



UNIVERSITY OF LEEDS

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# Annual Report and Accounts 2008/09



## **Our Vision**

**By 2015 our distinctive ability to integrate world-class research, scholarship and education will have secured us a place among the top 50 universities in the world.**

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# Vice-Chancellor's report

'I am confident that our refreshed strategy will help us achieve institutional resilience and keep us on track to secure our world-class aspirations.'

**Michael Arthur**  
Vice-Chancellor



'I know we have enormous strengths and are better placed than most to adapt to a rapidly-changing environment.'

We have set ourselves the ambitious vision of securing a place among the world's top 50 universities through the distinctive integration of research, scholarship and education.

In the past year we have continued to make substantial progress towards our goals in all core areas of business – research and knowledge transfer activity, the learning experience we offer to our students, alumni relations, external partnerships and international collaborations.

The development and adoption of a university-wide strategy map has been key to our success. This has proved a powerful collective tool for achieving focus and academic excellence throughout the University. As the first UK university to use this methodology successfully, we have achieved a national and international reputation for best practice in the development and effective implementation of strategy.

Building on this success, we took the opportunity this year to re-examine our strategy and refresh it. Just as staff and students across the University were engaged in creating our original strategy, we have again drawn on their knowledge and talents to contribute to this update. While the fundamental principles and ambitions are unchanged, we have agreed upon a broader articulation of our stakeholders and partners, and improved the clarity and precision of our objectives.

The higher education sector is entering a period of unprecedented turbulence and uncertainty and we face substantial challenges to our financial position. Our overriding imperative is to ensure that the University remains in control of its future, its academic mission and its strategic development, and that we take steps to prepare for the new, more financially stringent, era ahead.

I know we have enormous strengths and are better placed than most to adapt to a rapidly-changing environment. We are already well on course to achieving our vision of the University of Leeds as one of the world's leading academic institutions. I am confident that our refreshed strategy will help us achieve institutional resilience and keep us on track to secure our world-class aspirations.

During the year I was delighted to accept the position of Chair of the Russell Group from September 2009. This will put the University at the heart of the important debates and decisions about higher education for the next three years.

Averaged over three years, our position in the Times Higher Education World league table is 94th, a rise of eight places. This is due to an improved performance in how academics and global employers rate our performance.

World league table position (rolling three year average)	
2009	94th
2008	102nd
2007	101st

### Passing and surpassing

We are proud of our distinctive ability to integrate research, scholarship and education. We continue to invest in our teaching, student support and facilities to ensure that everyone with the potential to succeed can take full advantage of their time at Leeds.

Our strong strategic focus on learning and teaching has engaged staff across the University in improving the student experience. The benefits of this are being felt by our students and reflected in the progress we are making in the National Student Survey (NSS) and our own internal surveys. The results of the 2009 NSS were published in August 2009 and showed that 84% of our students continue to be very satisfied or satisfied with their experience at Leeds. Leeds has also been ranked first out of 15 participating Russell Group universities for overall satisfaction in a survey of international students (the International Student Barometer).

84%

of our students are very satisfied or satisfied with their experience at Leeds

# 16

National Teaching Fellowships, more than any other university in England

Results from the NSS and our own internal surveys feed into improvement plans now in place for all schools. These plans are discussed in staff student forums and updated regularly so students can see how we are responding to their feedback.

Our excellent teaching was recognised in June by the award of a National Teaching Fellowship from the Higher Education Academy, bringing the total number of such awards to 16 – more than any other English university.

Our sector-leading Leeds for Life initiative illustrates our commitment to our students not just during their time here but throughout their future life and careers. We are focusing on equipping our students with vital life skills and helping them to recognise the value of their university experience. A variety of opportunities through this scheme include undergraduate research scholarships, internships and volunteering.

The skills acquired by our students can be used not just for their own benefit but for the benefit of others. The Leeds for Life Foundation, supported by our alumni, is funding student projects which enable this.

We want to give all those who can benefit from a Leeds education the opportunity to study here. To this end we are developing a smarter applications process which takes account of an applicant's background, including socio-economic group, and helps us identify those who could benefit from our nationally-acclaimed Access to Leeds scheme. This highly successful widening participation programme has recently been commended by a parliamentary select committee. We are also reaching out to mature students through our Lifelong Learning Centre.

Our postgraduate students play a crucial role in our future as a leading research institution and we must nurture these future researchers. In recognition of this we have added to our strategy the explicit aim of delivering a postgraduate research experience that attracts the world's best students.

'We are now ranked 14th in the Times Higher Education league table of research quality, a jump of 12 places from 2001.'

### Research impact

We were delighted with our performance in the 2008 Research Assessment Exercise (RAE). We have significantly improved our research outcome, and now rank joint 14th (overall grade point average) in the Times Higher Education league table of research quality, a jump up of 12 places from 2001. We are one of two major civic universities to have recorded such a substantial improvement. This was particularly pleasing as over 80% of our eligible staff (1,328 people, or 1,269 FTEs) made submissions, a 12% increase compared with the 2001 RAE and the sixth highest number in the UK. We also maintained our eighth position in ranking by 'research power' – a measure of research volume and quality.

The RAE identified 61% of our research as 'world-leading' (4\*) or 'internationally excellent' (3\*) and a further 32.5% as 'recognised internationally'. More than half our schools are ranked in the top 10 in the country with one – Electronic and Electrical Engineering – ranked top. Those subjects that were leaders in their field in 2001 have maintained their position amongst the best.

These results confirm our position as one of the UK's leading research universities.

In the year we received 889 new awards. Ten new awards were over £1m in external value and two awards from the Engineering and Physical Sciences Research Council (EPSRC) exceeded £4m each:

- The Innovation and Knowledge Centre in Regenerative Therapies and Devices (an interdisciplinary centre led by Engineering with Business, Medicine and Health and Biological Sciences) received £4m
- £5m was awarded for a project on the Bio-Tribology of Articular Cartilage led by Engineering with Biological Sciences.

Research grant income per academic FTE	
2008/09	£78,000
2007/08	£72,000
2006/07	£68,000

'A unique collaboration with Marks & Spencer resulted in the launch of the Marks & Spencer 125th birthday exhibition this year in the University's Centenary Gallery.'

### Enterprise and innovation

Our strategy emphasises the importance of using outstanding research results across all disciplines to make an impact upon society. This is reflected in a large and diverse range of enterprise and knowledge transfer activity across the University, from applied research and consultancy through to a sector-leading undergraduate enterprise scholarship scheme and a student company start-up programme.

We led the White Rose Innovation Partnership, pioneering methods of open innovation to enable rapid development of new healthcare services and technologies in partnership with clinicians, hospitals and manufacturing companies in Yorkshire and New Jersey, USA. This partnership has received international recognition for its pioneering work including a USA Thomas Edison award for innovation in 2008.

A unique collaboration between the University and Marks & Spencer this year resulted in the launch of the Marks & Spencer 125th birthday exhibition, 'Marks in Time', in the University's Centenary Gallery and plans to relocate the retailer's entire corporate archive to a purpose-built location on the campus.

This university is one of the largest recruiters of international students, with more than 5,000 undergraduates and postgraduates from over 130 countries.

#### Global reach

Our strategy emphasises the importance of enhancing our standing as a global university; through embracing internationalisation in everything we do, by maintaining one of the largest and most diverse international student cohorts in the sector, and by extending our impact and influence through world-wide strategic collaborations.

We have appointed a new International Director to lead the implementation of a broad-based internationalisation strategy. This will enhance our international performance and standing, bringing a global outlook to all our academic activities and exploring opportunities to give them wider impact.

This university is one of the largest recruiters of international students, with more than 5,000 undergraduates and postgraduates from over 130 countries. Our offices in Shanghai, Delhi and Kuala Lumpur support market development and student recruitment. They also provide an important base for liaison with our international alumni, facilitate strong working contacts with UK business development agencies and provide support to Leeds staff members when travelling to the respective regions. Continued growth in applications reflects targeted programme development, high levels of student satisfaction and clarity of focus on key markets aligned to academic excellence. This gives Leeds solid foundations on which international diversification and growth can be sustained.

This year saw the twentieth anniversary of the establishment of the International Foundation Year which prepares undergraduates from diverse education systems for study at Leeds. Two thirds of the students are funded by international corporate and government sponsors, a testament to the programme's reputation for academic quality. We also celebrated the final graduation ceremony for the BA Teaching English to Speakers of Other Languages (TESOL) programme in Oman. In its 10 year history, over 800 English teachers graduated from the programme. The programme has deepened links with Oman and cemented Leeds' reputation in the wider Gulf region.



‘We are transforming our campus by investing in new state-of-the-art educational, research, residential and leisure facilities.’

Developing and maintaining high quality partnerships is another key element of our international strategy. Such partnerships are an essential component of our mission as a world-class university. We continue to play a leading role in the Worldwide Universities Network (WUN) which addresses major issues through its global challenge programme. Alongside WUN we are engaged in several other select international partnerships, including the White Rose Health Innovation Partnership which has led to links with institutions in Singapore and King Saud University in Saudi Arabia. We have established an innovative partnership with the University of Copenhagen – ranked among the world’s top 50 universities – creating new opportunities in research, teaching and leadership.

### **Building our future**

We are transforming our campus by investing in new state-of-the-art educational, research, residential and leisure facilities, subject to continued funding from the HEFCE and property sales. University grounds will be remodelled, new buildings erected and existing properties upgraded and modernised.

The programme is providing staff and students with a world-class campus and is integral to our ambition of securing a place among the world’s top 50 universities.

Building schemes totalling over £50m were completed in the year and examples of some of these are given on page 17.

#### **Vice-Chancellor’s Executive Group, October 2009**

**(l to r):**

Robert Sladdin, Dennis Hopper, Andrew Thompson, Matthew Knight, Roger Gair, John Fisher, Michael Arthur, Stephen Scott, Jane Madeley, Martin Holmes, Richard Williams and Vivien Jones.



## Vice-Chancellor's report

The 120-year-old campus is one of the largest self-contained city centre university campuses in the UK. Two thirds of the campus is within designated conservation areas, and extensive work has gone into ensuring the new developments will be sympathetic to the surrounding environment and that the new buildings are environmentally friendly.

Buildings included in the capital investment programme are already attracting plaudits. The Marjorie and Arnold Ziff Building and stage@leeds, a new state-of-the-art home for the School of Performance and Cultural Industries, won awards in the 2009 Leeds Architectural Awards.

### Our alumni community

The size and diversity of our alumni community – more than 250,000 members spread throughout the world – gives us a strong platform to build programmes which connect graduates to Leeds throughout their lives.

Over recent years we have worked hard to develop our alumni relations and the alumni network is providing an increasing source of support to the University and inspiration to our current students.

We are privileged to have in our alumni a community of ambassadors and friends who are contributing their time, expertise and support to help the University achieve its ambitions.

Our alumni actively promote the University in their own circles, raising Leeds' profile as an internationally-renowned university and helping us connect with businesses and organisations locally and internationally.

More than 8,000 graduates joined the community this year. These new alumni include the first cohort of Centenary scholars whose studies were enabled by philanthropic gifts from alumni. This support came through the Annual Fund which has benefited from donations from 2,400 alumni in the last year. Grants for projects totalling £0.4m were made from the Annual Fund this year; funding 100 individual scholarships as well as projects to enhance the student experience.

Through the Leeds for Life programme, alumni are playing an active role in equipping students for careers after graduation by acting as mentors, talking to groups of students, sharing their experience and expertise, and increasingly offering placements for students and recent graduates.

The launch of the Leeds Internship scheme has enabled alumni to offer internships to new graduates and has proved very successful in supporting the newest members of our alumni community as they enter the workplace in a difficult economic climate.

We are committed to continuing to strengthen our alumni networks and have received active support and advice from alumni as we take forward plans for a major fundraising campaign. We look forward to their further engagement on this major initiative.

'Donations were received from 2,400 alumni in the last year funding 100 individual scholarships and projects to enhance the student experience.'

‘The commitment, creativity and energy of all of our staff is vital to achieving our vision and key to this is creating a supportive environment where people can reach their full potential.’

### Our people

The commitment, creativity and energy of all our staff is vital to achieving our vision and key to this is creating a supportive environment where people can reach their full potential.

The staff review process is now fully embedded after its first year of operation. Considerable investment has been put into its implementation to ensure consistency and quality of application. We are now focusing on ensuring that local strategies feature prominently in staff reviews and that there is a consistent approach to reviewing academic contributions.

Implementing our framework of employment standards is a priority and will take us towards our target of achieving Investors in People status in 2012. Standards for leadership and management are part of the framework and will help us build and sustain our leadership capacity.

We want to ensure the exceptional people we recruit can achieve their potential and progress at Leeds. New promotions criteria and procedures, based on the principles of ‘equal pay for work of equal value’, will also recognise contributions to integrate world-class research, scholarship and education.

Steady and significant progress has been made to develop the health and safety culture of the University, supported by a major awareness-raising campaign.

There has been a reduction in the number of serious accidents – those reportable under the Health and Safety Executive (HSE) Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. Our groundbreaking approach to partnership work, both with the campus trade unions and the HSE, is also bringing tangible results with improvements to the management of stress, radiological protection and contractors.

We made 2009 the ‘year of risk assessment’ at the University and are supporting staff to ensure practical, safe ways of working across campus.

Our commitment to staff engagement and wellbeing, including innovations such as our mediation service, make us a sector leader.

### In conclusion

In the four years since the launch of our strategy we have achieved great progress and the rewards of a clearly focused strategy ‘owned’ by all our staff have been rapidly realised. We have been successful in creating a sense of purpose with shared aims and objectives and there is a renewed confidence and pride in the organisation and our ability to deliver at the highest international level of academic achievement.

I am pleased to welcome our new Finance Director, Jane Madeley, to the team. Jane joined the University in January 2009.

Our strategy is transforming this university and lifting it to a new and exciting level.

**Professor Michael Arthur**  
Vice-Chancellor

HSE reportable accidents per 1,000 employees	
2008/09	3.6
2007/08	4.4
2006/07	6.4

# Finance Director's report

‘Despite the global economic downturn, challenges to key higher education sector funding streams and significant cost pressures our overall financial position remains strong.’

**Jane Madeley**  
Finance Director



# +8%

growth in total income to £497m

# £11m

surplus transferred to reserves

The University's financial results<sup>1</sup> for the year show that, despite the global economic downturn, challenges to key higher education sector funding streams and significant cost pressures our overall financial position remains strong. This financial resilience is evidenced by our total income for the year increasing by 8% to £497m and an £11m surplus transferred to reserves (2.2% of total income).

We continue to promote financial sustainability by growing and diversifying profitable income streams, effectively managing risks, costs and resources and building surpluses for reinvestment. Growing research and other sources of external income increases our financial independence, and critically makes us less dependent upon government funding at a time when significant public sector funding cuts are anticipated in response to the current economic crisis.

<b>Financial summary</b>	<b>2008/09 £000</b>	2007/08 £000	Change %
<b>Summary</b>			
Total Income	<b>497,207</b>	460,178	8%
Total Expenditure	<b>485,730</b>	441,942	10%
Operating surplus	<b>11,477</b>	18,236	(37%)
Other items	<b>(475)</b>	98	
Surplus transferred to reserves	<b>11,002</b>	18,334	(40%)
<b>Tuition fee and education contracts</b>			
Home and EU students	<b>62,575</b>	51,762	21%
International students	<b>40,164</b>	33,072	21%
Other fees including NHS teaching contract	<b>24,119</b>	24,298	(1%)
Total	<b>126,858</b>	109,132	16%
<b>Research grants and contracts</b>			
Research Councils, UK Charities and Government	<b>88,964</b>	78,127	14%
Industry, overseas and other	<b>23,606</b>	23,080	2%
Total	<b>112,570</b>	101,207	11%
<b>Capital expenditure</b>			
Externally funded	<b>21,068</b>	31,173	(32%)
University funded	<b>28,571</b>	17,550	63%
Total	<b>49,639</b>	48,723	2%
<b>Cash and borrowings</b>			
Cash and short-term investments	<b>86,234</b>	86,172	0%
Borrowings	<b>(26,111)</b>	(29,993)	(13%)
Net Funds	<b>60,123</b>	56,179	7%

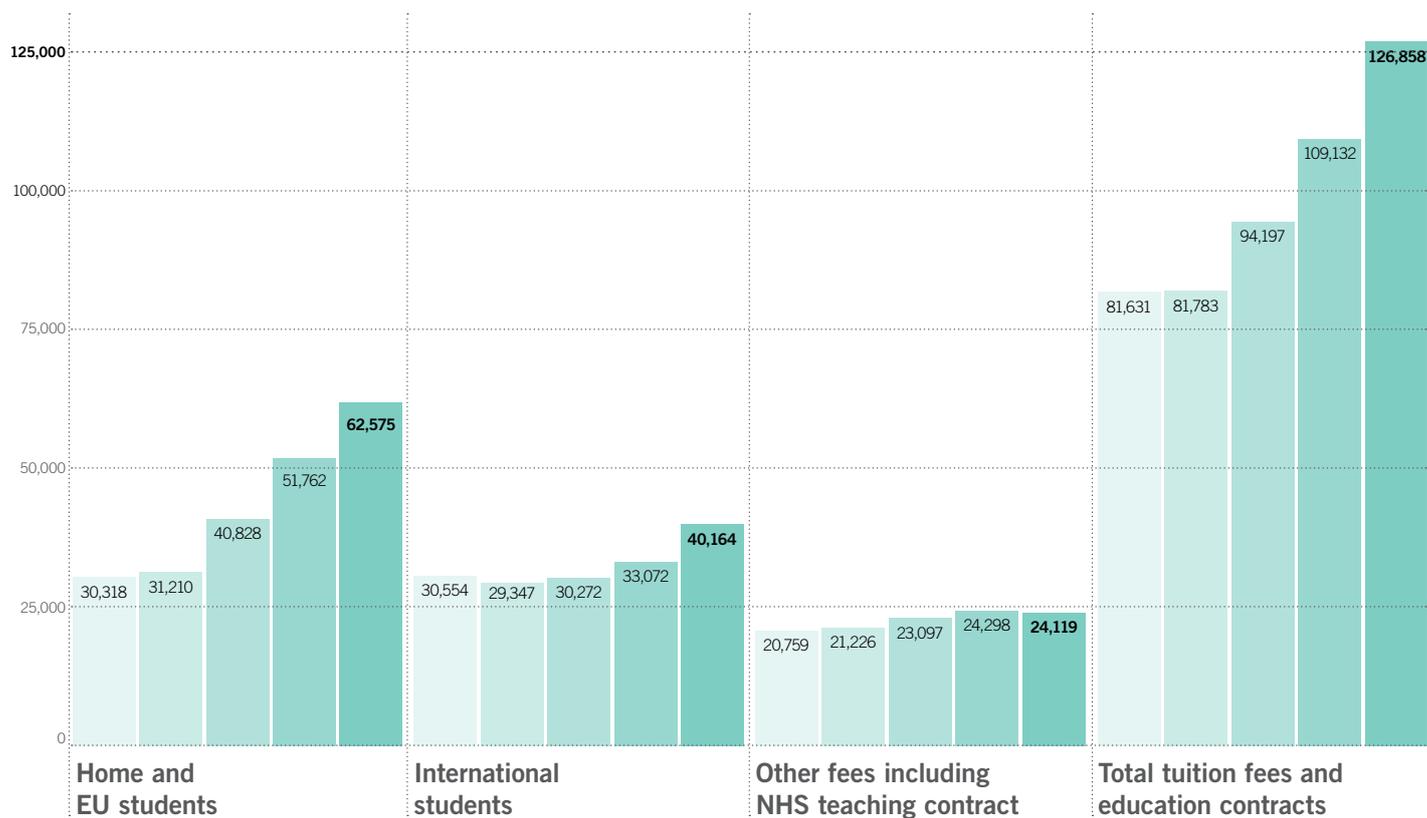
### Funding Council grants

At £158m Funding Council grants remain our largest income stream. Nevertheless they continue to reduce as a proportion of total income year on year. The mainstream teaching and QR (quality related) research grants rose to £130m, an increase of £4m on 2007/08.

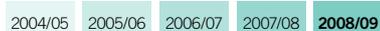
1. The accounts comprise the consolidated results of the University and its subsidiary undertakings

# Finance Director's report

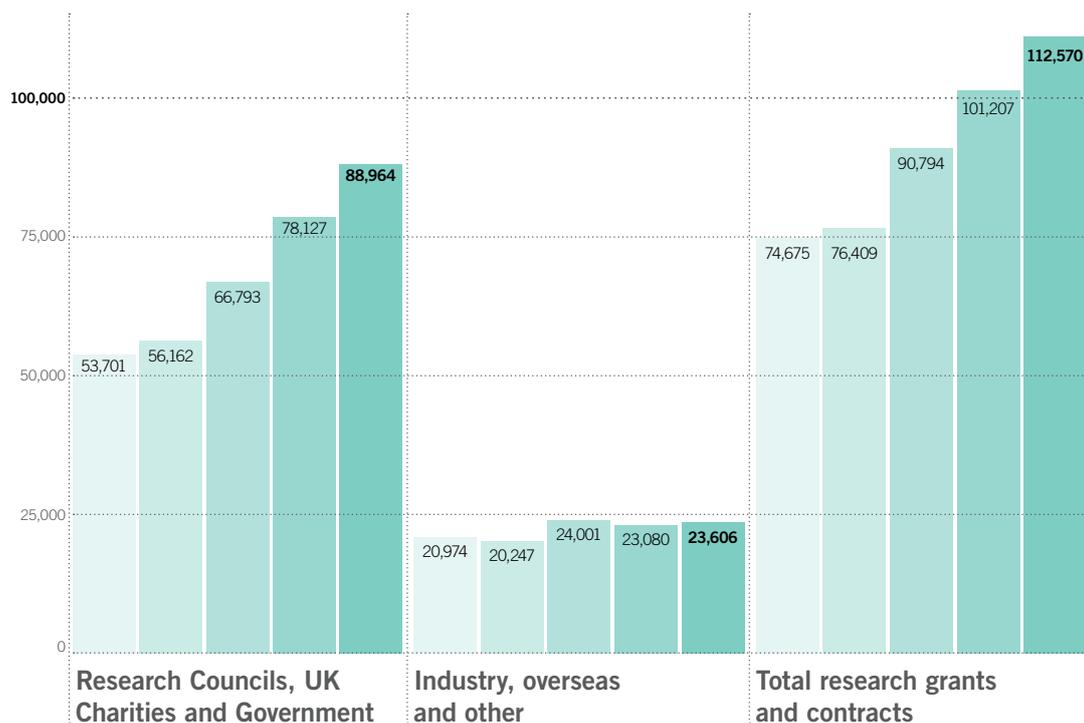
## Tuition fees and education contracts income over five years (£000)



### Key



## Research grants and contracts income over five years (£000)



# 30,916

full-time equivalent students

# £113m

research grants and contracts

### Tuition fees and education contracts

Home and EU tuition fees income grew significantly to £63m, largely as a result of the third year of differential tuition fees providing an extra £10m. Income from international students (outside the EU) increased by 21% in the year to £40m primarily due to increased student numbers.

Full-time equivalent student numbers for the year were 30,916 which is 3% higher than the prior year. In line with our strategy, there have been increases in both the number and proportions of postgraduate and international students.

This year was another particularly buoyant year for postgraduate student applications. The overall increase in full-time postgraduate applications for 2008/09 study was 22%, with international postgraduate research applications growing by 29%.

### Research grants and contracts

Income from research grants and contracts has continued to grow this year in a challenging economic environment, increasing by 11% to £113m. The increase is largely attributable to increased income from Research Councils (£4m), UK Charities (£2m) and UK Government sources (£5m). EU income has also begun to grow as new awards secured under the Framework 7 programme have got under way.

### Research grant income growth

<b>2008/09</b>	<b>+11%</b>
2007/08	+11%
2006/07	+19%

Research overhead recoveries have seen a further improvement from 24% in the prior year to 25% in 2008/09 as we seek to maximise the benefits of full economic costing of research grants.

We continue to work towards achieving an influential world-leading research profile by developing the depth and breadth of our research, improving our ability to compete at an international level. Our major initiatives include:

- Investment in our Transformation Fund projects, to create new, multi-disciplinary research centres which address major cultural, social and scientific challenges, has continued in 2008/09 with the formation of the Centre for Socio-Technical Systems Design, drawing together research expertise from our Faculty of Engineering and the University of Leeds Business School
- Our industrial funding task force, formed in 2007/08, has effectively ensured the alignment of our applied research and enterprise and knowledge transfer activities and its remit will be further expanded in 2009/10 to encompass research funded by the Technology Strategy Board
- The University has successfully coordinated its approach to cross-faculty funding opportunities through the creation of a central project team to target large, multi-disciplinary awards.

The devolution of research support activities to faculties was successfully completed at the end of 2008, underpinned by investment in resources to strengthen support to academic researchers. A new quality assurance framework has been established for research support staff together with an extensive, sector-leading programme of professional training.

### Other operating income

Other operating income increased by £7m this year. The main increases arose from inflationary increases in student accommodation contributing to a £1m rise; £1m increase in recharges to health authorities; £2m from sundry grants; and the donation of paintings valued at £2m to the University art collection. The HE Statement of Recommended Practice (SORP) covering heritage assets, which we adopted in our reporting last year, requires that we recognise the value of donations of such assets within the Income and Expenditure Account of the year of donation.

Other operating income from subsidiary undertakings, notably Weetwood Hall Ltd and Leeds Innovations Centre Ltd, was £9m in the year.

Initiatives have been taken in 2008/09 to standardise, encourage and monitor consultancy income across the University in order to increase our market share. Equally, we continue to protect and nurture our intellectual property in support of ideas which can grow into successful spin-out companies.

Much work continues to be devoted to developing our alumni relations programmes and building long-term relationships with prospective donors. Investment to support the development of the Annual Fund saw a dedicated call centre go live midway through the year. This initiative produced almost immediate benefits and delivered a 24% growth in Annual Fund income during the year.

The HEFCE's £200m matched funding scheme, which aims to increase voluntary giving to higher education providers, was launched in August 2008 and we expect to receive £0.8m of matched funds for 2008/09. This programme, the first of its kind in the UK, provides a strategic opportunity for us to not only maximise our fundraising during the three years of the programme but more importantly to develop and embed a culture of philanthropy beyond that.

We are pleased to report that, despite a challenging external financial climate, overall donor numbers increased by 20% in 2008/09 and the number of donors choosing to give on a long-term basis by direct debit grew by 46% compared to the prior year.

### Effective management of resources

More than ever with the cost pressures which we are facing and the uncertainty about the levels of sector funding going forward, we remain convinced that our approach to financial planning is appropriate and necessary, carefully managing risk and promoting maximum value for money through the efficient and effective management of resources. As we move into a more challenging financial climate for the sector we anticipate that there will be more constraints on resources, therefore we must continue to be clear about our strategic priorities and ensure that we align our resources accordingly.

We set a 5% efficiency target for the organisation in 2009/10 and we believe that there are significant opportunities for us to operate more effectively and efficiently as an organisation by, for example, implementing standardised processes.

Total staff costs increased by £28m from the previous year, this 11% increase results from the 5% national pay award, a 1.5% increase in average FTEs and career progression through the pay scales. Specifically £6m of the increase related to non-recurrent restructuring costs incurred to support the necessary staff reduction programmes within the Faculty of Biological Sciences and the School of Healthcare.

Due to the reduction in the Bank of England base rate from 5% to 0.5% over the year, our income from short-term investments has fallen £3m (56%).

We appreciate the value of all our space and aim to improve significantly our income per square metre. We have achieved an important gain over the last two years. To improve further we will focus predominately on income growth, capping space at around current usage levels and utilising it more effectively.

#### Income per square metre

<b>2008/09</b>	<b>£1,098</b>
2007/08	£977
2006/07	£887

# £25m

heritage assets

# £86m

cash and short-term investments

# 15%

gearing ratio

Backlog maintenance requirements for the estate have been re-surveyed and now stand at £66m, a reduction of some £28m since the last survey was undertaken in 2006. This reflects both the increased investment in backlog maintenance made by the University – around £5.5m per annum since 2007, plus improvements associated with the Capital Programme. It is considered that if the current level of investment is maintained, the University is on target to meet its objective of the majority of non-residential buildings being in good condition by 2015.

Integral to our Sustainable Development Programme, a Carbon Management Programme has been formulated in partnership with the Carbon Trust. With an annual investment of £0.4m, this programme sets out our goal to reduce both energy usage and carbon emissions over time. Our carbon emissions target includes the UK's new carbon reduction commitment, which will come into force in 2010, which measures and compares carbon usage and penalises poor performance. We plan to reduce carbon emissions in line with the Climate Change Act 2008 by 10% in 2010; by 34% in 2020; by 80% in 2050; and eventually become carbon neutral.

### Creating surpluses for reinvestment

Our target is for all our faculties to have surplus reserves; at 31 July 2009 six of the faculties have surplus reserves but the remaining three are reporting a deficit reserve position. Our current plans indicate that all nine faculties will have surplus reserves by 2013/14.

In all cases the key to returning faculties to a surplus reserve position is the development and implementation of an academic strategy which is financially sustainable. This is achievable but in some cases will involve localised restructuring.

### Balance Sheet

We are committed to preserving the inherent strength of our Balance Sheet, holding sufficient net cash cover and maintaining capital investment on an affordable basis.

The net book value of tangible fixed assets increased by £35m (a 10% increase) to £378m over the year in line with our ambitious capital expenditure programme and including a £2m increase to our heritage assets base.

Following a major gift of artworks from the Stanley and Audrey Burton Charitable Trust estimated at a market value of £2m, we now recognise £25m of heritage assets on our Balance Sheet. These heritage assets include valuable literature and artwork which enhance the experience of our students.

The University's Council requires that sufficient cash is held at any one time to enable the University to cover one month's gross expenditure. We spread the risk of holding cash by dealing with only high quality financial institutions, whose credit ratings we check on a weekly basis. Apart from AAA rated instant access sterling liquidity funds which are individually capped at £20m, the University does not invest more than £12m in any one financial institution.

The University retained £86m of cash investments at 31 July 2009 of which £12m was held on deposit for remaining terms of up to two months, £62m was held in four separate sterling liquidity funds and the remaining £12m was held on-call.

With an annual surplus of £11m, the gearing ratio, excluding heritage asset and pension reserves, has fallen to 15%. Despite the current turbulence in the financial markets we remain in a strong position to extend borrowing to finance our capital programme and plan to borrow upwards of £20m in 2009/10.

The endowment portfolio declined in value over the year from £49m to £42m, principally because of the fall in global equity markets. After a number of years of out-performing the benchmark, and despite income generated by the fund rising broadly as planned, investment performance was disappointing again this year.

Capital expenditure is carefully planned in the Finance and Estate Strategies and is focused on areas of strategic importance that will have a real impact upon the lives of our students and staff.



# £50m

capital expenditure

## Pensions

The University of Leeds Pension and Assurance Scheme (PAS) had a Balance Sheet deficit of £31m at 31 July 2009 compared to a surplus of £4m at 31 July 2008.

The £35m reduction arose as a result of changes in actuarial assumptions, including the discount rate and inflation rate, and equity values. The level of Balance Sheet surplus/deficit going forward is subject to fluctuations and may vary widely each year.

The PAS and the Universities Superannuation Scheme (USS) were subject to full actuarial valuations as at 31 March 2008. Both schemes were in deficit and whilst we are already bearing increases in contribution levels from 2009/10, it is likely that both schemes will require further increases in future funding levels in order to maintain the current level of benefits.

## Capital programme

Our ambitious capital programme continued apace with capital expenditure of £50m in the year, slightly up on the £49m spent last year and providing visible change around the campus.

The University completed three major capital developments in the year:

- £17m landmark Marjorie and Arnold Ziff building with 'green' credentials housing a new student services centre commensurate with providing an excellent student experience
- £9m programme of lecture theatre refurbishments
- £3m additional multi-functional sports facility containing three squash courts and a large hall the size of six badminton courts.

Capital developments due for completion in the 2009/10 financial year include:

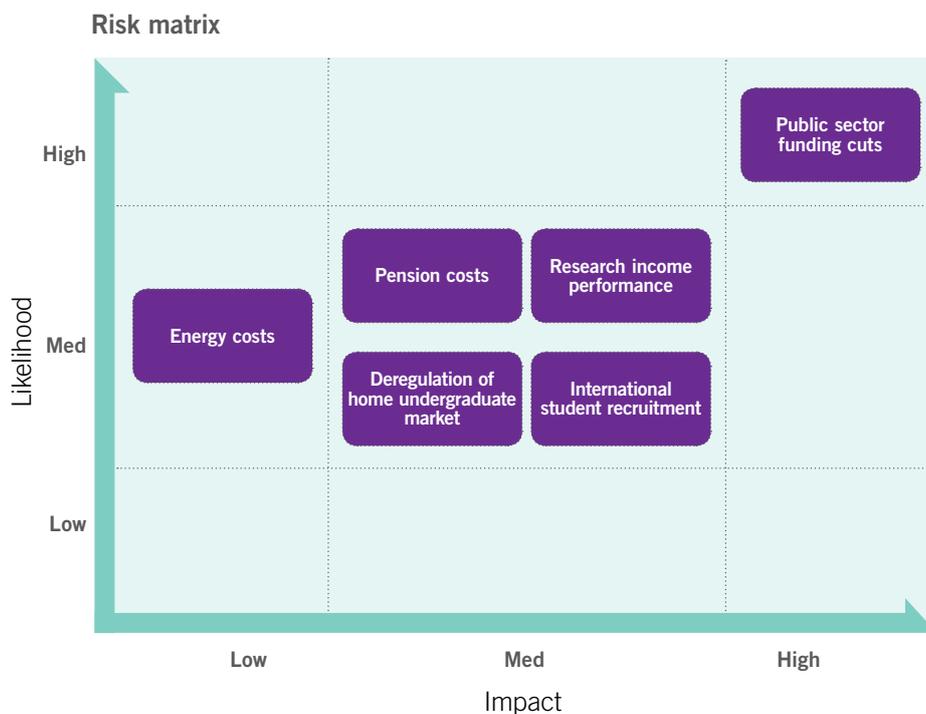
- the redevelopment of Charles Morris Hall at a cost of £25m to provide high quality residential accommodation to meet the rising expectations of students and to enable the hosting of large conferences on campus
- the consolidation of the School of Earth and Environment in refurbished existing accommodation and an adjacent new build extension at a cost of £22m
- a new swimming pool and improved and expanded health and fitness facilities at a cost of £12m.

Capital expenditure is carefully planned in the Finance and Estate Strategies and is focused on areas of strategic importance that will have a real impact upon the lives of our students and staff.

Demonstrating our commitment to value for money, we conducted 114 tenders worth £81m in the year. We purchased £5m of capital equipment using a combination of competitive tendering and whole-life costing techniques.

### Risks

The main financial risks facing us over the following 12 to 18 months, factors which directly threaten the success of our strategic objectives, are subject to continuous management attention.



Two of the risks identified are new, the most significant of which arises directly as a result of the impact of the global economic crisis on the UK economy and the second arises as a result of the impending tuition fees review. The risks are:

- Significant **public sector funding** cuts impacting the higher education sector. We plan to address this directly by identifying and delivering cost savings across the organisation which should provide us with a competitive edge as we navigate through the anticipated turbulent times
- Further steep rises in **pension costs**. The impact of recent pay awards, increased life expectancy and the fall in equity values raises a significant cause for concern over the affordability of our final salary pension schemes (USS and PAS) which we cannot ignore and which will need to be explored in due course

'I am confident that against a challenging backdrop the University will continue to be well served by its financial strategy and it will continue to deliver a resilient financial performance which will underpin its world-class ambition.'

- A failure to remain competitive in the **home undergraduate student recruitment** market after expected deregulation as a result of the tuition fees review. Ahead of the review we are currently considering, at an individual school level, the price position that we believe we would be able to justify based on the quality of our current student offering compared to the price position we believe we should be targeting and from that analysis determining what actions are required to close any gaps
- An inability to achieve **international student recruitment** targets because of market changes in the international political or economic environment. This risk is being addressed by the development of an International Strategy by our new International Director which will focus on building our position internationally and raising our profile, increasing our understanding of external market dynamics, improving processes and building stakeholder loyalty
- A failure to achieve peer class benchmark levels in **research income per academic FTE** and in particular to deliver effective transformational projects. We are addressing this risk by encouraging shared ownership of research income targets between our research and enterprise and knowledge transfer directors, the introduction of a more robust monitoring programme of the Transformation Fund projects and a more ambitious plan for postgraduate researcher recruitment
- A rebound in **energy costs** associated with the unpredictable nature of world oil prices. We continue to address this by raising awareness of energy usage and the development of energy efficient buildings.

#### **To conclude**

The higher education sector is about to enter a period of unprecedented turbulence and uncertainty which means that we will face substantial challenges to our financial position.

Our financial planning has for several years been prepared on the basis of the need to balance academic investments with long-term financial sustainability in order to provide a comprehensive financial framework for the future within which to effectively manage risk; continuing to plan on this basis will be critical to ensuring that we are able to maintain a robust financial position.

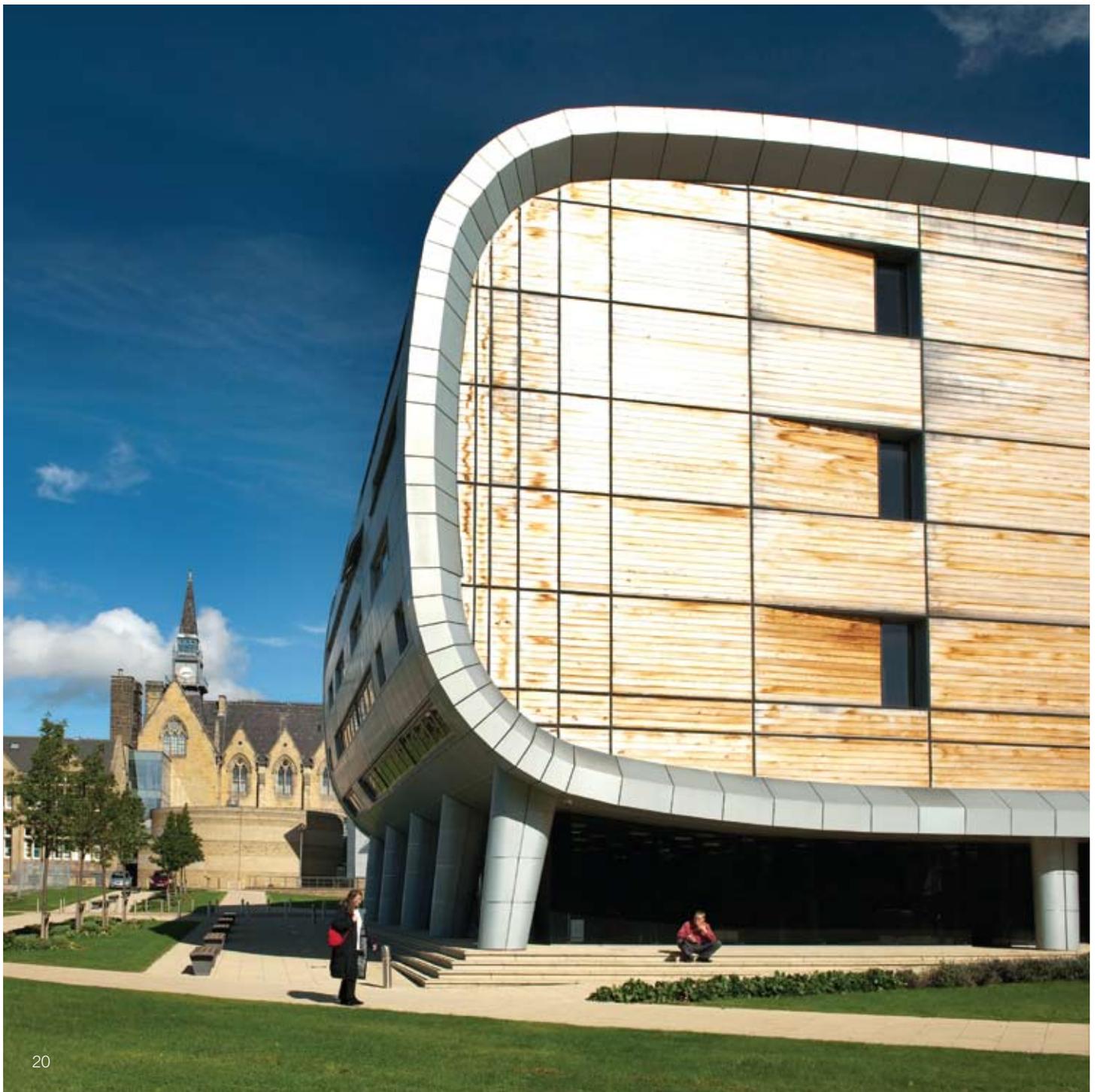
The University enters into the new financial climate with a strong financial base and I am confident that against a challenging backdrop the University will continue to be well served by its financial strategy and it will continue to deliver a resilient financial performance which will underpin its world-class ambition.

#### **Jane Madeley**

Finance Director

# Values and responsibility

The University's values are an integral part of our strategy and guide our decisions and how we work together.



The University's values (see box below) are integral to the way in which we function. They inform all our interactions – how we work together and with others and how we see our role in the wider community – and they inform our approach to fulfilling our responsibilities. This section sets out some of the ways in which the University tries to give effect to those values and, in particular, how we manage our affairs responsibly.

### Our values



**Academic excellence:** knowledge, academic freedom, critical independence, creativity, innovation, world-class performance.

### Academic excellence

Academic excellence lies at the heart of our values.

As part of our commitment to maintaining and supporting the highest standards in research, we have established a University Research Ethics Committee (UREC), which has among its responsibilities oversight of matters of general policy and principle on research matters; approval of proposals for research with significant ethical dimensions (including that carried out on human subjects or using their data) and those involving the genetic modification of plants; and consideration of the impact of research upon the natural environment. The UREC, which is supported by a network of faculty-level research ethics committees, has developed – *inter alia* – a range of guidelines for researchers, a comprehensive programme of research ethics training and development and robust audit procedures. The number of applications for ethical approval received during 2008/09, and their quality, suggests high awareness of the system and its requirements.

Leeds was one of the first universities to introduce (in 1996) a protocol for investigating and resolving allegations of misconduct in academic research, which will be reviewed against new guidance circulated recently by the Research Councils UK (RCUK) and the UK Research Integrity Office (UKRIO). We remain committed to ensuring that any such allegations are subject to full, fair and quick investigation. One allegation of misconduct in research was received towards the close of 2008/09, for which resolution is being sought.

Similarly, the University operates a complaints procedure which provides for both informal and formal resolution of concerns about any aspect of a student's academic or pastoral experience. During 2008/09, the University received 36 formal student complaints, which included complaints about the standard of academic provision, the quality of tuition or supervision, and the standards of other key services affecting a student's studies or general welfare.

The majority of complaints received in 2008/09 have been resolved satisfactorily, although three complainants have since pursued their concerns externally with the Office of the Independent Adjudicator, the student ombudsman. The outcomes of their petitions are awaited.

## Values and responsibility

Data on appeals in 2008/09 by taught students against academic judgements will not be available until after publication of this report, but in 2007/08 there were 59 such appeals, of which 32 (54%) were upheld or otherwise conceded by the University.

### Use of animals in research

Research using animals is driving fundamental advances in understanding, treating and curing a range of health problems including cancer, heart disease, diabetes and mental illness, and it continues to enable fundamental advances in our understanding of diseases.

It is in this context that the University carries out animal research to improve the health and welfare of human beings and animals – and to provide a better understanding of the animals themselves. We use animals, however, only when the use of alternatives – such as computer modelling, tissue culture, and cell and molecular biology is not feasible. Although these alternatives can neither properly reproduce the complex biological characteristics of man and animals (as yet) nor replicate the study of wild animals in their natural environment, we are absolutely committed to the principle of replacement whenever possible – and to the refinement of research methods and to reducing the use of animals in research.

Where the use of animals is unavoidable, all research is carried out to high standards of humane care and treatment within a strict framework of legal controls. Projects must be approved by an ethical review committee; and researchers are trained in the ethical dimensions of their work and in standards of animal care, welfare and accommodation.

### Genetically modified crops

We understand public interest in the issue of transgenic (GM) crops and welcome debate on such science, particularly in the context of discussions on future food security. Our academics have an important role in ensuring that any debate is based on scientific facts rather than speculation – and crop trials support such work.

During 2008/09 we carried out trials of genetically modified potatoes looking at ways of limiting the damage caused by microscopic nematodes – roundworms which cause major disruptions in the food supply to tens of millions of people in the developing world. The trials repeated work conducted originally during 2007/08, when the trial crop was destroyed by protestors before any scientific results were available. This year's trial has been harvested successfully and the results are being analysed.

**Inclusiveness:**  
diversity, equal opportunities  
and access.

### Inclusiveness

During 2008/09, our significant programme of work to promote equality and inclusion included the production of a DVD for new and potential students which provides a flavour of study at Leeds from an equality and diversity perspective. Equality and diversity training for staff encompassed training for managers and staff review scheme reviewers and for frontline Estates and Residential and Commercial Services staff. Estates Services conducted an audit to enhance the accessibility of our campus and buildings. We improved the profile of information on the support available to disabled staff members and produced new information leaflets covering the range of services and support available for disabled students. This year was also the first during which the Equality Service worked collaboratively with Leeds University Union to host a series of successful events to celebrate Black History Month in October and Lesbian, Gay, Bisexual and Transexual History Month in February.

The University continues to attract a large number of disabled students. The year saw a 50% increase from the previous year in the uptake of support provided to help students develop strategies to address academic difficulties arising from their disability. The resources we provide to support disabled students have also

**Integrity:**  
openness, transparency  
and honesty.

increased; we have improved arrangements for the academic support available to disabled students via the appointment of a new Disability Team Manager; and we have appointed a new Student Mental Health Worker to support students with emerging or long-term mental health issues and to advise staff who are working with students with mental health conditions.

Our outreach activity over the last year has supported 34,000 beneficiaries through over 350 events involving 200 schools. Additional to the HEFCE widening participation funding and the tuition fees income used to support outreach, we have secured £1m from external sources. Our 'Reach for Excellence' programme supports young people who demonstrate the potential to study at a top university; and our 'Access to Leeds' alternative scheme has been cited as best practice by the government. For the second year running, we have met or exceeded all the widening participation outreach targets set out in the Access Agreement.

**Integrity**

The University's commitment to integrity embraces openness, transparency and honesty in the conduct of all of its business.

In line with its classification as a 'public authority' for the purposes of the Freedom of Information Act 2000, the University has updated its publication scheme (which assists members of the public to locate information published by the University) to reflect the new model advocated by the Information Commissioner. The new model is intended to reflect the growth of the internet as the principal medium for the publication of information. Under the Act the University is also required to respond to written requests for any of the information it holds from any member of the public.

During 2008/09 we received at least 90 requests explicitly under the Freedom of Information Act – an increase of 12% over the 80 received the previous year. Of these, again, by far the largest number (27) could be identified as originating from the press, with most being 'round robins' sent to all UK HEIs. The increase in requests was coupled with an increase in the complexity of the information sought in a significant number of cases. Some four requests sought detailed technical information on expenses claims, salaries and other financial information whilst four press requests sought information – not held by the University – on the number of accepted applicants granted visas who had not subsequently registered as students of the University. With the exception of the most complex requests, responses were made within the 20-day period required by the Act.

The University's arrangements for meeting its responsibilities under data protection legislation are set out in a detailed Code of Practice and associated guidance, available on request from the Secretariat. During 2008/09, the University received 18 data subject access requests, the majority of which related to internal disputes, complaints or appeals. A response to only one of the requests significantly exceeded the 40-day period permitted in law.

The University's handling of data subject access requests and freedom of information requests gave rise to one complaint to the Information Commissioner's Office (ICO) in 2007/08. That complaint, together with a further complaint referred to the ICO early in 2008/09, is still under investigation.

During 2008/09 there has been a significant increase in the number and sophistication of attempts at fraudulent claims to the University's academic awards. We are working with the police, Home Office and embassies to ensure that perpetrators of such frauds are brought to justice.

## Values and responsibility

### Professionalism:

provision of effective and efficient customer-focused services in all aspects of our work (internally and externally).

### Professionalism

The University strives to provide effective and efficient customer-focused services in all aspects of its work (internal and external), and has continued to enhance the levels of service during 2008/09. Developments are taking place via ongoing reviews of key university-wide processes, including student admissions and other aspects of student administration, research and learning and teaching support and IT. Recent improvements in student-facing services have been underpinned by our new student services centre in the Marjorie and Arnold Ziff Building, which was officially opened in January 2009. Our innovative approach to leadership development is sector-leading and includes our succession planning programme, 'Tomorrow's Leaders', while our 'Leadership and Management Standard' sets out clear expectations and is used to focus our leadership programmes on organisational objectives and values.

### Community

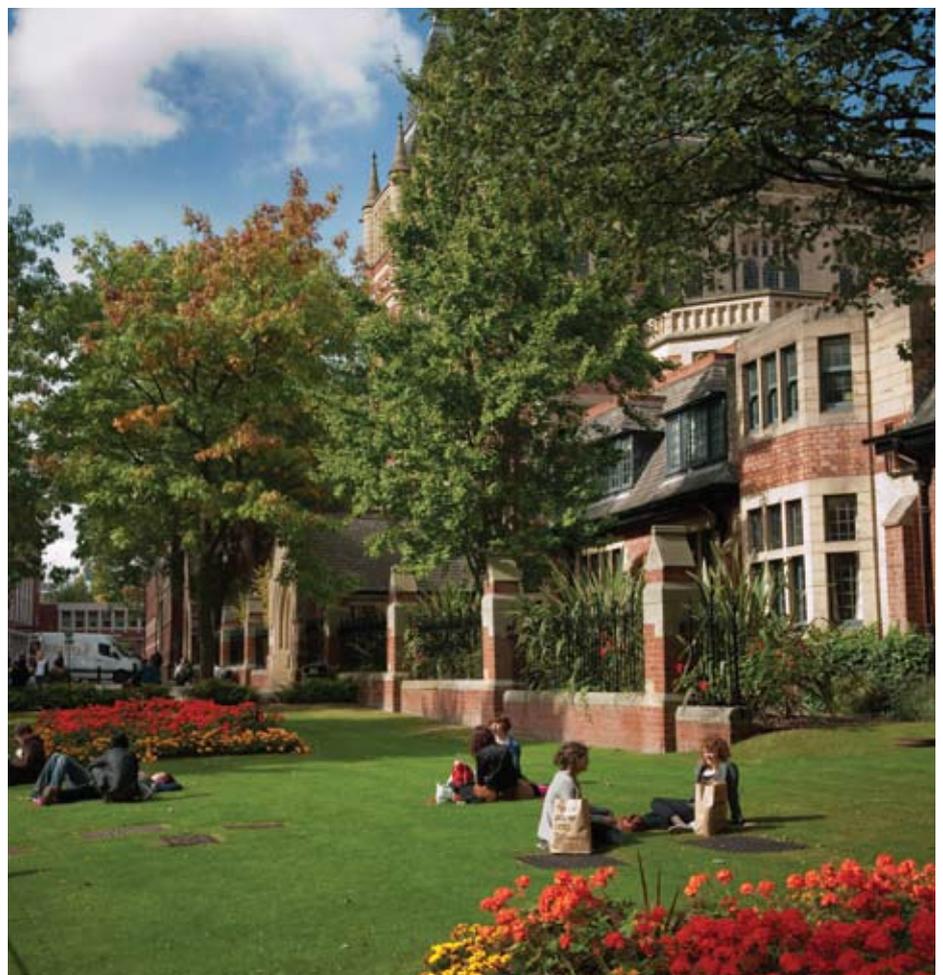
#### Public service and citizenship

Over 1,500 students have given up their time to work with local schools and the community in supporting both the educational and social development of our communities, including working with young people in public care, organic gardening projects, refugee mentoring and supporting a major public event in Hyde Park to celebrate the diversity of the area. Supporting our students' experience in the community continues to be a priority; and we are working closely with Leeds City Council to develop solutions to reduce waste and noise and improve transport in areas of high student population.

We played a major part in the city-wide 'Light Night' celebrations; and we organised a series of free public lectures to celebrate the Olympic Games and the Cultural Olympiad. We have ambitious partnerships with Opera North and, more recently, Marks & Spencer, both of which seek to bring a wide range of cultural projects to the people of Leeds.

### Community:

public service and citizenship, collegiality, teamwork and mutual respect.



Sustainable Development is being integrated into the heart of our activities and operations as a priority theme in the University's strategy. While we have set ourselves a challenging agenda, we continue to receive recognition of our achievements in this area. In 2009 we won two further Green Gown awards for progress achieved in our Transport Plan, including reducing commuting by car, car sharing, discounted annual travel cards, cycle to work scheme and active travel; and for LUU's work on banning sales of bottled water and the Green Streets project to collect and redistribute the reusable waste that students leave at the end of the year. In partnership with Leeds Metropolitan University, we manage Velocampus Leeds as part of UTravelActive, the UK's first large-scale university bicycle loan scheme, with an initial 200 bicycles increasing to 350 in autumn 2009. LUU achieved a gold award in the National Union of Students' Sound Impact Awards scheme; and the University achieved a silver standard in the new 'Universities that Count' programme supported by the HEFCE.

We exceeded the Defra UK waste management target (40% by 2010) in 2007; and in 2009 reuse and recycling has increased to 88% (against the Defra target of 45% by 2015), which we achieved by providing separate collection of office recyclates, composting organic waste and sending the remaining mixed wastes to a materials recycling facility. Our top priority during 2008/09, however, was carbon management, with a dual focus on saving energy and reducing carbon emissions via a new energy policy. We have developed a new sustainable buildings design, construction and refurbishment policy; carried out thermal energy surveys of the main campus and commenced a new energy metering and management programme; and installed two biomass fuelled boiler systems at a student residence and sports pavilion.

University investment decisions have been informed by a Socially Responsible Investment policy since 2001, which includes a policy of not investing in tobacco companies. A recent report from our endowment fund managers provides evidence of the policy having positive influences and tangible effects on company decision-making. In a similar vein, the University has had Fairtrade status since 2005. We work with the Student Union to promote the sale of Fairtrade products, which are featured in campus shops and available through hospitality catering.

### **Collegiality, teamwork and mutual respect**

Our commitment to collegiality, teamwork and mutual respect shapes our structure of governance (pages 26-31), our approach to staff development (page 9), health and safety (page 9) and our relationship with trade unions.

We have well-established consultation mechanisms to enable us to seek the unions' input into a range of issues affecting staff. During 2008/09, we have agreed new mechanisms and criteria for the promotion of all grades of staff except the most senior (which remains under discussion). We have worked closely with the trade unions to agree a new policy on 'Dignity and Mutual Respect' in the workplace. We have seen the first full year of operation of our new Mediation Service, which has very successfully provided a mechanism to resolve workplace issues and disputes.

Our commitment to partnership working has continued successfully in the health and safety area. The number of serious accidents that we are reporting currently has halved in comparison with those of two years ago.

Our Staff Review and Development Scheme continues to be a key way of engaging all staff with our strategy, with excellent participation rates and gradually improving alignment between individual and school/service objectives. Our annual Staff Survey focused this year on a positive response to stressors in the workplace. The survey had a high response rate and action plans have been produced in all schools and services and at University level.

# Corporate governance

The University is an independent corporation established by Royal Charter. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, has charitable status.

The University's status as a charity and as a body in receipt of public funds places particular obligations upon it but the Council of the University is in any case committed to upholding the highest standards of corporate governance.

The Council is satisfied that the University has complied with the Governance Code of Practice published by the Committee of University Chairs (CUC) and more generally with the other practices commended in the CUC's Guide for Members of Governing Bodies (March 2009). The University also continues to comply with relevant provisions in the First (1995) and Second (1996) Reports of the Committee on Standards in Public Life.

## Structure of governance

### The Council

The Council is the governing body of the University. As such, it has a collective responsibility to promote the University's wellbeing and to ensure its sustainability. The specific responsibilities of the Council are outlined in its Statement of Primary Responsibilities as set out on page 31 but, in essence, it is responsible for approving corporate strategy and associated plans and budgets; for determining major business decisions and corporate policy; for the framework of governance and management; and for monitoring institutional and executive performance. These responsibilities are 'reserved' to the Council and, as a general rule, cannot be delegated. Other responsibilities have been delegated to committees and officers in accordance with a scheme of delegation.

The Council, which meets six times a year, has 23 members, the majority of whom are lay members. (Lay members are those who are neither employees nor students of the University.) Also included in its membership are representatives of the staff and students. Lay members do not receive fees or other remuneration for serving on the Council.

The (lay) Chair of the Council (the Pro-Chancellor, Mrs Linda Pollard) plays a key role in the governance of the institution while remaining outside the day-to-day executive management. She is supported by the Deputy Pro-Chancellor (Dr Michael Ziff). Members of the Council are listed on page 30.

The University maintains a Register of Interests of Members of the Council (and senior officers) which may be consulted by arrangement with the Secretary to the University, who acts as Secretary to the Council.

### The Senate

The Senate is responsible to the Council for academic governance, and especially for regulating the admission of students; the curriculum and assessment; maintenance and enhancement of academic standards; and the award of degrees and other qualifications. The Senate consists of some 160 members of the academic staff and 19 student members; and slightly under half of the staff members are elected.

In addition to its responsibility for academic governance, the Senate has an advisory role extending across most aspects of the University's work. It also serves as a two-way channel of communication, thus underpinning collegiality; and is responsible in particular for advising the Council on academic and related strategies. The Senate may discuss and declare an opinion on any matter whatsoever relating to the University; and is given the opportunity to comment on policy questions and other matters (including the allocation of general revenue) affecting the academic work of the University.



A review of the constitution and effectiveness of the Senate was initiated during 2008/09.

### University Committees

The principal committees of the Council include:

- the Audit and Risk Committee, which *inter alia* has a significant role in reviewing the effectiveness of the systems of internal control, including financial procedures and risk management (see below);
- the Health and Safety Committee, which maintains an overview of the University's arrangements for securing the health and safety of staff, students and visitors; and
- the Remuneration Committee, which determines the salaries of the Vice-Chancellor and other principal officers of the University.

Committees of the Senate include the Learning and Teaching Board, the Graduate Board, the Enterprise and Knowledge Transfer Board and the Research Board.

### The Court

The University Court, which has about 90 members (the majority lay) and which normally meets twice a year, stands beyond and above the University's main decision-making machinery but plays an important and influential role on behalf of the institution's stakeholders in seeing that the University is well managed, properly governed and responsive to public and local interests and concerns. In particular, the Court serves as a mechanism for – and indeed a symbol of – the University's accountability to the wider community and to different constituencies of stakeholder. It is empowered to ask questions about, and express an opinion on, any matter whatsoever concerning the University; and to convey such opinions to the Council.

The Court is responsible for approving recommendations for the appointment of the University's principal lay officers.

In the same vein, it is responsible for appointing most lay members of the Council. In exercising this responsibility, the Court is advised by the Nominating Committee, which is required to have regard to the need to draw members from a wide variety of backgrounds, and also to strike an appropriate balance between continuity and rotation in the membership of the Council. The Court also has a part to play in the University's procedures for 'whistle-blowing' in accordance with the University's code of practice thereon.

### Senior officers and executive management

As the chief executive and senior academic officer of the University, the Vice-Chancellor, Professor Michael Arthur, exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. He is formally responsible to the Council – within a prescribed framework – for the operational management of all aspects of the University's work. The Vice-Chancellor has delegated responsibility for specific aspects of the University's management to the Deputy Vice-Chancellor, pro-vice-chancellors and the other senior officers who make up the Vice-Chancellor's Executive Group (VCEG), and to the deans of faculty, but he retains ultimate responsibility for their work.

Members of the VCEG are responsible to the Council (through the Vice-Chancellor) for the leadership and overall management of the corporate services; and for formulating policy and other proposals for consideration by the Senate and the Council. Members of the VCEG are listed on page 30.

**Members of the Council, July 2009 (l to r):** Anne-Marie Martin, Naomi French, Tom Morton, John Stoddart-Scott, Martin Scicluna, Alison Staniforth, Neil Clephan, Quentin Woodley, Gavin Reid, Miriam Zukas, Michael Arthur, Linda Pollard, Kevin Roberts, Jane Gaukroger, Nima Poovaya-Smith, Colin Ions, David Richardson, Michael Gladstone, Ed Anderson, Jak Codd and Michael Ziff.

**Not pictured:** Frank Finlay, Nigel Foster



## Corporate governance

Similarly, the deans are responsible to the Council (through the Deputy Vice-Chancellor) for the leadership and overall management of their respective faculties. The Faculty Management Group (FMG), which comprises the deans and members of the VCEG, plays a coordinating role in the management of faculties, and monitors their financial position and academic development. The deans are listed on page 30.

### Internal control

The Council is responsible for ensuring a sound and effective system of internal control that supports the fulfilment of the University's policies, aims and objectives whilst safeguarding public and other funds and assets. The system of internal control is designed to manage rather than eliminate these risks of failure; it can provide reasonable but not absolute assurance.

Detailed review and monitoring of the system of internal control is carried out on behalf of the Council by the Audit and Risk Committee, from which it receives periodic reports. The Committee itself receives regular reports from the internal auditors: those reports include an independent opinion on the adequacy and effectiveness of the University's arrangements for risk management, governance, internal control, and securing value for money, with recommendations for improvement where appropriate. Review of the system of internal control is informed too by the work of executive managers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

### Financial control

The Council is required to secure the economical, efficient and effective management of the University's resources and expenditure and to safeguard its assets (including preventing

and detecting fraud). In so doing, it has to ensure that funds from the Higher Education Funding Council for England (HEFCE) are used only for the purposes for which they have been given and in accordance with a Financial Memorandum agreed with the HEFCE; and that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

The University discharges these responsibilities through a system of internal financial control. Key elements of this system include a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, together with monthly reviews of financial results involving variance reporting and updates of forecast out-turns.

Requirements for approval and control of expenditure are clearly defined and formalised, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council and recorded in the University's Scheme of Delegation. The Scheme of Delegation also includes clear definitions of the responsibilities of, and the authority delegated to, academic and administrative heads. This system is underpinned by comprehensive Financial Regulations which detail financial controls and procedures; and by a professional internal audit team whose annual programme is approved by the Audit and Risk Committee.

The Council is also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which ensure that the financial statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant Accounting



Standards. In addition, within the terms and conditions of the Financial Memorandum, the Council, through its designated officer, is required to ensure annually that financial statements are prepared, audited and presented which give a true and fair view of the state of affairs of the University at the end of the financial year, and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that suitable accounting policies are selected and applied consistently; applicable accounting standards have been followed (subject to any material departures disclosed and explained in the financial statements); and that judgements and estimates are made that are reasonable and prudent.

### **Risk management**

The management of risk is integral to the work of the Council and constitutes a significant part of the University's system of internal control. As part of this process, the Council regularly considers the strategic direction of the University and institutional plans, and receives regular reports on progress against key performance indicators (KPIs), on key projects and on significant risk factors. The Council also requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility. These reporting mechanisms are underpinned by established institutional KPIs and a robust methodology for identifying and prioritising risks. An organisation-wide risk register is maintained; annual risk returns are received from faculty deans; and risk awareness training is provided.

This process, which accords with the HEFCE guidance, has been in place for the year ended 31 July 2009.

### **Going concern**

The University's academic activities, together with the factors likely to affect its future development, performance and position are set out in the review of the year. The financial position of the University, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's report and in more detail within the Statement of Principal Accounting Policies and Notes to the Accounts.

The University has considerable financial resources together with contracts with a number of customers and suppliers across different geographic areas. As a consequence, the Council believes that the University is well placed to manage its risks successfully despite the current uncertain economic outlook. The University's current forecasts and projections, taking account of reasonable sensitivities in relation to the key risks set out elsewhere in the Annual Report and Accounts, show that the University should be able to operate within its current facilities and available headroom.

The Council considers that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Annual Report and Accounts.

#### **Deans of Faculty**

##### **July 2009**

**(l to r):**

John Leach, Peter Moizer, Jane Francis, Peter McWilliam, David Cooper, Steve Homans, Andrew Thompson, Michael Wilson and Roger Pollard.



## Corporate governance

### Members of the Council 2008/09

#### **Linda Pollard, OBE, DL**

Pro-Chancellor and Chair of the Council. Chair of NHS Leeds; Deputy Chair of the regional development agency Yorkshire Forward; Regional Chair of Coutts Bank plc; and President of Breast Cancer Haven, Yorkshire.

#### **Dr Michael Ziff**

Deputy Pro-Chancellor. Chief Executive of Barratts Priceless Limited and Director of Town Centre Securities plc; and current Chair of Bradford Centre Regeneration.

#### **Professor Michael Arthur**

Vice-Chancellor, University of Leeds, since 2004. Chair of the Presidents, Vice-Chancellors and Rectors Partnership Board of the Worldwide Universities Network (WUN) (to May 2009), and Chair of the Board of Directors, The WUN Foundation; Yorkshire Forward Board member.

#### **Ed Anderson**

Chairman, Yorkshire Building Society. Executive Chairman of the Airport Operators Association and Chairman of the Leeds, York and North Yorkshire Chamber of Commerce.

#### **Mr Danial Adilypour**

Education Officer, Leeds University Union.

#### **Mr Neil Clephan**

Head Teacher, Roundhay School Technology College; member of Court.

#### **Professor Frank Finlay**

Professor of German, University of Leeds.

#### **Mr Nigel Foster**

Director, Ove Arup and Partners Ltd; member of Court.

#### **Naomi French**

Undergraduate Admissions Secretary, School of English, University of Leeds.

#### **Jane Gaukroger**

Director, the Change Academy Ltd.

#### **Colin Ions**

Management consultant, specialising in change management in HR. Chair of Foundation Housing, Leeds.

#### **Miss Laura McFarlane-Shopes**

Communications and Internal Affairs Officer, Leeds University Union.

#### **Anne-Marie Martin**

Office Manager, Brotherton Library, University of Leeds.

#### **Tom Morton**

Chartered Accountant – and partner – at PKF (UK) LLP; Director of Leeds, York and North Yorkshire Chamber of Commerce and of Weetwood Hall Ltd (a University subsidiary). Chair of the University's Audit and Risk Committee.

#### **Dr Nima Poovaya-Smith**

Founding Director of Alchemy (a cultural enterprise company).

#### **Dr Gavin Reid**

Senior Lecturer, School of Chemistry, University of Leeds.

#### **David Richardson, CBE**

Chartered Surveyor, Sanderson Weatherall; member of Court.

#### **Professor Kevin Roberts**

Brotherton Professor of Chemical Engineering, University of Leeds.

#### **Dr Martin Scicluna**

Chairman, Great Portland Estates plc and non-executive director of Lloyds Banking Group; Governor of Berkhamsted School; formerly Chairman of Deloitte.

#### **Ms Ali Staniforth**

Legal Consultant of the Department of Health; non-executive Director of North Yorkshire and York Primary Care Trust; Governor at Harrogate and District NHS Foundation Trust; Director of LCVS.

#### **John Stoddart-Scott**

Farm and Estate Manager. Chairman of Weetwood Hall Ltd and of University of Leeds Farms Ltd (both subsidiary companies); Trustee of the University of Leeds Pension and Assurance Scheme (PAS).

#### **Quentin Woodley**

Director (Senior Partner) McKinsey & Company. Fellow of the Institute of Chartered Accountants in England and Wales.

#### **Professor Miriam Zukas**

Professor of Adult Learning and Director, Lifelong Learning Institute, University of Leeds.

### Members of the Vice-Chancellor's Executive Group 2008/09

#### **Professor Michael Arthur**

Vice-Chancellor (Chair)

#### **Professor Margaret Atack**

Pro-Vice-Chancellor for research

#### **Professor John Fisher**

Deputy Vice-Chancellor

#### **Roger Gair**

University Secretary

#### **Martin Holmes**

Marketing Director

#### **Professor Vivien Jones**

Pro-Vice-Chancellor for learning and teaching

#### **Matthew Knight**

Director of Human Resources

#### **Jane Madeley**

Finance Director

#### **Professor Stephen Scott**

Pro-Vice-Chancellor for students and staff

#### **Robert Sladdin**

Director of Estates

#### **Professor Richard Williams, OBE**

Pro-Vice-Chancellor for enterprise, knowledge transfer and international strategy

### Deans of Faculty 2008/09

#### **Professor David Cooper**

Performance, Visual Arts and Communications

#### **Professor Jane Francis**

Environment

#### **Professor Steve Homans**

Biological Sciences

#### **Professor John Leach**

Education, Social Sciences and Law

#### **Professor Peter McWilliam**

Medicine and Health

#### **Professor Peter Moizer**

Business

#### **Professor Roger Pollard**

Engineering

#### **Professor Andrew Thompson**

Arts

#### **Professor Mike Wilson**

Mathematics and Physical Sciences

## Statement of Primary Responsibilities of the Council

Within the framework laid down by the Charter and Statutes, the primary responsibilities of the Council are as follows:

### Corporate strategy

Having regard to the interests of stakeholders:

- to approve or modify the University's mission and objectives, the strategic and operational plans designed to secure those objectives (including academic, financial, physical, staffing and capital strategies), and the underlying values and principles that shape the work of the University;
- to approve the University's annual general revenue budget and the main features of the mechanisms for allocating resources within that budget; and to ensure that the University remains solvent and that, taking one accounting period with another, its total expenditure is not greater than its total income;
- to take steps to ensure that all individuals within the University are treated fairly, with dignity and respect; that the opportunities the University provides are open to all; and that the University provides a safe, supportive and welcoming environment for staff, students and visitors;
- to make such provision as it thinks fit for the general welfare of students, in consultation with the Senate; and
- to initiate remedial action in the event of a systematic failure within the institution to respond adequately to a deterioration in the University's performance, management or reputation.

### Corporate policies

To exercise overall responsibility for the University's assets, property and estate, and specifically:

- as the employing authority for all staff within the institution, to approve or modify the main features of the University's employment policies and procedures;
- to approve or modify the University's policy on health and safety, and other significant University policies and to satisfy itself that arrangements are in place for the implementation of those policies;

- to approve major projects and business proposals, including in particular any projects or proposals with a value of over £3m and any proposals for educational provision overseas;
- to approve the annual statement of accounts; and
- to act as trustees for, or to make appropriate alternative arrangements for the trusteeship of, any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

### Operational management and systems

To approve or modify the main features of the University's overall governance and management structures, its systems of risk management, internal financial management and control and accountability, and its financial regulations and procedures; and in that regard:

- to approve or modify the overall constitutional and organisational structure and shape of the University, including, subject to the approval of the Privy Council, amendments to the Charter and Statutes;
- to ensure that systems are in place for meeting all of the University's legal obligations, including those arising from contracts and other commitments made in the University's name;
- to direct the form, use and custody of the common seal;
- to appoint the Vice-Chancellor and other executive officers, and to put in place appropriate arrangements for monitoring their performance;
- to make nominations to the offices of Chancellor and Pro-Chancellor;
- to appoint a secretary to the Council, to safeguard the secretary's ability to carry out the responsibilities of that office, and, having regard to any other managerial responsibilities undertaken by the secretary, to ensure an appropriate separation in the lines of accountability;

- to ensure that University business is conducted in accordance with best practice in corporate governance within higher education, and with the principles of public life laid down by the Committee on Standards in Public Life;
- to ensure that reasonable arrangements are in place to safeguard the good name and values of the University and to ensure compliance with the University's constitution;
- to appoint the University's external and internal auditors and the University's bankers, and to approve the University's banking mandates;
- to establish, and as necessary review, procedures for handling internal grievances and for managing conflicts of interest;
- to approve or to amend, as necessary, the terms of the Trust Deeds of any University trusts; and
- to determine the basis on which any of the Council's functions shall be delegated to committees and individuals, and thereafter to satisfy itself as to the proper and effective discharge of any delegated functions.

### Monitoring of institutional performance

To monitor and evaluate the performance and effectiveness of the University against approved plans, key performance indicators and benchmarking data for comparable institutions, and also:

- to monitor the progress of major business projects;
- to confirm that the performance of the Vice-Chancellor and other executive officers is systematically monitored against institutional objectives and plans; and likewise
- to establish processes to monitor and evaluate the performance and effectiveness of the Council itself.

# Independent Auditors' report to the Council of the University

We have audited the financial statements of the University of Leeds for the year ended 31 July 2009 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the Balance Sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net funds/(debt), the statement of principal accounting policies and the related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the University's Council, as a body, in accordance with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the University's Council 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's Council as a body for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Council and Auditors

The University's Council's responsibilities for the preparation of the financial statements in accordance with the University's Statute, the Statement of Recommended Practice on Accounting for Further and Higher Education (2007) and any other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Council's responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education (2007). We also report 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 Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the review of the year is not consistent with the financial statements, if the Group has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the review of the year and the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report and Accounts.

### Basis of opinion

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

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

### Opinion

In our opinion:

- a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2009 and of the surplus of the Group for the year then ended;
- b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education (2007);
- c) in all material respects income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- d) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.

### DELOITTE LLP

Chartered Accountants & Registered Auditors  
Leeds, England  
19 November 2009

# Annual Accounts

# Consolidated Income and Expenditure Account

for the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
<b>Income</b>			
Funding Council grants	1	157,644	151,949
Tuition fees and education contracts	2	126,858	109,132
Research grants and contracts	3	112,570	101,207
Other operating income	4	93,124	85,961
Endowment income and interest receivable	5	7,011	11,929
<b>Total Income (excludes share of joint ventures £3.3m [2007/08: £2.0m])</b>		<b>497,207</b>	460,178
<b>Expenditure</b>			
Staff costs	6	298,626	270,161
Other operating expenses	7	168,769	155,130
Depreciation	7	16,848	14,542
Interest payable and similar charges	8	1,487	2,109
<b>Total expenditure</b>	7	<b>485,730</b>	441,942
<b>Surplus after depreciation and before tax</b>		<b>11,477</b>	18,236
Share of joint ventures' operating surplus		56	3
Share of associates' operating surplus/(loss)		91	(179)
Taxation	9	(81)	495
<b>Surplus after depreciation and tax</b>		<b>11,543</b>	18,555
Minority interest		(156)	(102)
<b>Surplus on continuing operations after depreciation and tax</b>		<b>11,387</b>	18,453
Transfer to accumulated income within restricted endowments		(385)	(119)
<b>Surplus for the year transferred to reserves</b>		<b>11,002</b>	18,334

There is no material difference between the surplus for the year as disclosed above and the surplus on an unmodified historical cost basis.

# Balance Sheets

as at 31 July 2009

	Note	Consolidated		University	
		2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
<b>Fixed assets</b>					
Intangible assets	10	218	223	-	-
Tangible assets	11	378,199	343,108	369,564	334,192
Investments	12	1,604	2,081	6,262	6,724
Investments in associates	13	38	224	-	-
Investments in joint ventures	14	253	197	-	-
		<b>380,312</b>	345,833	<b>375,826</b>	340,916
<b>Endowment asset investments</b>	15	<b>42,329</b>	49,421	<b>42,329</b>	49,421
<b>Current assets</b>					
Stock		473	596	266	428
Debtors	16	54,383	55,773	53,629	54,062
Investments	17	71,681	79,333	71,681	79,333
Cash at bank and in hand		14,553	6,839	11,713	4,310
		<b>141,090</b>	142,541	<b>137,289</b>	138,133
Creditors: amounts falling due within one year	18	<b>(130,612)</b>	(119,889)	<b>(127,662)</b>	(116,205)
<b>Net current assets</b>		<b>10,478</b>	22,652	<b>9,627</b>	21,928
<b>Total assets less current liabilities</b>		<b>433,119</b>	417,906	<b>427,782</b>	412,265
Creditors: amounts falling due after more than one year	19	<b>(26,927)</b>	(28,821)	<b>(23,926)</b>	(25,362)
Provisions for liabilities	21	<b>(7,235)</b>	(2,501)	<b>(7,194)</b>	(2,399)
<b>Total net assets excluding pension (deficit)/surplus</b>		<b>398,957</b>	386,584	<b>396,662</b>	384,504
Pension (deficit)/surplus	30	<b>(31,093)</b>	3,756	-	-
<b>Total net assets including pension (deficit)/surplus</b>		<b>367,864</b>	390,340	<b>396,662</b>	384,504

	Note	Consolidated		University	
		2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
<b>Deferred capital grants</b>	22	<b>176,644</b>	165,432	<b>176,644</b>	165,432
<b>Endowments</b>					
Permanent	23	<b>41,840</b>	48,842	<b>41,840</b>	48,842
Expendable	23	<b>489</b>	579	<b>489</b>	579
		<b>42,329</b>	49,421	<b>42,329</b>	49,421
<b>Reserves</b>					
Income and expenditure account excluding pension reserve		<b>155,097</b>	149,012	<b>153,210</b>	147,184
Pension reserve		<b>(31,093)</b>	3,756	-	-
Heritage assets reserve		<b>24,479</b>	22,467	<b>24,479</b>	22,467
	24	<b>148,483</b>	175,235	<b>177,689</b>	169,651
<b>Total funds before minority interests</b>		<b>367,456</b>	390,088	<b>396,662</b>	384,504
<b>Minority interests</b>		<b>408</b>	252	-	-
<b>Total funds</b>		<b>367,864</b>	390,340	<b>396,662</b>	384,504

The Annual Report and Accounts were approved by Council on 19 November 2009 and signed on its behalf by:

**Jane Madeley**  
Finance Director

**Michael Arthur**  
Vice-Chancellor

# Consolidated Cash Flow Statement

for the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
Net cash inflow from operating activities	25	28,166	13,048
Returns on investments and servicing of finance	26	4,468	6,832
Tax paid		(90)	(28)
Capital expenditure and financial investment	27	(28,600)	(18,505)
Net cash inflow before use of liquid resources and short-term investments		3,944	1,347
Management of liquid resources		7,652	2,832
Financing	28	(3,762)	(2,682)
<b>Increase in cash</b>	29	<b>7,834</b>	1,497

## Reconciliation of net cash flow to movement in net funds

Increase in cash in the period		7,834	1,497
Decrease in short-term investments		(7,652)	(2,832)
Repayment of debt	28	3,762	2,682
Movement in net funds in the year		3,944	1,347
Net funds at 1 August		55,954	54,607
<b>Net funds at 31 July</b>	29	<b>59,898</b>	55,954

# Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
Surplus for the financial year		<b>11,002</b>	18,334
Depreciation of endowment asset investments	23	<b>(7,691)</b>	(8,966)
Endowment income retained for the year	23	<b>385</b>	626
Actuarial loss on pension assets	30	<b>(37,756)</b>	(31,304)
New endowments	23	<b>214</b>	568
Endowments withdrawn	23	-	(23)
<b>Total recognised losses relating to the year</b>		<b>(33,846)</b>	(20,765)
<b>Reconciliation</b>			
Opening reserves and endowments		<b>224,656</b>	245,351
Total recognised losses for the year		<b>(33,846)</b>	(20,765)
Recognition of heritage assets		<b>2</b>	70
<b>Closing reserves and endowments</b>		<b>190,812</b>	224,656

# Statement of Principal Accounting Policies

## 1 Accounting Convention

The Accounts have been prepared under the historic cost convention as modified by the revaluation of endowment asset investments and heritage assets and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and applicable United Kingdom Accounting Standards. All accounting policies have been applied consistently with the prior period.

## 2 Going Concern

The consolidated Accounts are prepared on a going concern basis as per the Corporate Governance report on page 29.

## 3 Basis of Consolidation

The consolidated Accounts combine the Accounts of the University, its subsidiary undertakings with a 31 July year end, and one subsidiary undertaking, University of Leeds Farms Limited, with a 30 April year end. Further details of the subsidiary undertakings are disclosed in the Notes to the Accounts.

Associated companies and joint ventures are accounted for on the net equity and gross equity methods respectively.

The consolidated Accounts do not include the income and expenditure of Leeds University Union as the University does not exert control or dominant influence over policy decisions. The expenditure included in the Income and Expenditure Account of the University relates to the University's contribution to Union activities.

## 4 Recognition of Income

The recurrent grant from the Higher Education Funding Council for England (HEFCE) represents the funding allocation attributable to the current year and is credited directly to the Income and Expenditure Account.

Tuition fees represent fees attributable to the current financial year.

Research grants, and other income which is designated by a donor for specific purposes, are included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and endowments is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the terms of the endowment is transferred from the Income and Expenditure Account to restricted endowments.

## 5 Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leeds Pension and Assurance Scheme (PAS). The schemes are defined-benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by actuaries using the Projected Unit Method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to institutional members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

For the other defined benefit scheme, PAS, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income and Expenditure Account and presented in the Statement of Total Recognised Gains and Losses.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension deficit/surplus recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refund and reductions in future contributions to the scheme.

## 6 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 7 Operating Leases

Costs in respect of operating leases are charged evenly over the lease term.

## 8 Land and Buildings

Land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed. Buildings are depreciated in equal instalments over their expected useful lives as follows:

Academic buildings	50 years
Residences	30 years
Laboratories and lecture theatres	30 years
Other building refurbishment	10 years

## 9 Equipment

In the accounts of the University, but not the subsidiary undertakings, individual items or groups of related items costing less than £25,000 are written off in the year of acquisition. All other equipment is capitalised.

In the accounts of the University, capitalised equipment and furniture is stated at cost and depreciated in equal instalments over its expected useful life, as follows:

Computing equipment	4 years
Equipment acquired for specific research projects	project life
Other equipment	10 years
Motor vehicles	4 years

## 10 Deferred Capital Grants

Where tangible fixed assets are acquired with the aid of specific grants they are capitalised and depreciated over their expected useful lives. The related grants are treated as deferred capital grants and released to income in line with the assets (the period of the grant in respect of specific research projects).

## 11 Heritage Assets

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at their cost or value where reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

## 12 Intangible Assets

Goodwill, which arises on acquisitions, is amortised on a straight line basis over the useful life of the assets acquired.

## 13 Investments

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

## 14 Stock

Except for farming stock which is professionally valued, stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred. Net realisable value is based on estimated selling price allowing for all further costs.

## 15 Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, sterling liquidity funds and other on-call deposit accounts. They exclude any such assets held as endowment asset investments.

## 16 Maintenance of Premises

The University has a rolling maintenance plan which is reviewed periodically. The cost of routine maintenance is charged to the Income and Expenditure Account as incurred.

## 17 Taxation Status

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

# Notes to the Accounts

for the year ended 31 July 2009

## 1 Funding Council grants

	2008/09 £000	2007/08 £000
<b>Recurrent grant</b>	<b>129,717</b>	125,361
<b>Specific grants</b>		
Training and Development Agency for Schools	2,322	3,844
Equipment and furniture	461	284
Teaching & Learning Capital	1,930	2,414
Rewarding and Developing Staff 1 and 2	7,851	7,580
Widening Participation	742	922
Science Research Investment Fund	661	1,894
Higher Education Innovation Fund	2,088	2,281
Clinical Academic Staff	1,003	990
Matched funding scheme for voluntary giving	800	-
Other (less than £0.5m each)	2,896	1,070
<b>Released from deferred capital grants</b>		
Buildings	4,835	3,161
Equipment	2,338	2,148
	<b>157,644</b>	151,949

The funding council is the Higher Education Funding Council for England (HEFCE)

## 2 Tuition fees and education contracts

Full-time home and EU students	60,090	49,477
Full-time international students	39,640	32,487
Part-time home and EU students	2,485	2,285
Part-time international students	524	585
Education contracts with corporate organisations	122	960
Research training support grants	1,949	1,864
Short course fees	8,016	7,276
NHS teaching contract	14,032	14,198
	<b>126,858</b>	109,132

## 3 Research grants and contracts

Research Councils	40,981	36,833
UK based charities	19,964	18,422
UK Government	28,019	22,872
UK industry	6,817	8,150
European Commission	8,235	7,109
Other grants and contracts	6,834	6,001
Released from deferred capital grants		
Buildings	88	88
Equipment	1,632	1,732
	<b>112,570</b>	101,207

#### 4 Other operating income

	2008/09 £000	2007/08 £000
Residences, catering and conferences	39,220	38,153
Health authorities	12,400	11,206
Services rendered	19,472	19,202
Sale of goods	5,094	4,515
Sundry grants, income and donations	6,438	4,741
Heritage assets donations	2,010	-
Other income	7,581	7,486
Released from deferred capital grants		
Buildings	771	509
Equipment	138	149
	<b>93,124</b>	85,961

#### 5 Endowment income and interest receivable

Income from expendable endowments	25	27
Income from permanent endowments	2,212	2,046
Income from short-term investments	2,622	5,929
Other investment income	133	106
Other net finance income from pension scheme assets and liabilities	2,012	3,811
Released from deferred capital grants		
Buildings	7	7
Equipment	-	3
	<b>7,011</b>	11,929

# Notes to the Accounts

for the year ended 31 July 2009

## 6 Staff

	2008/09 Number	2007/08 Number
<b>Average staff numbers (full-time equivalents) by major category</b>		
Academic/Teaching	1,764	1,734
Research	996	1,015
Management/Professional	1,228	1,200
Support	2,611	2,552
	<b>6,599</b>	6,501
	<b>£000</b>	£000
<b>Staff costs</b>		
Wages and salaries	240,431	221,164
Social security costs	18,788	18,335
Pension costs (including FRS 17)	30,100	27,654
Severance payments	9,307	3,008
	<b>298,626</b>	270,161
Costs of the voluntary early retirement scheme included within provisions to the extent that the costs have not been settled at 31 July	<b>7,144</b>	1,190
<b>Senior post-holder's emoluments</b>		
Emoluments of the Vice-Chancellor		
Salary	253	237
Benefits in kind as assessed for HMRC purposes	7	7
	<b>260</b>	244
Employer contributions to defined benefit scheme	<b>55</b>	36

The emoluments of the Vice-Chancellor are shown on the same basis as for other higher paid staff. From June 2008 the Vice-Chancellor's pension contributions include an adjustment to reflect the introduction of Pensions+, the University salary sacrifice scheme.

The University's pension contributions to the Universities Superannuation Scheme are paid at the same rate as for other academic staff.

	Number	Number
<b>Remuneration of other higher paid staff, excluding employer pension contributions</b>		
£100,000 - £109,999	19	35
£110,000 - £119,999	16	9
£120,000 - £129,999	8	6
£130,000 - £139,999	9	8
£140,000 - £149,999	9	9
£150,000 - £159,999	9	6
£160,000 - £169,999	5	4
£170,000 - £179,999	4	5
£180,000 - £189,999	7	7
£190,000 - £199,999	3	4
£200,000 - £209,999	2	1
£210,000 - £219,999	-	1
£250,000 - £259,999	-	1
£270,000 - £279,999	1	-
	<b>92</b>	96

Higher paid staff includes 66 (2007/08: 67) clinical staff and 26 (2007/08: 29) non-clinical staff.

The majority of clinical academic staff also work within the local NHS Trusts and their salaries are recharged proportionally to the time spent on clinical duties. The above figures reflect their gross remuneration before any recharge.

## 7 Analysis of expenditure

	Staff costs £000	Other operating expenses £000	Depreciation and amortisation £000	Interest payable £000	2008/09 Total £000	2007/08 Total £000
<b>By activity</b>						
Academic departments	164,077	33,591	2,851	-	<b>200,519</b>	189,643
Research grants and contracts	56,491	46,942	1,793	2	<b>105,228</b>	92,859
Total teaching and research	220,568	80,533	4,644	2	<b>305,747</b>	282,502
Administration and Corporate services	49,118	30,347	459	-	<b>79,924</b>	73,045
Premises	13,012	31,979	8,363	-	<b>53,354</b>	44,664
Residences, catering and conferences	10,452	21,753	3,382	1,485	<b>37,072</b>	37,610
Other expenses	117	4,157	-	-	<b>4,274</b>	4,374
Mobility Incentive Scheme (MIS)/ Premature Retirement Terms (PRT)	6,254	-	-	-	<b>6,254</b>	-
Impairment charge	-	-	-	-	-	83
FRS17 Pension net income	(895)	-	-	-	<b>(895)</b>	(336)
Total	298,626	168,769	16,848	1,487	<b>485,730</b>	441,942
<b>Other operating expenses</b>						
Equipment purchases and maintenance					<b>17,903</b>	16,944
Estate repairs and maintenance					<b>12,414</b>	13,974
Consumables and laboratory expenditure					<b>18,831</b>	19,494
Printed materials, books and periodicals					<b>7,738</b>	7,079
Printing, stationery and office expenses					<b>7,620</b>	8,054
Travel and subsistence					<b>10,795</b>	9,878
Fellowships, scholarships and prizes					<b>26,216</b>	22,080
Heat, light, water and power					<b>13,462</b>	11,881
Rent, rates and insurance					<b>9,965</b>	7,776
Grants to student union					<b>1,918</b>	1,871
Fees and expenses					<b>36,829</b>	30,575
Recruitment, training and welfare					<b>4,011</b>	4,219
Auditor's remuneration in respect of audit services					<b>96</b>	95
Auditor's remuneration in respect of other services					<b>91</b>	148
Other expenses					<b>880</b>	1,062
					<b>168,769</b>	155,130
Equipment purchases and maintenance includes payment under operating leases in respect of the hire of other equipment assets					<b>317</b>	395
Fees and expenses include contracted internal audit fees					<b>136</b>	134

## Notes to the Accounts

for the year ended 31 July 2009

### 8 Interest payable and similar charges

	2008/09 £000	2007/08 £000
On loans repayable wholly or partly in more than 5 years	1,487	2,109

### 9 Taxation

<b>Current Tax</b>		
UK Corporation tax on profit for the year	87	49
Adjustment in respect of previous years	47	(2)
	134	47
<b>Deferred Tax</b>		
Originating and reversal of timing differences	(53)	(542)
	81	(495)
<b>Tax paid in the year</b>	90	28

### 10 Intangible assets

	Consolidated	
<b>Goodwill</b>		
At 1 August	223	228
Charged to Income and Expenditure Account	(5)	(5)
<b>At 31 July</b>	218	223

The goodwill is in respect of the acquisition of the remaining majority shareholding in Leeds Innovations Centre Ltd in May 2003 and is amortised through the Income and Expenditure Account over 50 years.

## 11 Tangible assets

	Consolidated				Total £000
	Freehold Land £000	Freehold Buildings £000	Equipment £000	Heritage Assets £000	
<b>Cost or valuation</b>					
At 1 August 2008	7,613	391,761	69,471	22,467	<b>491,312</b>
Additions	-	44,982	4,657	2,387	<b>52,026</b>
Disposals	-	(471)	(2,745)	-	<b>(3,216)</b>
At 31 July 2009	7,613	436,272	71,383	24,854	<b>540,122</b>
<b>Depreciation</b>					
At 1 August 2008	-	99,244	48,960	-	<b>148,204</b>
Charge for the year	-	11,353	5,490	-	<b>16,843</b>
Eliminated on disposals	-	(468)	(2,656)	-	<b>(3,124)</b>
At 31 July 2009	-	110,129	51,794	-	<b>161,923</b>
<b>Net book value at 31 July 2009</b>	<b>7,613</b>	<b>326,143</b>	<b>19,589</b>	<b>24,854</b>	<b>378,199</b>
Net book value at 1 August 2008	7,613	292,517	20,511	22,467	343,108
	University				
<b>Cost or valuation</b>					
At 1 August 2008	6,287	383,431	66,395	22,467	<b>478,580</b>
Additions	-	44,982	4,311	2,387	<b>51,680</b>
Disposals	-	(459)	(2,483)	-	<b>(2,942)</b>
At 31 July 2009	6,287	427,954	68,223	24,854	<b>527,318</b>
<b>Depreciation</b>					
At 1 August 2008	-	97,167	47,221	-	<b>144,388</b>
Charge for the year	-	11,163	5,079	-	<b>16,242</b>
Eliminated on disposals	-	(464)	(2,412)	-	<b>(2,876)</b>
At 31 July 2009	-	107,866	49,888	-	<b>157,754</b>
<b>Net book value at 31 July 2009</b>	<b>6,287</b>	<b>320,088</b>	<b>18,335</b>	<b>24,854</b>	<b>369,564</b>
Net book value at 1 August 2008	6,287	286,264	19,174	22,467	334,192

Exchequer interest at 31 July 2009 has been agreed by HEFCE as £170.4m (2008: £162.5m). Exchequer interest as at 31 July 2006 is being written off over 10 years and the exchequer interest on all grants received since that date is being written off over 15 years in accordance with the Finance Memorandum between HEFCE and the University.

At 31 July 2009, freehold buildings at cost included £47.6m (2008: £55.8m) in respect of buildings under construction.

# Notes to the Accounts

for the year ended 31 July 2009

## 11 Tangible assets (continued)

### HERITAGE ASSETS

The University has been fortunate to receive donations of a variety of cultural items and collections for over 100 years. Many items have also been purchased to augment existing collections and/or add to the variety of items within a special area of interest. Most of these purchases have been funded by benefaction.

Heritage Assets are held at market value established by specialist University personnel. Heritage Assets include many unique items (and collections), such as hand-written manuscripts and original art works, the current value of which can only be estimated, as they cannot be matched to identical items available on the market. Many other items are extremely rare, though not unique, and identical items may not appear on the market for decades.

Heritage Assets are classified into three main categories: Special collections, Art collections and University of Leeds International Textile Archive (ULITA).

#### Special collections

The Special Collections contain individual items and constituent collections consisting primarily of books and manuscripts. Constituent collections are characterised as such when their contents are acquired together from a single source or when they are generally used in association with each other, for example, the 'archive' of an organisation or person.

#### Art collections

The Art Collections consist of individual paintings and drawings, collections of drawings, and sculptures.

#### ULITA

This category consists of tapestries, pattern books, stencils and fibre collections.

#### Preservation and Management

The custodianship of these items has been given to specific areas and persons for their care and maintenance.

All the collections are valued for insurance purposes at £30m. In addition, collections are held for other organisations for custodial purposes, notably, Ripon Cathedral's heraldry collection and these are insured separately.

	Special collections £000	Art collections £000	ULITA £000	<b>2008/09 Total £000</b>	2007/08 Total £000
At 1 August	18,549	3,393	525	<b>22,467</b>	22,397
Additions	377	2,010	-	<b>2,387</b>	70
<b>At 31 July</b>	<b>18,926</b>	<b>5,403</b>	<b>525</b>	<b>24,854</b>	22,467

	<b>2008/09 £000</b>	2007/08 £000	2006/07 £000
<b>Purchases</b>			
Special Collections	<b>377</b>	70	43
<b>Donations</b>			
Art Collections	<b>2,010</b>	-	-
<b>Total Additions</b>	<b>2,387</b>	70	43

## 12 Fixed asset investments

	Consolidated	University
	£000	£000
<b>Investments in subsidiary undertakings</b>		
Cost at 1 August 2008	-	4,644
Additions	-	15
Cost at 31 July 2009	-	4,659
<b>Other fixed asset investments</b>		
Cost at 1 August 2008	2,081	2,080
Additions	3	3
Depreciation	(480)	(480)
Cost at 31 July 2009	1,604	1,603
<b>Total investments</b>		
<b>At 31 July 2009</b>	<b>1,604</b>	<b>6,262</b>
At 1 August 2008	2,081	6,724

Details of the trading companies, all registered in England, in which the University held directly or indirectly more than 50% of the nominal value of any class of share capital are as follows

Name of company	Percentage holding	Nature of business
<b>Subsidiary undertakings</b>		
Leeds Innovation Centre Ltd	100%	Business accommodation and facilities management
University of Leeds Consulting Ltd	100%	Management of consultancy services
University of Leeds Farms Ltd	100%	Farming
University of Leeds Healthcare Education Ltd	100%	Education and training services
University of Leeds IP Ltd	100%	Intellectual property management
Weetwood Hall Ltd	100%	Hotel and conference centre
Rock Deformation Research Ltd	100%	Geographical analysis and consultancy
Leeds Ventures Ltd	100%	Advisory services for the University's customers in China
Bright Beginnings Childcare Centre Leeds	100%	Childcare facilities and services

## 13 Investments in associates

Details of the other trading companies, all registered in England, in which the University holds, directly or indirectly more than 20% of the nominal value of any class of share capital are as follows

Name of company	Percentage holding	Nature of business
<b>Associated undertakings</b>		
Precision Proteins Ltd <sup>1</sup>	60%	Development of biotechnical products
White Rose Technology Ltd	40%	Seedcorn funding for commercialisation of research
Leeds Skin Centre for Applied Research Ltd	30%	Commercial testing facilities
Dispersia Ltd	25%	Solutions for dermatological diseases
Dyecat Ltd	23%	Polymer additive chemicals
Instrumentel Ltd	21%	Technology for remote telemetry in hostile environments
Escubed Ltd	20%	Particle characterisation services to pharmaceuticals

<sup>1</sup>The University holds only 25% of voting rights and does not control this company, hence it has been accounted for as an associated company.

## Notes to the Accounts

for the year ended 31 July 2009

### 14 Investments in joint ventures

The University holds shares of joint venture companies as follows

Name of company	Percentage holding	Nature of business
<b>Joint ventures</b>		
The WUN Foundation	17%	Collaboration of Universities to achieve international objectives in research and graduate education
YHMAN Ltd	13%	Management and maintenance of a communications network between HE establishments
Myscience.co Ltd	25%	Continuous professional development for science teachers and technicians
N8 Ltd	13%	Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage

	2008/09 £000	2007/08 £000
<b>Income and expenditure account</b>		
Income	3,277	2,038
Surplus before tax	69	3
<b>Balance Sheet</b>		
Fixed assets	769	345
Current assets	2,615	1,873
	3,384	2,218
Creditors: amounts falling due within one year	(2,857)	(1,633)
Creditors: amounts falling due after more than one year	(274)	(388)
	(3,131)	(2,021)
Share of net assets	253	197

## 15 Endowment asset investments

	Consolidated and University	
	2008/09 £000	2007/08 £000
At 1 August	49,421	57,216
Additions	12,368	20,404
Disposals	(10,772)	(20,304)
Depreciation on revaluation	(7,691)	(8,966)
(Decrease)/increase in cash balances	(997)	1,071
<b>At 31 July</b>	<b>42,329</b>	<b>49,421</b>
Represented by:		
Fixed interest stocks	14,065	15,307
Equities	25,394	30,247
Cash balances	2,870	3,867
	<b>42,329</b>	<b>49,421</b>

## 16 Debtors

	Consolidated		University	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
<b>Amounts falling due within one year</b>				
Sponsored research in progress	26,460	27,938	26,460	27,930
Trade debtors	20,399	21,386	15,581	15,159
Amounts owing from subsidiary undertakings	-	-	6,018	5,945
Prepayments and accrued income	7,524	6,449	5,570	5,028
	<b>54,383</b>	<b>55,773</b>	<b>53,629</b>	<b>54,062</b>

## 17 Investments

	Consolidated and University	
	2008/09 £000	2007/08 £000
Short-term deposits	71,456	79,108
Listed investments at cost or carrying value	225	225
<b>Total Investments</b>	<b>71,681</b>	<b>79,333</b>
Listed investments at market value	<b>5,051</b>	<b>9,179</b>

At 31 July 2009 the weighted average interest rate of these fixed rate deposits was 0.8% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 23 days. The fair value of these deposits was not materially different from the book value.

## Notes to the Accounts

for the year ended 31 July 2009

### 18 Creditors: amounts falling due within one year

	Consolidated		University	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Bank overdraft	-	120	-	-
Bank loans	1,729	1,713	1,321	1,285
Repayable grants	-	2,000	-	2,000
Research grants received on account	29,076	31,061	29,076	31,061
Trade creditors	31,404	27,987	30,829	27,163
Social security and other taxation payable	7,037	7,047	6,444	6,244
Accruals and deferred income	61,366	49,961	59,173	47,782
Amounts owing to subsidiary companies	-	-	819	670
	<b>130,612</b>	119,889	<b>127,662</b>	116,205

### 19 Creditors: amounts falling due after more than one year

Bank loans	24,382	26,160	21,381	22,702
Deferred income	2,545	2,661	2,545	2,660
	<b>26,927</b>	28,821	<b>23,926</b>	25,362

### 20 Borrowings

#### Bank loans and overdrafts are repayable as follows

In one year or less	1,729	1,833	1,321	1,285
Between one and two years	1,765	1,751	1,357	1,321
Between two and five years	5,557	5,448	4,333	4,197
In five years or more	17,060	18,961	15,691	17,184
	<b>26,111</b>	27,993	<b>22,702</b>	23,987

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2009 and 31 March 2025 and are secured on a portion of the freehold land and buildings of the Group.

#### Repayable Grants

In one year or less	-	2,000	-	2,000
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## 21 Provisions for liabilities

	Consolidated		University	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
At 1 August	2,501	3,092	2,399	2,467
Transferred from income and expenditure	9,223	2,364	9,235	2,887
Utilised in the year	(4,489)	(2,955)	(4,440)	(2,955)
<b>At 31 July</b>	<b>7,235</b>	2,501	<b>7,194</b>	2,399
Comprising:				
<b>Early retirement of employees (Premature Retirement Terms)</b>				
At 1 August	1,154	729	1,154	729
Transferred from income and expenditure	8,091	2,418	8,091	2,418
Utilised in the year	(2,438)	(1,993)	(2,438)	(1,993)
<b>At 31 July</b>	<b>6,807</b>	1,154	<b>6,807</b>	1,154
<b>Early retirement of employees (Mobility Incentive Scheme)</b>				
At 1 August	36	399	36	399
Transferred from income and expenditure	1,144	572	1,144	572
Utilised in the year	(843)	(935)	(843)	(935)
<b>At 31 July</b>	<b>337</b>	36	<b>337</b>	36
<b>Fair value of operating leases over 5 years</b>				
At 1 August	1,159	1,262	1,159	1,262
Transferred to income and expenditure	-	(103)	-	(103)
Utilised in the year	(1,159)	-	(1,159)	-
<b>At 31 July</b>	<b>-</b>	1,159	<b>-</b>	1,159
<b>Other (including part-time pensions, deferred taxation and impairment costs)</b>				
At 1 August	152	702	50	77
Transferred to income and expenditure	(12)	(523)	-	-
Utilised in the year	(49)	(27)	-	(27)
<b>At 31 July</b>	<b>91</b>	152	<b>50</b>	50

The above provisions, subject to an annual review, are expected to be utilised within the next three years.

## Notes to the Accounts

for the year ended 31 July 2009

### 22 Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other grants £000	2008/09 Total £000
At 1 August 2008			
Buildings	116,545	33,310	<b>149,855</b>
Equipment	12,908	2,669	<b>15,577</b>
	129,453	35,979	<b>165,432</b>
<b>Grants received</b>			
Buildings	15,634	2,246	<b>17,880</b>
Equipment	1,707	1,434	<b>3,141</b>
	17,341	3,680	<b>21,021</b>
<b>Released to Income and Expenditure Account</b>			
Buildings	(4,835)	(866)	<b>(5,701)</b>
Equipment	(2,338)	(1,770)	<b>(4,108)</b>
	(7,173)	(2,636)	<b>(9,809)</b>
<b>At 31 July 2009</b>			
Buildings	127,344	34,690	<b>162,034</b>
Equipment	12,277	2,333	<b>14,610</b>
	139,621	37,023	<b>176,644</b>

### 23 Endowments

	Consolidated and University				2008/09 Total £000	2007/08 Total £000
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000		
At 1 August						
Capital	16,592	30,214	46,806	538	<b>47,344</b>	55,132
Accumulated income	-	2,036	2,036	41	<b>2,077</b>	2,084
	16,592	32,250	48,842	579	<b>49,421</b>	57,216
New endowments	-	214	214	-	<b>214</b>	568
Withdrawals	-	-	-	-	-	(23)
Investment income	704	1,508	2,212	25	<b>2,237</b>	2,580
Expenditure	(704)	(1,120)	(1,824)	(28)	<b>(1,852)</b>	(1,954)
	-	388	388	(3)	<b>385</b>	626
Depreciation of endowment asset investments	(2,681)	(4,923)	(7,604)	(87)	<b>(7,691)</b>	(8,966)
<b>At 31 July</b>	13,911	27,929	41,840	489	<b>42,329</b>	49,421
Represented by:						
Capital	13,911	25,505	39,416	451	<b>39,867</b>	47,344
Accumulated income	-	2,424	2,424	38	<b>2,462</b>	2,077
	13,911	27,929	41,840	489	<b>42,329</b>	49,421

## 24 Reserves

	Consolidated		University	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
<b>At 1 August</b>	<b>175,235</b>	188,135	<b>169,651</b>	156,347
Surplus for the year	<b>11,002</b>	18,334	<b>8,036</b>	13,234
Movement in heritage assets	<b>2</b>	70	<b>2</b>	70
Actuarial loss on pension scheme assets	<b>(37,756)</b>	(31,304)	<b>-</b>	-
<b>At 31 July</b>	<b>148,483</b>	175,235	<b>177,689</b>	169,651

## 25 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2008/09 £000	2007/08 £000
Operating surplus before tax and minority interests	<b>11,477</b>	18,236
Depreciation, amortisation and impairment	<b>16,848</b>	14,542
Fixed asset investment write down	<b>480</b>	869
Gain on disposal of fixed assets	<b>(675)</b>	(168)
Deferred capital grants released to income	<b>(9,809)</b>	(7,797)
Endowment income and interest receivable	<b>(7,011)</b>	(11,929)
Interest payable and similar charges	<b>1,487</b>	2,109
Donated heritage assets	<b>(2,010)</b>	-
Net income arising from FRS 17	<b>(895)</b>	(336)
Decrease/(increase) in stock	<b>123</b>	(111)
Decrease/(increase) in debtors	<b>625</b>	(11,063)
Increase in creditors	<b>12,731</b>	8,764
Increase/(decrease) in provisions	<b>4,795</b>	(68)
<b>Net cash inflow from operating activities</b>	<b>28,166</b>	13,048

## Notes to the Accounts

for the year ended 31 July 2009

### 26 Returns on investments and servicing of finance

	2008/09 £000	2007/08 £000
Income from endowments	2,237	2,580
Income from short-term investments	3,782	6,379
Interest and similar charges paid	(1,551)	(2,127)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>4,468</b>	<b>6,832</b>

### 27 Capital expenditure and financial investment

Payments to acquire tangible fixed assets and investments	(50,017)	(49,323)
Payments to acquire endowment securities	(12,368)	(20,404)
Decrease/(increase) in endowment cash balances	997	(1,071)
Receipts from sales of tangible fixed assets and investments	734	270
Receipts from sales of endowment securities	10,772	20,304
Deferred capital grants received	21,068	31,174
New endowments received	214	568
Endowments withdrawn	-	(23)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(28,600)</b>	<b>(18,505)</b>

### 28 Analysis of changes in consolidated financing during the year

	2008/09 £000	2007/08 £000
<b>Mortgages and Loans</b>		
At 1 August	29,873	32,555
Capital repayments	(3,762)	(2,682)
<b>At 31 July</b>	<b>26,111</b>	<b>29,873</b>

### 29 Analysis of changes in net funds

	At 1 August 2008 £000	Cash flows £000	Other changes £000	At 31 July 2009 £000
Cash at bank and in hand	6,839	7,714	-	14,553
Bank overdraft	(120)	120	-	-
	6,719	7,834	-	14,553
Debt due within one year	(3,713)	3,762	(1,778)	(1,729)
Debt due after one year	(26,160)	-	1,778	(24,382)
Current asset investments	79,108	(7,652)	-	71,456
	55,954	3,944	-	59,898

## 30 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leeds Pension and Assurance Scheme (PAS). The assets of the schemes are held in separate trustee-administered funds. The schemes are defined-benefit schemes which are externally funded and are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The University also contributes to the Teachers' Pension Scheme (TPS) which has 26 members, and the National Health Service (NHS) Pension Scheme which has 170 members, both multi-employer schemes.

On 1 June 2008, USS and PAS adopted a salary sacrifice arrangement, known as Pensions<sup>†</sup>.

### Total pension cost for the University and its subsidiary undertakings

	2008/09 £000	2007/08 £000
Contributions to USS	21,863	19,436
Contributions to PAS	6,605	6,586
Contributions to other pension schemes	1,632	1,632
<b>Total pension cost</b>	<b>30,100</b>	27,654

### Universities Superannuation Scheme (USS)

USS provides benefits based on final pensionable salary for academic and related employees of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members due to the mutual nature of the Scheme, and therefore has been accounted for as a defined contribution scheme.

### University of Leeds Pension and Assurance Scheme (PAS)

PAS is the in-house scheme for clerical, technical and ancillary staff of the University which is open to new members.

The pension expense charged to the Income and Expenditure Account makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses (STRGL) in the year that they occur.

### Change in benefit obligation

Benefit obligation at 1 August	197,296	193,818
Current service cost	8,940	6,960
Interest cost	13,056	11,284
Plan participants' contributions	539	2,080
Actuarial losses/(gains)	18,005	(9,266)
Benefits paid	(8,326)	(7,580)

Benefit obligation at 31 July	229,510	197,296
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### Analysis of defined benefit obligation

Plans that are wholly or partly funded	229,510	197,296
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### Change in plan assets

Fair value of plan assets at 1 August	201,052	224,731
Expected return on plan assets	15,068	15,095
Actuarial losses	(19,751)	(40,570)
Employer contribution	9,835	7,296
Member contributions	539	2,080
Benefits paid	(8,326)	(7,580)

Fair value of plan assets at 31 July	198,417	201,052
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### Funded status

Net amount recognised	(31,093)	3,756
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### Amounts in the balance sheet

Liabilities	(229,510)	(197,296)
Assets	198,417	201,052
Net (liabilities)/assets	(31,093)	3,756

## Notes to the Accounts

for the year ended 31 July 2009

### 30 Pension schemes (continued)

	2008/09 £000	2007/08 £000
<b>Components of pension cost</b>		
Current service cost	8,940	6,960
Interest cost	13,056	11,284
Expected return on plan assets	(15,068)	(15,095)
Total pension cost recognised in the Income and Expenditure Account	6,928	3,149
<b>Actuarial losses immediately recognised</b>	37,756	31,304
<b>Total pension cost recognised in the Statement of Total Recognised Gains and Losses</b>		
Cumulative actuarial losses immediately recognised	90,477	52,721
	31 July 2009	31 July 2008
<b>Plan assets</b>		
Weighted-average asset allocation		
Equities	67.0%	68.0%
Bonds	23.2%	30.3%
Other	9.8%	1.7%
	100.0%	100.0%

	31 July 2009		31 July 2008		31 July 2007	
	%	£000	%	£000	%	£000
<b>Assets in PAS and expected rate of return</b>						
Equities	7.5%	132,939	8.1%	136,735	7.3%	155,785
Bonds and cash	5.5%	65,478	6.1%	64,317	5.3%	68,946
<b>Total market value of assets</b>		198,417		201,052		224,731
Actuarial value of liability		(229,510)		(197,296)		(193,818)
<b>Net pension (liability)/asset</b>		(31,093)		3,756		30,913

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on corporate bonds, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.5% assumption for the expected long-term return on scheme assets over the year to 31 July 2009 and 6.9% over the year to 31 July 2010.

	2008/09 £000	2007/08 £000
<b>Actual return on plan assets</b>	(4,683)	(25,475)

	31 July 2009	31 July 2008	31 July 2007		
<b>Weighted average assumptions used to determine benefit obligations</b>					
Discount rate	6.0%	6.6%	5.8%		
Rate of compensation increase	5.0%	5.2%	4.5%		
Rate of inflation	3.5%	3.7%	3.2%		
Rate of pension increases	3.5%	3.7%	3.2%		
<b>Weighted average assumptions used to determine net pension cost</b>					
Discount rate	6.6%	5.8%	5.1%		
Expected long-term return on plan assets	7.5%	6.7%	6.0%		
Rate of compensation increase	5.2%	4.5%	4.3%		
Rate of inflation	3.7%	3.2%	3.0%		
Rate of pension increases	3.7%	3.2%	3.0%		
		<b>Male</b>	<b>Female</b>		
<b>Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 July 2009</b>					
Member age 60 (current life expectancy)		<b>26.2</b>	<b>28.7</b>		
Member age 40 (life expectancy at age 60)		<b>27.4</b>	<b>29.7</b>		
	<b>2008/09</b>	2007/08	2006/07	2005/06	2004/05
	<b>£000</b>	£000	£000	£000	£000
<b>Five year history</b>					
Benefit obligation at 31 July	<b>(229,510)</b>	(197,296)	(193,818)	(199,014)	(180,202)
Fair value of plan assets at 31 July	<b>198,417</b>	201,052	224,731	203,363	182,184
(Deficit)/surplus	<b>(31,093)</b>	3,756	30,913	4,349	1,982
Difference between expected and actual return on scheme assets	<b>(19,751)</b>	(40,570)	7,661	7,964	18,647
Percentage of scheme assets	<b>(10%)</b>	(20%)	3%	4%	10%
Experience gains/(losses) on scheme liabilities	-	6,062	(1,091)	-	(5,673)
Percentage of scheme liabilities	<b>0%</b>	3%	(1%)	0%	(3%)
Total amount recognised in Statement of Total Recognised Gains and Losses	<b>(37,756)</b>	(31,304)	25,393	1,164	9,224
Percentage of scheme liabilities	<b>(16%)</b>	(16%)	13%	1%	5%

#### Contributions

The University expects to contribute £11.9m to the scheme in 2009/10. This compares with £9.8m in 2008/09.

## Notes to the Accounts

for the year ended 31 July 2009

### 31 Capital commitments

	Consolidated and University	
	2008/09 £000	2007/08 £000
<b>Provision has not been made for the following capital commitments</b>		
Commitments contracted at 31 July	<b>57,056</b>	14,682

### 32 Financial commitments

#### Annual commitments under operating leases at 31 July

<b>Buildings</b>		
Expiring within one year	<b>1,529</b>	-
Expiring between one and five years inclusive	<b>5,808</b>	3,218
Expiring in more than five years	<b>2,442</b>	2,366
<b>Equipment</b>		
Expiring within one year	<b>62</b>	53
Expiring between one and five years inclusive	<b>244</b>	312
	<b>10,085</b>	5,949

### 33 Contingent liabilities

The University has guaranteed a bank loan of £3.4m (2007/08: £3.8m) from Barclays Bank Plc, to Weetwood Hall Ltd.

## 34 Related party transactions

A number of senior academic staff exercised budgetary control during the year over research and teaching projects within the University as well as related expenditure within NHS Trusts, in their capacities as subsidiary undertaking directors, committee members and managers. Peter McWilliam, the Dean of the Faculty of Medicine and Health, is a non-executive director of the Leeds Teaching Hospitals NHS Trust.

Professor Michael Arthur, Vice-Chancellor, was a board member of a number of organisations which had significant transactions with the University during the year as follows

	Paid by the University		Paid to the University	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Yorkshire Forward	8	82	406	1,394
Yorkshire Universities	20	59	687	684
N8 Ltd	426	390	268	375
Opera North	132	131	4	7
White Rose University Consortium	31	82	44	-
Leeds Chamber of Commerce	19	21	-	-
The WUN Foundation	88	41	116	199

Mrs Linda Pollard, Pro-Chancellor and Chair of Council is Deputy Chair of Yorkshire Forward; Chair of NHS Leeds Primary Care Trust; and a member of the HEFCE Enterprise & Skills Strategic Advisory Committee.

The son of Robert Sladdin, Director of Estates, works for Pinsent Masons LLP, a firm of lawyers. In 2008/09 the University paid £99,000 (2007/08: £138,000) to it for services provided.

The Head of Capital Development, Mr Brian Ford's partner's father is the Managing Director of Brenville Construction Ltd. In 2008/09, the University paid £1,655,000 (2007/08: £1,832,000) to it for goods and services.

The husband of Mrs Kay Swithenbank, Technical Officer in Estate Services, is a Director of Wood Mitchell Ltd. In 2008/09, the University paid £287,000 (2007/08: £730,000) to it for goods and services. Mrs Swithenbank's stepdaughter works for Southern Office Interiors Ltd. In 2008/09, the University paid £1,297,000 (2007/08: £1,208,000) to it for goods and services.

Professor Jenny Hewison, of the University's Institute of Health Sciences, is Chair of two National Institute for Health Research funding committees. The University paid £20,000 in the year (2007/08: £22,000) to the programmes.

Professor Ian Hughes of the Faculty of Biological Sciences is Chairman of Leeds Partnerships NHS Foundation Trust. Payments to and by the University were £243,000 and £230,000 respectively (2007/08: £136,000 and £429,000).

## Notes to the Accounts

for the year ended 31 July 2009

### 35 Amounts disbursed as agent

	2008/09 £000	2007/08 £000
<b>Access to learning (hardship) funds</b>		
At 1 August	-	-
HEFCE grant	558	760
Other funds provided by the University to supplement the Access Fund	13	22
Disbursed to students	(554)	(760)
Administration costs	(17)	(22)
<b>At 31 July</b>	-	-

The above Funding Council grants are available solely for students; the University acts only as a paying agent for which it receives an allowance in respect of administration costs. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

<b>Training and Development Agency (TDA) for schools</b>		
At 1 August	169	191
TDA funding in the year	2,351	3,075
Reclaim of previous year's balance	(192)	(213)
Disbursed to students	(2,226)	(2,884)
<b>At 31 July</b>	102	169

The above training bursaries from the TDA are available solely for students in Initial Teacher Training; the University acts only as a paying agent. The bursaries and related disbursements are therefore excluded from the Income and Expenditure Account.

## University Only Income and Expenditure Account

for the year ended 31 July 2009

	2008/09 £000	2007/08 £000
<b>Income</b>		
Funding Council grants	157,644	153,099
Tuition fees and education contracts	126,679	109,138
Research grants and contracts	110,761	98,973
Other operating income	87,123	78,469
Endowment income and interest receivable	4,945	8,010
<b>Total income</b>	<b>487,152</b>	447,689
<b>Expenditure</b>		
Staff costs	295,973	266,985
Other operating expenses	165,146	151,543
Depreciation	16,242	13,947
Interest payable and similar charges	1,370	1,861
<b>Total expenditure</b>	<b>478,731</b>	434,336
<b>Surplus after depreciation</b>	<b>8,421</b>	13,353
Transfer to accumulated income within restricted endowments	(385)	(119)
<b>Surplus for the year transferred to reserves</b>	<b>8,036</b>	13,234

## Consolidated Five Year Results

	2008/09 £000	2007/08 £000	2006/07 £000	2005/06 £000	2004/05 £000
<b>Income and Expenditure Account</b>					
<b>Income</b>					
Funding Council grants	157,644	151,949	144,781	143,085	129,546
Tuition fees and education contracts	126,858	109,132	94,197	81,783	81,631
Research grants and contracts	112,570	101,207	90,794	76,409	74,675
Other operating income	93,124	85,961	82,852	74,526	76,519
Endowment income and interest receivable	7,011	11,929	9,761	7,554	6,002
	<b>497,207</b>	460,178	422,385	383,357	368,373
<b>Expenditure</b>					
Staff costs	298,626	270,161	248,584	230,996	213,314
Other operating expenses	168,769	155,130	149,562	132,997	128,828
Depreciation	16,848	14,542	14,033	11,663	14,209
Interest payable and similar charges	1,487	2,109	2,812	3,163	3,595
	<b>485,730</b>	441,942	414,991	378,819	359,946
<b>Surplus after depreciation and before tax</b>	<b>11,477</b>	18,236	7,394	4,538	8,427

### Balance Sheet

<b>Assets</b>					
Fixed assets	380,312	345,833	312,565	280,772	272,447
Endowment asset investments	42,329	49,421	57,216	54,310	50,515
Current assets	141,090	142,541	132,961	135,107	111,546
<b>Liabilities</b>					
Current liabilities	(130,612)	(119,889)	(109,922)	(96,791)	(82,114)
Long-term liabilities and provisions	(34,162)	(31,322)	(35,741)	(59,396)	(62,014)
<b>Pension (deficit)/surplus</b>	<b>(31,093)</b>	3,756	30,913	4,349	1,982
<b>Net assets</b>	<b>367,864</b>	390,340	387,992	318,351	292,362

	Number	Number	Number	Number	Number
<b>Average number of staff (FTE)</b>	<b>6,599</b>	6,511	6,353	6,162	5,994

<b>Number of students (FTE)</b>	<b>30,916</b>	30,093	30,179	30,783	31,370
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### Key Performance indicators (KPIs)

<b>World league table position (rolling three year average)</b>	<b>94</b>	102	101	119
<b>Research grant income per academic FTE (£000)</b>	<b>78</b>	72	68	59
<b>HSE reportable accidents per 1,000 employees</b>	<b>3.6</b>	4.4	6.4	3.2
<b>Research grant income growth</b>	<b>+11%</b>	+11%	+19%	+2%
<b>Income per square metre (£)</b>	<b>1,098</b>	977	887	797



