

Strategic Report and
Financial Statements
2017–18



Science Building

A low-angle, nighttime photograph of a modern building's exterior. The building features a large glass facade with the words "Science Building" in large, white, sans-serif capital letters. The glass reflects the surrounding environment, including trees and other buildings. Above the glass facade is a dark, overhanging section with a grid of recessed lights. Three people are standing on the sidewalk in front of the building, looking up at the facade. The sky is dark blue, and the overall lighting is a mix of the warm interior lights and the cool blue of the night.

Contents

Introduction by the Chairman of the Board of Governors	6
Introduction by the Vice-Chancellor	8
Strategic Report	10
Public benefit	14
The Herts staff and student experience	18
The University's research strengths	22
Business and the LEP	26
Industrial Strategy	30
Introduction of Degree Apprenticeships	34
Our estate and location in Hatfield	38
Global reach, international students and new international partnerships	42
Financial Review 2017–18	46
Risks	52
Student numbers	53
Statement of Corporate Governance	54
Statement of Internal Control	58
Responsibilities of the Board of Governors	60
Auditor's Report	62
Financial Statements	64
Consolidated and University statement of comprehensive income	66
Consolidated and University statement of changes in reserves	67
Consolidated and University balance sheets	68
Consolidated cash flow	69
Statement of principal accounting policies	70
Notes to the accounts	75
Governors and advisers	108
Officers appointed by the Board	110



Introduction

by the Chairman of the Board
of Governors

Last year we celebrated 25 years as a university.

Over the last twenty-five years the University of Hertfordshire has matured into a vibrant university providing an excellent university education to its 24,000 students, and conducting outstanding research in a number of fields. This year has continued this progress, with some notable successes: the award of a Gold Standard in the government's Teaching Excellence Framework, the highest levels of employment for our graduates amongst universities in the East of England (with 96.5% getting employment within six months of graduation), and continuing improvement in our National Student Survey scores.

However, for the Board of Governors perhaps the most interesting event of the year was a day we spent with a group of about 15 students talking about the challenges they believe they will face five or seven years after graduation, and what the University can do to ensure they are able to deal with them successfully. It was a wonderful day. The students had thought about the issues carefully; they made excellent presentations; and the debate was lively, energetic and fun.

Of the various challenges we discussed, the three most important were firstly, the speed with which technology is developing, and the difficulty this will create for them in planning their careers and their lives; secondly, the way the world is opening up and becoming ever more international, and interconnected; and thirdly the challenges posed by what they called the Post Truth or Fake News environment. These are three serious and difficult issues, but as we talked about them we all came to the conclusion that our graduates are exceptionally well prepared to deal with them.

They have studied at a university whose teaching is recognised by the government through the award of a Gold Standard in the National Teaching Excellence Framework as being of the highest quality and consistently outstanding. Through this they can be confident they have developed the attributes they need to identify the important issues in a fast changing world; to research them; to come to evidenced based conclusions; and to make sound and persuasive arguments.

Our students will have no difficulty in coping with an increasingly international and interconnected world. The University is a modern, dynamic and very diverse community; we are outward looking; and we are international. Over the three or more years they spend here, students all learn to enjoy diverse communities and to flourish in them.

As for the challenges presented by the growth of Fake News, it was clear they all have a strong set of values. They all understand that the term Fake News is just a slick, modern phrase to describe what is in essence just old fashioned dishonesty, and they know that you can't trust anyone who peddles Fake News.

The year was a good one but we had to deal with a number of challenges, including in particular competition in the higher education sector and external financial pressures. This is not a surprise to us, and we have been preparing for them. However, we expect them to become ever more intense and we will need to change further to ensure we can continue to flourish.



Three Governors stood down at the end of the year as their terms of office came to an end: Gordon Morrison, David Goodridge and Shelby Loasby. Gordon had been a Governor for 12 years, David for 11 years, and as the President of the Students' Union, Shelby for one year. Each of them made a significant contribution to the University, for which we are all most grateful. Gordon was Vice-Chair and played a major role in the successful planning and delivery of the very substantial development of the University's estate, David changed the way the University identifies and manages risk, while Shelby was an excellent member of the Board, reflecting students' views and interests.

The role of Governors has changed significantly over the last ten years. Governors now have, for all practical purposes, the same rights and duties as those of directors of private sector companies of similar size and complexity, but they give of their time and expertise as a contribution to the community, and this is much appreciated.

Four new independent Governors joined the Board at the beginning of this 2018–19 academic year: Dr Dipti Amin, Dr Lynn Drummond, Claire Ward and Nick Willott. In addition, Amal Jolly joined the Board as the Governor nominated by the Students' Union. They are all of outstanding ability and bring to the Board considerable experience from a wide range of backgrounds.

My five-year term as the Chairman of University's Board of Governors will come to an end at the end of this academic year, when Lynn will succeed me. Lynn graduated from Glasgow University with a degree in Chemistry and has a PhD from London. Her very successful career has taken her to the Cabinet Office, to Rothschild's as a Managing Director, and to substantial private sector companies as a non-executive director and non-executive chairman. She will serve as the Board's Vice-Chair this year.

It is important always to remember that none of the success the University has had would be possible without the extraordinary commitment and contributions from all our staff. The higher education world is changing fast and the University would not be able to flourish in this environment without them. They are serious professionals, wholly committed to our students, and a delight to work with.

Richard Beazley
November 2018

Introduction

by the Vice-Chancellor

It gives me great pleasure to introduce our strategic report and financial statements, and to share some highlights of the University's past year.

I am especially pleased to welcome you to a gold-rated university! In June the University was awarded the highest ranking in the government's Teaching Excellence Framework (TEF). This improvement on last year's Silver award recognises the outstanding quality of our teaching, and the value we add to the students who choose to study with us.

The government focus on the quality of teaching and the importance of getting value for money from higher education has kept universities in the headlines this year. But alongside our TEF Gold, the University of Hertfordshire has demonstrated in many ways the value we provide to our students.

That added value comes in the work-based learning, entrepreneurship and enterprise we embed in our courses, and the employability and transferable skills our students gain from a curriculum informed by research, business and the professions.

I also believe it comes from the authenticity of the FACES values we highlight around our campus – we aim to be Friendly, Ambitious, Collegiate, Enterprising and Student-focused, and it is these shared values that enrich our students' experience of studying here (p18).

Our Gold award was followed by figures showing record levels of employment among our graduates six months after they leave us. At 96.5%, our National Destination of Leavers from Higher Education (DLHE) survey result once again gives this University the best employment rate of graduates in the East of England region and ranks us 23rd out of 124 universities in the UK.

The University has also seen improved scores in the National Student Survey (NSS), where feedback from our students saw us rated at 83.49% for overall student satisfaction, putting the University ahead of the sector average.

In 2018 we continued to play a leading role in the local economy, promoting innovation through pioneering initiatives such as the launch of our Hertfordshire Science Partnership (p28) and the expansion of our Degree Apprenticeships programmes (p34).

These undoubtedly played a part in our being shortlisted for the top award of 'Outstanding Entrepreneurial University' in this year's prestigious Times Higher Education (THE) Awards.

The University's teaching, research and collaboration with business have also been singled out with THE Award shortlistings for Theo Gilbert for Most Innovative Teacher of the Year, Rob Chilcott in the STEM (Science, Technology, Engineering and Mathematics)



category of Research Project of the Year for his research on decontamination techniques, while Jonathan Morris's work with Nespresso has been jointly shortlisted for Most Innovative Contribution to Business–University Collaboration.

These are fantastic achievements and I congratulate my colleagues. I am proud to be working alongside them – and proud too of the University's continued emphasis on ensuring outstanding entrepreneurial support to students, graduates and local businesses.

This year also saw the introduction of the first Go Herts Awards to graduating students, recognising those who had shown deep commitment to voluntary work, research or enterprise alongside their study. The aim of the Award is to promote the transferable skills and personal qualities that we know will stand our students in good stead for their future careers. Alongside my colleagues, I was delighted to greet 4,100 students on stage at our graduation ceremonies in September.

Looking ahead, we are undoubtedly moving into a period of political uncertainty and financial exigency. Brexit, demographics and pensions are all likely to exert pressure on our resources. Nevertheless, we have the flexibility and resilience to respond positively within those constraints and can look with some confidence towards a bright future.

In challenging times we benefit greatly from the contribution of our Governors and I am pleased to echo the Chair's welcome to our five new Governors, including Dr Lynn Drummond who will serve as Board Vice-Chairman.

I know all our new Governors will play a significant role in supporting our vision, helping us to meet our strategic objectives and fulfil our vision to be an internationally renowned business-facing university.

Professor Quintin McKellar CBE

November 2018

Strategic Report

Learning Resources Centre, College Lane Campus



This publication contains our Strategic Report and financial statements for 2017–18.

It highlights our activities and achievements over the past 12 months and takes a themed approach to show how we have worked to support the seven key objectives of our 2015–2020 Strategic Plan.

Our history and structure

The University of Hertfordshire is an innovative, enterprising university, focused on transforming our students’ lives through excellent teaching informed by research, business and the professions.

Hatfield Technical College was set up in 1952 and grew to become one of the first three polytechnics in the country. The University of Hertfordshire was established in 1992. Today, more than 24,000 students, including some 3,910 international students from 134 countries, study with us, choosing from more than 550 undergraduate, postgraduate and research degrees. More than 6,800 students study our courses outside the UK through international partnerships and franchise arrangements.

The Vice-Chancellor, as Chief Executive and Academic Head of the University, is responsible to the Board of Governors for the organisation, direction and management of the University.

The Chief Executive’s Group comprises the Deputy Vice-Chancellor, Secretary and Registrar, and Group Finance Director, all appointed by the Board, along with our three Pro-Vice-Chancellors, Deans of the 10 academic Schools, Director of Marketing and Communications, Director of Human Resources, Director of Estates, Chief Information Officer, Academic Registrar and Dean of Students. The Group is responsible for the day-to-day management and leadership of the University. Full details of our corporate structure are in the Statement of Corporate Governance on p54.

Our teaching and research

In the last 10 years we have invested more than £200m in our award-winning estate, ensuring our students and wider community benefit from some of the best teaching and learning facilities in the country.

These are delivered by our 10 academic Schools:

- Computer Science
- Creative Arts
- Education
- Engineering and Technology
- Health and Social Work
- Hertfordshire Business School
- Hertfordshire Law School
- Humanities
- Life and Medical Sciences
- Physics, Astronomy and Mathematics

Our research aims to tackle the key global challenges of our time, with our strengths reflected in the six themes of food; global economy; health and wellbeing; heritage, cultures and communities; information and security; and space.

Our vision and values

With some 2,500 staff and a turnover of more than £267 million, the University is one of the region’s largest employers. A significant part of its income is earned through research, consultancy and business service activities.

As a key driver of the local and regional economy, our vision is to be internationally renowned as the UK’s leading business-facing university. Our core values, enshrined in the acronym **FACES**, are to be Friendly, Ambitious, Collegiate, Enterprising and Student-focused. These values underpin all our activities.

Our strategic objectives

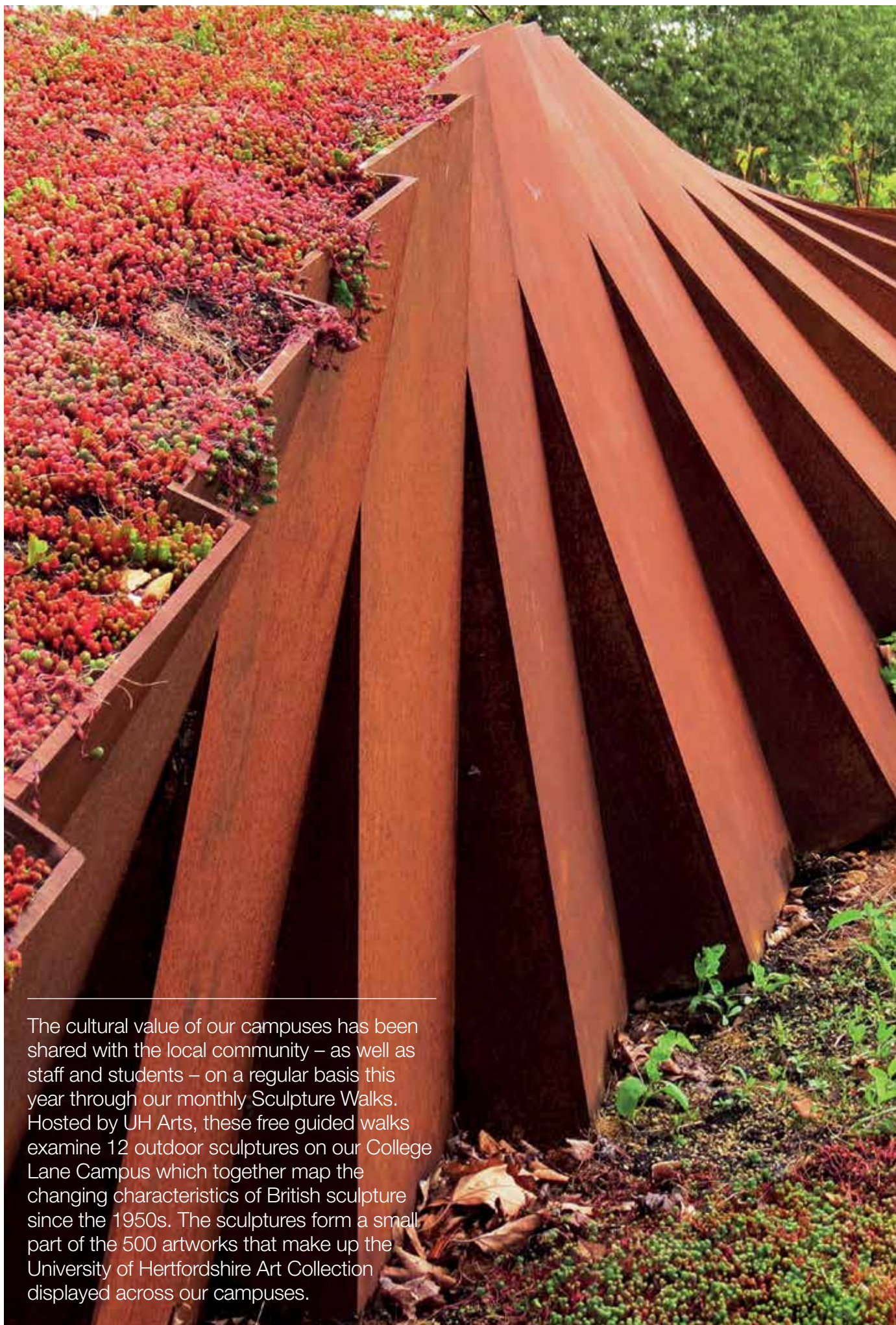
Be internationally renowned for supporting our communities , raising aspirations and enriching lives. See Public benefit, pp14-17
Ensure our people are valued in a collaborative and innovative environment. See The Herts staff and student experience, pp18-21
Excel in collaborative, multidisciplinary research that addresses social, economic, cultural, scientific and environmental challenges. See The University’s research strengths pp22-25
Be internationally renowned for integrating the research, innovation and business expertise of our staff, students and graduates. See Business and the LEP, pp26-29 and Industrial Strategy, pp30-33
Be internationally renowned for research-rich education that produces creative, professional and enterprising graduates. See Introduction of Degree Apprenticeships, pp34-37
Continuously improve sustainability throughout the University. See Our estate and location in Hatfield, pp38-41
Enhance our international reputation with students, institutions, organisations and government agencies. See Global reach, international students and new international partnerships pp42-45

Learning Resources Centre, de Havilland Campus



Public benefit

The University is proud of its strong links with local communities.



The cultural value of our campuses has been shared with the local community – as well as staff and students – on a regular basis this year through our monthly Sculpture Walks. Hosted by UH Arts, these free guided walks examine 12 outdoor sculptures on our College Lane Campus which together map the changing characteristics of British sculpture since the 1950s. The sculptures form a small part of the 500 artworks that make up the University of Hertfordshire Art Collection displayed across our campuses.



The Earl of Wessex during his visit to the University to celebrate the Duke of Edinburgh Award scheme.

As one of the largest employers in the region, our partnerships, business consultancy and knowledge transfer make the University a key driver of the local economy.

Beyond the economic value, we seek to extend the benefits of higher education as widely as possible, as part of the University's civic duty.

This starts with our outreach work to give young people still at school an insight into university life, to raise their aspirations and to challenge some of their misconceptions.

As well as our in-School talks, mentoring and campus visits, our outreach work this year included a residential summer school for young people who, having grown up in the care system, face greater barriers in getting to university. The summer school offered lecture taster sessions and a day trip with drama workshops, delivered in partnership with The Royal Central School of Speech and Drama and the University of Cambridge, while the University's Student Ambassadors gave participants a student perspective on university life.

In July, the University's Centre for STEM Education, within the School of Education, hosted a Teacher Zone at the Big Bang Eastern Fair, providing briefings, resources and the opportunity for teachers to explore ways of inspiring students in STEM subjects and careers.

Employers and stakeholders, along with the Schools of Engineering and Technology, Computer Science, Life and Medical Sciences and Health and Social Work, provided STEM activities for the 2,000 students who attended from across the eastern region.

Reaching out to inspire the minds of young people in our local community, our Adaptive Systems Research Group at the University this year organised two events for UK Robotics Week, to introduce schoolchildren to the new technologies behind robotics research.

The University's renowned interactive robot Kaspar visited a primary school in Hatfield, to show how social robots are built and what they can be used for. Computer A-level students at a Welwyn Garden City secondary school meanwhile had the opportunity to program Pepper, our interactive humanoid robot.

Also making science fun for local school pupils, the University's inflatable mobile planetarium – the UK's biggest – at our Bayfordbury Observatory has been used this year to teach them about the solar system and its wonders.

For our students, we aim to make studying at the University of Hertfordshire a transformational experience. The University's emphasis on co- and extra-curricular activities ensures a rich and vibrant student experience, while the knowledge, skills and experience acquired supports their employability. Qualifications and opportunities offered by the Schools include research and consultancy work, peer mentoring, City & Guilds awards, Microsoft qualifications, pilot's licences and short course credits to complement students' core studies.

Extending the benefits of higher education involves sharing our facilities, welcoming local communities to our campus, and working to enrich people's lives through our cultural and social impact.

The opening in June of the new St Albans Museum + Gallery in the old Town Hall was the culmination of a decade's work between the University, St Albans City and District Council and the St Albans Museum and Galleries Trust to replace the former University gallery and city museum with a new and exciting cultural resource. The University's arts centre, UH Arts, will work with the St Albans Museum + Gallery to create a programme of world-class visual arts exhibitions and events.

Through the chairmanship of the Vice-Chancellor, the University continues to work closely with the Hatfield Renewal Partnership Board on the Hatfield 2030+ project to redevelop and regenerate key parts of our neighbouring town.

Also in June, the University welcomed the Earl of Wessex KG GCVO on to campus where, as Trustee of the Duke of Edinburgh Award, he viewed displays and demonstrations showcasing the diverse skills that Hertfordshire secondary school students have gained by participating in the Award scheme.

Received by the Lord-Lieutenant of Hertfordshire and Governor of the University Robert Voss CBE, the Earl was accompanied by The Hon Marquis of Salisbury, Chancellor of the University, Chairman of Hertfordshire County Council Richard Thake and Welwyn Hatfield Council Mayor Barbara Fitzsimon.

The Earl also met University students working towards their Gold Duke of Edinburgh Award, as well as staff who are volunteers and assessors for the scheme.

Engaging the public in our research is another important part of the University's civic role. Subjects discussed with local residents in our monthly free Café Scientifique events at Hatfield Social Club have this year included the micronutrient quality of convenience foods and developing alternatives to pesticides.

Further opportunities for the University and local community to meet and build connections have been offered through the Everyday Lives in War centre, hosted by the University, which has run events and activities to support First World War centenary projects.

“ We were delighted to host the Earl of Wessex and the exhibition, in celebration of the Duke of Edinburgh Award, by young people in Hertfordshire. The Award scheme has inspired and transformed the lives of millions of young people from all walks of life and this very much fits in with us as a vibrant and inclusive university. ”

*Professor Ian Campbell, Deputy Vice-Chancellor,
University of Hertfordshire*

The University's Heritage Hub brings together community interests in history and heritage and involves staff across many disciplines. It works with local communities, museums, social enterprises, housing associations and library services. The Hub's Oral History Team were proud to be commended in the 2018 Royal Historical Society Public History Awards, which recognised the collaborative work between staff and students featured in the BBC Radio 4 oral documentary *Instant History*.

Staff and students were also involved this year in a timely and pioneering project supporting local communities. As part of the national Community Fridge Network, set up to reduce food waste, a community fridge has been established on the College Lane Campus. Only the second community fridge to open in a university setting, the Herts fridge has redistributed 338kg of surplus food and has established links with local branches of Sainsbury and the Co-op to arrange regular food sharing.

The Herts staff and student experience

The University aims to give its students the best possible learning experience.

The Oval student common room



The University provides expert, collaborative teaching informed by research, business and the professions underpinned by state-of-the-art facilities, equipment and social spaces.

We were very pleased therefore that our students rated us highly in the 2018 National Student Survey (NSS), in which scoring an excellent 83.49% for overall student satisfaction, ahead of the sector average. Across all aspects of the student experience covered by the NSS, the subject areas of Economics, Nutrition, Biology, and Human and Social Geography were all ranked in the top 10% nationally.

This positive feedback from our students followed the University's highest ever graduate employment rate this year of 96.5%, and the award in June of Gold in the 2018 Teaching Excellence Framework (TEF), the Government's assessment of teaching quality in higher education.

The University's Gold award recognises our outstanding teaching as well as our students' excellent progression rates to employment. The TEF judges highlighted the University's success in delivering work-based learning, entrepreneurship and enterprise and in embedding employability and transferable skills into the curriculum; our high level of investment in physical and digital resources; our extensive widening participation agenda; and the many opportunities offered by the University outside traditional learning environments.

These achievements in 2018 tally with our improved ranking in the Guardian's latest University league tables, which recorded a rise for the University of more than 10 places.

Alongside these external measures of success, the University this year expanded the scope of its annual Vice-Chancellor's awards. These celebrate the achievements of our staff and mark their commitment to helping the University achieve its strategic goals and vision.

A record number of nominations by staff and students this year revealed some worthy winners, including Manager of the Year Graham Davies, head of academic resources in Library and Computing Services, while the Hertfordshire Sports Village marketing team won the Steps of Change category for doubling community membership at the Sports Village in less than a year.

The award for Research Success of the Year went to the School of Life and Medical Science's Toxicology Research Group, whose work has led to a strengthening of UK and US government policy on decontamination processes in the event of a chemical incident. Student prizewinners included Chiara Angerame, who scooped the Best Idea prize in this year's flare awards for her People's Laundry social enterprise. Best Business prize went to Ekene Ukenam, for his photography company Aerial Icon, while Malinda Bir and Nathaniel Balakumaran's Festival of Diversity won the flare Ignite Award.

The Innovation in Healthcare Award went to Antinda Toh for her Memory-Band wristband, while Djanomi Headley-Fulani's Mosaïque wooden watch range won Best Growth Business. Best INTI Entry went to Team Time Walker for their delivery services mobile app.

Our students also demonstrated their competitiveness and highly employable skills once again in this year's UK Formula Student challenge. In June, some 20 Automotive, Aerospace and Electronic Engineering students launched UH21, the University's 2018 racing car. By designing and constructing UH21, the students have had the opportunity to build relationships with suppliers and companies within the Formula racing industry, and to gain knowledge and skills fundamental to finding success in their chosen careers.

In June, thousands of guests, including influential figures from the creative industries, were welcomed on campus to view the School of Creative Arts' degree show, which displayed the innovative work of more than 400 students – many already award-winning – at the University's Art and Design Gallery, on the College Lane Campus.

More awards within the School of Creative Arts included a win for the fourth consecutive year for the Film and Television department at the Royal Television Society Student Awards. The winning film, *Delirium*, was originated by student Emily Welfare and was recognised for outstanding Production Design.

The University aims to offer inclusive, intellectually challenging courses that will foster our students' critical thinking and curiosity. As part of the new MA in Literature and Culture, a new module, US Culture and #BlackLivesMatter, enables students to learn about the significance of this movement through the study of contemporary cultural texts. Available from September 2018, the module is the first of its kind in the UK. It underpins the University's commitment both to international perspectives and to addressing the black, minority ethnic (BME) attainment gap in higher education.

The University is also reaching out to potential students thinking of studying health and social work courses from September 2018, through the launch of two new scholarships. Sponsored by The Roerig Trust, scholarships of £1,500 per year of study are available for Adult Nursing students, while UH Trust is offering scholarships of £3,000 per year of study for undergraduate courses including all areas of nursing, midwifery, social work, physiotherapy, paramedic science, diagnostic radiography, radiotherapy and oncology.

The excellence of midwifery teaching at the University was reflected in the award of a prestigious Royal College of Midwives Fellowship this year to Laura Abbot, senior midwifery lecturer. The Fellowship recognises Laura's outstanding contribution to midwifery, including her research on the experiences of pregnant women in prison.

Staying healthy and having fun are important to students and staff alike. The University's Active Students and Active Staff programmes promote free sport and physical activities, regardless of ability, while mental health support is integrated into all the University's services. Wellbeing initiatives include mentoring to support and advise students experiencing mental health difficulties, while the Wellbeing Champion Network for staff involves volunteers who are committed to improving wellbeing throughout their working area.

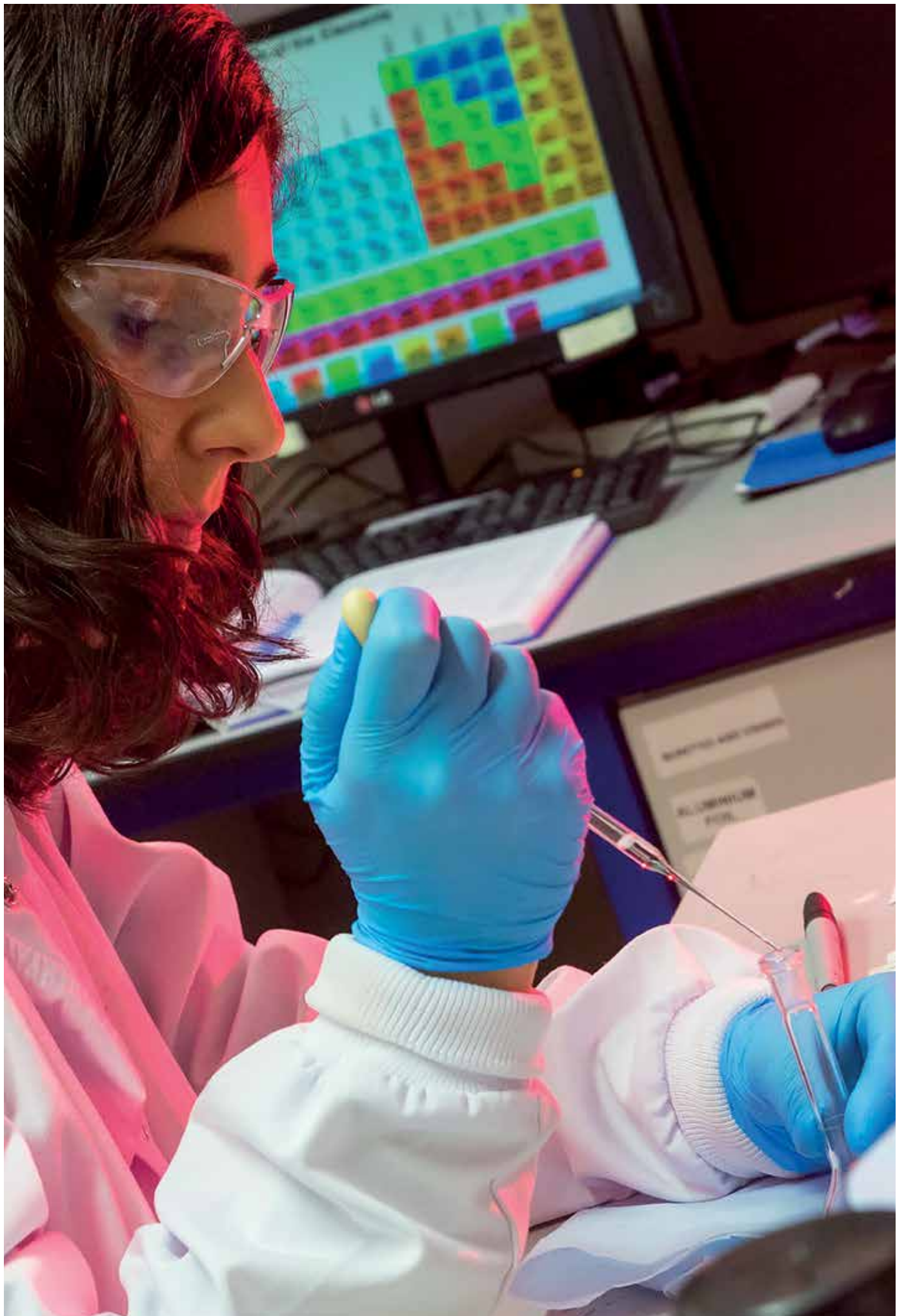


“ Our success is testament to the commitment of my colleagues to transform our students' lives through expert teaching and a challenging, inclusive curriculum in a business-facing, research-rich environment. ”

Professor Quintin McKellar, Vice-Chancellor

The University's research strengths

Our research aims to be collaborative, multi-disciplinary and focused on tackling the key global challenges of our time.



Grouped under the six themes of food; global economy; health and wellbeing; heritage, cultures and communities; information and security; and space, the University's research this year has continued to make new discoveries, inform policy, support industry and improve people's lives.

In the current climate of austerity and the reappearance of food banks in the UK, a University study this year examined the low take-up of school meals. It found that socio-economic boundaries have an impact on where school children choose to buy their lunch, with poorer children preferring fast-food outlets and supermarkets to eating at school. The study recommended that schools in poorer areas do more to encourage young people to access good food at lunchtime, by making school eating areas more attractive places and treating pupils more like customers.

Also focusing on schools, a study between University researchers and the University of Hildesheim in Germany challenged the assumption that more male primary school teachers are needed to close the persistent gender achievement gap. The widely reported study found that teacher gender has no effect on how male and female teachers ensure discipline in primary school classrooms. Given the recruitment and retention crisis facing the teaching sector, the study's authors hope the findings will help to 'de-gender' attitudes towards primary school teaching and encourage more men to consider a career in teaching.

Continuing the University's research that supports our health and wellbeing, a team led by Dr Michael Schmuker in the School of Computer Science this year secured a £168k grant for their ongoing work as part of the world-leading EU-funded Human Brain Project. The University team is translating processes found in the brain into algorithms to help build faster, more efficient computers.

“ We need more male teachers not because men bring something 'different' to the role as government and recruitment initiatives may suggest, but because we need more teachers; and pupils need teachers that are representative of society. ”

Dr Joanne McDowell, study lead author, Principal Lecturer in English Language & Communication

Neuromorphic computing is deemed one of the technologies that could overcome the problems of current computer architectures, and so is of interest to big industrial players such as Intel and IBM.

University research in the field of information and security this year revealed that two-thirds of second-hand memory cards in mobile phones or tablets still contain personal data from their previous owners. Sensitive data such as passport copies, contact lists, navigation files and CVs and ID numbers could all be misused by buyers of smartphones and tablets from eBay, auctions and second-hand shops.

“ We are committed to delivering first-class research-informed training for our students in these future technologies, preparing them for jobs at the forefront of modern technology. ”

Dr Michael Schmuker, University of Hertfordshire team leader, Human Brain Project

From personal data to answering big questions about space, University researchers have published findings this year that have prompted media interest and provoked debate. Dr Martin Krause, from the School of Physics, Astronomy and Mathematics, co-authored a study by a team of astrophysicists from institutes in seven countries which posits a new answer to a question that has perplexed scientists for more than 50 years.

The scientists argue that a supermassive star – with a mass tens of thousands times the mass of the sun – is the reason why stars in the Milky Way that are grouped in globular clusters are made of material different from other stars found in the galaxy. This supermassive star, formed at the same time as the globular clusters, was hot enough to produce all the elements observed in the clusters and 'pollute' the other stars in the cluster with the peculiar elements observable today.

Coming down to earth, University researchers played a major part this year in the preparation and planning of ShapeGB, the largest ever UK survey into body shape and size. Working with 3D specialists Select Research Limited, Tony Rosella, Principal Lecturer and Programme Leader for Fashion in the School of Creative Arts, helped secure the agreement of national retail partners, including Next, ASOS, New Look and River Island, to back the survey and collect definitive sizing and shape data from their customers.

The survey findings are being added to a secure national database to enable retailers to improve sizing specifications. It will help promote diversity in fashion and ultimately improve clothing sizes and fit.



Business and the LEP



“ The partnership launched between the University, Hertfordshire LEP and local businesses will help... [bring] together our world-leading business leaders with strong institutions and the best academic minds to create new opportunities for collaboration across the region. ”

Business Minister Richard Harrington

The Hertfordshire Science Partnership (HSP), a £6m pioneering collaboration between the University and the Hertfordshire Local Enterprise Partnership (LEP), was formally launched in March this year by Richard Harrington MP, Under-Secretary of State for Business, Energy and the Industrial Strategy.

Through the HSP, the University is creating collaborative research partnerships with local, regional and national businesses, integrating researchers from academia and business into shared business development teams. The aim is to leverage the University's world-class science facilities and academic expertise to boost the dynamic pharmaceutical, life sciences and agri-technology sectors in the East of England.

Its successful first year has seen the HSP work with innovative companies such as Fluid Pharma Limited, CN Bio Innovations Limited, RSK Adas Limited, Syngenta Crop Protection UK Limited and the Letchworth Garden City Heritage Foundation. In each case the HSP has provided a Hertfordshire Knowledge Exchange Partnership, which places PhD researchers into companies to help them establish new capabilities or proof-of-concept for new products and services.

Developing ways in which the University's new Science Building could benefit local businesses on a practical, day-to-day level was a central consideration of the HSP. Its 'research hotel and science concierge service' is a first for local small businesses, offering shared use of the University's laboratories and specialist research facilities on a 'pay-as-you-use' basis.

Alongside the new opportunities offered by the HSP, the University has continued to support local businesses this year through the Hertfordshire Growth Hub. This University-run partnership, which includes the LEP, the European Regional Development Fund, the University-owned business support experts Exemplas and the Hertfordshire skills Brokerage Service, is the central point of contact for business support in Hertfordshire. It aims to help local small to medium-sized businesses grow and innovate, to achieve sustainable success and so strengthen the Hertfordshire economy. Over the 2017–18 period, the Growth Hub supported 981 unique businesses and held 18 free interactive events.

The University's support for young start-up businesses and entrepreneurs among our student body was boosted in June this year with a £100,000 grant from the Santander Universities Enterprise and Entrepreneurship Fund. The grant is being used to expand our Enterprise Programme to help develop students' personal leadership skills, and to refurbish our graduate incubator centre, which aims to offer more than 200 students and graduates, and more than 20 businesses, a space to grow their business.

One such business success this year was the launch of a first factory for Suzero, a business selling low-sugar snack bars set up by student entrepreneurs Sam Marchant and Ollie Vagg while studying at the University. Support from the University enterprise team, including a £3,000 development grant and access to office space, enabled Suzero to expand, leading to the opening of its factory in March in Peterborough by Vice-Chancellor Professor Quintin McKellar, after just two years of business.

A further award this year recognised the value to our students of the Assessment Centre Experience (ACE) offered by the University to support student employability.

The ACE is a large-scale assessment simulation designed to help prepare students for the experience of going through an assessment centre – now used by one-third of employers as the first phase of their recruitment process. In April the University, in collaboration with Smart Resourcing Solutions, won the 2018 Institute of Student Employers Development Award for Best Preparation for Work: Single Initiative Award for the ACE.

More than 1,000 business and humanities students took part in the ACE, held at Watford Football Club in November 2017. Its success means it will be rolled out further in November 2018 to include around half of all second-year students at the University.

“ The Hertfordshire Science Partnership is a pioneering approach to partner businesses and academia, to achieve commercial outcomes by bringing cutting-edge scientific R&D to market. ”

Mark Bretton, Chair, Hertfordshire Local Enterprise Partnership



Industrial Strategy

The government's Industrial Strategy, launched in November 2017, set out its vision for transforming the UK economy.

University expertise in the interdisciplinary Adaptive Systems Research Group has played a key part in a Europe-wide research project to improve on current cumbersome methods of scientific underwater exploration.



It identified the five foundations, or essential attributes, for improving productivity, and four 'Grand Challenges' – key areas in which it believes Britain has the strengths and skills to lead the global technological revolution.

The four areas of these Grand Challenges – artificial intelligence (AI) and the data economy, clean growth, smart mobility and our ageing society – are all well-established areas of research expertise within the University.

In the year since publication, the University has been able to show how our multi-disciplinary, collaborative research is addressing the Strategy's Grand Challenges, and in many cases achieving world-leading impact. At the same time, our teaching and innovation activities – aligned with our research to meet the needs of business and society – are delivering productivity both locally and nationally.

The launch in March 2018 of the Smart Mobility Research Unit builds on the University's long-established expertise in transport systems, sustainable transport and smart mobility. It brings together academics from the Hertfordshire Business School, School of Engineering and Technology, departments of Geography, Psychology and Engineering and the University's professional services.

The Unit is working with local authorities and public transport operators to apply practical solutions and data-driven innovations in transport that benefit the University, students and staff, and our wider community.

The official opening in autumn 2018 of the University's lidar – or laser radar – facility similarly marks a significant step forward for the University's sector-leading research within the School of Physics, Astronomy and Mathematics. The bespoke 3D laser radar system, the most powerful instrument of its kind in Europe, is designed to measure the effects of atmospheric pollution on climate change, air quality and crop yields. It will enable the University to deliver ground-breaking insights into a range of research areas, including more-accurate monitoring of airborne fungi, which could lead to more-effective crop protection measures. Improved forecasting of volcanic ash cloud and desert dust outbreaks will benefit the aviation sector, while there is potential for applications in many other areas from opto-electronics and spectroscopy to bio aerosols, cancer research and medical instruments.

University expertise in the interdisciplinary Adaptive Systems Research Group has played a key part in a Europe-wide research project to improve on current cumbersome methods of scientific underwater exploration. Completed in March 2018, the Widely scalable Mobile Underwater Sonar Technology (WiMUST) project successfully designed a fleet of autonomous underwater vehicles, or marine robots, that can carry out more-effective geotechnical surveying. Potential future use for WiMUST includes benefits in the fields of civil engineering and the oil and gas industry, where seabed mapping and seismic exploration are fundamental operations, as well as improvements to important underwater tasks such as search-and-rescue missions, spill detection and environmental monitoring, and surveillance applications.

Closer to home, researchers in the Hertfordshire Business School have been working with a number of NHS Trusts to develop computer-based decision support tools to help NHS managers and clinicians make better decisions at each stage of a patient's journey through treatment – and thereby improve services.

While healthcare system modelling is a relatively recent field of study, the University's long-standing collaborative research with the NHS has meant that our pioneering application of 'systems thinking' to healthcare has been well received. Decision-making models have been developed in key areas of care, such as cataract and retinal services, Parkinson's disease and deep vein thrombosis. The University is now co-lead on a £2m investigation into antimicrobial resistance and antibiotic use before, during and after surgery, with a view to developing a decision support tool for policymakers in this important area.



Introduction of Degree Apprenticeships

The University has continued to develop its degree apprenticeship opportunities.



The University has continued to develop its degree apprenticeship opportunities, rapidly expanding the number of programmes it offers during the last year to 14, with 209 apprentices from 41 employers expected for the coming year.

“We are proud to have been providing and developing the NHS’ workforce for well over 20 years...key to our success is the close working relationships and collaboration with our NHS partners.”

Jackie Kelly, Dean of the School of Health and Social Work

These ground-breaking courses, which the University is designing in close partnership with business and industry, allow learners to study part-time while gaining on-the-job experience – offering the best of both worlds.

In June the University, with Hertfordshire Local Enterprise Partnership and the Hertfordshire Growth Hub, organised Apprenticeships Work, a conference attended by some 65 local employers and training providers.

Delegates heard how the University is working in partnership with FE colleges and private training providers to develop apprenticeship ‘pathways’, which provide a seamless route for an apprentice first joining a business through to degree-level apprenticeships.

Bim Afolami, MP for Hitchin and Harpenden, told the conference that apprenticeships are key to driving the future productivity and prosperity of Hertfordshire and a vital way to build strong, skilled workforces. The conference also heard from business owner Malcolm Mackenzie, who set up plastic packaging company Hello Flexibles in 2014. Keen to invest in young people, he was directed by the Hertfordshire Growth Hub to the University’s degree apprenticeships programmes and took on his first apprentice. He said: “A degree apprenticeship gives young people a start, four years’ work experience, a degree and no debt. And from an employer’s point of view, apprentices deliver business today.”

New apprenticeship programmes launched this year include the University’s Nursing Associate apprenticeship and Registered Nurse degree apprenticeship, both accredited by the Nursing and Midwifery Council.

The first cohort started their training in May, continuing the University’s long and distinguished history of helping the NHS to drive innovation in its workforce through the delivery of practice-based, health-related courses.

Further innovation in our apprenticeship programmes this year includes the creation in September of a new training route into the legal profession. The University’s Hertfordshire Law School is offering a new six-year solicitor degree apprenticeship programme, which will allow students to access high-quality teaching and develop the knowledge, skills and attributes fundamental to succeeding in legal practice today. Additionally, from September 2019, the Hertfordshire Law School plans to offer a two-year accelerated option, for apprentices who are already law graduates.

The University is particularly proud to be partnering with highly respected law firms, such as Taylor Walton, to be able to support, train and upskill their staff.

The programmes have been designed to support professional development by offering a high standard of education and training to apprentices, while apprentices practise their advocacy skills in the University’s replica Crown Court. The requirements of the Institute for Apprenticeships and the demands of the Solicitors Regulation Authority have been integrated into course delivery and authentic assessments to mirror what solicitors are required to do in practice.



“ We're delighted to be working with TUI to help them invest in their people, attract new talent and boost innovation within the travel industry. As a result of this partnership, apprentices will be able to access high-quality teaching and develop the knowledge, skills and attributes fundamental to succeeding in a global business environment. ”

Julie Newlan, Pro-Vice Chancellor (Business and International Development), University of Hertfordshire

Our estate and location in Hatfield

The University's connections with the businesses and communities of Hatfield and across Hertfordshire are both long established and forward looking.



This year we have continued to share the University's knowledge, facilities and resources with our wider community, while taking steps to evaluate and improve our campus facilities and environment for students and staff.

On campus this year a major review of the University's vision for its estate has been carried out, to see how that vision can better serve students' needs going forward. Following consultation with staff, students and the University's external stakeholders, the vision will focus on building academic communities, co-locating staff and students and looking to integrate specialised teaching spaces and laboratories with academics' workspaces.

Creating vibrant, dynamic and flexible spaces that enable students and staff to engage easily with each other within departments and schools will help students to receive quick feedback and assessment of their work – addressing feedback from the National Student Survey. This underpins the University's commitment to giving our students the best possible teaching and learning experience.

Our award-winning Science Building on our College Lane Campus, completed in 2016, was nominated for the 2018 Hertfordshire County Council Building Futures awards in the categories of construction excellence and design sustainability. With the building now having been fully operational for two years, our internal review of the new facilities it offers, including opening it up as part of the University's Business Incubator, revealed how highly it is valued by staff and students.

Future capital building projects were given a significant boost this year with the approval granted in May for the new business and social hub on the de Havilland Campus. This £12m project, funded by the University and the Hertfordshire Local Enterprise Partnership, will provide a focal point and central floor for the University-wide Business Incubator, as well as social space for students, staff, the local business community and wider Hatfield community, and a floor dedicated to specialist business-focused teaching, including the University's MBA and continuing professional development programmes.

Key to the design and use of the building will be spaces where our students can mingle with entrepreneurs who will be using the building as a Business Incubator. The vision is for start-up entrepreneurs to access workspace geared to their needs alongside specialist printing and other facilities, as well as access to business development and marketing expertise within the University. Our students will learn and gain enormously from exposure to entrepreneurs and businesses using the hub day to day. Work is due to start this autumn, with the building planned to be open for business by January 2020.

“ The New Science Building provides a great opportunity for all research students to work close to each other...[It] has everything you need and allows you to be productive and focused. ”

PhD research student, 2018



Global reach, international students and new international partnerships

The University is a major provider of international student education in the UK.



“ The University of Hertfordshire stands out by embracing diversity at scale through a values-driven mission and an impressive strategic focus on teaching excellence and rewarding people. ”

Judges, Global Teaching Excellence Awards 2018

Some 3,910 students from 134 countries are currently studying on our campuses, adding to the richness of the educational experience for all our students.

More than 6,800 students are studying on University of Hertfordshire courses outside the UK, attracted by our international reputation in many subjects.

Our commitment to providing world-class teaching and supporting our students at all points in their academic journey was reflected this year in the University's success in becoming a finalist in the 2018 Global Teaching Excellence Awards, alongside universities from Switzerland, Spain, Canada, South Africa and Australia.

Throughout the year we have continued to give our students opportunities to improve their employability in the global marketplace, whether through overseas study, taking part in international competitions or by increasing their awareness of the changing workplace.

Included in this aim is our work to address the challenges of equality, diversity and inclusivity in the workplace. This year, to celebrate the 100th anniversary of International Women's Day and the 2018 Year of Engineering, the University invited more than 100 young women aged 12 to 16 to the campus for a day to explore the possibilities offered by engineering and technology, and to hear from female role models in the industry.

Participating in international competitions enhances our students' skills and broadens their industry awareness. In April this year Hertfordshire Law School won its first international mooting competition at the Thomas A. Finlay Inter-Varsity Moot Competition, held at University College Dublin. The University of Hertfordshire's two teams competed against each other in the semi-final, with the winning team beating the University of Law in the final.

A 'moot' is a technical legal argument on hypothetical facts, made before a real judge in the setting of the Court of Appeal or Supreme Court. Our students are able to use the Hertfordshire Law School's full-sized replica Crown Court, which gives them the opportunity to practise their advocacy skills in a true-to-life setting. Offering real-life experience is central to our commitment to enhancing our students' employability.

The University's international partnerships give our students opportunities to prepare for the international job market and are becoming ever more important as business gains an increasingly global focus, requiring international mobility and

networks.

The University was therefore delighted to announce the creation this year of a double degree undergraduate programme from 2019 with Murdoch University in Perth, Australia. The University's business students will be able to split their studies in international management, marketing, entrepreneurship and innovation between the UK and Murdoch University and take up work placement opportunities in both locations.

Demonstrating our graduates' skills and employability in a global marketplace is the aim of the University's annual Animation Exposé, which celebrates the world-renowned and award-winning digital animation programme offered by the School of Creative Arts.

Live streamed around the world, the Exposé is a showcase and celebration of the students' work in Visual Effects, 3D and 2D Animation, and Games Art. The University's high-level industry links, evidenced by presentations at the Exposé from industry giants such as Slurpy Studios, Blue-Zoo, Rebellion and Rare, are fundamental in helping our graduates attain successful careers in this global industry.

“ This international experience will expose students to diverse economic, political and cultural perspectives and help them to develop the global mindset they will require to become successful future business leaders. ”

Lyn Karstadt, Deputy Vice-Chancellor for International, Murdoch University

Winners of the international mooting competition



Financial Review 2017–18

The Group made a surplus
of £3m.



YOU

“ Our focus on value for money where investment is concerned extends to every part of the business. Behind our continued financial steadfastness is a commitment to being efficient and effective, which means spending wisely and spending fairly. ”

Professor Quintin McKellar, Vice-Chancellor

Financial surplus is critical to addressing the requirements of the Strategic Plan by delivering sustainability and providing investment opportunities to benefit students.

The Group has had nine consecutive years of surplus and is well placed to deal with changes in its environment, including the possible challenges from Brexit and from the government's review into higher education. The Group consists of the University of Hertfordshire, its subsidiary undertakings and joint ventures as shown in notes 15 and 16 to the Financial Statements.

In 2017–18 the Group made a surplus of £3m (2016–17: £12m restated); this is after the impact of the adjustment to the Local Government Pension Scheme (LGPS) of £4m being the difference between contributions paid and the total pension cost charged to the surplus. This cost is higher than in previous years largely due to low corporate bond yields.

The value delivered to students goes beyond research-informed teaching. There are many services included within the tuition fee, including careers advice, counselling, chaplaincy, subsidised transport, award-winning sports activities and several others besides. These services positively contribute to the wellbeing of students. UK undergraduate tuition fees are only repayable once a student has graduated and earns a salary above £25,000 and can work out at a monthly cost comparable with other day-to-day expenses, though a degree can have influence over a lifetime. Tuition fees are therefore very important in delivering great value. 63% of group income was from tuition fee income, and it pays for much more than just the teaching activity, supporting the whole student community.

£88m cash at year-end

Income

A new regulator for higher education, the Office for Students (OfS), became operational in April 2018, succeeding the Higher Education Funding Council for England (HEFCE). Funding that was previously receivable from HEFCE now comes from the OfS.

Direct income grants remained stable and without any inflationary increase. £4m was received from the Higher Education Innovation Fund, in recognition of the business-facing work undertaken by the University. Annual tuition fees for UK and EU undergraduate students were capped at £9,000 from 2012 to 2016, although the government allowed an inflationary increase to £9,250 from September 2017. This very modest increase, however, is insufficient to meet cost inflation, and other fees and price

increases need to stay competitive and are reviewed annually to take account of inflationary pressure on costs and market rates more generally.

Total tuition fee income for the year was £168m, an increase of £5m (3%) from the previous year, and this was in line with increased student numbers and non-regulated fee increases.

New courses being offered to undergraduate students from 2017 include civil engineering and architecture. A number of degree apprenticeships are also under development and are likely to increase substantially in volume over the next three years, allowing students to study while being employed. The University taught 88 degree apprenticeship students in 2017–18 with an intake of 121 expected for September 2018.

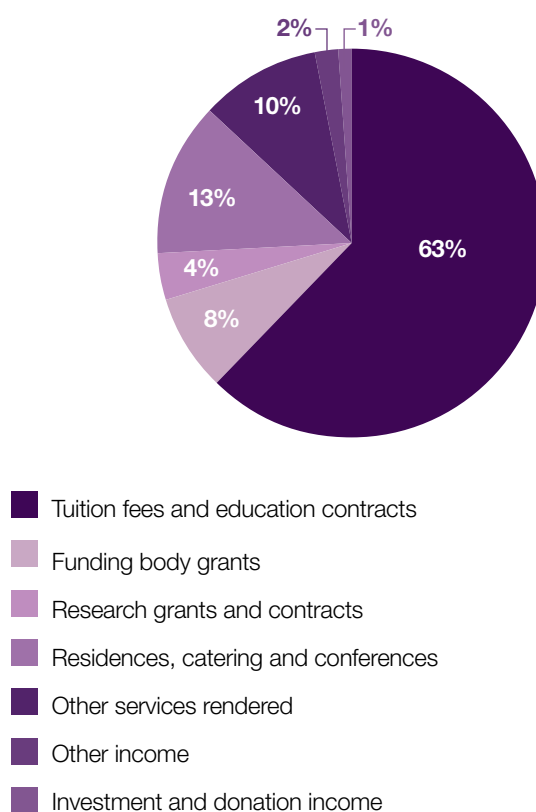
Funding for many health-related courses is now provided through the Student Loan Company, as opposed to directly from the NHS, via Health Education England. The impact of this can be seen in the analysis of tuition fee income in note 1 of the Financial Statements.

Research income is competitively bid for and is awarded from a variety of sources including the EU, research councils and UK Research and Innovation. Income recognised in the year was £11m, comparable with previous years. Recent investment in staff is anticipated to enhance the volume and success rate of bids.

A new investment facility with Rathbones was opened to give some surplus cash more exposure to equities and bonds, and this has been successful in delivering returns well in excess of the more conventional cash and liquidity funds.

Group income sources can be seen from the following chart:

Group income 2017–18



Expenditure

Control over costs is of significant importance as part of the Group's overall value for money agenda. Staff costs do generally increase annually even with modest pay awards, and an additional 0.5% of the payroll is remitted to government through the Apprenticeship Levy, costing £0.5m per annum. The Group has made a number of strategic targeted investments in staffing to further improve the quality of teaching and research. The increase has been 17% since 2010, with 100 additional new posts in 2017–18.

More than 54% of operating expenditure of the University is on staff costs. The majority of these staff involved are in activities that make direct contact with students, either as lecturers, technicians, librarians, careers advisors or in the student centre. Other expenditure is incurred to provide state-of-the-art facilities, buildings, equipment, accommodation and accessible learning resources.

Staff are entitled to join an occupational pension scheme, with the majority becoming members of the Teachers' Pension Scheme or the Local Government Pension Scheme (LGPS). The LGPS is deemed to be specific enough to each employer to require recognition in the accounts. After the 2016–17 financial statements were completed, an error was notified by Hertfordshire County Council to all employers in the scheme in relation to the pension asset returns resulting in an increase in the liability of £10m at 31 July 2017, which has been reflected as a prior year adjustment. Following actuarial advice in July 2018, the scheme deficit has now reduced to £14m, following a period of asset growth and a slight improvement in corporate bond yields.

Procurement of goods and services adheres to EU law and much use is made of regional and national purchasing consortia. While cost inflation is an ongoing hazard, significant effort is invested in attaining best value, and this has resulted in very low inflation being experienced by the Group.

Depreciation of assets now includes the first full year of the new Science Building, opened in 2016. This amounts to an additional £1m depreciation charge in 2017–18.

Interest payable continues to fall as external loans are paid off, despite a recent increase in the base rate. More than 60% of the external debt is at a fixed rate and this portion is unaffected by rate rises.

£19m capital investment in equipment and buildings

Capital investment

The next major project to be undertaken as part of the Estates 2020 Vision will be a new building at the de Havilland Campus which will be a social space for students but will also house business incubation and teaching. It is due for completion in 2019 and has attracted funding from the Hertfordshire Local Enterprise Partnership. The demolition of a former teaching building at the College Lane Campus has been completed in readiness for the construction of a new facility to be opened around 2022.

Enhancements to the original college building, dating from the early 1950s, are also planned.

Investment has been made in teaching and research equipment, IT infrastructure and in supporting the new research themes. Eleven new vehicles were purchased for Universitybus Limited, a wholly owned subsidiary company which provides essential services to staff and students in Hertfordshire and beyond. In total, more than £19m was spent on capital projects during the year.

Subsidiary companies

The subsidiary companies have experienced a mixed trading year. Bio Park Hertfordshire Limited incurred substantial maintenance costs during the year, resulting in a loss of £0.9m.

Universitybus Limited made a profit of £0.1m despite more grant cuts by Hertfordshire County Council and an increase in oil prices, although a hedging facility has successfully mitigated much of this rise. Major improvements were made to services to and from London and Luton to help commuting students in particular.

Exemplas recorded a profit of £0.4m through its wide-ranging business support activities to SMEs.

Commercial projects in the academic schools and conferencing is traded through UH Ventures Limited, recording a profit of £0.2m.

Polyfield Property Limited, which runs the Hertfordshire Sports Village, made a loss of £1.9m owing to the ongoing unitary payments it makes under a Private Finance Initiative and after providing for an inter-company loan of £1.6m due from its subsidiary Bio Park Hertfordshire Limited.

Monitoring financial performance

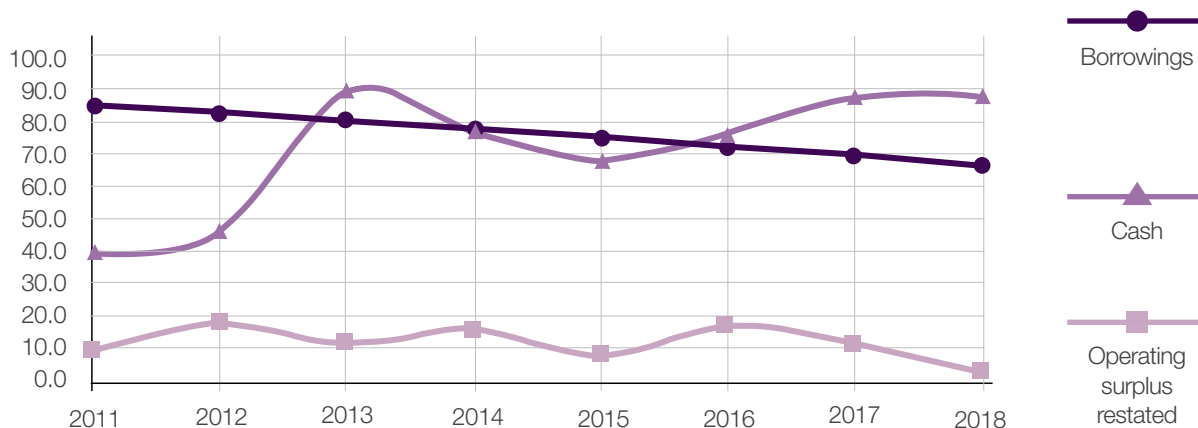
The Group monitors its financial performance against the key financial metrics as defined and required by HEFCE, subsequently OfS.

Financial metrics	Actual 2017–18	Actual 2016–17 restated
Surplus as % of total income	1.1%	4.7%
Cash flow as % of total income	8.6%	12.6%
Net liquidity/(total expenditure less depreciation) in days	130 days	136 days
Total assets/total liabilities	2.6	2.2
External borrowing as % of total income	24.9%	26.4%
Unrestricted reserves as % of total income	93.0%	87.0%

Cash flow

Cash, including short-term deposits, remained flat at £88m and so is healthy and adequate to fund future investment. Cash generated was almost exactly offset by capital expenditure. External debt of £2m was repaid. It is not envisaged that further external borrowing will be needed in the foreseeable future.

Group surplus, cash and borrowings (£million)



Taxation

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and Paragraph 1 of Schedule 6 to the Finance Act 2010 and is recognised as a charity by HM Revenue & Customs.

Commercial trading activities undertaken by the University are operated through its subsidiary companies and attract VAT where applicable. Indirect tax (VAT) and payroll taxes (PAYE and National Insurance contributions) collected and paid amounted to £0.8m and £32m respectively.

Conclusion

The financial surplus for the year was lower than in the previous year mainly because of the investment in new staff and the impact of the LGPS adjustment of £4m.

The Board considers that the Group remains in excellent financial health, given its recent record in generating surplus and its controls over investments. The Group is well placed to consider and make decisions in the interests of its stakeholders, most importantly the value it gives to its students.

£2m external debt repaid to lenders

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public-sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. Data for the period 1 April 2017 to 31 March 2018 is published on the University's website at go.herts.ac.uk/TradeUnionFacilityTime. This has been updated to cover the accounting reporting period 1 August 2017 to 31 July 2018 (comparatives are not required to be presented under the regulations) and is as follows:

Trade union facility time	2018 Number
Number of trade union representatives	22
Full-time equivalent number of trade union representatives	19

The percentage of working hours spent on trade union facility time is 1 to 50% of working hours for all of the trade union representatives.

Percentage of staff costs spent on facility time	2018 £,000
Total staff costs for the University	126,399
Total cost of facility time	164
Percentage of staff costs spent on facility time	0.13%

Paid trade union activities	2018
Percentage of total paid facility time spent on paid trade union activities	15%

Law Court Building



Risks

In order to support the strategy and its key performance indicators, the Board identifies and closely monitors business risks. Members of the executive team provide regular briefings to the Audit and Risk Committee and the Board, allowing Governors to monitor the assessment of, mitigation and responses to these risks. Further details on the Group's risk management procedures and policies are set out in the Statement of Corporate Governance.

Strategic risk	Mitigation
Education Failure to deliver a high-quality student experience	The student experience is promoted by close working with Hertfordshire Students' Union and by regular review of student issues by senior management. Awareness of the student experience is informed by the NSS, by mid-module feedback and yearly end of cohort feedback. This is in addition to regular, routine interactions between our students and academic and professional staff.
Research Lack of exploitable outputs with high impact Insufficient high-quality outputs that can contribute to the REF	Continued focus within the University on the impact of University research is supported by a Research Impact Facilitator to provide support and guidance to University researchers. Planning for REF2021 is established, featuring continual monitoring of outputs and regular mock/peer reviews.
International Failure to meet international student recruitment targets	Extensive use of overseas agents, with knowledge of and engagement with international markets. Efficient processes in place to progress international applications, with enhanced marketing of programmes to potential international applicants.
Business Poor performance of subsidiary companies Decline in high level of graduate employability	Expert management and governance of the companies is in place, with close monitoring of activities and financial performance by executive and non-executive directors. Subsidiary company financial plans and reports are submitted to Board of Governors. Close engagement occurs with students and graduates; this has resulted in 96.5% of our students being in employment or further study (DLHE, 2017).
Community Poor relations with town centre and our local communities	The Vice-Chancellor is Chair of the Hatfield Visioning Group. University staff and students regularly engage with our local community via volunteering programmes.
People Poor staff wellbeing, resulting in low staff morale and lack of engagement Failure to effectively forward plan to support future University workforce needs	University People strategy developed, including the People Board to ensure progress. University staff survey (2017) held with action plans published and progressed. Wellbeing Strategy launched, featuring putting Health back into Health & Safety and preventative measures to reduce poor staff wellbeing. Organisational planning includes assessing workforce requirements, identification of single sources of failure and concerns. This has included the implications of a hard Brexit for EU staff members.
Sustainability Change in external environment resulting in budget not being achieved Estates 2020 Vision not implemented or delayed Poor student recruitment (home students) Failure of key third-party service supplier	Prudent financial management is in place, including budget planning, monitoring and quarterly forecasting. Horizon scanning undertaken to inform the longer-term financial strategy. Estates 2020 Vision project plan reviewed at mid-point to ensure continued relevance to the University's strategy. Excellent recruitment systems, plans and campaigns are in place, supported by regular analysis of academic portfolio and market position, with agreement on realistic recruitment targets. Positive conversion and marketing campaigns are conducted, supported by a tight and effective Clearing operation. Regular monitoring and audit of partner contract performance occurs. Regular meetings of Estates senior managers and partner company contract managers are held to monitor and review contract performance.

Student numbers

The following tables show an analysis of our student profile for 2017–18

Mode and level of study		
Full-time and sandwich	Postgraduate research	260
	Postgraduate taught	1,530
	First degree	15,410
	Foundation degree	440
	Other undergraduate	50
	Total	17,690
Part-time	Postgraduate research	310
	Postgraduate taught	3,470
	First degree	1,490
	Foundation degree	380
	Other undergraduate	1,070
	Total	6,720
Total students studying within the UK		24,410

Gender			
Female	14,030	57.5%	
Male	10,380	42.5%	
Total	24,410	100.0%	

Ethnicity			
White	11,190	45.9%	
Asian or Asian British	5,230	21.4%	
Black or Black British	4,330	17.7%	
Chinese	950	3.9%	
Other (including mixed race)	2,260	9.3%	
Unknown/information refused	450	1.8%	
Total	24,410	100.0%	

Geographic region		
England	20,130	82.6%
Wales	130	0.5%
Scotland	60	0.2%
Northern Ireland	50	0.3%
Guernsey, Jersey and the Isle of Man	10	0.0%
Other EU	790	3.2%
Non EU	3,230	13.2%
Information not available	10	0.0%
Total	24,410	100.0%

Student numbers represent head count not FTE (full-time equivalent).

All student number figures are rounded to the nearest ten. Total figures are also rounded to the nearest ten. The sum of numbers in a table may not match the total shown.

Subject area		
Medicine and dentistry	10	0.0%
Subjects allied to medicine	6,385	26.2%
Biological sciences	1,520	6.2%
Agriculture and related subjects	40	0.2%
Physical sciences	390	1.6%
Mathematical sciences	220	0.9%
Computer science	1,565	6.4%
Engineering and technology	1,590	6.4%
Architecture, building and planning	140	0.6%
Social studies	1,115	4.6%
Law	1,360	5.6%
Business and administrative studies	4,370	17.8%
Mass communications and documentation	195	0.8%
Languages	455	1.9%
Historical and philosophical studies	245	1.0%
Creative arts and design	2,630	10.8%
Education	1,995	8.2%
Combined	185	0.8%
Total	24,410	100.0%

Students from outside the UK – top 10 countries		
China	640	2.6%
India	540	2.2%
Nigeria	350	1.4%
Malaysia	260	1.1%
Pakistan	250	1.0%
Ireland	160	0.6%
Bangladesh	90	0.4%
Cyprus (European Union)	80	0.3%
Hong Kong (Special Administrative Region of China)	70	0.3%
Spain	70	0.3%
Total	2,510	10.2%

Students studying wholly outside the UK	
Students on overseas franchise programmes	
Malaysia	4,490
Russia	380
Singapore	230
Canada	230
Sri Lanka	80
Other countries	50
Total (students on overseas franchise programmes)	5,460
Students on distance learning programmes outside the UK (across 120 countries)	1,400
Total (students studying wholly outside the UK)	6,860

Total student numbers 31,270

Statement of Corporate Governance

The following statement covers the year to 31 July 2018 and the period up to the date of approval of these financial statements.

It is provided to enable readers of the financial statements of the University of Hertfordshire to gain a better understanding of the governance and legal structure of the institution.

Legal status

The University of Hertfordshire is an independent corporation, established as a Higher Education Corporation in England under the provisions of the Education Reform Act 1988 and the Further and Higher Education Act 1992. It is an exempt charity as defined under the Charities Act 2011 and up to 31 March 2018 was regulated by the Higher Education Funding Council for England (HEFCE) and since 1 April 2018 by the Office for Students (OfS), the new regulator for English higher education established under the provisions of the Higher Education and Research Act 2017 (HERA).

The University conducts its business in accordance with the seven principles identified by the Nolan Committee on Standards in Public Life, the guidance provided to higher education institutions by the Committee of University Chairs (CUC), through the requirements of the OfS Regulatory Framework and, until 31 July 2019, when the OfS fully assumes the role of regulator, in accordance with the duties 'carried forward' from the previous legislation. The Board has adopted The Higher Education Code of Governance (CUC 2014, revised 2018) and is satisfied that it operates in compliance with the Code. The latest review was completed in October 2018.

The University's objectives, powers and the institutional governance framework are set by the Articles of Government. Any amendments to the Articles must be approved by the OfS (previously the Privy Council).

Governance structure

The Articles of Government require the University to establish a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities.

Board of Governors

The Board of Governors is the University's governing body and is collectively accountable for the determination of the strategic direction and mission of the University and for oversight of its activities. It is responsible for the finance, property and staffing of the University and Group. The Board has a majority of independent members, selected in line with strict criteria contained in legislation. The Chairman of the Board is elected from the independent members.

There is also provision for the appointment of a number of co-opted members (some of whom may be members of staff of the University) and for representatives of the Academic Board and of the student body. No members of the Board receive any remuneration for the work they do for the Board, although they are able to claim expenses incurred in the course of undertaking their duties. In 2017–18, the Board met on seven occasions and average attendance was 86.4% (compared to 80.5% the previous year).

Members of the Board of Governors are drawn from a wide variety of sectors and industries, and include senior figures with backgrounds in law, local government, the civil service, accountancy, business, health, pharmaceuticals, finance, regulation and higher education. The University has established a framework (in line with OfS requirements) that enables it to consider whether or not each individual governor is 'fit and proper' to be involved in the management and governance of the University.

Members of the Board of Governors are listed on page 108. The University maintains a Register of Interests of members of the Board of Governors, the Boards of Directors of the subsidiary companies and designated officers of the Board, which may be consulted by arrangement with the Secretary and Registrar.

Academic 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 issues relating to the teaching and research work of the University. The Academic Board is chaired by the Vice-Chancellor.

Chief Executive

The Vice-Chancellor is the head of the University and is responsible to the Board of Governors for the organisation, direction and management of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and HEFCE and the requirements of the OfS Regulatory Framework, the Vice-Chancellor is the designated accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

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 Vice-Chancellor's Executive Group (currently the Deputy Vice-Chancellor, the Group Finance Director, the Secretary and Registrar and the Pro Vice-Chancellor Business and International Development) all contribute to this aspect of work. However, the Vice-Chancellor remains ultimately responsible to the Board in this regard. In accordance with the Articles of Government, 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.

Committees

Certain matters, such as the approval of the Strategic Plan, the annual budget, major investments and the sale and purchase of land, are reserved matters for the Board. However, much of its detailed work is delegated to four standing committees:

- Finance Committee
- Employment, Remunerations, Governance and Nominations Committee
- Vice-Chancellor's Remuneration Committee
- Audit and Risk Committee

Other than the Audit and Risk Committee, whose composition includes a staff governor nominated by the Board of Governors, these committees are composed of independent and external co-opted members of the Board. The decisions of all of these committees are reported formally to the Board.

The Board of Governors conducts regular effectiveness reviews of itself and its committees in accordance with regulatory body guidance.

Finance Committee

The Finance Committee is responsible for the financial management and regulation of the University and Group. It also has oversight of financial policy and management and the progress of significant capital projects. The committee normally meets four times per year.

Employment, Remunerations, Governance and Nominations Committee (ERGN)

This committee is responsible to the Board for the University's overarching human resources policy framework, its component policies and changes or additions to these, and determines and reviews the remuneration and conditions of staff appointed by the Board itself, except the Vice-Chancellor. It also sets the framework of pay and conditions of those employees designated as senior managers and considers and oversees all matters relating to the good governance of the Board. Its role is distinct from that of the Audit and Risk Committee, described below. The committee is established by the Board to act as the Nominations Committee in respect of all appointments made by the Board of Governors, except that final responsibility for the appointment of the Vice-Chancellor rests with the Board itself. The committee normally meets three times per year. From 1 September 2018, this committee is chaired by an independent member of the Board (who is not the Chairman of the Board).

Vice-Chancellor's Remuneration Committee

From 1 September 2018 all aspects of the terms and conditions of employment, including the remuneration, of the Vice-Chancellor are determined by the Vice-Chancellor's Remuneration Committee. This committee is chaired by an independent member of the Board (who is not the Chairman of the Board). The Vice-Chancellor is not a member of and does not attend this committee.

Audit and Risk Committee

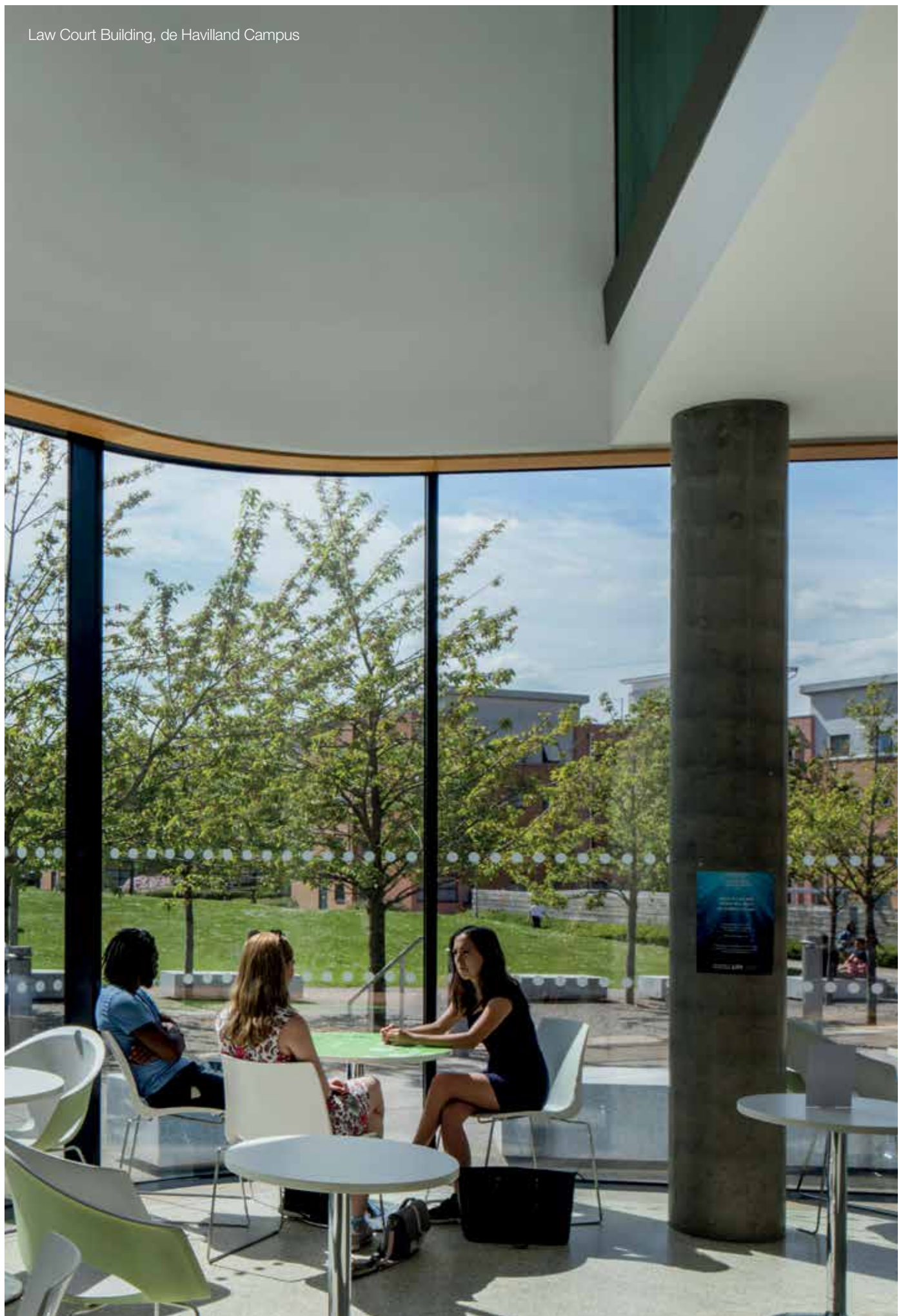
The Audit and Risk Committee normally meets five times each year, including a meeting with the external auditors to discuss findings in relation to the audit of the financial statements. The committee considers the detailed internal audit report findings prepared by the University's internal audit service, reviews the effectiveness of the systems of internal control and monitors compliance with regulatory requirements. It reviews the annual financial statements prior to their consideration and approval by the Board together with the accounting policies. It ensures that the systems and processes for the preparation of statutory returns to OfS (and formerly to HEFCE) and the Higher Education Statistics Agency (HESA) are reviewed and that returns have received the required approval prior to submission.

Going concern

The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future, and for this reason the Board considers that the financial statements of the University and the Group should be prepared on a going-concern basis. The Group has made surpluses in each of the past nine years and has cash reserves at a high level. The budget for 2018–19 was approved on the basis of achieving a surplus and the medium- and long-term cash forecasts demonstrate financial sustainability.

Investments in fixed assets are carefully reviewed prior to approval. The Board only undertakes such investments with the knowledge that the Group will remain solvent and that value is likely to be added as a result of the investment. Although no new external borrowing is likely to be required in the near term, the Board is confident that funding would be available from its lenders should the need arise.

Law Court Building, de Havilland Campus



Statement of Internal Control

The following statement covers the year to 31 July 2018 and the period up to the date of approval of these financial statements.

The Board of Governors acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated by the University of Hertfordshire Group.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are 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.
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against budgets and forecasts.
- Setting targets to measure financial and other performance using key performance indicators as appropriate.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines where appropriate.

The Board has established the processes for the identification, evaluation and management of risks the University Group faces. The Board has 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 it is responsible. This is in accordance with the responsibilities assigned to the governing body in Instrument and Articles of Government and the HEFCE Memorandum of Assurance and Accountability and the OfS Regulatory Notice 2. 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.

The Board has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Board meets at regular intervals to consider performance reports, operational plans and the strategic direction of the University.
- The Board receives periodic reports from the Chair of the Audit and Risk Committee concerning internal control. It requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Risk Committee provides an oversight of risk management and receives regular reports from the internal audit service, which includes the service's independent opinion with regard to the adequacy and effectiveness of the institution's system of internal control and its arrangements for risk management, together with recommendations for improvement.
- A system of key performance and risk indicators.
- A robust risk-prioritisation methodology based on risk ranking and sound risk scoring matrix.
- An organisation-wide risk register is maintained which is reviewed regularly by the University's senior management team and at each meeting of the Audit and Risk Committee.
- Procurement procedures that promote economy and efficiency and ensure value for money.
- Effective review processes to provide assurance over the quality and completeness of data management.

Responsibilities of the Board of Governors

In accordance with the University's Instrument and Articles of Government, the Board of Governors is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

The Board of Governors is required to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition, the Board of Governors is required to prepare the financial statements in accordance with the terms and conditions of the HEFCE Memorandum of Assurance and Accountability (July 2017) and the OfS Regulatory Framework (February 2018), through its accountable officer. At the University of Hertfordshire the designated accountable officer is the Vice-Chancellor. The Board of Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit, gains and losses and changes in reserves of the University and the Group for that year and the cash flows for the Group for the year.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK 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 University and Group will continue in business.

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the University's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the University and the Group. It also ensures that the financial statements comply with the Instrument and Articles of Government, the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (SORP) and any subsequent amendments, OfS Accounts Direction and other applicable regulations. It is also responsible for safeguarding the assets of the University and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the OfS, HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the HEFCE Memorandum of Assurance and Accountability (July 2017) and the Terms and Conditions of Funding for HEIs (OfS) from 1 April 2018, and any other conditions which its regulators may from time to time prescribe.
- Ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources.
- Ensure that the University and Group has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities.
- Secure the economic, efficient and effective management of the University's and the Group's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board of Governors confirms that:

- So far as each governor is aware, there is no relevant audit information of which the University's auditor is unaware.
- The governors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Approved on behalf of the Board of Governors on 27 November 2018 and signed on its behalf by:

Professor Q A McKellar, Vice-Chancellor

Mr R Beazley, Chairman of the Board of Governors

Report of the independent auditor to the Board of Governors of the University of Hertfordshire.

We have audited the financial statements of the University of Hertfordshire ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2018. This comprises the Consolidated and University statement of comprehensive income, the Consolidated and University statement of changes in reserves, the Consolidated and University balance sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, the Financial Review and risks, the Statement of Corporate Governance and the Statement of Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students (“OfS”) and Research England Audit Code of Practice

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them.
- The requirements of the OfS's accounts direction have been met.

Responsibilities of the Board of Governors

As explained more fully in the statement of the responsibilities of the board of governors, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board of governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding from the Office for Students and Research England.

Use of our report

This report is made solely to the University board, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's board 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

James Aston (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick

Date: 30 November 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Learning Resources Centre, de Havilland Campus



Consolidated and University statement of comprehensive income for the year ended 31 July 2018

		2018	2018	2017	2017
		Group	University	Group restated	University restated
	Notes	£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	167,875	167,884	163,108	163,076
Funding body grants	2	21,162	21,162	20,277	20,277
Research grants and contracts	3	10,529	9,617	11,058	9,636
Other income	4	66,427	44,491	67,892	45,978
Investment income	5	1,192	1,143	1,136	1,075
Donations and endowments	6	281	206	278	161
Total income		267,466	244,503	263,749	240,203
Expenditure					
Staff costs	7	143,047	126,399	132,543	116,303
Other operating expenses		100,555	95,974	96,881	92,306
Depreciation	12	17,677	15,336	17,731	14,659
Interest and other finance costs	8	3,711	3,134	4,106	3,410
Total expenditure	9	264,990	240,843	251,261	226,678
Surplus before other gains and losses and share of operating surplus of joint ventures		2,476	3,660	12,488	13,525
Gain on disposal of fixed assets		15	-	12	-
Gain/(loss) on investments	14	445	(424)	(680)	(6,933)
Share of operating surplus in joint ventures	16	159	-	152	-
Surplus before tax		3,095	3,236	11,972	6,592
Taxation	10	(65)	(77)	(77)	(77)
Surplus for the year		3,030	3,159	11,895	6,515
Actuarial gain in respect of pension schemes	30	26,503	26,236	18,104	17,719
Change in fair value of hedging financial instruments	22	24	-	56	-
Total comprehensive income for the year		29,557	29,395	30,055	24,234
Represented by:					
Endowment comprehensive income for the year		(349)	18	183	21
Restricted comprehensive income for the year		42	(44)	721	66
Unrestricted comprehensive income for the year		30,130	29,688	29,418	24,413
Revaluation reserve comprehensive income for the year		(266)	(267)	(267)	(266)
		29,557	29,395	30,055	24,234

All results are from continuing operations.

The notes on pages 75 to 107 form an integral part of these financial statements.

Consolidated and University statement of changes in reserves for the year ended 31 July 2018

Group	Notes	Income and expenditure account			Revaluation reserve	Total
		Endowment	Restricted	Unrestricted		
		£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016		2,828	412	176,358	41,330	220,928
Surplus from the statement of comprehensive income		234	724	10,942	-	11,900
Other comprehensive income		-	56	28,718	-	28,774
Transfers between reserves		(51)	51	267	(267)	-
Release of restricted funds spent in year		-	(110)	110	-	-
Total comprehensive income for the year		183	721	40,037	(267)	40,674
Balance at 1 August 2017 as previously stated		3,011	1,133	216,395	41,063	261,602
Prior year adjustment	32	-	-	(10,619)	-	(10,619)
Balance at 1 August 2017 restated		3,011	1,133	205,776	41,063	250,983
Surplus from the statement of comprehensive income		136	238	2,656	-	3,030
Other comprehensive income		-	24	26,503	-	26,527
Transfers between reserves		(485)	7	744	(266)	-
Release of restricted funds spent in year		-	(227)	227	-	-
Total comprehensive income for the year		(349)	42	30,130	(266)	29,557
Balance at 31 July 2018		2,662	1,175	235,906	40,797	280,540
University						
Balance at 1 August 2016		707	178	192,211	40,189	233,285
Surplus from the statement of comprehensive income		21	154	6,345	-	6,520
Other comprehensive income		-	-	27,946	-	27,946
Transfers between reserves		-	-	266	(266)	-
Release of restricted funds spent in year		-	(88)	88	-	-
Total comprehensive income for the year		21	66	34,645	(266)	34,466
Balance at 1 August 2017 as previously stated		728	244	226,856	39,923	267,751
Prior year adjustment	32	-	-	(10,232)	-	(10,232)
Balance at 1 August 2017 restated		728	244	216,624	39,923	257,519
Surplus from the statement of comprehensive income		18	26	3,115	-	3,159
Other comprehensive income		-	-	26,236	-	26,236
Transfers between reserves		-	-	267	(267)	-
Release of restricted funds spent in year		-	(70)	70	-	-
Total comprehensive income for the year		18	(44)	29,688	(267)	29,395
Balance at 31 July 2018		746	200	246,312	39,656	286,914

The notes on pages 75 to 107 form an integral part of these financial statements.

Consolidated and University balance sheets as at 31 July 2018

		2018	2018	2017	2017
		Group	University	Group restated	University restated
	Notes	£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11	32	-	34	-
Goodwill	11	852	-	941	-
Fixed assets	12	312,938	274,578	311,568	272,791
Investments	14	34,123	79,684	34,252	80,376
Investment in joint ventures	16	868	-	733	-
		348,813	354,262	347,528	353,167
Current assets					
Stock	17	383	147	376	145
Trade and other receivables	18	21,452	21,120	19,042	17,706
Investments	19	30,168	30,168	19,800	19,800
Cash and cash equivalents		57,654	43,058	67,353	52,320
		109,657	94,493	106,571	89,971
Less: Creditors: amounts falling due within one year	20	(68,473)	(62,076)	(67,902)	(61,104)
Net current assets		41,184	32,417	38,669	28,867
Total assets less current liabilities		389,997	386,679	386,197	382,034
Creditors: amounts falling due after more than one year	21	(95,204)	(84,458)	(98,586)	(87,170)
Provisions					
Pension provisions	23	(13,830)	(14,904)	(36,133)	(36,942)
Provisions for liabilities	23	(423)	(403)	(495)	(403)
Total net assets		280,540	286,914	250,983	257,519
Restricted reserves					
Income and expenditure reserve – endowment reserve	24	2,662	746	3,011	728
Income and expenditure reserve – restricted reserve	25	1,175	200	1,133	244
Unrestricted reserves					
Income and expenditure reserve – unrestricted		235,906	246,312	205,776	216,624
Revaluation reserve		40,797	39,656	41,063	39,923
Total reserves		280,540	286,914	250,983	257,519

The notes on pages 75 to 107 form an integral part of these financial statements.

The Financial Statements were approved and authorised for issue by the Board of Governors on 27 November 2018 and signed on its behalf by:

Mr R Beazley
Chairman

Professor Q A McKellar
Vice-Chancellor

Mr A Moffat
Group Finance Director

Consolidated cash flow for the year ended 31 July 2018

		2018	2017
	Notes	£'000	£'000
Cash flow from operating activities			
Surplus for the year		3,030	11,895
Adjustment for non-cash items			
Depreciation	12	17,677	17,731
Amortisation of intangibles	11	2	2
Amortisation of goodwill	11	89	89
(Loss)/gain on investments	14	(445)	680
Increase in stock		(6)	(5)
Increase in debtors		(2,305)	(1,428)
(Decrease)/increase in creditors		(1,939)	7,011
Increase in pension provision		4,200	2,332
Decrease in other provisions		(72)	(141)
Share of operating surplus in joint ventures	16	(159)	(152)
Share of tax in joint ventures	16	(11)	-
Adjustment for investing or financing activities			
Investment income	5	(1,192)	(1,136)
Interest payable		2,656	2,742
Endowment income	6	(3)	(3)
Profit on the sale of fixed assets		(15)	(12)
Capital grant income		(2,366)	(2,590)
Net cash inflow from operating activities		19,141	37,015
Cash flows from investing activities			
Proceeds from sales of fixed assets		41	17
Capital grants receipts		2,004	1,638
Disposal of non-current asset investments		889	167
Withdrawal of deposits		8,000	32,250
Investment income		953	1,084
Payments made to acquire fixed assets		(16,561)	(23,255)
New non-current asset investments		(803)	-
New deposits		(18,000)	(18,000)
		(23,477)	(6,099)
Cash flows from financing activities			
Interest paid		(1,818)	(1,888)
Interest element of finance lease and service concession payments		(835)	(873)
Endowment cash received		3	3
Repayments of amounts borrowed		(1,969)	(2,199)
Capital element of finance lease and service concession payments		(744)	(737)
		(5,363)	(5,694)
Increase in cash for the year		(9,699)	25,222
Cash and cash equivalents at beginning of the year		67,353	42,131
Cash and cash equivalents at end of the year		57,654	67,353

The notes on pages 75 to 107 form an integral part of these financial statements.

Statement of principal accounting policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historic cost convention (modified by the revaluation of fixed assets, investment properties and derivative financial instruments).

Going concern

As explained in the Statement of Corporate Governance, the Board of Governors is satisfied that the University and its subsidiary undertakings (the Group) has adequate resources to ensure financial sustainability and continue in operation for the foreseeable future and for this reason the Board consider that the consolidated financial statements of the Group should be prepared on a going-concern basis.

2. Basis of consolidation

The consolidated financial statements include those of the University and its subsidiary undertakings and jointly controlled entities for the year ended 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income and expenditure from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated on consolidation.

The consolidated financial statements do not include those of the University of Hertfordshire Students' Union as the University does not exert control or dominant influence over financial and operating policy decisions.

Associated companies and jointly controlled entities are accounted for using the equity method.

3. Recognition of income

Income from the sale of goods or services is credited to the consolidated statement of comprehensive income when the goods or services are supplied or the terms of the contract have been satisfied.

Tuition fee income is credited to the consolidated statement of comprehensive income over the period in which students are studying and is shown net of discounts for prompt payment. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Investment income is credited to the consolidated statement of comprehensive income account on a receivable basis.

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

Grant income

Government revenue grants including funding body block grants and research grants are recognised in income over the periods in which the Group recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the Group is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the Group is entitled to the funds subject to any performance-related conditions being met.

Donations and endowments

Donations and endowments are non-exchange transactions without performance-related conditions. Donations and endowments with donor-imposed restrictions are recognised in income when the Group is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with the restrictions, at which point the income is released to unrestricted reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the Group is entitled to the funds.

Investment income and appreciation of endowments are recorded as income in the year in which they arise and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

- i. Restricted donations – the donor has specified that the donation must be used for a particular objective.
- ii. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income.
- iii. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the Group has the power to use the capital.
- iv. 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

4. Accounting for retirement benefits

The two principal pension schemes for the Group's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These defined benefit schemes are externally funded and were contracted out of the State Second Pension until April 2016.

Additionally, the University has agreed with the Universities Superannuation Scheme (USS) that designated employees may be eligible to become members of that scheme. With effect from 1 October 2016, the USS changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits.

Owing to the mutual nature of the TPS and USS schemes, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. As required by Section 28 of FRS 102 Employee benefits, the institution therefore accounts for these schemes as if they were wholly defined contribution schemes. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the schemes.

The University has entered into an agreement (the Recovery Plan) that determines how each employer within the USS scheme will fund the overall deficit. As such, a liability for the contributions payable that arise from this agreement (to the extent that they relate to the deficit) exists and therefore an expense is recognised in the statement of comprehensive income on an annual basis.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the Group. The Group recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the Group

is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The current service cost and any past service costs are included in expenditure within staff costs. The interest income on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within investment income or interest and other finance costs. Actuarial gains and losses are recognised, net of the related deferred tax, in other comprehensive income.

The LGPS figures include the University's unfunded pension liability, which relates to pension enhancements payable to staff who have taken early retirement.

Staff employed by the subsidiary companies are either members of the LGPS or of a defined contribution scheme, the costs of which are charged to the consolidated statement of comprehensive income and expenditure as incurred.

5. Employee benefits

Short-term employment benefits such as holiday pay and compensated absences are recognised as an expense in the year in which the employees render service to the Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

6. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

7. Foreign currency transactions

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 credited or charged to the consolidated statement of comprehensive income.

8. Fixed assets

Land and buildings

On adoption of FRS 102 the Group elected to measure part of its land at fair value and to use that fair value as its deemed cost at the date of transition. The Group has chosen not to adopt a policy of revaluation of these assets in the future. These values are retained subject to the requirement to test assets for impairment on an annual basis. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write-down is charged to the consolidated statement of comprehensive income unless it reverses previous revaluations which are dealt with through the revaluation reserve.

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

Freehold buildings	30–50 years
Refurbishments	3–50 years

Statement of principal accounting policies

Leasehold land and buildings are amortised over the life of the lease up to a maximum of 50 years.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Assets in the course of construction represent those assets which have not yet been brought into use. These assets are transferred to the relevant category of asset and depreciated from the date they are substantially complete at the appropriate rate for that category.

Borrowing costs are capitalised where they can be directly attributable to the construction of assets and only for the period of construction.

Equipment

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

Plant and machinery	2–15 years
Fixtures, fittings and equipment	3–15 years

9. Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

10. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

11. Intangible fixed assets and 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. Goodwill is amortised over the estimated economic life of the assets to which the goodwill relates. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment.

Purchased patents, licences and other similar rights over assets are recognised on the balance sheet by capitalising the purchase cost and amortising over the useful economic life based on each individual contract.

12. Investments

Non-current investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment of their value. Those that are listed are included at market value and any gains and losses on revaluations are recognised in the surplus or deficit.

Investments in joint ventures, associated and subsidiary undertakings are stated on the balance sheet at cost less provision for impairment. Impairment is assessed by comparing the carrying value of the investment against either an earnings-based or asset-based valuation of each entity as applicable to the business concerned.

Current asset investments are held at fair value with movements recognised in the surplus or deficit.

Investment properties

Investment properties are land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are stated at fair value with an annual review and revaluation to reflect market conditions. Changes in fair value are recognised in the consolidated statement of comprehensive income. Investment properties are not depreciated.

13. Stock

Stock is held 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 stock.

14. Cash and cash equivalents

Cash includes cash in hand, cash at bank, and deposits repayable on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Short-term investments placed for three months or less are accounted for as cash equivalents.

15. Provisions, contingent liabilities and contingent assets

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.

A contingent liability arises from a past event that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Statement of principal accounting policies

A contingent asset arises where an event has taken place that gives the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

16. Taxation

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478–488 of the Corporation Taxes Act 2010 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 (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs, including the cost of fixed assets.

The University's subsidiary and joint venture companies (excluding UH Trust) are liable to corporation tax and VAT in the same way as any other commercial organisation. UH Trust is exempt from corporation tax on its charitable activities but receives no similar exemption in respect of VAT.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

17. Qualifying charitable donation

Where any of the University's wholly owned subsidiary companies makes a qualifying charitable donation, the amount of the donation is shown in donations and endowments in the University's statement of comprehensive income and as an amount due from subsidiary undertaking in trade and other receivables.

18. Financial instruments

The provisions of both section 11 and 12 of FRS 102 are applied in full. Under FRS 102 basic financial instruments should be held at amortised cost using the effective interest method; however, the Group holds these at transaction cost on the basis that there are no material differences between the two methods.

Complex financial instruments are held at fair value, with changes in fair value taken directly to the statement of comprehensive income.

19. Derivatives

One of the subsidiary companies in the Group uses commodity swaps to reduce exposure to changes in fuel prices to acceptable levels. These derivatives are initially measured at fair value on the date that the contract is entered into and are subsequently held on the balance sheet at fair value. The Group has adopted and complied with the requirements of hedge accounting and, as a result, movements in fair value are recorded within the consolidated statement of comprehensive income.

20. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the Group, are held as permanently restricted funds which the Group must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the Group is restricted in the use of these funds.

Unrestricted reserves consist of the income and expenditure reserve and the revaluation reserve.

21. Significant accounting judgements and key sources of estimation uncertainty

In the application of its accounting policies, the Group is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key sources of accounting judgement and estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Retirement benefit obligation valuations

Local Government Pension Schemes

In determining the valuation of defined benefit scheme assets and liabilities, a number of key assumptions have been made in terms of inflation rates, life expectancy, discount rates and salary growth. The key assumptions, which are detailed in note 30, are largely dependent on factors outside the control of the Group. The Group is exposed to risks if actual experience differs from the assumptions used and through volatility in plan assets. The defined benefit obligation recognised in the financial statements is based on an independent actuarial valuation as detailed in note 30.

Statement of principal accounting policies

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions at 31 July 2018	Approximate % increase in the defined benefit obligation as at 31 July 2018	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	11%	£28,454
0.5% increase in salary increase rate	1%	£3,804
0.5% increase in pension increase rate	9%	£24,501

Universities Superannuation Scheme (USS)

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. There remains uncertainty around the key factors relating to the funding of the past deficit. In the judgement of the University, it therefore remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of the negotiations. The sensitivity analysis below outlines the potential impact on the existing liability of £855,000 (assuming the same discount rate of 3.0%) of changes in both the contribution rate and duration of the deficit recovery plan:

Changes in assumptions	Approximate % increase in the defined benefit obligation as at 31 July 2018
1.0% increase in the deficit contribution rate	45%
Increase in the deficit contribution rate to 6% (3.9% increase)	166%
Increase in the duration of deficit repayment plan to 15 years	21%
Increase in the duration of deficit repayment plan to 20 years	39%

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at fair value. This measurement uses market observable inputs and data as far as possible. The Group measures the following items at fair value:

- investment property
- derivative financial instruments

Provision for impairments

Investments and tangible fixed assets are reviewed for signs of impairment each year and written down accordingly. Property, plant and equipment are reviewed by the University's Director of Estates in conjunction with market data and other relevant information.

Investments in subsidiaries and joint ventures are reviewed for impairments in value. In reviewing the value of these investments, management include in their consideration the performance of each undertaking, purpose of the undertaking and any changes, including political and economic changes, that may have an impact on that company's performance or net assets.

Investment properties are stated at fair value with annual review and revaluation to reflect the market conditions. In drawing their conclusion on the value of the properties, management consider the purpose of the property, the level of occupancy, economic factors and the climate of the property market in general.

Changes in any of the factors considered for impairments can affect the value reported in the financial statements.

Service concession arrangements

In determining the carrying value of the service concession arrangements, a number of financial assumptions have been made to calculate the present value of the minimum lease payments. These include indexation, credit and void costs, life cycle and operating costs.

Depreciation

Tangible fixed assets are depreciated over their useful economic lives taking into account residual values, where appropriate. Management regularly review the assets' useful economic lives taking into consideration factors such as maintenance programmes. Changes in asset useful economic life can have a significant impact on depreciation for the period. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

22. Prior year adjustment

To the extent practicable, the Group shall correct material prior period errors retrospectively in the first financial statements authorised for issue after their discovery by restating comparative figures and opening balances as required.

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Full-time home and EU students	113,328	113,353	107,745	107,746
Full-time international students	28,882	28,882	25,139	25,139
Part-time students	9,648	9,632	9,479	9,446
Education contracts	16,017	16,017	20,745	20,745
	167,875	167,884	163,108	163,076

	2018	2018	2018	2018	2018	2017
	Higher Education Council for England	Office for Students	Research England	Education and Skills Funding Agency	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2. Funding body grants						
Group and University						
Recurrent grant						
Teaching	8,194	2,675	-	-	10,869	10,501
Research	2,451	-	1,364	-	3,815	3,927
Capital grant released	2,193	-	-	-	2,193	2,417
Other	-	-	-	12	12	-
Specific grant						
Higher Education Academic Subject Centres	466	-	-	-	466	228
Higher Education Innovation Fund	2,575	-	1,233	-	3,808	3,204
	15,878	2,676	2,597	12	21,162	20,277

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
3. Research grants and contracts				
Research councils	2,848	2,848	2,309	2,309
Research charities	326	313	497	497
Government (UK and overseas)	4,195	4,249	3,911	3,863
Industry and commerce	827	207	1,087	193
Other	2,333	2,000	3,254	2,774
	10,529	9,617	11,058	9,636

Notes to the accounts

		2018	2018	2017	2017
		Group	University	Group	University
		£'000	£'000	£'000	£'000
4. Other income					
Residences, catering and conferences		34,083	33,070	32,741	31,560
Other services rendered		26,388	4,709	26,331	5,031
Other capital grants		174	-	173	-
Other income		5,782	6,712	8,647	9,387
		66,427	44,491	67,892	45,978

		2018	2018	2017	2017
		Group	University	Group	University
		£'000	£'000	£'000	£'000
5. Investment income					
Investment income on endowments	24	61	7	58	9
Other investment income		1,131	1,136	1,078	1,066
		1,192	1,143	1,136	1,075

		2018	2018	2017	2017
		Group	University	Group	University
		£'000	£'000	£'000	£'000
6. Donations and endowments					
New endowments	24	3	-	3	-
Donations with restrictions		278	206	275	144
Unrestricted donations		-	-	-	17
		281	206	278	161

		2018	2018	2017	2017
		Group	University	Group Restated	University Restated
		£'000	£'000	£'000	£'000
7. Staff costs					
Salaries		110,815	96,635	104,214	90,515
Social security costs		11,498	10,225	10,517	9,215
Movement on pension provision	30,32	3,144	3,120	962	944
Other pension costs	30	17,590	16,419	16,850	15,629
		143,047	126,399	132,543	116,303

Notes to the accounts

	2018	2017
7. Staff costs (continued)	Number	Number
The average number of full-time equivalent (FTE) employees (including senior post-holders) during the year was:		
Academic	1,052	1,008
Research	145	126
Professional	985	931
Technical	96	95
Other	421	438
	2,699	2,598

The following disclosures have been prepared in accordance with Regulatory Advice 9: Accounts Direction issued by the Office for Students in June 2018 and the comparatives restated accordingly.

	2018	2017
	Number	Restated
	Number	Number
The number of higher-paid staff (including the Vice-Chancellor) whose basic salaries fall within the following bands are:		
£100,000 – £105,000	5	2
£105,001 – £110,000	3	1
£110,001 – £115,000	-	1
£115,001 – £120,000	1	-
£120,001 – £125,000	1	1
£125,001 – £130,000	1	1
£140,001 – £145,000	1	1
£170,001 – £175,000	1	1
£255,001 – £260,000	-	1
£260,001 – £265,000	1	-
	14	9

	2018	2017
Total remuneration package of the Vice-Chancellor:	£'000	£'000
Basic salary	263	258
Performance-related bonus	39	36
Benefits in kind	1	1
Pension contributions and payments in lieu of pension contributions	43	43
Salary sacrifice arrangements	-	1
	346	339

The benefit in kind relates to healthcare insurance. The Vice-Chancellor receives no other remuneration or benefits in kind and no accommodation is provided by the University.

The Board of Governors of the University of Hertfordshire are responsible for the determination of the pay and conditions of service of the holders of senior posts at the University. This includes the Vice-Chancellor.

The Board of Governors established an Employment, Remunerations, Governance and Nominations Committee to assist it in meeting these responsibilities. This Committee acts independently in determining senior staff remuneration packages, and in the academic year 2017–18 this also included that of the Vice-Chancellor. The Vice-Chancellor did not attend this committee when his remuneration package was under consideration.

Notes to the accounts

7. Staff costs (continued)

It should be noted that, in order to meet recently published Office for Students guidance, the Board of Governors have established a separate Vice-Chancellor's Remuneration Committee to decide the Vice-Chancellor's remuneration package for 2018–19 and successive years. The Vice-Chancellor is neither a member nor an attendee of this committee.

The University's senior manager remuneration policy aims for remuneration packages for senior managers, including the Vice-Chancellor, to be set at levels necessary to attract and retain the high calibre of senior leaders required by the University while taking account of the sector and other relative comparative measures, together with the legitimate expectation of all associated with the University and of the wider community. Salary levels of senior staff are a key factor in the recruitment and retention of talent, and failure to ensure that salaries stay abreast of sector competition, as well as the wider market, places a risk to the University of the loss of key staff. The University seeks to recruit and retain high-quality senior staff who will lead the institution in delivering the Strategic Plan. In determining the Vice-Chancellor's remuneration package for 2017–18, the Employment, Remunerations, Governance and Nominations Committee acted independently and took into account:

- an analysis of the market(s) within which the organisation operates for talent;
- individual performance, experience and value to the organisation;
- the performance of the University;
- short-term objectives and long-term strategy set by the organisation;
- organisational structure, financial situation and foreseeable future prospects;
- his/her total remuneration package;
- the approach to remunerating other employees, including their pay increases;
- the public interest and the requirement to achieve value for money as well as the interests of the University and its obligations as an exempt charity.

The Vice-Chancellor's remuneration package includes a basic pay package and performance-related variable pay element (based on the achievement of corporate and personal objectives) which ensures that the entirety of the package varies with annual performance to deliver outcomes that lead to and reflect sustainable and measurable value in relation to the aims of the University's Strategic Plan.

The Vice-Chancellor's basic salary is 6.58 times (2017: 6.58 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice-Chancellor's total remuneration is 7.39 times (2017: 7.62 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

	2018	2017
Compensation for loss of office:	£'000	£'000
Compensation for loss of office payable	702	660
	Number	Number
Number of staff receiving compensation for loss of office	33	69

The Vice-Chancellor received no compensation for loss of office during the year (2017: £nil).

	2018	2017
Key management personnel:	£'000	£'000
Staff costs for key management personnel	956	939

Notes to the accounts

7. Staff costs (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and include the members of the Chief Executive's Group that are Officers of the Board as detailed on page 12 of the Strategic Report. Staff costs, disclosed above, include compensation paid to key management personnel.

The members of the Board of Governors received no remuneration during the year (2017: £nil). Total expenses of £1,000 (2017: £2,000) were paid to two (2017: three) members of the governing body. This represents travel and subsistence expenses incurred in attending committee meetings and other events in their official capacity.

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
8. Interest and other finance costs				
Loan interest	1,763	1,763	1,775	1,771
Finance lease and service concession interest	835	240	874	255
Exchange differences and other interest	57	53	92	8
Net charge on pension schemes	1,056	1,078	1,365	1,376
	3,711	3,134	4,106	3,410

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
9. Analysis of total expenditure by activity				
Academic departments	94,993	94,995	88,617	88,253
Academic services	25,426	26,982	23,606	25,126
Administration	40,919	46,101	37,671	41,774
Premises	29,855	28,742	29,425	28,338
Residences, catering and conferences	35,564	34,413	34,863	33,519
Research grants and contracts	8,245	7,862	7,971	7,721
Other expenses	29,988	1,748	29,108	1,947
	264,990	240,843	251,261	226,678

		2018	2018	2017	2017
		Group	University	Group	University
		£'000	£'000	£'000	£'000
Other operating expenses include:					
External auditors remuneration in respect of audit services		89	52	90	50
External auditors remuneration in respect of non-audit services		24	24	6	6
Operating lease rentals	27	18,729	20,031	18,061	18,061

Notes to the accounts

	2018	2017
	Group	Group
	£'000	£'000
10. Taxation		
UK corporation tax on surplus for the year	18	14
Group relief paid	(18)	(14)
Adjustment in respect of prior years	76	77
Current tax charge	76	77
Origination and reversal of timing differences	(11)	-
Recognition of previously unrecognised tax losses	-	-
Deferred tax	(11)	-
Tax on surplus on ordinary activities	65	77
Tax reconciliation:		
Surplus on ordinary activities before tax	3,095	11,977
Surplus on ordinary activities multiplied by standard rate in the UK (19.0%) (2017: 19.7%)	588	2,356
Effects of:		
Depreciation for the period in excess of capital allowances	7	(38)
Non-taxable income/expenditure	(1,387)	(2,782)
Expenses not deductible for tax purposes	49	66
Group relief surrendered	18	14
Group relief receipt	(18)	(14)
Tax losses not utilised	10	34
Tax losses brought forward	(75)	(120)
Deferred tax not recognised	1	-
Timing differences relating to pension liability	796	484
Adjustment in respect of prior years	76	77
Tax charge for the year	65	77

	Group
	£'000
11. Intangible assets	
Other	
At 1 August 2017	34
Amortisation	(2)
At 31 July 2018	32

Goodwill	
At 1 August 2017	941
Amortisation	(89)
At 31 July 2018	852

The goodwill relates to an acquisition of trade and assets by a subsidiary undertaking in 2007; other intangibles comprise a patent that was purchased in 2013. There are no intangible assets on the University balance sheet.

Notes to the accounts

	Land and buildings					
	Freehold	Service concession arrangement	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	Total
12. Fixed assets						
Group	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2017	361,549	8,178	9,710	74,391	15,227	469,055
Additions at cost	1,497	-	8,774	6,315	2,608	19,194
Transfers	1,657	-	(7,204)	3,540	2,007	-
Less disposals in year	-	-	(83)	(531)	(772)	(1,386)
At 31 July 2018	364,703	8,178	11,197	83,715	19,070	486,863

Depreciation						
At 1 August 2017	104,192	1,907	-	44,306	7,082	157,487
Charge for the year	7,933	136	-	8,213	1,395	17,677
Less disposals in year	-	-	-	(493)	(746)	(1,239)
At 31 July 2018	112,125	2,043	-	52,026	7,731	173,925

Net book value						
At 31 July 2018	252,578	6,135	11,197	31,689	11,339	312,938
At 31 July 2017	257,357	6,271	9,710	30,085	8,145	311,568

	Land and buildings					
	Freehold	Service concession arrangement	Assets in the course of construction	Fixtures, fittings and equipment	Plant and machinery	Total
University	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2017	305,700	8,178	8,347	71,844	6,293	400,362
Additions at cost	1,110	-	8,509	5,891	1,613	17,123
Transfers	1,662	-	(5,893)	3,501	730	-
Less disposals in year	-	-	-	-	-	-
At 31 July 2018	308,472	8,178	10,963	81,236	8,636	417,485

Depreciation						
At 1 August 2017	81,919	1,907	-	42,084	1,661	127,571
Charge for the year	6,465	136	-	8,150	585	15,336
Less disposals in year	-	-	-	-	-	-
At 31 July 2018	88,384	2,043	-	50,234	2,246	142,907

Net book value						
At 31 July 2018	220,088	6,135	10,963	31,002	6,390	274,578
At 31 July 2017	223,781	6,271	8,347	29,760	4,632	272,791

Notes to the accounts

	2018	2017
12. Fixed assets (continued)	Buildings	Buildings
The net book value of assets held by the Group under finance leases at 31 July was:	£'000	£'000
Cost	15,940	15,940
Accumulated depreciation brought forward	(4,930)	(4,624)
Charge for the year	(306)	(306)
Net book value	10,704	11,010

The University held no assets under finance leases.

The amount of finance costs capitalised in the year amounts to £nil (2017: £nil). There were no assets constructed during the year financed by loan capital. The accumulated amount of capitalised finance costs is £1.8m, which is included in freehold land and buildings.

During the year ended 31 July 2018 a review was undertaken of the value of the estate belonging to the Group. The review considered the current value in use of all buildings and was conducted by the Director of Estates. All properties were still suitable for current activities and no impairment was required.

Land and buildings includes £55.6m of land which is not depreciated (2017: £55.6m).

13. Service concession arrangements

The University has two service concession arrangements.

i) de Havilland Campus

During 1999 the University entered into a Private Finance Initiative scheme with a contractor for the construction of residential (accommodation for 1,600 students) and sports facilities, and for the facilities management of those premises for a period of 30 years. Construction was completed in 2003 and under the terms of the scheme the contractor raised the finance for the construction of the buildings. The assets and liabilities relating to this scheme are recognised on the University's balance sheet. Service commenced on 1 August 2003 and the contract will finish on 31 July 2033. The University has annual rental payments amounting to £4.7m (subject to annual RPI inflation) recorded within other operating expenses.

ii) College Lane Campus

In May 2013 the University disposed of its remaining residential accommodation on the College Lane campus to ULiving@Hertfordshire plc, a third-party property developer and operator under a contract to demolish the existing accommodation and construct 3,000 student bedrooms. The construction was completed in September 2016. ULiving@Hertfordshire plc will operate the residential accommodation until 2063, at which point the facilities will revert back to University ownership. Unlike the service concession arrangement above, the University does not incur a minimum guaranteed payment, and demand risk has transferred to a third party outside the Group. Therefore the University has no asset or liability to recognise on the balance sheet. This arrangement has been accounted for as an operating lease as detailed in note 27.

Movement in service concession arrangement assets

The asset value of the service concession included in the balance sheet as at 31 July 2018 is £6,135,000 (2017: £6,271,000). The reduction of £136,000 is as a result of depreciation.

Movement in service concession arrangement liabilities

The total liabilities relating to the service concession included in the balance sheet as at 31 July 2018 were £4,089,000 (2017: £4,360,000). The difference is principal repaid of £271,000 during the year.

Future commitments

The following table analyses the University's future commitments in relation to service concession arrangements.

Notes to the accounts

	Liability repayments	Finance charge	Service charge	Total
13. Service concession arrangements (continued)				
Group and University	£'000	£'000	£'000	£'000
Due within one year	273	225	3,830	4,328
Due between one and two years	273	210	3,830	4,313
Due between two and five years	816	540	11,490	12,846
Due in five years or more	2,727	825	38,300	41,852
	4,089	1,800	57,450	63,339

	Investment properties	Other non-current investments	Total
14. Non-current investments			
Group	£'000	£'000	£'000
At 1 August 2017	23,750	10,502	34,252
Additions	20	803	823
Disposals	-	(889)	(889)
Loss on revaluation	-	(63)	(63)
At 31 July 2018	23,770	10,353	34,123

	Subsidiary companies	Investment properties	Other non-current investments	Total
University	£'000	£'000	£'000	£'000
At 1 August 2017	61,174	12,265	6,937	80,376
Additions	-	-	11	11
Disposals	-	-	(7)	(7)
Impairment	(696)	-	-	(696)
At 31 July 2018	60,478	12,265	6,941	79,684

Other non-current investments consist of:

	Total
Group	£'000
Uliving@Hertfordshire plc	6,786
COIF Charities Investment Fund	2,761
Other investments	806
At 31 July 2018	10,353

	Total
University	£'000
Uliving@Hertfordshire plc	6,786
COIF Charities Investment Fund	118
Other investments	37
At 31 July 2018	6,941

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group	University
14. Non-current investments (continued)	£'000	£'000	£'000	£'000
Gain/(loss) on investments				
Loss on revaluation of investment properties	-	-	(1,000)	(1,000)
Gains on revaluation of non-current investments	184	11	320	12
Impairment of investment in subsidiary companies	-	(696)	-	(5,945)
Gains on revaluation of current investments	261	261	-	-
	445	(424)	(680)	(6,933)

The University's subsidiary companies are listed in note 15. They are stated at cost less any provision for impairment. The impairment during the year in the University's balance sheet is to the carrying value of a subsidiary company whose net assets have reduced following the sale of a property to the University.

On transition to FRS 102 on 1 August 2014, a number of the premises owned by the Group were reclassified as investment properties and these are held on the balance sheet at fair value. The value of investment properties at 31 July 2018 was assessed by the University's Director of Estates. In assessing the value of the properties, various factors are considered that can affect the value reported in the accounts, including the purpose of the property, the level of occupancy, economic factors and the climate of the property market in general. All properties were deemed suitable for current activities and no impairment was required.

Non-current investments have been valued at market value.

The University holds £6,786,000 of Class B Loan Notes in Uliving@Hertfordshire plc, the company which developed and operates the student residential accommodation on the College Lane Campus. Interest accrues at RPI plus 6% until the target internal rate of return is reached and at RPI plus 9% thereafter. The carrying amount of the investment includes £598,925 of accrued capitalised interest at the balance sheet date. The loan notes are redeemable in accordance with a payment schedule commencing 31 January 2017 until 2063. During the year £7,000 was redeemed.

15. Subsidiary undertakings

The University's subsidiaries (all of which are registered in England and Wales) are wholly owned or effectively controlled by the University and are as follows:

Company	Nature of business	% shareholding
UH Holdings Limited	Holding company	100%
Student Forum Limited	Proposed to strike off 26 October 2018	100%
UH Trust	Charity	Limited by guarantee

The value of the investment in subsidiary undertakings in note 14 held by the University of £60,478,000 (2017: £61,174,000), relates solely to UH Holdings Limited.

The subsidiary companies of UH Holdings Limited are all registered in England and Wales except UH Global Education (Asia-Pacific) Sdn Bhd (registered in Malaysia) and Corporate Fit Science Limited (registered in Scotland). These companies are wholly owned or effectively controlled by UH Holdings and are as follows:

Notes to the accounts

15. Subsidiary undertakings (continued)

Company	Nature of business	% shareholding
UH Ventures Limited	Training, consultancy and conference services	100%
Universitybus Limited	Transport services	100%
Exemplas Holdings Limited	Business advice and support	100%
Polyfield Property Limited	Provision of property services and sports facilities	100%
Bio Park Hertfordshire Limited	Provision of facilities management	100%
UH Global Education (Asia-Pacific) Sdn Bhd	Overseas student recruitment	100%
EValu8 Transport Innovations Limited	Dormant	Limited by guarantee
Corporate Fit Science Limited	Dormant	100%
Cimtech Limited	Dissolved 23 October 2018	100%
Fit Corporation Limited	Dormant	100%
Unisecure Limited	Dissolved 23 October 2018	100%
UH Recordings Limited	Dissolved 23 October 2018	100%
Uno Buses (Hertfordshire) Limited	Proposed to strike off 7 August 2018	100%

The subsidiary companies of Exemplas Holdings Limited (all of which are registered in England and Wales) are wholly owned and are as follows:

Company	Nature of business	% shareholding
Exemplas Limited	Provision of services to business	100%
Metropolitan Enterprises Limited	Provision of services to business	100%
Exemplas Trade Services Limited	Provision of services to business	100%

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

16. Investment in joint ventures

The University, through its subsidiary companies, holds the following investments in joint ventures:

UH Holdings Limited holds 400,000 'A' ordinary shares in University Campus St Albans Limited and 51 'B' ordinary shares. This is a joint venture between the University of Hertfordshire and Oaklands College Further Education Corporation and its principal activity is the delivery of flexible degree level education.

Universitybus Limited owns 49,999 'A' ordinary shares in Uno Buses (Northampton) Limited, a joint venture that operates bus services in the Northampton area. The remaining 50,001 'B' ordinary shares are held by the University of Northampton.

Exemplas Holdings Limited has a 50% shareholding in Enterprise Growth Solutions Limited. The remaining 50% of shares are held by REED in Partnership Limited.

The above investments are treated as joint ventures and are accounted for using the equity method with 50% of the gross assets and liabilities of each entity being recorded in the consolidated balance sheet and 50% of its net income reported in the consolidated statement of comprehensive income and expenditure.

Notes to the accounts

16. Investment in joint ventures (continued)

	University Campus St Albans Limited	Uno Buses (North- ampton) Limited	Enterprise Growth Solutions Limited	Total
	2018	2018	2018	2018
Group	£'000	£'000	£'000	£'000
Statement of comprehensive income				
Income	370	1,458	2,175	4,003
Surplus before tax	36	3	120	159

Balance sheet				
Fixed assets	1	134	-	135
Current assets	204	391	1,066	1,661
Creditors: amounts falling due within one year	(17)	(399)	(375)	(791)
Creditors: amounts falling due after more than one year	-	(100)	(37)	(137)
Share of net assets	188	26	654	868

	University Campus St Albans Limited	Uno Buses (North- ampton) Limited	Enterprise Growth Solutions Limited	Total
	2017	2017	2017	2017
Group	£'000	£'000	£'000	£'000
Statement of comprehensive income				
Income	280	1,319	1,726	3,325
Surplus/(deficit) before tax	(8)	24	136	152

Balance sheet				
Fixed assets	1	155	-	156
Current assets	197	292	775	1,264
Creditors: amounts falling due within one year	(46)	(307)	(179)	(532)
Creditors: amounts falling due after more than one year	-	(112)	(38)	(150)
Provisions	-	(5)	-	(5)
Share of net assets	152	23	558	733

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
17. Stock and work in progress				
Finished goods	383	147	376	145
	383	147	376	145

		2018	2018	2017	2017
		Group	University	Group	University
		£'000	£'000	£'000	£'000
18. Trade and other receivables					
Amounts falling due within one year:					
Research grants receivable		1,242	1,213	1,427	1,417
Other trade receivables		11,178	9,641	8,085	6,338
Other receivables		800	28	812	8
Prepayments and accrued income		7,895	5,693	8,117	5,823
Amounts due from subsidiaries		-	2,085	-	4,119
Amounts due from related undertakings		176	-	184	1
Derivatives	22	161	-	137	-
		21,452	18,660	18,762	17,706
Amounts falling due after more than one year:					
Amounts due from subsidiaries		-	2,460	-	-
Other receivables		-	-	280	-
		21,452	21,120	19,042	17,706

A deferred tax asset of £463,000 (2017: £504,000) in relation to tax losses has not been recognised owing to uncertainty as to the extent and timing of relief. Management will continue to assess this situation on an annual basis and update their estimate as appropriate.

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
19. Current investments				
Short-term deposits	30,168	30,168	19,800	19,800
	30,168	30,168	19,800	19,800

		2018	2018	2017	2017
		Group	University	Group	University
	Notes	£'000	£'000	£'000	£'000
20. Creditors: amounts falling due within one year					
Unsecured loans		2,008	2,008	1,969	1,969
Obligation under finance leases		495	-	471	-
Service concession arrangements	13	273	273	273	273
Trade payables		13,121	12,067	13,918	12,932
Other payables		3,671	3,202	3,308	2,912
Social security and other taxation payable		3,664	3,111	3,451	2,861
Amounts due to subsidiaries		-	852	-	647
Amounts due to related undertakings		79	-	71	-
Accruals and deferred income		45,162	40,563	44,441	39,510
		68,473	62,076	67,902	61,104

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance-related conditions have been met:

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Research grants received on account	443	443	376	376
Other grant income	193	193	135	135
	636	636	511	511

		2018	2018	2017	2017
		Group	University	Group	University
	Notes	£'000	£'000	£'000	£'000
21. Creditors: amounts falling due after more than one year					
Deferred income		27,237	26,878	27,845	27,312
Service concession arrangements	13	3,816	3,816	4,087	4,087
Obligation under finance leases		10,387	-	10,883	-
Unsecured loans		53,764	53,764	55,771	55,771
		95,204	84,458	98,586	87,170

Notes to the accounts

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

Deferred income

Deferred income represents government grants received in respect of the acquisition or construction of fixed assets that are being recognised in income over the expected useful life of the relevant asset.

	2018	2018	2017	2017
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Analysis of unsecured loans:				
Due within one year or on demand	2,008	2,008	1,969	1,969
Due between one and two years	2,040	2,040	2,008	2,008
Due between two and five years	6,391	6,391	6,259	6,259
Due in five years or more	45,333	45,333	47,504	47,504
Due after more than one year	53,764	53,764	55,771	55,771
Total unsecured loans repayable by 2043	55,772	55,772	57,740	57,740

Included within loans are the following items:

Lender	Amount £'000	Term	Interest rate %	Borrower
Bank	4,333	2032	5.42	University
Bank	2,850	2030	Base + 0.16	University
Bank	7,056	2042	5.38	University
Bank	1,981	2042	5.15	University
Bank	17,367	2042	4.53	University
Bank	16,833	2043	Libor + 0.60	University
Bank	5,352	2037	Base + 0.16	University
Total unsecured loans	55,772			

Analysis of finance lease obligations:

	2018	2017
	Group	Group
	£'000	£'000
Due within one year or on demand	495	471
Due between one and two years	521	495
Due between two and five years	2,373	2,254
Due in five years or more	7,493	8,134
Due after more than one year	10,387	10,883
Total obligations under finance lease	10,882	11,354

The above represents the finance lease in respect of the Hertfordshire Sports Village. The University has no finance leases.

Notes to the accounts

		2018	2018	2017	2017
		Group	University	Group	University
	Notes	£'000	£'000	£'000	£'000
22. Financial instruments					
Financial assets					
Measured at fair value through income and expenditure					
Investments in common investments funds	14	2,761	118	2,717	107
Derivative financial instruments	18	161	-	137	-
Debt instruments measured at amortised cost					
Long-term loans receivable	18	-	2,460	280	-
Investments					
Non-current investments	14	7,592	67,301	7,785	68,004
Current asset unlisted investments	19	30,168	30,168	19,800	19,800
Measured at undiscounted amount receivable					
Trade and other receivables	18	12,154	11,754	9,081	10,466
		52,836	111,801	39,800	98,377
Financial liabilities					
Measured at amortised cost					
Loans payable	20,21	57,780	57,780	59,709	59,709
Obligation under finance leases	20,21	10,882	-	11,354	-
Obligation under service concession arrangements	20,21	4,089	4,089	4,360	4,360
Measured at undiscounted amount payable					
Trade and other creditors	20,21	20,535	19,232	20,748	19,352
		93,286	81,101	96,171	83,421

Derivative financial instruments

A subsidiary company, Universitybus Limited, has entered into commodity swaps for the period to October 2019. The swaps give rise to monthly cash flow exchanges with counterparties to offset the underlying settlement of floating fuel price costs. Gains or losses on fuel derivatives are recycled from reserves to the consolidated statement of comprehensive income on qualifying hedges to achieve fixed-rate fuel costs within operating results. The commodity swaps are designated and effective as hedging instruments. They are measured at fair value and are included in the financial statements as noted above and in note 25. The gains transferred from reserves into the consolidated statement of comprehensive income during the year are included within other operating expenses.

Notes to the accounts

23. Provision for liabilities		Obligation to fund deficit on USS pension	Defined benefit obligation	Total pension provisions	Other provisions	Total
Group	Notes	£'000	£'000	£'000	£'000	£'000
At 1 August 2017 as previously stated		848	24,666	25,514	495	26,009
Prior year adjustment	32	-	10,619	10,619	-	10,619
At 1 August 2017 restated		848	35,285	36,133	495	36,628
Utilised in year		(46)	(8,636)	(8,682)	(67)	(8,749)
Increase/(decrease) in provision		53	(13,674)	(13,621)	(5)	(13,626)
At 31 July 2018		855	12,975	13,830	423	14,253

University						
At 1 August 2017 as previously stated		848	25,862	26,710	403	27,113
Prior year adjustment	32	-	10,232	10,232	-	10,232
At 1 August 2017 restated		848	36,094	36,942	403	37,345
Utilised in year		(46)	(8,437)	(8,483)	-	(8,483)
Increase/(decrease) in provision		53	(13,608)	(13,555)	-	(13,555)
At 31 July 2018		855	14,049	14,904	403	15,307

Universities Superannuation Scheme deficit (USS)

The obligation to fund the past deficit on the USS arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future growth in the number of employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

Defined benefit obligation

This obligation is in respect of the Local Government Pension Scheme; further details can be found in note 30.

Other provisions

The balance carried forward at 31 July 2018 represents the VAT capital goods scheme provision and reflects the current estimate of the VAT liability payable over the next ten years on costs incurred in the construction and refurbishment of various properties within the Group's estate.

Notes to the accounts

		Restricted permanent	Unrestricted permanent	2018 Total	2017 Total
	Notes	£'000	£'000	£'000	£'000
24. Endowments					
Group					
Balance at 1 August					
Capital		2,068	563	2,631	2,480
Accumulated income		215	165	380	348
		2,283	728	3,011	2,828
New endowments	6	3	-	3	3
Reclassification to income funds		(485)	-	(485)	(51)
Investment income	5	54	7	61	58
Expenditure		(53)	-	(53)	(22)
Increase in market value of investments		114	11	125	195
Balance at 31 July		1,916	746	2,662	3,011
Represented by:					
Capital		1,700	574	2,274	2,631
Accumulated income		216	172	388	380
Total		1,916	746	2,662	3,011
Analysis by type or purpose:					
Scholarships and bursaries		1,916	-	1,916	1,810
General		-	746	746	1,201
		1,916	746	2,662	3,011
Analysis by asset:					
Current and non-current investments		1,622	118	1,740	2,087
Cash and cash equivalents		294	628	922	924
		1,916	746	2,662	3,011

		Unrestricted permanent	2018 Total	2017 Total
	Notes	£'000	£'000	£'000
University				
Balance at 1 August				
Capital		563	563	551
Accumulated income		165	165	156
		728	728	707
New endowments		-	-	-
Investment income	5	7	7	9
Expenditure		-	-	-
Increase in market value of investments		11	11	12
Balance at 31 July		746	746	728

Notes to the accounts

			Unrestricted permanent	2018	2017
				Total	Total
	Notes		£'000	£'000	£'000
24. Endowments (continued)					
Represented by:					
Capital			574	574	563
Accumulated income			172	172	165
Total			746	746	728
Analysis by type or purpose:					
General			746	746	728
			746	746	728
Analysis by asset:					
Current and non-current investments			118	118	107
Cash and cash equivalents			628	628	621
			746	746	728

		Hedging reserve	Donations	2018 Total	2017 Total
	Notes	£'000	£'000	£'000	£'000
25. Restricted reserves					
Group					
Balance at 1 August		137	996	1,133	412
Donations		-	550	550	1,004
Expenditure		-	(544)	(544)	(478)
Investment income		-	2	2	2
Gains on investments		-	3	3	4
Transfer from endowment reserves		-	-	-	51
Transfer from unrestricted reserves		-	7	7	-
Change in fair value of hedging financial instruments	22	24	-	24	56
Gains on hedging transferred to income statement	22	-	-	-	82
Total restricted comprehensive income for the year		24	18	42	721
Balance at 31 July		161	1,014	1,175	1,133
Analysis of donations by type or purpose:					
Scholarships and bursaries			126	126	141
Research support			709	709	691
Other			179	179	164
			1,014	1,014	996

Notes to the accounts

	Donations	2018 Total	2017 Total
	£'000	£'000	£'000
25. Restricted reserves (continued)			
University			
Balance at 1 August	244	244	178
Donations	232	232	315
Expenditure	(276)	(276)	(249)
Total restricted comprehensive (expenditure)/income for the year	(44)	(44)	66
Balance at 31 July	200	200	244
Analysis of donations by type or purpose:			
Research support	200	200	242
Other	-	-	2
	200	200	244

	2018 Group	2018 University	2017 Group	2017 University
	£'000	£'000	£'000	£'000
26. Capital commitments				
Provision has not been made for the following capital commitments:				
Contracted at 31 July	5,303	4,577	4,292	3,625
Authorised but not contracted at 31 July	11,959	11,959	13,114	12,454
	17,262	16,536	17,406	16,079

	2018 Land and buildings	2018 Plant and machinery	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
27. Lease obligations				
Group				
Payable during the year	18,056	673	18,729	18,061
Future minimum lease payments due:				
Within one year	18,683	655	19,338	17,943
Between two and five years	175	1,465	1,640	-
More than five years	37	-	37	-
Total lease payments due	18,895	2,120	21,015	17,943

Notes to the accounts

	2018	2018	2018	2017
	Land and buildings	Plant and machinery	Total	Total
	£'000	£'000	£'000	£'000
27. Lease obligations (continued)				
University				
Payable during the year	19,871	160	20,031	18,061
Future minimum lease payments due:				
Within one year	20,525	154	20,679	17,943
Between two and five years	5,867	419	6,286	-
More than five years	37	-	37	-
Total lease payments due	26,429	573	27,002	17,943

28. Related parties					
Name of related party and relationship	Nature of transaction	2018 Income £'000	2018 Expenditure £'000	2017 Income £'000	2017 Expenditure £'000
Uno Buses (Northampton) Limited Joint venture	Vehicle and equipment leasing; management and operational recharges	609	754	445	733
Enterprise Growth Solutions Limited Joint venture	Management fee and staff recharges	334	-	643	-
University Campus St Albans Limited Joint venture	Grant funding; management fee and academic related charges	219	50	256	84
Uliving@Hertfordshire plc Professor I G Campbell, Deputy Vice-Chancellor of the University and Mrs S C Grant, Secretary and Registrar of the University, are directors	Student residences rent and facilities	155	19,895	174	19,807
Alexander Dennis plc Mr S Clayton, director of subsidiary company Universitybus Limited, is a director	Purchase of goods and services	-	87	-	1,795
Oaklands College Further Education Corporation Mrs S C Grant, Secretary and Registrar of the University, is a governor	Transport services; grant funding to associate college	193	1,042	196	768
Southern Universities Management Services Mrs S C Grant, Secretary and Registrar of the University, is a director	Subscription	-	37	-	39
University of Hertfordshire Students' Union Mr A Jolly, governor of the University, is President	Students' Union subvention grant, rent and other service charges	1,012	2,074	206	1,769

Notes to the accounts

28. Related parties (continued)

Name of related party and relationship	Nature of transaction	Income 2018 £'000	Expenditure 2018 £'000	Income 2017 £'000	Expenditure 2017 £'000
Universities UK Professor Q A McKellar, Vice-Chancellor of the University, is a director	Subscription	-	44	-	39
University Alliance Professor Q A McKellar, Vice-Chancellor of the University, is a member	Payroll costs and subscription	850	70	716	-
Hertfordshire Local Enterprise Partnership Professor Q A McKellar, Vice-Chancellor of the University, is a board member	Rent and grant funding	135	-	438	-
Mr Gordon Morrison A governor of the University	Research income	31	-	-	-

Name of related party	Debtor 2018 £'000	Creditor 2018 £'000	Debtor 2017 £'000	Creditor 2017 £'000
Uno Buses (Northampton) Limited	79	58	54	47
Enterprise Growth Solutions Limited	56	-	40	-
University Campus St Albans Limited	219	-	-	-
Uliving@Hertfordshire plc	-	1,786	1	2,490
Alexander Dennis plc	-	6	-	15
Oaklands College Further Education Corporation	20	1	16	-
Southern Universities Management Services	-	-	-	-
University of Hertfordshire Students' Union	10	3	6	13
Universities UK	-	-	-	-
University Alliance	59	100	-	-
Hertfordshire Local Enterprise Partnership	57	-	107	-
Mr Gordon Morrison	-	-	-	-

The University has applied the exemption in FRS 102 and has not disclosed transactions with wholly owned subsidiary companies.

29. Connected charitable institutions

UH Trust and the University of Hertfordshire Charitable Trust are connected charitable institutions of the University of Hertfordshire and, under paragraph 28 of Schedule 3 to the Charities Act 2011, are exempt from registration with the Charity Commission.

UH Trust, a company limited by guarantee, started its operations on 10 February 2014 upon the transfer of the assets and business from the University of Hertfordshire Charitable Trust. The permanent endowments were not transferred and have remained in the University of Hertfordshire Charitable Trust with UH Trust as its sole trustee.

The charities were established to raise funds and make awards of grants, scholarships, bursaries and prizes which advance and further education, learning and research at the University of Hertfordshire and which assist in the provision of buildings and facilities at the University.

The activities of UH Trust and the University of Hertfordshire Charitable Trust, as summarised below, are consolidated into the Group accounts.

Notes to the accounts

	At 1 August 2017	Income	Expenditure	Change in market value of investments	At 31 July 2018
29. Connected charitable institutions (continued)	£'000	£'000	£'000	£'000	£'000
UH Trust	3,631	404	(481)	173	3,727

Major donors to the Group during the year include:

Santander Universities
The Salisbury Pool Charity
Cadogan Charity

The University of Hertfordshire undertakes fundraising activities in order to solicit support from individuals, trusts and foundations, and companies for the University's work. University employees undertake meetings with individuals, including alumni of the institution, and companies to ascertain their interest in supporting the University philanthropically. In addition, bespoke written applications are submitted to charitable trusts and foundations for the support of research and other projects undertaken by the University. This activity is undertaken by professional staff members in the University's Development and Alumni Relations team. Having registered with the Fundraising Regulator, the University ensures that its employees are undertaking fundraising to the standard outlined by the Regulator.

Internally, the UH Trust Board meets regularly through the year to consider strategic issues and areas of activity, including grant making, investment, reserves and risk management policies and performance. It ensures that good practice is being maintained and that no individual is ever placed under any pressure to support the University, nor has their privacy intruded upon inappropriately. No complaints have been received by the University or any person acting on its behalf in respect of fundraising activity.

30. 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 separately administered funds.

	Employer contributions	Provision movement	Total	Employer contributions	Provision movement	Total
				Restated	Restated	Restated
	2018	2018	2018	2017	2017	2017
Summary of pension scheme costs	£'000	£'000	£'000	£'000	£'000	£'000
TPS	8,131	-	8,131	7,671	-	7,671
LGPS	8,636	3,161	11,797	8,549	1,131	9,680
USS	393	(17)	376	343	(164)	179
Other	430	-	430	277	-	277
	17,590	3,144	20,734	16,840	967	17,807

An explanation of the restated amounts for 2017 can be found in note 32.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010 and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Notes to the accounts

30. Pension schemes (continued)

The TPS Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay-as-you-go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- Employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of scheme administration.
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion.
- An employer cost cap of 10.9% of pensionable pay.
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme changes

Lord Hutton, who chaired the Independent Public Service Pensions Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, while remaining fair to the workforce and the taxpayer. The government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they will receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the government announced an average increase of 3.2 percentage points on the contribution rates by 2014–15. The increases have been phased in since April 2012.

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a Normal Pension Age aligned to the State Pension Age.

Notes to the accounts

30. Pension schemes (continued)

Universities Superannuation Scheme (USS)

The total cost recognised in the statement of comprehensive income is £376,000 as detailed in the summary of pension scheme costs above.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is under way but not yet completed.

Since the institution cannot identify its share of the Retirement Income Builder section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long-term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0
	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

Notes to the accounts

30. Pension schemes (continued)

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 3.0% as at 31 July 2018, are included in note 23.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not been formally completed and there remain various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a significant amount, depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Sensitivity analysis has been performed to outline the impact of changes to the contribution rates and is detailed in the significant accounting judgements and key sources of estimation uncertainty section within the statement of principal accounting policies above.

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 101 separate funds administered locally by administering authorities. Each fund has many employing authorities. 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 subsidiaries, Universitybus Limited and Exemplas Holdings Limited, are both admitted bodies to the fund, and a number of employees of these companies are members of the LGPS. With effect from 1 April 2016, the assets and liabilities of the Exemplas Holdings Limited scheme have been subsumed by the University of Hertfordshire and therefore Exemplas Holdings Limited no longer has any active members within the LGPS under its own admission agreement; these have been transferred to the University of Hertfordshire scheme. All other subsidiary companies contribute to the scheme through the University.

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

Changes to the LGPS 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 allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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.

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 contribution rates for the year were:

University of Hertfordshire	22.20%
Universitybus Limited:	
Employer – weekly paid staff	26.60%
Employer – monthly paid staff	22.20%
Employees	5.50% - 12.50%

Notes to the accounts

30. Pension schemes (continued)

The estimated employer contribution payable for the year ending 31 July 2019 is £8,081,000.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016, updated to 31 July 2018 by a qualified independent actuary.

	2018	2017	2016
Financial assumptions			
Inflation and rate of increase in pension	2.12%	2.12%	1.84%
Rate of increase in salaries	2.12%	2.00%	1.90%
Expected return on assets	3.00%	2.80%	2.60%
Discount rate for liabilities	3.00%	2.80%	2.60%

Mortality assumptions

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
Life expectancy from age 65 (years)		
University		
Current pensioners	22.1 years	25.1 years
Future pensioners (currently aged 45)	23.2 years	26.1 years
Universitybus Limited		
Current pensioners	17.0 years	19.0 years
Future pensioners (currently aged 45)	18.0 years	20.0 years

The assets in the scheme (of which the Group's share is 5.5%) and the expected rates of return were:

	2018	2017	2016
	£'000	£'000	£'000
Equities	2,482,480	2,832,050	2,495,360
Bonds	1,718,640	1,045,680	1,052,700
Property	381,920	304,990	272,930
Cash	190,960	174,280	77,980
Total market value of assets	4,774,000	4,357,000	3,898,970

Weighted average expected long-term rates of return:

2018	2017	2016
2.8%	2.6%	2.6%

Under FRS 102 the expected rates of return are equal to the discount rate.

The pension scheme liability detailed below also takes account of the University's unfunded pension liability, which relates to pension enhancements payable to staff who have taken early retirement.

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
30. Pension schemes (continued)				
Analysis of the amount shown in the balance sheet				
Present value of scheme liabilities	(276,558)	(268,839)	(272,024)	(264,271)
Fair value of scheme assets (bid value)	264,175	254,790	236,739	228,177
Deficit in the scheme at 31 July	(12,383)	(14,049)	(35,285)	(36,094)
Effect of cap on pension surplus	(592)	-	-	-
Adjusted deficit in the scheme – net pension liability recorded within pension provisions (note 23)	(12,975)	(14,049)	(35,285)	(36,094)

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
The amounts recognised in the surplus for the year				
Current service cost	11,797	11,574	9,580	9,351
Past service cost (including curtailments)	-	-	100	100
Total operating charge	11,797	11,574	9,680	9,451
Interest on obligation	7,712	7,495	6,716	6,520
Expected return on scheme assets	(6,680)	(6,441)	(5,379)	(5,172)
Net charge on pension scheme	1,032	1,054	1,337	1,348

Total charged to the surplus for the year	12,829	12,628	11,017	10,799
--	---------------	---------------	---------------	---------------

Analysis of other comprehensive income				
Actual return less expected return on pension scheme assets	16,698	16,099	22,645	22,256
Experience gains and losses arising on the scheme liabilities	42	42	(3,488)	(2,397)
Change in assumptions underlying present value of the scheme	10,355	10,095	(1,053)	(2,140)
Total other comprehensive income	27,095	26,236	18,104	17,719

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
30. Pension schemes (continued)				
Analysis of movement in the scheme deficit				
Deficit in scheme at 1 August	(35,285)	(36,094)	(50,921)	(51,352)
Movement in period:				
Current service cost	(11,797)	(11,574)	(9,580)	(9,351)
Employer contributions	8,636	8,437	8,549	8,338
Past service costs	-	-	(100)	(100)
Net interest on assets	(1,032)	(1,054)	(1,337)	(1,348)
Actuarial gain	27,095	26,236	18,104	17,719
Deficit in scheme at 31 July	(12,383)	(14,049)	(35,285)	(36,094)
Effect of cap on pension surplus	(592)	-	-	-
Adjusted pension deficit at 31 July	(12,975)	(14,049)	(35,285)	(36,094)

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
Analysis of the movement in the fair value of scheme liabilities				
Defined benefit obligation at 1 August	272,024	264,271	256,231	248,726
Current service cost	11,797	11,574	9,580	9,351
Past service costs	-	-	100	100
Interest cost	7,712	7,495	6,716	6,520
Actuarial (gain)/loss	(10,397)	(10,137)	4,541	4,542
Estimated unfunded benefits paid	(487)	(487)	(493)	(498)
Estimated funded benefits paid	(6,642)	(6,381)	(7,058)	(6,822)
Contributions by members	2,551	2,504	2,407	2,352
Defined benefit obligation at 31 July	276,558	268,839	272,024	264,271

Notes to the accounts

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
30. Pension schemes (continued)				
Analysis of the movement in the fair value of scheme assets				
Fair value of scheme assets at 1 August	236,739	228,177	205,310	197,374
Expected return on scheme assets	6,680	6,441	5,379	5,172
Actuarial gain	16,698	16,099	22,645	22,256
Contributions by employer	8,149	7,950	8,056	7,845
Contributions in respect of unfunded benefits	487	487	493	493
Estimated unfunded benefits paid	(487)	(487)	(493)	(493)
Estimated funded benefits paid	(6,642)	(6,381)	(7,058)	(6,822)
Contributions by members	2,551	2,504	2,407	2,352
Fair value of scheme assets at 31 July	264,175	254,790	236,739	228,177

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
Actual return on scheme assets				
Expected return on scheme assets	6,680	6,441	5,379	5,172
Asset gain	16,698	16,099	22,645	22,256
Actual return on scheme assets	23,378	22,540	28,024	27,428

	2018	2018	2017	2017
	Group	University	Group Restated	University Restated
	£'000	£'000	£'000	£'000
Actuarial gain/(loss) relating to changes in financial assumptions	10,355	10,095	(2,940)	(2,853)
Cumulative actuarial loss	(3,297)	(3,630)	(29,320)	(29,866)

	2018	2017	2016	2015	2014
		Restated			
	£'000	£'000	£'000	£'000	£'000
History of experience gains and losses					
Difference between the expected and actual return on assets	16,698	22,645	7,927	7,371	11,161
% of scheme assets	6.3%	9.6%	3.9%	3.9%	6.6%
Experience gains/(losses) on scheme liabilities	42	(3,488)	1,913	844	(6,541)
% of scheme liabilities	0.0%	1.3%	(0.7)%	(0.4)%	3.6%

Notes to the accounts

30. Pension schemes (continued)

Guaranteed minimum pension benefits

On 26 October 2018, the High Court handed down its judgment in the case involving the Lloyds Banking Group's defined benefit pension schemes and the rights of members to equality of treatment in relation to pension benefits. The Court's ruling has made it clear that schemes should be amended to equalise benefits for men and women in respect of guaranteed minimum pension benefits. The extent to which the judgement crystallises additional liabilities of the schemes of the University of Hertfordshire and Universitybus Limited is under consideration and any adjustment that may result is expected to be recognised in the 2018-19 financial year. At present, we are unable to quantify the financial effect of this.

Other pension schemes

Exemplas Holdings Limited operates a group administered personal pension plan, for those employees who are not members of LGPS, which is a defined contribution scheme.

Universitybus Limited participates in NEST, a qualifying pension scheme established by law to support the introduction of automatic enrolment. It is a national multi-employer defined contribution scheme. The company also provides a group Life Assurance Scheme for employees who are not members of the LGPS.

31. Herts Sports and Physical Activity Partnership

The University of Hertfordshire hosts the Herts Sports and Physical Activity Partnership, which is one of the County Sports Partnerships in England that were created as part of the long-term plan for delivering sport across the nation. The results are included within the financial statements for the University and the consolidated results for the Group. The income and expenditure for the years ended 31 July 2017 and 2018 are detailed separately below:

	Sport England	Local authority	Other public sector income	Non-public sector income	2018 Total
	£'000	£'000	£'000	£'000	£'000
Income					
Revenue grant income	745	79	-	435	1,259
Other income	5	-	-	31	36
Total income	750	79	-	466	1,295
Expenditure					
Staff costs	476	-	-	-	476
External activity providers	382	71	-	278	731
Rent and facility hire	62	-	-	7	69
Marketing	17	-	-	21	38
Other expenditure	69	8	-	52	129
Total expenditure	1,006	79	-	358	1,443
Net income/(expenditure)	(256)	-	-	108	(148)

Notes to the accounts

31. Herts Sports and Physical Activity Partnership (continued)

	Sport England	Local authority	Other public sector income	Non-public sector income	2017 Total
	£'000	£'000	£'000	£'000	£'000
Income					
Revenue grant income	1,495	86	200	110	1,891
Other income	-	-	-	-	-
Total income	1,495	86	200	110	1,891
Expenditure					
Staff costs	751	22	59	1	833
External activity providers	518	40	3	162	723
Rent and facility hire	75	16	15	6	112
Marketing	38	3	-	12	53
Other expenditure	108	10	6	30	154
Total expenditure	1,490	91	83	211	1,875
Net income/(expenditure)	5	(5)	117	(101)	16

Income includes £36,000 (2017:£nil) grant receivable from the University.

Expenditure includes £62,000 (2017:£38,000) payable to the University and £67,000 (2017:£59,000) to other group companies in respect of rent, facility hire and other expenditure.

32. Prior year adjustment

Following completion and submission of the consolidated financial statements for the year ended 31 July 2017, the University was informed that the Administering Authority of the Local Government Pension Fund had communicated overstated returns to the Fund's actuary in relation to asset returns received against investments by the Fund between 1 April 2017 and 30 September 2017. This has resulted in the funding position being overstated in the actuarial reports used in the preparation of the prior year financial statements. The comparative figures have been restated as follows:

Notes to the accounts

	Group	University
	£'000	£'000
32. Prior year adjustment (continued)		
Statement of comprehensive income		
Employer contributions for unfunded liabilities as previously stated within staff costs	498	498
Prior year adjustment	(5)	(5)
Adjusted employer contributions for unfunded liabilities	493	493
Actuarial gain in respect of pension schemes as previously stated	28,718	27,946
Prior year adjustment	(10,614)	(10,227)
Adjusted actuarial gain in respect of pension schemes	18,104	17,719
Surplus for the year as previously stated	11,900	6,520
Prior year adjustment	(5)	(5)
Impact of prior year adjustment on surplus for the year	11,895	6,515
Total comprehensive income as previously stated	40,674	34,466
Prior year adjustment	(10,619)	(10,232)
Impact of prior year adjustment on total comprehensive income for the year	30,055	24,234
Balance sheet		
Pension provisions at 31 July 2017 as previously stated	(25,514)	(26,710)
Prior year adjustment	(10,619)	(10,232)
Adjusted pension provisions at 31 July 2017	(36,133)	(36,942)
Total net assets at 31 July 2017 as previously stated	261,602	267,751
Prior year adjustment	(10,619)	(10,232)
Impact of prior year adjustment on total net assets at 31 July 2017	250,983	257,519

Governors and advisers

Board of Governors

Independent Members

Mr R Beazley (Chair)
Dr D Amin *(from 01/09/2018)*
Dr J Blake *(from 01/09/2017)*
Dr L Drummond *(from 01/09/2018)*
Mr D J Goodridge *(to 31/8/2018)*
Mr C A Hughes *(from 01/09/2017)*
Professor A J Hunter
Dr J M Knott
Mr D Konotey-Ahulu
Mr G Morrison *(to 31/08/2018)*
Ms I Nisbet
Mr J Steel
Mr R Voss
Mrs C Ward *(from 01/09/2018)*
Mr N Willott *(from 01/09/2018)*

Vice-Chancellor

Professor Q A McKellar

Member nominated by the Academic Board

Dr L Mitchell

Students' Union

Ms S P Loasby *(to 28/03/2018)*
Mr A Jolly *(from 10/07/2018)*

Co-opted members

Professor Dame Julia Goodfellow *(from 01/09/2017)*
Mrs T Goldlaing *(from 01/09/2017)*

Audit and Risk Committee

Mr D J Goodridge (Chair) *(to 31/08/2018)*
Ms I Nisbet (Chair) *(from 01/09/2018)*
Dr J Blake *(from 01/09/2017)*
Dr L Drummond *(from 01/09/2018)*
Dr J M Knott
Dr L Mitchell
Mr J Steel *(to 31/08/2018)*
Mr N Willott *(from 01/09/2018)*

Employment, Remunerations, Governance and Nominations Committee

Mr R Beazley (Chair) *(to 31/8/2018)*
Dr J M Knott (Chair) *(from 01/09/2018)*
Dr L Drummond *(from 01/09/2018)*
Mr D J Goodridge *(to 31/8/2018)*
Professor Q A McKellar
Mr G Morrison *(to 31/08/2018)*
Ms I Nisbet
Professor Dame Julia Goodfellow *(from 01/09/2017)*
Mr J Steel *(from 01/09/2018)*
Mrs C Ward *(from 01/09/2018)*

Finance Committee

Mr G Morrison (Chair) *(to 31/08/2018)*
Mr J Steel (Chair) *(from 01/09/2018)*
Dr D Amin *(from 01/09/2018)*
Mr R Beazley
Mr D Konotey-Ahulu
Professor Q A McKellar
Mr C A Hughes *(from 01/09/2017)*
Professor A J Hunter
Mr R Voss

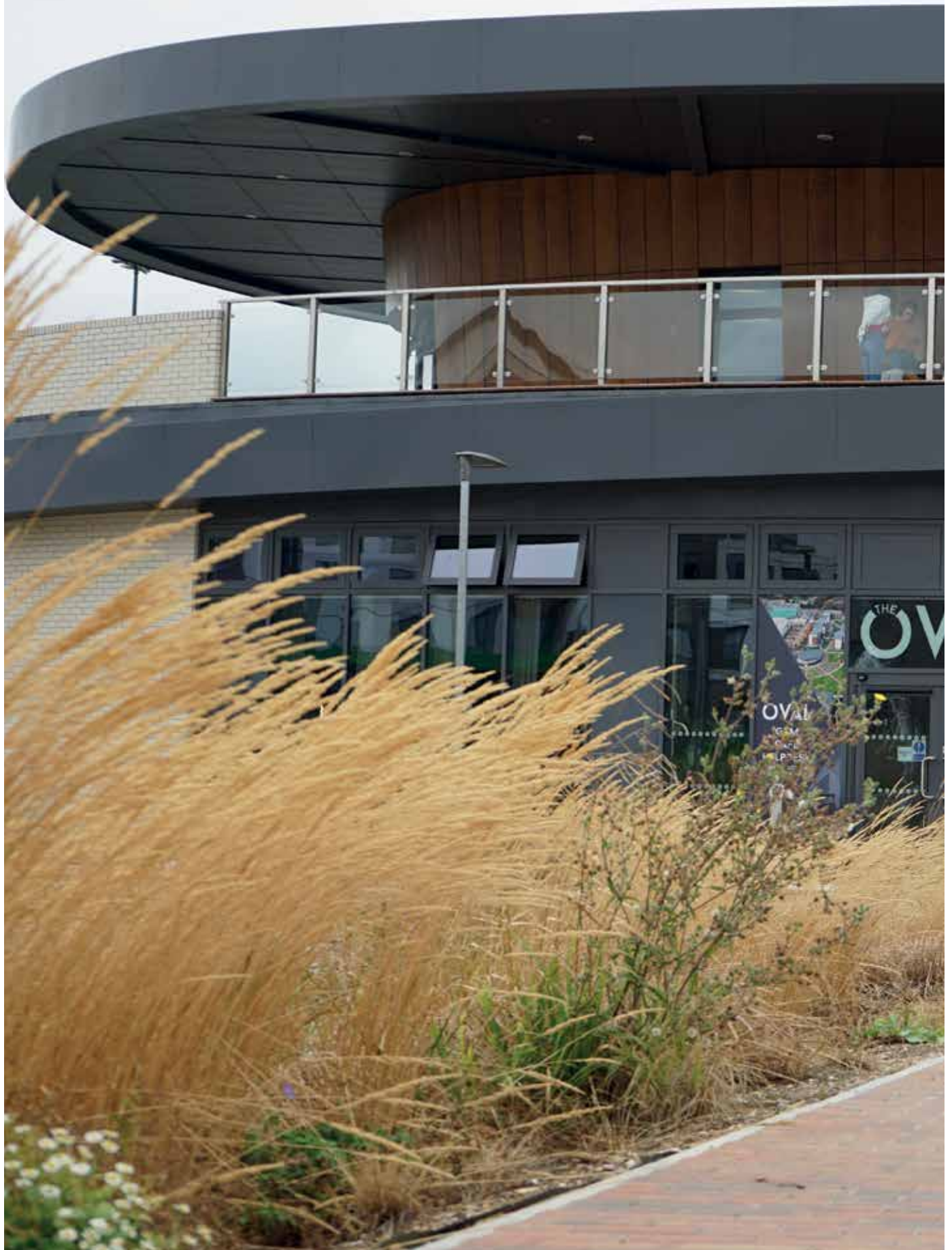
Vice-Chancellor's Remuneration Committee (established 01/09/2018)

Dr J M Knott (Chair)
Mr R Beazley
Dr L Drummond
Professor Dame Julia Goodfellow
Ms I Nisbet
Mrs C Ward

Advisers

Bankers Barclays Bank plc, St Albans
Auditors BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Solicitors Mills and Reeve LLP, Botanic House, 100 Hills Road, Cambridge CB2 1PH

The Oval, College Lane Campus



Officers appointed by the Board

Professor Quintin McKellar CBE

Vice-Chancellor
BVMS PhD DVM DipECVPT FSB FRSA
FRAGS FRCVS FRSE

Professor McKellar has been the Vice-Chancellor and Chief Executive of the University of Hertfordshire since 2011. His responsibilities include the day-to-day running of the institution, the delivery of strategic and operational plans, performance, its internal structure and organisation and its interface with external bodies and agencies. He graduated from Glasgow University Veterinary School in 1981, and went on to gain a PhD in Veterinary Parasitology in 1984. In 1997 Professor McKellar took up the post of Scientific Director of the Moredun Research Institute and Chief Executive of the Moredun Foundation. In 2004, he was appointed Principal of The Royal Veterinary College of the University of London.

Professor McKellar is Chair of the Board of Trustees of The Pirbright Institute and a member of the Hertfordshire Local Enterprise Partnership. In 2015 he was elected as a Board member of Universities UK and is Chair of the University Vocational Awards Council.

Professor McKellar was made a Commander of the Order of the British Empire (CBE) in 2011 for services to science. He has a reputation as a distinguished researcher with interests in the pharmacology of anti-infective and anti-inflammatory drugs in domestic animals.

Professor Ian Campbell

Deputy Vice-Chancellor
BSc MSc PhD

Professor Campbell is a professor of applied physiology. He joined the University of Hertfordshire in September 2013 as Deputy Vice-Chancellor.

As the sole Deputy Vice-Chancellor, he is currently engaged in all strategic and operational decisions which underpin the positioning and success of our University. He also regularly deputises for the Vice-Chancellor in relation to both internal and external affairs.

Professor Campbell has overall responsibility for the strategic development of all academic areas through his management of all Deans of School, his Chairmanship of the Academic Development Committee and his coordination of the annual University planning process.

Prior to coming to the University, he had been Pro Vice-Chancellor at Brunel University since 2008, where he was responsible for a number of key functions including student experience, staff development, learning and teaching, and external relations.

Professor Campbell has an international research reputation relating to the physiology of the physiology of athletes with spinal cord injuries. He has a strong track record of international research outputs, and has been invited to give presentations in China, the USA, Europe and the UK. His work has attracted external funding and media attention because of its impact.

Sue Grant

Secretary and Registrar
BSc FAUA

Sue Grant joined the University of Hertfordshire in May 1983. She was the Academic Registrar from 2004 until her appointment as Secretary and Registrar in 2013. She is responsible for the management and operation of our Board of Governors and Academic Board. Sue has responsibility for legal and compliance matters relating to the University Group. She is the executive lead for Human Resources, Academic Registry, Dean of Students, Health and Safety, Audit, Equality, Planning Development and Internal Change, and is the Head of Administration.

At a national level, Sue has been Chair of the Academic Registrars Council, a position from which she stepped down on becoming Secretary and Registrar of the University. This involved working with higher education institutions across the sector and with the Department for Business, Innovation and Skills, Universities UK and the Home Office. She is currently the University's representative with the Association of Heads of University Administration. She is also a director of Uliving@Hertfordshire, Southern Universities Management Services and a member of the Board of Oaklands FE Corporation.

Alistair Moffat

Group Finance Director
BA FCMA CGMA

Alistair Moffat was appointed Group Finance Director in 2009. He has responsibility for all aspects of financial management within the University Group, including financial control, statutory reporting, treasury, tax, insurance, procurement and commercial financial support for the academic community. His role incorporates Board responsibility for the management of the University's Estate. He is a director of UH Holdings Limited, which oversees the commercial subsidiaries in the Group, and is also a director of many of our subsidiary companies.

He is joint chair of the London and South-East British Universities Finance Directors' Group (BUFDG) and sits on the national BUFDG executive which influences national policy within the HE sector. He is a Fellow of the Chartered Institute of Management Accountants and joined the University from Monarch Airlines, where he was Chief Financial Officer. His other previous roles include Finance Director Scotland at First Group plc and at Alstom Signalling Limited. Alistair was also Finance Director at Mainline Freight Limited, playing an important role during the rail privatisation process.



Group left to right:

Sue Grant, Alistair Moffat, Professor Quintin McKellar CBE, Professor Ian Campbell



College Lane Campus



de Havilland Campus

University of Hertfordshire

Hatfield
AL10 9AB

t. +44 (0)1707 284000
w. herts.ac.uk



/UniofHerts



@UniofHerts