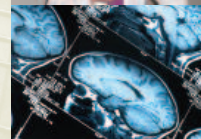
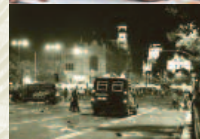
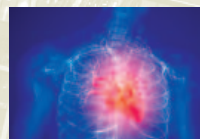


University of  
**Kent**

The UK's European university

# FINANCIAL STATEMENTS 2011



# UNIVERSITY OF KENT

## FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

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## MEMBERSHIP OF THE COUNCIL 2010/11

Chair of the Council:	Valerie Marshall (to 31 July 2011) John Simmonds (from 1 August 2011)
Deputy Chair of the Council/ Chair of the Finance and Resources Committee:	John Simmonds (to 31 July 2011) Anthony Quigley (from 1 August 2011)
Chancellor:	Sir Robert Worcester
Vice-Chancellor:	Professor Dame Julia Goodfellow
Senior Deputy Vice-Chancellor:	David Nightingale
President of Kent Union:	Helen Wood (to 31 July 2011) Tom Ritchie (from 1 August 2011)
External members:	Dr Atul Arya (to 31 July 2011) Colin Carmichael Elaine Colville Neil Davies Dr Eliot Forster Marcia Fry Stephen Grix Lord Hannay of Chiswick Sally Muggeridge Richard Oldfield Vicky Pryce (to 31 July 2011) Robert Scruton (from 1 August 2011) Ann Sutton (from 1 August 2011) Mark Watts Her Honour Judge Adele Williams
Staff and Student representatives:	Professor Paddy Ireland Colum McGuire (to 31 July 2011) Dr Louise Naylor Professor Sarah Vickerstaff Joanna Walpole Leo Wilkinson (from 1 August 2011)
Total Membership:	25 (1 vacancy)
Secretary of the Council:	Karen Goffin

The Chairs of Council committees were as follows:

Audit Committee:	Anthony Quigley (to 31 July 2011) Robert Scruton (from 1 August 2011)
Finance and Resources Committee:	John Simmonds (to 31 July 2011) Anthony Quigley (from 1 August 2011)
Lay Nominations Committee:	Valerie Marshall (to 31 July 2011) John Simmonds (from 1 August 2011)
Remuneration Committee:	Valerie Marshall (to 31 July 2011) John Simmonds (from 1 August 2011)
Safety, Health and Environment Executive Committee:	Professor Keith Mander
Staff Policy Committee:	Marcia Fry

As prescribed in University Ordinance the Vice-Chancellor chairs the Joint Committee for Honorary Degrees, a joint committee of Senate and Council.

## UNIVERSITY STATUS AND MISSION

### STATUS

The University of Kent ("the University") was incorporated by Royal Charter in 1965 and is an exempt charity within the meaning of the Charities Act.

### MISSION

The University's mission and institutional plan for the period 2009-2012 are based around six key messages.

The University of Kent - the UK's European University - is:

- A leading UK university

*Based in Canterbury, Medway and Brussels, the University of Kent is a leading UK university that makes a major economic, social, and cultural contribution: by providing excellent opportunities in Higher Education for the most able students regardless of social and educational disadvantage, by undertaking innovative world-leading research, and by leading innovation, enterprise and creative activities*

- Making a strong international impact

*The University has a strong international impact based on its external networks and partnerships with leading universities in Europe and around the world*

- Offering an inspiring student experience that prepares students for the future

*We offer an inspiring student experience that prepares students for the future based on excellent research-led teaching in a lively, stimulating and effective learning community, and supported by a broad range of extra-curricular opportunities*

- Producing innovative world-leading research

*Our academic staff produce innovative world-leading research forging new knowledge and creating change*

- Enabling and valuing innovation, enterprise and creativity

*We promote and value innovation, enterprise and creativity in all areas of our activity*

- While operating in an effective, efficient, sustainable and professional manner

*We operate in an effective, efficient, sustainable and professional manner based on partnerships between staff and students in academic schools, staff in professional service departments and the Kent Union.*

## UNIVERSITY'S PUBLIC BENEFIT STATEMENT

The University of Kent is an exempt charity regulated by HEFCE on behalf of the Charity Commission for England and Wales. The University of Kent was established by Royal Charter dated 4 January 1965. The Charter established the University Council as the supreme governing body of the institution. The University Council serves as the University's board of trustees. It is responsible for defining the University's strategic aims and the overall direction of the institution in the furtherance of the objects defined by the Charter. When setting objectives the University Council gives careful consideration to the Charity Commission's general guidance and to its supplementary guidance on public benefit. The Council also refers to the guidance issued by HEFCE in its role as principal regulator on behalf the Charity Commission.

The University's Royal Charter established the following objects:

"to advance education and disseminate knowledge by teaching, scholarship and research for the public benefit."

These general objects for the public benefit are elaborated further in the current University Plan for 2009-2012 which is based around the following six key messages:

- a leading UK university;
- making a strong international impact;
- offering an inspiring student experience that prepares students for the future;
- producing innovative world-leading research;
- enabling and valuing innovation, enterprise and creativity;
- while operating in an effective, efficient, sustainable and professional manner.

### Teaching

- The student population of the University of Kent has grown by 3.5% to 19,664 students in 2010/11 of which 2,838 were registered for postgraduate qualifications.
- The University of Kent's programmes provide graduates with generic intellectual and transferable skills that enhance their employability and ability to contribute to society. There are a range of programmes that prepare students for specific professions, for example, Architecture, Law, Pharmacy, Accountancy, Computing and Business.
- 4,000 UK and EU students completed their degrees in 2010. Nearly 50% reported that they were in paid employment in a wide range of careers within 6 months of graduation. A further 21% reported they had progressed to further study.
- The Kent Graduate Internship Scheme provided 75 graduates with high quality work experience. The University launched an Employability Points Scheme in September 2010 to engage students in skills development. 30 companies have been involved in the project.
- Success in this and recent years' National Student Surveys and national league tables provide evidence of the excellent student experience provided by the University. The University was, for example, 27<sup>th</sup> in the Guardian University Guide for 2011 and continues to be a top 20 institution in the 2011 National Student Survey with 14 subjects in the top 10 and most of the rest in the top 20 in the country.
- The University has hit its HEFCE Key Performance Indicator target for widening participation and is towards the top end of its peer group.
- 5,791 scholarships and bursaries to the value of £8.5m provided significant financial help to student recipients and helped to ensure that the costs of being a student were not a barrier to participation in Higher Education at the University.

## UNIVERSITY'S PUBLIC BENEFIT STATEMENT

- Staff and students working with 16 partner secondary schools and 30 Aimhigher legacy schools in Kent and Medway have helped to raise pupils' aspirations and widen HE participation by those from non-HE backgrounds.
- The University's Medway Campus has provided new opportunities for young people in the Medway area and expanded by over 15% to 2,525 students. The University has refurbished buildings in Chatham Historic Dockyard to expand provision in the Creative Arts for students entering in September 2011.
- The University's Brussels Campus continues to provide postgraduate programmes in politics and international relations, law and social policy that draw on the resources and expertise of the political capital of Europe. It provides a unique training opportunity for students wishing to develop a career with an international dimension. The University's campus in Paris is providing opportunities for students in the Humanities to benefit from a direct experience of another culture and the city's learning resources while a new Centre in Athens provides unique opportunities for students studying Heritage Management.
- The University has worked with colleges in its region (Mid Kent College, Canterbury College and K College) to extend opportunities for higher education in disciplines including Construction, Engineering, Business Studies, Creative Arts and Chemistry. 1,011 students were registered on such programmes in 2010/11. The University has assisted the colleges in developing new programmes, providing support for quality assurance and shared resources such as library, disability support and academic expertise to enhance provision.
- Kent works with 15 institutions to validate academic awards and provide quality assurance for programmes including performing and creative arts (e.g. Rambert School of Ballet, London School of Music and Dramatic Arts), wildlife conservation (Durrell Wildlife Conservation Trust), financial services (ifs School of Finance) and dentistry (Faculty of General Dental Practice).
- The University's partnerships with over 100 universities across Europe involve exchanges of staff and students, the award of double degrees to students and collaborative projects with European institutions, supported by EU funding under, for example, the Erasmus and Framework programmes and the European Research Council. The student exchanges prepare students for employment in a more globalised environment. The University is the co-ordinator for two international Erasmus Mundus programmes that provide bursaries to cover fees and living costs for doctoral study split between Kent and leading European universities. These programmes are designed to train the leading international scholars of the future.
- The Quality Assurance Agency reviewed the University's validated provision and its partnership arrangements with colleges, European and other international universities in Autumn 2010. The Agency confirmed its confidence in the University's management of academic standards and the quality of learning opportunities provided to students through its collaborative provision.

### Research

- The University is active in research across its range of disciplines and contributes to the public good through scientific discovery and an enhanced understanding of economic, social, political, philosophical, ethical, artistic and cultural areas of the human experience.
- The Research Assessment Exercise 2008 ranked Kent 24<sup>th</sup> in the UK for its world-leading research with particular strengths in Drama and Film Studies, Materials Science, French English, History, Law, Social Policy and Sociology, Statistics and Operational Research.
- The University's research is openly published and disseminated, and active steps are taken to apply research where economic and social benefits are identified. Examples of recent research outcomes include the causes of pregnancy loss in IVF, the importance of plants in cities for shrinking the urban carbon footprint and, in collaboration with a multinational company and a major charity, the development of a business model to build smallholder-based food supply chains. Examples of ongoing work include the extension of the University's successful work in Biometrics to identity authentication procedures in care environments and interdisciplinary work between Drama and Psychology on the benefits of using drama to develop children with autism.

## UNIVERSITY'S PUBLIC BENEFIT STATEMENT

- The work of specialist research units, such as the Personal Social Services Research Unit and the Health Services Research Unit, contributes to public policy development at national level.
- The engagement of teaching staff in research provides benefits for students. The curriculum is informed by the latest developments and teachers are able to provide an emphasis on methodological issues, critical thinking and creativity.

### Knowledge Transfer

- The number of Knowledge Transfer Partnerships (KTP) programmes has continued to increase. Two of the University's projects have received an 'A', the highest grade, as part of the national assessment process approved by the Technology Strategy Board.
- The Innovation, Creativity and Enterprise (ICE) initiative has continued to be a successful platform for engagement with the business community which has resulted in enhanced links with local businesses interested in using Kent's research skills, knowledge and facilities to support further innovation and development. As well as a dedicated virtual network, a Training Portfolio has been developed as a route to delivering accredited and bespoke training programmes. ICE has held 7 events in 2010/11 attracting 150 small and medium sized enterprises. Membership has grown to 185 members.
- The University's contribution to health has been enhanced by the appointment of a Dean of Health and the establishment of "KentHealth", an agency tasked with increasing collaborative activities with the regional health economy through development of postgraduate training programmes for health professionals and facilitating partnerships for conducting world-leading research.
- The University has launched a dedicated space, the Bulb, for student enterprise activities. It is used by students and academic schools for the delivery of extra-curricular student events, workshops and competitions as part of the University's Employability Strategy. The Bulb is based at the Canterbury Innovation Centre, a new centre for innovative business and high technology companies located on the Canterbury Campus where they are able to benefit from knowledge and expertise available in the University's academic schools. A team of Kent students came second out of eight international teams in the Global Student Business Concept Challenge in Virginia, USA in September 2010.
- Examples of individual contributions include the appointment of an academic from Kent as special adviser to the House of Lords EU Committee on Home Affairs (the Committee has launched an enquiry into European drugs policy) and the award of Pakistan's Star of Excellence to a Kent academic for work on equality and diversity management issues in that country.

### Engagement with the Local Community

- Local and regional engagement has continued to grow with the University playing a key role in many stakeholder networks. The University has been actively involved in the development of the Enterprise Zone at Sandwich, the successful Regional Growth Fund and has representation on the Economic Development Group formed following the closure of Pfizer at Sandwich. The University is working closely with the developers of the site, The Discovery Park, to support new start-ups and spin-outs.
- The Kent Enterprise Hub, the University of Kent's incubation unit, is continuing to support many students, graduates and staff to develop their own business. Since its launch in January 2010, the Kent Enterprise Hub has supported the start-up of 40 new companies, which in total employ over 80 members of staff. This has a direct impact on the local economy of over £3m. Business advisors are available to discuss all aspects of starting a company and to provide strategic advice.

## UNIVERSITY'S PUBLIC BENEFIT STATEMENT

- The Kent Law Clinic has continued to provide free legal advice and help to individuals and community groups locally for those unable to afford to pay for legal advice (with significant successes recently in relation to an unfair dismissal and an asylum case) at the same time as providing a practical law experience for law students. The Clinic was awarded the Attorney General Student Award Prize 2011 for Best Contribution by a Law School.
- The University is lead sponsor of the new Brompton Academy in Medway which opened on 1 September 2010. Academy students will benefit from the knowledge, experience and resources the University has to offer. The University has extended provision to provide courses for 60 adults at the Academy.
- 1,799 Kent students provided an estimated 46,000 volunteering hours to local organisations. The University encourages and provides recognition for this activity through a Kent Student Certificate for Volunteering.
- University facilities available to the general public covered a breadth of activities including: a free series of Open Lectures by distinguished speakers, events offered by the Gulbenkian Theatre, Kent Music and Cinema 3 (including contributions to the Canterbury Festivals in Autumn 2010 and 2011), art exhibitions, sports facilities and open days/other events (such as the one day ArtsFest for students, staff and the general public in June 2011). A new building for music performance, to be available for use by students, staff and the community is under construction.
- A Report on the economic Impact of the University received in October 2011 indicates that, excluding capital expenditure, 'in 2010/2011 University activities generated nearly £572m of output and 6,785 jobs for the regional community.'

## OPERATING AND FINANCIAL REVIEW

### Introduction and Scope of the Financial Statements

The Financial Statements for the year ended 31 July 2011 have been prepared on a consolidated basis and include all the recommendations outlined in the revised Statement of Recommended Practice (SORP): Accounting for Further and Higher Education effective from 1 August 2007. All subsidiary undertakings have been consolidated but only Kent Enterprise Limited was trading during the current and prior financial year.

The University entered into the 2010/11 financial year cautiously, with a prudent budget reflecting the uncertain economic environment and increased competition within the sector, whilst ensuring long-term viability and strategic investment for the future. Despite the risks identified and the funding cuts received in-year, the University has reported an extremely pleasing result for the year, achieving a surplus of £15.4m, exceeding both the budget and prior year result. This strong financial position, together with some good performance in the National Student Survey (NSS) and in the Sunday Times and Guardian league tables, leaves the University well placed as it enters into an even more challenging period ahead.

The University has made further good progress in meeting its objectives set out in its 2009-12 Institutional Plan and plans to continue working towards this strategy during 2011/12. In this challenging year, the University has succeeded once again in growing its income, generating an increase of 5.4% over the prior year. This is as a result of further growth in both home and overseas student numbers, high levels of accommodation and catering income together with a sustained drive to grow and diversify other income streams. Expenditure has largely been well contained, with Schools and Professional Service Departments delivering well against internally set savings targets. This was assisted by a £1.3m Voluntary Redundancy Scheme part-funded by HEFCE's University Modernisation Fund, which enabled efficiencies to be made by restructuring ongoing activities with a lower baseline cost.

The new teaching-funding regime set out in the June 2011 White Paper entitled "Students at the heart of the system" and taking effect from September 2012, will provide an enormous challenge to both the University and much of the Sector. Uncertainty around student choices, on the introduction of higher fees, and changes to the rules regulating student numbers, means that a reduction in student numbers across the Sector and at Kent at the September 2012 intake is forecast. The University continues with its strategy of growing overseas fee-paying student numbers and postgraduates as a means of mitigating the impact of lower government-funded Home student allocations. The overall impact of the White Paper is being considered and the University is responding to this, setting out and implementing the changes that will be required to ensure it is both agile and flexible enough to adapt to the changing, yet still highly uncertain, environment. Other specific risks facing the Higher Education Sector include:

- Removal of the barriers allowing new entrants into the higher education market and the relaxation of quality assurance regulations may increase competition in key areas of activity and cause instability amongst existing providers;
- Increased competition from international providers, aiming to attract UK students away from the UK and from UK providers, aiming to attract overseas students;
- Requirement to provide more information to new students to inform choice and graduate success and general increases in student expectations will put pressure on HEIs in a time of constrained resources;
- Government funding cuts in, and increased competition for, research grants and contracts;
- Instability in major educational and local government pension schemes, leading to higher employee and employer contributions and less favourable benefits;
- UK Visa requirements may restrict or reduce the volume of overseas students; and
- Continuing economic recession impacting on the potential to generate funds from relationships with business and the public sector and constraining discretionary spend by students.

## OPERATING AND FINANCIAL REVIEW

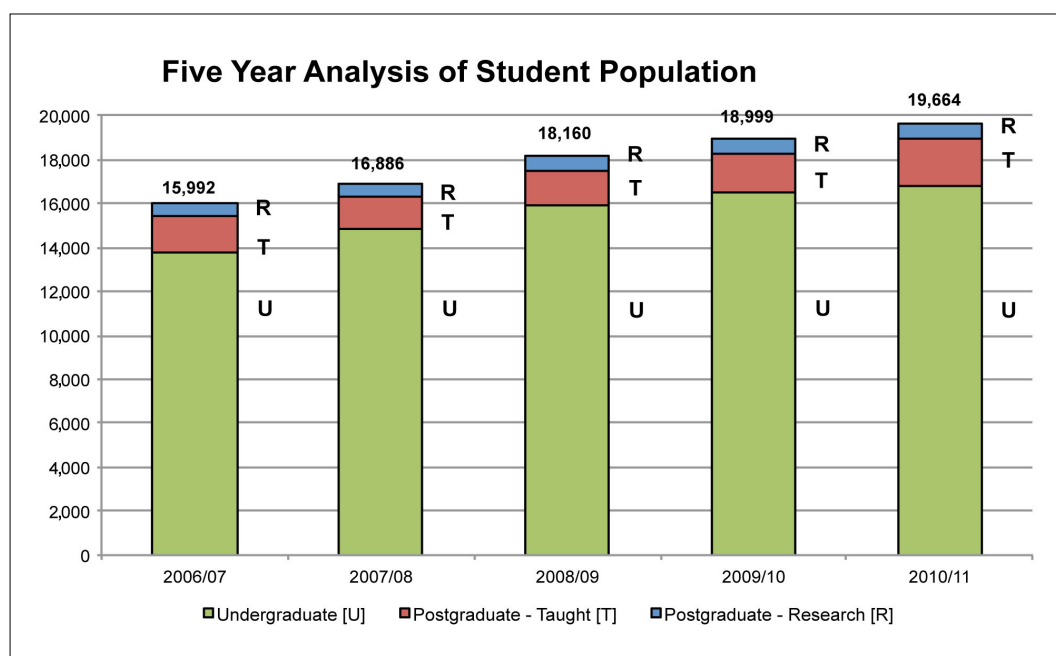
### Financial Highlights for the Year to 31 July 2011

- Operating surplus of £15.4m (2009/10: £15.1m) and representing 8.4% of income;
- Income from Tuition Fees up £7.0m (11.3%) to £69.1m as a result of strong recruitment;
- Strong residences and catering income up £1.4m to £21.7m;
- Staff costs fallen to 51.9% of income (2009/10: 53.7%);
- Increase in Net Current Assets by £9.5m to £33.1m and increased liquidity; and
- Capital expenditure remained high at £15.2m (2009/10: £15.3m).

### Students

In the 2011 National Student Survey, students ranked Kent third in London and the Southeast, with an overall satisfaction rate of 88%. Additionally, Kent has been voted into a top 20 position for the majority of its subjects and has 14 subjects in the top 10 based on overall student satisfaction.

Student numbers increased overall by 3.5% to 19,664, following another strong round of recruitment at both the Canterbury and Medway campuses and including the successful bids for 159 students in HEFCE's University Modernisation Fund and the Strategically Important and Vulnerable Subjects initiatives. Of particular note is the substantial 20.8% increase in overseas student numbers, reflecting the University's success in implementing its Internationalisation Strategy and the high international reputation it has achieved. The University was ranked at 352<sup>nd</sup> in the Times Higher Thomson Reuters World University rankings for 2011 and at 47<sup>th</sup> place for International Outlook. On the basis of an estimated 17,000 universities [European University Association 2011 Report on "Global University Rankings"] Kent is in the top 3% of world universities.



## **OPERATING AND FINANCIAL REVIEW**

The University's strategy to increase its postgraduate activity is also being fulfilled with the proportion of postgraduate students as a total of all students now reaching 14.4%, up from 13.3% in 2009/10. In total, 2,127 students were studying for a postgraduate taught award and a further 711 were preparing for research degrees.

The University's Students' Union, Kent Union, is a separate legal entity to the University with its own governance arrangements, with advisory and welfare activities funded by grants from the University supplemented by a significant trading contribution from its bars and retail outlets. This highly successful organisation has over 18,000 members and supports over 200 clubs and societies across the Canterbury, Medway and Brussels campuses. Its services aim to enhance the student experience, support graduate employability and give a voice to students by representing its members.

### **Teaching**

Over the past few years, to enable growth and co-location of teaching activities and to improve the quality of the overall student learning experience, the University has invested heavily in its teaching facilities, by providing new academic buildings and refurbishing existing facilities. In 2010/11 this has included the refurbishment of Physical Sciences laboratories and the commencement of some extensive refurbishment and expansion of space for the School of Arts at Medway. A rolling programme of teaching space refurbishments continues each year, modernising the University's lecture theatres and updating and re-equipping seminar rooms and other teaching spaces. Within the 5-year capital programme, a further £25m is planned to be invested into new academic space and an extension and refurbishment of the Canterbury campus main library.

### **Research**

The University was ranked 24th in the UK for its world-leading research in terms of the best or 4\* research submitted to the 2008 Research Assessment Exercise (RAE). This was the University's best ever performance in the RAE, with six of its subject areas ranking within the top ten of their disciplines nationwide. Preparations for the new Research Excellence Framework are well underway; research income and postgraduate research student numbers are both up in recent years but there has been a decline of 7% in research income in 2010/11 reflecting competitive pressures and a reduction in research funds available nationally. There are strategies in place designed to increase the proportion of research that is world-leading across all academic schools. Significant investment has been made in the last two years to support this and this continues into 2011/12.

The University, as part of its 2009-12 Plan, has been enhancing its provision to postgraduate students and has its own dedicated Graduate School, which works in partnership with the academic schools to provide a high quality postgraduate student experience and a thriving postgraduate community. With its own Postgraduate College, Woolf College, Kent's postgraduate students are provided with high quality facilities, a supportive environment, opportunities to lead and participate in social events and conferences and an excellent transferrable skills programme. Funding and study opportunities are provided through the University's links with Research Councils and organisations across the world and in addition to this, each year, more than 100 research students are given financial support through the University's £1.5m postgraduate scholarship fund. Postgraduate research student numbers continued to increase in the year and have risen over 26% during the last five years, with current year recruitment looking particularly encouraging.

## OPERATING AND FINANCIAL REVIEW

### Innovation, Enterprise and Creativity

2010/11 signalled the end of the Higher Education Innovation Fund (HEIF) 4 funding period and, despite the recession, the University's revenue from knowledge exchange activities saw a slight increase on the previous year. The University achieved all of its HEIF 4 targets and continues to deliver the Innovation and Enterprise Strategy. The University along with 81 other English Higher Education Institutions has been notified of a future cut in HEIF funding and in future this will result in a more focused approach in the support of Enterprise and Innovation. During 2010/11, two Intellectual Property Reviews were undertaken, one in the Science Faculty and the second across the Social Sciences and Humanities Faculties. The results of both Reviews will shape the University's innovation and enterprise activities under HEIF 5.

Key successes under HEIF 4 to date include:

- Innovation, Creativity & Enterprise (ICE) - this strategic platform developed as part of the University's ongoing engagement between businesses and academic staff continued to be successful, increasing our reach to the small and medium enterprises community;
- Student Enterprise - The Bulb, launched as a dedicated physical space for student enterprise activities has been very popular and is used by students and academic schools in the delivery of extra curricula student events, workshops and competitions as part of the University's Employability Strategy. A team of Kent students came second out of eight international teams in the Global Student Business Concept Challenge in Virginia, USA;
- Knowledge Transfer Partnerships (KTPs) - the number of KTP programmes has increased with one of the University's projects receiving an 'A', the highest grade, as part of the national assessment process approved by the Technology Strategy Board. Less than 10% of projects nationally are awarded a grade at this level.

### Internationalisation at Kent

The University continues to make a strong international impact through its network of partners across the world and the work of its staff, students and alumni. Highlights this year have included:

- Participation in the LoTUS project. This is an Erasmus Mundus External Cooperation Window partnership project, involving European and SE Asian higher education institutions and associations. It is intended to foster mutual enrichment and better understanding between the EU and SE Asia, through the mobility of students and staff. Kent is the only participating UK Higher Education Institution (HEI);
- Membership of the Santander Group, a European Universities Network, involving members from 16 European countries. Kent is the only UK HEI in the association, which is aimed at enhancing cross-European collaboration between universities;
- Development of a Global Partnerships Network, led by Kent and Virginia Institute of Technology, our strategic partner HEI in the USA. The network brings together Vice-Presidents responsible for Internationalisation from a carefully selected group of international partner universities. Its goals include the dissemination of good practice related to internationalisation, and the development of collaborative programmes and activities;
- The launch, in our recently established Centre for English and World Languages, of a range of pre-Masters and Advanced English for Academic Purposes programmes. The Centre's modern languages provision has likewise been enhanced;
- The development of new partnership and programme activity overseas, including the establishment of a specialist Postgraduate Centre in Athens, offering an MA in Heritage Management;
- Work on the Hong Kong and China Portal project, which brings together alumni relations activity, partnership development work and fundraising for scholarships, in a key international priority area for the University;

## OPERATING AND FINANCIAL REVIEW

- The introduction of a term abroad within undergraduate programmes in the Faculty of Humanities, in order to increase study abroad opportunities for students within that Faculty.

### **Creative Campus Initiative**

The University's Creative Campus initiative was launched in 2008 with the aim of cultivating an inspirational learning environment and improving interdisciplinary communication and creativity. During 2010/11, a number of student internships were created to provide support to the various Creative Campus projects and a joint campaign with Kent Union, entitled "Love Your Campus", was launched. At Medway, research into social hubs commenced, scoping out ideas for the main University campus and the facilities based within the grounds of the Chatham Historic Dockyard.

In 2011/12, the Creative Campus plans to focus on projects that will enhance student engagement and their learning experience. This will not only build on key objectives of the Institutional Plan (2009-12), but will also reflect the aspirations of the Kent Union Plan (2011-14) - aimed at creating change, enhancing the student experience, engaging the student voice, supporting graduate employability and ensuring sustainability. It will also seek to promote and enhance the University's "green" campus through the curriculum in support of the broader Green Impact agenda.

### **Kent's Contribution to the Local and Regional Community**

Following a successful bid to HEFCE for more students at Medway, the University's activities at this campus continued to expand during 2010/11 with overall student numbers increasing by over 15% to 2,525, seeing good growth in both undergraduate and postgraduate taught courses. In particular, the Schools of Social Policy and Sociology, Sports Science, Business and Journalism recruited well to their undergraduate degree programmes and the Medway School of Pharmacy, a collaboration between the Universities of Greenwich and Kent, continued to recruit well to its Masters programmes. A £5.1m refurbishment of University-occupied buildings within the adjacent Chatham Historic Dockyard will enable the resident School of Arts to grow its activities and will provide industry-standard music, art, design and performance spaces.

Since September 2010, as a means of raising local participation levels in Higher Education, the University has been acting as lead sponsor for the new Brompton Academy, a Medway-based school specialising in Science and Arts. In this strategic role, the University is committed to establishing a wide ability and outstanding Academy that will provide high-quality teaching and learning to its students. In addition, the Academy students will benefit from the knowledge, experience and resources that the University has to offer. As part of its commitment to community education and progression into higher education, the University and the Academy's co-sponsor, Medway Council, are working with the Academy to positively influence the local community and other Medway schools. During the year, community provision at the Academy was established with the enrolment of 60 adults on courses which the University has subsidised.

In addition to the ongoing work with our established Partner Schools and Further Education Colleges, the University has also invested in the continuation of Aimhigher in Kent and Medway resulting in University-funded local outreach provision for 30 Aimhigher legacy secondary schools. This initiative sits alongside the University's extensive outreach work and support for 16 Partner Schools and Colleges in Medway and Kent.

At the Canterbury campus, construction has now commenced on the £8.2m Colyer-Fergusson Building, a facility dedicated to the rehearsal and performance of music on the site of the existing Gulbenkian Theatre and Café-Bar. This has been made possible by a generous £5.2m donation from the Colyer-Fergusson Charitable Trust, together with associated HEFCE Matched Funding and a previous legacy received by the University from Sir James Colyer-Fergusson. It is hoped that this will enrich the lives of not only the staff and students at the University, but also

## **OPERATING AND FINANCIAL REVIEW**

of the local community, who either participate in the University's music groups or who will soon have the opportunity to see many more live orchestral and choral performances in this purpose built music venue.

### **Volunteering**

Our students and staff make significant voluntary contributions to local organisations. Kent Union estimates that during the year 1,799 students provided over 46,000 volunteering hours. The University has a Kent Student Certificate for Volunteering that recognises this unpaid work for those students wishing to build upon the skills acquired during their volunteering activity.

## OPERATING AND FINANCIAL REVIEW

### Measurement of Past and Future Performance

The University measures its performance in ten key areas and annually reports on relevant key performance indicator data to the University's Council, alongside an assessment of performance compared to agreed targets and peer group members. Areas assessed include institutional sustainability, student experience, research, financial health, knowledge transfer and relationships, staff development and estates and infrastructure with a "Traffic Light" approach to monitoring. For 2010/11, the University reported a higher number of green and amber-green indicators with an improved overall result for the area of Governance, Leadership and Management. The table below summarises the University's strategic themes, as identified in the Institutional Plan for 2009-12, and the corresponding key performance indicator data:

Strategic Theme	Key Performance Indicator	Performance
Student experience and teaching and learning	<p>Widening participation performance as compared to the HEFCE benchmark</p> <p>Student satisfaction NSS (overall satisfaction with the quality of the course)</p> <p>Home/EU undergraduate applications per place available</p>	<p>Improvement in 2011, ranked towards the top end of the peer group and hitting its HEFCE target. (Source: HEFCE Widening Participation performance indicators)</p> <p>88% in 2011; 87% in 2010; 87% in 2009 (Source: HEFCE/Ipsos MORI NSS)</p> <p>2010/11: 5.4 per place 2009/10: 4.7 per place 2008/09: 4.1 per place (Source: UCAS)</p>
Research	<p>Research income per academic staff FTE (£000)</p> <p>% academic staff in highly rated departments</p>	<p>2010/11: 19.71 2009/10: 19.25 2008/09: 22.19 (Source: HESA data to 2009/10; internal data for 2010/11)</p> <p>2010/11: 50.2% 2009/10: 48.5% 2008/09: 49.7% (Source: internal data)</p>
Knowledge transfer and relationships	% research income from industry, commerce or public bodies	Year on year increases from 20.7% to 27.9% (Source: HESA data 2007/08 to 2009/10)
Sustainability and financial health	<p>Annual surplus as a % of income - minimum target of 2%</p> <p>Level of available "cash reserves" days - minimum target 40 days</p> <p>% overseas of new entry full time undergraduates</p> <p>% non publicly regulated funding - target of 45%</p>	<p>2010/11: 8.4% 2009/10: 8.8% 2008/09: 4.4% (Source: financial statements)</p> <p>2010/11: 123 days 2009/10: 96 days 2008/09: 75 days (Source: financial statements)</p> <p>Year on year increases from 8.7% to 9.9% (Source: HESA data 2007/08 to 2009/10)</p> <p>2010/11: 29.9% 2009/10: 29.6% 2008/09: 29.9% (Source: financial statements)</p>

## OPERATING AND FINANCIAL REVIEW

In addition to the above, the University continues to have the lowest carbon emissions per head when compared with its Higher Education Institution peer group and is continuing to show significant improvement in the condition of both the residential and non-residential estate. Utilisation of space at the University remains good but further investment in academic space to match recent growth in student numbers, together with the need to maintain and constantly enhance student academic and social facilities, continues to be reflected in the University's Five-Year Capital Programme.

The University's Council approved the 2011/12 budget, ensuring that the core financial sustainability targets, as set out in the Financial Framework, continue to be met. It was acknowledged that 2011/12 would be a year of preparation for the forthcoming student funding changes and the implementation of the Research Excellence Framework and that flexibility and adaptability is key to the University's success. The budgeted surplus of £4m for 2011/12 is significantly lower than that achieved in recent years but takes into account the recently announced funding cuts. This budgeted surplus, at 2.3% of income, exceeds the framework target of 2% and is set at a level to ensure both sustainability of current operations and investment for the future. It is envisaged that student numbers will remain at the current high levels, with additional growth at Medway following significant development of the School of Arts based there and continued growth in postgraduate activities. The student experience is a focus for the capital plan, with the start of a four-year project to refurbish, remodel and extend the Templeman Library at the heart of the Canterbury campus and plans to provide more social spaces for students based at Medway. Further investments will enhance the student learning experience and research profile of the University and to improve the quality of teaching space and research facilities. To enable such investment, savings within Schools and Professional Service Departments continue to be required but it is anticipated that, as in past years, most schools will meet their targets through increased income. Cash reserves (days expenditure) and current asset ratio are budgeted to be comfortably above target at 74 days and 1.54 respectively, but with a potential rise in the annualised debt servicing cost to 7%, above the target of 6%, should loan funded investment in residential and conferencing facilities go ahead as planned. A slight improvement in the percentage of income from non-regulated sources, up to 30.4% compared to a target of 45%, is expected as the University works hard to diversify its activities and grow its provision to overseas and postgraduate students. Continued financial modelling will be undertaken throughout the year, as the impact of the Higher Education White Paper becomes clearer and government funding levels are confirmed.

### Financial Summary

The University's consolidated results for the years ended 31 July 2011 and 31 July 2010 are summarised as follows:

	2010/11 £000	2009/10 £000	Change %age
Income	182,289	173,027	5.4
Expenditure	(166,932)	(157,934)	5.7
Transfer from Accumulated Income in Endowment Funds	<u>45</u>	<u>49</u>	
Surplus for the Year	<u>15,402</u>	<u>15,142</u>	1.7

In a year of funding cuts and increasing competition for students and research grant funding, the results for the 2010/11 year are encouraging and show that the University is succeeding to diversify and grow its non-regulated income streams and keep control over its costs. The retained surplus for the year of £15.4m (2009/10: £15.1m) represents 8.4% of the University's turnover and exceeds the targets set within the University's Financial Framework which is designed to ensure that sufficient cash is generated to fund an expanded self-funded capital programme to provide students with first-class facilities and maintain the estate in a good condition. This also exceeds the budgeted surplus of £4.0m and is largely as a result of strong

## OPERATING AND FINANCIAL REVIEW

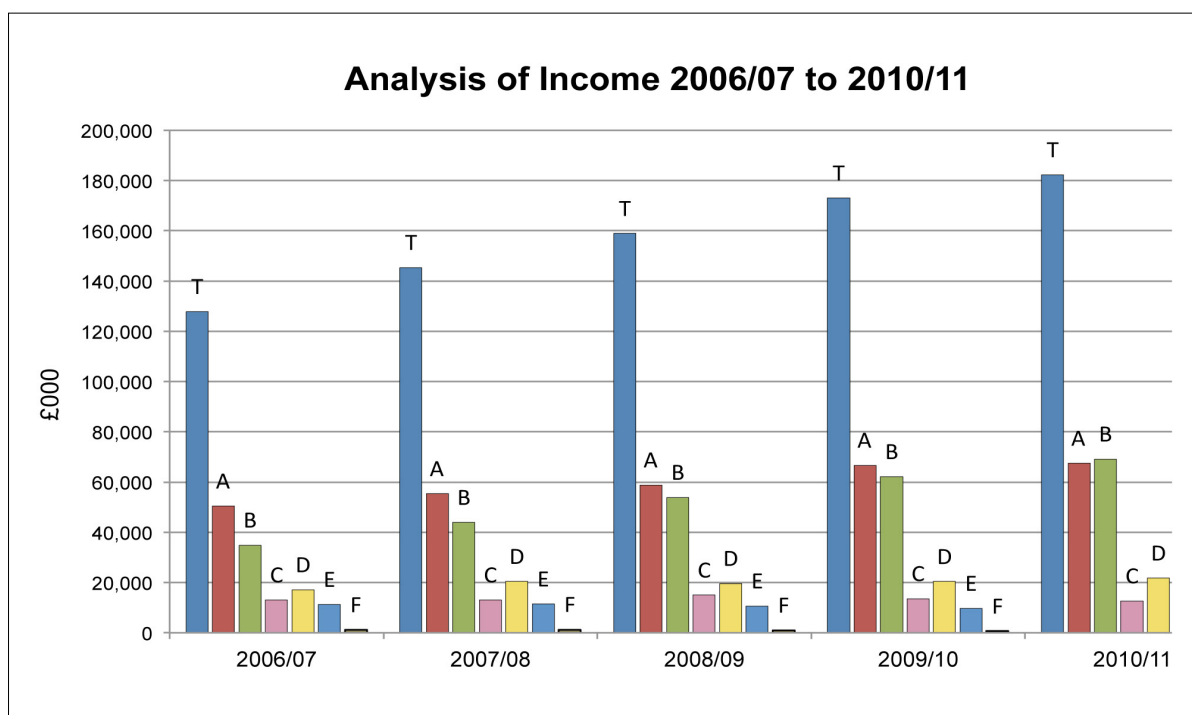
student recruitment and a successful drive to increase other income together with effective budgetary control over the University's staff costs.

### Income

Total income grew by 5.4% to £182.3m with an additional £7.0m fee income but with only marginal growth in net income from the Higher Education Funding Council for England (HEFCE). The University was, however, able to benefit from the successful bid under the University Modernisation Fund, increasing student numbers by 159 FTE and bringing in £1.8m during the year to fund the first year of teaching these students and a number of projects designed to generate teaching and administration efficiencies and reduce baseline costs in future years. A further successful bid for 300 students at the expanding Medway campus generated an additional £1.1m. This, however, was offset by funding cuts announced at the start of the year, and again in March 2011, which reduced the underlying recurrent teaching and research grant income for the year by over £2.0m. Student recruitment was buoyant once again, particularly for postgraduate study, with numbers increasing by 12% in the year. The University also performed extremely well, in its recruitment of overseas students, with numbers going up by 21% in year, reflecting the strong international reputation that Kent has developed over the years.

Income from research grants and contracts declined again during the year to £12.7m as a result of the increasingly competitive environment. The margins achieved on these projects have however remained at healthy levels throughout the year and strategies are being developed to further address the declining income levels.

Other income generating activities also performed well in the year with a good result in residences and catering.



#### Key:

T - Total Income

A - Funding Council Grants

B - Tuition Fees and Education Contracts

C - Research Grants and Contracts

D - Residences, Catering and Conferences

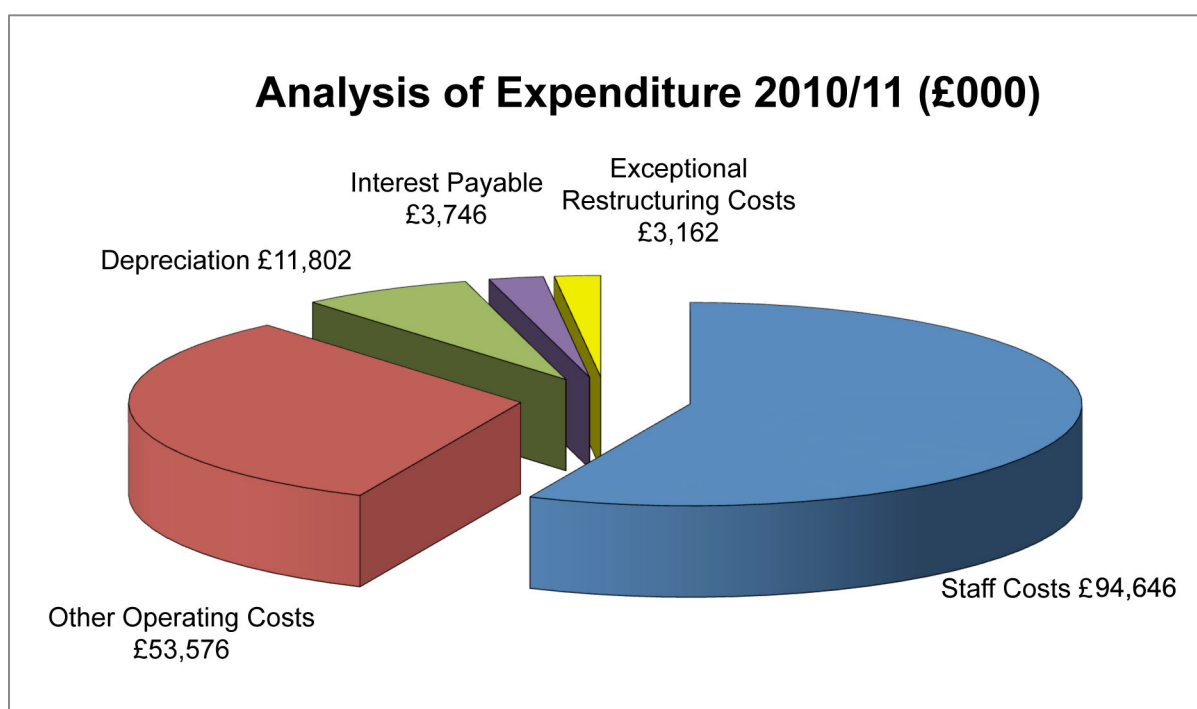
E - Other Income

F - Endowment and Investment Income

## OPERATING AND FINANCIAL REVIEW

### Management of Resources

Staff Costs rose by just 1.9% (2009/10: 3.2%) in the year and were over £7m lower than budgeted. This was largely as a result of a lower than anticipated pay settlement of 0.4% that took effect in August 2010, together with a net reduction in the number of staff at the University following the conclusion of a successful Voluntary Redundancy Scheme in December 2010. In addition to this, Academic Schools and Professional Service Departments continued to monitor overall expenditure levels, maximising opportunities arising on the departure of staff, to reorganise activities and become more efficient. This has, in a number of instances, led to delays occurring in the reappointment of staff and the achievement of one-off savings against budgets. The University has, however, continued investing in its staff, with appointments being made to new academic and research posts within Schools and in providing academic support to students, resulting in an average increase in staff numbers of 39 full-time equivalents (2.0%) in the year.



Other Operating Expenses increased by £4.6m (9.5%), partly due to a £2.8m write-off of legal and professional fees in connection with ongoing planning delays on a major capital project. Teaching and learning expenditure in Academic Schools increased by £0.9m as a result of further growth in student numbers, and included an additional £0.3m in school-funded bursary support and significant investment in the Centre for English and World Languages. Student support, facility and educational non-pay costs increased by £0.7m which was primarily related to additional spend on undergraduate bursaries resulting from the current economic climate, higher grant payments to the Students' Union and on increased spending within the library and the sports centre. In total, £4.3m was provided to students as part of the University's commitment to widen access into Higher Education. Premises costs increased by £0.6m following further expansion at the Medway campus and a step-up in the upkeep and long-term maintenance of the University's general estate. Increased hospitality activity led to an increase in the catering and residences non-pay costs of just under £1m but contributed an additional £0.4m towards the fixed costs of the operation. Central administration non-pay costs were largely contained with just a £0.1m increase over the prior year. Depreciation charged in the year was £1.3m higher than in 2009/10, following the completion of some major residential refurbishment projects and significant expenditure on research equipment within the schools.

## OPERATING AND FINANCIAL REVIEW

### Balance Sheet

The University's Balance Sheet has strengthened over the year with Net Current Assets increasing by £9.5m to £33.1m with a current asset ratio of 1.91. This is a strong position for the University to be in, reflecting the cumulative effect of the high surpluses in recent years but also some delays in a number of larger capital projects. Debtors' balances increased by £2.4m in the year, of which £1.3m related to student-related debt, partly in connection with the increased tuition fees and accommodation income, but also as a result of the general economic conditions, which have led to a slower collection of accommodation fees. Current liabilities increased by £7.3m reflecting higher receipts in advance from overseas students paying fees in advance in line with Border Agency requirements on applications for UK VISAs and the general increase in the level of non-pay expenditure.

The University's main pension schemes, USS and SAUL, are multi-employer schemes and continue to be accounted for as defined contribution schemes. The University follows the requirements of FRS17 in relation to the accounting for the Local Government Pension Scheme for which it has one remaining active member and the pension deficit can be seen on the balance sheet; during the year, the deficit decreased by £0.1m and now stands at £0.3m. Full details of the pension schemes can be found in Note 28 to the financial statements.

### Investment Management

During the year the Investments Committee monitored the returns achieved on cash deposits and on those funds invested in and managed by Schroders Charities.

The medium and long term assets are invested in the Charity Multi-Asset Fund, managed by Schroders Charities. This has produced an attractive level of income over the past 12 months (1% per quarter) and has generated a total return (including income) of 8.9%. The economic backdrop has been uncertain, with the environment characterised by volatile markets. Our investments are diversified to minimise risk.

The shorter term assets are invested in cash deposits using Schroders Charities' cash management service. These are placed out with counterparties, to gain a spread of maturities and an attractive rate, as well as diversification of counterparty risk. At the end of July these cash deposits were earning interest rates between 1.7% and 2.5% (net of fees) which compares favourably to base rates of 0.5% and other cash funds.

The permanent endowment is invested in UK equities and bonds through the Schroder Charity Equity and Fixed Interest Funds and also holds a cash deposit. Over the year the portfolio generated a total return of 3.6%. One specific fund, The Michael Ramsay Appeal Fund is subject to ethical considerations and as such is invested in the CBF Church of England Investment Fund and the CBF Church of England Fixed Interest Fund. This Fund has a higher equity asset allocation than the permanent endowment and as a result has done slightly better over the year with a total return of 4.8%.

## OPERATING AND FINANCIAL REVIEW

### Cash Flow

Liquidity levels rose once again, due to a combination of high net cashflows from operating activities which has benefitted from some upfront receipts of student fees together with timing delays on high value self-funded capital projects. The University monitors its cash reserves and requires a minimum of 40 days expenditure to be held at any time. At the year-end, the cash reserves, measured as cash in hand, short-term deposits and a percentage of the market value of the current asset investments, represented approximately 123 days worth of the 2010/11 expenditure, excluding depreciation.

Total Cash, Short-Term Deposits and Current Asset Investments at market value as at 31 July 2011 have increased by £14.3m as follows:

	2011 £000	2010 £000	Change %age
Cash Deposits and Short-Term Deposits	40,790	36,163	12.8
Current Asset Investments at Market Value	<u>12,932</u>	<u>3,218</u>	301.9
	<u>53,722</u>	<u>39,381</u>	36.4

### Capital Programme

Capital expenditure amounted to £15.2m in the year, with over £10m being spent on major Estates Strategy, new building and refurbishment projects. This included almost £4m on refurbishing and equipping student residential accommodation, significantly improving student residential accommodation in Keynes College and updating and extending the Dolche Vita catering outlet. Also of note was the £3.5m spent on improving teaching and research facilities, which included a significant overhaul of the School of Physical Sciences laboratories and the start of work at Medway to provide new refurbished academic space to house the expanding School of Arts. Work also began on the construction of the £8.2m project to build a new Music Performance facility, funded primarily by donations and HEFCE Matched Funding. Of the total capital expenditure, £3.1m was funded using HEFCE Capital Investment Framework grant funding.

The capital programme for the next five years was presented to the University's Council detailing an increased £160m of investment into the Estate, despite the known cuts in the future capital grant funding from the Funding Council. The programme includes additional self-funded capital investment at levels higher than previously planned, due to a recognised need and a prioritisation to invest in the University's estate, ensuring that student facilities are kept up to date. Major developments planned include a £70m project to provide more residential accommodation and a conference centre at the Canterbury campus, an £18m extension and refurbishment of the Templeman Library, an £8m project for new academic space at Canterbury, a further £4.5m on increasing and improving academic space at Medway and £4m on improving Sports facilities at the Canterbury campus.

### Borrowing

Long-term bank loan debt has fallen by a further £2.3m in the year with borrowing levels now reduced to 31% as a percentage of income. Loan funding planned in the year for residential developments has not yet been required due to the delays in obtaining planning permission on the proposed site; however the University's Five-Year Capital Programme still assumes a significant increase in loan funding over the next few years, which is projected to push borrowing levels back up before falling again in successive years as income grows.

## **OPERATING AND FINANCIAL REVIEW**

### **Equal Opportunities and Diversity**

In line with the requirements of its Royal Charter and the law, the University confirms its commitment to policies of equality and diversity and to the implementation of these policies. Equality and diversity issues, relating both to staff and students, are regularly considered by the Staff Policy and Student Committees. October 2010 saw the introduction of the Equality Act, the biggest reform of British equality legislation since its introduction to law. In order to ensure that the implications of the Act were understood by those with management responsibilities, briefings have taken place across the University. In addition, the topic of Managing Diversity has been embedded into the Heads Leadership and Management programme. The University has made a public commitment to the principles set out in the Athena Swan Charter, a membership and awards scheme to promote and recognise good employment practice for women working in science, technology, engineering, medicine and mathematics (STEM) in higher education and research institutes. Work has begun on this scheme within the Faculty of Sciences and an awareness-raising day was held in September which was attended by over 60 staff. In 2010/11 many of the equality-related staff networks have been re-launched and/or reinvigorated. The Lesbian, Gay, Bisexual and Transgender (LGBT) and Disability Networks have both had their first meetings in a number of years. The Women's Network continues to develop; including holding the first Women's Network on the Medway campus in 2010/11.

Plans for 2011/12 include an external review of Equality and Diversity which will take place in the autumn. The review will include consultation with staff and students in order to conduct an assessment of the University's compliance with the Equality Act and will make recommendations for future equality objectives. It will also identify resource options for the next two years. The Code of Conduct on Equality and Diversity for the Research Excellence Framework (REF) in 2014 will be written following the release of information from HEFCE and training for staff will be provided. The second phase of the Athena Swan project will also be implemented; which will also include holding staff forums to enable the University to gather qualitative information on women's experiences during employment.

### **Employee Involvement**

The University places considerable value on good internal communications with staff and on the involvement of its employees. Newsletters are published regularly during the year for all staff and information and regular news updates are also available via 'Campus on-line' and 'News' on the University website. Heads of Academic Schools and Professional Service Departments are expected to report back and communicate with staff following Managers' Forum meetings. Staff are also encouraged to participate in formal and informal consultation at University, faculty and school/departmental level and have opportunities to interact with the Vice-Chancellor and other senior staff at school/department meetings and informal gatherings and social occasions. In addition, there are termly meetings between Human Resources staff and the recognised Trades Unions and representatives of non-union staff and managers. The University undertook extensive consultation on the proposed changes to one of the University's main pension schemes (USS) including working with the Trade Unions and staff representatives to submit a joint response to the proposed changes. A stakeholder group comprising Trade Unions, staff representatives and volunteer staff from across the University has been set up to provide feedback on new and revised Human Resources policies, at the development stage. In order to further communicate changes to policies, Human Resources now has a page in every edition of KENT Magazine to announce staff-related initiatives, promote good working practices and share information of relevance to staff.

In 2011/12 the role of staff representatives is being reviewed and as part of this, training and facilities for non-union representatives will be identified. In addition we will be looking to encourage staff to attend network meetings such as the Women's Network and LGBT and to act as representatives on various working parties.

## **OPERATING AND FINANCIAL REVIEW**

### **Developing Leadership and Organisational Capabilities**

The University recognises that continuing investment in the development of its staff is essential if it is to successfully meet the challenges that lay ahead. In particular there is a focus on developing leadership skills given the increased pace of change in the external environment, which has resulted in the enrolment of senior leaders in the Leadership Foundation for Higher Education's intensive Top Management Programme. The University of Kent's Heads' Leadership and Management Programme which is targeted at senior managers has been re-developed. A new pilot Leadership Programme for Professional Services Managers targeted at middle managers across the University will run through the 2011 calendar year concurrently with the Supporting Management, Developing Leadership pilot programme for administrative staff.

### **Environment**

The University's Carbon Management Plan was approved by Council in November 2010 and covers the ten-year period to 2020. The Plan sets out the University's carbon footprint and how it intends to reduce it. The current target is a 23% reduction, in absolute terms, against a 2005 baseline. The Plan identifies a number of projects that will reduce the University's demand for energy, invest in schemes that improve energy efficiency, introduce energy systems based on renewable sources and promote awareness of the need to reduce energy consumption. The University has since been recertified with the Carbon Trust Standard for successfully measuring, managing and improving carbon emissions across its campuses.

The University continues to participate in the HEFCE and SALIX Revolving Green Fund and has now received a total of £320k under this scheme. This has been invested in a number of compliant, energy-efficient projects and as financial savings are generated each year, is being reinvested into newly identified projects.

The University has just completed its second year of Green Impact, part of the DEFRA-funded Degrees Cooler Programme. This programme, run by the National Union of Students, consists of a number of projects that are designed to assist both staff and student communities in realising behavioural changes leading to greener lifestyles. The University has also been re-designated as a Fairtrade University following a successful drive by staff and students to support Fairtrade by buying selected products and attending Fairtrade events.

### **Payment of Creditors**

It is the University's policy to obtain the best terms for all business and, consequently, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

### **Going Concern**

After making appropriate enquiries, which include the review of medium term forecasts and the consideration of the availability of funding in this period, the Council considers that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason the financial statements have been prepared on a going concern basis.

## **OPERATING AND FINANCIAL REVIEW**

### **Conclusion**

2010/11 was a hugely successful year, with a strong financial outturn and some of the best performance in the Higher Education League Tables and the National Student Survey seen by the University. It has been a year of continued planned growth, difficult decisions and careful strategic investment, all made with a long-term view of creating more efficient structures which will assist the University in achieving its core objectives. Our staff should therefore be congratulated on this performance and for their continued efforts and dedication to the University.

The years ahead will undoubtedly be volatile for the whole higher education sector as there is still much uncertainty around how students and competitors will respond to the forthcoming changes. However, the University's success, together with its achievements over the last few years, stands it in good stead for the challenges of the 2012/13 student teaching funding reforms, as set out in the White Paper, and as we make preparations for the forthcoming Research Excellence Framework. The coming year will be one spent continuing to prepare for these challenges to ensure that, in an increasingly competitive environment, Kent remains a key player, offering an excellent student teaching and learning experience embedded in an excellent research-led environment. The University looks forward to the future and is confident that it can build on its current reputation, financial stability and teaching and research strengths and ensure Kent's place as an outstanding UK university.

**Professor Dame Julia Goodfellow**  
**Vice-Chancellor**

25 November 2011

## CORPORATE GOVERNANCE STATEMENT

The Statement which follows is provided to enable readers of the Annual Review and Financial Statements of the University to obtain a better understanding of its governance and legal structure.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities given in the Guide for Members of Higher Education Governing Bodies in the UK published by the Committee of University Chairs (CUC) (February/March 2009). The University is committed to achieving best practice in all aspects of Corporate Governance.

The University is an independent corporation whose legal status derives from a Royal Charter originally granted in 1965 and subsequently updated. The University's objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved in 2010, and in Ordinances; these may be found on the University's website.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

**The Council** is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. Council has 25 members with a majority appointed from outside the University (17 members comprising 68% of its membership), from whom its chair and its deputy chair must be appointed. Other members include representatives of the staff of the University and the student body. Members do not receive any payment for their work in relation to the Council. External members may, however, claim reimbursement of associated travel costs and expenses.

**The Senate** is the academic authority of the University and draws its membership (currently 49 members) almost entirely from academic and research staff and students of the University. Senate is responsible for the teaching and research work of the University. The Vice-Chancellor is *ex officio* Chair of Senate.

**The Court** is a large, mainly formal, body comprising about 450 members. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a forum where members of Court can be briefed and comment on key University activities and developments. The Court meets once a year when an annual review of the University and its annual accounts are presented. Many members of the Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University. Other members include professorial staff and representatives of academic and non-academic staff and the student body. The Chancellor is *ex officio* Chair of the Court.

The Vice-Chancellor, the University's principal academic and administrative officer, has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the Financial Memorandum between the University and the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the Accountable Officer of the University and in that capacity can be required to appear before the Public Accounts Committee of the House of Commons.

## **CORPORATE GOVERNANCE STATEMENT**

The University's compliance with the CUC Governance Code of Practice includes the adoption of a Statement of the Council's Primary Responsibilities which may be found on the Central Secretariat's website. In brief this encompasses matters relating to the University's mission, vision and strategic aims; the appointment of senior officers and external members/officers; amendments to the University's Royal Charter, Statutes and Ordinances; corporate level financial matters and decisions; institutional performance and other requirements arising from the University's constitutional framework, institutions such as the Funding Council and legislation.

Other requirements of the CUC's Corporate Governance Code refer to matters delegated to the Vice-Chancellor, the Council's effectiveness and evaluation of University performance by the use of Key Performance Indicators (KPIs). The Vice-Chancellor is required to provide an annual report to Council each Autumn on matters delegated to him/her by Council and arising from Statutes in the previous academic year. During 2008/09 Council undertook a review of its effectiveness and that of its committees. This indicated overall effectiveness and a few changes have been made to improve the position further. Since 2006 Council has reviewed the University's performance against a set of approved KPIs each year, most recently in July 2011.

Council meets at least five times each academic year and much of its detailed work is initially handled by committees which generally meet two or three times per year. Council committees include the Finance and Resources Committee, the Staff Policy Committee, the Lay Nominations Committee, the Remuneration Committee and the Audit Committee. Council committees have written terms of reference and specified membership, including external members (from whom Council generally appoints chairs), designated quorums and numbers of meetings held each year and each committee reports to Council at least once a year. The Audit Committee has a particular role in relation to Corporate Governance as its Annual Report is required to include the Committee's opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance; for promoting economy, efficiency and effectiveness (value for money) and the arrangements for the management and quality assurance of data submitted to HESA (Higher Education Statistics Agency), HEFCE and other funding bodies.

As chief executive of the University, the Vice-Chancellor advises the Council on the development of institutional plans, policies and strategy, the identification and planning of new developments and shaping of the institutional ethos. The Deputy and Pro-Vice-Chancellors, Director of Finance and other senior academic and administrative officers all contribute in various ways to aspects of this work but Council, as the University's governing body, has ultimate responsibility for University activities, for determining its future direction and for fostering an environment in which the University's mission is achieved.

The Statutes of the University provide for the Council to appoint a Secretary of the Council (and of the Court). Any enquiries about the constitution and governance of the University should be addressed to the Secretary of the Council.

The University maintains a Register of Interests of members of the Council and other staff which may be consulted by arrangement with the Secretary of the Council.

### **Statement of Internal Control**

The University Council is responsible for ensuring the maintenance of a sound system of internal control that supports the achievement of the University's mission and strategic aims and objectives while safeguarding the public and other funds and assets for which the University is responsible, in accordance with the responsibilities assigned to the Council in the University's Charter and Statutes and the requirements of the Financial Memorandum with HEFCE.

## **CORPORATE GOVERNANCE STATEMENT**

The University's system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve institutional mission, strategic aims and objectives; it can, therefore, only provide reasonable and not absolute assurance against material inadequacy in institutional performance. The system is based on an ongoing process for identifying, evaluating and managing the significant risks faced by the University; it seeks to identify the principal risks to the achievement of the University's mission, strategic aims and objectives, to evaluate the nature and extent of those risks and to manage them by appropriate controls and mitigation and to monitor the position so that, if necessary, remedial action can be taken. This process was in place for the year ended 31 July 2011 and up to the date of approval of the Financial Statements for 2010/11 and it accords with HEFCE guidance.

In summary key aspects of the University's overall system of internal control, for which the Council has overall responsibility, are as follows:

- every three years Council approves a new University Plan; the current version is for 2009-2012 (and may be seen on the University's website);
- Council meets regularly to consider strategic, policy and oversight matters, these include the annual approval of a Risk Register (based on the institutional Plan and compiled on an objective scoring basis); the annual report on risk management and annual reports from the Audit Committee and the Head of Internal Audit, each including an evaluation of the assurance provided by internal controls;
- the Vice-Chancellor and her Executive Group are responsible for the management of the University, including oversight of risk management and consideration of termly monitoring reports (and the same in relation to value for money (VfM));
- Internal Audit's work, based on risk assessment, plays a valuable role in providing assurance on the adequacy and effectiveness of risk management, control and governance arrangements and VfM;
- the Audit Committee meets four times a year and receives regular reports from the Head of Internal Audit which include an independent opinion on the University's system of control and recommendations for improvement, and the termly monitoring reports on risk management and VfM;
- the heads of academic schools and professional service departments are responsible for the identification and management of risks and the achievement of value for money in their areas of operation on a day-to-day basis and in relation to future plans.

Council's overall assessment of the effectiveness of internal control is informed by reports from the Audit Committee, the External Auditors in their Management Letter, the Internal Auditor and from the Vice-Chancellor and other executive officers and from HEFCE. The last includes HEFCE's institutional assessment of the University which indicated that in 2011 the University was "not at higher risk" and the 2009 assessment by HEFCE's Assurance Service that the University's Internal Audit provided a high level of assurance. Council's assessment that the University's internal control was sound for 2010/11 and to the date of its approval of these Financial Statements is hereby confirmed for the record.

Signed on behalf of the University of Kent on 25 November 2011 by:

**John Simmonds**  
**Chair of the Council**

**Professor Dame Julia Goodfellow**  
**Vice-Chancellor**

## STATEMENT OF THE RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

In accordance with the University's Charter of Incorporation, the Council is "the supreme governing body of the University and ...(is) responsible for the exercise of the University's powers" (extract from Section 6 of the Charter).

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the University, the Council, through its designated officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements;
- there is no relevant audit information of which the auditors are unaware; and
- each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum agreed with HEFCE and any other conditions which HEFCE may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and professional service departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;

## **STATEMENT OF THE RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL**

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Resources Committee and the Council;
- a professional Internal Audit Office whose annual programme takes into account matters included in the Risk Register and is approved by the Audit Committee in line with the Statement of Internal Control.

**REPORT OF THE INDEPENDENT AUDITORS TO THE COUNCIL  
OF THE UNIVERSITY OF KENT**

We have audited the financial statements of the University of Kent ('the University') for the year ended 31 July 2011 which comprise the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement, the statement of principle accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the members of the University's Council, as a body, in accordance with the charter and statutes of the University. Our audit work has been undertaken so that we might state to the members of 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 and the members of 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 Members of the University's Council and auditor**

As explained more fully in the Statement of the Responsibilities of the University's Council set out on pages 26 and 27, the Council are responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, 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. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council').

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

- the financial statements give a true and fair view of the state of the group's and University's affairs as at 31 July 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.



## REPORT OF THE INDEPENDENT AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF KENT

### Opinion on other matters

In all material respect:

- income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2011 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council.

### Grant Thornton UK LLP

Registered Auditor, Chartered Accountants  
Milton Keynes

25 November 2011

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2010/11 £000	2009/10 £000
<b>INCOME</b>			
Funding Council Grants	1	67,416	66,645
Tuition Fees and Education Contracts	2	69,139	62,098
Research Grants and Contracts	3	12,655	13,587
Other Income	4	32,263	30,064
Endowment and Investment Income	5	<u>816</u>	<u>633</u>
Total Income		<u>182,289</u>	<u>173,027</u>
<b>EXPENDITURE</b>			
Staff Costs	6	94,646	92,845
Pension Credit	6	-	(73)
Restructuring Costs	6	3,162	1,805
Other Operating Expenses	7	53,576	48,944
Depreciation	11	11,802	10,529
Interest Payable	8	<u>3,746</u>	<u>3,884</u>
Total Expenditure		<u>166,932</u>	<u>157,934</u>
Surplus on Continuing Operations after Depreciation of Assets at Cost and before Tax		15,357	15,093
Taxation	9	<u>-</u>	<u>-</u>
Surplus on Continuing Operations after Depreciation of Assets at Cost and Tax		15,357	15,093
Surplus for the Year Transferred from Accumulated Income in Endowment Funds		45	49
Surplus for the Financial Year Retained within General Reserves		<u>15,402</u>	<u>15,142</u>

There is no difference between the surplus stated above and the historical cost equivalent.

All income and expenditure recognised above is derived from continuing operations.

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2010/11 £000	2009/10 £000
Surplus on Continuing Operations after Depreciation of Assets at Cost and Tax		15,357	15,093
Unrealised Gains on Endowment Asset Investments	19	130	391
New Endowments and Income Retained for the Year	19	3,083	2,492
Actuarial Gain on Pension Scheme	28	<u>105</u>	<u>83</u>
Total Recognised Gains and Losses on Continuing Operations relating to the Year		<u>18,675</u>	<u>18,059</u>
<b>RECONCILIATION</b>			
Opening Reserves and Endowments		83,753	65,694
Total Recognised Gains and Losses for the Year		<u>18,675</u>	<u>18,059</u>
Closing Reserves and Endowments		<u>102,428</u>	<u>83,753</u>

# **BALANCE SHEETS AS AT 31 JULY 2011**

		Consolidated		University	
	Note	2011	2010	2011	2010
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible Assets	11	167,530	164,089	167,530	164,089
Investments	12	_____	_____	_____	_____
		<u>167,530</u>	<u>164,089</u>	<u>167,530</u>	<u>164,089</u>
<b>ENDOWMENT ASSETS</b>					
	13	<u>10,061</u>	<u>6,893</u>	<u>10,061</u>	<u>6,893</u>
<b>CURRENT ASSETS</b>					
Stocks		630	604	630	604
Debtors	14	15,256	12,859	15,256	12,859
Investments	13	12,932	3,218	12,932	3,218
Short-Term Deposits		27,129	31,122	27,129	31,122
Cash at Bank and in Hand		<u>13,661</u>	<u>5,041</u>	<u>13,533</u>	<u>4,907</u>
		69,608	52,844	69,480	52,710
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	15	<u>(36,518)</u>	<u>(29,235)</u>	<u>(36,521)</u>	<u>(29,229)</u>
<b>NET CURRENT ASSETS</b>		<u>33,090</u>	<u>23,609</u>	<u>32,959</u>	<u>23,481</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		210,681	194,591	210,550	194,463
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	16	(55,478)	(58,639)	(55,385)	(58,548)
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(2,668)</u>	<u>(1,887)</u>	<u>(2,668)</u>	<u>(1,887)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		152,535	134,065	152,497	134,028
<b>NET PENSION LIABILITY</b>	28	<u>(346)</u>	<u>(490)</u>	<u>(346)</u>	<u>(490)</u>
<b>NET ASSETS</b>		<u>152,189</u>	<u>133,575</u>	<u>152,151</u>	<u>133,538</u>

## BALANCE SHEETS AS AT 31 JULY 2011

		Consolidated		University	
	Note	2011 £000	2010 £000	2011 £000	2010 £000
DEFERRED CAPITAL GRANTS	18	<u>49,761</u>	<u>49,822</u>	<u>49,761</u>	<u>49,822</u>
ENDOWMENTS					
Expendable	19	8,979	5,852	8,979	5,852
Permanent	19	<u>1,082</u>	<u>1,041</u>	<u>1,082</u>	<u>1,041</u>
		<u>10,061</u>	<u>6,893</u>	<u>10,061</u>	<u>6,893</u>
RESERVES					
Revaluation Reserve	21	8,431	8,431	8,431	8,431
Pension Reserve	20	(346)	(490)	(346)	(490)
General Reserve	22	<u>84,282</u>	<u>68,919</u>	<u>84,244</u>	<u>68,882</u>
		<u>92,367</u>	<u>76,860</u>	<u>92,329</u>	<u>76,823</u>
TOTAL FUNDS		<u>152,189</u>	<u>133,575</u>	<u>152,151</u>	<u>133,538</u>

The financial statements on pages 30 to 63 were approved by the Council on 25 November 2011 and signed on its behalf by:

**Professor Dame Julia Goodfellow**  
Vice-Chancellor

**Anthony Quigley**  
Chair of the Finance and Resources Committee

**Denise Everitt**  
Deputy Vice-Chancellor (Finance and Commercial Services)

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2010/11 £000	2009/10 £000
Cash Flow from Operating Activities	23	28,581	23,531
Returns on Investments and Servicing of Finance	24	(3,053)	(3,260)
Capital Expenditure and Financial Investment	25	(8,932)	(7,697)
Management of Liquid Resources	26	(5,711)	(21,021)
Financing		<u>(2,265)</u>	<u>(2,119)</u>
Increase/(Decrease) in Cash in the Year		<u>8,620</u>	<u>(10,566)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

		2010/11 £000	2009/10 £000
Increase/(Decrease) in Cash in the Year		8,620	(10,566)
Outflow from Liquid Resources		5,711	21,021
Repayment of Debt		2,265	2,119
Current Asset Investments: Non-Cash Movements		<u>10</u>	<u>61</u>
Change in Net Debt in the Year		16,606	12,635
Net Debt at 1 August		<u>(19,128)</u>	<u>(31,763)</u>
Net Debt at 31 July	27	<u>(2,522)</u>	<u>(19,128)</u>

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### A. Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

### B. Basis of Consolidation

The consolidated financial statements include the University and all of its subsidiary undertakings. Intra-group transactions are eliminated fully on consolidation. In accordance with FRS2, the activities of Kent Union have not been consolidated because the University does not control those activities.

### C. Recognition of Income and Expenditure

Recurrent block grants from the Higher Education Funding Council for England (HEFCE) are recognised in the period to which they relate, less an estimate of any potential funding clawback.

Fee income is stated gross and recognised over the related study period. Where the tuition fee has been reduced by a payment discount, the income receivable is shown net of the discount. University funded bursaries and scholarships are accounted for gross as expenditure.

Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Any future predicted losses on individual long-term contracts are recognised immediately. Any payments received in advance are included in the Balance Sheet within creditors.

Donations with restrictions attached are recognised when the relevant conditions have been met. Donations which are to be retained for the benefit of the University are recognised in the Statement of Consolidated Total Recognised Gains and Losses and in endowments; other donations are recognised by inclusion as other income in the Income and Expenditure Account.

Income from short-term deposits and current asset investments is credited to income in the period in which it is earned.

Endowment income is credited to the Income and Expenditure Account on a receivable basis. Any income on restricted endowments earned in excess of that applied to the specific purpose is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowments in the Balance Sheet.

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### D. Agency Arrangements

Any funds that the University receives and disburses whilst acting as agent on behalf of a funding body and where the University is exposed to minimal risk or enjoys minimal economic benefit in relation to the transaction such as externally funded bursaries and scholarships and the Access to Learning Fund (ALF), are excluded from the Income and Expenditure Account. Any commissions received in this respect are credited to the Income and Expenditure Account as earned.

### E. Maintenance of Premises

The University has a long-term rolling maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

### F. Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. 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. All resulting exchange differences are taken to the Income and Expenditure Account in the period in which they arise.

### G. Pension Schemes

Retirement benefits for most employees of the University are provided by the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). These are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The assets of both schemes are held in separate trustee administered funds. The University is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS17, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the schemes in respect of the accounting period. Informal reviews of the position of the schemes are carried out between formal valuations.

Some employees of the University participate in the local government pension fund which is a defined benefit scheme in which the University's share of the underlying assets and liabilities have been separately identified. For this fund, the difference between the University's share of the fair value of the assets held in the fund and the fund's liabilities, measured on an actuarial basis using the projected unit method, is recognised in the University's Balance Sheet as a pension scheme asset or liability, as appropriate. The pension scheme balance is recognised net of any related deferred tax balance.

Amounts relating to this scheme are shown as follows: The current service costs and gains and losses on settlements and curtailments are included in Staff Costs (Note 6). The expected return on assets, net of the impact of the unwinding of discounts of scheme assets is shown in Interest Payable (Note 8). Actuarial gains and losses are recognised immediately in The Statement of Consolidated Total Recognised Gains and Losses. Further information regarding the scheme can be found in Note 28.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### H. Tangible Fixed Assets

#### Land and Buildings

Land held prior to 1995 was valued on an open market existing use basis by Grimley - JR Eve (Chartered Surveyors) on 3 May 1995. In keeping with the transitional rules set out in FRS15 'Tangible Fixed Assets' this land valuation is retained as the cost of that land. Land purchased since that date is shown at cost. Freehold land is not depreciated. The University buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Buildings are included in the Balance Sheet at cost together with subsequent refurbishment expenditure less accumulated depreciation.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets, where appropriate.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Depreciation on buildings is provided on a straight-line basis over their expected useful economic lives as follows:

Freehold buildings	50 years
Components of new buildings e.g. lift, heating, electrical system etc	25 years
Refurbishment of academic facilities	15 years
Refurbishment of accommodation	10 years
Refurbishment of dining and trading facilities	5 years

Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS15. A review of the impairment of a fixed asset is also carried out if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable.

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

Certain buildings situated at the Universities at Medway campus are jointly owned by the University of Kent and the University of Greenwich. All costs associated in the purchase and refurbishment of these buildings have been shared equally between both parties and the University of Kent share of this cost has been capitalised in the Balance Sheet.

#### Equipment and Software

Equipment costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost. Software costs are only capitalised in relation to new developments or major upgrades of core Financial and Management Information systems.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### H. Tangible Fixed Assets (continued)

Capitalised equipment is depreciated over its useful economic life as follows:

General equipment and furniture	5 to 10 years
Computer equipment and software	3 to 5 years
Equipment acquired for specific research or other projects	Project life (generally 3 years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant and released to the Income and Expenditure Account over the expected useful economic life of the related equipment.

### I. Investments

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

Investments that form part of endowment assets are included in the Balance Sheet at market value and any subsequent appreciation or depreciation in market value of endowment assets is added to or subtracted from the reported endowment funds. Current asset investments are included at the lower of their original cost and net realisable value on a fund basis.

### J. Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### K. Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a "charitable company" within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly, the University is eligible for exemption from taxation in respect of income or capital gains received within categories covered by Section 478 of the CTA 2010 and Section 256C of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to charitable purposes only and the extent to which any such exemption is not disapplied by Section 492 of the CTA 2010 in respect of any "non-exempt amount" arising from non-primary purpose trading. In the event that non-primary purpose trading losses arise, the University treats the trades concerned as falling within Section 44 of the CTA 2010 as being carried out on a commercial basis with a view to realisation of gain within the larger undertaking of the University so that Section 37 of the CTA 2010 applies to allow the non-primary purpose loss to be offset against the surplus for which tax exemption is disapplied by virtue of the existence of the non-primary purpose trading loss.

The University receives no similar exemption in respect of VAT. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT incurred on the purchase of tangible fixed assets is included in the cost of these assets.

As commercial organisations, the University's subsidiary companies are subject to corporation tax and VAT.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

### **L. Liquid Resources**

Time deposits with recognised banks and building societies with a duration of 12 months or less invested in accordance with the University's Cash Management Policy are treated as Short Term Deposits in the University and Group's balance sheets.

### **M. Provisions**

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

### **N. Treatment of Operating Leases**

An operating lease is defined as one where the lessor retains most of the risks and rewards of ownership of the asset.

All operating lease payments are included in the Income and Expenditure Account in the period to which the payment relates. Future liabilities under such operating leases are disclosed as a financial commitment in the accounts.

## NOTES TO THE ACCOUNTS

### 1. FUNDING COUNCIL GRANTS

	2010/11 £000	2009/10 £000
Recurrent Grant (Higher Education Funding Council)	61,181	60,748
Specific Grants		
Joint Information Systems Committee (JISC)	1,402	1,477
All Other Grants	1,715	1,580
Deferred Capital Grants Released		
Buildings (Note 18)	1,910	1,845
Equipment (Note 18)	<u>1,208</u>	<u>995</u>
	<u>67,416</u>	<u>66,645</u>

### 2. TUITION FEES AND EDUCATION CONTRACTS

	2010/11 £000	2009/10 £000
Full-time Home and EU Students	41,805	37,710
Full-time International Students	23,265	20,175
Part-time Fees	2,479	3,009
Research Training Support Grants	836	511
Short Course Fees	<u>754</u>	<u>693</u>
	<u>69,139</u>	<u>62,098</u>

### 3. RESEARCH GRANTS AND CONTRACTS

	2010/11 £000	2009/10 £000
Research Councils	4,541	5,219
UK Based Charities	2,137	1,866
UK Industry	587	581
European Commission	1,807	2,297
Other Grants and Contracts	<u>3,583</u>	<u>3,624</u>
	<u>12,655</u>	<u>13,587</u>

### 4. OTHER INCOME

	2010/11 £000	2009/10 £000
Residences, Catering and Conferences	21,728	20,349
Other Income-generating Activities	4,449	2,522
Other Grant Income	1,502	1,152
Other Income	<u>4,584</u>	<u>6,041</u>
	<u>32,263</u>	<u>30,064</u>

## NOTES TO THE ACCOUNTS

### 5. ENDOWMENT AND INVESTMENT INCOME

	2010/11 £000	2009/10 £000
Income from Expendable Endowment Assets (Note 19)	152	165
Income from Permanent Endowment Assets (Note 19)	38	46
Other Investment Income	121	143
Other Interest Receivable	<u>505</u>	<u>279</u>
	<u>816</u>	<u>633</u>

### 6. STAFF COSTS

The average number of persons (including senior post holders) employed by the University during the year expressed as full time equivalents (FTE) was:

	2010/11 Avge FTE No.	2009/10 Avge FTE No.
Academic Staff	635	624
Research Staff	131	124
Academic Related Staff	400	400
Clerical Staff	471	448
Manual and Ancillary	313	304
Technical	<u>74</u>	<u>85</u>
	<u>2,024</u>	<u>1,985</u>

The above figures exclude 518 FTE (2009/10: 520 FTE) in relation to employees classified as casual workers that are paid by timesheet. This figure includes post-graduate students who assist lecturers by providing part-time teaching to students.

	2010/11 £000	2009/10 £000
Staff Costs for the above persons:		
Wages and Salaries	78,050	76,728
Social Security Costs	6,226	6,033
Other Pension Costs (Note 28)	10,370	10,084
Pension Credit (Note 28)	-	(73)
Restructuring Costs	<u>3,162</u>	<u>1,805</u>
	<u>97,808</u>	<u>94,577</u>

The Restructuring Costs relate entirely to early retirements and voluntary severance arrangements.

## NOTES TO THE ACCOUNTS

### 6. STAFF COSTS (continued)

	2010/11 £000	2009/10 £000
Staff Costs by Department:		
Academic Departments	52,263	50,959
Academic Services	6,719	6,557
Research Grants and Contracts	5,457	6,182
Administration	18,251	17,849
Catering and Residences	6,668	6,483
Premises	3,835	3,851
Other	<u>1,453</u>	<u>964</u>
Sub-total	94,646	92,845
Pension Credit	-	(73)
Restructuring Costs	<u>3,162</u>	<u>1,805</u>
Total	<u>97,808</u>	<u>94,577</u>
Emoluments of the Vice-Chancellor:		
	£000	£000
Salary	209	203
Pension	<u>33</u>	<u>32</u>
Total Emoluments for the Year	<u>242</u>	<u>235</u>

The emoluments of the Vice-Chancellor are determined by the Remuneration Committee which takes into account performance during the year and data from comparable institutions. The emoluments are shown on the same basis as that for higher paid staff.

Remuneration of other Higher Paid Staff, excluding employer's pension contributions:

	No.	No.
£100,000 - £109,999	5	5
£110,000 - £119,999	4	4
£120,000 - £129,999	2	2
£130,000 - £139,999	<u>1</u>	<u>=</u>

There were no payments made to former Higher Paid Staff during the year (2009/10: £Nil) for compensation for loss of office.

## NOTES TO THE ACCOUNTS

### 7. OTHER OPERATING EXPENSES

	2010/11 £000	2009/10 £000
Academic Departments	15,500	14,381
Academic Services	3,507	3,631
Research Grants and Contracts	2,889	3,929
Administration (including Bursary Payments)	13,744	12,427
Catering and Residences	6,065	5,309
Premises	8,782	8,652
Other Expenses	3,099	605
Movement on Provision for Unrealised Losses on Current Asset Investments	<u>(10)</u>	<u>10</u>
	<u>53,576</u>	<u>48,944</u>

Other Operating Expenses include:

Auditors' Remuneration	53	49
Auditors' Remuneration in Respect of Non-Audit Services	20	16
Rents Paid on Buildings (Operating Leases)	<u>1,278</u>	<u>798</u>
	<u>1,351</u>	<u>863</u>

### 8. INTEREST PAYABLE

	2010/11 £000	2009/10 £000
On Bank Overdrafts and Other Loans	2	-
On Bank Loans repayable wholly in more than five years	3,720	3,852
FRS17 Finance Costs	12	32
Other Interest Payable	<u>12</u>	<u>-</u>
	<u>3,746</u>	<u>3,884</u>

### 9. TAXATION

	2010/11 £000	2009/10 £000
UK Corporation Tax payable on the profits of the University and subsidiary companies	<u>=</u>	<u>=</u>

### 10. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The Surplus on Continuing Operations for the Year is made up as follows:

	2010/11 £000	2009/10 £000
University Surplus for the Year	15,401	15,142
Surplus generated by subsidiary companies	<u>1</u>	<u>-</u>
	<u>15,402</u>	<u>15,142</u>

Details of the University's subsidiary companies can be found in Note 12.

## NOTES TO THE ACCOUNTS

### 11. TANGIBLE FIXED ASSETS

	Consolidated and University			
	Freehold Land and Buildings £000	Assets Under Construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2010	211,243	1,512	33,607	246,362
Additions	5,392	-	4,812	10,204
Buildings Under Construction	-	4,981	58	5,039
Transfer Buildings Under Construction	1,030	(1,030)	-	-
Disposals	<u>(107)</u>	<u>-</u>	<u>(2,588)</u>	<u>(2,695)</u>
At 31 July 2011	<u>217,558</u>	<u>5,463</u>	<u>35,889</u>	<u>258,910</u>
Depreciation				
At 1 August 2010	55,233	-	27,040	82,273
Charge for the Year	8,428	-	3,374	11,802
Disposals	<u>(107)</u>	<u>-</u>	<u>(2,588)</u>	<u>(2,695)</u>
At 31 July 2011	<u>63,554</u>	<u>-</u>	<u>27,826</u>	<u>91,380</u>
Net Book Value				
At 31 July 2011	<u>154,004</u>	<u>5,463</u>	<u>8,063</u>	<u>167,530</u>
At 1 August 2010	<u>156,010</u>	<u>1,512</u>	<u>6,567</u>	<u>164,089</u>
Financed by Capital Grant	46,525	19	3,219	49,763
Other	<u>107,479</u>	<u>5,444</u>	<u>4,844</u>	<u>117,767</u>
Net Book Value at 31 July 2011	<u>154,004</u>	<u>5,463</u>	<u>8,063</u>	<u>167,530</u>

Land was acquired both by gift and purchase (£139,000) and is stated at valuation of £8,570,000 (2010: £8,570,000) and not depreciated. The valuation was prepared by Grimley - J R Eve (Chartered Surveyors) on an open market existing use basis as at 3 May 1995. The land is included in the Balance Sheet at this valuation and the excess of the valuation over net book value (£139,000) has been taken to the Revaluation Reserve (Note 21).

No interest (2010: None) on loans used to finance the construction of buildings has been capitalised in the year (Note 8). Total interest capitalised to date, included in the cost of Freehold Land and Buildings, amounted to £852,439 at 31 July 2011 (2010: £852,439).

## NOTES TO THE ACCOUNTS

### 12. FIXED ASSET INVESTMENTS

	Consolidated and University	
	2011	2010
	£000	£000
Cost of Investment in Subsidiary Companies	=	=

At 31 July 2011 and 31 July 2010 the University held an interest in the following companies:

Name of Company	% Shareholding	Nature of Business
Canterbury Business School Limited	100	Dormant
Invicta Technology Investments Limited	100	Dormant
Kent Business School Limited	100	Dormant
Kent Enterprise Limited	100	Other Business Activities
Kent Management School Limited	100	Dormant
Kent Property Services Limited	100	Dormant
Summer Academy Limited	100	Dormant

The financial year-end of all the subsidiaries is 31 July. All the companies are registered in England and Wales.

### 13. ENDOWMENT ASSETS AND CURRENT ASSET INVESTMENTS

	Consolidated and University	
	2011	2010
	£000	£000
Endowment Asset Investments:		
Cost Price	9,964	6,925
Market Value	<u>10,061</u>	<u>6,893</u>
Current Asset Investments:		
Cost Price	12,932	3,228
Market Value	<u>12,932</u>	<u>3,218</u>

## NOTES TO THE ACCOUNTS

### 13. ENDOWMENT ASSETS AND CURRENT ASSET INVESTMENTS (continued)

	Consolidated and University	
	2011 £000	2010 £000
Total Investment Assets:		
Balance at 1 August at Market Value	10,110	7,195
Additions	14,602	2,525
Disposals	(1,859)	-
Realised Loss on Fund Transfer	-	(982)
Utilisation of Investment Provision for Unrealised Losses Previously Recognised	-	982
Increase in Market Value	<u>140</u>	<u>390</u>
Investment Assets at Market Value	<u>22,993</u>	<u>10,110</u>
Investments comprise the following:		
Charities Investment Funds	5,722	7,114
Equities	35	35
Cash Managed Deposit	10,001	-
Endowment-Linked Bank Deposit	<u>7,235</u>	<u>2,961</u>
	<u>22,993</u>	<u>10,110</u>

During the year, following a review of its immediate cash requirements, the University invested £10m in a cash managed deposit to achieve a better rate of return and to diversify counterparty risk.

### 14. DEBTORS

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts falling due within one year:				
Debtors	9,897	6,548	9,897	6,548
Research Grants and Contracts	2,312	2,221	2,312	2,221
Prepayments and Accrued Income	<u>3,047</u>	<u>4,090</u>	<u>3,047</u>	<u>4,090</u>
	<u>15,256</u>	<u>12,859</u>	<u>15,256</u>	<u>12,859</u>

## NOTES TO THE ACCOUNTS

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank Loans Due for Repayment (Note 16)	2,423	2,265	2,423	2,266
Research Grants Received on Account	3,061	4,092	3,061	4,092
Payments Received in Advance	14,087	9,484	14,087	9,484
Creditors and Accrued Liabilities	13,331	10,006	13,334	9,999
Taxation and Social Security	<u>3,616</u>	<u>3,388</u>	<u>3,616</u>	<u>3,388</u>
	<u>36,518</u>	<u>29,235</u>	<u>36,521</u>	<u>29,229</u>

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank Loans secured on University Buildings	56,244	58,509	56,244	58,509
Less: Bank Loans repayable within one-year	<u>(2,423)</u>	<u>(2,265)</u>	<u>(2,423)</u>	<u>(2,265)</u>
	53,821	56,244	53,821	56,244
Other Long-Term Liabilities	<u>1,657</u>	<u>2,395</u>	<u>1,564</u>	<u>2,304</u>
	<u>55,478</u>	<u>58,639</u>	<u>55,385</u>	<u>58,548</u>
Payable as follows:				
Between one and two years	2,683	2,611	2,589	2,520
Between two and five years	8,716	8,437	8,716	8,437
After five years	<u>44,079</u>	<u>47,591</u>	<u>44,080</u>	<u>47,591</u>
	<u>55,478</u>	<u>58,639</u>	<u>55,385</u>	<u>58,548</u>

The University has one variable rate bank loan of £750,000 that commenced on 3 February 2003 and is repayable by equal principal instalments until 6 February 2013. Interest is charged at the current LIBOR rate plus 0.75%. All other bank loans are at commercial fixed rates of between 5.31% and 8.75% and are repayable by instalments falling due between 1 August 2011 and 1 October 2030. These loans are secured by way of a charge over various plots of land, including a number of student residences.

## NOTES TO THE ACCOUNTS

### 17. PROVISIONS FOR LIABILITIES

	Consolidated and University		
	Restructuring £000	Pensions £000	Total £000
Balance at 1 August 2010	1,720	167	1,887
Utilised in the Year	(1,632)	-	(1,632)
Transferred from Income and Expenditure Account	<u>2,413</u>	<u>-</u>	<u>2,413</u>
Balance at 31 July 2011	<u>2,501</u>	<u>167</u>	<u>2,668</u>

The Restructuring Provision relates to the estimated costs of early retirement and voluntary severance arrangements agreed at the year-end. The amount provided is based on agreed terms under individual arrangements and those specified in the University's June 2011 Voluntary Redundancy Scheme. The amount provided at 31 July 2011 is expected to be fully utilised by 31 July 2012.

The Pensions Provision relates to amounts payable to part-time members of staff following decisions by the European Court of Justice, pending the outcome of UK Industrial Tribunal cases. The amount provided is based on assessment of individual cases based on prior claim experience.

## NOTES TO THE ACCOUNTS

### 18. DEFERRED CAPITAL GRANTS

	Consolidated and University		
	Funding Council	Other Grants and Benefactions	Total
	£000	£000	£000
Balance at 1 August 2010			
Buildings	33,899	13,562	47,461
Equipment	<u>2,021</u>	<u>340</u>	<u>2,361</u>
	<u>35,920</u>	<u>13,902</u>	<u>49,822</u>
Cash Received			
Buildings	1,844	-	1,844
Equipment	<u>1,665</u>	<u>854</u>	<u>2,519</u>
	<u>3,509</u>	<u>854</u>	<u>4,363</u>
Released to Income and Expenditure			
Buildings	(1,910)	(852)	(2,762)
Equipment	<u>(1,208)</u>	<u>(454)</u>	<u>(1,662)</u>
	<u>(3,118)</u>	<u>(1,306)</u>	<u>(4,424)</u>
Balance at 31 July 2011			
Buildings	33,833	12,710	46,543
Equipment	<u>2,478</u>	<u>740</u>	<u>3,218</u>
	<u>36,311</u>	<u>13,450</u>	<u>49,761</u>

## NOTES TO THE ACCOUNTS

### 19. ENDOWMENTS

	Consolidated and University					
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Total 2011 £000	Total 2010 £000
Balance at 1 August						
Capital Value	393	440	833	5,339	6,172	3,509
Accumulated Income	<u>-</u>	<u>208</u>	<u>208</u>	<u>513</u>	<u>721</u>	<u>550</u>
	393	648	1,041	5,852	6,893	4,059
New Endowments	-	2	2	3,081	3,083	2,492
Investment Income	11	27	38	152	190	211
Expenditure	(11)	(28)	(39)	(196)	(235)	(260)
Increase in Market Value of Investments	<u>6</u>	<u>34</u>	<u>40</u>	<u>90</u>	<u>130</u>	<u>391</u>
Balance at 31 July	<u>399</u>	<u>683</u>	<u>1,082</u>	<u>8,979</u>	<u>10,061</u>	<u>6,893</u>
Represented by:						
Capital Value	399	463	862	8,376	9,238	6,172
Accumulated Income	<u>-</u>	<u>220</u>	<u>220</u>	<u>603</u>	<u>823</u>	<u>721</u>
	<u>399</u>	<u>683</u>	<u>1,082</u>	<u>8,979</u>	<u>10,061</u>	<u>6,893</u>

## NOTES TO THE ACCOUNTS

### 20. PENSION RESERVE

	Consolidated and University	
	2011 £000	2010 £000
Balance at 1 August	(490)	(665)
Actuarial Gain	105	83
Transferred to General Reserve	<u>39</u>	<u>92</u>
Balance at 31 July	<u>(346)</u>	<u>(490)</u>

### 21. REVALUATION RESERVE

	Consolidated and University	
	2011 £000	2010 £000
Net Revaluation Amount at 1 August	8,431	8,431
Transferred to General Reserve	<u>-</u>	<u>-</u>
Net Revaluation Amount at 31 July	<u>8,431</u>	<u>8,431</u>

The Revaluation Reserve relates to land valued at £8,570,000 less excess of valuation over net book value of £138,637.

### 22. MOVEMENT ON GENERAL RESERVES

	Consolidated University	
	£000	£000
Income and Expenditure Account Reserve:		
Balance at 1 August 2010	68,919	68,882
Surplus on Continuing Operations after Depreciation of Assets at Cost and Tax	15,357	15,356
Surplus for the Year Transferred from Accumulated Income in Endowment Funds	45	45
Transfer from Pension Liability	<u>(39)</u>	<u>(39)</u>
Balance at 31 July 2011	<u>84,282</u>	<u>84,244</u>

## NOTES TO THE ACCOUNTS

### 23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2010/11	2009/10
	£000	£000
Surplus before Tax	15,402	15,142
Depreciation (Note 11)	11,802	10,529
Deferred Capital Grants Released to Income (Note 18)	(4,424)	(4,249)
Interest and Endowments Receivable	(861)	(682)
Interest Payable	3,746	3,884
Increase in Stocks	(26)	(48)
Increase in Debtors, Prepayments and Research Grants	(2,420)	(628)
Increase in Current Asset Investments	(10)	(61)
Increase/(Decrease) in Creditors	4,642	(1,050)
Increase in Provisions	781	818
Other Non-cash Movements	<u>(51)</u>	<u>(124)</u>
Net Cash Inflow from Operating Activities	<u>28,581</u>	<u>23,531</u>

### 24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010/11	2009/10
	£000	£000
Income from Endowments	190	211
Income from Investments and Short-Term Deposits	510	401
Interest Paid	<u>(3,753)</u>	<u>(3,872)</u>
Net Cash Outflow from Returns on Investments and Servicing of Finance	<u>(3,053)</u>	<u>(3,260)</u>

### 25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010/11	2009/10
	£000	£000
Purchase of Tangible Fixed Assets	(13,339)	(15,340)
Deferred Capital Grants Received	4,363	7,593
Endowments Received	3,083	2,492
Endowment Funds Invested	<u>(3,039)</u>	<u>(2,442)</u>
Net Cash Outflow for Capital Expenditure and Financial Investment	<u>(8,932)</u>	<u>(7,697)</u>

## NOTES TO THE ACCOUNTS

### 26. MANAGEMENT OF LIQUID RESOURCES

	2010/11 £000	2009/10 £000
Increase in Current Asset Investments and Short-Term Deposits	(5,711)	(21,021)
Net Cash Outflow from Management of Liquid Resources	(5,711)	(21,021)

### 27. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2010 £000	Cash Flows £000	Other Changes £000	At 31 July 2011 £000
Current Asset Investments	3,218	9,704	10	12,932
Short-Term Deposits	31,122	(3,993)	-	27,129
Cash at Bank and in Hand	<u>5,041</u>	<u>8,620</u>	<u>-</u>	<u>13,661</u>
	39,381	14,331	10	53,722
Debt due within one year:				
Bank Loan	(2,266)	2,265	(2,423)	(2,424)
Debt due after one year	<u>(56,243)</u>	<u>-</u>	<u>2,423</u>	<u>(53,820)</u>
	<u>(19,128)</u>	<u>16,596</u>	<u>10</u>	<u>(2,522)</u>

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The University also participates in a Local Government Pension Fund.

The total pension cost for the University and its subsidiaries are:

	2010/11 £000	2009/10 £000
Contributions to USS	8,372	8,046
Contributions to SAUL	1,913	1,951
Contributions to Other Schemes	<u>85</u>	<u>87</u>
Total Pension Cost (Note 6)	<u>10,370</u>	<u>10,084</u>

The 2010/11 contributions to Other Schemes includes £48,167 (2009/10: £48,667) additional pension contributions payable to a local government pension scheme primarily in respect of past service performed. The projected contribution payable to this scheme in 2011/12 is £53,000. There is only one active member of the Scheme employed by the University and no new members are admitted.

#### USS PENSION SCHEME

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited (USS). As at 31 March 2011 USS has over 142,000 active members and the University has 1,226 active members participating in the Scheme.

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

Because of the mutual nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and a Scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. Therefore, as required by FRS17 'Retirement Benefits', accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The latest triennial actuarial valuation of the Scheme was as at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES (continued)

market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

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

Use of these mortality tables reasonably reflects the actual USS experience, but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

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

At the valuation date, the value of the assets of the Scheme was £28,842.6 million and the value of the Scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the Scheme on a number of other bases as at the valuation date. On the Scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic salary experience. However, when calculating the past service liabilities of the Scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES (continued)

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The Government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken all this into account in his funding level estimates as at 31 March 2011 by reducing the assumption for pension increases from 3.3% p.a. to 2.9% p.a. The actuary has estimated that the funding level as at 31 March 2011 under the scheme-specific funding regime had fallen from 103% to 98% (a deficit of £700m). Over the past twelve months, the funding level has improved from 91% as at 31 March 2010 to 98%. This estimate is based on the funding level as at 31 March 2008, adjusted to reflect the funds' actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation will be as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the Scheme will join the new revalued benefits sections rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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

Assumption	Change in Assumption	Impact on Scheme Liabilities
Valuation rate of interest	Increase/Decrease by 0.5%	Decrease/Increase by £2.2bn
Rate of pension increases	Increase/Decrease by 0.5%	Increase/Decrease by £1.5bn
Rate of salary growth	Increase/Decrease by 0.5%	Increase/Decrease by £0.7bn
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6bn

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

The Trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The Trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the Trustee needs to take on a degree of investment risk relative to the liabilities.

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES (continued)

This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the Trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The Trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers, enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the Trustee is mindful of the desirability of keeping the funding level on the Scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions.

The actuary has confirmed that the Scheme's cash flow is likely to remain positive for the next ten years or more.

The USS pension cost for the University was £8,372,142 (2009/10: £8,046,344). This includes £688,928 (2010: £683,122) outstanding contributions at the balance sheet date.

#### SAUL PENSION SCHEME

The University participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. It is not possible to identify the University's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation Method	Projected Unit	
	Past Service	Future Service
Investment return on liabilities		
- before retirement	6.9% pa	7.0% pa
- after retirement	4.8% pa	5.0% pa
Salary growth*	4.85% pa	4.85% pa
Pension increases	3.35% pa	3.35% pa

\* excluding an allowance for promotion increases.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,266m representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the employer covenant and the Trustee's long-term investment strategy, the Trustee and the employers agreed to maintain employer and member contributions at 13% of salaries and 6% of salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008). The next formal actuarial valuation will be as at 31 March 2011 when the above rates will be reviewed.

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES (continued)

The SAUL pension cost for the University and its subsidiary companies was £1,913,252 (2009/10: £1,950,575). This includes £175,381 (2009/10: £175,101) outstanding contributions at the balance sheet date.

#### LOCAL GOVERNMENT PENSION FUND

The University also participates in a defined benefit local government pension fund, in which there is only one active member currently employed by the University and no new members are admitted.

The fair values of the University's share of the assets in the fund at the balance sheet date can be analysed as follows:

	Expected Return On Assets at 31 July 2011 % pa	Assets at 31 July 2011 £000	Expected Return On Assets at 31 July 2010 % pa	Assets at 31 July 2010 £000
Equities	6.8	886	7.1	770
Gilts	4.0	12	4.3	11
Other Bonds	5.3	158	5.4	150
Property	4.8	109	5.1	86
Cash	<u>3.0</u>	<u>49</u>	<u>3.0</u>	<u>54</u>
Total	<u>6.2</u>	<u>1,214</u>	<u>6.5</u>	<u>1,071</u>

The expected return on assets is based on the long term future expected investment return for each asset class as the beginning of the year. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is assumed to be a margin above gilt yields.

The main actuarial assumptions at the balance sheet date were as follows:

	31 July 2011 % pa	31 July 2010 % pa
RPI Increases	3.5	3.2
CPI Increases	2.7	2.7
Salary increase rate	5.0	4.7
Pension Increases	2.7	2.7
Discount rate	5.3	5.4

Life expectancy assumptions are based on the S1PA Heavy Series post-retirements mortality tables with a 90% multiplier, making allowance for future improvement factors in line with the medium cohort projection with a minimum improvement of 1.0% p.a. Based on this, the average life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.8 years	23.9 years
Future pensioners	21.9 years	25.8 years

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES (continued)

The fair value of the fund assets, the present value of the fund liabilities and the resulting deficit on the fund as recognised in the Balance Sheet are as follows:

	2011 £000	2010 £000
Fair Value of Fund Assets	1,214	1,071
Present Value of Funded Liabilities	(1,532)	(1,531)
Present Value of Unfunded Liabilities	<u>(28)</u>	<u>(30)</u>
Net Pension Liability	<u>(346)</u>	<u>(490)</u>

The movement in the deficit during the year can be analysed as follows:

	2010/11 £000	2009/10 £000
Defined Benefit Obligation at 1 August	(1,561)	(1,616)
Current Service Cost	(9)	(9)
Interest Cost	(81)	(94)
Contributions by Members	(3)	(3)
Actuarial Losses	-	(13)
Past Service Gain	-	73
Estimated Unfunded Benefits Paid	3	3
Estimated Benefits Paid	<u>91</u>	<u>98</u>
Defined Benefit Obligation at 31 July	<u>(1,560)</u>	<u>(1,561)</u>
Fair Value of Employer's Assets at 1 August	1,071	951
Expected Return on Assets	69	62
Contributions by Members	3	3
Contributions by the University	57	57
Contributions in respect of Unfunded Benefits	3	3
Actuarial Gains	105	96
Unfunded Benefits Paid	(3)	(3)
Benefits Paid	<u>(91)</u>	<u>(98)</u>
Fair Value of Employer's Assets at 31 July	<u>1,214</u>	<u>1,071</u>
Net Pension Fund Deficit at 31 July	<u>(346)</u>	<u>(490)</u>

## NOTES TO THE ACCOUNTS

### 28. PENSION SCHEMES (continued)

The amounts recognised in the Income and Expenditure Account in the current year can be analysed as follows:

	2010/11 £000	2009/10 £000
Current Service Cost	9	9
Interest Cost	81	94
Expected Return on Employer Assets	(69)	(62)
Past Service Cost/(Gain)	<u>-</u>	<u>(73)</u>
	<u>21</u>	<u>(32)</u>
Actual Return on Fund Assets	<u>158</u>	<u>159</u>

Amounts for the current and previous four years are as follows:

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Fair Value of Employer Assets	1,214	1,071	951	1,038	1,129
Present Value of Defined Benefit Obligation	(1,560)	(1,561)	(1,616)	(1,512)	(1,454)
Deficit	(346)	(490)	(665)	(474)	(325)
Experience adjustments on Assets	105	96	(134)	(201)	25
Experience adjustments on Liabilities	(57)	7	21	(62)	1

Recognised in the Statement of Consolidated Total Recognised Gains and Losses (STRGL)

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Actuarial Gains/(Losses)	105	83	(214)	(248)	95
Increase in Irrecoverable Surplus from membership fall and other factors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Actuarial Gains/(Losses) Recognised in STRGL	<u>105</u>	<u>83</u>	<u>(214)</u>	<u>(248)</u>	<u>95</u>
Cumulative Actuarial (Losses)/Gains	<u>(154)</u>	<u>(259)</u>	<u>(342)</u>	<u>(128)</u>	<u>120</u>

## NOTES TO THE ACCOUNTS

### 29. CAPITAL COMMITMENTS

Consolidated and University

2011      2010  
£000      £000

Contractual Commitments at 31 July	<u>10,271</u>	<u>3,006</u>
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There has been a large increase in capital commitments this year. This largely relates to the recently started construction of the new music performance facility and commitments arising from higher than normal spend across the summer vacation on improving student residential accommodation.

### 30. FINANCIAL COMMITMENTS

At 31 July, there were annual commitments under non-cancellable operating leases as follows:

Consolidated and University

2011      2010  
£000      £000

Land and Buildings:

Expiring within one year	334	274
Expiring within two and five years inclusive	270	557
Expiring in over five years	<u>358</u>	<u>251</u>
	<u>962</u>	<u>1,082</u>

Other:

Expiring within one year	12	-
Expiring within two and five years inclusive	<u>136</u>	<u>11</u>
	<u>148</u>	<u>11</u>

### 31. CONTINGENT LIABILITIES

#### CROSS-GUARANTEES

On the 23 June 1993 the University entered into a cross guarantee for the indebtedness of Kent Enterprise Limited in favour of National Westminster Bank Plc.

## NOTES TO THE ACCOUNTS

### 32. ACCESS FUNDS

	2010/11 £000	2009/10 £000
Balance Unspent at 1 August	8	7
Funding Council Grants	312	361
Interest earned	<u>1</u>	<u>1</u>
	313	362
Disbursed to students	(294)	(350)
Audit fees	(1)	-
Access administration costs	<u>(9)</u>	<u>(11)</u>
Balance Unspent at 31 July	<u>17</u>	<u>8</u>

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

### 33. RELATED PARTY TRANSACTIONS

#### KENT MAN LIMITED

The University is one of five partners in Kent MAN Limited, a company formed on 1 April 2002 and limited by guarantee, maintaining micro-wave radio links between Higher Education Institutions in Kent. In the year to 31 July 2011 the University received £10,000 (2009/10: £10,000) from Kent MAN Limited and paid Kent Man Limited £8,574 (2009/10: £Nil), with no balance outstanding at the year-end (2009/10: £Nil).

#### SUBSIDIARY COMPANIES

The University has taken advantage of the specific exemption given under Financial Reporting Standard 8 and not disclosed all related party transactions between the University of Kent and its wholly owned subsidiaries.

#### COUNCIL MEMBERS: EXPENSES AND RELATED PARTY TRANSACTIONS

During the 2010/11 financial year expenses paid to members of Council while acting in their role as Trustees totalled £2,365 (2009/10: £2,769).

As the University's Council includes members drawn from public and private sector organisations, some transactions take place with organisations in which a member of Council may have an interest. However, all such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and normal procurement procedures. There is no direct benefit to Members of Council.

The University maintains a Register of Interests and if a potential conflict of interest arises, the member concerned would identify this and not take part in any discussions and decision making on these matters.

## NOTES TO THE ACCOUNTS

### 33. RELATED PARTY TRANSACTIONS (continued)

The table below summarises the transactions made in the financial year with these related parties:

	Payments due during 2010/11 £	Payments receivable during 2010/11 £	Net balance due (from)/to at 31 July 2011 £
Canterbury Christ Church University	30,372	230,573	(31)
Canterbury College	815,589	137	-
Canterbury Festival Board	360	-	-
Daphne Jackson Trust	-	60,184	-
Kent County Council	193,314	25,589	19,088
Kent Invicta Chamber	5,066	-	-
Kent Union	1,386,977	-	20,666
Leeds Castle Foundation	6,028	-	-
Medway Council	103,983	2,983	2,606
Mid Kent College	1,533,147	714	-
Open Network South East Region	-	16,181	-
Pearson Education Limited	253	-	-
St Edmunds School	-	13,290	-
Universities UK	51,624	-	595
University of Warwick	9,277	-	2,022
Wildfowl and Wetlands Trust (WWT)	715	-	-
Worshipful Company of Management Consultants Charitable Fund	-	700	-

### 34. LINKED CHARITIES

The University has carried out a review and does not have any linked charities.

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[www.kent.ac.uk](http://www.kent.ac.uk)

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