which are shaping the economies and business environments of the future. The high profile series is sponsored by Weightmans and the Liverpool Daily Post. The speakers in the series are: Professor Brian Barwick, former Chief Executive of the FA and Visiting Professor University of Liverpool Management School; Brendan Barber, General Secretary of the TUC; John Cridland, Director General of the CBI; Lord John Birt, former Director General of the BBC and Will Hutton, Executive Vice-Chair of The Work Foundation. This series is aimed at a business audience but is also open to the general public, staff, students and alumni.

The Science and Society lecture series explores the beneficial relationship between science and society. Subjects have included the impact of x-rays on society, reconciling biotechnology and organic crops, the funding of biological research and its importance for a healthy and prosperous society, the ribosome structure as well as mathematics and climate change. Speakers have included: Professor Sine Larsen, President of the International Union of Crystallography; Professor Sir David Baulcombe FRS, Head of the Department of Plant Sciences at the University of Cambridge; Professor Douglas Kell, Chief Executive of the BBSRC; Prof Ada Yonath, Nobel Laureate and Director of the Kimmelman Center for Biomolecular Structure at the Weizmann Institute of Science; Professor Marcus du Sautoy OBE, Simonyi Professor for the Public Understanding of Science at the University of Oxford and Professor Thomas Stocker, Co-Chair, WGI, the Intergovernmental Panel on Climate Change.

Count Francesco da Mosto delivered the first Lucrezia Zaina lecture in March which celebrated the life of the late University lecturer Professor Lucrezia Zaina and promoted the exploration and enjoyment of Italian culture. The launch of this new annual lecture series was held at a packed St George's Hall in Liverpool. The audience that gathered to listen to the inspirational writer, architect, historian, film-maker and Venetian citizen comprised University stakeholders, alumni, staff, students, and the general public.

The University is a partner in the Liverpool Winter's Tale Festival which celebrates the 400th anniversary of the first performances of the play, with a series of public events that analyse and respond to it. Other partners in the Festival are the Liverpool Everyman and Playhouse, the Liverpool Philharmonic and the Walker Art Gallery.

Public Policy Engagement

The University has been re-enforcing its role as a neutral space for discussion of issues of relevance to the Liverpool City Region. The Foresight Group is a Liverpool City Region membership network, co-founded and hosted by the University, and committed to forging a shared future vision for a sustainable and prosperous Liverpool City Region. It is, by definition, outward- and forward-looking. The Group believes that the future success of the city and its region is dependent on building on the city's uniqueness and offering something different to comparator cities. Its commitment to exploring and championing innovative approaches to achieve better outcomes for Liverpool and its citizens affords it a broad-ranging agenda, covering the economy, society (including health and well-being) and the environment.

The University's Policy Provocations events series brings local, national and international figures together to tackle big policy issues during this time of unprecedented change. Staged at venues across Liverpool, this year's series has focused on three different, yet connected, challenges posed by today's financial environment. These include: women and social enterprise, the banking crisis and income inequality. The aim is to stimulate thinking on what solutions the Liverpool City Region could develop to address these issues.

Speakers have included: Paul Mason, Newsnight Economics Editor; Richard Wilkinson, author of The Spirit Level; and Frank Field MP. A further debate is scheduled to take place addressing thoughts around the issue of elected mayors which will include Lord Adonis; the leader of Liverpool City Council and the former Mayor of Cologne. 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.

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. One example of this is the £9.6M Centre for Materials Discovery, accessible to businesses across the region and the UK and funded by support from industry, the Northwest Development Agency and European Objective One funding. This innovative facility is enabling industries across a range of sectors to move rapidly into the next generation of materials science and play a major role in advancing the research capability of the Northwest.

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 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 Liverpool-Mulago Partnership connects the largest maternity units in Europe (Liverpool Women's Hospital) and Africa (Uganda's Mulago Hospital). Established by the University and Liverpool Women's Hospital, the LMP shares expertise and promotes improvements to maternal and infant healthcare: whilst the Liverpool team is skilled at prevention and exploiting high tech therapies, staff in Mulago have significant experience in treating conditions that are rare in the UK.

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

The University also participates at senior level in the Liverpool Fairness Commission, established to look at the causes and effects of poverty within the city, identify inequalities and develop clear long-term plans to address these challenges. Chaired by the CEO of Blackburne House, the Fairness Commission includes cross-sector representation and is based on the approach taken by Islington Council.

The University's sports centre is open to everyone and has more than 1,000 public users. In addition, around 1,000 members of community groups use the facilities each week. Merseyside Caribbean Cricket Club make use of the University sports grounds as well as England Homeless Football Team who use the facilities for free.

Student Engagement

Volunteering enriches the learning experience of the University's students. The University works in collaboration with the 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 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. Current SIFE Liverpool projects range from assisting struggling businesses in deprived areas of Liverpool to addressing water contamination in South Africa.

Knowledge Economy

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.

The University has responded to these issues and to questions around its role in regional economic development and locality; for example, the University has seconded a member of staff to support the Liverpool City region in putting together a Knowledge Economy Plan; the Vice-Chancellor continues to chair the Liverpool City Region Knowledge Economy Group; and most recently, the Vice-Chancellor was asked to represent the University sector on the Liverpool City Region Local Enterprise Partnership shadow board.

University services have also been tailored to respond to the need to grow the knowledge economy; for example the University has established an innovation voucher programme for businesses wishing to work with University academics – a programme based on the successful but now completed North West Innovation Voucher Scheme. The University has also targeted businesses in North Liverpool for Knowledge Transfer Partnership programmes to promote growth and innovation in local organisations.

In the next two years, more than £2 million is being invested in student and graduate internships. The majority of these internships will be paid, last for substantial periods of time, and made available in the local job market.

To prepare students for the job market, the Careers & 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 range of high-demand employability skills.

Financial Performance

Financial performance during the year ending 31st July 2011 was strong. The Surplus after depreciation and before tax was £7.2m, 1.8% of income. Net cash inflow from operating activities during the year was £26.0m. The continued investment programme of the University resulted in capital expenditure totalling £64.5m during the year, resulting in cash held by the Group of £65.3m as at 31st July 2011. Given the continued economic uncertainty where returns on cash deposits remain at 1% or less, and pension liabilities continue to rise this is to be commended.

Income increased marginally to £407.4m, a rise of 1.6%, reflecting the financially challenging environment. The only area of activity to generate significantly increased net income was Academic Fees and Support Grants, which increased by £17.1m (18.8%) on the previous year, evidencing demand for places to study at the University of Liverpool is increasing. The Voluntary Disengagement Scheme has contributed to ensuring staff costs are well managed. Totalling £216.0m, a 1.2% increase on 2009/10, staff costs now represent 53.0% of total income.

The strong financial performance results from the realignment of the institution to meet the economic challenges, coupled with the operational efficiencies being achieved following the implementation of a new organisation structure.

The balance sheet remains strong. Cash balances total £65.3m, fixed assets are in excess of £400m, while medium and long term borrowings remain low. While the financial markets remain volatile, management of the endowment portfolio and pension fund assets are ahead of the benchmarks set by the University and Trustee Board, enhancing the value of these funds.

The Future

There is little doubt that the next few years will remain financially challenging. The impact of the cuts in HEFCE funding will be most acute for the financial year ending 31st July 2012 as they will not be able to be offset with a rise in tuition fee income as approved under the University's access agreement. In addition Research Councils have reduced the funding available for research grants from 1st April 2011 onwards. Of greater impact to the cash flow will be the reductions in funding for capital expenditure, both from HEFCE and the Research Councils. Adding to the uncertainly will be the impact of revised student numbers controls currently under consultation, and demand for places at the University from Home/EU undergraduates from September 2012 onwards.

Report of the Treasurer

The University faces these uncertainties in a strong financial position and the increase in demand for places to study at the University is further evidence of the sound foundation required to respond positively to the changes in any new funding environment. The University's plan to charge a £9,000 fee for undergraduate courses has been accepted by the Office for Fair Access. This fee will allow the institution to invest further in its student experience and build on its reputation as a leading Russell Group university for achieving widening access. It is anticipated that the University will commit more than 30% of its additional fee income in 2012-13 to supporting students from lower income backgrounds and will offer enhanced outreach activities alongside new measures to support retention.

The University remains committed to continued investment to achieve the key ambitions contained with the Strategic Plan, whilst ensuring this is undertaken in a manner to maintain its financial sustainability. This investment will be in the human capital of the University, as it seeks to further improve its research performance. In addition the University has continued investment in new central teaching laboratories and biomedical facilities. Investment in facilities for students continues with plans for the construction of new student residences based on the main campus to be available for occupation in September 2012. Long term external funding has been offered to the University to ensure it is able to manage its liquidity.

Key Performance Indicators

Refinements to the reporting of key performance indicators to senior management and the governance committees continue to be made. The Strategic Management Team Performance Report is produced on a quarterly basis. The report focuses on the key priorities in the Strategic Plan, assessing performance towards the agreed key ambitions.

The Liverpool School of Tropical Medicine

The University values its close working relationship with the Liverpool School of Tropical Medicine (LSTM), whilst recognising its independent legal status. Its teaching programmes are validated by the University and there are many collaborative research projects. The University remains accountable to HEFCE for the funding provided to LSTM and there are long standing shared services in place, such as payroll, pension funds, library and computing services. Accordingly the University continues to fully consolidate LSTM into these financial statements.

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 Committee, to invest University funds only in those companies who meet the criteria set for ethical investment. It is the role of the Investments Committee to maximize the potential returns on investments within such criteria as established by Council. Investment managers report regularly to the Investments Committee on 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 operations and to invest in land, buildings and equipment to develop its activities.

Jon Haymer, MA, FCA
Treasurer

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). 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, a Nominations Committee, a Remuneration Committee and an 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, recommends appointments to the University's lay officer posts and recommends nominations to Council for membership of its central Committees.

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 six Pro-Vice-Chancellors, comprising the Deputy Vice-Chancellor, three Executive Pro-Vice-Chancellors and two Pro-Vice-Chancellors, for Internationalisation and for Student Experience. They lead the academic management of the University which is organised into faculties and academic departments. The professional services are managed by the Chief Operating Officer.

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.

Corporate Governance Statement

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.

The Council and the University's Senior Management 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

In accordance with the Charter and Statutes of the University of Liverpool, the Council of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

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 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;
- judgments 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;
- 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;
    - a comprehensive Financial Handbook detailing financial controls and procedures, approved by the Audit Committee and Council; and
    - a professional Internal Audit team whose programme of work is approved annually by the Audit Committee.

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 2011 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 section 18 of the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the Board of Governors 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 Board of Governors 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 Annual Report 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 2011 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.

Auditor's Report

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.

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.

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

[Date]

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 2011

	Note	**2011**	2010
Income	**Note**	**£m**	**£m**
Funding Council Grants	2	**121.4**	123.3
Academic fees and support grants	3	**108.0**	90.9
Research grants and contracts	4	**110.4**	110.8
Other operating income	5	**72.4**	77.9
Endowment income and interest receivable	6	**4.5**	2.9
Less: Share of joint venture income	10	**(9.3)**	(5.0)
Total Income		**407.4**	400.8
Expenditure			
Staff Costs	7,9	**216.0**	213.4
Other operating expenses	7	**161.7**	157.6
Depreciation	7	**19.0**	18.7
Interest payable	7	**3.5**	2.7
Total Expenditure		**400.2**	392.4
Surplus after depreciation of tangible fixed assets and before tax		**7.2**	8.4
Share of operating profit of joint venture	10	**0.7**	0.2
Taxation credit/ (charge)	8	**0.2**	(0.1)
Surplus after depreciation of tangible fixed assets and tax		**8.1**	8.5
Exceptional payroll costs	9	**(4.4)**	(5.1)
Profit on the sale of fixed assets		**2.9**	0.2
Surplus on continuing operations after depreciation of tangible fixed assets and tax		**6.6**	3.6
Surplus endowment income for the year transferred to Accumulated income in endowment funds		**(1.3)**	(0.9)
Surplus for the year retained within general reserves		**5.3**	2.7

There is no material difference between the surplus on an historical cost basis and the result for the year.
The above results relate to continuing operations.

Consolidated and University Balance Sheets

as at 31 July 2011

	Note	Consolidated 2011	2010	University 2011	2010
		£m	£m	**£m**	£m
Fixed Assets					
Tangible assets	11,12	**396.9**	351.6	**334.8**	291.0
Investments	14	**6.2**	4.7	**26.5**	24.9
Investments in joint ventures					
Share of gross assets	10	**25.4**	8.5		-
Share of gross liablilities	10	**(24.8)**	(8.7)		-
		403.7	356.1	**361.3**	315.9
Endowment assets	15	**136.7**	120.7	**123.1**	114.0
Current assets					
Stock		**1.1**	0.9	**0.7**	0.7
Debtors	17	**61.9**	50.7	**44.0**	45.4
Investments		**11.1**	4.7	**-**	-
Cash at bank and in hand		**65.3**	104.6	**47.2**	75.1
		139.4	160.9	**91.9**	121.2
Less: Creditors - amounts falling due within one year	18	**(115.5)**	(102.0)	**(73.3)**	(71.6)
Net current assets		**23.9**	58.9	**18.6**	49.6
Total assets less current liabilities		**564.3**	535.7	**503.0**	479.5
Less: Creditors - amounts falling due after more than one year	19	**(63.1)**	(61.1)	**(47.5)**	(45.0)
Net assets excluding pension liability		**501.2**	474.6	**455.5**	434.5
Net pension liability	27	**(56.8)**	(61.6)	**(56.8)**	(61.6)
Net assets including pension liability		**444.4**	413.0	**398.7**	372.9
Represented by:					
Deferred capital grants	20	**215.0**	215.0	**186.5**	187.5
Endowments					
Expendable	16	**19.2**	14.9	**19.2**	14.9
Permanent	16	**117.5**	105.8	**103.9**	99.1
		136.7	120.7	**123.1**	114.0
Capital and Reserves					
Income and expenditure excluding pension reserve	22	**146.0**	135.4	**142.2**	129.3
Pension reserve	27	**(56.8)**	(61.6)	**(56.8)**	(61.6)
Income and expenditure including pension reserve		**89.2**	73.8	**85.4**	67.7
Revaluation reserve	21	**3.5**	3.5	**3.7**	3.7
		92.7	77.3	**89.1**	71.4
Total funds		**444.4**	413.0	**398.7**	372.9

The financial statements on pages 17 to 46 were approved by the Council on 23rd November 2011 and signed on its behalf by:

Jon Haymer	Professor Sir Howard Newby	Robert Eastwood
Treasurer	**Vice-Chancellor**	**Director of Finance**

Consolidated Cash Flow Statement

for the year ended 31 July 2011

	Notes	2011	2010
		£m	£m
Net cash inflow from operating activities	24	**26.0**	36.7
Returns on investments and servicing of finance			
Income from endowments		**3.7**	3.6
Other interest received		**0.5**	0.6
Other Investment income		**0.2**	0.2
Interest paid on loans		**(3.5)**	(2.2)
Interest element of finance lease payable		**(0.3)**	(0.3)
		0.6	1.9
Taxation	8	**0.2**	(0.1)
Capital expenditure and financial investment			
Payments to acquire fixed assets		**(64.4)**	(30.7)
Purchase of Fixed Asset Investments		**(1.5)**	
Endowment assets acquired and received		**(24.5)**	(18.3)
Receipts from sale of fixed assets		**2.9**	-
Receipts from sale of endowment assets		**29.2**	17.7
Deferred capital grants received		**9.0**	25.5
Exceptional payroll costs		**(4.4)**	(5.1)
Receipts from Sales of Investments		**0.2**	-
Investments acquired		**(5.0)**	-
Endowments received		**0.7**	0.1
		(57.8)	(10.8)
Net cash (outflow)/inflow before use of liquid resources and financing		**(31.0)**	27.7
Financing			
Interest and capital element of finance lease repayments		**(0.3)**	(0.3)
(Decrease)/increase in cash in the period		**(31.3)**	27.4
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the period		**(31.3)**	27.4
Change in net debt resulting from cash flows		**0.3**	0.3
(Decrease)/increase in net funds in year		**(31.0)**	27.7
Net funds at 1 August		**51.6**	23.9
Net funds at 31 July		**20.6**	51.6

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2011

	Note	2011	2010
		£m	£m
Surplus on continuing operations after depreciation of tangible fixed assets and tax		**6.6**	3.6
Other movements direct from reserves		**-**	(0.5)
Pension Scheme RPI/CPI adjustment*		**6.6**	-
Actuarial gain in respect of pension scheme	27	**3.5**	10.6
Movement in income and expenditure reserve	22	**16.7**	13.7
Appreciation of endowment asset investments		**14.0**	16.7
New Endowments		**0.7**	0.1
Endowment income		**-**	0.4
Total recognised gains relating to the year		**31.4**	30.9
Reconciliation			
Opening reserves and endowments		**198.0**	167.1
Total recognised gains for the year		**31.4**	30.9
Closing reserves and endowments		**229.4**	198.0

* In its June 2010 budget, the Government announced that it intended the future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31 July 2011, the University considered the University of Liverpool Pension Fund scheme rules and associated members' literature and concluded that as a result a revised actuarial assumption about the level of inflation indexation should be made. This resulted in a gain of £6.6m which was recognised through the Statement of Total Recognised Gains and Losses in the 2010/11 financial statements.

Notes to the Accounts

1. Statement of Principal Accounting Policies

a. Basis of preparation

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

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 2011. 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 financial statements include full consolidation of the results of the Liverpool School of Tropical Medicine, an affiliated organisation, on the basis of dominant influence. 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 Institution 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 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.

Notes to the Accounts

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

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.
Freehold land and assets in the course of construction are not depreciated.

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.

Equipment funded by research grants is depreciated over the initial life of the grant, otherwise, 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 lease 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 the acquisition. Further information is provided in note 13. The cost of conservation and restoration of the heritage collection is reported in the Income and Expenditure Account for 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 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 2007 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.

Non-endowment investments held by LSTM are held as current assets as they are available to be drawn down on demand.

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

q. Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010. 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 sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) 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 allocated 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.

Notes to the Accounts

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.

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.

2. Funding Council grants

	2011 £m	2010 £m
Recurrent grants-Teaching	**70.0**	70.0
Recurrent grant-Research	**37.0**	38.6
Widening Participation	**0.6**	2.2
Aim Higher	**1.8**	1.3
JISC	**0.1**	0.1
HEIF	**2.0**	1.6
Capital Investment Fund	**5.1**	3.1
Matched Funding	**0.7**	1.3
Other Specific Grants	**0.7**	1.8
Deferred capital grant released in year (see note 20)	**3.4**	3.3
	121.4	123.3

3. Academic fees and support grants

	2011 £m	2010 £m
Full time Home and EU students	**53.1**	49.8
Full time Overseas students	**37.0**	28.5
Part time students	**2.5**	4.4
Special courses	**5.9**	3.2
Research Training Support grants	**0.5**	0.2
Share of tuition fee income from joint venture	**9.0**	4.8
	108.0	90.9

4. Research Grants and Contracts

	2011 £m	2010 £m
Research Councils	**29.6**	30.3
Charities	**21.5**	20.5
Industry and commerce	**8.4**	8.7
Governmental (UK and EU)	**34.0**	33.8
Other	**16.9**	17.5
	110.4	110.8

Included in the above is £3.0m in respect of deferred capital grant releases relating to research funded equipment.

Notes to the Accounts

5. Other Operating Income

	2011	2010
	£m	£m
Residences and catering	**13.5**	13.5
Health Authorities	**8.8**	8.6
Other services	**19.8**	16.0
Donations	**1.5**	1.0
Released from deferred capital grants	**2.6**	3.3
Other income	**26.0**	35.4
Share of other income from joint venture	**0.2**	0.1
	72.4	77.9

6. Endowment Income and Interest Receivable

	2011	2010
	£m	£m
Income from expendable endowments	**0.6**	0.5
Income from permanent endowments	**3.1**	3.1
Income from short term deposits	**0.7**	0.6
Other investment income	-	0.3
Net cost of Pension Scheme	**0.1**	(1.6)
	4.5	2.9

7. Analysis of Expenditure by Activity

	Staff	Other Operating expenses	Interest payable	Depreciation	**2011**	2010
	£m	£m	£m	£m	**£m**	£m
Academic departments	113.9	29.3	0.1	4.3	**147.6**	140.7
Research grants and contracts	40.2	50.6	-	4.0	**94.8**	95.8
Academic Services	13.0	11.7	-	0.7	**25.4**	27.0
General educational expenditure	4.6	20.0	-	0.1	**24.7**	21.1
Maintenance of premises	10.3	20.5	-	8.4	**39.2**	39.9
Administration and central services	13.5	7.8	2.6	-	**23.9**	25.6
Students & staff facilities & amenities	2.2	5.2	-	-	**7.4**	6.7
Residences and catering	4.3	7.9	-	0.4	**12.6**	12.5
Other services rendered	8.7	8.7	0.8	1.1	**19.3**	17.5
Additional Pension Costs per FRS17	5.3	-	-	-	**5.3**	4.1
Impairment of value of investments	-	-	-	-	-	1.5
	216.0	161.7	3.5	19.0	**400.2**	392.4

Other Operating Expenses includes:

			2011 £'000	2010 £'000
PricewaterhouseCoopers LLP				
	External Audit Fee	University	**-**	56
		University prior year	**-**	24
		Subsidiaries	**18**	15
	Taxation and consultancy services		**52**	27
	Internal Audit		**139**	-
KPMG LLP				
	External Audit Fee	University	**59**	-
	Taxation, consultancy and accountancy services		**131**	331
	Internal Audit		**-**	139
Ellis Chapman and Associates				
	Taxation	University	**33**	27
Grant Thornton LLP				
	External Audit Fee	LSTM	**44**	33
RSM Tenon				
	Internal Audit	LSTM	**24**	17
HBD Accountancy Services				
	External Audit Fee	Liverpool University Press 2004 Limited	**3**	3

8. Taxation

	2011 £m	2010 £m
UK tax credit/(charge) at 25% (2010: 28%)		
Deferred Tax - origination and reversal of timing differences	**0.2**	(0.1)

9. Staff Costs

	2011 £m	2010 Restated £m
Staff costs were:		
Salaries	**172.8**	171.3
Social security costs	**14.1**	14.0
Pension costs including FRS 17 adjustments (note 27)	**29.1**	28.1
	216.0	213.4

Emoluments of the Vice-Chancellor, including benefits in kind and pension contribution for 2011 were £351k (2010: £358k).

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rate as for other academic staff and amounted to £48k (2010: £47k).

Compensation for loss of office paid to members of staff whose annual remuneration is in excess of £100,000 per annum for 2011 was £183k (2010: £527k).

Notes to the Accounts

Staff Numbers by major category:

	2011	2010
		Restated*
	Full time Equivalent	Full time Equivalent
Academic	**2,646**	2,600
Clinical	**164**	170
Technical	**584**	594
Clerical	**769**	771
Other	**318**	336
	4,481	4,471

*Staffing Full Time Equivalents (FTE's) are based on the HESA staff return and represent the actual FTE. This is a change from previous years when an alternative methodology was used and consequently the 2010 figures have been restated.

During the year the University operated a Voluntary Disengagement scheme whereby cessation of employment would be by mutual agreement. The University has charged £4.4m of these costs in the year, which is shown as an exceptional item on the face of the income and expenditure account.

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.

	2011 Number	2010 Number
£100,000 - £109,999	**20**	17
£110,000 - £119,999	**18**	17
£120,000 - £129,999	**15**	11
£130,000 - £139,999	**9**	15
£140,000 - £149,999	**6**	7
£150,000 - £159,999	**5**	5
£160,000 - £169,999	**10**	6
£170,000 - £179,999	**7**	10
£180,000 - £189,999	**7**	8
£190,000 - £199,999	**-**	3
£200,000 - £209,999	**2**	1
£210,000 - £219,999	**2**	3
£220,000 - £229,999	**2**	2
£260,000 - £269,999	**1**	1
£280,000 - £289,999	**2**	-
£290,000 - £299,999	**1**	1
£300,000 - £309,999	**1**	-
	108	107

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 year ending 31.7.11

	Total 100% £m	**University Share at 50%** £m
Income	18.5	9.3
Expenditure	17.1	8.6
	--------	---------
Net Income	1.4	0.7

XJTLU Balance Sheet as at 31.7.11

	Total 100% £m	**University Share at 50%** £m
Assets	51.0	25.5
Liabilities	(49.6)	(24.8)
	----------	-----------
Total Assets less Liabilities	1.4	0.7
Reserves	**(1.4)**	**(0.7)**

11. Consolidated Tangible Assets

	Land and Buildings			Equipment	Assets Under Construction	Total
	Freehold	Leasehold	Finance Lease			
	£m	£m	£m	£m	£m	£m
Cost at 1 August 2010	**350.0**	**47.2**	**5.8**	**75.2**	**9.8**	**488.0**
Additions in the year at cost	15.3	0.2	-	8.5	40.5	64.5
Transfer from assets under construction	0.6	-	-	0.6	(1.2)	-
Reclassified Assets	8.3	(8.3)	-	-	-	-
Less: Disposals during the year	-	-	-	(0.2)	-	(0.2)
Cost at 31 July 2011	**374.2**	**39.1**	**5.8**	**84.1**	**49.1**	**552.3**
Accumulated Depreciation						
At 1 August 2010	**74.8**	**13.5**	**2.9**	**45.2**	**-**	**136.4**
Charge for the year	8.1	1.0	0.3	9.6	-	19.0
Reclassified Assets	2.3	(2.3)	-	-	-	-
Depreciation at 31 July 2011	**85.2**	**12.2**	**3.2**	**54.8**	**-**	**155.4**
Net Book Value 31 July 2011	**289.0**	**26.9**	**2.6**	**29.3**	**49.1**	**396.9**
31 July 2010	275.2	33.7	2.9	30.0	9.8	351.6

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 £138.9m, and a cost of £187.1m 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 £843 million.

Included in the net book value of leasehold assets is a net sum of £13.8 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			Equipment	Assets Under Construction	Total
		Freehold	Leasehold	Finance Lease			
		£m	£m	£m	£m	£m	£m
Cost at 1 August 2010		**322.0**	**27.9**	**5.8**	**55.3**	**9.8**	**420.8**
Additions in the year at cost		13.6	0.2	-	6.4	40.5	60.7
Transfer from assets under construction		0.6	-	-	0.6	(1.2)	-
Cost at 31 July 2011		**336.2**	**28.1**	**5.8**	**62.3**	**49.1**	**481.5**
Accumulated Depreciation							
At 1 August 2010		**73.4**	**10.2**	**2.9**	**43.3**	**-**	**129.8**
Charge for the year		7.3	0.8	0.3	8.5	-	16.9
Depreciation at 31 July 2011		**80.7**	**11.0**	**3.2**	**51.8**	**-**	**146.7**
Net Book Value	**31 July 2011**	**255.5**	**17.1**	**2.6**	**10.5**	**49.1**	**334.8**
	31 July 2010	248.6	17.7	2.9	12.0	9.8	291.0

13. 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 provided professionally by Sotheby's in 1997 and updated in 2007 to a figure of £15.9m, but £10m of that related to two items only, pictures by Lucien Freud and Turner, each valued at £5m.

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.

14. Investments

	Consolidated		University	
	2011	2010	**2011**	2010
	£m	£m	£m	£m
Market value of fixed asset investments	**0.9**	0.9	**0.9**	0.9
Properties	**5.3**	5.3	**5.3**	5.3
University companies at cost				
Ulive Innovations and enterprises	**-**	-	**1.6**	1.5
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
UL Properties Limited (ULPS)	**-**	-	**13.7**	13.7
Xi'an Jiaotong-Liverpool University	**-**	-	**1.2**	1.2
Impairment of investments	**-**	(1.5)		(1.5)
	6.2	4.7	**26.5**	24.9

The University owns 100% of the issued ordinary capital of ULEC, ULCCo, ULCS and ULPS. The University's subsidiary companies are all registered in England and Wales. The University is also the parent organisation of ULIVE Limited, ULIVE Innovations Limited, ULIVE Enterprises Limited and Liverpool University Press 2004 Limited. 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 financial statements include full consolidation of the results of the Liverpool School of Tropical Medicine, an affiliated organisation, on the basis of its ability to exercise dominant influence.

The University has been allocated, at no cost, a proportion of 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
Iota Nanosolutions Limited	3.5	Theryte Limited	3.6
Sepsis Limited	50.6	Provexis IBD Limited	25.0
Connnect Internet Solutions	24.9	Senectus Therapeutics Limited	16.7
Trucolour Limited	23.0		

Notes to the Accounts

15. Endowment Assets

	Consolidated		University	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Balances as at 1 August	**120.7**	103.6	**114.0**	97.7
Purchases of investments	**24.5**	18.4	**24.5**	18.2
Disposal of investments	**(29.2)**	(17.7)	**(29.0)**	(17.5)
Appreciation	**14.0**	15.0	**13.4**	14.3
Increase/(decrease) in cash balances	**6.7**	1.4	**0.2**	1.3
As at 31 July	**136.7**	120.7	**123.1**	114.0
Represented by:				
Quoted equities	**94.7**	85.9	**88.4**	80.0
Fixed interest bonds	**18.9**	20.1	**18.6**	19.8
Property and other investments	**10.1**	8.4	**10.0**	8.3
Cash in bank held for endowment funds	**13.0**	6.3	**6.1**	5.9
Total Endowment Assets	**136.7**	120.7	**123.1**	114.0

16. Endowments - Consolidated

	Unrestricted Permanent £m	Restricted Permanent £m	**Total Permanent £m**	**Restricted Expendable £m**	**Total £m**
Capital Value	0.2	94.8	**95.0**	**12.3**	**107.3**
Accumulated Income	1.5	9.3	**10.8**	**2.6**	**13.4**
As at 1 August 2010	1.7	104.1	**105.8**	**14.9**	**120.7**
Net Additions/(disposals)	-	0.5	**0.5**	**0.2**	**0.7**
Appreciation/(Depreciation) of Investments	0.1	11.7	**11.8**	**2.2**	**14.0**
Transfer from Restricted Permanent to Restricted Expendable	-	(1.8)	**(1.8)**	**1.8**	**-**
Investment Income	0.1	3.0	**3.1**	**0.6**	**3.7**
Expenditure	(0.1)	(1.8)	**(1.9)**	**(0.5)**	**(2.4)**
As at 31 July 2011	1.8	115.7	**117.5**	**19.2**	**136.7**
Represented by:					
Capital Value	1.7	103.7	**105.4**	**15.8**	**121.2**
Accumulated Income	0.1	12.0	**12.1**	**3.4**	**15.5**
	1.8	115.7	**117.5**	**19.2**	**136.7**

Notes to the Accounts

16. Endowments continued – University of Liverpool

	Unrestricted Permanent £m	Restricted Permanent £m	**Total Permanent £m**	**Restricted Expendable £m**	**Total £m**
Capital Value	0.2	89.9	**90.1**	**12.3**	**102.4**
Accumulated Income	-	9.0	**9.0**	**2.6**	**11.6**
As at 1 August 2010	0.2	98.9	**99.1**	**14.9**	**114.0**
Net Additions/(disposals)	-	0.5	**0.5**	**0.2**	**0.7**
Transfer to LSTM	-	(6.4)	**(6.4)**	**-**	**(6.4)**
Appreciation/(Depreciation) of Investments	-	11.2	**11.2**	**2.2**	**13.4**
Transfer from Restricted Permanent to Restricted Expendable	-	(1.8)	**(1.8)**	**1.8**	**-**
Investment Income	-	2.9	**2.9**	**0.6**	**3.5**
Expenditure	-	(1.6)	**(1.6)**	**(0.5)**	**(2.1)**
As at 31 July 2011	0.2	103.7	**103.9**	**19.2**	**123.1**
Represented by:					
Capital Value	0.2	94.7	**94.9**	**15.8**	**110.7**
Accumulated Income	-	9.0	**9.0**	**3.4**	**12.4**
	0.2	103.7	**103.9**	**19.2**	**123.1**

17. Debtors

		Consolidated		**University**	
		2011 £m	2010 £m	**2011** £m	2010 £m
Debtors	- Trade	**15.7**	16.6	**14.6**	14.7
	- Intergroup	-	-	**1.6**	1.6
Prepayments and accrued income		**46.2**	34.1	**27.8**	29.1
		61.9	50.7	**44.0**	45.4

Included within intergroup debtors is £0.7m due over one year (2010 £0.7m).

18. Creditors: Amounts falling due within one year

	Consolidated		University	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Bank Overdraft	**0.8**	0.5	**-**	-
Obligations under finance leases	**0.3**	0.3	**0.3**	0.3
Creditors - trade	**19.3**	16.6	**17.0**	15.3
- intergroup	-	-	**0.6**	1.8
Deferred Income	**71.1**	64.3	**39.6**	40.2
Social security and other taxation	**6.4**	6.3	**6.1**	5.6
Accrued charges	**17.6**	14.0	**9.7**	8.4
	115.5	102.0	**73.3**	71.6

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

	Consolidated		University	
	2011	2010	**2011**	2010
	£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 2014	**-**	0.6	**-**	-
Obligations under Finance Leases				
due 2-5 years	**1.6**	1.5	**1.6**	1.5
due over 5 years	**1.0**	1.4	**1.0**	1.4
Other Creditors	**5.5**	2.6	**4.9**	2.1
	63.1	61.1	**47.5**	45.0

* 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.

20. 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 2010						
Buildings	147.6	64.9	**212.5**	143.6	41.4	**185.0**
Equipment	-	2.5	**2.5**	-	2.5	**2.5**
Total	147.6	67.4	**215.0**	143.6	43.9	**187.5**
Cash received/receivable						
Buildings	5.2	1.0	**6.2**	3.7	1.0	**4.7**
Equipment	-	2.8	**2.8**	-	2.7	**2.7**
Total	5.2	3.8	**9.0**	3.7	3.7	**7.4**
Released to income and expenditure						
Buildings	(3.5)	(1.5)	**(5.0)**	(3.4)	(1.0)	**(4.4)**
Equipment	-	(4.0)	**(4.0)**	-	(4.0)	**(4.0)**
Total	(3.5)	(5.5)	**(9.0)**	(3.4)	(5.0)	**(8.4)**
As 31 July 2011						
Buildings	149.3	64.4	**213.7**	143.9	41.4	**185.3**
Equipment	-	1.3	**1.3**	-	1.2	**1.2**
Total	149.3	65.7	**215.0**	143.9	42.6	**186.5**

21. Revaluation reserve

	Consolidated		University	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Balance 1 August	**3.5**	3.5	**3.7**	3.7
Revaluations in the period	**-**	0.4	**-**	-
Transfer to profit and loss reserve	**-**	(0.4)	**-**	-
Balance 31 July	**3.5**	3.5	**3.7**	3.7

22. Income and expenditure reserves

	Consolidated		University	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Balance 1 August	**73.8**	60.1	**67.7**	56.4
Surplus on income and expenditure account	**5.3**	2.7	**7.6**	0.7
Transfer from Revaluation Reserve	**-**	0.4	**-**	-
Actuarial gain on pension reserve	**10.1**	10.6	**10.1**	10.6
Balance 31 July	**89.2**	73.8	**85.4**	67.7
Represented by:				
University Reserves	**142.2**	129.3	**142.2**	129.3
Subsidiaries	**3.8**	6.1	**-**	-
Income & Expenditure Excluding Pension Reserve	**146.0**	135.4	**142.2**	129.3
Pension Reserve	**(56.8)**	(61.6)	**(56.8)**	(61.6)
	89.2	73.8	**85.4**	67.7

23. Access to Learning (Hardship) Funds

	2011	2010
	£000	£000
Income		
Excess of Income over Expenditure brought forward	**33**	15
Funding Council grants	**280**	345
University contribution	**2**	18
Interest earned	**-**	1
	315	379
Expenditure		
Disbursed to students	**(267)**	(327)
Net loans to students	**-**	(10)
Payments made	**(19)**	(9)
Excess of Income over Expenditure carried forward	**29**	33

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.

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

	2011	2010
	£m	£m
Surplus on continuing operations after depreciation of assets and tax	**7.2**	8.5
Pension costs less contributions payable	**5.3**	5.6
Depreciation (notes 1 and 11)	**19.0**	18.7
Deferred capital grants released to income (note 20)	**(9.0)**	(6.6)
Finance lease interest charge	**0.3**	0.3
Interest on £40m private placement	**1.8**	2.0
Interest on £15m CHP Loan	**0.8**	0.2
Other interest	**0.9**	-
(Increase)/Decrease in fixed asset investments	**-**	1.6
Increase in stocks	**(0.2)**	-
(Increase)/Decrease in debtors	**(11.2)**	4.2
Increase in creditors	**13.2**	8.8
(Decrease)/Increase in creditors > 1 year	**2.3**	(0.5)
(Increase)/Decrease in current asset investments	**-**	(1.7)
Investment Income	**(4.4)**	(4.4)
Net cash inflow from operating activities	**26.0**	36.7

Notes to the Accounts

25. Analysis of Changes in Net Funds

	1 August 2010	Cashflows	**31 July 2011**
	£m	£m	**£m**
Cash in hand, and at bank			
Endowment assets investments	6.3	6.7	**13.0**
Current Asset Investments	-	1.6	**1.6**
Cash in hand, and at bank	104.6	(39.3)	**65.3**
Overdrafts	(0.5)	(0.3)	**(0.8)**
	110.4	(31.3)	**79.1**
Finance leases			
Debt due within 1 year	(0.3)	-	**(0.3)**
Debt due after 1 year	(2.9)	0.3	**(2.6)**
Other debt due after 1 year	(55.6)	-	**(55.6)**
	51.6	(31.0)	**20.6**

26. Capital commitments

	Consolidated		**University**	
	2011	2010 Restated*	**2011**	2010 Restated*
	£m	£m	**£m**	£m
Authorised not yet contracted	**35.5**	22.8	**33.4**	20.6
Authorised and contracted	**38.5**	36.5	**38.4**	31.9
	74.0	59.3	**71.8**	52.5

* The 2010 capital commitments disclosure was reviewed and it was necessary to restate.

27. 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:

	2011	2010 Restated
	£m	£m
Contributions to Universities Superannuation Scheme	**17.2**	16.8
Contributions to University of Liverpool Pension Fund	**10.1**	9.5
Contributions to other schemes	**1.8**	1.8
Total Pension Cost (note 9)	**29.1**	28.1

Universities Superannuation Scheme (USS)

The University 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 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; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted 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 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.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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 a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and 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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

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 assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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 except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. 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.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the 'Official Pensions Index' from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3%pa to 2.9%pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company. With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive on the future funding levels.

On the FRS17 basis, 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Notes to the Accounts

Surpluses or deficits which arise at future valuations may impact on University'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 are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increase	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 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 believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the funds liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of the covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit charges and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the University had 2,456 active members participating in the scheme.

The total pension cost to USS for the University was £16.1m (2010: £16.7m). This includes £1.3m of outstanding contributions at 31 July 2011. The contribution rate payable by the University was 16% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

The ULPF is a defined benefit scheme operated in the UK. A full actuarial valuation is currently being carried out as at 31 July 2009 and the preliminary results of this have been updated to 31 July 2011 by a qualified actuary, independent of the scheme's sponsoring employer. Therefore the full membership data as used for this actuarial valuation has been used to calculate the FRS17 accounting figures.

The pension cost for the year for ULPF has been assessed by reference to FRS17. The principal assumptions made were that earnings would increase by 1.5% per annum over and above price inflation, and investment returns would be 1.55% per annum over and above price inflation.

Notes to the Accounts

The University currently pays contributions at the rate of 13.4% of pensionable pay. Members contributions are payable in addition at the rate of 6% of pensionable pay. This level of contribution will be reviewed following the results of the triennial valuation of the scheme on 31 July 2009.

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

	2011	2010	2009	2008	2007
	%	%	%	%	%
Rate of increase in salaries	**5.25**	5.00	5.25	5.40	5.30
Rate of increase in pensions in payment (RPI)	**3.60**	3.35	3.60	3.75	3.30
Rate of increase in pensions in payment (CPI)	**3.10**	N/A	N/A	N/A	N/A
Revaluation rate for deferred pensioners (RPI)	**N/A**	3.50	3.75	3.75	3.30
Revaluation rate for deferred pensioners (CPI)	**3.25**	N/A	N/A	N/A	N/A
Discount Rate	**5.30**	5.40	6.00	6.60	5.70
Inflation assumption (based on RPI)	**3.75**	3.50	3.75	3.90	3.30

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

	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at
	2011	**2011**	2010	2010	2009	2009	2008	2008	2007	2007
	%	**£m**	%	£m	%	£m	%	£m	%	£m
Equities	**7.70**	**172.7**	8.00	149.8	8.00	127.7	8.00	135.5	8.00	149.0
Bonds	**5.20**	**53.5**	5.60	47.5	5.25	42.4	5.00	41.9	5.00	38.6
Cash	**0.50**	**(0.8)**	0.50	1.9	4.50	1.1	4.25	3.7	4.25	4.0
Property	**7.70**	**11.8**	8.00	11.2	8.00	10.4	8.00	15.9	8.00	20.3
Total market value of assets		**237.2**		210.4		181.6		197.0		211.9

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Total market value of assets	**237.1**	210.4	181.6	197.0	211.9
Actuarial present value of scheme liabilities	**(293.9)**	(272.0)	(248.2)	(220.1)	(218.2)
Deficit in the scheme	**(56.8)**	(61.6)	(66.6)	(23.1)	(6.3)

Analysis of the amount charged to income and expenditure account

	2011	2010
	£m	£m
Employer service costs (net of employee contributions)	**9.8**	8.9
Total operating charge	**9.8**	8.9

Analysis of pension finance income

	2011	2010
	£m	£m
Expected return on pension scheme assets	**14.8**	13.3
Interest on pension liabilities	**(14.7)**	(14.9)
Pension finance (charge)/income	**0.1**	(1.6)

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

	2011	2010
	£m	£m
Actuarial return less expected return on assets	**17.8**	19.9
Experience gains and losses on liabilities	**7.0**	10.7
RPI/CPI Adjustment	**6.5**	-
Changes in assumptions underlying the present value of liabilities	**(21.2)**	(20.0)
Actuarial gain/(loss)	**10.1**	10.6

Movement in illustrative balance sheet figures during the year:

	2011	2010
	£m	£m
Deficit in scheme at beginning of year	**(61.6)**	(66.6)
Movement in year:		
Current service cost	**(9.8)**	(8.9)
RPI/CPI Adjustment	**6.5**	-
Contributions	**4.5**	4.9
Net interest/return on assets	**0.1**	(1.6)
Actuarial gain/(loss)	**3.5**	10.6
Deficit in scheme at end of year	(56.8)	(61.6)

The total pension contribution to ULPF was £4.4m (2010: £4.8m). The contribution rate payable by the University was 13.4% of pensionable salaries.

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Cumulative Difference between expected and actual return on scheme assets					
Amount (£m)	**17.8**	19.9	(25.7)	(29.5)	3.9
Percentage of scheme assets	**8%**	9%	-14%	-15%	2%
Experience gains and losses on scheme liabilities					
Amount (£m)	**7.0**	10.7	4.1	(7.8)	1.1
Percentage of scheme liabilities	**-2%**	-4%	-2%	4%	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount (£m)	**(14.7)**	(20.0)	(18.2)	22.2	10.4
Percentage of scheme liabilities	**5%**	7%	7%	-10%	-5%
Total amount which is recognised in the consolidated statement of total recognised gains and losses					
Amount (£m)	**10.1**	10.6	(39.8)	(15.1)	15.4
Percentage of scheme liabilities	**-3%**	-4%	16%	7%	-7%

28. Capitalisation of finance costs

The aggregate amount of capitalised interest included within fixed asset cost is £1.0m.

The value of finance costs capitalised in the year ending 31 July 2011 is £0.2m (2010 £0.5m)

29. 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 management team, it is inevitable that transactions will take place with organisations in which a member of Council or the senior management 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 31.7.11 due to (from) the University
	£m	£m	£m
Mr P Hackett			
Non Executive Director, Aintree University Hospital NHS Foundation Trust	2.0	0.2	0.4
Trustee, University of Liverpool Pension Fund	0.2	4.4	0.2
Dr P Reid			
External Examiner, Nottingham Business School	0.1	-	-
Professor Sir David King			
Director, Smith School of Enterprise and the Environment, Oxford University	0.2	0.1	-
Director of Research, Cambridge University	-	0.2	-
Mr Neil Ashbridge			
Member, University of Bangor Management School Advisory Board	0.1	0.4	-
Mr Christopher J Baker			
Chairman, Aintree University Hospital NHS Foundation Trust	2.0	0.2	0.4
Dr Joseph Duffey			
Senior Vice-President, Laureate International Universities, Laureate Education	1.2	-	-
Mr Rob Eastwood			
Trustee, University of Liverpool Pension Fund	0.2	4.4	0.2
Mr John Cartwright			
Director and Chair of Board, Net North West	0.1	0.1	-
Mrs Carol Mills			
Member, Board of Trustees, University of Liverpool Pension Fund	0.2	4.4	0.2
David McDonnell			
Director, University of Liverpool Pension Fund	0.3	2.7	0.1
Director, USS Ltd	-	16.1	(1.3)
Professor Lu-Yun-Lian			
Honorary Chair in the Faculty of Medical and Human Sciences, University of Manchester	1.5	0.8	0.7
Professor Ian Greer			
Chair Translational Stem Cell Committee, Medical Research Council	0.1	-	-
Dr Nirmala Pillay			
Senior Lecturer in Law, Liverpool John Moores University	0.1	0.7	-
Mrs Judith Greensmith			
Chair, Royal Liverpool & Broadgreen University Hospitals NHS Trust	6.0	2.9	1.1

30. Leases

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

	2011	2010
	£m	£m
Hire of Plant and Machinery	**0.1**	0.1

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	**2011**	2010
	£m	£m
Land and Buildings		
Expiring within 1 year	**-**	-
Expiring during years 2-5	**0.1**	0.1
Expiring thereafter	**1.4**	1.5

Obligations under finance leases are included in creditors (note 18 and 19)