



Annual Report and Accounts 2007/08

University of
Hertfordshire





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University of Hertfordshire
has been shortlisted for
'University of the Year'
in the Times Higher
Education Awards.



It is my pleasure to report on yet another successful year for the University of Hertfordshire. In recent years, the University has continued to grow its business in a sustained manner through organic growth and acquisition of new business. Our turnover now stands at over £209 million which is impressive in terms of the sector.

The University has made the headlines through the public recognition of its mission as a leading business-facing university. We have been shortlisted in the Times Higher Education Awards in the 'University of the Year' category. The Government acknowledges the vital role that universities play in the economy and particularly the role that universities like Hertfordshire play in their regional economies helping to support business and organisations in the public and voluntary sectors. In October 2007, the University featured as a case study of a business-facing university in the Sainsbury Review of Government's Science and Innovation Policies.

Chairman's Statement



To support the growing business-facing activity of the University, a new building was developed on the Hatfield Business Park opposite the de Havilland campus at a cost of £18 million and occupied by the University in September 2007. We were delighted that the former Chancellor of the University, Lord MacLaurin consented to the building being named the MacLaurin Building in recognition of his contribution to the University and wider business community.

Graduate Futures, our employability centre based in the MacLaurin Building, has rapidly established itself as a focal point for students seeking jobs and employment opportunities and for alumni seeking to advance their careers. In the last year, they increased the number of clients they worked with from 3,000 to 15,000. This ensures that the employment of our students and graduates is at the very heart of our mission and I am sure that these investments will give our graduates an edge in their employment and career aspirations.

Our applied research, short course, continuing professional development (CPD) and other commercial activity has grown substantially. Our subsidiary companies have all been successful in meeting their growth targets. Each in turn has played a role in developing the regional, and in some cases national, economy from Exemplas, which is now a key provider of business support services, to UNO, which is now the major provider of public bus services in the central area of Hertfordshire following an acquisition in the Spring.

The key to successfully supporting the economy and business is the underpinning strength and continuing success of teaching and research work at the University, all backed up by excellent facilities for students, staff and visitors. Accolades achieved during the year include Professor Soraya Dhillon winning a gold charter medal from the Royal Pharmaceutical Society of Great Britain and being shortlisted for the Asian Women of Achievement Awards. Dr Mary Thornton was granted a Senior Fellowship of the Higher Education Academy and Dr Trevor Barker, Principal Lecturer in the School of Computer Science, won the prestigious National Teaching Fellowship Award. The number of National Teaching Fellows at the University is 10 and the highest in the sector.

The University has prepared carefully for the 2008 Research Assessment Exercise (RAE) and like the rest of the sector awaits the outcome with keen anticipation. Other research innovations include the UH Research Archive (UHRA) which promotes and showcases research by our staff. It is an electronic "full text" archive of research publications, making our research openly accessible to a worldwide audience on the web. We have overtaken members of the research-intensive Russell Group in terms of the number of publications we have in our Research Archive. In only two years we have passed universities such as Imperial College, Edinburgh and Nottingham. We also held a showcase of our Science and Technology Research Institute to display and promote its achievements and its potential in the wider academic and business community. This event confirmed that the University can be very proud to share its research expertise with a wide community. All the events were well attended and courted excellent media exposure.

The quality of student facilities is absolutely vital in creating the right environment for individuals to learn and grow. The University has started work on a £38 million project to build state of the art facilities for events and social interaction, with a restaurant, bars, shops, a day nursery and a new and improved infrastructure for public transport and parking. The project known as The Forum will open in September 2009. The work, when completed, will transform the southern end of the College Lane campus.

All these achievements would not be possible without the efforts of the staff – academic, research and professional. My thanks go to them and to the Board of Governors of the University who give their time to ensure the continued success of the University. I feel confident that the University will achieve its mission and is well placed to respond to the demanding economic climate and to meet the needs of its students, business, research and community as a business-facing university.

Jo Connell
Chairman
Board of Governors

Annual Report of the Board of Governors



In presenting its review to accompany the Accounts, the Board is aware of its responsibility to determine the educational character and mission of the University and to set its general strategic direction. The report covers the following:

- the activities of the Board
- membership of the Board
- the Operating and Financial Review

Activities of the Board

The Board met on five occasions during the year – 27 November 2007, 13 December 2007, 18 March 2008 and 18 June 2008 with an Away Day on 5 February 2008.

The Board continued to discharge its primary responsibilities set out in the Articles of Government with enthusiasm and due diligence. It determined the educational character and mission of the University whilst ensuring the efficient and effective use of resources, solvency and the safeguarding of assets.

The Vice-Chancellor made a presentation to the November meeting, reviewing the year 2006/07 and proposing targets for 2007/08. In reflecting upon the University's achievements in relation to teaching and learning, international student recruitment, preparation for the 2008 Research Assessment Exercise (RAE), and the improvements in student facilities, including the commencement of the Student Forum project, the opening of the new Angerland Park and Ride site and the newly created Athletic Union, he commented on the successful positioning of the University as the leading business-facing university in the United Kingdom. This had been confirmed by the award of a £4.2 million grant from the Higher Education Funding Council for England (HEFCE) to advance the business facing agenda and the citing of the University as an exemplar in the field in the report by Lord Sainsbury. The Board approved the targets set for the 2007/08 year which included the establishment of a working group to look at the University's position in the various published League Tables, revisions to the Academic Year, introduction of a new brand and web-site, a review of the management information system and the approval of a new Estates Strategy.

The Board considered its aspirational view of the University's position in 2011/12 with the University preparing its students for the modern world with embedded accredited work experience opportunities, study of entrepreneurship built into every undergraduate programme and a high profile for graduate employability. The business-facing agenda of the University would be well supported by a very substantial Centre for Continuing Professional Development, much increased research grant turnover, primarily from the business driven applied field, and the subsidiary companies generating more income than the level of core teaching grant received from the Funding Council.

The Away Day in February returned to the strategies surrounding the business-facing agenda with substantial discussion on the work under way and looking at the growing number of examples of good practice. These discussions led the Board to re-affirm its commitment to the clear direction of the University.

In addition to the clear focus on the mission and direction of the University, the business of the Board across the year covered its full range of responsibilities. Reports were made on student recruitment, academic quality and enhancement, honorary awards, the respective responsibilities of the Academic Board and the Board of Governors and the role of the Board of Governors in determining the educational character of the institution. Student issues were considered with reports on the National Students Survey, access funds and bursaries, student discipline and security and a review of the bye-laws of the Students' Union. The work of the Development Committee was considered with discussion on the proposed matched funding scheme for donations, the creation of a new Alumni Association and the continuing and growing success of funded scholarships. The Board approved a Human Resources Strategy and a Disability Equality Scheme. Having agreed to the establishment of UH Holdings Limited at the Summer 2007 meeting, the Board was kept closely informed on the progress of the new arrangements for the subsidiary companies of the University. These included the acquisition by Universitybus Limited of another bus operation in the City of St Albans, and the share issue in UH Holdings Limited. Much attention was paid to the new Estates Strategy for the period 2008/12 which focussed on improving the estate on the College Lane Campus to ensure it would match the splendid facilities of the de Havilland Campus.

Annual Report of the Board of Governors



As has become customary, the summer meeting considered the top level risk analysis and also approved new arrangements for the Board and its committees to consider risk. Annual reports were received from all the major committees of the Board, the Academic Board and the Charitable Trust.

The Board, mindful of its own business arrangements, established a team of Board members to carry out the quinquennial review of board effectiveness and appointed a new Deputy Vice-Chancellor, Professor Graham Galbraith, from September 2008 to replace Professor Wendy Purcell, who left in November 2007 to take up appointment as Vice-Chancellor of the University of Plymouth. The innovative Student Mentor Scheme for Board members introduced as a pilot in 2007/08 was evaluated and approved on a permanent basis for September 2008.

Membership

The Board, through its Nominations Committee, considered a whole range of membership issues. Mrs Jo Connell, Professor Michael Elves and Mr Trevor Harrison commenced new terms as Independent Members of the Board. Mr Alan Graham and Mr Nigel Matthews, having previously served as Co-opted Members began terms as Independent Members and Mr Jim Park and Dr Gillian Dalley began terms as an Independent and a Co-opted Member respectively. A new President of the Students' Union, Mr Stephen Newnham, took up his seat on the Board and during the year His Honour Judge Michael Baker became a Co-opted Member and Dr Helen Barefoot became a member in the category of a teacher nominated by the Academic Board.

Proposals from the Nominations Committee for membership in 2008/09 were approved. The Rt Revd Christopher Foster and Lady Staughton were appointed for further terms as Independent Members. Dr Les Mitchell and Mrs Meg Connelly were appointed for further terms as Co-opted Members in the category of elected members of the teaching staff and non-teaching staff respectively whilst Dr Adrian Stokes was appointed for a further term as a Co-opted Member. The Board, at its Annual Dinner held in June 2008, gave its thanks to its retiring members: Mr Nick Woollacott who served on the Board as an Independent Member for five years, Mr Roger Smith who served on the Board also as an Independent Member for six years, Mrs Manjit Rostom who had served five years on the Board as a teacher

nominated by the Academic Board and Mr Stephen Newnham who completed his term of office as President of the Students' Union. The Board also re-appointed Lady Staughton as the Chairman of the Development Committee and Mr Nigel Matthews as the Chairman of the Business and Community Advisory Committee. Mr Trevor Harrison became Vice-Chairman of the Board.

Operating and Financial Review

General Operating Environment

In its July 2008 survey looking at Business and Community Interaction, the Higher Education Funding Council for England recognised that the higher education contribution to the economy has grown to record levels. The University of Hertfordshire has been aware of this over the past 12 months, and delivery of its strategic plan has evolved over this time to ensure that developments within the University are becoming progressively more aligned with the needs of business.

Vision

To be a new model of a university through far-reaching engagement with business, community and international partners; shaping the future success of our graduates operating in the global environment and advancing the prosperity of our region.

Position Statement

Building Futures: we are an ambitious and entrepreneurial university with an international vision, putting students at the heart of what we do.

Mission

- To help our students achieve their maximum potential, with graduates distinguished for being innovative, creative, highly employable and equipped for their future careers
- To play a key role in our region's economic prosperity and cultural development by working closely with businesses, the public sector and the wider community
- To continue investing in our people, courses, partnerships and facilities and to be the leading university in enhancing the student experience
- To undertake and exploit research, creating new knowledge that is disseminated, transferred and applied; achieving international standing in key research areas

Annual Report of the Board of Governors



- To prepare our students to operate in the global economy and to engender international and multicultural understanding both within the University and beyond
- To provide an outstanding service and to ensure a rewarding experience for all who engage with our University

Values

- Putting students first
- Excellence and its celebration
- Innovation, creativity and professionalism
- Respect for the individual
- Enjoyment in learning and work

Key Performance Indicators (KPIs)

The University has adopted a number of KPIs which are used by the Board of Governors to monitor the overall strength of the University. Areas covered include: student recruitment, retention and employability; financial health and achievement of budget; volume and nature of business interactions; general management and organisational development. Key facts and figures relating to income and expenditure for the year are set out below.

The KPIs are monitored constantly by the Business and Community Advisory Committee and are updated on an annual basis. During the year the University has performed well against the majority of its chosen measures and the majority of its key internal targets set for 2007/08 have been met or exceeded.

In addition, the University has also created a target profile which it intends to achieve by 2011/12. This sets out the University's broad aims in the areas of student experience and institutional achievement in the higher education context by the end of this period. This profile is also monitored by the Board of Governors.

Risk Management

Risk assessment and management is embedded in the institution, and risk registers are prepared at project level, Strategic Business Unit level and institution level. At the strategic level, 10 key risks have been identified which relate to delivery of the University's Strategic Plan and good performance against the KPIs.

The major risks which the University has identified include recruitment and retention of students, the proportion of spend on staff salaries and the position of the Institution in a difficult future economic climate. Key risks and mitigating actions are monitored by committees across the University and reported to and monitored overall by the Audit Committee.

The current economic climate and events that have arisen since 31 July 2008 pose a significant financial risk to all business and universities alike. As stated in our investment policy on page 10, the University manages its investment portfolio and cash reserves in such a way as to mitigate this risk as far as possible. However the falls in the stock market and current instability will have a negative impact on the value of the pension scheme deficits, which are outside of the University's immediate control.

The Financial Statements

The financial statements presented by the Board comprise the consolidated results of the University and its subsidiary companies (the Group). The subsidiary companies undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. These subsidiaries and their activities are listed in note 13.

Where possible the wholly owned subsidiary companies pay their taxable profits to the University under the Gift Aid scheme.

Results for the Year

The consolidated results for the University and its subsidiary companies for the year to 31 July 2008 are summarised in the table on the next page. The prior year figures have been restated to reflect changes in accounting treatment introduced by the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007.

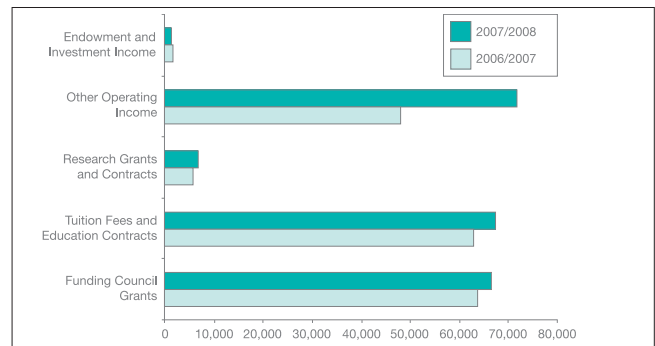
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	2008	2008	2007	2007
	£'000	£'000	RESTATED	RESTATED
	(after	(before	£'000	£'000
	FRS 17)	FRS 17)	(after	(before
			FRS 17)	FRS 17)
Income	209,101	208,924	178,883	178,883
Less: share of income from joint ventures	(13,513)	(13,513)	-	-
Expenditure	198,000	196,788	177,661	176,349
(Deficit)/surplus on continuing operations	(2,412)	(1,377)	1,222	2,534
Surplus on sale of fixed assets	2,223	2,223	58	58
Taxation	(77)	(77)	(195)	(195)
(Deficit)/surplus for the year	(266)	769	1,085	2,397

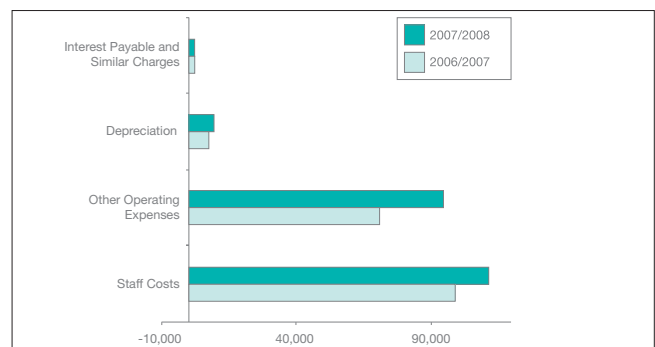
The University's total income, including the share of income from joint ventures, has increased by 16.9% over the previous year. Growth in research activities continues with income rising from £5.6 million to £6.5 million (16.1%). This increase, which is above budgeted levels, is partly due to a number of key successes in Knowledge Transfer Partnerships. The increase in the number of undergraduate students paying the variable tuition fee and a stabilisation of overseas student numbers are reflected in an overall increase of tuition fees and education contract income of 10.7%. Student numbers have decreased by 5.7% from a total enrolment of 23,814 in 2006/07 to 22,455 in 2007/08. This includes students based at Consortium Colleges. Other income has increased significantly during the year from £47.7 million to £67.7 million. This is primarily due to the growth in commercial activity within the subsidiary companies, and within the Exemplas group in particular.

Income £'000



Total expenditure has increased by 11.4% over the previous year. Staff costs have increased from £98.4 million to £111.0 million due to a number of factors: the further development of the University in the pharmacy and creative industries; the pay awards and incremental progression; and staff costs supporting increased activity in HEFCE special initiative funded areas and commercial activities

Expenditure £'000



Capital Projects

During the year the University invested £31 million in major capital projects. £28 million of this amount was spent on major capital projects across the University's estate to upgrade and improve the condition of facilities across both campuses. The remaining £3 million was spent on new buses for the University's bus companies, and upgrading the information technology infrastructure used by students, staff and external bodies.

Throughout 2007/08 the construction of the new Student Forum building continued on the College Lane campus. This is on target to be completed ready for the start of the 2009/10 academic year, and expenditure remains within

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budget. The University has secured a loan facility of £40 million to fund the entire project, which encompasses the redevelopment of the main student social and commercial centre.

Continued refurbishment of the older facilities on the College Lane campus has taken place throughout the year in line with the University's Estates Strategy to recondition or replace the majority of mature buildings over the next 12 years. The refurbishment programme will continue as anticipated into 2008/09.

As of May 2008 HEFCE changed the principles upon which it provides funding to Higher Education institutions, with those entities deemed to have sound control over their capital management being awarded total discretion over the projects to be financed with the funds. The University was assessed as being in this category and will receive £14.8 million over the next 3 years to help fund capital development.

In October 2008 the University completed the strategic acquisition of Titan Court at a cost of £15 million. This building is adjacent to the MacLaurin Building and extends the campus further onto the Hatfield Business Park. In addition to accommodating several of the University's professional departments, the building is also occupied by external companies on a leasehold basis thus generating a revenue stream to support the capital cost of the building.

Private Finance Initiative

The University Group has, under the terms of the agreement with Ellenbrook, permanent use of 1,600 student residences at the de Havilland Campus. This development has been provided by the private sector through a Private Finance Initiative for which the University pays an annual unitary charge for facilities management over the next 25 years. At the end of this period ownership of the residences will revert to the University.

Investment Policy and Performance

The investment policy of the University provides that deposits are only made to major clearing banks, their wholly owned subsidiaries, or the top twenty building societies. The deposit limits are £5 million with any one financial institution.

Cash Flow

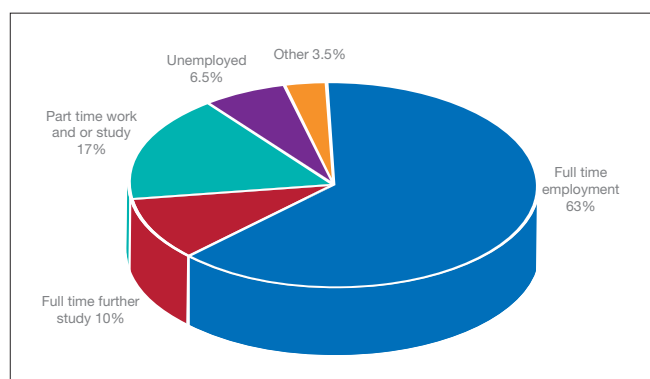
The consolidated cash flow statement shows there was an increase in cash for the year of £2.8 million.

Distribution of Higher Education Students (2007/08)

- 55% of our students were female in 2007/08
- 41.2% of our students were from Ethnic Minorities
- Over 2,200 of our UK-based students are from Non-EU countries
- 97.9% of full-time first degree entrants were from state schools for 2006/07 (the sector average is 87.8%)
- 39.5% of our full time first degree entrants are from Social Economic Classes 4 to 7. (2006/07). The sector average being 29.8%.
- Young entrants from low participation neighbourhoods who continue or qualify at same HEI is 94% (2006/07), against a sector average of 87.4%

Destination of Leavers from Higher Education (2006/07)

The Destination of Leavers from Higher Education (DLHE) is an annual survey reviewing destinations of students six months after they have left Higher Education. The data below highlights destinations of leavers who completed their studies from January 2007 to July 2007, collected from November 2007 onwards. The next survey will commence November 2008. In this period 5,081 graduates were surveyed with our highest cohort and response rate to date of 3,970 (78%). Of the responses received 90% of all graduates were either in work or study, which is in line with the internal target set for the year.



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Other highlights from this survey indicated:

- Most of our graduates are opting to stay in Hertfordshire for work, closely followed by the Greater London area
- Nearly 21% of our research students are now working abroad including US, Australia, Sweden, France, Spain and Germany
- 22% of those in full time employment said they were doing work which exactly fitted their career plan

Research

The Financial Year 2007/08 has been the most successful to date for the University both in terms of research awards and applications, with applications being at an all time high at over £48 million (an increase of 18%) and an increase in award value of 22%. The increase in the value of research applications is 29% above budgeted levels for the year.

Research awards from industry collaborations have almost tripled in value over the last year and RAE 2008 submissions in 14 areas of assessment have been put forward. Research innovations include the UH Research Archive (UHRA) which promotes and showcases research by University staff. It is an electronic "full text" archive of research publications, making our research openly accessible to a worldwide audience on the web. We have overtaken members of the research-intensive Russell Group in terms of the numbers of publications we have in our Research Archive. We also held a showcase of our Science and Technology Research Institute to display and promote its achievements and its potential in the wider academic and business community. This event confirmed that the University can be very proud to share its research expertise with a wide community. All the events were well attended and courted excellent media exposure. The showcase included the work of Professor Kerstin Dautenhahn and her team who are established as a group of international standing in the field of robotics. Their latest success is with a Framework 7 project called RobotSkin.

Knowledge Transfer Partnerships have doubled in the last year, with the University having the highest number of partnerships within the region. As such, the University is establishing itself as a very strong Knowledge Transfer Partnership provider.

Working with the Community

The University works with our community in many different ways. One such initiative was the Hertfordshire Schools Business Enterprise Challenge. Working in collaboration with Hertfordshire's Institute of Directors, Young Enterprise and pulling together expertise from across the institution, the Business School ensured that some 200 students and staff enjoyed a very successful day. They competed with each other for a share of the £700 prize money and a work shadow day with the Managing Director of Café Nero. The University has also been approached by Universities UK to ask for examples of how it works with local schools to raise aspirations. The diversity of our activities is impressive and includes residential summer schools, university days, support to gifted and talented students and student ambassadors' work with school pupils who are underachieving. In addition, the Hertfordshire Charrette was hosted by the University in June. This week long event saw a team of planning professionals, under the leadership of Andres Duany the renowned urban planner from the USA, examine and analyse potential housing expansion in the County.

People and Employment Policies

Current and future human resources initiatives support the University's mission through recruitment and retention of high-calibre staff, by managing, developing, motivating and rewarding them within a structure of effective frameworks and procedures.

During 2007/08 the HR department led a review of the University's people management approaches as part of the completion of the HEFCE people management Self Assessment Tool (SAT). The aim of the SAT was to enable the institution to assess our practice and performance in people management, reassess strategic priorities linking them closely with organisational goals, and give assurance to HEFCE that we will invest in continuous improvement of their human resources strategies. A submission was made to HEFCE in May 2008 and we are awaiting confirmation of the outcome.

A new Human Resources Strategy for 2008/12 was developed during 2007/08 to underpin the University's new Strategic Plan. The new strategy consists of five dimensions:

- Effective structures and resourcing

Annual Report of the Board of Governors



- Fulfilling employment experience
- Clear framework for performance
- Skills and capabilities to succeed
- Constructive employment framework

The HR strategy serves as a direction-setter and a tool to integrate various HR initiatives to a common goal and has a lifespan that is in line with the UH Strategic Plan. The strategy describes outcomes and impacts rather than being a detailed list of actions for delivery.

Employee Involvement

The University of Hertfordshire is committed to its staff and their involvement and development. This has been demonstrated through on-going accreditation as an Investor in People since June 1999. The benefits gained from IIP accreditation have been manifold however it is now thought that further investment in the standard will not bring significant further gains and therefore re-accreditation will not be sought in 2009.

The University seeks to keep all its staff informed of matters that affect them through the Vice-Chancellor's annual address to staff (also made available online), through its internal journals and newsletters, including e-clips, through the Vice-Chancellor's monthly reviews and updates, through direct briefings at faculty, school and department level by managers and personally, through specific leaflets/mailings. The Office of the Vice-Chancellor has held a series of "Big Conversation" events with schools and departments over the past three years and in 2008/09 this approach will be reviewed and renewed.

Through the Mindset strand of the UH Evolution Project 130 evolution facilitators have been trained as change agents to support the achievement of Strategic Business

Units (SBUs) business plans. These evolution facilitators have undertaken 90 day small steps of change in their SBUs with the aim of accelerating the business plans across all levels of the organisation.

Employees are represented on the Board of Governors, internal committees and working parties. Members of senior management meet regularly with representatives of the trade unions recognised to represent the interests of academic, research and professional staff through consultative and negotiating committees.

Equality and Diversity

The University actively promotes equality of opportunity in all its functions - a commitment that informs all its policies, procedures and activities. Governors, applicants, staff and students are made aware of how the University ensures fair treatment and it provides a range of training, guidance services and support.

In 2007/08, the Board of Governors:

- agreed revisions to the Disability Equality Scheme and received the first annual report
- accepted the first annual report on progress in implementing the Gender Equality Scheme

The Employment Committee, which has responsibility for briefing the Board on significant developments and progress, was also kept informed of:

- significant legal developments
- the outcomes of annual staff and student audits.

The University integrated equality into the planning and reporting arrangements of SBUs for 2008/09. It has also made significant progress in undertaking equality impact assessments of its policies. The University has implemented agreed recommendations from the 2007 review of disability services and involved the Disability Advisory Panel, which includes disabled students and staff and local disability groups, in University decisions.

The University participated in two national projects to promote equality. The first focussed on flexible working arrangements for staff, which has facilitated a review of the University's current policies and practices. The second, investigated differences in degree attainment between men and women, and between students of different ethnic groups. The University is using the findings to identify appropriate action points to ensure equality of opportunity.

Staff in the School of Education organised the first University-wide programme for Black History Month with the theme 'From Slavery to Celebration', marking the bicentennial anniversary of the ending of the British transatlantic slave trade. The cultural awareness week in March 2008, led by the Students' Union, was again very successful in celebrating diversity. The University works closely with the Welwyn Hatfield Ethnic Minority Group,

Annual Report of the Board of Governors



which supported the University in the above programmes, and it sponsored the Group's annual multicultural 'Kaleidoscope Festival' in July 2008.

Health and Safety

The Board of Governors, through its Employment Committee, reviews performance by receiving an annual report from the University's Director of Health and Safety.

During the year the University maintained its commitment to providing a safe working environment for all its employees, students and other users of its premises. There were no health or safety incidents that adversely impacted the University's performance or reputation and the incidence rate for accidents, injuries and ill health was below the norm for the higher education sector.

This positive performance was achieved by promoting health and safety awareness, identifying and managing risks in work activities and monitoring the effectiveness of risk management procedures.

Consultation with staff and students on health and safety matters was provided for through regular meetings of the University Health and Safety Consultative Committee.

Sustainability and Environment

The University's Environment Team is actively working to make the University of Hertfordshire a more sustainable place to work and study. The University's Environmental Policy makes a commitment to reducing the University's environmental impact and making staff and students aware of the issues and how they can contribute.

During the year the University started a carbon management programme organised by the Carbon Trust. The focus of the programme is to reduce carbon dioxide emissions under the control of the University such as academic, accommodation and leisure buildings and vehicle fleets. A Carbon Management Strategy has been developed and the University has committed to reducing its carbon dioxide emissions by 20% by 2010.

Other achievements during the year include attaining 5th place in the 2008 People and Planet Green League for environmental performance and receiving the Silver Award for implementation of the EcoCampus Environmental Management System.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the University for this purpose will be proposed at the meeting of the Audit Committee of the Board of Governors.

By Order of the Board

P E Waters
Secretary

Statement of Corporate Governance



Statement of Corporate Governance



In accordance with the University's Articles of Government, the Board of Governors is responsible for the administration and management of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Board of Governors of the University of Hertfordshire, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University of Hertfordshire and Group and of the surplus or deficit and cash flows for that year.

In preparing those financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in operation

The Board of Governors has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum 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 from other sources
- safeguard the assets of the Group and to prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the University's resources and expenditure

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life and with the guidance to institutions of higher education provided by the Committee of University Chairmen (CUC). The Board is satisfied that it is in compliance with the revised 'Guide for Members of Higher Education Governing Bodies in the UK' published by the CUC in November 2004.

The University maintains a Register of Interests of members of the Board of Governors and of members of the Office of the Vice-Chancellor, which may be consulted by arrangement with the Secretary and Registrar. Also at the beginning of each meeting of the Board and its committees an item headed "Declaration" allows for those attendees to make known any conflicts or associations with the matters under consideration.

The University is an independent corporation, established as a Higher Education Corporation under the provisions of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set in the Articles of Government, which were approved in 1989 by the Secretary of State for Education. The current version of the Articles was approved by the Privy Council in 1993.

The Articles require the University to constitute a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board of Governors is the executive governing body, responsible for the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

Statement of Corporate Governance



The Board has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chairman of the Board to be elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and for representatives of the Academic Board and of the student body. No members of the Board, apart from staff members, will receive any reimbursement for the work they do for the Board.

Subject to the overall responsibility of the Board of Governors, the Academic Board has oversight of the academic affairs of the University and draws its membership entirely from the staff and students of the University. It is particularly concerned with general issues relating to the teaching and research work of the University.

The Vice-Chancellor, as Chief Executive Officer, is the head of the University and has a general responsibility to the Board of Governors for the organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and HEFCE, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Board of Governors meets at least four times in each academic year. During the year, average attendance at ordinary meetings was approximately 86%. Whilst certain matters such as approval of the strategic plan, the annual budget, major investments and the sale and purchase of land, are reserved matters for the Board, much of its detailed work is handled initially by committee, in particular the Finance and General Purposes Committee, Employment Committee, Nominations Committee (the Vice-Chancellor is a member of these Committees) and the Audit and Remuneration Committees. Other than the Development and Audit Committees, whose compositions include a staff governor nominated by the Board of Governors, the memberships of these committees are composed of independent and co-opted external members of the Board. The decisions of all of these committees are reported formally to the Board. In addition, these committees may establish sub-committees and groups.

The Board of Governors conducts regular effectiveness reviews of itself and its committees. These reviews include an analysis of attendance, the work undertaken and the views of members so that changes can be introduced as appropriate during the next cycle.

As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of University strategy, the identification and planning of new developments and the shaping of the University ethos. Members of the Office of the Vice-Chancellor, currently the two Deputy Vice-Chancellors, the Deputy Vice-Chancellor and Director of Finance and the Secretary and Registrar, all contribute in various ways to this aspect of the work but the ultimate responsibility to the Board rests with the Vice-Chancellor.

In accordance with the Articles of Government of the University the University Secretary and Registrar has been designated Secretary to the Board and in that capacity provides independent advice on matters of governance to all Board members.

The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason, the going concern basis continues to be adopted in the preparation of the financial statements. It acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated by the University of Hertfordshire.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Governors

Statement of Corporate Governance



- regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against budgets and forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines where appropriate

The Board of Governors has established the processes to comply with the revised direction from HEFCE for the identification, evaluation and management of risks the University faces. The following is a statement of the University's internal control and risk management policy:

- As the Board of Governors of the University of Hertfordshire, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the charter and statutes/instrument and articles and the Financial Memorandum with HEFCE.
 - The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
 - The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been formally documented during the year to the extent that the University considers that it has embraced the broad principles of BUFDG guidance on 'Corporate Governance for Higher Education' and has in place comprehensive risk management policies and procedures as at 31 July 2008 and up to the date of approval of the financial statements, and accords with HEFCE guidance.
- As the Board of Governors, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:
 - We have met at regular intervals to consider performance reports, operational plans and the strategic direction of the University
 - We receive periodic reports from the Chairman of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects
 - We have requested the Audit Committee to provide an oversight of risk management
 - The Audit Committee receives regular reports from the internal audit service, which includes the internal audit service's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement
 - A programme of risk awareness training has been completed. All new managers will receive training in risk management as part of the New Managers programme and Core Skills. This will be one of the mandatory aspects within our Management Development Strategy
 - A system of key performance and risk indicators has been developed
 - A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established
 - An organisation-wide risk register is maintained
 - Reports are received from budget holders, department heads and project managers on internal control activities.

Statement of Corporate Governance



- Our review of the effectiveness of the system of internal control is informed by the work of the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2005. The HEFCE Audit Service visited again in February 2006 to carry out 'Evaluation of Risk Management, Control, and Governance Arrangements'. The overall conclusion of the Audit Service report was that the University achieved a 'high level of assurance'.

Our review of the effectiveness of the system of internal control is also informed by the work of the Office of the Vice-Chancellor within the institution, which has responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Audit Committee oversees the work of the internal audit service. The work of the internal audit service is informed by an analysis of the risks to which the University is exposed, and annual internal audit plans are based on this analysis. The Board of Governors endorses the analysis of risks and the internal audit plans on the recommendations of the Audit Committee. The head of internal audit provides the Audit Committee with an annual report on internal audit activity in the University and is required to provide the Board and the Vice-Chancellor with an opinion on the adequacy and effectiveness of the University's risk management, control and governance processes. A full discussion on the risk management effectiveness takes place within the Audit Committee with questioning by members of the head of internal audit and officers in attendance. Within this context the head of internal audit, based upon the work undertaken for the twelve months ended 31 July 2008, gave the opinion that the University has adequate and effective risk management, governance and control processes to manage the achievement of the organisation's objectives.

The University has demonstrated that it has proper arrangements in place to promote economy, efficiency and effectiveness.

During the year under review the University has contracted out the internal audit function to Mazars LLP. Based on the information received, the Audit Committee has given its opinion on the adequacy and effectiveness of the University's arrangements for the following:

- risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts)
- economy, efficiency and effectiveness (value for money)

As of 1 August 2008, the University has opted to develop its own Internal Audit department in place of that previously contracted out to a third party provider, with a view to further increasing the added value that the department can offer across the University. The Audit Committee has reported to the Board of Governors that it is satisfied with these arrangements.

Independent Auditor's Report to the Board of Governors of the University of Hertfordshire

We have audited the consolidated financial statements of The University of Hertfordshire for the year ended 31 July 2008, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of group total recognised gains and losses and notes 1 to 37. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Members of the University Board of Governors. Our audit work has been undertaken so that we might state to the Members of the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Members of the Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Members of the Board of Governors and Auditors

As described in the statement of responsibilities of the Board of Governors of the University of Hertfordshire, the Board of Governors is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and if, in our opinion, the Report of the Board of Governors is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and, where relevant, managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England, the Learning and Skills Council or the Training and Development Agency for Schools were applied in accordance with the financial memorandum and any other terms and conditions attached to them.

We read the Member's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

The financial statements give a true and fair view of the state of affairs of the University of Hertfordshire and the group at 31 July 2008, and of the surplus of expenditure over income, recognised gains and losses and cashflows of the University of Hertfordshire and the group for the year then ended; and the statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

In all material respects, income from the Higher Education Funding Council for England, the Learning and Skills Council and the Training and Development Agency for Schools grants and income for specific purposes and from other restricted funds administered by the University of Hertfordshire have been applied only for the purposes for which they were received.

In all material respects, income has been applied in accordance with the University of Hertfordshire's statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Hemel Hempstead, England

Date: *26 November 2008*

Consolidated Income & Expenditure Account

Year Ended 31 July 2008

	Notes	2008 £'000	2007 RESTATED £'000
Income			
Funding council grants	1	66,743	63,625
Tuition fees and education contracts	2	67,052	60,597
Research grants and contracts	3	6,545	5,589
Other operating income	4	67,669	47,731
Endowment and investment income	5	1,092	1,341
		209,101	178,883
Less: Share of income from joint ventures		(13,513)	-
Total Income		195,588	178,883
Expenditure			
Staff costs	6	111,015	98,418
Other operating expenses	8	76,493	70,356
Depreciation	12	9,059	7,101
Interest and other finance costs	10	1,433	1,786
Total Expenditure	8	198,000	177,661
(Deficit)/surplus after depreciation of tangible fixed assets at valuation and before taxation		(2,412)	1,222
Share of operating profit in joint ventures		-	-
Exceptional items: continuing operations			
Disposal of fixed assets		2,223	58
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of fixed assets and before taxation		(189)	1,280
Taxation	9	(77)	(195)
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of fixed assets and taxation		(266)	1,085
Deficit for the year transferred to accumulated income in endowment funds		(14)	(24)
(Deficit)/surplus for the year retained within general reserves		(280)	1,061

All results are from continuing operations.

Financial Statements

Statement of Group Historical Cost Surpluses and Deficits

	Notes	2008 £'000	2007 £'000
(Deficit)/surplus after depreciation of assets at valuation and taxation		(266)	1,085
Difference between historical cost depreciation charge and actual charge on revalued amount of fixed assets	25	<u>767</u>	<u>774</u>
		501	<u>1,859</u>

Statement of Group Total Recognised Gains and Losses

		2008 £'000	2007 £'000
(Deficit)/surplus after depreciation of assets at valuation and taxation		(266)	1,085
Repayment of reserves		-	(505)
(Depreciation)/appreciation of endowment asset investments	24	(202)	126
Net endowment income	24	67	28
Actuarial (loss)/gain relating to pension scheme	32	(8,611)	15,924
Total recognised (losses)/gains for the year		(9,012)	16,658
Prior year adjustment		<u>(203)</u>	-
Total recognised (losses)/gains since last report		(9,215)	<u>16,658</u>

Reconciliation of Group Reserves and Endowments

		2008 £'000	2007 £'000
Opening reserves and endowments as previously stated		117,484	100,826
Prior year adjustment	35	<u>(203)</u>	-
		117,281	100,826
Total recognised (losses)/gains for the year		<u>(9,012)</u>	16,658
Closing reserves and endowments		108,269	<u>117,484</u>

Balance Sheets as at 31 July 2008

		2008	2008	2007	2007
		Group	University	RESTATED	University
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12	231,031	163,686	210,896	143,179
Investments	13	133	68,873	52	55,610
Investment in joint ventures:					
Share of gross assets		2,925	-	-	-
Share of gross liabilities		(2,925)	-	-	-
Goodwill	14	1,744	-	-	-
		232,908	232,559	210,948	198,789
Endowment asset investments	15	2,178	579	2,299	558
Current assets					
Stock and work in progress	16	248	92	374	172
Debtors - within one year	17	16,455	16,878	16,452	10,049
- more than one year	17	-	1,604	-	6,651
Short term deposits		1,178	-	4,501	486
Cash at bank and in hand		5,515	982	4,678	-
		23,396	19,556	26,005	17,358
Creditors: amounts falling due within one year	19	(43,534)	(40,698)	(43,389)	(36,879)
Net current liabilities		(20,138)	(21,142)	(17,384)	(19,521)
Total assets less current liabilities		214,948	211,996	195,863	179,826
Creditors: amounts falling due after more than one year	20	(40,695)	(31,330)	(23,670)	(13,952)
Provisions for liabilities and charges	22	(508)	(508)	(3,741)	(3,386)
Pension scheme liability	32	(31,952)	(31,847)	(22,306)	(22,241)
Total net assets		141,793	148,311	146,146	140,247

Balance Sheets as at 31 July 2008

		2008	2008	2007	2007
		Group	University	RESTATED Group	University
	Notes	£'000	£'000	£'000	£'000
Deferred capital grants	23	33,524	33,281	28,865	28,535
Endowment funds					
Expendable		1,763	579	1,811	558
Permanent		415	-	488	-
	24	2,178	579	2,299	558
Reserves					
Income and expenditure account excluding pension reserve	25	102,758	112,153	101,236	98,483
Pension reserve	25	(31,952)	(31,847)	(22,306)	(22,241)
Income and expenditure reserve including pension reserve		70,806	80,306	78,930	76,242
Revaluation reserve	25	35,285	34,145	36,052	34,912
Total endowment funds and reserves		108,269	115,030	117,281	117,712
Total funds		141,793	148,311	146,146	140,247

The Financial Statements on pages 20 to 53 were approved by the Board of Governors on 26 November 2008 and signed on their behalf by:



Mrs J L Connell – Chairman



Professor R J T Wilson – Vice-Chancellor



Mr T M Neville –
Deputy Vice-Chancellor and
Director of Finance

Consolidated Cash Flow Statement

Year Ended 31 July 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	26	5,146	516
Return on investments and servicing of finance	27	(526)	(63)
Taxation – UK corporation tax paid		(140)	(119)
Capital expenditure and financial investment	28	<u>(19,958)</u>	<u>(20,291)</u>
<i>Cash outflow before use of liquid resources and financing</i>		(15,478)	(19,957)
Management of liquid resources	29	3,317	17,069
Financing	30	<u>14,950</u>	<u>(2,823)</u>
<i>Increase/(decrease) in cash for the period</i>		<u>2,789</u>	<u>(5,711)</u>
 Reconciliation of Net Cash Flow to Movement in Net Debt/Net Funds			
		2008 £'000	2007 £'000
Increase/(decrease) in cash in the period		2,789	(5,711)
Cash used to increase liquid resources	29	(3,317)	(17,069)
(New loans)/cash used to decrease loans		<u>(14,923)</u>	<u>2,318</u>
<i>Change in net debt</i>	31	(15,451)	(20,462)
<i>Opening net funds at 1 August</i>	31	<u>(18,129)</u>	<u>2,333</u>
<i>Closing net funds at 31 July</i>	31	<u>(33,580)</u>	<u>(18,129)</u>

Statement of Principal Accounting Policies

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.

The accounting policies are unchanged compared with the prior year, apart from the adoption of the changes introduced by the new SORP 2007, in respect of the classification of endowments and the accounting treatment of tuition fee discounts, and the amendment to FRS17, which has introduced additional disclosures in the notes to the accounts relating to pension schemes.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings.

Basis of Consolidation

The consolidated financial statements incorporate those of the University and its subsidiary undertakings for the year ended 31 July 2008. The University and its wholly owned subsidiaries prepare accounts to 31 July, whereas Exemplas Holdings Limited and its subsidiary companies and joint ventures prepare statutory accounts to 31 March. Management accounts for the year to 31 July 2008 for Exemplas Holdings Limited have been consolidated within the University's financial statements. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS2, the activities of the Students' Union have not been consolidated as there is not a relationship of dominant influence.

The Group's share of the results of associate undertakings is included in the consolidated income and expenditure account from operating surplus onwards.

Prior Year Adjustment

The prior year comparatives have been restated following the introduction of the new Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007. The tuition fee discounts have been reclassified from other operating expenses and are now included within tuition fee and education contract income. The endowment balances have also been restated and reclassified in line with the treatment outlined by the new SORP. A detailed explanation of the adjustments can be found in note 35.

Recognition of Income

Recurrent grants from funding councils are recognised in the period in which they are receivable.

Fee income is credited to the income and expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure. Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities. Any future predicted losses on individual long-term contracts are recognised immediately.

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

Charitable Donations

a) Unrestricted 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.

b) Endowment funds

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

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

Statement of Principal Accounting Policies

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account as incurred. Where a commitment has been entered into prior to 31 July and not expended, the cost is provided for in the balance sheet as a provision.

Foreign Currency Translations

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the year end rates and the resulting surplus or deficit transferred to the income and expenditure account.

Pension Schemes

The two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. These defined benefit schemes are externally funded and contracted out of the State Earnings Related Pension Scheme.

It is not possible to identify the University's share of the underlying assets and liabilities in the TPS and USS schemes and hence, using the exemption under FRS 17 (Retirement Benefits), contributions to the scheme are accounted for as if they were defined contribution schemes. The contributions payable to the scheme are included as expenditure in the period in which they are payable.

The University is able to identify its share of the underlying assets and liabilities of the LGPS and thus fully adopts FRS17.

Staff employed by Exemplas Holdings Limited and its subsidiary companies are either members of the LGPS or are members of the group administered personal pension plan, which is a defined contribution scheme. The costs of providing retirement and related benefits for the group administered personal pension plan are charged to the income and expenditure account over the periods during which the members are employed.

The pension scheme liability also takes account of the University's unfunded pension liability. This liability, which relates to pension enhancements payable to staff who have taken early retirement, was previously included in the accounts as a provision before the full adoption of FRS 17.

Tangible Fixed Assets

(a) Land and Buildings

Land and buildings are stated at cost or at valuation. On adoption of FRS 15, the Institution followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11. The valuation on 31 July 1996 was performed by Fuller Peiser.

Depreciation on buildings is provided on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	30 - 40 years
Refurbishments	10 years

Leasehold land and buildings are amortised over the life of the lease up to a maximum of 50 years. Freehold land is not depreciated.

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

(b) Equipment

Capitalised equipment is stated at cost and depreciated over its useful life on a straight line basis as follows:

Motor vehicles/buses	1-12 years
Furniture and equipment	5-10 years
Fixtures and fittings	5 years
Computer equipment	3 years

Where equipment is acquired with the aid of a specific grant it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment.

Leases

Leasing agreements that transfer 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 elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting

Statement of Principal Accounting Policies

of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets.

Investments

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

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

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes staff time, direct materials and attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

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

Deferred Tax

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, or a right to pay less tax in the future, have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and the results as stated in the financial statements. Deferred tax is measured at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse based on rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Provisions

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

Agency Arrangements

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

Goodwill

Goodwill represents the difference between the cost of an acquired operation and the aggregate of the fair values of that operation's identifiable assets and liabilities. Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Where goodwill and intangible assets are regarded as having limited useful economic lives, they are amortised over those lives up to a maximum of 20 years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

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

Joint Ventures and Associates

Investments in joint ventures and associated undertakings are carried in the consolidated balance sheet at the group's share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition, net of amortisation. The investor's share of the results is included within the consolidated income and expenditure account.

The income and expenditure account also shows the group's share of the joint venture's turnover and the balance sheet shows the gross assets and liabilities in amplification of the net investment in joint ventures.

Notes to the Accounts

1. Funding Council Grants

		2008			2007	
	Notes	Higher Education Funding Council: England £'000	Training and Development Agency for Schools £'000	Learning and Skills Council £'000	Total Funding Council Grants £'000	Total Funding Council Grants £'000
Recurrent grants		52,120	4,115	157	56,392	53,830
Selective initiatives		7,748	107	-	7,855	7,213
Release of deferred capital grants:						
Buildings	23	2,066	-	-	2,066	2,463
Equipment	23	430	-	-	430	119
		<u>62,364</u>	<u>4,222</u>	<u>157</u>	<u>66,743</u>	<u>63,625</u>

2. Tuition Fees and Education Contracts

	2008	2007
	£'000	RESTATED £'000
UK higher education students	32,430	27,611
European Union (EU) (excluding UK) students	1,196	978
Non-EU students	17,359	16,176
UK further education students	123	250
	<u>51,108</u>	<u>45,015</u>
Total fees paid by or on behalf of individual students		
Education contracts	15,944	15,582
	<u>67,052</u>	<u>60,597</u>

3. Research Grants and Contracts

	2008	2007
	£'000	£'000
Research councils	1,893	1,606
UK based charities	320	367
European Commission	1,180	927
Other grants and contracts	3,152	2,689
	<u>6,545</u>	<u>5,589</u>

Notes to the Accounts

4. Other Operating Income

		2008	2007
	Notes	£'000	£'000
Residences, catering and conferences		14,842	13,248
Other services rendered		41,804	28,205
Release of capital grant (other than funding council)	23	1,257	260
Other income		9,766	6,018
		<u>67,669</u>	<u>47,731</u>

5. Endowment and Investment Income

		2008	2007
		£'000	RESTATED £'000
Income from expendable endowments		9	8
Income from permanent endowments		72	34
Interest receivable		834	1,299
Net return on pension scheme	32	177	-
		<u>1,092</u>	<u>1,341</u>

6. Staff

The average weekly number of full time equivalent (FTE) employees (including senior post-holders) during the year was made up as follows:

		2008	2007
		No's	No's
Teaching departments		1,326	1,262
Teaching support services		163	148
Other support services		34	30
Administration and central services		408	366
Premises		173	191
Other		350	318
		<u>2,454</u>	<u>2,315</u>

Notes to the Accounts

6. Staff (continued)

The aggregate payroll costs of these employees were as follows:

	2008 £'000	2007 £'000
Teaching departments	67,001	60,731
Teaching support services	6,822	3,914
Other support services	1,349	1,019
Administration and central services	19,091	15,615
Premises	6,001	4,971
Other	10,751	12,168
	<u>111,015</u>	<u>98,418</u>

	2008 £'000	2007 £'000
Staff costs:		
Wages and salaries	91,008	81,899
Social security costs	7,017	6,256
Other pension costs	10,852	9,742
Restructuring costs	2,138	521
	<u>111,015</u>	<u>98,418</u>

	2008 £'000	2007 £'000
Employment costs for staff on permanent contracts	88,323	79,364
Employment costs for staff on short-term contracts	22,692	19,054
	<u>111,015</u>	<u>98,418</u>

Remuneration of higher paid staff other than the Vice-Chancellor, excluding employer's pension and national insurance contributions but including benefits, fall within the following bands:

	2008 No's	2007 No's
£100,000 - £110,000	6	-
£110,001 - £120,000	3	3
£120,001 - £130,000	1	1
£130,001 - £140,000	2	1
£140,001 - £150,000	1	-
£150,001 - £160,000	1	-
	<u>14</u>	<u>5</u>

Notes to the Accounts

7. Emoluments of the Vice-Chancellor

Emoluments of the Vice-Chancellor, excluding national insurance contributions

	2008	2007
	£'000	£'000
Salary	217	187
Benefits in kind	2	2
Pension contributions	31	26
	<u>250</u>	<u>215</u>

The University's pension contribution to the Teachers Pension Scheme is paid at the same rate for the Vice-Chancellor as for other academic staff. In the year the Vice-Chancellor donated £18,800 (2007:£15,000) to the University of Hertfordshire Charitable Trust.

8. Analysis of Expenditure by Activity

	Staff Costs	Other Operating Expenses	Interest Payable	2008 Total	2007 RESTATED Total
	£'000	£'000	£'000	£'000	£'000
Academic departments	62,390	14,634	-	77,024	72,728
Academic services	6,821	4,905	-	11,726	3,950
Administration*	16,728	20,858	-	37,586	27,783
Premises	6,001	8,491	-	14,492	12,769
Residences, catering and conferences	3,653	10,986	648	15,287	13,575
Research grants and contracts	4,164	1,665	-	5,829	4,082
Other expenses	11,258	14,954	785	26,997	35,673
	<u>111,015</u>	<u>76,493</u>	<u>1,433</u>	<u>188,941</u>	170,560
Depreciation				<u>9,059</u>	<u>7,101</u>
				<u>198,000</u>	<u>177,661</u>

The depreciation charge has been funded by:

	2008	2007
	£'000	£'000
	Notes	
Deferred capital grants released	2,582	2,320
Revaluation reserve released	767	774
General income	5,710	4,007
	<u>9,059</u>	<u>7,101</u>

* Administration expenses include internal auditors remuneration of £79,000 (2007: £61,000) and external auditors remuneration of £84,000 (2007: £66,000). The external auditors remuneration includes £nil in respect of non-audit work (2007: £nil).

Notes to the Accounts

9. Taxation

	2008	2007
	£'000	£'000
Current tax:		
UK corporation tax on surplus for the year	<u>77</u>	<u>195</u>
Tax on surplus on ordinary activities	<u>77</u>	<u>195</u>
	2008	2007
	£'000	£'000
Current tax reconciliation:		
(Deficit)/surplus on ordinary activities before tax	<u>(189)</u>	<u>1,280</u>
(Loss)/profit on ordinary activities multiplied by standard rate in the UK (29.34%) (2007: 30%)	(55)	384
Effects of:		
Depreciation for the period in excess of capital allowances	(156)	(155)
Non taxable income	(77)	(85)
Expenses not deductible for tax purposes	216	769
Release of provision not taxable	(107)	(965)
Tax losses	339	304
Other timing differences	(117)	(80)
Tax at marginal rate	6	-
Timing differences relating to pension liability	<u>28</u>	<u>23</u>
Current tax charge for the year	<u>77</u>	<u>195</u>

The above taxation charge relates to the profits of Exemplar Holdings Limited and its subsidiary companies.

10. Interest Payable and Other Finance Costs

		2008	2007
	Notes	£'000	£'000
On bank loans, overdrafts and other loans:			
Repayable within five years, by instalments		266	307
Repayable wholly or partly in more than five years		382	357
Finance leases		783	798
Other interest payable		2	4
Net charge on pension scheme	32	<u>-</u>	<u>320</u>
		1,433	<u>1,786</u>

11. Surplus on Continuing Operations for the Period

The University made a surplus on continuing operations for the period after the depreciation of tangible fixed assets, disposal of assets and taxation of £11,981,000 (2007: £134,000). This surplus includes a profit arising on the sale of fixed assets of £15,487,000 (2007: £nil).

Notes to the Accounts

12. Tangible Fixed Assets

Group	Land and Buildings		Assets in the course of Construction	Fixtures Fittings and Equipment	Plant and Machinery	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 August 2007	219,251	16,080	17,735	23,102	5,178	281,346
Additions at cost	10,307	3	15,643	2,650	1,838	30,441
Transfers between accounts	6,675	-	(6,761)	86	-	-
Less disposals in year	(1,452)	-	-	(1,016)	(329)	(2,797)
At 31 July 2008	<u>234,781</u>	<u>16,083</u>	<u>26,617</u>	<u>24,822</u>	<u>6,687</u>	<u>308,990</u>
Depreciation						
At 1 August 2007	45,888	1,715	-	19,861	2,986	70,450
Charge for the year	6,888	407	-	1,214	550	9,059
Less disposals in year	(435)	-	-	(802)	(313)	(1,550)
At 31 July 2008	<u>52,341</u>	<u>2,122</u>	<u>-</u>	<u>20,273</u>	<u>3,223</u>	<u>77,959</u>
Net book value						
At 31 July 2008	<u>182,440</u>	<u>13,961</u>	<u>26,617</u>	<u>4,549</u>	<u>3,464</u>	<u>231,031</u>
At 31 July 2007	<u>173,363</u>	<u>14,365</u>	<u>17,735</u>	<u>3,241</u>	<u>2,192</u>	<u>210,896</u>
Inherited	35,637	-	-	-	-	35,637
Financed by capital grant	33,701	-	39	105	-	33,845
Other	<u>113,102</u>	<u>13,961</u>	<u>26,578</u>	<u>4,444</u>	<u>3,464</u>	<u>161,549</u>
Net book value	<u>182,440</u>	<u>13,961</u>	<u>26,617</u>	<u>4,549</u>	<u>3,464</u>	<u>231,031</u>

Buildings with a net book value of £72.3 million and a cost of £82.8 million have been partly funded from Treasury sources. Should these particular buildings be sold, the University would either have to surrender part of the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

Notes to the Accounts

12. Tangible Fixed Assets (continued)

University	Land and Buildings		Assets in the course of Construction	Fixtures Fittings and Equipment	Plant and Machinery	Total
	Freehold	Long Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 August 2007	170,375	-	9,358	18,637	-	198,370
Additions at cost	9,650	-	15,643	2,320	-	27,613
Transfers between accounts	6,675	-	(6,761)	86	-	-
Less disposals in the year	<u>(1,452)</u>	<u>-</u>	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>(1,544)</u>
At 31 July 2008	<u>185,248</u>	<u>-</u>	<u>18,240</u>	<u>20,951</u>	<u>-</u>	<u>224,439</u>
Depreciation						
At 1 August 2007	37,676	-	-	17,515	-	55,191
Charge for the year	5,320	-	-	770	-	6,090
Less disposals in the year	<u>(435)</u>	<u>-</u>	<u>-</u>	<u>(93)</u>	<u>-</u>	<u>(528)</u>
At 31 July 2008	<u>42,561</u>	<u>-</u>	<u>-</u>	<u>18,192</u>	<u>-</u>	<u>60,753</u>
Net book value						
At 31 July 2008	<u>142,687</u>	<u>-</u>	<u>18,240</u>	<u>2,759</u>	<u>-</u>	<u>163,686</u>
At 31 July 2007	<u>132,699</u>	<u>-</u>	<u>9,358</u>	<u>1,122</u>	<u>-</u>	<u>143,179</u>
Inherited	35,637	-	-	-	-	35,637
Financed by capital grant	33,701	-	39	105	-	33,845
Other	<u>73,349</u>	<u>-</u>	<u>18,201</u>	<u>2,654</u>	<u>-</u>	<u>94,204</u>
Net book value	<u>142,687</u>	<u>-</u>	<u>18,240</u>	<u>2,759</u>	<u>-</u>	<u>163,686</u>
At 31 July 2008						

Notes to the Accounts

12. Tangible Fixed Assets (continued)

The above includes assets held under finance leases. The net book value of these assets as at 31 July 2008 was:

Group and University	2008 £'000	2007 £'000
Buildings	<u>13,948</u>	<u>14,346</u>

The depreciation charge for the year was:

	2008 £'000	2007 £'000
Buildings	<u>398</u>	<u>398</u>

An external valuation of the University's land and buildings as at 31 July 1996 was carried out by Fuller Peiser, qualified Chartered Surveyors, in accordance with the Practice Statements of the Royal Institute of Chartered Surveyors Appraisal and Valuation manual. The valuation represented the surveyor's opinion of the values of the freehold and leasehold interests in the land and buildings comprising the various properties on the basis of existing use value, depreciated replacement cost or open market value as appropriate, resulting in a valuation of £80 million. The surplus was transferred to the revaluation reserve.

The major site at Hatfield, east of College Lane, is subject to a deed of gift and conveyance dated 12 December 1946 for the purposes of education to the charity called Hatfield Polytechnic. The charity is part of the assets transferred from Hertfordshire County Council and trusteeship now rests with the Board of Governors of the University. Any proposed change in use or ownership is subject to the agreement of the Charity Commission.

It is a condition of funding, imposed by the Secretary of State and the Treasury, that no transaction involving either the acquisition of land and buildings to be maintained with the aid of funding from the Higher Education Funding Council for England or the disposal of land and buildings purchased with the aid of public funds, shall be entered into without the prior approval of the Council.

The University entered into a Private Finance Initiative scheme, through its subsidiary company Polyfield Property Limited, with a contractor for the construction of sports facilities and for the facilities management of those premises for a period of 30 years. These facilities, known as the Hertfordshire Sports Village, were completed in September 2003. Under the terms of the scheme the contractor raised the finance for the construction of buildings which have subsequently been let on a long lease to Polyfield Property Limited. The transactions for the sports facilities have been reflected in the accounts for the University Group and Polyfield Property Limited as a fixed asset under Land and Buildings (Long Leasehold) at a net book value of £13.9 million with a consequential, and matching, finance lease as a long-term creditor. At the end of the lease period ownership of the property will revert to Polyfield Property Limited.

Notes to the Accounts

13. Investments

	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
Balance at 1 August	52	55,610	52	55,610
Additions	96	13,530	-	-
Disposals	(15)	(232)	-	-
Write down of investment in subsidiary undertaking	-	(35)	-	-
	<u>133</u>	<u>68,873</u>	<u>52</u>	<u>55,610</u>
Balance at 31 July				
Representing:				
Subsidiary undertakings	-	13,434	-	217
Capital contribution to subsidiary undertaking	-	55,307	-	55,341
Associated undertakings	95	95	15	15
Other	38	37	37	37
	<u>133</u>	<u>68,873</u>	<u>52</u>	<u>55,610</u>

The University's subsidiaries (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of Business Ordinary Shares	Shareholding £1 Shares	No. of
UH Holdings Limited	Holding Company	100%	13,434,020
Polyfield Property Limited	Provision of property services	100%	16,099,854
Student Forum Limited	Dormant	100%	Limited by guarantee

The University consolidates the results of the University of Hertfordshire Charitable Trust, and those of The Building Hub Limited (a company limited by guarantee), in which the University has a 50% interest and exercises dominant influence.

The University has one associate company, Restaurant Innovations Limited (registered in England and Wales) in which it holds 49%. The principal activities of this company are the development and resale of self service systems.

The University does not consolidate the accounts of the Students' Union as there is not a relationship of dominant influence and all decisions are exercised by the Students' Union Executive.

Notes to the Accounts

13. Investments (continued)

On 31 July 2008 the University of Hertfordshire sold its shareholdings in a number of its operating companies to its subsidiary company, UH Holdings Limited, by means of a share for share exchange at market value.

The subsidiary companies of UH Holdings Limited (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of Business	Shareholding £1 Ordinary Shares	No. of Shares
Cimtech Limited	Consultancy	100%	2
UH Health Limited	Health care training	100%	2
UH Ventures Limited	Training and consultancy	100%	2
Universitybus Limited	Transport services	100%	2
Unisecure Limited	Security services	100%	3
UH Hospitality Limited	Conference services	100%	3
Exemplas Holdings Limited	Business advice and support	98%	98
UH Recordings Limited	Music recording	100%	2

Uno Buses Limited was incorporated during the year and commenced trading on 4 March 2008. The company is a wholly owned subsidiary of Universitybus Limited who own 1 ordinary share. The nature of the business is transport services.

The subsidiary companies of Exemplas Holdings Limited (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Company	Nature of Business	Shareholding £1 Ordinary Shares	No. of Shares
Hertfordshire Business Centre Services Limited	Provision of services to business	100%	2
Exemplas Limited	Provision of services to business	100%	2
Hertfordshire Business Centre Limited	Dormant	100%	2
Herts IDB Limited	Provision of services to business	100%	2
Hertfordshire Development Organisation Limited	Dormant	100%	2
BioPark Hertfordshire Limited	Letting of property	100%	2
London Brokerage Limited	Dormant	100%	2
East of England Brokerage Limited	Dormant	100%	2

All of the above subsidiaries are consolidated in the group accounts.

Exemplas Holdings Limited also has a 50% interest in East of England IDB Limited and Yorkshire & Humberside IDB Limited, which run the Business Link Contracts for the East of England and Yorkshire & Humberside respectively. East of England IDB Limited and Yorkshire & Humberside IDB Limited began trading on 1 April 2007 and 1 April 2008 respectively. These joint ventures have been accounted for in accordance with FRS 9.

UH Holdings has one associate company, The Fit Corporation Limited (registered in England and Wales) in which it holds 33%. The principal activities of this company are human resource management.

Notes to the Accounts

14. Intangible Fixed Assets

	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
Balance at 1 August	-	-	-	-
Goodwill arising on the acquisition of new trading activities	1,781	-	-	-
Amortisation	(37)	-	-	-
	<u>1,744</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 July	1,744	-	-	-

On 4 March 2008, Uno Buses Limited acquired the trading activities of a local bus operator. The goodwill, which is being amortised over a period of 20 years, represents the difference between the consideration and the fair value of the assets acquired as outlined below:

	Book and Fair Value £'000
Tangible fixed assets	370
Stock	21
Debtors	3
Creditors	(7)
	<u>387</u>
Net separable assets	387
Goodwill	<u>1,781</u>
Consideration	<u>2,168</u>

15. Endowment Asset Investments

	2008 Group £'000	2008 University £'000	2007 RESTATED Group £'000	2007 University £'000
Balance at 1 August	2,299	558	2,121	528
New endowments invested	67	-	27	-
Increase in cash balances held for endowment funds	13	28	25	24
(Decrease)/increase in market value of investments	(201)	(7)	126	6
	<u>2,178</u>	<u>579</u>	<u>2,299</u>	<u>558</u>
Balance at 31 July	2,178	579	2,299	558
Represented by:				
Securities	1,236	50	1,438	58
Cash at bank held for endowment funds	942	529	861	500
	<u>2,178</u>	<u>579</u>	<u>2,299</u>	<u>558</u>
Total	2,178	579	2,299	558

16. Stocks and Work in Progress

	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
Work in progress	248	92	374	172

Notes to the Accounts

17. Debtors

	2008	2008	2007	2007
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	9,248	6,274	8,872	4,888
Other debtors	667	180	1,739	-
Deferred tax	14	-	9	-
Amounts due from subsidiaries	-	8,110	-	3,350
Prepayments and accrued income	6,526	2,314	5,832	1,811
	16,455	16,878	16,452	10,049
Amounts falling due after more than one year:				
Amounts due from subsidiaries	-	1,604	-	6,651
	16,455	18,482	16,452	16,700

18. Deferred Tax Asset

	2008	2008	2007	2007
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Other timing differences	14	-	9	-

The above deferred tax asset relates to Exemplas Holdings Limited and its subsidiary companies.

19. Creditors: Amounts Falling Due Within One Year

		2008	2008	2007	2007
	Notes	Group	University	RESTATED Group	University
		£'000	£'000	£'000	£'000
Bank loan and overdraft	21a	222	222	4,266	3,607
Obligation under finance lease	21b	298	-	282	-
Payments received on account		11,129	11,129	11,720	11,720
Trade creditors		3,996	4,465	2,345	1,552
Other creditors		1,753	1,478	1,393	162
Amounts due to subsidiaries		-	6,201	-	4,284
Corporation tax		77	-	217	-
Other taxation and social security		3,305	3,020	2,868	2,605
Accruals and deferred income		19,543	10,972	16,265	8,992
Deferred revenue grants		3,211	3,211	4,033	3,957
		43,534	40,698	43,389	36,879

The corporation tax creditor relates to Exemplas Holdings Limited and its subsidiary companies.

Notes to the Accounts

20. Creditors: Amounts Falling Due After More than One Year

	Notes	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
Bank loan and overdraft	21a	26,330	26,330	8,952	8,952
Other creditors		-	-	55	-
Obligation under finance leases	21b	14,365	-	14,663	-
Amounts due to subsidiaries		-	5,000	-	5,000
		<u>40,695</u>	<u>31,330</u>	<u>23,670</u>	<u>13,952</u>

21. Borrowings

a. Bank loans and overdrafts and other loans

	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	222	222	4,266	3,607
Within two and five years	1,623	1,623	7,255	7,255
In five years or more	24,707	24,707	1,697	1,697
	<u>26,552</u>	<u>26,552</u>	<u>13,218</u>	<u>12,559</u>
Group loans are repayable as follows:				
In one year or less	-	-	-	-
Within two and five years	-	5,000	-	5,000
In five years or more	-	-	-	-
	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>

The outstanding bank loans as at 31 July 2007 were repaid in the year and two new unsecured loan facilities were arranged: a 25-year term loan facility for £11 million and a 34-year revolving term out facility for £40 million. These facilities, which are linked to the base rate, offer the option to fix part of the loan at certain times. The term loan facility of £11 million was drawn down fully during the year and as at 31 July 2008, £5.9 million of this had been fixed at a rate of 5.44%. As at 31 July 2008 £15.6 million of the £40 million facility had been drawn down and £8 million of this balance had been fixed at a rate of 5.39%.

Notes to the Accounts

21. Borrowings (continued)

b. Finance leases

The net finance lease obligations to which the Group is committed are:

	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
In one year or less	298	-	282	-
Between two and five years	1,353	-	1,286	-
In five years or more	13,012	-	13,377	-
	14,663	-	14,945	-

The above represents the finance lease in respect of the Hertfordshire Sports Village.

22. Provision for Liabilities and Charges

Group	Balance at 31 July 2008 £'000	Provision Utilised £'000	Increase/ (decrease) £'000	Balance at 1 August 2007 £'000
Long term maintenance provision	508	(1,836)	451	1,893
VAT provision	-	(657)	(1,191)	1,848
	508	(2,493)	(740)	3,741

University	Balance at 31 July 2008 £'000	Provision Utilised £'000	Increase/ (decrease) £'000	Balance at 1 August 2007 £'000
Long term maintenance provision	508	(1,836)	451	1,893
VAT provision	-	(256)	(1,237)	1,493
	508	(2,092)	(786)	3,386

The long term maintenance provision is for committed costs in relation to the maintenance of premises. These costs will be incurred shortly after the year end.

The VAT provision at the beginning of the year represented an assessment raised by HM Revenue & Customs. Settlement was reached during the financial year and the provision is no longer required.

Notes to the Accounts

23. Deferred Capital Grants

Group

	Funding Council Grants £'000	Other Grants £'000	Total £'000
At 1 August 2007			
Buildings	18,038	8,535	26,573
Equipment	<u>1,369</u>	<u>923</u>	<u>2,292</u>
	<u>19,407</u>	<u>9,458</u>	<u>28,865</u>
Cash received:			
Buildings	6,582	172	6,754
Equipment	<u>1,657</u>	<u>1</u>	<u>1,658</u>
	<u>8,239</u>	<u>173</u>	<u>8,412</u>
Released to income and expenditure:			
Buildings	2,066	658	2,724
Equipment	<u>430</u>	<u>599</u>	<u>1,029</u>
	<u>2,496</u>	<u>1,257</u>	<u>3,753</u>
At 31 July 2008			
Buildings	22,554	8,049	30,603
Equipment	<u>2,596</u>	<u>325</u>	<u>2,921</u>
	<u>25,150</u>	<u>8,374</u>	<u>33,524</u>

University

	Funding Council Grants £'000	Other Grants £'000	Total £'000
At 1 August 2007			
Buildings	18,038	8,535	26,573
Equipment	<u>1,369</u>	<u>593</u>	<u>1,962</u>
Total	<u>19,407</u>	<u>9,128</u>	<u>28,535</u>
Cash received:			
Buildings	6,582	172	6,754
Equipment	<u>1,657</u>	<u>1</u>	<u>1,658</u>
Total	<u>8,239</u>	<u>173</u>	<u>8,412</u>
Released to income and expenditure:			
Buildings	2,066	658	2,724
Equipment	<u>430</u>	<u>512</u>	<u>942</u>
Total	<u>2,496</u>	<u>1,170</u>	<u>3,666</u>
At 31 July 2008			
Buildings	22,554	8,049	30,603
Equipment	<u>2,596</u>	<u>82</u>	<u>2,678</u>
Total	<u>25,150</u>	<u>8,131</u>	<u>33,281</u>

Notes to the Accounts

24. Endowment Funds

Group

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2008 Total £'000	2007 RESTATED Total £'000
Balance at 1 August						
Capital	1,200	429	1,629	456	2,084	1934
Accumulated income	167	15	182	32	215	187
	1,367	444	1,811	488	2,299	2,121
New endowments	9	58	67	-	67	27
Investment income	51	21	72	9	81	66
Expenditure	(40)	(8)	(48)	(19)	(67)	(41)
(Decrease)/increase in market value of investments	(103)	(36)	(139)	(63)	(202)	126
Balance at 31 July	1,284	479	1,763	415	2,178	2,299
Represented by:						
Capital	1,106	451	1,557	393	1,950	2,085
Accumulated income	178	28	206	22	228	214
Total	1,284	479	1,763	415	2,178	2,299

University

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2008 Total £'000	2007 Total £'000
Balance at 1 August						
Capital	513	-	513	-	513	507
Accumulated income	45	-	45	-	45	21
	558	-	558	-	558	528
New endowments	-	-	-	-	-	-
Investment income	28	-	28	-	28	24
Expenditure	-	-	-	-	-	-
(Decrease)/increase in market value of investments	(7)	-	(7)	-	(7)	6
Balance at 31 July	579	-	579	-	579	558
Represented by:						
Capital	506	-	506	-	506	513
Accumulated income	73	-	73	-	73	45
Total	579	-	579	-	579	558

Notes to the Accounts

25. Reserves

Group

	Income & Expenditure Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 August 2007	101,236	(22,306)	36,052	114,982
Transfer to endowments	(14)	-	-	(14)
Transfer to income and expenditure	1,035	(1,035)	-	-
Contributions to depreciation	767	-	(767)	-
Deficit after depreciation of assets at valuation and tax	(266)	-	-	(266)
Actuarial loss	<u>-</u>	<u>(8,611)</u>	<u>-</u>	<u>(8,611)</u>
At 31 July 2008	<u>102,758</u>	<u>(31,952)</u>	<u>35,285</u>	<u>106,091</u>

The consolidated income and expenditure reserves include £4 million in respect of Exemplas Holdings Limited and its subsidiary companies. According to that company's Memorandum of Association, these reserves cannot be transferred to shareholders by way of dividend, bonus or other distribution.

University

	Income & Expenditure Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 August 2007	98,483	(22,241)	34,912	111,154
Transfer from endowments	(28)	-	-	(28)
Transfer to income and expenditure	950	(950)	-	-
Contributions to depreciation	767	-	(767)	-
Surplus after depreciation of assets at valuation and tax	11,981	-	-	11,981
Actuarial loss	<u>-</u>	<u>(8,656)</u>	<u>-</u>	<u>(8,656)</u>
At 31 July 2008	<u>112,153</u>	<u>(31,847)</u>	<u>34,145</u>	<u>114,451</u>

Notes to the Accounts

26. Reconciliation of Net Cash Flow from Operating Activities

	Notes	2008 £'000	2007 £'000
Operating (deficit)/surplus before tax		(189)	1,280
Investment income		(834)	(1,341)
Endowment income		(81)	(148)
Decrease in deferred capital grant	23	(3,753)	(2,842)
Depreciation	12	9,059	7,101
Amortisation of goodwill	14	37	-
Profit on sale of fixed assets		(2,223)	(58)
Interest payable		1,433	1,466
FRS 17 net adjustments		1,035	1,000
Decrease/(increase) in stocks		127	(37)
Decrease/(increase) in debtors		4	(7,101)
Increase in creditors		3,764	2,692
Decrease in provisions		(3,233)	(1,496)
Net cash inflow from operating activities		5,146	516

27. Returns on Investments and Servicing of Finance

	2008 £'000	2007 £'000
Income from endowments	21	62
Other interest received	834	1,341
Interest paid	(1,381)	(1,466)
Net cash inflow from returns on investments and servicing of finance	(526)	(63)

28. Capital Expenditure and Financial Investment

	2008 £'000	2007 £'000
Payments to acquire tangible fixed assets	(31,638)	(21,698)
Endowment asset investments acquired	(67)	(52)
Receipts from sales of tangible fixed assets	3,335	76
Deferred capital grant received	23 8,412	1,383
Net cash outflow from capital expenditure and financial investment	(19,958)	(20,291)

29. Management of Liquid Resources

	2008 £'000	2007 £'000
Withdrawals from short term deposits	3,317	17,069
Net cash inflow from management of liquid resources	3,317	17,069

Notes to the Accounts

30. Financing

	2008	2007
	£'000	£'000
Debt due beyond a year:		
New long term loans/bank loan repayment	15,205	(2,050)
Repayment of reserves	-	(505)
Capital element of finance lease repayments/principal	(255)	(268)
Net cash inflow/(outflow) from financing	<u>14,950</u>	<u>(2,823)</u>

31. Analysis of changes in Net Debt/(Net Funds)

	Notes	2007 Group RESTATED £'000	Cashflows £'000	Other Changes £'000	2008 Group £'000
Cash at bank and in hand		4,678	2,708	(1,871)	5,515
Endowment bank balance	15	861	81		942
Bank overdraft		(1,871)	-	1,871	-
		<u>3,668</u>	<u>2,789</u>	-	<u>6,457</u>
Debt due over more than 1 year:					
Long term loans	20	(8,952)	(17,378)	-	(26,330)
Obligations under finance lease	20	(14,663)	-	298	(14,365)
Debt due under 1 year:					
Bank loan		(2,395)	2,173	-	(222)
Obligation under finance lease	19	(282)	282	(298)	(298)
Short term deposits		<u>4,495</u>	<u>(3,317)</u>	-	<u>1,178</u>
		<u>(18,129)</u>	<u>(15,451)</u>	-	<u>(33,580)</u>

32. Pension Schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. The assets of the schemes are held in separate administered funds.

Teachers' Pension Scheme (TPS)

The TPS is a statutory, contributory, final salary scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local education authorities and also to teachers in many independent and voluntary-aided schools and establishments of further and higher education. Teachers are able to opt out of the TPS.

Although teachers are employed by LEAs and various other bodies, their retirement and other superannuation benefits, including annual increases payable under the Pensions (Increase) Acts, are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the TPS, which is an unfunded scheme, teachers' contributions, on a 'pay-as-you-go' basis, and employers' contributions are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions increases). With effect from 1 April 2001, the Account was credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every five years, the Government Actuary (GA), using normal actuarial principles, conducts an actuarial review of the TPS.

Contributions are assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salary of a teacher in service or newly entering service, which, if it were paid over the entire active service of these teachers, would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable by employers if, as a result of the actuarial investigation, it is found that the accumulated

liabilities of the account for benefits to past and present teachers are not fully covered by standard contributions to be paid in future and by the fund built up from past contributions.

The last valuation of the TPS was for the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teacher's representatives, the SCR has been assessed at 19.75% and the supplementary contribution rate has been assessed to be 0.75% (to balance the assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and an employer contribution rate of 14.1%. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions.

Universities Superannuation Scheme (USS)

The USS is a defined benefits scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify the University's share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost, recognised within the surplus for the year in the income and expenditure account, is equal to the contributions payable to the scheme.

The pensions cost is assessed every three years. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Notes to the Accounts

32. Pension Schemes (continued)

Latest actuarial valuations Actuarial method	31 March 2005 Project-unit method	
	Past Service Liabilities	Future Service Liabilities
Investment returns per annum	4.5%	6.2%
Salary scale increases per annum	3.9%	3.9%
Pensions increases per annum	2.9%	2.9%
Market value of assets at date of last valuation	£21,740 million	
Proportion of member's accrued benefits covered by the actuarial value of the assets	77%	

Surplus or deficits which arise at future valuations may impact on the institution's future contribution commitment. During the year, the employer contribution rate was maintained at 14%.

Local Government Pension Scheme (LGPS)

The LGPS is regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme. It is a funded scheme, with some 99 separate funds administered locally by administering authorities. Each fund has many employing authorities. The Hertfordshire County Council is the administering authority with the District Councils in their County, and other bodies, for example the University, being employing authorities within that scheme. The University's wholly owned subsidiary company Universitybus Limited, whose employees are members of the LGPS, is an admitted body to the fund. All other wholly owned subsidiary companies contribute to the scheme through the University. Staff employed by Exemplas Holdings Limited and its subsidiary companies are either members of the LGPS or are members of the group administered personal pension plan, which is a defined contribution scheme.

The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. An assumption has been made for the 31 July 2008 valuation for FRS17 purposes that 25% of future retirements will elect to take a tax-free cash sum up to HMRC limits.

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

The total contribution made to the LGPS for the year ended 31 July 2008 was as follows:

	Total £'000	Employers £'000	Employees £'000
University	6,107	4,414	1,693
Universitybus	251	172	79
Exemplas	93	77	16
Total	6,451	4,663	1,788

Employer contributions are affected by a surplus or deficit in the scheme. All new entrants to the fund are now single status employees and there is no longer any classification of officer and manual employees. The agreed contribution rates for future years are:

Year ending 31 March	2009	2010	2011
University	17.7%	19.2%	19.2%
Universitybus	13.6%	18.6%	18.6%
Exemplas	28.8%	27.5%	27.5%
Employees	5.25-7.5%	5.25-7.5%	5.25-7.5%

The estimated employer contribution payable for the year ending 31 July 2009 is £5,228,000.

Notes to the Accounts

32. Pension Schemes (continued)

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004 for the University of Hertfordshire and Universitybus Limited, and at 31 March 2005 for Exemplar Holdings Limited and its subsidiary companies, updated to 31 July 2007 by a qualified independent actuary.

	2008	2007	2006
Inflation	3.8%	3.3%	3.1%
Rate of increase in salaries	5.3%	4.8%	4.6%
Rate of increase for pensions	3.8%	3.3%	3.1%
Discount rate for liabilities	6.7%	5.8%	5.1%

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

	Males	Females
Current Pensioners	22.1 years	25.1 years
Future Pensioners	23.2 years	26.1 years

The assets in the scheme (of which the Group's share is estimated at 4.68%) and the expected rates of return were:

	Long-term rate of return expected 2008	Value 2008 £'000	Long-term rate of return expected 2007	Value 2007 £'000	Long-term rate of return expected 2006	Value 2006 £'000
Equities	7.8%	1,431,000	8.0%	1,708,000	7.7%	1,426,000
Bonds	5.7%	299,000	5.2%	263,000	4.7%	259,000
Property	5.7%	99,000	6.0%	126,000	5.7%	114,000
Cash	4.8%	186,000	5.1%	134,000	4.8%	120,000
Total market value of assets		<u>2,015,000</u>		<u>2,231,000</u>		<u>1,919,000</u>

The pension scheme liability detailed below also takes account of the University's unfunded pension liability. This liability, which relates to pension enhancements payable to staff who have taken early retirement, was previously included in the accounts as a provision before the full adoption of FRS 17 in the year ended 31 July 2006.

	2008	2007
	£'000	£'000
Group's estimated asset share	94,234	95,664
Present value of scheme liabilities	(116,506)	(107,434)
Present value of unfunded liabilities	(9,680)	(10,536)
Deficit in the scheme	<u>(31,952)</u>	<u>(22,306)</u>

Notes to the Accounts

32. Pension Schemes (continued)

Analysis of the amount charged to income and expenditure account

	2008	2007
	£'000	£'000
Service cost	4,844	5,072
Past service cost	1,475	37
Curtailment and settlements	183	174
	<u>6,502</u>	<u>5,283</u>

Analysis of net return on pension assets

	2008	2007
	£'000	£'000
Expected return on pension scheme assets	7,133	5,862
Interest on pension liabilities	(6,956)	(6,182)
	<u>177</u>	<u>(320)</u>

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

	2008	2007
	£'000	£'000
Actual return less expected return on pension scheme assets	(11,770)	4,143
Experience gains and losses arising on the scheme liabilities	(9)	(1)
Changes in financial and demographic assumptions underlying the present value of liabilities	3,168	11,782
	<u>(8,611)</u>	<u>15,924</u>

Actuarial (loss)/gain recognised in STRGL

The amount of the actuarial gain relating to changes in financial assumptions for the year ended 31 July 2008 is £4,917,000 (2007: £10,406,000).

The cumulative actuarial (loss)/gain recognised in STRGL as at 31 July 2008 is a loss of £8,155,000 (2007: gain of £456,000).

Movement in deficit during the year

	2008	2007
	£'000	£'000
Deficit in scheme at 1 August	(22,306)	(36,918)
Current service cost	(4,844)	(5,072)
Employer contributions	5,290	4,291
Past service costs	(1,475)	(37)
Curtailment and settlements	(183)	(174)
Net return on assets	177	(320)
Actuarial (loss)/gain	(8,611)	15,924
	<u>(31,952)</u>	<u>(22,306)</u>

Notes to the Accounts

32. Pension Schemes (continued)

Analysis of movement in the present value of the scheme liabilities

	2008 £'000	2007 £'000
At 1 August	117,970	118,943
Current service cost	4,844	5,072
Contributions by members	1,795	1,522
Past service costs	1,475	37
Curtailment and settlements	183	174
Interest cost	6,956	6,182
Actuarial gain	(3,159)	(11,783)
Estimated unfunded benefits paid	(602)	-
Estimated benefits paid	(3,276)	(2,177)
At 31 July	126,186	117,970

Analysis of movement in the fair value of the scheme assets

	2008 £'000	2007 £'000
At 1 August	95,664	82,025
Contributions by members	1,795	1,522
Employer contributions	4,688	4,291
Contributions in respect of unfunded benefits	602	-
Expected return on assets	7,133	5,862
Actuarial (loss)/gain	(11,770)	4,141
Estimated unfunded benefits paid	(602)	-
Estimated benefits paid	(3,276)	(2,177)
At 31 July	94,234	95,664

History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on assets	(11,770)	4,143	6,005	7,877	1,251
% of scheme assets	(12.5%)	4.3%	7.3%	11.8%	2.3%
Experience (losses)/gains on scheme liabilities	(9)	(1)	(385)	(6,638)	1
% of scheme liabilities	0.0%	0.0%	(0.3%)	(6.3%)	0.0%
Total actuarial (losses)/gains recognised in STRGL	(8,611)	15,924	(2,215)	(10,162)	1,159
% of scheme liabilities	(6.8%)	13.5%	(1.9%)	(9.7%)	1.6%

Notes to the Accounts

32. Pension Schemes (continued)

Employers and employee total contributions

	Employers £'000	Employees £'000	2008 Total £'000	2007 Total £'000
Contributions to TPS	5,464	2,608	8,072	7,035
Contributions to LGPS	4,663	1,788	6,451	5,037
Contributions to USS	36	21	57	28
Total contributions	<u>10,163</u>	<u>4,417</u>	<u>14,580</u>	<u>12,100</u>

33. Capital Commitments

	2008 Group £'000	2008 University £'000	2007 Group £'000	2007 University £'000
Commitments contracted at 31 July	10,351	6,793	12,525	11,507
Authorised but not contracted at 31 July	<u>32,457</u>	<u>32,457</u>	<u>33,104</u>	<u>33,104</u>
	<u>42,808</u>	<u>39,250</u>	<u>45,629</u>	<u>44,611</u>

34. Access Funds

	2008 £'000	2007 £'000
Balance at 1 August	33	146
Funding council grants	646	705
Interest earned	13	13
	<u>692</u>	<u>864</u>
Disbursed to students	(664)	(810)
Administration charges	(18)	(21)
Balance at 31 July	<u>10</u>	<u>33</u>

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

Notes to the Accounts

35. Prior Year Adjustment

The prior year comparatives have been restated following the introduction of the new Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007.

An amount of £2,105,000 has been reclassified from other operating expenses to tuition fee and education contract income. This represents a new accounting treatment introduced under the SORP 2007 for discounts offered on student tuition fees.

An amount of £203,000, previously included within specific endowments, has been reclassified as an income fund and endowment asset investments, short term deposits, other creditors and endowment reserves have been restated accordingly. The prior year comparatives for endowments have also been reclassified to reflect the new analysis of permanent and expendable endowments, which replaces the previous analysis of specific and general endowments. The movements in the prior year figures relating to the changes in the accounting treatment of endowments are outlined below:

	£'000
Endowment assets investments	(203)
Short term deposits	203
Other creditors	(203)
Endowment reserves	203

The prior year adjustments have no impact on the income and expenditure reserves of the Group.

36. Related Party Transactions

All transactions detailed below were undertaken at an arms length basis in accordance with the normal agreements between customers and suppliers. As at 31 July 2008 the University has provided a sum of £113,000 (2007: £113,000) against previous years debts due from the FIT Corporation.

Name of entity	Value of services delivered	Value of services received	Amount outstanding at 31 July 2008
FIT Corporation Ltd	-	-	£113,000
University of Hertfordshire Students' Union	£661,000*	£104,000	£32,000

* This includes the 2007/08 Students' Union Subvention of £643,000.

37. Post Balance Sheet Events

On 23 October 2008 the University completed the strategic acquisition of Titan Court at a cost of £15.2 million. The acquisition of this building has been financed by an additional loan facility for £15.0 million.

Board of Governors and Committees of the Board Concerned Directly with Finance



Memberships from 1 August 2006

Board of Governors

Independent Members

Dr D E Filer CBE TD FREng (*Chairman to 31.08.07*)
Mrs J L Connell (*Chairman from 01.09.07*)
Professor M Elves
Mr P C Farmer (*to 31.08.07*)
The Rt Revd C R J Foster
Mr C J Gordon
Mr A P Graham (*from 01.09.07*)
Mr J T Harrison
Mr J K Heywood
Mr N F Matthews (*from 01.09.07*)
Mr G Morrison
Mr J F H Park (*from 01.09.07*)
Mr R J Smith (*to 31.08.08*)
Lady Staughton
Mr P N Woollacott (*to 31.08.08*)

Vice-Chancellor

Professor R J T Wilson

Member Nominated by the Academic Board

Dr H C Barefoot (*from 01.05.08*)
Mrs M K Rostom (*to 30.04.08*)

Students' Union President

Mr S Newnham (*to 30.06.08*)
Mr R Valdiny (*from 01.07.08*)

Co-opted Members

His Honour Judge Michael Baker (*from 18.03.08*)
Mrs M M Connelly
Mr N Dahad
Dr G M Dalley
Ms L B Haye
Mr A P Graham (*to 31.08.07*)
Dr L Mitchell
Mr N F Matthews (*to 31.08.07*)
Dr A V Stokes
Sir Michael Tomlinson

Audit Committee

Mr J T Harrison (*Chairman*)
Mr P C Farmer (*to 31.08.07*)
The Rt Revd C R J Foster (*to 31.08.07*)
Mr A P Graham (*from 01.09.07*)
Mr J K Heywood (*to 31.08.08*)
Mr N F Matthews
Dr L Mitchell
Dr A V Stokes (*from 01.09.08*)

Remuneration Committee

Dr D E Filer CBE TD FREng (*Chairman to 31.08.07*)
Mrs J L Connell (*Chairman from 01.09.07*)
Mr P C Farmer (*to 31.08.07*)
The Rt Revd C R J Foster (*from 01.09.07*)
Mr C J Gordon (*from 01.09.07*)
Mr J T Harrison
Mr N F Matthews (*from 01.09.08*)
Lady Staughton

Finance and General Purposes Committee

The Rt Revd C R J Foster (*Chairman from 01.09.07*)
Mrs J L Connell
Mr N Dahad
Professor M Elves
Mr J K Heywood (*from 01.09.08*)
Dr D E Filer CBE TD FREng (*retired 01.08.07*)
Mr A P Graham (*to 31.08.07*)
Mr C J Gordon
Mr G Morrison (*from 01.09.07*)
Mr J F H Park (*from 01.09.07*)
Mr R J Smith (*to 31.08.08*)
Dr A V Stokes (*to 01.09.07*)
Professor R J T Wilson
Mr P N Woollacott (*to 31.08.08*)

Bankers

Barclays Bank Plc, St Albans

Auditors

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Hemel Hempstead



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