





Contents

<u> </u>		
Review	of the	voar
ILCVICW		ycai

Introduction by Sir Alan Langlands, Vice-Chancellor	1
Report by Professor Michael Arthur, Vice-Chancellor (2004-2013)	2
Finance Director's report	14
Values and responsibilities	26
Corporate governance	34
Independent Auditors' report	40

Annual Accounts

Consolidated Income and Expenditure Account	43
Balance Sheets	44
Consolidated Cash Flow Statement	46
Consolidated Statement of Total Recognised Gains and Losses	47
Statement of Principal Accounting Policies	48
Notes to the Accounts	50
University Only Income and Expenditure Account	73
Consolidated Five Year Results	74

Introduction by Sir Alan Langlands, Vice-Chancellor

I am honoured to be the twelfth Vice-Chancellor of the University of Leeds, an institution with more than a century's experience of providing outstanding, researchled education for its students. Leeds is a university with a strong heritage, good values and tremendous opportunities to build for the future. These are exciting times and I look forward to working with all staff, students and alumni as we continue to build the national and international reach of the University.

I will strive from the outset to serve the whole University to the best of my ability. I want Leeds to be a university that is enriching and inspiring for students, with a dynamic and internationally competitive research base, a vibrant PhD and post-doctoral community, and an unfailing commitment to the economic, social and cultural development of the city region and the country as a whole.

As this excellent Annual Report goes to print, I will have been Vice-Chancellor for just nine weeks, but it is already clear that I have strong foundations on which to build. I therefore join with everyone at the University in wishing Professor Michael Arthur continued success in his new post as President and Provost at University College London and in thanking him for his tremendous achievements as Vice-Chancellor of the University of Leeds over the past nine years.

Sir Alan Langlands October 2013



Report by Professor Michael Arthur, Vice-Chancellor (2004-2013)

'Through a combination of foresight and the hard work of our staff...the University was able to remain financially flexible and to continue investing in excellence in research and education.'

Professor Michael Arthur Vice-Chancellor (2004-2013)



"...we remain in a secure financial position and can respond with confidence and determination to the current and future challenges facing the institution."

World league table position* (rolling three-year average)

2013	95th
2012	91 st
2011	92nd

*source: QS World University Rankings

Introduction

The academic year 2012-13 was a watershed for the higher education sector, with the introduction of the new fee-based funding model of undergraduate students paying £9,000 per annum for their education (supported by a government loan scheme). This change, taken together with the impact of the recession, put pressure on finances across the sector. Through a combination of foresight and the hard work of our staff, however, the University was able to remain financially flexible and to continue investing in excellence in research and education. We were rewarded with a number of notable achievements in the year, which I outline in this report, but clearly the challenges ahead remain significant.

This year saw the realisation of the kinds of pressures we anticipated in previous annual reports: increased competition for home undergraduate students, fewer 18-year-olds applying to study at university, the impact of changes to fees, and changes to the government-imposed student number controls – all of which have weighed on student recruitment. Across the sector, we have seen increased effort by universities to attract the best students and some novel patterns of competition emerging between institutions. I fully expect that the student recruitment market – and the competitive response of universities – will continue to evolve.

International and postgraduate recruitment numbers were also under pressure. Immigration policy changes and increased monitoring by the UK Border Agency, illustrated in August 2012 by the suspension of London Metropolitan's 'Highly Trusted Sponsor' status, had adverse repercussions in some overseas recruitment markets, particularly India. These changes depressed international student recruitment; and, at the same time, home postgraduate taught numbers were hit by a contraction of the market.

It is clear that the higher education environment remains a volatile and testing one and that the University of Leeds is increasingly competing not just with UK universities, but with overseas institutions in a global market to recruit students and academic staff, and for research funding.

The review of the University's strategy map, started in the autumn, has taken a deeper look at our future. Although our ambition and vision to be a world class university and our distinctive ability to integrate scholarship, research and education remain at the heart of our strategy, we are increasing our focus on recruiting high-quality students and on developing new, innovative programmes that reflect the changing requirements of the market. We are refreshing our approach to developing international partnerships, in response to the more competitive global recruitment market and to support key areas of research collaboration. And we are investing to develop the flexibility, responsiveness and quality of the support services that we provide to our students and our academic staff.

This detailed appraisal of our current and future market, combined with careful planning now and in previous years, means that we remain in a secure financial position and can respond with confidence and determination to the challenges facing the institution.

'Our increased focus on outreach work with schools and colleges to support recruitment saw a large increase in applications to the University's Access to Leeds scheme, up by 92% compared to 2011/12.' Against this background of almost constant change, it was pleasing to achieve excellence in many areas and maintain a level course in others. We were ranked first out of 16 participating Russell Group universities for overall international student satisfaction in the latest International Student Barometer survey. And, although we continue to use the QS World University Rankings as our performance measure (see page 3), this year saw us remain steady in other key rankings and league tables such as the National Student Survey and the Destination of Leavers Survey (prospects for graduate employability). Further external recognition of our excellence in teaching came when two of our academics – Dr Simon Lightfoot (School of Politics and International Studies) and Dr Andrea Jackson (School of Earth and Environment) - received National Teaching Fellowships. This means that 19 staff at the University have now been awarded National Teaching Fellowships, more than any other institution in England, Northern Ireland and Wales. The continued achievement of our staff and students is a testament to their outstanding resilience and capability, and it is because of their commitment and drive that the University's future remains so positive.

Investing in student education

We have continued our efforts and commitment this year to deliver an exceptional student experience: in student education, both academic and co-curricular, in preparing students for employability, and particularly in our increased focus on recruiting high-quality students through this year's recruitment cycle. Many of our schools raised their entry requirements, and a huge effort has gone into conversion activities to encourage prospective students to visit the campus and to attract a higher proportion of students with ABB+ grades to make Leeds their first choice.

We have also invested in student support to underpin our efforts to create a student experience that is second to none. In particular, we are investing significantly to accelerate the development and implementation of our integrated Student Education Service, including end-to-end administrative processes based on 'One University' principles.

As part of our commitment to enhancing the student experience through the use of technology and blended learning, we launched two mobile applications – UniLeeds and Blackboard Mobile Learn – both of which received very positive feedback from students. Recognising its immense potential and opportunities to reach a global audience, we have committed to work with FutureLearn Ltd, a new company launched by the Open University to develop Massive Open Online Courses (MOOCs), providing free access to online educational resources in response to the growing online demand for higher education. Professor Jon Lovett, holder of one of the University's new leadership chairs, delivered the University's first MOOC in the autumn of 2013.

The year saw a continued focus on employability and providing opportunities for students to get real work experience. The number of directly managed internships or industry placements we provided exceeded 580¹, bucking the national trend which has seen numbers of placements decline.

¹This excludes short attachments within modules, compulsory clinical placements for all students in Medicine, Dentistry and Healthcare, and school placements for initial teacher training (PGCE).

We continue to place our students with top employers through partnerships with organisations such as Marks & Spencer (M&S), Rolls Royce, Opera North, Arup and Santander. In today's competitive climate it is crucial to support students in developing their skills and career prospects while the businesses benefit from the expertise of our top-quality students. M&S, for example, selected four students from Leeds University Business School to work on applied research-based summer placements in areas as diverse as heritage marketing, retail property and financial analysis and offered a year's paid placement to a student from the University's School of Design. In its first year, our own internal Professional Services Internship scheme was shortlisted for the 'Public Sector Placement of the Year' by the National Council for Work Experience.

We saw a significant increase in student interest in enterprise; through academic engagement (teaching) and Spark – the University's business start-up service – we worked with 1,371 students, helped create 170 businesses and 334 jobs, and made 126 proof of concept awards. The number of students taking part in practical elements of Spark, such as business planning and finance workshops, increased to 578 from 173 in 2011/12 – a 234% increase. Success stories include Limehouse Films, established by alumnus Nick Howard through the Spark programme, which now employs 12 staff and has clients including First Direct and Taylors of Harrogate; and graduate Dr Ayelet Melman who is seeking to commercialise a wireless heart monitor through her company Wireless Medical Ltd.

The innovative Year in Enterprise scheme, designed by the Alumni team, Careers Centre, Leeds Enterprise Centre and Leeds University Union, was successfully piloted this year. This sector-leading enterprise opportunity gives students between their second and final years of study access to tutoring, business mentoring, start-up advice, business networks and office space. The 12-month programme confers an 'Enterprise' version of a degree, highlighting practical enterprise experience that is increasingly relevant to future employers.

In 2012, the University moved back into the top 10 for graduate employees in the High Fliers' Survey; and, in the Destination of Leavers from Higher Education survey, the percentage of our students in graduate level jobs six months after leaving remains over 70%. Teach First, the largest graduate teacher training scheme in the country, saw Leeds join Oxford and Cambridge as one of the top three providers of graduates to the programme.

Continuing our excellent track record in access and widening participation, we increased the number of students from low family income groups from 20% in 2011 to 22% in 2012 – exceeding our target of 19.5%. Our increased focus on outreach work with schools and colleges to support recruitment saw a large increase in applications to the University's Access to Leeds scheme, up by 92% compared to 2011/12.

Professor Les Ebdon, Director of Fair Access to Higher Education, visited the University during the Leeds Festival of Science, which attracted over 4,000 young people. He commended the work that we do in reaching out to schools and raising aspirations in communities where few progress to university. The third annual Festival of Arts expanded this year and saw large numbers of young people take part in a range of cultural and arts-based activities on campus (see page 30 for further information). 'The University currently has the largest number of live grants from the Natural Environment Research Council in the UK, reflecting our strengths in areas such as water, earth sciences, sustainability and the natural environment.'





new research awards totalling £146m

Research grant income per academic FTE

2012/13	£89,000
2011/12	£86,000
2010/11	£89,000

Research impact

This year was dominated by intensive efforts across the University to deliver an excellent submission to the Research Excellence Framework (REF) 2014. I would like to acknowledge the hard work done by so many of the University's staff to ensure that our submission was of the highest possible quality.

This quality is important in terms of the REF and will stand us in good stead as the UK and international research environment becomes ever more competitive with only the best quality, internationally-leading research being funded. REF2014 has reinforced the way we think about impact-led research; the importance of this when bidding for future research funding cannot be underestimated.

As national and international funding bodies continue the trend to support longer, larger, cross-disciplinary, cross-institutional and international collaborations, we are in a strong position to respond positively. The University currently has the largest number of live grants from the Natural Environment Research Council in the UK, reflecting our strengths in areas such as water, earth sciences, sustainability and the natural environment. Our increased focus on transformational areas of interdisciplinary research excellence is yielding results; our investment in the water@leeds programme, for example, has secured over 130 grants and generated over £15m in research income since launch and is making excellent progress in developing links with industry.

We have been particularly successful in winning funding from Europe, which now accounts for about 12% of our total research income. Four of our academics were awarded prestigious European Research Council Advanced Grants, an unprecedented achievement for Leeds. The awards to Professors Paola Caselli (Physics and Astronomy), Sheena Radford (Molecular and Cellular Biology), Gary Williamson (Food Science) and Ananya Kabir (English) are worth collectively €9.7m. The University also achieved its largest European Union (EU) award to date, with a €13m grant to LifeLongJoints, a project co-ordinated by Professor Richard Hall (Mechanical Engineering), with nearly €3.5m coming to Leeds.

Vice-Chancellor's Executive Group, July 2013 (I to r):

John Fisher Jane Madeley Michael Arthur Matthew Knight Dawn Freshwater

Dennis Hopper Martin Holmes Vivien Jones Roger Gair David Hogg



Other notable awards this year included the following:

- £6.3m was awarded to the School of Medicine's Section of Musculoskeletal Disease, for clinical trials to assess the use of ultrasound in the treatment of Rheumatoid Arthritis;
- £2.3m was secured from the Engineering and Physical Sciences Research Council (EPSRC) to accelerate impact and innovation activities across EPSRC priority themes;
- The School of Music received £570k from the Arts and Humanities Research Council to manage, collate and present the archive of leading film score composer Trevor Jones;
- Scientists from the Institute for Transport Studies (ITS) joined forces with three other UK universities, Jaguar Land Rover and the EPSRC in a £10m collaboration to improve virtual engineering;
- A partnership involving various research centres at the University was awarded £1m by the National Institute of Health Research (NIHR) to form a Diagnostic Evidence Co-operative to improve the way diseases – specifically liver, renal and musculoskeletal illnesses – are diagnosed.

Our academic expertise and advice was in demand in other ways too. For example, Professors Peter Mackie (ITS) and Piers Forster (Earth and Environment) are members of a new panel of just 13 national experts to advise the government on aviation capacity. Professor Andrew Gouldson (also Earth and Environment) is leading the '10 Climate Smart Cities' programme providing the evidence base for cost-effective low-carbon interventions for cities in China, India, Indonesia, Malaysia and Peru with funding secured from the Foreign Office and Economic and Social Research Council Centre for Climate Change Economics and Policy.

There was a renewed focus and effort this year on recruiting and training highquality postgraduate researchers and taught students. We held our first open day aimed solely at the postgraduate market which attracted over 500 attendees, and we increased our participation at UK postgraduate recruitment fairs. Such was the success of the open day that two similar events are planned for next year.

Leeds now has one of the highest numbers of Marie Curie Initial Training Networks – multi-site training networks to develop postgraduate researchers – in the EU. We lead the Russell Group in the number of awards we coordinate, and we are an active partner in a further 14. To date our participation has brought an additional 46 European postgraduate researchers and €16m research income to Leeds.

Providing a focus for the development of excellent research and teaching, 22 academics have been appointed to leadership chairs across a range of disciplinary areas, from nuclear process engineering to the history of business and society. Attracting interest from across the globe, we made appointments from the United States, Holland, Italy and Australia, as well as other leading UK universities. Many of these new professors are already in post, bringing learning and teaching together with research, and already making an impact, as illustrated elsewhere in this report.

'We led the development of a shared equipment inventory system on behalf of the N8, highlighted by the Rt Hon David Willetts...as a particular example of universities collaborating to generate efficiency savings for the sector.'

Enterprise and innovation

Despite the ongoing difficult economic environment, this year saw the University successfully establish new business collaborations and consolidate existing partnerships with industry and other external organisations.

The Sector Hubs provide a good illustration of how we work with external partners across a broad spectrum of activities and issues. Examples include the Cultural and Creative Industries Exchange Hub's work with M&S around store design and layout; the Climate and Geohazards Services Hub's collaboration with the re-insurance industry; and the Social Care, Healthcare Services and Professional Services Hubs joint work with the third sector in Leeds on a capacity and capability building programme. Significant contracts include two EU grants totalling £2.8m to the Pharma and Bio-Pharma Hub, and a successful £7m bid by the Medical Technologies Hub for an Engineering and Physical Sciences Research Council (EPSRC) Centre for Innovative Manufacturing in Medical Devices submitted in collaboration with Nottingham, Newcastle, Sheffield and Bradford Universities.

The year also saw us build on our strategic partnerships with organisations such as Arup, Sinochem, Opera North and Yorkshire Water and formalise our long-standing relationship with Proctor & Gamble into a strategic partnership. We have also continued to develop our relationships with consortia such as the White Rose (a consortium of Leeds, Sheffield and York) and N8 (a partnership of the eight most research-intensive universities in the North of England). We led the development of a shared equipment inventory system on behalf of the N8, highlighted by the Rt Hon David Willetts, Minister of State for Universities and Science, as a particular example of universities collaborating to generate efficiency savings for the sector.

One year after the opening of their company archive on the Leeds campus, our strategic partnership with M&S continues to develop. Academics and students from several of our schools are working with M&S on a diverse range of projects focused on employability, culture and research. A recent project with the University's School of Design resulted in student Natalie Mason's design for a limited collection jumper being sold in M&S stores nationwide, and research by one of our Masters students helped to produce M&S's most sustainable suit yet. Another holder of a new leadership chair, Professor Regina Blaszczyk, has successfully attracted a $\in 1m$ Humanities in the European Research Area grant to research the history of the fashion industry since 1945 and will be working with the M&S archive team to develop this.

Other highlights include a consortium bid led by DARE, our alliance with Opera North, which won a £2m Arts Council England Transforming Arts Fundraising grant to create and deliver a national programme of fundraising skills development in the sector.

Global reach

As international competition between universities intensifies, the implementation of our internationalisation strategy continued with a refreshed focus on recruitment and on developing a small number of 'flagship' international partnerships. We have many bilateral relationships with universities all over the world, but particularly important are the joint Confucius Institute that we opened at the University in November, in partnership with the University of International Business and Economics in Beijing, and the flourishing relationship of our Law school with the East China University of Politics and Law in Shanghai. In May, an overseas delegation led by the Deputy Vice-Chancellor, involving academics, clinicians and members of the alumni team, returned to Singapore and identified many opportunities for future collaboration in the area of medical technologies. Other partnerships are at various stages of active development in Osaka in Japan, Brazil, Hong Kong and elsewhere in China including Xiamen and the South Western Jiatong University.

'We continue to operate one of the widest ranging and most popular study abroad programmes in the UK, with well over 300 partner universities worldwide.' As we increase our focus on attracting the highest quality undergraduate students in our home market, rebalancing the proportion of international students is also growing in importance. Alongside protecting our historically strong market position in postgraduate taught recruitment, we are developing plans to increase our international undergraduate numbers at Leeds and to develop our relationships with overseas agents and 'feeder' colleges.

We continue to operate one of the widest ranging and most popular study abroad programmes in the UK, with well over 300 partner universities worldwide. Around 12% of this year's second year undergraduates applied to do the study abroad programme. Incoming study abroad students completing a semester or year in Leeds again topped 1,000 this year, adding significantly to our international diversity.

We continue to be heavily involved in the Worldwide Universities Network (WUN), which now encompasses 18 research-intensive institutions spanning six continents, with Maastricht University a recent addition. In May, several of our academics participated in the WUN conference themed around a WUN Global Challenge – Public Health – in particular researching interventions for preventing non-communicable diseases.

Building our future

The year saw further significant investment in our building and maintenance programme. Building work began this summer on the new £26m flagship undergraduate library. Due to be completed in 2015, the building will provide an extra 1,000 reader spaces, flexible and varied study spaces, support for training and skills development and access to key study resources.

As part of the University's commitment to deliver inspirational learning and teaching, work also began on the £8.5m refurbishment of the Social Sciences building and the £15m refurbishment of the Garstang and Manton buildings for the School of Geography. Both projects are due for completion by the end of 2014 and will provide students and staff with enhanced facilities.

The £25.5m investment in St Mark's Residences is now complete, providing 529 rooms for postgraduate students. The excellence of our accommodation provision received external recognition when Residential Services was voted the 'Most Socially Responsible Landlord' in the Leeds Landlord Awards and the Ellerslie Global Residence was shortlisted for a Uliving CUBO (College and University Business Officers) Award for 'Best Student Housing'.

This year also saw the internationally-renowned International Medieval Congress move to our campus for the first time. The event – the largest conference of its kind in Europe – attracted over 1,700 medievalists from all over the world. The successful staging of this huge event will enable us to attract and host conferences of a similar calibre and size in the future.

Sustainability remains a priority, as demonstrated by the appointment of our first Head of Sustainability and in its second year, the *It All Adds Up* energy campaign encouraged over 1,000 colleagues and students to make sustainability pledges, winning a Green Gown Award for 'Promoting Positive Behaviour'. The Green Impact initiative had its most successful year yet, with some 49 awards given to teams and laboratories that had made changes to improve sustainability within their areas, with 13 teams achieving the highest gold level. The University's approach to sustainability is described in more detail on page 31.



undergraduate library



University of Leeds Annual Report and Accounts for the year ended 31 July 2013

"...the University is now actively in touch with more than 200,000 Leeds alumni."

Our worldwide community of alumni

Our alumni continue to make their impact on all walks of life. Notable achievements this year included the Tate Turner Prize being awarded to Elizabeth Price (PhD in Fine Art, 1999), and the Mercury Music Prize for alumni indie rock band Alt-J, whose four members graduated from Leeds in 2010 and 2011.

More than 2,500 former students – and 1,500 guests – attended 127 alumni events around the world, including in New York, Washington DC and Hong Kong. A well-attended event in Singapore, our first there for some years, was both a social gathering and a showcase for University research in medical technologies. The alumni annual lecture was given by John Hirst (Economics, 1973), Chief Executive of the Met Office.

The alumni fund achieved two significant milestones this year; first, the University is now actively in touch with more than 200,000 Leeds alumni and second, the Footsteps Fund received its 10,000th alumni donation. These events emphasised the huge network of people who are the University's natural supporters, and the key role that alumni and donors play in the life of the University.

The alumni campaign also received some significant donations, including a \$4m donation from Peter Cheney, a Bacteriology and Biochemistry alumnus, and his wife Susan to establish an endowed fellowship programme that will have tremendous impact in perpetuity, and £1.75m donation from the Clothworkers' Foundation to establish the Clothworkers' Centre for Textile Materials Innovation for Healthcare and enabling the appointment of a new Chair of Textile Technology, Professor Chris Carr.

Our people

I was delighted that the University's bid to renew our prestigious Athena SWAN Bronze Award was successful; the achievement reflects our progress towards ensuring support for the careers of women in our science, engineering and technology faculties. We also appointed, for the first time, a dedicated Athena SWAN team, another important sign of our commitment to raise the profile of equality and inclusion in the University.

This year also saw the development of a new Equality and Inclusion strategy, which outlines the University's commitment to equality and inclusion and the role this will play in helping us achieve our strategic aims.

I am particularly proud that in their third year, the Vice-Chancellor's Health and Safety Awards attracted the largest number of entries yet. With health, safety and welfare firmly embedded in the University's culture, this year's Staff Festival and Healthy Week were both celebrations of and commitments to our sustained progress in this significant area.

We continue to make the development of our staff a focus, developing a sectorleading professional development programme for early career academic staff known as ULTRA (University of Leeds Teaching and Research Award) which launched in September 2013. Also new is the 'Leaders@Leeds' series of workshops and seminars providing colleagues with opportunities to explore leadership issues in higher education in an informal way.

HSE reportable accidents per 1,000 employees

2012/13	0.8
2011/12	2.5
2010/11	2.5

"...the excellence of University colleagues was reflected in the number of accolades which they received from external bodies." As in previous years, the excellence of University colleagues was reflected in the number of accolades which they received from external bodies. Recognition of particular note included:

- the then Pro-Chancellor Linda Pollard was awarded a CBE for her services to business and the community in Yorkshire and the Humber;
- Alistair Brownlee (a 2009 graduate and Olympic gold medallist) was appointed an MBE for services to triathlon;
- Jillian Johnson was awarded an MBE for her tireless work as artistic director of the University's International Concert Series;
- Dr Stella Butler, University Librarian and Keeper of the Brotherton Collection, was elected as Chair of Research Libraries UK;
- Professor Kanti Mardia (School of Mathematics) became the first UK recipient of the American Statistical Association's prestigious Samuel S Wilks Award.

Conclusion

On a personal note, I would like to thank all my University of Leeds colleagues for their valuable support and all the work they have done for the institution during my nine-year tenure. In particular I wish to express my gratitude to Linda Pollard, who stepped down from her position as Pro-Chancellor and Chair of Council this year, for the invaluable contribution she made to the University during her six-year period of office.

I would also like to thank everybody who has worked closely with me over my nine years, particularly all the members of the Vice-Chancellor's Executive Group, the deans, my office staff, and everyone who occupies a leadership position in the University. Your pursuit of excellence, your sage advice and guidance, your dedication, commitment, loyalty and hard work, have been truly outstanding and I will be forever grateful.

My gratitude and thanks are also extended over to all the sabbatical officers of Leeds University Union for the very positive relationship and partnership that we have jointly created. This has made a huge difference to students and staff of the University of Leeds and it bodes well for the future.

I am also delighted that Sir Alan Langlands has taken the Vice-Chancellorship of the University. His unrivalled knowledge of the sector, insight and acumen will be invaluable in leading and inspiring the University community to fulfil its strategic ambitions. I wish him and everyone at the University the very best for a successful future.

Professor Michael Arthur

Vice-Chancellor (2004-2013) August 2013 "...our underlying financial strength gave us the confidence to manage through the impact of income volatility whilst protecting our planned strategic investments..."

Jane Madeley Finance Director



Overview

As the Vice-Chancellor observes earlier in this report, 2012/13 was a significant year for the higher education sector: it marked the first year of recruitment under the new fees regime for home and EU undergraduate students. The new regime meant that a significantly increased proportion of our income was dependent on our performance in a competitive market.

We had, of course, already begun to prepare ourselves for this new environment. Anticipating that students paying fees of \pounds 9,000 a year would have heightened expectations, with a concern for quality and value for money, we had started on a wide-ranging programme of strategic investment focused on the student experience.

In the event, we felt the force of the competitive recruitment market more acutely than we had assumed: student recruitment was more difficult in 2012 than we had expected across most cohorts, and this led to some unplanned fee income shortfalls. Through sensible and robust financial management, we were able to mitigate against these income shortfalls without holding back on any of our planned strategic investments, and this combined with solid growth in research income – of 7% – delivered a solid financial performance for the year. It is pleasing to report overall income growth of 2% and an operating surplus before exceptional items of £20m (3.6% of total income).



operating surplus before exceptionals

£201

Financial summary			
	2012/13	2011/12	Change
	£000	£000	%
Summary			
Total income	547,601	537,555	2%
Total expenditure excluding exceptionals	(527,970)	(490,082)	8%
Operating surplus before exceptionals	19,631	47,473	(59%)
Operating exceptional items	1,814	6,256	(71%)
Operating surplus after exceptionals	21,445	53,729	(60%)
Profit on disposal of fixed assets	18,926	13,801	37%
Other items	197	(82)	(340%)
Surplus transferred to reserves	40,568	67,448	(40%)
Tuition fee and education contracts			
Home and EU students	104,369	77,611	34%
International students	58,652	61,664	(5%)
Other fees including NHS teaching contract	29,012	27,425	6%
Total	192,033	166,700	15%
Research grants and contracts			
Research Councils, UK Charities and Government	94,568	91,668	3%
Industry, overseas and other	33,986	28,763	18%
Total	128,554	120,431	7%
Capital expenditure	(10.000)	(14 400)	
Externally funded	(10,836)	(14,466)	(25%)
University funded	(35,711)	(15,118)	136%
Total	(46,547)	(29,584)	57%
Cash and borrowings			
Cash and short-term investments	187,097	179,856	4%
Borrowings	(46,211)	(50,561)	(9%)
Net funds	140,886	129,295	9%

Finance Director's report



The £41m surplus transferred to reserves is £27m lower than last year – though £16m of the reduction is simply because last year's reported surplus included one-off benefits resulting from the release of provisions that were no longer required. The underlying reduction in surplus of £11m is largely attributable to the start of the strategic investment programme to which I referred above. This programme has included new academic appointments, an enhanced financial support package for students from less affluent backgrounds, and improvements to facilities and infrastructure. The benefits of these investments will be delivered largely in future years; the programme as a whole is critical to securing our targeted intake of high quality students.

In 2012/13, the surplus transferred to reserves included a profit of £19m on the sale of fixed assets (£5m higher than last year), relating primarily to the sale of Bodington Hall student residences.

In summary, our underlying financial strength gave us the confidence to manage through the impact of income volatility whilst protecting our planned strategic investments; and we are confident that this approach will prove to have been the right one to take.



2012/13

Funding Council grant income over five years (£000)

2008/09 2009/10



Research grants and contracts income over five years





Funding Council grants

At £129m, Funding Council grant income reduced by £20m from 2011/12; it now represents 23% of total income, down from 28% the previous year. The bulk of the reduction (£17m) is attributable to the Government's policy of shifting the burden of funding undergraduate education from exchequer grant to tuition fees (a cut of 13% this year). We forecast that Funding Council grant income will fall to the point at which it only represents around 13% of total income by 2017/18. (Funding Council grants have already fallen by £32m from their 2010/11 peak of £161m.)

Tuition fees and education contracts

At £192m (15% higher than 2011/12), tuition fee income now accounts for 35% of total income (2011/12: 31%). As indicated above, the increase in fee income is a result of the new £9,000 fee for Home/EU undergraduate students.

We saw a 7% year-on-year reduction in Home/EU student numbers recruited (across undergraduate and postgraduate). This is attributable to a clear focus on improving the quality of our students (leading to a planned reduction in undergraduate intake in some disciplines), increased competition from other higher education institutions (HEIs), and a reduction in the number of students entering higher education in the first year of the new fees regime. Postgraduate numbers were hit by a sharp reduction in the home postgraduate taught market.

For the first time in recent years, there was a reduction in international fee income, actually of 5%. International student numbers actually declined by 10%, as we experienced in some crucial markets (such as India) the impact of continued tightening of UK immigration policy and an increased intensity of competition from other HEIs. Modest price inflation and improved mix of recruitment towards higher-priced programmes (for example, within the Business School) meant that approximately half of the adverse volume impact was offset at an income level. NHS teaching contract income of £13m saw a 6% fall from last year, driven by both rate and volume reductions. There is a risk of further downward pressure on future NHS tuition fee rates.

Research grants and contracts

After reporting a modest fall in research income last year, it is pleasing to report growth this year of \pounds 8m, an increase of 7% from 2011/12. We saw significant growth in European Commission funding (23%) and UK Industry funding (17%), with funding for hosting NIHR organisations growing by \pounds 2m.

Overall, we secured over 600 new research awards this year with a total grant value of £146m. The three largest awards by value are £6m from Abbvie Ltd to support research in targeted ultrasound and rheumatoid arthritis, £2m EU funding for a collaborative project investigating the use of silicon nitride coatings on the implants used in joint replacements and £2m from the Engineering and Physical Sciences Research Council (EPSRC) which is an institutional award to support impact and innovation activities across EPSRC priority themes.

Following the Research Councils UK (RCUK) response to the Wakeham report, growth in overhead recoveries from research grants remains a challenge. Despite this we have a seen a 2% increase in the value of overhead recoveries.

The University has invested in a major programme of senior academic appointments, including over 20 professorial appointments to 'academic leadership chairs' which will underpin our strategy to be a globally leading institution for research and education. Continued research income growth is supported by the benefits of these new chair appointments and by continued investments in successful cross faculty transformational projects, for example water@leeds.



research grants and contracts

Research grant income growth

2012/13	+7%
2011/12	-3%
2010/11	+4%

We deployed a major part of our HEIF funding – grant through the Higher Education Innovation Fund – to develop and sustain external relationships in a number of industrial sectors through our 'sector hubs', which face specific industrial and commercial sectors.

As part of an N8 initiative, we are playing a leading role in work to manage the sustainability of the equipment base; and we have led the development of an on-line asset register that will transform our ability to make cost-effective plans for future investments and promote sharing of high-value equipment both between faculties and ultimately between institutions.

Other operating income

Other operating income decreased by $\pounds 5m$, mainly by virtue of a planned reduction in income from student residences as a consequence of the sale of Bodington Hall, and a reduction in income from non-funding-council grants and consultancy.

Other operating income from subsidiary undertakings – notably Weetwood Hall Ltd, University of Leeds Consulting Ltd, Leeds Innovations Centre Ltd, University of Leeds IP Ltd and Bright Beginnings Childcare Centre Leeds was £11m in the year (2011/12: £11m).

Alumni giving to the refreshed Footsteps fund in 2012/13 totalled £0.8m (2011/12: £0.6m). Over 2012/13, the Footsteps fund was used to support Leeds for Life Foundation grants, Centenary Alumni Scholarships, Footsteps Fund Scholarships and student counselling and wellbeing activity.

We increased the number of alumni who gave to the annual fund in 2012/13 by 28% to over 5,800. The number of active alumni we are now in touch with has grown by over 11,250 to 208,000. This means that 76% of our alumni database is currently 'active' – that is, contactable. This represents a year-on-year increase of 1.5%.

Effective management of resources

The embedded culture of prudent cost management introduced by the economies (cost-saving) exercise three years ago was evident during 2012/13: through sensible cost savings, we managed partially to mitigate the impact of the lower levels of income resulting from the shortfalls in recruitment against plan, doing so without adverse impact on our new planned strategic investments.

The underlying increase in staff costs is $\pounds 12m$ (4%), attributable to a major planned programme of academic investment, the pay award and increments, and specific investments to support the increased level of research activity.

The underlying increase in other operating expenditure – excluding £10m provision release – is £14m (8%), attributable to planned new investments (for example, the improved undergraduate financial support package and backlog maintenance); specific investments to support the increased level of research activity; increased energy costs mainly from price inflation; and planned new student residence lease costs from the sale and lease back of Clarence Dock and the addition of the new Central Village, which replaces capacity lost through the sale of Bodington Hall.

Depreciation continues to increase year by year as a result of the completion of the major new capital schemes and equipment purchases during this year and last. We expect to see the level of depreciation continue to grow as we seek to bring more capital schemes on stream.

Income per square metre

2012/13	£1,207
2011/12	£1,167
2010/11	£1,201

HEFCE capital funding is significantly lower than in previous years, and the University must therefore generate operating cashflows or seek loan finance to meet its strategic capital investment plans. These plans are currently under review and will result in a new capital programme in the coming year.

We aim to re-use existing accommodation wherever possible through strategic refurbishment, using new-build solutions only where existing accommodation is not viable. We seek space efficiency by adhering to agreed space standards, by using open plan offices where practical, and by promoting shared use of facilities, particularly where this can also encourage academic synergies. Such measures contribute to environmental as well as financial sustainability.

Creating surpluses for investment

The University's strategy recognises the clear link between – and the importance of – academic and financial sustainability. The financial strategy enables investment in the development of academic excellence and the infrastructure of the University whilst maintaining a sound financial position in an increasingly challenging and volatile funding environment. A key sustainability measure is to have all schools and faculties in cumulative surplus whilst maintaining sustainable levels of revenue and capital investment.

Currently all faculties are forecast to achieve an in-year surplus by 2017/18, as was the case last year. We are acutely aware that the increasingly competitive environment means that there is potential for a larger proportion of our income streams to be more volatile. By monitoring – at school level – recruitment activity and performance through the cycle, we are able to identify areas of risk and take appropriate action.

We have continued with the annual school academic performance review meetings which we introduced in 2011/12, with the focus in 2012/13 being on student recruitment and the Research Excellence Framework submission due in late 2013. The academic community recognises that improving academic performance is critical to both the academic and the financial sustainability of each school.

We have made good progress with our new strategic investment plans which include not only the new financial support package, but also investment in effective and efficient standardised processes to improve the end-to-end student experience, an IT system to provide unified and end-to-end support for the management of research funding, and a major programme of academic development and continued investment in our infrastructure and estate.

Balance sheet

The value of the strength of our balance sheet was evident in 2012/13 as it gave us the confidence and headroom to continue with our new strategic investments despite significant in-year shortfalls in fee income resulting from under-recruitment against our plans. Despite the shortfalls in fee income, the 2012/13 results still generated a surplus of £41m to transfer to reserves.

The net book value of tangible fixed assets increased this year by £17m to £465m, as new net capital investment exceeded the depreciation charge. The largest addition to the estate was £19m relating to the St Mark's Residences redevelopment.

Fixed assets with a net book value of £3m were disposed of during the year, generating a profit of £19m. The most significant disposal was Bodington Hall Residence which generated a profit of £15m.



The University retained £187m of cash investments at 31 July 2013 of which £95m was held on deposit with nine separate banks for remaining terms of up to 6 months, \pounds 75m was held in three separate sterling liquidity funds and the remaining £17m was held on-call.

During the year the University has reviewed its Treasury Management Policy and retained its focus on capital preservation. We focus on the most secure institutions and funds, with a deposit limit of £35m for AAA rated institutions, £20m for AA and £10m for A. We limit deposit terms to 6 months for A rated institutions and 12 months for AA or higher which allows us to optimise returns.

After standard loan repayments of £4m and a surplus of £41m this year, the gearing ratio² decreased to 15% (2011/12: 19%) at 31 July 2013.

The endowment portfolio increased in value over the year from £54m to £62m, because of the rise in global equity markets and the addition of £3m new funds from donors. The £2m income generated in-year was in line with plan.

An increase in cash and short-term investments of $\pounds7m$ (4%) along with a $\pounds14m$ (27%) increase in debtors and a $\pounds12m$ (8%) rise in creditors has given rise to an overall improvement in working capital of $\pounds9m$.

Provisions for 2012/13 have decreased by £3m, primarily because of movements in restructuring provisions.

Pensions

The University of Leeds Pension and Assurance Scheme (PAS) had a Balance Sheet deficit of \pounds 1m at 31 July 2013, representing an improvement of \pounds 30m from the prior year primarily explained by:

- The actual investment return achieved on the Scheme assets is higher than the long-term expectation by £34m.
- Changes in actuarial assumptions have increased the value placed on liabilities by around £6m. A higher inflation expectation is partially offset by an increase in the discount rate because of improved yields available on high-quality corporate bonds.

The deficit is estimated using actuarial assumptions to value the liabilities of the PAS. These include the discount rate, inflation rate and mortality assumptions. The deficit is also dependent on the value of the Scheme's assets, which is linked primarily to movements in the equity market. The level of Balance Sheet surplus/deficit in future is therefore subject to fluctuation, and may indeed vary widely from year to year.

²Gearing is calculated as Borrowings / (Unrestricted permanent endowments + Income and Expenditure Reserve).



gearing ratio

During the year the University concluded a consultation with staff, unions and trustees about proposed changes to the PAS, which were developed with the objective of reducing the long-term financial risk. These changes were implemented in April 2013 and the main elements are as follows:

- The final salary section of PAS is closed to new entrants, and employee contributions will increase in stages from 6.7% currently to 7.5% by April 2015.
- Early retirement will no longer be permitted without reduced benefits.
- New entrants will have the choice of a new Career Average Revalued Earnings (CARE) section of PAS or a new defined contribution plan.
- Should total contributions required into PAS exceed 23.5%, the increment will be shared between the University and members.
- A cap has been introduced to inflationary increases to pensions.

The benefits have been designed to reduce financial risk whilst maintaining broad alignment with the national Universities Superannuation Scheme for academic and related staff (USS). The PAS and USS were subject to full actuarial valuations as at 31 March 2011; the next valuations are due at 31 March 2014.

The USS valuation as at March 2011 showed a deficit of £2.9bn. The resulting recovery plan included making pension contributions in excess of the cost of accruing benefits and assumed that the scheme's assets would deliver a return greater than that assumed in the valuation.

The 2013 Members' Annual Report highlights the volatility in funding level; the \pounds 2.9bn deficit reported at the last full financial assessment in 2011 had increased to \pounds 11.5bn as at March 2013, and had reduced to \pounds 7.9bn at the end of June 2013.

USS has made changes to both benefits of and contributions to the scheme in recent years and will work with stakeholders to agree a deficit recovery plan at the appropriate level as at March 2014.

Capital programme

The introduction of the new undergraduate fees regime has coincided with cuts in capital funding from HEFCE and, although the University was successful in bidding for the maximum amount of available capital through the Capital Investment Framework (CIF2) bidding process, the cuts in HEFCE funding have forced a significant change in the mix of funding towards the University's own investment which must be secured through better financial performance at school level.

The University has, nevertheless, continued to invest in new academic and infrastructure improvements with £47m of capital additions in the year.

Major capital refurbishments completed in 2012/13 or due for completion in 2013/14 include:

- £25m St Mark's Residences
- £13m upgrade of building infrastructure for the Faculty of Engineering
- £3m Irene Manton and LC Miall teaching laboratories
- £2m upgrade of Equality Services facilities
- £2m extension and refurbishment for the Institute of Medical and Biological Engineering
- £2m refurbishment of student facing facilities in the Roger Stevens building and Worsley building level 7 lounge.



capital expenditure

Major capital refurbishments due for completion in 2014/15 financial year include:

- £26m new undergraduate library
- £9m Social Sciences consolidation
- £10m Geography relocation.

Demonstrating our commitment to value for money we conducted tenders worth \pounds 52m in year for capital schemes. This is \pounds 7m higher than the prior year reflecting the University's ambition of investing for the future. We purchased \pounds 9m of capital equipment using a combination of competitive tendering and whole-life costing techniques.

All capital spending is rigorously scrutinised, to ensure that it supports our strategy to be a globally leading institution for research and education. However, the need to generate our own capital resources through improved academic performance has initiated a review of the investment appraisal process with a greater focus on benefits realisation and a stronger link between investment and performance improvement.

Risks

The main risks we face – risks which threaten the success of the achievement of our strategic objectives – are described below. They are subject to continuous management attention. The risks are 'net risks', that is they are still judged to be significant after mitigating actions which are already being taken.

• Risk of failure to secure and maintain a targeted intake of high quality students (both home and international) and failure to ensure continued improvement in the student experience.

Causal factors that we need to mitigate against include continued volatility and heightened competition across all recruitment cohorts and markets, particularly for high quality applicants; the increased demands from students for us continuously to improve – and then sustain a consistent and exceptional – student experience; and in that context to deliver effective and efficient student services fit for the post 2012 environment.

As we entered into the new home/EU undergraduate market in 2012/13 and experienced the immediate funding volatility that this can generate, we established a Recruitment Steering Group, chaired by the Vice Chancellor, to monitor recruitment activities and performance and to give us the ability to respond quickly to any issues arising. With a clear strategic imperative to improve the quality of our student intake, whilst delivering our planned numbers, the focus of our discussions and actions during 2012/13 was on our offer strategy, conversion activity and the post-application experience at an individual school level, to ensure that we were attracting the highest quality applicants and protecting their loyalty to us during the critical period leading up to the publication of A-level results.

Having experienced a significant adverse downturn in the home and EU postgraduate taught market, the University has invested to increase demand for home and EU postgraduate taught programmes for 2013 entry. This includes a postgraduate awareness-raising campaign and the first University-wide postgraduate open day. An Alumni bursary has also been established.

'All capital spending is rigorously scrutinised, to ensure that it supports our strategy to be a globally leading institution for research and education.' In the international recruitment arena, the University has placed increased emphasis on increasing international undergraduate numbers by building on proven successes with existing feeder routes, developing new supply relationships and creating new advanced entry partnerships in China for a range of faculties. Delivery of our international postgraduate taught intake targets will be achieved by increased levels of recruitment activities (by agents and by overseas offices); by enhanced use of social media conversion tactics; and by building on the positive changes to internal admissions processes and promoting pre-sessional programmes.

As noted above, we continue to invest in student-facing facilities and technology, notably through a programme of investment in the new Student Education Service, to ensure that we provide students with the best possible support and advice throughout their student journey from initial application to employment.

• Risk of failure to meet research performance targets

Causal factors that we need to mitigate against include the potential failures to compete successfully in the new research funding landscape, to achieve a successful REF 2014 outcome and to deliver the growth in postgraduate research numbers that we need.

To mitigate against these risks we have implemented a range of measures. We have invested in a major programme of academic development to support our growth in research income through 'academic leadership chair' appointments and importantly we have made those investments in areas where we have recognised strengths in basic and applied research and where there is clear alignment to the expectations of funding bodies. We have also enhanced our central support for research by putting in place direct interventions and assistance to maximise the quality of our applications for external research funding and fellowships, and implemented a new IT system to support the management of research funding.

The development of our REF 2014 submission has been led by the REF Steering Group, chaired by the Pro-Vice-Chancellor for Research and Innovation. Each Unit of Assessment has completed three full draft submissions since September 2012 and we have effected external review of outputs and impact case studies. Assessment of the June 2013 draft identified further opportunities for development to improve the quality of the submission and these have been acted on as a matter of priority. In parallel with development of academic aspects of the submission, a series of compliance and audit activities are being completed.

A strategy to increase postgraduate research (PGR) activity has been developed, focusing on enhancing our international profile – for example through working with international WUN partners; by improved marketing of PGR programmes including a PGR Open Day; by seeking new funding opportunities and by improving the PGR experience through an enhanced PGR support structure.

• Risk of failure to deliver a sustainable, effective and efficient organisation

To ensure that we are sustainable, effective and efficient, we need to mitigate against a potential failure to deliver key strategic projects and organisational change, failure to provide first-class facilities for students and staff, and failure to protect ourselves against unsustainable pay rises and pensions costs.

We have taken a number of measures to mitigate against such risks. All major strategic and change projects are now supported by clear governance structures and strong project management and review processes, including a quarterly review of progress and risks against each strategic project by the Vice Chancellor's Executive Group. We continue regularly to review the University's estates strategy and priorities, in order to ensure that our planned investments align with our strategic objectives and will deliver improved academic performance. And, as noted above, we have implemented changes to our local pension scheme (PAS) to reduce our long-term risk exposure, whilst we continue to monitor national wage negotiations and support alignment with low public-sector pay awards.

Conclusion

This year's financial result is particularly encouraging following the challenging recruitment cycle in 2012/13. Our ability to manage the resulting shortfall in income against plan without slowing down our strategic investments whilst still delivering a strong underlying operating surplus is evidence of our ability to manage short-term income volatility. The strength of our balance sheet and cumulative reserves provided us with the headroom and confidence to apply this measured approach.

Nonetheless, these are difficult times, and we must continue to be vigilant and ensure that we protect our ability to manage such financial pressures as they arise. We need to create flexibility within the infrastructure to cope with short-term income fluctuations, continuing to protect our planned strategic investments and recognising the need to create headroom to invest in improving the quality of the student experience.

"...we must continue to be vigilant and ensure that we protect our ability to manage...financial pressures as they arise. We need to create flexibility within the infrastructure to cope with short-term income fluctuations, continuing to protect our planned strategic investments and recognising the need to create headroom to invest in improving the quality of the student experience."

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



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

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

Our values



Academic excellence

Academic excellence lies at the heart of our values.

As part of our commitment to maintaining and supporting the highest standards in research, we have an established University Research Ethics Committee (UREC), supported by a network of faculty-level research ethics committees that engage both staff and postgraduate students. The Committee has oversight of matters of general policy and principle on research; approval of proposals for research with significant ethical dimensions (including research carried out on human subjects or using their data); and consideration of the impact of research upon the natural environment.

This year the Committee has focused on the introduction of a new single policy on research ethics which is consistent with the Universities' UK Concordat on supporting research integrity. Other developments have included the launch of a new research ethics website.

Leeds was one of the first universities to introduce (in 1996) a protocol for investigating and resolving allegations of misconduct in academic research. The protocol is currently under review. We remain committed to ensuring that any such allegations are subject to full, fair and quick investigation. One allegation was raised in 2012-13, towards the end of the year, and is still being examined.

We have a Code of Practice on Whistleblowing, in which we set out how we will handle complaints of suspected malpractice or impropriety; no allegations under the Code were received in 2012/13.

Similarly, the University operates a complaints procedure which provides for both informal and formal resolution of concerns about any aspect of a student's academic or pastoral experience. During 2012-13 the University received 35 formal student complaints (44 in 2011/12), which included complaints about the standard of academic provision, the standards of other key services affecting a student's studies or general welfare, and failure to meet obligations.

Academic excellence: knowledge, academic freedom, critical independence, creativity, innovation, world-class performance. The majority of complaints received in 2012-13 have been resolved satisfactorily (though the deadline for seeking a review externally with the Office of the Independent Adjudicator (OIA), the higher education ombudsman, has not yet been reached in all cases).

During the year the University also dealt with 147 appeals from taught students against academic judgements relating to results declared for the 2011-12 Semester 2 or 2012-13 Semester 1 examinations. Of these 97 were conceded by their school or upheld, 49 were rejected or withdrawn (by the student) and 1 has been put on hold due to the student's ill health.

13 students lodged petitions with the OIA during 2012-13, three arising from complaints decisions and ten against academic appeals dismissed by the University. Of these, the OIA has dismissed five cases and eight cases are still under review.

The OIA has also dismissed the three complaints outstanding from the 2011-12 Annual Report.

Use of animals in research

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

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

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

An example of work carried out within this framework was the laboratory-based and in vivo research carried out at Leeds during 2000 to 2006 from which it was concluded that patients with defective cardiovascular tissues (heart valves and the pericardium – the sac around the heart) could benefit from tissue engineering techniques that involved preparing biological scaffolds for tissue repair and regeneration. These scaffolds are now being used in patient treatment.

Genetically modified crops

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

This year we continued work on genetically modified crops, looking at ways of limiting the damage caused by microscopic nematodes, which cause major disruptions in the food supply to tens of millions of people in the developing world. The research is helping to establish a new, non-lethal basis for controlling nematodes, focusing on key crops of importance in distinct geographical areas around the world.

Inclusiveness: diversity, equal opportunities and access.

Inclusiveness

The University is undertaking a strategic review of its equality and diversity policies and practices. The first phase of the review involved the drafting of an Equality and Inclusion (E&I) strategy and the second phase will see the development of an E&I Framework. The University also successfully renewed its Athena SWAN Bronze award, with an action plan aimed at applying for a Silver Award at the next renewal in 2015. All relevant faculties and schools are working towards 'Departmental' Bronze or Silver awards.

The University continues to attract a large number of disabled students who access a wide range of support. Our Transcription Centre supports blind and partially sighted students and staff, our Assessment Centre continues to provide high quality and timely Needs Assessments and the Student Mental Health Adviser both provides general support and responds to emergencies. In June 2013 the University hosted a national conference to explore how deaf students can access spoken information via written text.

Quantitative data on our outreach programme to raise aspirations and achievement and on bursaries and scholarships is provided on page 5. Our Reach for Excellence and Access to Leeds (A2L) programmes are key components of the University's Access Agreement and the Education Engagement Strategy, supporting the recruitment of the brightest and best students regardless of background. This year there were 4,560 applications to A2L and 2,742 offers were made. Our A2L students achieve high standards: 14% of the scheme's graduates were awarded First Class degrees in 2012. We have also developed a distinct access strategy which recognises the particular needs of potential mature students.

Integrity

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

In line with its classification as a 'public authority' for the purposes of the Freedom of Information Act 2000, the University maintains a publication scheme (to assist members of the public to locate information published by the University), which reflects the model advocated by the Information Commissioner's Office (ICO) and the growth of the internet as the principal medium for the publication of information. Under the Act the University is also required to respond to written requests for any of the information it holds from any member of the public.

During 2012-13 we received 173 requests explicitly under the Freedom of Information Act, fewer than the previous year although the complexity of information requested continues to increase. The scope of requests has again been wide-ranging, with a tendency for clusters of similar requests to emerge in response to media events. We responded to the vast majority of requests within the 20-day period required by the Act, with extensions negotiated in a small number of complex cases. There were no complaints lodged with the ICO in 2012-13. A complaint which has been under consideration by the ICO since 2011-12 was not upheld.

The University's arrangements for meeting its responsibilities under data protection legislation are set out in a detailed Code of Practice and associated guidance, which is also available online. During 2012/13, the University received 25 data subject access requests – a 79% increase on last year – the majority of which related to internal disputes, complaints or appeals. There were no complaints lodged with the ICO.

Integrity: openness, transparency and honesty.

Professionalism:

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

Community:

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

Professionalism

This year has seen a particular focus on the support we provide for our faculties and schools by ensuring that we provide end-to-end 'One University' services which are cost effective and efficient. Key objectives underpinning projects and initiatives this year have been to streamline processes, eliminate inefficient duplication and improve career progression; progress continues on implementing an ambitious new model for University-wide Student Education Services and a 'One IT' approach to the delivery of information services; and we are implementing 'KRISTAL', our 'one-stop shop' for managing our research and innovation grant portfolio more effectively.

In Human Resources, we have been trialling a new methodology for process mapping and elimination of duplication, which we intend to roll-out next year. Other priorities have included achieving more consistency in people management; aligning leadership and staff development activities; and providing competitive reward frameworks, including (after consultation) professorial pay zoning. We have also introduced a professional development programme for early career academic staff; begun work on a new framework for workplace health and a new communications strategy; and launched our new Human Resources website.

Community

Public service and citizenship

Under the Leeds for Life scheme over 2,000 students are now actively involved in volunteering. Participation has been supported by the launch of the volunteering hub (a searchable database providing a single source of quality assured volunteering). Over 300 students volunteer in local schools and there has been continued growth in the number of academic modules with a built in school placement. Generous support from our alumni and Santander has funded 81 students to undertake their own projects in 2013, including schemes in Uganda, Thailand and Honduras.

We continue to make our cultural activity publicly accessible via performances, recitals and workshops from our DARE collaboration with Opera North; creative activities and performances during this year's city-wide 'Light Night'; and the LUDUS Festival Leeds. The Michael Marks Building, which houses the Marks & Spencer Company Archive, is freely available to all. A collaboration between two Leeds graduates and Leeds City Council saw the launch of the Marks & Spencer Heritage Trail which connects the Company Archive with the rest of the city, highlighting places of significance to the city's industrial past. The University's Festival of Arts, supported by the Marks & Spencer Company Archive, celebrated the city's varied heritage of arts and culture through a programme of public events and activities throughout June and July. In March the University and partners across the city coordinated the Leeds Festival of Science which offered an extensive programme of events and workshops for schools and the general public.

University investment decisions have been informed by a Socially Responsible Investment policy since 2001. We have had Fairtrade status since 2005; and we work with the students' union to promote the sale of Fairtrade products, which are featured in campus shops and available through our catering service.

Sustainability

We are committed to an integrated approach to sustainability, linking together all of our activities in order to manage our environmental, social and economic impacts. We have made impressive strides forward in waste management with recycling becoming our norm and zero waste going to landfill. Through our carbon management plan we are supporting work to reduce our energy consumption and carbon emissions. Our energy reduction campaign has won a Green Gown award for promoting positive behaviour and a Bronze Design Effectiveness Award.

Themes of global significance such as climate change and food security drive forward our approach to interdisciplinary world class research. We recognise that a sustainable approach to research is also necessary and we are investigating ways in which we can share equipment, internally and externally, to enable both environmental and economic efficiencies to be realised.

In addition to highlighting issues of sustainability through our degree programmes we encourage our students to engage with these issues through extra-curricular activities. This year around 100 students have been involved in such activities, developing their understanding of sustainability and organisational behaviour as well as supporting their own personal development. We have been encouraged by the increase in participation and performance of our staff and students in the NUS Green Impact scheme, with 49 teams collecting awards and 74 students volunteering as either auditors or project assistants. Our efforts have been recognised in the Business in the Community Regional Environment Index, in which we moved from Silver to Gold and through the Green Tourism Business Scheme where our residences and conferencing venues continue to perform well. We saw an improvement in our Green League performance, moving up 43 places in the ranking to 58th overall from a field of 143 and 7th in the Russell Group.

Charitable purposes and the public benefit

As noted elsewhere, the University is a charity; its work is directed to the public benefit, through educating students, in order both that they can fulfil their potential and make a better contribution to society; and through our research, much of which has a positive impact.

This year, research expenditure was valued at £128.5m, 7% higher than 2011-12, with new awards at £146 million being 17% higher than 2011-12 (see page 18 for further information). Once concluded, and unless contractual restrictions apply, research completed by our staff is placed in the public domain, via refereed journals and other print or online publications and via the institutional repository. Where our research has commercial applications, we ensure that the benefits that accrue from the intellectual property are divided fairly between staff and the University. A new University publications policy, informed by recent developments in the debate on 'open access' to research literature, is the subject of consultation.

Over 30,000 students benefited from the delivery of over 1,500 programmes; 8,500 students graduated this year. Our confidence in the quality of our delivery of student education is underpinned by external validation by the QAA.

The University also provides general benefit for the public through access to facilities, for example, the Stanley and Audrey Burton Art Gallery and the University of Leeds International Textiles Archive.

Values and responsibilities



Like all other universities, Leeds charges tuition fees to students. Following changes in the national system of funding of undergraduate education, the tuition fee for most full-time undergraduates has been £9,000 annually since 2012. At Leeds, this change has been accompanied by an innovative package of financial support targeted at students from lower income families. It focuses on student choice between a partial fee waiver, a bursary or a discount on University accommodation which is intended to target support at what, for the individual applicant, is the real barrier to entry. Entitlement to this support is assessed automatically on the basis of household income data provided by the Student Loans Company. We expect that one in three of Leeds students will receive financial support, so whilst the headline fee is a single figure of £9,000 across the board, in practice fees range from £3,000 to £9,000, depending on students' personal circumstances. Financial support is also available to students once they arrive at Leeds, from the Access to Learning Fund (ALF) and a range of scholarships. By 2016/17, we will increase our overall investment in financial support and outreach activity to £17.1m annually. Our scholarships also include non-financial support elements, for example pre-entry information, visits and peer mentoring, the benefits of which are reflected in retention rates.

Collegiality, teamwork and mutual respect

We have continued to manage some complex and challenging organisational change work through an agreed model which focuses on the comprehensive involvement of staff and trade unions in the discussion of issues, options and implementation plans. The value of partnership working has again been demonstrated in the health and safety area; the number of serious accidents that we report has fallen again; and we recognise and celebrate the achievements of those members of staff who have made a particular contribution to this vital agenda through the annual Vice-Chancellor's Health and Safety Awards.

Teamwork is an integral component of all our leadership development programmes and in many staff development initiatives. Our 'Tomorrow's Leaders' succession management programme highlights the importance of effective team working and team leadership in an academic setting; and our People Management Framework (PMF) audits and provides feedback from all staff on management quality, the results from which are considered as part of our annual integrated planning processes.

Work with the LUU has included the development of a policy for the systematic inclusion of student members on academic appointment panels from September 2013 and resolution of aspects of the employment status of postgraduate students.

Corporate governance

The University is an independent corporation established by Royal Charter 'as a teaching and examining body, and to cultivate and promote arts, science and learning'. These objects, and its powers and framework of governance, are set out in the Charter and its supporting Statutes, amendments to which must be approved by the Privy Council. It receives substantial public funding and, by virtue of the educational nature of its objectives, is an exempt charity under Schedule 2 of the Charities Act 1993.

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

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

Structure of governance

The Council

The Council is the governing body of the University. As such, it has a collective responsibility to promote the University's wellbeing and to ensure its sustainability. The specific responsibilities of the Council are outlined in its Statement of Primary Responsibilities as set out on page 39 but, in essence, it is responsible for approving corporate strategy and associated plans and budgets; for determining major business decisions and corporate policy; for the framework of governance and management; and for monitoring institutional and executive performance. These responsibilities are 'reserved' to the Council and, as a general rule, cannot be delegated. Other responsibilities have been delegated to committees and officers in accordance with a scheme of delegation.

www.leeds.ac.uk/secretariat/documents/ scheme_of_delegation.pdf The Council, which meets a minimum of six times a year, has 23 members, the majority of whom are lay members. (Lay members are those who are neither employees nor students of the University.) Also included in its membership are representatives of the staff and students. For the purposes of charity law, members of the Council are the trustees of the University and, in this connection, they have had regard to the Charity Commission's guidance on public benefit. They do not receive fees or other remuneration for serving as members or trustees.

The (lay) Chair of the Council (the Pro-Chancellor), plays a key role in the governance of the institution while remaining outside the day-to-day executive management. Mrs Linda Pollard was Pro-Chancellor during 2012/13, completing her term of office on 31 July 2013. Her successor is Mr David Gray.

Members of the Council are listed in the table on page 38, together with a record of other trusteeships held by members and members' attendance at meetings. The University maintains a Register of Interests of Members of the Council (and senior officers) which may be consulted by arrangement with the Secretary to the University, Mr Roger Gair, who acts as Secretary to the Council.

A review of the effectiveness of the Council and other aspects of governance was carried out in the period 2012-13. (The review has not been concluded within the quinquennial period prescribed by the CUC.) The group carrying out the review concluded – and the Council itself has accepted – that the University's governance arrangements are generally satisfactory. Some revisions were however agreed to the role and responsibilities of the Council, the way in which it conducts its business, the induction and training of Council members and aspects of the committee system. These changes are being implemented in 2013/14; further details are available from the Secretary.

A further phase of review is to be undertaken in 2013/14, once the new Pro-Chancellor and Vice-Chancellor have settled into their respective offices. This will cover the size of the Council, the range of its committees, and the inter-play between governance and executive management.


The Senate

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

In addition to its responsibility for academic governance, the Senate has an advisory role extending across most aspects of the University's work. It also serves as a two-way channel of communication, thus underpinning collegiality; and is responsible in particular for advising the Council on academic and related strategies.

The Senate may discuss and declare an opinion on any matter whatsoever relating to the University; and is given the opportunity to comment on policy questions and other matters (including the allocation of general revenue) affecting the academic work of the University.

University Committees

The principal committees of the Council include:

- the Audit and Risk Committee (chaired in 2012/13 by Mr Tom Morton), which inter alia has a significant role in reviewing the effectiveness of the systems of internal control, including financial procedures and risk management (see below);
- the Health and Safety Committee (chaired by the Vice-Chancellor or, in his absence, the Pro-Vice-Chancellor for Staff and Organisational Effectiveness), which maintains an overview of the University's arrangements for securing the health and safety of staff, students and visitors;
- the Remuneration Committee (chaired by the Pro-Chancellor), which determines the salaries of the Vice-Chancellor and other principal officers of the University; and
- the Gift Acceptance Committee (chaired by the Pro-Chancellor), which scrutinises and – after considering any strategic, financial, legal, ethical and reputational issues – approves or otherwise solicitation or acceptance of gifts with a value over £100,000.

Committees of the Senate include the Taught Student Education Board, the Graduate Board and the Research and Innovation Board.

The Court

The University Court, which has about 90 members (the majority lay) and which meets no more than twice a year, stands beyond the University's main decision-making machinery. In particular, the Court serves as a mechanism for – and indeed a symbol of – the University's accountability to the wider community and to different constituencies of stakeholder. It is empowered to ask questions about, and express an opinion on, any matter whatsoever concerning the University; and to convey such opinions to the Council.

The Court is currently responsible for approving recommendations for the appointment of the University's principal lay officers. In the same vein, it is responsible for appointing most lay members of the Council. In exercising this responsibility, the Court is advised by the Nominating Committee, which is required to have regard to the need to draw members from a wide variety of backgrounds, and also to strike an appropriate balance between continuity and rotation in the membership of the Council.

Senior officers and executive management

As the chief executive and senior academic officer of the University, the Vice-Chancellor, (Professor Michael Arthur³ in 2012/13), exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. He is formally responsible to the Council – within a prescribed framework – for the operational management of all aspects of the University's work; and, under the terms of a Financial Memorandum, is the 'accountable officer' who reports to the HEFCE on behalf of the University.

³ Professor Arthur left the University on 31 August 2013 to take up a new appointment; Sir Alan Langlands was appointed Vice-Chancellor with effect from 1 October 2013.

Members of the Council, July 2013 (I to r):

Nigel Foster Paul Harrison Helen Billington Alison Staniforth Michael Arthur Linda Pollard Geoff Potter Tom Morton Bradley Escorcio John Stoddart-Scott Neil Clephan Caroline Johnstone Michael Ziff Sue Proctor Quentin Woodley Robin Johnson

Not pictured Nick Allen Ed Anderson Jane Francis David Gray Peter McWilliam Alice Smart Jo Westerman



Corporate governance

The Vice-Chancellor has delegated responsibility for specific aspects of the University's management to the Deputy Vice-Chancellor, pro-vice-chancellors and the other senior officers who make up the Vice-Chancellor's Executive Group (VCEG), and to the deans of faculty, but he retains ultimate responsibility for their work.

Members of the VCEG are responsible to the Council (through the Vice-Chancellor) for the leadership and overall management of the corporate services; and for formulating policy and other proposals for consideration by the Senate and the Council. Members of the VCEG are listed on page 38.

Similarly, the deans are responsible to the Council (through the Deputy Vice-Chancellor) for the leadership and overall management of their respective faculties. The Faculty Management Group (FMG), which comprises the deans and members of the VCEG, plays a co-ordinating role in the management of faculties, and monitors their financial position and academic development. The deans are listed on page 38.

Internal control

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

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

Financial control

The Council is required to secure the economical, efficient and effective management of the University's resources and expenditure and to safeguard its assets (including preventing and detecting fraud). In so doing, it has to ensure that funds from the Higher Education Funding Council for England (HEFCE) are used only for the purposes for which they have been given and in accordance with the Financial Memorandum agreed with the HEFCE; and that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

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

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



The Council is also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which ensure that the financial statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant law and UK Accounting Standards. In addition, within the terms and conditions of the Financial Memorandum, the Council, through its accountable officer, is required to ensure annually that financial statements are prepared, audited and presented which give a true and fair view of the state of affairs of the University at the end of the financial year, and of the surplus or deficit and cash flows for that year.

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

Risk management

The management of risk is integral to the work of the Council and constitutes a significant part of the University's system of internal control. As part of this process, the Council regularly considers the strategic direction of the University and institutional plans, and receives regular reports on progress against key performance indicators (KPIs), the key Strategy Map themes and other significant projects and risk factors. The Council also requires regular reports from managers on the steps they are taking to manage the risks associated with the achievement of the University's strategic objectives. These reporting mechanisms are underpinned by a robust methodology for identifying and prioritising risks. An institutional risk register is maintained; annual risk returns are received from faculty deans; and risk awareness training is provided from time to time. This process, which accords with the HEFCE guidance, has been in place for the year ended 31 July 2013. The intention is to strengthen it during 2013/14: the Audit and Risk Committee will be undertaking a rolling programme of risk review over the course of the session, and will in the process consider whether any further changes are needed to risk management arrangements. It will also review the University's risk appetite statement during 2013/14.

Going concern

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

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

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

Deans of Faculty, July 2013 (I to r):

Nigel Hooper Peter Jimack Mike Wilson Peter Moizer Jeremy Higham

Peter McWilliam Jane Francis Frank Finlay David Cooper



Members of the Council 2012/13⁴

Member of Council	Brief pen-portrait	Charity Trusteeships	Attendance (6 Ordinary meetings, 1 Away Day)
Linda Pollard, CBE	Pro-Chancellor and Chair since August 2007; Chair of Leeds Teaching Hospitals NHS Trust ⁵ , Regional Chair of Coutts Bank; Chair of An Inspirational Journey and National 2% Club Chair	Leeds Teaching Hospitals NHS Trust	6+1
Michael Arthur	Vice-Chancellor since 2004. Former Professor of Medicine, Head of School of Medicine and Dean of Medicine, Health and Life Sciences at the University of Southampton; member of the Russell Group of Universities; member of the Council of the Medical Research Council; Chair of the Advisory Group for National Specialised Services (NHS); board member of Opera North and US/UK Fulbright Commissioner	Enthuse Trust Leeds International Pianoforte Competition Opera North	6+1
Saeeda Ahmed ⁶	Founding Director of Trescom (Training and Community Regeneration Company); Director of Adventure Capital Fund; a Board Member for Aspire I (Bradford-based careers service)	Leeds Playspace Association	0
Nick Allen	Undergraduate Admissions Team Leader within the Student Education Service		6+1
Ed Anderson	Chairman of Yorkshire Building Society; Chairman of the Airport Operators Association; former Managing Director of Leeds Bradford International Airport; and Chair of Governors, Leeds Trinity University	 Leeds Trinity University Leeds International Pianoforte Competition 	5+1
Helen Billington	Faculty Student Education Services Manager, Mathematics & Physical Sciences; Fellow of the Association of University Administrators, and regional network co-ordination for Yorkshire and the North East; Vice-Chair of Governors, Selby High School		5+1
Neil Clephan	Head Teacher, Roundhay School All through education for 4 to 18; National Leader of Education $% \left({{\rm Education}} \right)$		4 + 0
Nigel Foster	Director and an owner of Fore Consulting Limited; former Director, Ove Arup and Partners; Director of Leeds and Partners; Director and owner of Colbaran Limited; Non-Executive Director of Leeds Community Healthcare NHS Trust; Director of Ahead Partnership and Director of Leeds, York & North Yorkshire Chamber of Commerce; Non-Executive Director of the Centre for Low Carbon Futures		2+1
Jane Francis	Dean of the Faculty of Environment and Professor of Palaeoclimatology	 Antarctic Science Ltd The Paleontological Association The Geological Society of London 	6+1
David Gray ⁷	Former CEO and Chairman of Eversheds International; member of the DWF LLP Board		3+1
Antony Haddley	Union Affairs Officer, LUU	Leeds University Union	6+1
Paul Harrison	Dean of Postgraduate Research Studies and Professor of Quantum Electronics		6+1
Robin Johnson	Solicitor, Partner and Chair of Diversified Industrials of Eversheds LLP, member of American Bar Association; member of Canadian-UK Chamber of Commerce		4 + 0
Caroline Johnstone	Director and Chair of Audit Committee, Leeds Teaching Hospitals NHS Trust; Chartered Accountant (former partner with PricewaterhouseCoopers); non-executive member of the Audit Committee of the Crown Prosecution Service for England and Wales; Chair of BARCA-Leeds, a community charity	• BARCA – LEEDS	6+1
Peter McWilliam	Dean of the Faculty of Medicine and Health and Professor of Cardiovascular Physiology		4 + 1
Tom Morton	Chartered Accountant; owner of The Alternative Board (Harrogate); former partner at PKF (UK) LLP; Director of Leeds, York and North Yorkshire Chamber of Commerce and Industry; Director of Weetwood Hall Ltd (a University subsidiary); Chair of the University's Audit and Risk Committee		3+1
Geoff Potter	Independent communications consultant, Senior Partner with College Group; formerly responsible for worldwide Corporate Communications for Glaxo/Glaxo Wellcome/ GlaxoSmithKline; Board Trustee of Opera North; member of Court	Opera North	6+0
Sue Proctor	Diocesan Secretary for the Church of England Diocese of Ripon and Leeds; Management Consultant; Non-Executive Director for Hambleton, Richmondshire and Whitby Clinical Commissioning Group; member of Court	 Chair, LEAF Multi Academy Trust, Leeds Council member, Ripon Cathedral 	4 + 1
Josh Smith	Education Officer, LUU	Leeds University Union	6+1
Alison Staniforth	Legal Consultant of the Department of Health; Director of LCVS (a not for profit organisation providing rented accommodation to new and small businesses in Leeds)		1+1
John Stoddart- Scott	Farm and Estate Manager. Chairman of Weetwood Hall Ltd and of University of Leeds Farms Ltd (both subsidiary companies); member of Court	Wades Charity Yorkshire Agricultural Society Wharfedale Agricultural Society Clothworkers' Foundation	6+1
Jo Westerman	Manager, LOGIK and Staff Centre		5+1
Quentin Woodley	Director Emeritus, McKinsey & Company; Chartered Accountant		5+1
Michael Ziff	Deputy Pro-Chancellor; Executive Chairman, Barratts Trading Limited; Director, Town Centre Securities PLC and Hepworth Wakefield; retired Chair, Bradford Centre Regeneration; President of UK Israel Business; Chair of Maccabi Foundation and Maccabi GB; Honorary Vice-President, UJIA	The Jerusalem FoundationHepworth Wakefield	1+0

⁴ From 1 July 2013, Anthony Haddley and Josh Smith were replaced as the LUU members on the Council by Bradley Escorcio (Union Affairs Officer) and Alice Smart (Education Officer). On 31 July 2013, Jane Francis stepped down as a member elected by and from the Senate: Professor Peter Moizer (Dean of the Faculty of Business) was appointed in her stead. On 31 July 2013, Linda Pollard demitted office as Pro-Chancellor, and Tom Morton and Michael Ziff stepped down form the Council's membership. Dr Pollard was succeeded by David Gray on 1 August, when Liz Barber (Yorkshire Water Director of Finance and Regulation for the Kelda Group), Roger Marsh (Chartered Accountant and licensed insolvency practitioner) and Amanda Mellor (Group Secretary and Head of Corporate Governance, Marks and Spencer) also took up membership.

⁵ Since 1 Febuary 2013, prior to which she served as Chair of the Airedale, Bradford and Leeds NHS PCT Cluster. ⁶ Saeeda Ahmed resigned with effect from 31 December 2012.

David Gray was appointed to Council with effect from 1 January 2013; he has therefore only been eligible to attend 4 meetings of Council and 1 Away Day.

Members of the Vice-Chancellor's Executive Group 2012/13

Professor Michael Arthur Vice-Chancellor (Chair)

Professor John Fisher, CBE **Deputy Vice-Chancellor**

Professor Dawn Freshwater Pro-Vice-Chancellor for Staff and Organisational Effectiveness

Roger Gair University Secretary

Professor David Hogg Pro-Vice-Chancellor for Research and Innovation

Martin Holmes Marketing Director

Dennis Hopper Director of Facilities Management

Professor Vivien Jones Pro-Vice-Chancellor for Student Education

Matthew Knight Human Resources Director

Jane Madeley Finance Director

Deans of Faculty 2012/13

Professor David Cooper Professor Stephen Westland (Acting Dean, September to December 2012) Performance, Visual Arts and Communications

Professor Frank Finlay Arts

Professor Jane Francis Environment

Professor Jeremy Higham Education, Social Sciences and Law

Professor Nigel Hooper **Biological Sciences**

Professor Peter Jimack Engineering

Professor Peter McWilliam Medicine and Health

Professor Peter Moizer **Business**

Professor Mike Wilson (to 30 June 2013) Professor Stephen Scott (Interim Dean, from 1 July 2013)

Mathematics and Physical Sciences

Statement of Primary Responsibilities of the Council

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

Corporate strategy

Having regard to the interests of stakeholders:

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

Corporate policies

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

- as the employing authority for all staff within the institution, to approve or modify the main features of the University's employment policies and procedures;
- to approve or modify the University's policy on health and safety, and other significant University policies and to satisfy itself that arrangements are in place for the implementation of those policies;
- to approve major projects and business proposals, including in particular any projects or proposals with a value of over £3m and any proposals for educational provision overseas;
- to approve the annual statement of accounts; and
- to act as trustees for, or to make appropriate alternative arrangements for the trusteeship of, any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

Operational management and systems

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

- to approve or modify the overall constitutional and organisational structure and shape of the University, including, subject to the approval of the Privy Council, amendments to the Charter and Statutes;
- to ensure that systems are in place for meeting all of the University's legal obligations, including those arising from contracts and other commitments made in the University's name;
- to direct the form, use and custody of the common seal;
- to appoint the Vice-Chancellor; and, when necessary, to propose his or her removal from office in accordance with the provisions of Statute VII;
- to make nominations to the offices of Chancellor, Pro-Chancellor and Deputy Pro-Chancellors;
- to appoint and where appropriate, remove from office – the Deputy Vice-Chancellor and the Pro-Vice-Chancellors;
- to appoint and where appropriate, remove from office – a secretary to the Council, to safeguard the secretary's ability to carry out the responsibilities of that office, and, having regard to any other managerial responsibilities undertaken by the secretary, to ensure an appropriate separation in the lines of accountability;
- to remove members of the Council on the basis set out in Statute II;
- to ensure that University business is conducted in accordance with best practice in corporate governance within higher education, and with the principles of public life laid down by the Committee on Standards in Public Life;
- to ensure that funds provided by the Funding Council are used in accordance with the terms and conditions specified in the Financial Memorandum;
- to ensure that reasonable arrangements are in place to safeguard the good name and values of the University and to ensure compliance with the University's constitution;

- to ensure that proper books of accounts are kept, to appoint the University's external and internal auditors and the University's bankers, and to approve the University's banking mandates;
- to establish, and as necessary review, procedures for handling internal grievances and for managing conflicts of interest;
- to approve or to amend, as necessary, the terms of the Trust Deeds of any University trusts; and
- to determine the basis on which any of the Council's functions shall be delegated to committees and individuals, and thereafter to satisfy itself as to the proper and effective discharge of any delegated functions.

Monitoring of institutional performance

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

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

We have audited the financial statements of the University of Leeds for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 36. 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 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Council's Responsibilities Statement, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2013 and of its surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council and the National College for Teaching and Leadership, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council and the funding agreement with the Teaching Agency.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

• the Statement of Internal Control is inconsistent with our knowledge of the University.

Deloitte LLP

Chartered Accountants and Statutory Auditor Leeds, England 28 November 2013 **Annual Accounts**

Consolidated Income and Expenditure Account for the year ended 31 July 2013

		2012/13	2011/12
	Note	£000	£000
Income			
Funding Council grants	1	128,642	148,466
Tuition fees and education contracts	2	192,033	166,700
Research grants and contracts	3	128,554	120,431
Other operating income	4	91,893	96,384
Endowment income and interest receivable	5	6,479	5,574
Total Income (excludes share of joint ventures £4.7m [2011/12: £4.4m])		547,601	537,555
Expenditure			
Staff costs (excluding exceptionals)	6	303,587	291,206
Staff costs - exceptionals	6	(1,814)	(6,256)
Total staff costs		301,773	284,950
Other operating expenses	7	196,207	171,718
Depreciation	7	26,365	24,992
Interest payable and similar charges	8	1,811	2,166
Total expenditure	7	526,156	483,826
Surplus after depreciation and before tax		21,445	53,729
Share of joint ventures' operating (loss)/profit		(20)	45
Share of associates' operating profit		298	193
Taxation	9	(59)	(64)
Surplus after depreciation and tax and before exceptional items		21,664	53,903
Profit on disposal of fixed assets	10	18,926	13,801
Surplus on continuing operations after depreciation and tax		40,590	67,704
Transfer to accumulated income within restricted endowments		(22)	(256)
Surplus for the year transferred to reserves	23	40,568	67,448

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

	Consolidated		dated	University	
	Note	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Fixed assets					
Tangible assets	10	465,088	447,895	453,923	436,747
Investments	11 12	12,732 612	3,395 314	17,396	8,074
Investments in associates Investments in joint ventures	12	375	314 395	_	_
		478,807	451,999	471,319	444,821
Endowment asset investments	14	62,337	53,599	62,337	53,599
Current assets					
Stock	15	495	414	275	202
Debtors Investments	15 16	63,737 175,729	49,994 172,360	67,810 175,729	53,877 172,360
Cash at bank and in hand	10	11,368	7,496	9,212	5,103
		251,329	230,264	253,026	231,542
Creditors: amounts falling due within one year	17	(152,415)	(140,640)	(150,100)	(138,336)
Net current assets		98,914	89,624	102,926	93,206
Total assets less current liabilities		640,058	595,222	636,582	591,626
Creditors: amounts falling due after more than one year	18	(49,309)	(54,075)	(47,940)	(52,298)
Provisions for liabilities	20	(3,428)	(6,049)	(3,353)	(5,947)
Total net assets excluding pension deficit		587,321	535,098	585,289	533,381
Pension deficit	30	(556)	(30,494)	(556)	(30,494)
Total net assets including pension deficit		586,765	504,604	584,733	502,887

	Consolidated University		Consolidated		Consolidated University		rsity
	Note	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000		
Deferred capital grants	21	197,095	201,543	197,095	201,543		
Endowments Permanent Expendable	22 22	61,426 911	52,708 891	61,426 911	52,708 891		
		62,337	53,599	62,337	53,599		
Reserves Income and Expenditure Account Pension reserve Revaluation reserve Heritage assets reserve	24	294,006 (556) 9,264 24,619	255,337 (30,494) 24,619	291,974 (556) 9,264 24,619	253,620 (30,494) 24,619		
	23	327,333	249,462	325,301	247,745		
Total funds		586,765	504,604	584,733	502,887		

The Annual Report and Accounts were approved by Council on 28 November 2013 and signed on its behalf by:

Jane Madeley Finance Director Sir Alan Langlands Vice-Chancellor

Consolidated Cash Flow Statement for the year ended 31 July 2013

	Note	2012/13 £000	2011/12 £000
Net cash inflow from operating activities Returns on investments and servicing of finance Tax paid Capital expenditure and financial investment	25 26 9 27	37,223 1,229 (38) (26,823)	53,714 1,001 (92) 2,820
Net cash inflow before use of liquid resources and short-term investments		11,591	57,443
Management of liquid resources Financing	28	(3,369) (4,350)	(57,734) (4,306)
Increase/(decrease) in cash	29	3,872	(4,597)

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the period Increase in short-term investments Net decrease in debt	28	3,872 3,369 4,350	(4,597) 57,734 4,306
Movement in net funds in the year		11,591	57,443
Net funds at 1 August		129,295	71,852
Net funds at 31 July	29	140,886	129,295

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2013

	Note	2012/13 £000	2011/12 £000
Surplus for the financial year		40,568	67,448
Appreciation of endowment asset investments	22	5.961	635
Endowment income retained for the year	22	118	326
New endowments	22	2,659	471
Unrealised surplus on revaluation of fixed asset investments	24	9,264	_
Actuarial gain/(loss) on pension assets	30	28,039	(26,241)
Total recognised gains relating to the year		86,609	42,639
Reconciliation			
Opening reserves and endowments		303,061	260,422
Total recognised gains for the year		86,609	42,639
Closing reserves and endowments		389,670	303,061

1 Accounting Convention

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

2 Going Concern

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

3 Basis of Consolidation

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

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

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

4 Recognition of Income

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

Tuition fees represent fees attributable to the current financial year and are recognised as services are provided.

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

Other income is recognised as goods/services are provided.

5 Pension Schemes

A defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan), was introduced from 1 March 2013 as the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

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

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

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

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

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

6 Foreign Currencies

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

7 Operating Leases

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

8 Finance Leases

Leasing agreements that transfer substantially all the risks and rewards of ownership of an asset to a third party are treated as if the asset had been disposed of. Any lease premiums receivable are spread over the life of the lease.

9 Land and Buildings

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

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

10 Equipment

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

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

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

11 Deferred Capital Grants

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

12 Heritage Assets

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

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

13 Investments

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

Investments in subsidiaries are shown at the lower of cost and net realisable value.

Listed fixed asset investments are stated at market value. Appreciation/depreciation is added to or subtracted from the revaluation reserve via the Statement of Total Recognised Gains and Losses.

14 Stock

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

15 Cash Flows and Liquid Resources

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

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

16 Maintenance of Premises

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

17 Taxation Status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Institution receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

1 Funding council grants

	2012/13 £000	2011/12 £000
Recurrent grant	112,900	130,214
Specific grants		
National College for Teaching and Leadership	28	2,149
Equipment and furniture	59	1,075
Teaching & Learning Capital	9	129
Widening Participation	2,121	503
Higher Education Innovation Fund	3,270	2,645
Matched funding scheme for voluntary giving	6	9
HEFCE Capital	103	649
JISC funding	622	931
Other (less than £0.5m each)	188	570
Released from deferred capital grants		
Buildings	6,948	6,856
Equipment	2,388	2,736
	128,642	148,466

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

2 Tuition fees and education contracts

Full-time home and EU students	100,314	74,352
Full-time international students	57,810	60,889
Part-time home and EU students	4,055	3,259
Part-time international students	842	775
Research training support grants	8,337	6,097
Short course fees	7,852	7,660
NHS teaching contract	12,823	13,668
	100.000	166 700
	192,033	166,700

3 Research grants and contracts

Research Councils	38,105	37,270
UK based charities	22,774	20,962
UK Government	33,689	33,436
UK industry	8,576	7,337
European Commission	14,817	12,027
Other grants and contracts	6,509	6,535
Released from deferred capital grants		
Buildings	88	88
Equipment	3,996	2,776
	128,554	120,431

4 Other operating income

	2012/13 £000	2011/12 £000
Residences, catering and conferences	44,151	46,537
Health authorities	12,120	11,115
Donations	3,112	3,229
Subscriptions	2,798	2,910
Grants	7,890	9,571
Other income	20,651	21,878
Released from deferred capital grants		
Buildings	978	983
Equipment	193	161
	91,893	96,384

5 Endowment income and interest receivable

Income from expendable endowments	59	48
Income from permanent endowments	1,853	1,916
Income from short-term investments	853	1,269
Other investment income	49	22
Other net finance income from pension scheme assets and liabilities	3,651	2,312
Released from deferred capital grants		
Buildings	7	7
Equipment	7	-
	6,479	5,574

6 Staff

	2012/13 Number	2011/12 Number
Average staff numbers (full-time equivalents) by major category Academic/Teaching Research Management/Professional Support	1,796 973 1,223 2,462	1,731 977 1,214 2,411
	6,454	6,333
	£000	£000
Staff costs Wages and salaries Social security costs Pension costs (including FRS 17) Severance payments Exceptionals	244,689 19,463 36,894 2,541 (1,814)	236,960 18,126 34,495 1,625 (6,256)
	301,773	284,950
Costs included within provisions (see Note 20) to the extent they have not been settled at 31 July: Restructuring – exceptional staff costs Early retirement schemes Other staff provisions	1,773 760 20	4,933 475 –

Senior post-holder's emoluments

Emoluments of the Vice-Chancellor

Salary Benefits in kind as assessed for HMRC purposes	318 7	282 7
	325	289
Employer contributions to defined benefit scheme	-	29
Total	325	318

From 1 April 2012 the University's contributions to USS in respect of the Vice-Chancellor and a number of other senior staff was replaced by a supplement to salary, at no additional cost to the University. This was in response to options made available by USS following changes to the Lifetime Allowance.

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff.

	2012/13 Number	2011/12 Number
Remuneration of other higher paid staff, excluding employer's pension contributions		
£100,000 - £109,999	22	22
£110,000 - £119,999	17	13
£120,000 - £129,999	14	12
£130,000 - £139,999	12	7
£140,000 - £149,999	8	9
£150,000 - £159,999	8	11
£160,000 - £169,999	7	7
£170,000 - £179,999	7	2
£180,000 - £189,999	4	3
£190,000 - £199,999	3	6
£200,000 - £209,999	5	2
£210,000 - £219,999	3	5
£220,000 - £229,999	3	_
£230,000 - £239,999	1	1
£240,000 - £249,999	-	1
£250,000 - £259,999	1	-
£260,000 - £269,999	1	-
£270,000 - £279,999	-	1
	116	102

Higher paid staff included 67 (2011/12: 62) clinical staff and 49 (2011/12: 40) non-clinical staff.

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

7 Analysis of expenditure

	Staff costs	Other operating expenses	Depreciation	Interest payable	2012/13 Total	2011/12 Total
	£000	£000	£000	£000	£000	£000
Academic departments Research grants and contracts	167,312 65,682	35,048 59,294	3,816 4,102		206,176 129,078	201,251 120,938
Total teaching and research	232,994	94,342	7,918	-	335,254	322,189
Administration and Corporate Services Premises Residences, catering and conferences Other expenses Exceptional items FRS 17 adjustment	46,183 11,504 11,019 868 (1,814) 1,019	33,503 35,892 28,902 3,568 –	517 13,757 4,173 – – –	95 1,716 	80,298 61,153 45,810 4,436 (1,814) 1,019	73,498 59,030 43,709 (9,081) (6,256) 737
Total	301,773	196,207	26,365	1,811	526,156	483,826

The net credit balance in respect of other expenses in 2011/12 reflects the release of provisions relating to specific repairs and maintenance works identified during 2010/11. The net credit balances in respect of exceptional items reflect the reduction in the level of restructuring provision required.

Other operating expenses		
Equipment purchases and maintenance	21,801	18,337
Estate repairs and maintenance	12,874	5,579
Consumables and laboratory expenditure	21,409	21,920
Printed materials, books and periodicals	8,432	8,021
Printing, stationery and office expenses	4,808	4,851
Travel and subsistence	11,543	11,532
Fellowships, scholarships and prizes	38,707	33,505
Heat, light, water and power	16,543	16,327
Rent, rates and insurance	16,094	10,568
Grants to student union	2,216	2,247
Fees and expenses	35,288	32,373
Recruitment, training and welfare	4,355	3,572
Auditor's remuneration in respect of audit services	107	100
Auditor's remuneration in respect of other services	126	88
Other expenses	1,904	2,698
		171 710
	196,207	171,718
Equipment purchases and maintenance includes payment under operating leases in respect of equipment	421	473
Rent, rates and insurance includes payment under operating leases in respect of buildings Fees and expenses include contracted internal audit fees	13,377 128	7,633 125

Trustees

During the year, no trustee received or waived any remuneration for serving as a trustee.

The total expenses paid to three trustees was £3k (2011/12: £1k to one trustee). This represents travel and subsistence expenses incurred in attending Council meetings, conferences and events in their official capacity as Council members.

8 Interest payable and similar charges

	2012/13 £000	2011/12 £000
On loans repayable wholly or partly in more than 5 years	1,811	2,166

9 Taxation

Current Tax UK Corporation tax on profit for the year Adjustment in respect of previous years	70 (3)	40
	67	40
Deferred Tax Origination and reversal of timing differences	(8)	24
Total Tax charge	59	64
Tax paid in the year	38	92

10 Tangible assets

	Consolidated				
	Freehold Land £000	Freehold Buildings £000	Equipment £000	Heritage Assets £000	Total £000
Cost or valuation					
At 1 August 2012 Additions Disposals	7,613 	529,485 37,098 (8,892)	94,890 9,449 (2,426)	25,492 115 -	657,480 46,662 (11,318)
At 31 July 2013	7,613	557,691	101,913	25,607	692,824
Depreciation At 1 August 2012 Charge for the year Eliminated on disposals		146,489 17,519 (5,898)	63,096 8,846 (2,316)	- - -	209,585 26,365 (8,214)
At 31 July 2013	-	158,110	69,626	-	227,736
Net book value at 31 July 2013	7,613	399,581	32,287	25,607	465,088
Net book value at 1 August 2012	7,613	382,996	31,794	25,492	447,895
			University		
Cost or valuation At 1 August 2012 Additions Disposals	6,287 	517,851 37,037 (9,019)	91,476 8,900 (2,542)	25,492 115 -	641,106 46,052 (11,561)
At 31 July 2013	6,287	545,869	97,834	25,607	675,597
Depreciation At 1 August 2012 Charge for the year Eliminated on disposals		143,502 17,259 (6,026)	60,857 8,515 (2,433)	- - -	204,359 25,774 (8,459)
At 31 July 2013	-	154,735	66,939	-	221,674
Net book value at 31 July 2013	6,287	391,134	30,895	25,607	453,923
Net book value at 1 August 2012	6,287	374,349	30,619	25,492	436,747

Disposals resulted in a profit on sale of £18.9m (2011/12: £13.9m). This included £15.8m profit on disposal of student residences (2011/12: £10.8m).

At 31 July 2013, freehold buildings at cost included \pounds 46.8m (2012: \pounds 20.4m) and equipment at cost included \pounds 1.5m (2012: \pounds 0.8m), in respect of assets under construction.

HERITAGE ASSETS

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

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

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

Special collections

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

Art collections

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

ULITA

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

Preservation and management

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

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

HERITAGE ASSETS	Special collections £000	Art collections £000	ULITA £000	2012/13 Total £000	2011/12 Total £000
At 1 August Additions	19,445 115	5,522	525 -	25,492 115	25,371 121
At 31 July	19,560	5,522	525	25,607	25,492
	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Purchases					
Special collections	115	121	176	122	377
Art collections	-	-	-	79	-
Donations					
Special collections	-	_	-	100	-
Art collections	-	_	-	40	2,010
Total Additions	115	121	176	341	2,387

11 Fixed asset investments

	Consolidated	University
	£000	£000
Investments in subsidiary undertakings		
Cost at 1 August 2012	-	4,659
Disposals	_	(15)
Cost at 31 July 2013	-	4,644
Other fixed asset investments		
Cost or valuation at 1 August 2012	3,395	3,415
Additions	90	90
SORP adjustment	(17)	(17)
Revaluation of listed investments	9,264	9,264
Cost or valuation at 31 July 2013	12,732	12,752
Total investments		
At 31 July 2013	12,732	17,396
At 1 August 2012	3,395	8,074

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

Name of company	Percentage holding	Nature of business
Subsidiary Undertakings		
Leeds Innovation Centre Ltd	100%	Business accommodation and facilities management
University of Leeds Consulting Ltd	100%	Consulting management
University of Leeds Farms Ltd	100%	Farming
University of Leeds IP Ltd	100%	Intellectual property management
Weetwood Hall Ltd	100%	Hotel and conference centre
Leeds Ventures Ltd	100%	Advisory services for the University's customers in China
Bright Beginnings Childcare Centre Leeds	100%	Childcare facilities and services
Ionix Advanced Technologies Ltd	54%	Piezoelectrics for high temperature applications

12 Investments in associates

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

Name of company	Percentage holding	Nature of business
Associated Undertakings		
Keracol Ltd	50%	Development of natural systems for consumer product application in cosmetics, food and beverage industries
White Rose Technology Ltd	40%	Seedcorn funding for commercialisation of research
Workscreen Ltd	36%	Sickness absence support and advisory service
Rare Earth Technology Ltd	33%	Extraction of rare earth elements from mining waste materials
Glass Manufacturing Services Ltd	24%	Specialist glass supplier for commercial and industrial use
C-Capture Ltd	23%	CO2 green technology for coal-powered stations
Chamelic Ltd	22%	High performance polymer coatings
Resuspod	21%	Solutions to medical emergency management in dental practice
Rock Deformation Research Ltd	21%	Production, sale and marketing of structural geological products and services to the natural resources and energy industry
Escubed Ltd	20%	Particle characterisation services to pharmaceutical industries

Movement in year	2012/13 £000	2011/12 £000
Balance at 1 August Dilution of shareholding	314 61	100
Dissolution of companies Share of profit in year	(34) 271	(17) 231
Balance at 31 July	612	314

13 Investments in joint ventures

The University holds shares of joint venture companies as follows:

Name of company	Percentage holding	Nature of business
Joint Ventures		
Myscience.co Ltd	25%	Continuous professional development for science teachers and technicians
YHMAN Ltd	13%	Management and maintenance of a communications network between HE establishments
N8 Ltd	13%	Enabling northern businesses to access world-class knowledge to gain a significant competitive advantage
Worldwide Universities Network	5%	Collaboration of Universities to achieve international objectives in research and graduate education

Joint ventures' financial summary – University share	2012/13 £000	2011/12 £000
Income and Expenditure Account		
Income	4,702	4,434
Surplus before tax	7	48
Balance Sheet		
Fixed assets	544	612
Current assets	1,369	1,425
	1,913	2,037
Creditors: amounts falling due within one year Creditors: amounts falling due after more than one year	(1,025) (513)	(1,063) (579)
	(1,538)	(1,642)
Share of net assets	375	395

14 Endowment asset investments

	Consolidated	and University
	2012/13 £000	2011/12 £000
At 1 August Additions Disposals Appreciation on revaluation (Decrease)/increase in cash balances	53,599 10,620 (7,824) 5,961 (19)	52,167 3,471 (3,019) 634 346
At 31 July	62,337	53,599
Represented by: Fixed interest stocks Equities Property Cash balances	14,481 42,223 2,165 3,468	17,932 30,006 2,174 3,487
	62,337	53,599

15 Debtors

	Consoli	dated	University	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Amounts falling due within one year Sponsored research in progress Trade debtors Amounts owing from subsidiary undertakings Prepayments and accrued income Amounts falling due after more than one year Amounts owing from subsidiary undertakings	22,596 22,839 _ 9,806 _	16,514 25,337 	22,596 21,876 1,509 9,801 3,532	16,514 24,119 1,787 8,205 3.252
Prepayments and accrued income	8,496	-	8,496	,
	63,737	49,994	67,810	53,877

16 Investments

	Consolidated	and University
	2012/13 £000	2011/12 £000
Short-term deposits	175,729	172,360

At 31 July 2013 the weighted average interest rate of these fixed rate deposits was 0.4% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 38 days. The fair value of these deposits was not materially different to the book value.

17 Creditors: amounts falling due within one year

	Conso	lidated	Unive	rsity
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Bank loans Research grants received on account Trade creditors Social security and other taxation payable Accruals and deferred income Amounts owing to subsidiary companies	4,401 58,473 27,384 6,650 55,507	4,350 47,525 24,405 7,530 56,830 –	3,993 58,473 26,984 6,398 54,143 109	3,942 47,525 24,063 7,304 55,420 82
	152,415	140,640	150,100	138,336

18 Creditors: amounts falling due after more than one year

Bank loans	41,810	46,211	40,441	44,434
Deferred income	7,499	7,864	7,499	7,864
	49,309	54,075	47,940	52,298

19 Borrowings

	Consoli	idated	Unive	rsity
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Bank loans and overdrafts are repayable as follows				
In one year or less Between one and two years Between two and five years In five years or more	4,401 4,455 13,490 23,865	4,350 4,401 13,554 28,256	3,993 4,048 12,528 23,865	3,942 3,993 12,330 28,111
	46,211	50,561	44,434	48,376

Bank loans at commercial rates are repayable by instalments falling due between 1 August 2013 and 10 February 2030 and are secured either on a portion of the freehold land and buildings of the Group or by a negative pledge over the University's assets.

20 Provisions for liabilities

At 1 August Transferred from/(to) income and expenditure Utilised in the year	6,049 362 (2,983)	26,543 (15,850) (4,644)	5,947 351 (2,945)	26,503 (15,912) (4,644)
At 31 July	3,428	6,049	3,353	5,947
Comprising:				
Voluntary Leavers' Scheme				
At 1 August	-	100	-	100
Utilised in the year	-	(100)	-	(100)
At 31 July	-	-	-	-
Restructuring - exceptional staff costs				
At 1 August	4,933	12,816	4,933	12,816
Transferred to income and expenditure	(1,814)	(6,156)	(1,814)	(6,156)
Utilised in the year	(1,346)	(1,727)	(1,346)	(1,727)
At 31 July	1,773	4,933	1,773	4,933
Early retirement of employees (Premature Retirement Terms)				
At 1 August	356	26	356	26
Transferred from income and expenditure	519	389	519	389
Utilised in the year	(512)	(59)	(512)	(59)
At 31 July	363	356	363	356
Early retirement of employees (Mobility Incentive Scheme)				
At 1 August	119	47	119	47
Transferred from income and expenditure	1,334	709	1,334	709
Utilised in the year	(1,056)	(637)	(1,056)	(637)
At 31 July	397	119	397	119
Other (including deferred taxation)				
At 1 August	641	13,554	539	13,514
Transferred from/(to) income and expenditure	323	(10,792)	312	(10,854)
Utilised in the year	(69)	(2,121)	(31)	(2,121)
At 31 July	895	641	820	539

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

21 Deferred capital grants

	Consolid	Consolidated and Univers	
	Funding Council £000	Other grants £000	2012/13 Total £000
At 1 August 2012 Buildings Equipment	147,320 9,832	34,242 10,149	181,562 19,981
	157,152	44,391	201,543
Grants received Buildings Equipment	6,911 (78)	- 3,324	6,911 3,246
	6,833	3,324	10,157
Released to Income and Expenditure Account Buildings Equipment	(6,948) (2,388)	(1,073) (4,196)	(8,021) (6,584)
	(9,336)	(5,269)	(14,605)
At 31 July 2013			
Buildings Equipment	147,283 7,366	33,169 9,277	180,452 16,643
	154,649	42,446	197,095

22 Endowments

			Consolidated a	nd University		
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2012/13 Total £000	2011/12 Total £000
At 1 August			· · · · ·			
Capital	17,129	32,752	49,881	860	50,741	49,565
Accumulated income	-	2,827	2,827	31	2,858	2,602
	17,129	35,579	52,708	891	53,599	52,167
New endowments	-	2,659	2,659	-	2,659	471
Investment income	656	1,343	1,999	10	2,009	2,034
Expenditure	(656)	(1,175)	(1,831)	(60)	(1,891)	(1,708)
	-	168	168	(50)	118	326
Appreciation of endowment						
asset investments	1,916	3,975	5,891	70	5,961	635
At 31 July	19,045	42,381	61,426	911	62,337	53,599
Represented by:						
Capital	19,045	39,528	58,573	884	59,457	50,741
Accumulated income		2,853	2,853	27	2,880	2,858
	19,045	42,381	61,426	911	62,337	53,599

23 Reserves

	Consoli	Consolidated		rsity
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
At 1 August	249,462	208,255	247,745	206,768
Surplus for the year	40,568	67,448	40,253	67,218
Actuarial gain/(loss) on pension scheme assets	28,039	(26,241)	28,039	(26,241)
Revaluation of fixed asset investments	9,264	-	9,264	-
At 31 July	327,333	249,462	325,301	247,745

24 Revaluation Reserve

	Consolidated	and University
	2012/13 £000	2011/12 £000
At 1 August	_	_
Revaluation in year on fixed asset investments	9,264	-
At 31 July	9,264	-

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

	Consolidated	
	2012/13 £000	2011/12 £000
Surplus on continuing operations after depreciation	40,649	67,768
Share of associates' and joint ventures' operating profits	(278)	(238)
Depreciation	26,365	24,992
Fixed asset investment (appreciation)/depreciation	(124)	1
Profit on disposal of fixed assets	(18,926)	(13,801)
Deferred capital grants released to income	(14,605)	(13,607)
Endowment income and interest receivable	(6,479)	(5,574)
Interest payable and similar charges	1,811	2,166
FRS 17 adjustment	1,752	(97)
(Increase)/decrease in stock	(81)	33
(Increase)/decrease in debtors	(1,600)	6,308
Increase in creditors	11,352	6,281
Decrease in provisions	(2,613)	(20,518)
Net cash inflow from operating activities	37,223	53,714

26 Returns on investments and servicing of finance

	Conso	lidated
	2012/13 £000	2011/12 £000
Income from endowments Income from short-term investments Interest and similar charges paid	2,008 1,054 (1,833)	2,035 1,166 (2,200)
Net cash inflow from returns on investments and servicing of finance	1,229	1,001

27 Capital expenditure and financial investment

Payments to acquire tangible fixed assets and investments	(46,752)	(31,033)
Payments to acquire endowment securities	(10,620)	(3,471)
Decrease/(increase) in endowment cash balances	19	(346)
Receipts from sales of tangible fixed assets and investments	9,211	19,714
Receipts from sales of endowment securities	7,824	3,019
Deferred capital grants received	10,836	14,466
New endowments received	2,659	471
Net cash (outflow)/inflow from capital expenditure and financial investment	(26,823)	2,820

28 Analysis of changes in consolidated financing during the year

Mortgages and Loans		
At 1 August	50,561	54,867
Capital repayments	(4,350)	(4,306)
At 31 July	46,211	50,561

29 Analysis of changes in net funds

	At 1 August 2012 £000	Cash Flows £000	Other Changes £000	At 31 July 2013 £000
Cash at bank and in hand Debt due within one year Debt due after one year Current asset investments	7,496 (4,350) (46,211) 172,360	3,872 4,350 - 3,369	(4,401) 4,401 –	11,368 (4,401) (41,810) 175,729
	129,295	11,591	_	140,886

30 Pension schemes

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

A defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan), was introduced from 1 March 2013 as the main auto-enrolment vehicle for University support staff. The investment of scheme contributions for the DC Plan is managed by The People's Pension.

The University also contributes to the Teachers' Pension Scheme (TPS) which has 17 members, and the National Health Service (NHS) Pension Scheme which has 179 members, both multi-employer schemes.

Total pension cost for the University and its subsidiary undertakings

	2012/13 £000	2011/12 £000
USS PAS DC Plan Other pension schemes	25,126 5,931 42 1,603	24,383 5,959 - 1,590
Total pension cost	32,702	31,932

Universities Superannuation Scheme (USS)

USS is a defined benefit scheme for Academic, Academic-Related and Professional Staff of all pre-1992 UK Universities and some other employers. It is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members due to the mutual nature of the scheme, and therefore has been accounted for as a defined contribution scheme.

Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2011.

In line with the agreed scheme changes, from 1 October 2011, new entrants have joined the Career Revalued Benefits (CRB) section of the scheme with an employee contribution rate of 6.5%. The final salary section member contribution is 7.5%. The employer contribution rate is 16% for both sections of the scheme.

University of Leeds Pension and Assurance Scheme (PAS)

PAS is a defined benefit scheme for support and technical staff within the University.

Triennial valuations are carried out by professionally qualified independent actuaries. The last valuation took place as at 31 March 2011.

Following a review of the scheme benefits including consultation with members, trade unions and PAS trustees, the following scheme changes were implemented with effect from 1 April 2013: a new Career Average Revalued Earnings (CARE) section of the scheme which new employees will have to opt to join rather than joining automatically; a normal pension age of 65 increasing in the future in line with increases to state pension age; member contributions of 6.7% for the final salary section (increasing to 7.1% from 1 April 2014 and 7.5% from 1 April 2015) and 6.5% for the new CARE section; cost sharing if there are future contribution increases; a cap on pension increases and a restriction around beneficial early retirement terms. The employer contribution remains at 18.15% for both sections of the scheme.

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

University of Leeds Defined Contribution Pension Plan (DC Plan)

To comply with Pensions Automatic Enrolment legislation, from 1 March 2013 the University introduced a new defined contribution plan, the University of Leeds Defined Contribution Plan (DC Plan). This is the default scheme for all new eligible support staff employees, although they can still opt to join the CARE section of PAS within a limited period of joining the University.

	2012/13	2011/12
	£000	£000
Change in benefit obligation		
Benefit obligation at 1 August	302,676	270,739
Current service cost	12,628	10,893
Interest cost	12,531	14,151
Plan participants' contributions	298	290
Actuarial losses	5,881	14,943
Benefits paid	(6,932)	(8,340)
Benefit obligation at 31 July	327,082	302,676
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	327,082	302,676
Change in plan assets		
Fair value of plan assets at 1 August	272,182	264,077
Expected return on plan assets	16,182	16,463
Actuarial gains/(losses)	33,920	(11,298)
Employer contribution	10,876	10,990
Member contributions	298	290
Benefits paid	(6,932)	(8,340)
Fair value of plan assets at 31 July	326,526	272,182
Funded status		
Net amount recognised	(556)	(30,494)
Amounts in the balance sheet		
Liabilities	(327,082)	(302,676)
Assets	326,526	272,182
	((00.40.4)
Net liabilities	(556)	(30,494)
Components of pension cost		
Current service cost	12,628	10,893
Interest cost	12,531	14,151
Expected return on plan assets	(16,182)	(16,463)
	8,977	8,581
Actuarial (gains)/losses immediately recognised	(28,039)	26,241
Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses		00.055
Cumulative actuarial losses immediately recognised	64,811	92,850

30 Pension schemes (continued)

	31 July 2013	31 July 2012
Plan assets Weighted-average asset allocation Equities Property Bonds and other	73.0% 10.0% 17.0%	69.0% 12.0% 19.0%
	100.0%	100.0%

	31 July 2013		31 July 2012		31 July 2011	
	%	£000	%	£000	%	£000
Assets in PAS and expected rate of return						
Equities	7.3%	238,195	7.0%	187,303	6.8%	184,319
Property	7.3%	33,877	7.0%	33,089	6.8%	23,332
Bonds and cash	3.8%	54,454	3.4%	51,790	4.8%	56,426
Total market value of assets		326,526		272,182		264,077
Actuarial value of liability		(327,082)		(302,676)		(270,739)
Net pension liability		(556)		(30,494)		(6,662)

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on corporate bonds and equities. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.9% assumption for the expected long-term return on scheme assets over the year to 31 July 2013 and 6.3% over the year to 31 July 2014.

	2012/13 £000	2011/12 £000
Actual return on plan assets	50,102	5,165

			31 July 2013	31 July 2012	31 July 2011
Weighted average assumptions used to determine benefit obli Discount rate Rate of compensation increase Rate of inflation Rate of pension increase	gations		4.50% 5.00% 2.50% 2.50%	4.10% 4.30% 1.80% 1.80%	5.20% 5.00% 2.75% 2.75%
Weighted average assumptions used to determine net pension Discount rate Expected long-term return on plan assets Rate of compensation increase Rate of inflation Rate of pension increase	ı cost		4.10% 5.90% 4.30% 1.80% 1.80%	5.20% 6.20% 5.00% 2.75% 2.75%	5.30% 6.30% 4.70% 3.20% 3.20%
				Male	Female
Weighted average life expectancy for mortality tables used to obligations at 31 July 2013 Member age 60 (current life expectancy) Member age 40 (life expectancy at age 60)	determine ben	efit		26.5 29.0	28.1 29.7
				25.0	25.7
	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
	2000	2000	2000		

Benefit obligation at 31 July	(327,082)	(302.676)	(270.739)	(266,541)	(229,510)
Fair value of plan assets at 31 July	326,526	272,182	264,077	235,535	198,417
Deficit	(556)	(30,494)	(6,662)	(31,006)	(31,093)
Difference between expected and actual return on scheme assets Percentage of scheme assets	33,920 10%	(11,298) (4%)	10,606 4%	21,333 9%	(19,751) (10%)
Experience gains/(losses) on scheme liabilities Percentage of scheme liabilities	_ 0%	_ 0%	7,199 3%	(876) 0%	_ 0%
Total amount recognised in Statement of Total Recognised Gains and Losses Percentage of scheme liabilities	28,039 9%	(26,241) (9%)	24,416 9%	(548) 0%	(37,756) (16%)

Contributions The University expects to contribute £11m to the Scheme in 2013/14. This compares with £10.9m in 2012/13.

31 Capital commitments

	Consolidated a	nd University
	2012/13 £000	2011/12 £000
Provision has not been made for the following capital commitments		
Commitments contracted at 31 July	10,186	34,734

32 Financial commitments

Annual commitments under operating leases at 31 July

Buildings		
Expiring within one year	253	245
Expiring between one and five years inclusive	5,617	3,160
Expiring in more than five years	7,010	9,811
Equipment		
Expiring within one year	278	32
Expiring between one and five years inclusive	159	380
	13,317	13,628

33 Contingent liabilities

The University has guaranteed a bank loan of £1.8m (2011/12: £2.2m) from Barclays Bank, to Weetwood Hall Ltd.

34 Related party transactions

Due to the nature of the University's operations it is inevitable that transactions will take place with organisations, from the public and private sectors, in which a University member of staff may have an interest. Any such transactions are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

A number of senior staff and Council members exercised budgetary control during the year over research and teaching projects within the University as well as related expenditure within NHS Trusts, in their capacities as subsidiary undertaking directors, committee members and managers. Professor David Cottrell, the Dean of the School of Medicine and member of Council, was a non-executive director of Leeds Teaching Hospitals NHS Trust during the year; Nigel Foster, member of Council, is a remunerated director of Leeds Community Healthcare NHS Trust; Jane Madeley, the Finance Director, is a non-executive director and Chair of the Audit Committee for Leeds Community Healthcare NHS Trust; and Caroline Johnstone, member of Council, is a director and Chair of the Audit Committee of Leeds Teaching Hospitals NHS Trust. Mrs Linda Pollard, Pro-Chancellor and Chair of Council until 31 July 2013, was Chair of Airedale, Bradford and Leeds NHS PCT Cluster until 31 January 2013 and Chair of Leeds Teaching Hospitals NHS Trust from 1 February 2013.

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

	Paid by the University		Paid to the University	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Yorkshire Universities	21	39	128	100
N8 Ltd	4	40	-	653
Opera North	63	53	1	3
White Rose University Consortium	-	-	1	25
The Worldwide Universities Network	48	42	57	68
Myscience Ltd	12	3	-	-
Medical Research Council	223	219	2,400	3,500
Hot Courses	35	35	-	-
Russell Group of Universities	59	61	-	-

Matthew Knight, Director of Human Resources, is a member of Leeds City Council's Independent Remuneration Panel. In 2012/13, the University paid £1,093,000 (2011/12: £1,341,000) to the Council for services provided.

Martin Holmes, Marketing Director, is a director of Leeds, York and North Yorkshire Chamber of Commerce. During 2012/13 the University paid \pounds 37,000 (2011/12: \pounds 1,000) and received \pounds Nil (2011/12: \pounds 1,000) from it for services.

Tom Morton, member of Council during the year, was a director of Leeds, York and North Yorkshire Chamber of Commerce until October 2013.

Quentin Woodley, member of Council, is married to Carol Woodley, the Chair of the University of Leeds Pension and Assurance Scheme (PAS). In 2012/13 the Scheme paid £49,000 for her services (2011/12: £48,000).

Nigel Foster, member of Council, is the owner and director of Colbaran Ltd. In 2012/13 the University paid £6,000 (2011/12: £Nil) to it for services provided. During the year he received remuneration from Fore Consulting Ltd in his capacity of director and owner– in 2012/13 the University paid the company £5,000 (2011/12: £Nil) for services. He is the president and a director of Leeds, York and North Yorkshire Chamber of Commerce. He is a non-executive director of the Centre for Low Carbon Futures (CLCF). In 2012/13 the University paid CLCF £50,000 (2011/12: £50,000) and received £66,000 (2011/12: £232,000) from it for goods and services. He is also a director of The Ahead Partnership to which the University paid £112,000 in 2012/13 (2011/12: £235,000) for services provided.

Professor Jane Francis, member of Council, is a trustee of the Geological Society of London. In 2012/13 the University paid it \pounds 2,000 (2011/12: \pounds 7,000) for services received.

John Stoddart-Scott, member of Council, was remunerated £6,500 (2011/12: £6,500) for his services as a director of Weetwood Hall Ltd, a wholly owned subsidiary.

Robin Johnson, member of Council was a partner at Eversheds during the year. In 2012/13 the University paid \pounds 82,000 (2011/12: \pounds 62,000) to Eversheds for services provided.

David Gray, member of Council, was a partner at Eversheds until 30 April 2013 (see above). He is also a member of the board of DWF LLP. In 2012/13 the University received £1,000 (2011/12: £1,000) from DWF LLP for services rendered.

Geoff Potter, member of Council, is a board trustee of Opera North.

The husband of Mrs Kay Swithenbank, Technical Officer in Estate Services, is a director of Wood Mitchell Ltd. In 2012/13 the University paid £765,000 (2011/12: £49,000) to it for goods and services. Mrs Swithenbank's daughter and stepdaughter work for Southerns Office Interiors Ltd. In 2012/13, the University paid £854,000 (2011/12: £769,000) to it for goods and services.

The wife of Dr G D Reid, Senior Lecturer in the School of Chemistry works for Reckitt-Benkiser. In 2012/13 the University received \pounds 1,000 (2011/12: \pounds 3,000) from it for services provided.

Professor J Hayes, professor in Leeds University Business School, is Managing Partner of John Hayes and Associates. During 2012/13 the University paid £3,000 (2011/12: £11,000) to it for services provided.

Professor J Colyer, professor in the Faculty of Biological Sciences, is a director of Badrilla Ltd. During 2012/13 the University received \pounds 1,000 (2011/12: £4,000) from it for services provided.

Dr M J Raxworthy, Business Development Manager in The School of Mechanical Engineering, is a director of Neotherix Ltd. During 2012/13 the University paid £3,000 (2011/12: £Nil) to it and received £6,000 (2011/12: £Nil) from it for services.

Professor P A Millner, professor in the Faculty of Biological Sciences, is a director of Elisha Systems Ltd. During 2012/13 the University paid £20,000 (2011/12: £8,000) to it for services provided. He is also a remunerated scientific advisor for NetScientific Ltd. At 31 July 2013 there was £39,000 owing from NetScientific to the University.

Dr D M Ross, director for the Centre of Innovation in Health Management, is a director of Southwood Associates Ltd. During 2012/13 the University paid £42,000 (2011/12: £52,000) to it for services provided.

Mr O A Johnson, Senior Teaching Fellow in the School of Computing, and Dr S E Clamp, Senior Lecturer in the School of Medicine, are directors of X-Lab Ltd. During 2012/13 the University paid £162,000 (2011/12: £155,000) to it for services provided.

Professor S A E G Falle, professor in the School of Mathematics, is a director of Mantis Numerics Ltd. During 2012/13 the University paid £13,000 (2011/12: £43,000) to it for services provided.

Professor C F Taylor, professor in the Faculty of Performance, Visual Arts and Communications, is a director of CIDA Ltd. During 2012/13 the University paid £Nil (2011/12: £21,000) to it for services provided.

Dr K A Exley, tutor in the Staff and Departmental Development Unit, is a director of HE Assessment and Development Ltd. In 2012/13 the University paid £1,000 (2011/12: £Nil) to it for services provided.

Professor D K Raynor, professor in the School of Healthcare, is a director of LUTO Research Ltd. In 2012/13 the University received $\pounds 120,000$ (2011/12: $\pounds Nil$) from it for services provided.

Dr N J Horan, reader in the School of Civil Engineering, is the Chair of Aqua Enviro Ltd. In 2012/13 the University paid £1,000 (2011/12:£Nil) to it and received £8,000 (2011/12:£8,000) from it for services provided.

Professor M Wang, professor in the Faculty of Engineering, is a non-executive director of Industrial Tomography plc. In 2012/13 the University paid £3,000 (2011/12: £1,000) to it and received £14,000 (2011/12: £1,000) from it for services provided.

Two Members of Council are officers of Leeds University Union (LUU): Josh Smith, Education Officer and Antony Haddley, Union Affairs Officer served until 30 June 2013; Bradley Escorio, Union Affairs Officer, and Alice Smart, Education Officer, served from 1 July 2013. During 2012/13 the University paid £2,216,000 (2011/12: £2,247,000) grant to LUU and £981,000 (2011/12: £1,000,000) for services provided. The University received £464,000 (2011/12: £502,000) for premises recharges from LUU.

35 Connected charitable institution

Bright Beginnings Childcare Centre Leeds is a connected charitable institution of the University. Its charitable objects are the advancement of education through the provision of nursery education and childcare facilities for the staff and students of the University of Leeds.

	2012/13 £000	2011/12 £000
Bright Beginnings Childcare Centre Leeds:		
Member's funds at 1 August Income Expenditure	(62) 1,360 (1,324)	(122) 1,325 (1,265)
Members' funds at 31 July	(26)	(62)

36 Amounts disbursed as agent

Access to learning (hardship) funds		
At 1 August	-	-
HEFCE grant	352	408
Other funds provided by the University to supplement the Access Fund	44	24
Disbursed to students	(385)	(420)
Administration costs	(11)	(12)
At 31 July	-	-

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

The National College for Teaching and Leadership (NCTL) - formerly the Teaching Agency (TA)		
At 1 August	41	311
Funding in the year	2,456	1,057
Reclaim of previous year's balance	-	(209)
Disbursed to students	(2,332)	(1,118)
At 31 July	165	41

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

University Only Income and Expenditure Account for the year ended 31 July 2013

	2012/13 £000	2011/12 £000
Income		
Funding Council grants	128,642	148,466
Tuition fees and education contracts	191,883	166,570
Research grants and contracts	128,554	120,431
Other operating income	84,271	88,808
Endowment income and interest receivable	6,485	5,573
Total income	539,835	529,848
Expenditure		
Staff costs (excluding exceptionals)	300,348	287,961
Staff costs – exceptionals	(1,814)	(6,256)
Total staff costs	298,534	281,705
Other operating expenses	192,382	167,967
Depreciation	25,774	24,407
Interest payable and similar charges	1,797	2,144
Total expenditure	518,487	476,223
Surplus after depreciation and before exceptional items	21,348	53,625
Profit on disposal of tangible fixed assets	18,927	13,849
Surplus after depreciation and exceptional items	40,275	67,474
Transfer to accumulated income within restricted endowments	(22)	(256)
Surplus for the year transferred to reserves	40,253	67,218

2012/13 2011/12 2010/11 2009/10 2008/09 £000 £000 £000 £000 £000 **Income and Expenditure Account** Income Funding Council grants 128,642 148,466 160,821 157,644 157,733 Tuition fees and education contracts 192,033 166,700 156,513 147,792 126,858 119,319 Research grants and contracts 128,554 120,431 123,975 112,570 Other operating income 91,893 96,384 98,564 90,414 92,803 Endowment income and interest receivable 5,574 3,129 2,441 7,011 6,479 547,601 537,555 543,002 496,886 517,699 Expenditure Staff costs 301,773 284,950 292,538 303,691 298,626 Other operating expenses 196,207 171,718 189,077 181,751 168,769 Depreciation 26,365 24,992 21,149 18,268 16,848 Interest payable and similar charges 1,811 2,166 2,291 1,287 1,487 526,156 483,826 505,055 504,997 485,730 Surplus after depreciation and before tax 21,445 53,729 37,947 12,702 11,156 **Balance Sheet** Assets 451,673 423,487 380,537 Fixed assets 478,807 451,999 49,284 42,329 Endowment asset investments 62,337 53,599 52,167 251,329 230,264 183,426 165,742 140,865 Current assets Liabilities (140, 640)(139, 976)(148,087)(130, 612)Current liabilities (152, 415)Long-term liabilities and provisions (52, 737)(60,124) (79,417) (74,678) (34,162) **Pension deficit** (556) (30.494) (6,662) (31,006) (31,093) 504,604 461,211 384.742 367,864 586,765 Net assets Number Number Number Number Number 6,454 6,333 6,175 6,510 6,599 Average number of staff (fte) Number of students (fte) 30,911 33,167 32,838 32,526 30,916

Key performance indicators (KPIs)

World league table position (rolling three year average)	95	91	92	96	94
Research grant income per academic FTE (£000)	89	86	89	82	78
HSE reportable accidents per 1,000 employees	0.8	2.5	2.5	3.1	3.6
Research grant income growth	7%	(3%)	4%	6%	11%
Income per square metre (£)	1,207	1,167	1,201	1,176	1,098



University of Leeds Leeds, United Kingdom LS2 9JT Tel. 0113 243 1751 www.leeds.ac.uk