

Financial Statements

for the year ended 31 July 2012



UNIVERSITY OF
LINCOLN

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Key highlights

for the year ended 31 July 2012

This year represents another year of significant progress for the University of Lincoln. A strong financial result combined with many exciting developments leaves us in good shape to face the challenges of the new environment and to continue to build on our recent success.

Financial highlights	2012 £000	2011 £000
Total income	96,498	91,255
Surplus for the year	3,092	1,459
Net cash flow from operating activities	11,649	4,987
Cash and short term deposits	20,994	12,464
Capital expenditure	29,486	12,315

Strategic plan The University's new Strategic Plan was launched in November 2011 setting out the overall direction for the development of the University over the next five years, with the aim of becoming a leading provider of higher education nationally and increasing our global reputation.

College restructure In September 2011 the new College structure was introduced. Embracing all Faculties and Schools, the three Colleges (Arts, Social Science and Science) are continually improving inter-disciplinary working on research and teaching, whilst also encouraging improved communication and decision-making within the senior management structure.

League tables The University has been ranked amongst the UK's Top 50 Universities for the first time in its history with the publication of the Guardian's 2013 University Guide. The University improved by ten places on last year's position, moving up to 47th. The University of Lincoln has continued to rise up The Times league table, achieving the most progress of any institution over the last two years. It is now ranked 52nd out of 117 universities in the UK, placing it well in the top half of all institutions.

NSS scores Scores have improved in all sections from 2011 and our scores are now higher than the sector average for five of the seven sections. The average of all questions is also higher than both 2011 and the sector average.

Research The University continues to invest in strengthening its research base. The Wellcome Trust has recently awarded a £1.6 million Translation Award to a research team led by the University to develop more effective radiotherapy treatment for thousands of cancer sufferers.

Staff survey The results of our 2011 staff survey showed many areas of improvement from the 2009 survey, and we are now equal to, or ahead of, the sector benchmark in 9 out of 11 areas. Particular strengths included job satisfaction, learning and development, work-life balance, equality and diversity and quality of service.

Science and Innovation Park The University of Lincoln and Lincolnshire Co-operative have recently announced a collaboration to transform a disused 10-acre site in the heart of the city into a world-class science and innovation park. Lincoln is to become home to some of the finest scientific minds and most innovative high-tech businesses in the UK.

University Technical College In May 2012 the Government named Lincoln UTC as one of the 15 UTCs to open across the country over the next two years. The project, aimed at inspiring a new generation of engineering and scientific talent in the region, is supported by the University of Lincoln, working with lead partners Siemens and Lincoln College, plus a range of local companies.

Riseholme College On 1 August 2012 the University successfully completed the transfer of its FE provision at Riseholme to Bishop Burton College, thus securing Riseholme's future and ensuring that the FE provision is delivered in a way that guarantees its ongoing success in Lincolnshire.

Student residence repurchase In February 2012 the University completed the repurchase of The Lincoln Courts - the student residence complex based on the Brayford Campus. A multi-million pound refurbishment programme is now underway to further enhance the experience of this stunning waterfront student village.

Engineering Hub The new Engineering Hub, the first purpose-built School of Engineering in the UK for more than 20 years, welcomed its first students in September 2011. The building, officially opened by the Princess Royal in January 2012, is the result of a long standing collaborative effort between the University of Lincoln and Siemens Industrial Turbomachinery Limited.

Art building Work has commenced on the new Art Building on the Brayford campus. This prestigious development, opening to students from September 2013, will consolidate the College of Art into a new purpose built facility in the heart of the campus.

Operating and financial review

for the year ended 31 July 2012

The Operating and Financial Review describes the main trends, factors and issues underlying the University of Lincoln's performance during the year ended 31 July 2012, its current financial position at the year end and factors likely to affect us in the future. It has been prepared in line with guidance provided by the Reporting Statement on the Operating and Financial Review issued by the UK Accounting Standards Board and the Statement of Recommended Practice on Accounting for Higher Education Institutions (2007).

Section 1 - Objectives and Strategies of the University

Our vision

By 2016 we will be recognised internationally as having a distinctive reputation for a strong ethos of partnership with employers and students and providing a research-engaged academic experience which has at its heart a personal student experience.

The University will continue to develop, maintaining its progress to be amongst the top 20% of UK institutions in terms of student satisfaction. We will have significant relationships locally, nationally and internationally with employers, industries and other Universities. Our knowledge and research will include a strong focus on the big questions of our time, and our outputs will aim to have positive impacts on the needs of society. Lincoln graduates will take their learning and their leadership skills and make positive contributions to the economies and societies within which they develop their careers.

Our mission

"A University looking to the future, where we serve and develop our local, national and international communities by creating purposeful knowledge and research, confident and creative graduates and a dynamic and engaged workforce."

Our strategic objectives

Our strategic objectives are:

- to continuously improve our learning environment based on a personal engagement with all students, with high quality research-engaged teaching and learning, where students create and develop new knowledge in collaboration with their lecturers;
- to promote an internationalised culture of enterprise and innovation across our communities - locally, regionally and internationally, working closely with employers;
- to develop and promote purposeful knowledge and research and develop innovative practices working to support the changing environment;
- to help students develop into highly engaged, employable and creative-thinking graduates who contribute to the development of the society and economy; and
- to create a financial environment to allow us to invest in our future.

Our measures of success

Our measures of success will be:

- increasing and diversifying our income streams;
- increasing our postgraduate and international student numbers;
- increasing the proportion of research active staff and associated research funding streams;
- continuing to achieve high levels of student satisfaction in the National Student Survey;
- increasing levels of graduate employability and improving starting salaries;
- increasing the number of internships and graduate placements; and
- increasing our flexible and work based portfolio.

Where we are now

The Higher Education landscape continues to change significantly and the current environment is challenging for all institutions. Lincoln is well placed to respond to this new environment. The University has become more focused on its measures of success and has clear targets for reaching its objectives. The University launched its new strategic plan in November 2011, against the background of the significant changes taking place in the sector. The new plan retains and builds on key elements of the strategic objectives from the previous plan, and will continue to take advantage of some of Lincoln's key strengths.

The University has continued to make good progress over the last year towards achieving its vision. It has now reached a ranking of 52nd out of 117 institutions in the Times Good University Guide. Over the last four years Lincoln has risen 51 places in the rankings.

In respect of the National Student Satisfaction survey the University's scores have improved in all sections from 2011. The University's score is higher than the sector average for five of the seven sections. The average of all questions is also higher than both 2011 and the sector average. At subject level 20 of the 29 subjects have improved their scores from 2011.

Investment in facilities and infrastructure has continued over the last year. The new £7m Engineering Hub opened as planned in September 2011, and work has commenced on the new Art and Design Building, which is due to be completed in 2013. The completion of this building will mark a significant step in the consolidation of the University's activities into the Brayford Campus.

There have been many exciting developments in the year across all areas of the University. This will continue in to 2012/13 with developments such as the growth of the Science and Innovation Park and the University Technical College. The first year of the new 'funding regime' will however present a massive challenge to all institutions. Lower student number controls and uncertain demand patterns will impact income and expenditure accounts across the sector.

Operating and financial review

for the year ended 31 July 2012

Section 2 - Our Operating Environment

Competition

Lincoln's key competitors continue to be large institutions, mainly located in major UK cities. The University has a distinctive advantage when compared with these competitors, in that it is located in a safe, pleasant, compact city with a high quality of living.

The University's 'competitor' set has already begun to change as the University continues to rise up the league tables as average entry points continue to increase, research output and record is enhanced and student satisfaction scores increase. Such developments will bring competition from institutions that are research-active in many of their areas of distinctiveness and that attract some of the brightest students in Higher Education.

Policy and Government

The Higher Education landscape in which the University operates has significantly changed. Higher Education faces cuts of 80% of teaching funding. As funding for home/EU Undergraduate students is transferring from institutions to a system of loans for students. These significant changes to the sector, along with an environment where full-time time undergraduate student numbers are capped, create a number of challenges and opportunities for institutions.

The key focuses of the University will be:

- Diversifying Income Streams
- Development of STEM (Science, Technology, Engineering, Mathematics) provision
- Student Number Limits

Changes and reductions to the way in which institutions are funded mean that one of the University's key focuses is on diversifying its income streams. The University continues to scenario plan to ensure that it is able to deliver sustainable and viable plans going forward.

Future growth in student numbers will be limited, and funding only provided in relation to STEM subject areas or highly qualified students. The University of Lincoln has developed its strategy around growth in these subjects.

Demand for higher education

The lifting of the fees cap to £9,000 with the intention of creating a more competitive market, alongside the significant cuts to HE sector funding, has created a situation of considerable uncertainty within the sector. The Government has also made it easier for the private sector to enter the higher education market, thus extending the range of potential competitors. The University needs to position itself to take advantage of any changes through ensuring that its curriculum is balanced and distinctive. Distinctiveness will be developed at Lincoln through the 'Student as Producer', project which aims to make research engaged teaching and learning the organising educational principle for this institution.

In order to ensure that the University's portfolio of academic programmes is fit for purpose and fit for market, a number of portfolio reviews have been undertaken. Foremost among these is the review of STEM subjects, which is focused on how provision can be developed and enhanced in these areas to meet developing demand.

It is also likely that patterns of demand for higher education will continue to change, with greater emphasis on flexibility in provision, its relevance for students and employers, and continuous improvements in the quality of courses and the wider education experience. International demand for higher education is also likely to increase as rapidly developing economies such as India and China are unlikely to be able to satisfy national demand in the short to medium term through domestic provision.

In addition to this, higher education will continue to become increasingly internationalised, with growing levels of staff, student and graduate mobility as well as more globally-aware curricula and pedagogy.

In order to position the University in a period of great uncertainty our aim is to focus on creating high levels of student satisfaction in all facets of student engagement with the University, from the point of first contact to graduation and beyond. This requires a 'whole of institution' response involving academic and professional support staff, as well as the Student Union.

The enhancement of teaching and learning will be a key component of this strategy through the progressive implementation of the research engaged teaching agenda. It is also the aim of the University to increase postgraduate numbers and to enhance the postgraduate experience through strong faculty support and a welcoming and supportive Graduate School that is designed to meet students' needs. We will also be seeking to increase international student numbers, while at the same time ensuring them the support that they require to prosper both academically and socially.

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Section 3 - Review of The Year

This section sets out the main trends, factors and issues underlying the University of Lincoln's performance during the year ended 31 July 2012, its current financial position at the year end and factors likely to affect us in the future.

Financial Management and Sustainability

The University has made substantial progress in diversifying income, re-structuring costs and creating an operating model to establish financial stability and sustainability. There are challenging times ahead, and whilst the University is well placed to maintain financial stability and will continue to invest in strategic priorities, it is essential that investments are based on the initiatives that deliver the most tangible and beneficial outcomes.

The impact of the new 'funding regime' will have a significant effect on the finances of every university. The reliance on HEFCE controlled income at the University of Lincoln means that to ensure our financial sustainability, we will need to continue to grow and diversify our other income streams, and plan and control the cost base.

We need to do this whilst growing our reputation, continuing to build on our successes and ensuring that we continue to invest in our strategic objectives.

This year's results represent another year of significant progress. Continuing income growth and effective cost control initiatives have delivered a record year of operating surpluses. The 2011/12 result and the increased year end cash balances leave us well positioned to embrace the challenges of the new 'funding regime' and ensure the financial stability and sustainability of the University. We feel that we have the strength and resources to fund further planned developments and strategic investments in order to deliver an even better experience to our current and future students.

The financial performance for the year and financial position at the year end are considered in further detail in Section 4 of this Operating and Financial Review.

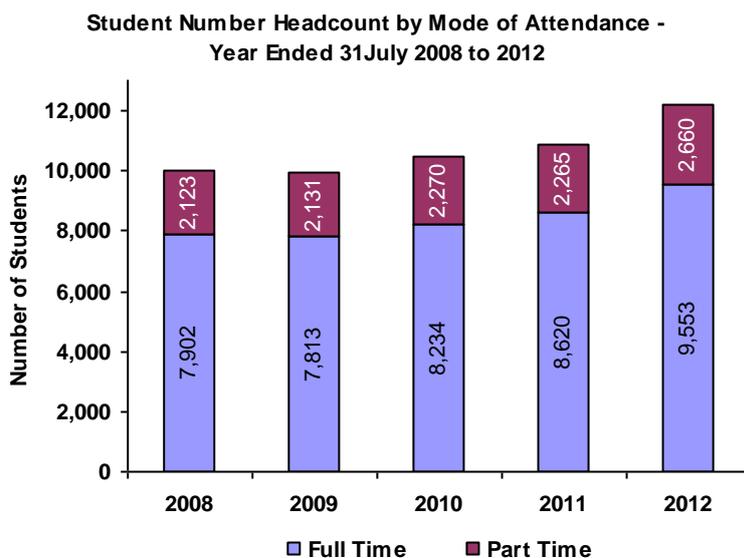
Academic Review

Students

The University continues to identify student numbers as one of the key risks it faces – and therefore great efforts continue to be made to meet recruitment targets and improve retention rates, in an increasingly competitive market place with an impending demographic downturn of 18-20 year olds.

Nonetheless, the University is achieving its aim of driving up the entry points for admission as it seeks to increase the quality of the institution with the average entry score for 2011/12 being 322 tariff points.

The profile of the student population is set out in the graphs below.



Total headcount for the year ended 31 July 2012 has increased to 12,213 (2011: 10,885).

The proportion of part-time students has increased to 21.8% in 2012 from 20.8% in 2011.

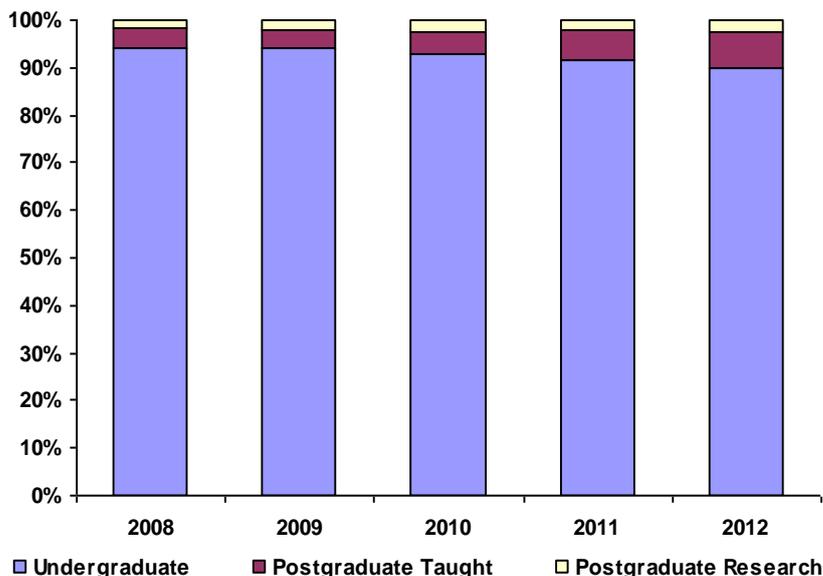
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Student FTE by Level - Year Ended 31 July 2008 to 2012

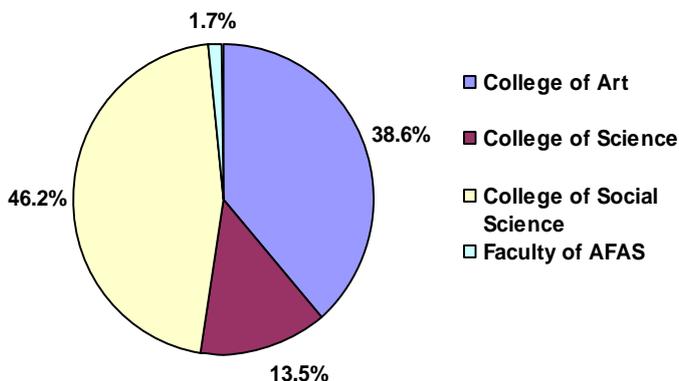
The University continues to grow postgraduate numbers.

For the year ended 31 July 2012 postgraduate students represented 10.0% of the population (2011: 8.6%).

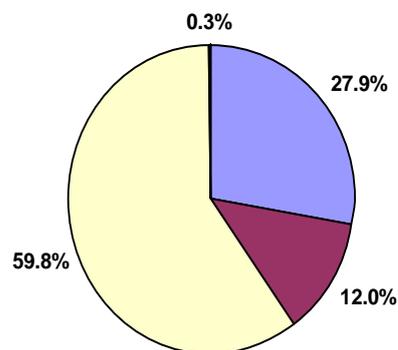


The profile of undergraduate and postgraduate student FTE by college, for the year ended 31 July 2012, is set out below.

Undergraduate FTE by College



Postgraduate FTE by College



Academic portfolio

The University reviews its academic portfolio on an annual basis to ensure that it is fit for purpose and fit for market. The review is undertaken by the Portfolio, Recruitment and Educational Partnerships (PREP) Committee, which is a committee of the University's Executive Board.

The data used to inform academic portfolio planning decisions is provided by the University's Planning and Business Intelligence Unit, Colleges and the Marketing and Communications Department. While initiatives for developing the academic portfolio are also discussed in the Annual Conversation process, consideration of such initiatives by the PREP Committee ensures that the resource implications of any academic developments are fully considered.

Teaching and learning strategy

The University's Teaching and Learning Strategy 2007-2012 has been superseded by the Teaching and Learning Plan 2011-2016. The Plan aligns with and is designed to implement the University's Strategic Plan 2011-2016. The Key Performance Indicators contained in the University's Strategic Plan are also utilised in the Teaching and Learning Plan. These are also supplemented by a number of second tier Key Performance Indicators that are specific to the Teaching and Learning Plan.

The foundation of the Teaching and Learning Plan is the University's Research Engaged Teaching Project (known as 'Student as Producer') which has been adopted as the central organising principle and main vehicle for the delivery of student education at all levels within the University. It involves the introduction and development of the core of the undergraduate and taught postgraduate curriculum to accommodate more research and research-like

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activity. In this way students become part of the academic project of the University and collaborators with academics in the production and dissemination of knowledge and meaning.

The Student as Producer project is being funded by the Higher Education Academy, and the University of Lincoln is leading a number of UK and international universities in developing research engaged Student education as an innovative pedagogical mode.

Quality and standards

During the academic year 2011/12 the University has built further on its quality assurance systems to further embed student engagement and Student as Producer, with the management of quality as part of a high quality student experience, with students now taking seats on Periodic Academic Review panels.

The University is to undergo a formal cyclical review by the Quality Assurance Agency (QAA) in the Autumn of 2012, under the Institutional Review of Higher Education Institutions in England and Northern Ireland (IRENI) process. Preparations, including the production of the required Self Evaluation Document and the collation of the associated evidence base, are advanced. The outcomes of the IRENI review will be published by the QAA in 2013.

The QAA have visited a number of the University's partner colleges during 2011/12 as part of the IQER (Integrated Quality Enhancement Review) process. The University's partner college Developmental Engagements have all had successful outcomes, and all Summative Reviews of partner colleges resulted in judgements of "Confidence" for both academic standards and quality of learning opportunities.

The consistently positive outcomes from IQER, together with the University's robust quality assurance procedures, has enabled the University to approve the delivery of University of Lincoln bachelor's degrees, on a validated basis, in a small number of strategic partner colleges, supporting the Government's widening participation agenda. Approval has also been given for University of Lincoln programmes to be delivered at the Hong Kong Design Institute.

The University has continued to strengthen its standing in the professions, having received formal accreditation from the Institute for Mechanical Engineers in December 2011 and a positive recommendation for accreditation following the British Computer Society visit in April 2012.

Careers and employability

Preparing our students to get the very best value from their degree and time at Lincoln is core to their experience. From the first Fresher's Fayre, through their studies and after they graduate, they are able to access an increasing range of support to secure their career choices.

The recent economic climate has provided challenging employment conditions for all new graduates. In spite of this, and reflecting the high priority Lincoln places on supporting our graduates after they have finished their studies, we have maintained our position for our leavers and remain ahead of the sector. The Destination of Leavers from Higher Education (DLHE) survey results show 92% of our 2010/11 students were in employment within six months of completing their course and 67% had secured graduate-level positions. Lincoln is now above the sector average for both these measures. We have continued to invest in this critical area to increase the level of support and opportunities for our students and graduates.

During 2011/12 we built on and enhanced existing activity, including:

- Growing, in partnership with the Students' Union, the Student Job Shop. This continues to provide opportunities for part-time employment as well as work placements to students during their studies. We secured more than 12,000 paid, part-time, employment opportunities for our students. The Job Shop website has received over 200,000 hits during this third year of operation;
- Working with employers to organise activities throughout the year, including: Find Your Feet (Careers Fair), employer presentations, workshops and mentoring schemes in addition to sourcing and promoting over 2,000 graduate positions;
- Providing tailored employability support directly to over 3,000 of our students, with our Enterprise@Lincoln building providing an important physical focus for activities;
- Directly funding our own graduate internship scheme which has helped to provide over 90 paid internship positions for our students and graduates;
- Developing long-term relationships with major employers (e.g. Siemens, BBC, Coca Cola and Matalan);
- Growing the 'Lincoln Award', an achievement award designed to enhance employability by providing recognition of extra-curricular activities, with over 500 students now enrolled; and
- Providing dedicated support to our students interested in starting their own business or becoming self-employed. We have continued to operate a bursary scheme to support students exploring this route and supported the creation of over 20 new graduate businesses.

Research, Enterprise and Income Diversification

Our external income from research, educational contracts and consultancy activity experienced continued growth. During a difficult economic period, our contribution levels held up, suggesting that our continuing efforts to improve our pricing strategy are having an impact.

Research

Meaningful research is critical to our mission and central to what we do. Growth in research capacity and performance, evidenced by a successful entry in the Research Excellence Framework (REF), will position Lincoln well to fulfil its mission to support transformational change in society.

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The 2011/12 Academic year saw many changes in the research funding environment. Funders revised their delivery plans, introduced bid management measures and reduced their budgets. During the year we have worked to respond and position ourselves effectively in light of these changes and introduced a number of initiatives, including:

- peer review of bids to improve quality and success rates;
- grant development/funding specific workshops;
- academic standards for Research; and
- a focus on the diversification of funding sources (e.g. European/International in addition to traditional sources).

Despite a challenging funding environment, the University has maintained its levels of external research income year on year.

As creators, generators, communicators and transferers of new and purposeful knowledge, we will ensure that our discoveries and insights not only have practical application, but can change the way that people see the world. A particular emphasis on new forms of research, that are relevant to and focused on the key questions of the day, will continue to enhance our reputation for rigour, robustness and independence.

We have replaced our existing external project approval process with a bespoke Award Management System. This has created an effective 'cradle-to-grave' system, designed by academics for academics, greatly enhancing and simplifying the level of support available through the whole project lifecycle.

Lincoln continues to be a leader in the sector for the provision of Knowledge Transfer Partnerships (KTPs). These projects provide a significant form of income and an established mechanism for developing strong research relationships with business, public and third sectors. Responding to the national funding restrictions we have developed our own 'Lincoln KTP' model in partnership with DeMontfort University and Leicester University, having already secured our first customers.

To support this activity the University also received £1.8m in Quality-Related funding (QR) funding in 2011/12, and has continued to invest in strengthening its research base in readiness for the upcoming REF and to build on the firm foundations that have already been established. The investments made have been monitored centrally through the Research Innovation and Enterprise Committee to ensure that they are delivering the intended return.

Enterprise

During 2011/12 we continued to drive the establishment of an enterprise culture amongst all of our staff, through a revised incentivisation policy, alternative academic career progression routes (including the creation of the University's first ever Principal Lecturer Enterprise), the roll-out of a framework to support the development of enterprising staff and clearer statements of our expectations.

The level of our employer engagement continues to grow with our college-based Business Development Managers working with our central team to generate over 500 new contacts with SMEs and large organisations.

Our strategy is to develop multi-layered relationships with key strategic employers that can offer a range of opportunities for engagement across the institution. Our growing relationships with Siemens Industrial Turbomachinery and the Longhurst Group are examples of this.

The University continues to employ a dedicated Intellectual Property & Academic Enterprise Manager. This position provides direct, additional, support to maximise advantage to be gained from our strengthening research output. We have concluded two further technology licensing deals and have a growing pipeline of future potential. We continue to play an active part in the regional proof of concept fund and are exploring the potential to bring greater investment capital into Lincolnshire.

Engagement with Business and Contribution to the Local Community

Engagement with strategic business partners

In 2011/12 we continued to build upon our engagement with strategic business partners, looking to develop wider and deeper relationships of the type we have with Siemens Industrial Turbomachinery Ltd. The success of this partnership has already attracted significant attention, including a prestigious Lord Stafford Award and being highlighted in the recent, government-commissioned, Wilson Review as an important example of the way in which industry and academia can collaborate.

In addition to Engineering, we continue to make significant strides in our engagement with industry and business through work-based learning opportunities with the Lincolnshire Co-operative, the MoD and others. Our established model of responding to industry demand remains central to our work going forward.

We have also worked extensively on the student demand side, creating key progression pathways to build our employer links upon, including the establishment of the Lincoln UTC (with Siemens, British Sugar, Lindums and Micrometric) and the University Academy at Holbeach. We seek to develop this work further as a particular mission for the institution, in research, in student learning and in continuing professional development. Our blend of engagement, producing the industry-ready graduates and high-impact applied research they need and want, is truly innovative.

During the year we have established a Joint Venture with the Lincolnshire Co-operative Society (levering initially up to £14m investment) to create a hub of science and technology adjacent to the Brayford Campus. This enterprising

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partnership will stimulate the development of a full Innovation Park. Complementing this we have taken on the management of the Think Tank Innovation Centre, a 33,000 sq ft facility next to the Joint Venture site.

The University will act as the investment magnet for high-value industrial co-location. We and the City of Lincoln Council see the development as the heart of a new high-skills employment zone to stimulate the economy of the city and wider region.

Community engagement

The University has been integrally involved in its local community and economy since its establishment in Lincoln in 1996. Our publication 'Community Engagement – Impact of the University of Lincoln', circulated to all our stakeholders, demonstrates the clear benefits to the local economy and our intention to foster further debate about how this can be enhanced in future years.

With an estimated annual impact on the local economy of circa £200m, and attributed with the creation of more than 3,000 new jobs within the city itself, the direct influence from the University on our local economy is clear.

Enterprise@Lincoln

The Enterprise@Lincoln centre continues to grow successfully, having now supported over 200 new businesses to establish and develop. The centre builds on the success of our nationally award winning incubation centre, Sparkhouse, by providing a physical focus for enterprise activity across the institution, a gateway for employers into the University and a resource for use by all. The space for rent to commercial clients is already 100% occupied and the shared facilities heavily utilised by staff, students, graduates and growing businesses.

Greater Lincolnshire LEP

We remain active participants and supporters in developing the Greater Lincolnshire Local Enterprise Partnership (LEP), providing a local business led forum to drive economic development within the region. The Vice-Chancellor is a member of the LEP Board, with additional support and input provided by a wide range of staff.

CPD in Lincolnshire

Complementing Lincolnshire's Leadership & Management Centre, we have established the Professional Development Centre in the College of Social Science, recognising the opportunity to provide the health sector in Lincolnshire with a higher quality of local Continued Professional Development (CPD) provision. These centres provide the facilities, expertise and focus required to significantly grow our CPD offer to strategic employers, enhancing productivity and performance.

Knowledge exchange

We have secured funding for our own flexible knowledge exchange scheme, building on traditional mechanisms, for example Knowledge Transfer Partnerships, to develop greater opportunities to work with business and partners.

Lincoln Academy

This year has marked the 10th season of the Lincoln Academy, our umbrella series of high-quality events open to the public. The Engine Shed continues to operate as the largest live music venue in the sub-region, and The Lincoln Performing Arts Centre (LPAC) hosted a wide variety of performing arts including drama, comedy, ballet, contemporary dance and classical music. Over 150,000 members of the public attended one of these cultural performances through the Lincoln Academy, LPAC or the Engine Shed.

Community volunteers team

In partnership with the Students' Union, there are over 600 staff and students registered for voluntary work in the local community. The Community Volunteers Team has established links with more than 200 community partners and local branches of national charities, offering a brokering service to help fill local volunteering opportunities. Siren, our community radio channel (the first in Lincoln), continues to operate a 24/7 service bringing together community and student volunteers.

Sports

Our sports facilities and expertise are being used to create benefits for local communities. As well as winning Olympic training camp status and hosting the Egyptian team in advance of the Paralympic Games, the University was also awarded an Olympic "Inspire" mark award for local participation in sports inspired by the Olympics. The overall philosophy of the University sports centre is to create wellness amongst students, staff and community participants. A good example of this aimed at students are the 70 bicycles available for hire provided in partnership with the charity Sustrans.

Community Operational Research Unit

The Community Operational Research Unit continues to lead a major project designed to improve research involving community empowerment and active citizenship. The partnership's research focus is on working with third sector groups from and within community-based activities. This is producing action research projects to help the civil society in the lifelong learning processes of engagement with decision making processes and empowering them to make an influence within governance structures.

Staff

Strategy

2012 has seen the introduction of the 'People Strategy' which aims at further enhancing the experience of our staff and students whilst also supporting people to cope in an ever changing environment. There are five key areas of focus which are Developing Excellence; Service Delivery; Engagement; Agility and Innovation. This plan will be delivered between 2012 and 2016 in line with the University's overall strategic plan.

Progress

Our review of progress in delivering the HR related strategic objectives demonstrates that in 2011-12 we completed a number of key projects including:

- developing and piloting a CPPD (Continuous Personal and Professional Development) Framework to support the development of all staff;

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- procuring and implementing an E-Recruitment system to improve the experience for applicants and also to streamline the recruitment process;
- moving expenses onto a new on line system which has reduced paper and improved the connection with other systems and processes;
- procuring, in partnership with Lincoln College, an 'employee assistance programme' which staff can access independently; and
- supporting the transition to academic colleges including the appointment of Heads of Colleges and the creation of a School of Life Sciences.

In addition to these projects the HR team was centrally involved in transferring the Riseholme FE provision to another provider. This involved a TUPE of approximately 100 staff and completed on 1 August 2012.

Employee experience

The third staff survey was conducted during this year with an overall response rate of 65% which is an improvement of 4% since the survey was last conducted in 2009. Results have been disseminated across the organisation and a University level action plan has been created which focuses on key areas of improvement including development, coping with change and improving efficiency.

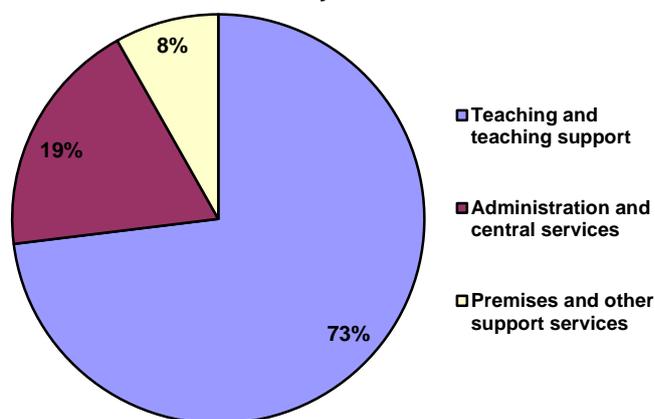
The University received external recognition from the HR profession for its developments in engaging the workforce and also for the continued focus on rewarding and recognising staff.

Staffing profile

The graph opposite sets out our current average staffing profile by employee group during the year ended 31 July 2012.

Average total staff numbers have remained relatively static year on year with 1,201 FTEs during year ended 31 July 2012 (2011: 1,149 FTEs).

Staffing Profile by Employee Group - year ended 31 July 2012



Physical Infrastructure and Capital Expenditure

Estates strategy

The current Estates Strategy was adopted by the Board of Governors in February 2010. The strategy sets out the University's investment priorities over the 2009-14 period. The strategy also sets key targets in terms of carbon reduction and space efficiency improvements and links with institutional ICT investment planning.

Progress

Progress against the Estates Strategy during the 2011/12 financial year includes:

- Completion of the Brayford Pool campus masterplan, which defines scale, massing and use mixes for the remaining building plots on the campus. Submission of a 10 year outline planning application.
- Acquisition of the management contract for the Think Tank, enabling a fourfold expansion of the Nursing student intake and the disposal of the temporary building Harrison House, releasing the plot for the construction of the new AAD building.
- Procurement and deployment of the Planon facility management software suite, which will improve the efficiency and effectiveness of the key estate management processes. Phase 1 (space management) was successfully completed in March 2012. Phase 2 (asset and maintenance management) is underway and expected to complete during 2012/13.
- Improvements to central pool teaching spaces to support enhanced teaching and learning, most notably the expansion and reconfiguration of teaching spaces in the Main Admin Building to better support Student as Producer.
- Development of a new approach to National Student Survey analysis and action planning, which has translated to a number of improvements across the campus, including reduced crowding in some teaching spaces and the publication of opening hours at entrances to principal buildings.

Operating and financial review

for the year ended 31 July 2012

- A comprehensive energy and building management audit to identify and prioritise energy efficiency improvement opportunities.
- Establishment of a Learning Spaces Group which brings together academic and support staff with undergraduate and postgraduate students to plan, implement and evaluate improvements to the learning and teaching environment. The LSG is currently implementing two learning space improvement projects for September 2012 and planning a further eight projects for SMT consideration in October 2012.
- Reacquisition of the management of the Student Village (Courts 1 – 17) and subsequent major investment in improving the condition of the on-campus accommodation.
- Numerous changes of use and staff moves to optimise the estate for the University's current objectives and structure, most notably the introduction of the College structure and the creation and subsequent growth of the School of Life Sciences.

Environment and Sustainability

Policies

The University has an updated environmental policy, which forms part of the Environmental Management System (EMS). The EMS includes an environmental aspects review and a register of relevant environmental legislation. The medium term aim is to achieve accreditation to the BS8555 standard on Environmental Management Systems.

Energy and carbon emissions

A new Carbon Management Plan was approved for the University. The document sets out how the organisation will aim to achieve the HEFCE carbon emission reduction targets of 43% by 2020 (against 2005/06 emissions levels).

Carbon dioxide emissions at the University have fallen from 9,781 tonnes in 2005/06 to 8,459 tonnes in 2010/11. This equates to a 14% reduction in emissions, therefore the University is on track to meet the 2020 HEFCE target.

In December 2011 the University received £330k from HEFCE and Salix Finance as part of the Revolving Green Fund 2. This funding is being spent on four energy saving projects including automatic radiator valves in the student accommodation, improved metering and automatic lighting.

The University was required to participate in the new Carbon Reduction Commitment (CRC). The estimated annual cost to the University of the CRC is £110k.

Benchmarking

In the People & Planet Green League the University of Lincoln was ranked in 47th place for the second year in succession. In 2008 the organisation finished 102nd in the League.

Sustainable transport

A new travel plan for the University was produced in March 2012. This builds upon the previous travel survey and sets targets for increasing sustainable travel to the University.

To meet planning regulations a transport assessment for the Brayford Campus has been produced. The report will be used as a baseline for future planning applications at the Brayford site.

Sustainable buildings

The new Engineering Building has been assessed against the BREEAM environmental standard. The building was rated as "excellent" by the BREEAM consultant and this has now been confirmed by the Building Research Establishment.

Future Developments

The University, like most higher education institutions, is reviewing how it operates its business in response to the challenges faced with the new funding regime. The Government's reductions in student number caps will force changes in the University's size and portfolio. The University will manage these changes to enhance its mission and performance.

The University has five year forecast plans that ensure sufficient surpluses are generated for investment in developing strategies and the physical and technological infrastructure.

Whilst 2012/13 will be a very challenging year, and a year of consolidation, the University has already announced a number of new exciting developments. These include the Science and Innovation Park, the University Technical College and the completion of the new Art building.

Early statistics on 2012/13 student recruitment indicate that the University is largely in line with the overall sector reduction in home/EU undergraduate levels. This reduction has however been mitigated, to an extent, by an increase in returning students and continued growth in our international student population.

In order to maintain our financial sustainability, we will need to continue to grow and diversify our income streams, and plan and control the cost base. We need to do this whilst growing our reputation, continuing to build on our successes and ensuring that we continue to invest in our strategic objectives. We recognise, in the current economic climate, the need to develop innovative partnerships and find creative funding solutions and will continue to seek out such opportunities.

Operating and financial review

for the year ended 31 July 2012

Section 4 - Financial Performance

This year's results represent another year of significant progress. Continuing income growth and operating surpluses, along with a strong balance sheet, indicate the financial stability and sustainability of the University. We have the strength and resources to fund further planned developments and strategic investments in order to deliver an even better experience to our current and future students.

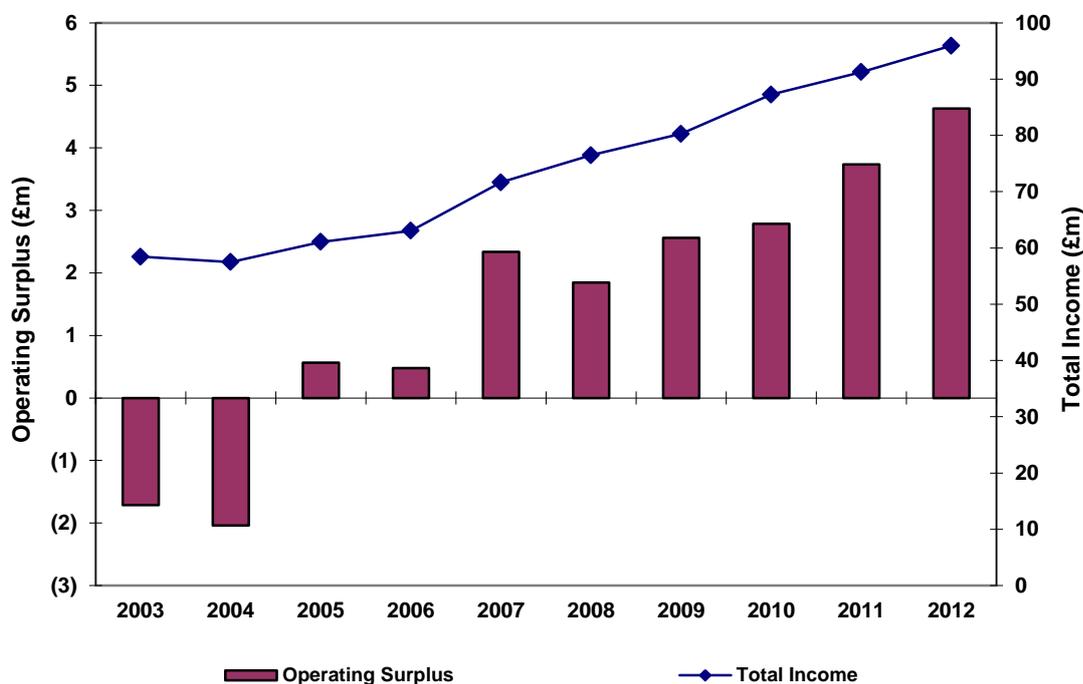
Income and Expenditure Account

Historical trend

Income and Expenditure Account – Year Ended 31 July 2003 to 31 July 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	£000	£000	£'000	£000	£000	£000	£000	£000	£000	£000
Income	58,436	57,483	61,059	63,047	71,652	76,462	80,275	87,239	91,255	95,915
Operating costs	(54,838)	(54,281)	(54,923)	(58,176)	(65,028)	(69,612)	(72,457)	(78,814)	(82,252)	(85,338)
EBITDA	3,598	3,202	6,136	4,871	6,624	6,850	7,818	8,425	9,003	10,577
Depreciation	(3,771)	(3,640)	(3,312)	(2,807)	(3,259)	(3,948)	(3,739)	(3,688)	(3,892)	(4,253)
Interest and financing	(1,539)	(1,600)	(2,261)	(1,584)	(1,031)	(1,057)	(1,517)	(1,949)	(1,378)	(1,694)
Operating Result	(1,712)	(2,038)	563	480	2,334	1,845	2,562	2,788	3,733	4,630
Staff restructuring	(925)	(146)	(536)	(2,341)	(665)	(421)	(714)	(817)	(1,693)	(1,321)
Profit on disposal	3,134	846	105	13,461	935	396	-	15	-	583
Other 'exceptional'	-	-	(580)	(870)	-	-	-	(1,355)	(581)	(800)
Taxation	1	1	(3)	5	(6)	-	-	-	-	-
Net surplus/(deficit)	498	(1,337)	(451)	10,735	2,598	1,820	1,848	631	1,459	3,092

Financial Performance - Historical Trend
Year Ended 31 July 2003 to 31 July 2012



Operating and financial review

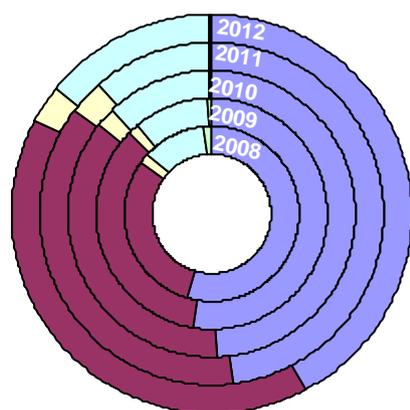
for the year ended 31 July 2012

Income

Our income is derived from three principal sources: funding body grants, tuition fees and education contracts and other income. As a consequence of the changes to the overall funding model for English HEIs the amount of income being received from funding body grants has reduced for 2011/12. This will reduce further from 2012/13 with off-set increases in tuition fee income under the new fee regime.

Total income increased by £5.2m (5.7%) to £96.5m. The reduction in funding body grant income was more than off-set by increases in tuition fee income and other income. This is consistent with the University's strategy of international and post-graduate student growth and the diversification of income sources.

Income Analysis - Year Ended 31 July 2008 to 2012



Funding body grants

Current year tuition fees are 41% of total income, with funding body grant income representing 42%.

Tuition fees and education contracts

Tuition fees are forecast to increase to 74% by 2014/15 with funding body grant income forecast to reduce to 7%.

Research grants and contracts

Other income

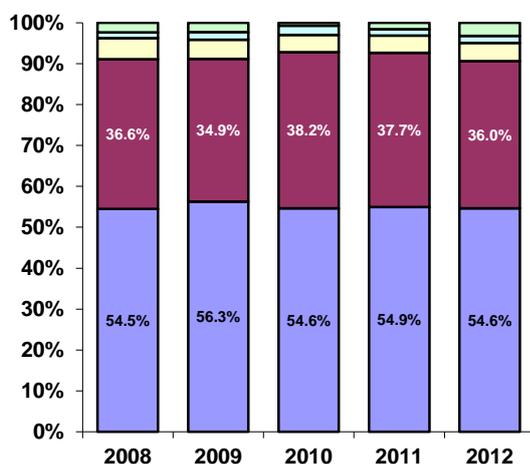
Other income includes income from student amenities and commercial activities (residences, bars, shops, property rentals etc) along with other sundry income sources for the university.

Endowment and investment income

Expenditure

The main expenditure item is staff costs. This incorporates wages and salaries, social security costs, pension costs and restructuring costs. Other operating expenses incorporate all other costs and include direct academic non-pay costs, premises costs, commercial activities and all central services.

Expenditure Analysis - Year Ended 31 July 2008 to 2012



Net surplus

Staff costs represent 54.6% of income which is in line with the sector median (based on sector data from 2010/11).

Interest and other finance costs

Other operating expenses have reduced as a proportion of income in 2011/12.

Depreciation

Other operating expenses

We continue to closely control and monitor other operating expenditure, whilst ensuring the continued investment in student resources to maintain and improve the student experience.

Staff costs

Balance Sheet

The consolidated balance sheet is detailed in the financial statements that follow. Total net assets (excluding the pension liability) have increased by £2.8m to £97.5m (2011: £94.7m). The liability in respect of the Local Government Pension Scheme (LGPS) has increased to £40.4m (2011: £24.2m).

The University continues to show a satisfactory financial position and has complied with all financial covenants relating to the borrowings during the year.

Operating and financial review

for the year ended 31 July 2012

Tangible assets

Tangible fixed assets have increased to £129.5m (2011: £106.4m), with capitalised expenditure during the year of £29.5m. Key projects included:

- the repurchase of The Lincoln Courts;
- the completion of the Engineering Hub; and
- the commencement of the new Art Building.

In addition to the above, the University continues to invest in the overall quality and attractiveness of the physical estate and the technological environment.

Our capital expenditure programme over the years has been sustained through the improvement in our operating surplus and capital grant assistance, balanced with considered and responsible external borrowings.

During the year, the disposal of the Hull campus was completed, realising a profit on disposal of £583,000.

Net current assets

Net current assets have increased to £9.4m (2011: £6.1m). We have worked hard to maintain our debtor balances at a constant level year on year despite the increase in tuition fee income. Fee collection and debt levels will become increasingly important under the new fee regime.

Long term liabilities

Creditors due after one year of £38.4m (2011: £14.7m) primarily relate to bank loans. The increase relates to the new financing package taken to fund the purchase of The Lincoln Courts (£24.4m) off-set by the capital payments made on the existing borrowings in accordance with the repayment schedules (£0.7m). There have been no breaches of any existing or new loan covenant during the year.

Pension liability

As noted above, the liability in respect of the Local Government Pension Scheme (LGPS) has increased to £40.4m (2011: £24.2m). The provision is based on estimates provided by the actuaries in accordance with FRS17. The current shortfall and the increase in the deficit position at the current year end are in line with most other public sector bodies. In the main, the funding position has deteriorated because of market conditions underlying the financial assumptions on which the pension scheme liabilities are calculated. The high demand for long dated gilts, through quantitative easing and the UK being seen as a safe haven for investing surplus funds, has driven yields to an all time low. Low gilt yields have the effect of driving up the current measures of pension scheme liabilities and, as a result, will typically worsen scheme funding levels. We do not anticipate that this funding shortfall will have any material impact on our ongoing activities. The provision relates to the shortfall of assets in the scheme required to fund the pension liabilities arising in the future, and does not relate to any significant payment liability arising in the short or medium term.

Reserves

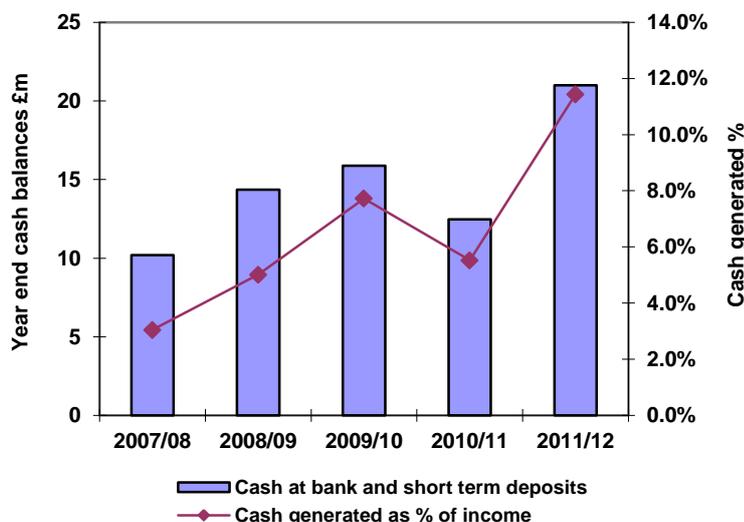
Total reserves have reduced to £23.4m (2011: £36.3m). The movement reflects the surplus for the year of £3.1m transferred to reserves, off-set by the actuarial loss on the pension scheme of £15.9m.

Cashflow

Cash generated

The consolidated cashflow statement shows that the net cash inflow from operating activities during the year was £11.6m (2011: £5.0m). Cash at bank and short term deposits (including endowment assets) increased from £12.8m at 31 July 2011 to £21.2m at 31 July 2012.

Cash Analysis - Year Ended 31 July 2008 to 2012



Cash generated from operations increased to 11.4% of total income for 2011/12. For the purposes of internal reporting this is stated after net interest charges, thus effectively representing cash generated for reinvestment in facilities.

Net capital payments funded from cash generated amounted to £2.0m in the year.

The balance of the cash generated has been used to increase cash reserves.

Operating and financial review

for the year ended 31 July 2012

Borrowings and net debt

As at 31 July 2012 the University's borrowings amounted to £38.7m (2011: £15.0m). Cash at bank and short term deposits (including endowment assets) were £21.2m (2011: £12.8m) resulting in a net debt position of £17.5m (2011: £2.2m).

During the year the University entered into a new loan agreement with The Royal Bank of Scotland Group plc to fund the repurchase of The Lincoln Courts. An initial amount of £24.4m was drawn down for the asset purchase in February 2012, with a further amount of £3.5m committed for draw down over the period up to 31 December 2015 to fund the backlog refurbishment works. Further details on the terms of this loan are set out below under Treasury Management and Financial Instruments.

The University's borrowings with Dexia and Santander remain in place, with all amounts now having fixed interest rates or forward fixes in place (see below).

Treasury Management and Financial Instruments

Treasury management

The University's treasury operations are managed within parameters defined formally and regularly reviewed by the Board of Governors. The University's treasury activity is routinely reported to the members of the Board of Governors and is subject to review by the internal auditors.

Financial instruments

The University's financial instruments comprise borrowings, cash and liquid resources. The main purpose of these financial instruments is to provide finance for the University's operations.

The main risks arising from the University's financial instruments are interest rate and liquidity.

The University has taken advantage of the historically low rates of interest, however it has been policy to regularly review interest rate expectations with a view to fixing a proportion, or all, of the borrowings. Consequently we have now entered into fixed rate agreements on all drawn borrowings.

During 2011, the University arranged to forward fix interest rates from January 2012 on its Dexia loans.

During the current year the University arranged to forward fix interest rates from July 2013 on its Santander facility. As at 31 July 2012 £0.5m (2011: £0.5m) was drawn down on this facility. The full £15.0m will be drawn down by 31 July 2013 to fund the University's capital programme.

The new borrowings with The Royal Bank of Scotland plc were fixed for the full term of the loan (25 years) immediately following drawdown. The balance of the facility remains unfixed. The University will continually review the future interest rate expectations with a view to fixing the final tranches of the debt.

All interest rate fixes are arranged directly with the lender. The University does not have any other hedges or derivatives.

Going Concern and Liquidity

The University ended the year with cash resources (including endowment assets) of £21.2m and bank loans and overdrafts of £38.7m, leaving net debt standing at £17.5m. All of the University's external funding is long-term in nature with 98.1% repayable beyond one year and 84.3% repayable beyond five years. All bank loan covenants are expected to remain compliant in future years.

The University's current forecasts, taking into account reasonable sensitivities in relation to key risks, show that the University can operate within its current facilities and available headroom.

On this basis, the Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements.

Operating and financial review

for the year ended 31 July 2012

Section 5 – Key Performance Indicators

The University has adopted a range of Key Performance Indicators (KPIs), through which we monitor our activities and measure our success, taking appropriate actions to rectify areas of concern.

Our KPIs are aligned to the University's strategic objectives and performance is measured by a number of factors in each area. Challenging targets are set for the period of our Strategic Plan based on our increasing expectations.

These are reviewed by management and reported to the Board of Governors on a regular basis.

Strategic Objective	KPI	Measures
To continuously improve our learning environment based on a personal engagement with all students, with high quality research-engaged teaching and learning where students create and develop new knowledge in collaboration with their lecturers	To delight our students	% of overall Student Satisfaction (Qu22) in the National Student Survey
		% of postgraduate taught students who agree or definitely agree that the overall experience met with their expectations
		Overall mean satisfaction score from the Postgraduate Research Experience Survey (PRES)
		% of International (including EU) students that would recommend Lincoln as a place to study in the International Student Barometer survey
To promote an internationalised culture of enterprise and innovation across our communities - locally, regionally and internationally, working closely with employers	To promote a culture of enterprise and innovation	Average income per academic FTE based on the HE Business Interaction Survey
		Number of deep and strong global partnerships
To develop and promote purposeful knowledge and research and develop innovative practices working to support the changing environment	To develop and promote purposeful knowledge and research	'The Times' league table research score
To help students develop into highly engaged, employable and creative-thinking graduates who contribute to the development of the society and economy	To create, employable highly engaged graduates	Percentage of graduates in graduate employment based on 'The Times' league table
To create a financial environment to allow us to invest in our future	To create financial sustainability	Cash generated from operations (after net interest charges) as a % of total income

Section 6 – Risks and Uncertainties

The University has a systematic method of assessing and managing risks to its effective operation and development. During the academic year, these processes continue to be reviewed and developed to refine and improve existing systems. This has included the development of a clear institutional risk appetite statement.

Risk management is embedded across the institution and is supported at local level by a range of guidance and the use of standardised templates and risk scoring mechanisms.

The University-wide 'high level' Risk Register has been designed to assist gap analysis in risk management systems, and to identify where assurances on controls can be gained. Monitoring processes continue to facilitate focusing on and managing key risks, and the University's Senior Management Team regularly reviews and acts on prioritised risks.

Members of the Senior Management Team provide regular briefings to the Audit Committee, allowing Governors to monitor the assessment, mitigation and response to institutional risk. Further detail on the University's risk management policies is set out in the 'Statement of corporate governance and internal control' on pages 19 and 20 of these financial statements.

Operating and financial review

for the year ended 31 July 2012

Section 7 – Public Benefit: The University as a Charity

‘Education is both a private and a public good. The more educated individuals are, the more likely they are to realise their ambitions, to experience good health, to access less social support and to make a contribution to local and national economies. They are also more likely to contribute positively to civil society. ... [UK Universities] also sit at the heart of civil society – transforming lives, delivering wider social benefits, and contributing to new forms of economic prosperity.’

(Universities UK - Response to the Higher Education White Paper September 2011)

The University of Lincoln aims to be a leading force in advocating and demonstrating the public benefit of higher education, as expressed in the quotation above and in many other accounts of the impact of the university sector. Our Mission is to be ‘A University looking to the future, where we serve and develop our local, national and international communities by creating purposeful knowledge and research, confident and creative graduates and a dynamic and engaged workforce’. The University is proud of its ability to develop purposeful knowledge, seeking to solve the big questions of the day; and is committed to focusing its research in the future on making a positive contribution to society in our time.

Charitable Status

The University of Lincoln is a Higher Education Corporation and, as such, is an exempt charity with the charitable objects of providing higher education and further education, and of carrying out research and publishing the results. Since 1 June 2010, the University has been regulated by HEFCE as the principal regulator of English HEIs as charities. The members of the Board of Governors, who include the Vice Chancellor and staff and student members, are the trustees of the charity. As such, the Board of Governors has due regard to the Charity Commission’s general guidance on public benefit, as amended in December 2011, and its supplementary guidance on the advancement of education.

Delivery of Charitable Objectives

The University of Lincoln’s strategic objectives include helping students to develop into highly engaged, employable and creative-thinking graduates who contribute to the development of the society and economy; developing and promoting purposeful knowledge and research and developing innovative practices working to support the changing environment; and promoting an internationalised culture of enterprise and innovation across our communities - locally, regionally and internationally, working closely with employers. Our Strategic Plan for 2011-16 acknowledges that the shape of higher education in the next decade will be very different from today. The University of Lincoln will seek to respond as new opportunities emerge but will remain committed to its mission to be a driver of transformational change for students, staff, our communities and partners. As we go into the future we will continue to nurture our traditional values whilst remaining at the cutting edge of educational transformation.

The preceding sections of this OFR give numerous examples of how the delivery of our institutional objectives contributes to the public benefit, including in the areas of engagement with businesses and the community, contribution to the local economy, working with partners including charities and the health service, stimulating and supporting enterprise and graduate employability, and focusing on our own environmental footprint. Further examples may be found in ‘Community Engagement – Impact of the University of Lincoln’ (see://www.lincoln.ac.uk/home/abouttheuniversity/press/publications).

The charity’s direct beneficiaries are the students enrolled to the University’s awards; and, although this may only become apparent over a period of time, those who benefit from the research undertaken at the University. The development of the University of Lincoln has provided the city and its wider region with a range of HE learning opportunities that was not available locally to previous generations of residents and their employers.

College of Social Science

The new College of Social Science brings together the Faculty of Health and Social Sciences and the Faculty of Business and Law.

In the Health and Social Sciences disciplines, the University delivers a range of courses that supply graduates to the health, social care and third sector workforce to meet local, regional and national demands. Staff also carry out applied research within and across disciplines that makes a real difference to the recipients of those services. Undergraduate programmes include social work, nursing and psychology with clinical and forensic options. The postgraduate portfolio includes a clinical psychology programme run jointly with the University of Nottingham. The School of Health and Social Care also offers ‘Learning beyond Registration’ short courses including non-medical prescribing, history taking, diabetes, mental health and critical care. Local partnerships with organisations ranging from local NHS Trusts to voluntary agencies underpin high quality research conducted by University staff on such subjects as public health, mental health, homelessness, and healthy ageing.

Educational provision in Business subjects takes the form of degree courses that are open to all suitable applicants, and also bespoke degree courses offered to specific client organisations for the benefit of their employees. Examples of the latter include courses offered to a major glass manufacturer (an in-house MBA), the NHS (an MSc in Commissioning) and the Armed Forces (degrees in Engineering Management; and Logistics Management). The degree courses offered on the open market are for the most part professionally accredited, which adds value to the degrees in question and thereby enhances the employability of the graduates. In the case of the Chartered Management Institute, the first undergraduate student chapter of the CMI in the UK was established at the University of Lincoln, and the experience of running this has contributed immeasurably to the experience of the

Operating and financial review

for the year ended 31 July 2012

students involved, to their performance, and to their employability.

Undergraduate teaching and learning in Law is highly vocational in character, and value is added by practical dimensions such as the Law Clinic that is offered by students working under academic staff supervision. Students gain valuable experience also by visiting specific groups in the community to explain and discuss complex legal issues. This initiative, called Street Law, is aimed at honing students' communication skills. In the fields of both Business and Law, the University offers research and consultancy services in range of specialisms representing areas of particular expertise such as regional development, entrepreneurship, the voluntary sector, company and organisational performance enhancement, leadership and management, dispute resolution, EU law, human rights, and animal rights. Through the Lincolnshire Leadership and Management Centre, the Business School contributes to the enhanced productivity of businesses and other key organisations in Lincolnshire and Rutland and seeks to enhance the vitality and innovativeness of the sub-regional economy by serving as a credible and valuable provider of higher level education, skills development and training that has a strong regional and national profile.

College of Arts The College of Arts believes that public benefit is a major aspect of the value of higher education to society. The College comprises the Faculties of Art, Architecture and Design, and Media, Humanities and Performance.

Through the former Faculty of Art, Architecture and Design we undertake programmes of interrelated research, teaching and learning across a wide range of subjects. These include, *inter alia*, fields as diverse as Architecture, Jewellery, Fine Art, Graphic Design, and Conservation. This work is disseminated to our various professional constituencies and the public in several ways - public lectures, conferences, on line and printed publications, exhibitions, installations, museum & architectural restorations and interventions, consultancies, the public environment, and various forms of knowledge transfer.

Academics and consultants in plastic surgery from major UK hospitals are working alongside each other to develop drawing and modelling skills to improve the experience of patients who undergo facial or breast reconstructive surgery by instilling in surgeons the same aesthetic principles which underpin artists' understanding of the form of the human body.

Students and staff regularly engage with the community through these means and via projects with specific partners. Relationships with professional bodies are particularly effective, e.g. the School of Architecture hosts the East Midlands Regional Office of the RIBA.

Media, Humanities and Performance offers a wide range of academic programmes which draw from and contribute to society. The work of the members of academic staff takes many forms from internationally-renowned traditional research projects through to public forms of media including television and radio production. It is home to Siren FM, England's first 24/7 community radio station, licensed by OFCOM. Serving both the greater Lincoln area and also globally via internet streaming, Siren now also provides content for a European Community Radio network to an audience of 2m listeners. The Schools of Journalism and Media regularly make media product for charitable bodies at low or no-cost. The School of Journalism conducts an annual Schools Newspaper Project where Lincolnshire schools benefit from academic and industry experts visiting to help groups of schoolchildren make their first attempt at newspaper journalism. We advocate and support change in all areas of public understanding of knowledge, including appreciation of our shared history. The Media Archive for Central England (MACE) is based within the College. Its 60,000 cans of film from across the Midlands contain the recorded media history of our region.

College of Science The College of Science has a strong focus on public benefit in its research. The School of Computer Science includes research into medical imaging for diabetes and cancer, where we have secured two major grants (from the Wellcome Trust for Proton Therapy, and from the EU to coordinate a research network on retinal vascular analysis for diagnosis of disease), video surveillance to provide security to citizens, and the use of social media in achieving positive social change (e.g. for cognitive behavioural therapy). The School of Engineering addresses issues in areas including energy conservation and has close links with industrial partners, helping to sustain UK industry. It is playing a leading role in setting up a new University Technical College, in collaboration with Siemens Industrial Turbomachinery Ltd. and other industrial partners, in Lincoln, to provide an improved technical education stream for local school children. Within the Life Sciences we have recently recruited a large number of new academic staff in areas of key public benefit including cancer, cardiovascular disease and pharmaceutical science, and we are seeking to establish a new School of Pharmacy in collaboration with local pharmacy providers, to address their recruitment needs. Much of the College's taught portfolio addresses issues of public concern and its graduates make an enormous contribution to the local economy.

Business innovation and incubation The University's award winning business incubation centre, Sparkhouse, opened in 2003. Since then it has helped over 150 (35 in 2011/12 alone) new companies get started and grow. Many of these businesses have been started by our own graduates and have all been related to the innovative use of technology, including product design, graphic design, marketing and architecture. With a £3.2 million extension (Enterprise@Lincoln) and with the University taking on the management of the Think Tank innovation centre, even more growing businesses can take advantage of our support. Recognising that not every new business requires a physical office space, the University developed and launched a virtual office scheme to expand the offer of support to a wider section of the local economy. This service is tailored to individual need but at its heart remains access to accredited incubation support and advice helping businesses thrive in a difficult economic climate. Many of the businesses in the centre have taken advantage of the other knowledge exchange schemes offered by the University, particularly Knowledge Transfer Partnerships and graduate internships.

Operating and financial review

for the year ended 31 July 2012

Social enterprise

The University of Lincoln has been selected as one of a group of HEIs which are leading on a pioneering initiative to place social entrepreneurship at the heart of their culture and infrastructure. While a business entrepreneur typically measures performance in profit and return, a social entrepreneur also measures positive returns to society.

Social entrepreneurship involves the identification of a social problem, and the uses of entrepreneurial principles to organise, create and manage a social venture to achieve a desired social change.

Admissions Policy and Student Support

The University welcomes difference and diversity among its students and seeks to help each one to flourish academically and personally through its programmes. Our Admissions policy is therefore governed by two principles: the applicant's ability to benefit from the chosen course; and fair and equal treatment for all applicants.

In common with other HEIs in England, the University of Lincoln charges tuition fees which, for UK/EU students, are subject to statutory regulation. For the academic year 2011/12, the standard fee for all full-time undergraduate UK/EU students was set at £3,375. Most of these students are eligible for UK government funding to pay their tuition fees via a tuition fee loan; and will only have to pay back the loan after they have graduated and are earning in excess of £15,000 per year.

The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Our aim is that no-one should be deterred from applying to the University of Lincoln, or consider leaving their course, due to financial issues. In 2011/12 the University disbursed £2.6m in financial support for students studying Higher Education courses and £214,000 for those studying Further Education courses through hardship funds, scholarships and bursaries.

The University is committed to putting policies and processes in place that provide members of underrepresented groups with fair opportunities to gain access to our academic programmes, including providing appropriate support where necessary. We will ensure students from lower socio-economic backgrounds are given support to aid their social mobility.

The Office for Fair Access (OFFA) has agreed to the University of Lincoln's fees for 2012 entry being set at £9,000 per year. The University will make a support package available to students which will include bursaries, tuition fee and accommodation discounts and hardship funds. The University consulted closely with students and the Students' Union about the support package, to explore the most beneficial option for future students. Bursaries put the funding in the hands of future students, to use as they decide - including paying against fees - whereas fee waivers do not do this. As such, this is an explicit commitment to student choice and empowerment. One in three of the University's 2012 entrants will receive a support package of £3,000.

The University offers its students a full welfare programme, including careers, financial advice, sports and exercise facilities, health and counselling services, and specialised assessment and support for students with disabilities.

Trustees' Expenses

No members of the Board receive any payment for the work they do as Governors or as trustees, but reasonable expenses (chiefly for travelling and subsistence, and attendance at conferences and specialist training events or other external meetings on behalf of the Board) are reimbursed. For the academic year 2011/12, a total amount of £7,000 was paid in respect of claims made by 11 Governors.

The governing body includes members of the University staff who are paid as employees but who receive no supplementary payment for trusteeship. There were no payments in the year to any Governor for services provided to the University. Note 35 to these accounts summarises relevant transactions between the University and organisations in which members of the Board of Governors have or may have an interest.

Statement of corporate governance and internal control

for the year ended 31 July 2012

The University of Lincoln is an independent corporation, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government. Following consultation with stakeholders, a revised version of the University's Articles of Government was approved by the Privy Council on 6 October 2009, replacing the institution's original Articles which had been essentially unchanged since 2001.

The following statements are provided to enable readers of the accounts of the University of Lincoln and of this Operating and Financial Review to obtain a better understanding of the governance and legal structure of the University.

Responsibilities of the Board of Governors

The Governance Code of Practice of the Committee of University Chairs (CUC) states that "Every higher education institution shall be headed by an effective governing body, which is unambiguously and collectively responsible for overseeing the institution's activities". The Board of Governors is the University of Lincoln's governing body, responsible for matters including the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board of Governors has a majority of independent members, chosen in accordance with the criteria contained in the legislation. The chair is elected from among the independent members. The Board also includes co-opted members and members appointed from the University's staff and the student body. The Vice Chancellor of the University, Professor Mary Stuart, is a member of the Board of Governors. No members of the Board receive any payment for the work they do as Governors.

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

Based on the Articles, and on guidance from the CUC, the primary responsibilities of the Board of Governors are as follows:

1. To approve, review and develop the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To appoint the Vice Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To delegate authority to the Vice Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice Chancellor.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for avoiding conflicts of interest.
5. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the approved Strategic Plan and key performance indicators.
6. To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself, including taking account of the views of the University Executive.
7. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the institution.
9. To appoint a Clerk to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability. The present Clerk to the Board has institutional managerial responsibilities as University Secretary.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Board.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable it to do so.

Corporate Governance

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education which has been provided by the CUC in its Guide for Members of HE Governing Bodies in the UK, which includes the Governance Code of Practice. The Vice Chancellor, as chief executive officer, is the head of the University and has a general responsibility to the Board of Governors for the organisation, direction and management of the institution. Under the terms of the financial memorandum between the University and the Higher Education Funding Council for England (HEFCE), the Vice Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Board of Governors was restructured in 2010 following a fundamental review of governance structures and processes by a specially established working party of the Board, which led to a reduction in the size of the governing body, an increase to the number of meetings each year and the retention of only Audit Committee and Remuneration Committee as its sub-committees. The business previously undertaken by the other committees – Finance and Resources, Estates, Human Resources, Governance and Nominations – now comes before the full Board or, as appropriate, is dealt with by the Vice Chancellor and the Executive and reported to the Board of Governors.

Between 1 August 2011 and 31 July 2012, the Board of Governors met on nine occasions. The Remuneration Committee, whose role is to determine the remuneration of the most senior staff, including the Vice Chancellor, met twice. The Audit Committee met four times; its role

Statement of corporate governance and internal control

for the year ended 31 July 2012

includes the consideration of detailed reports with recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It also receives and considers reports from the Funding Council relating to the University's business, and monitors adherence to regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The University's external and internal auditors attend Audit Committee meetings, and once a year the Committee meets the auditors on their own for private discussions. The deliberations and decisions of the two committees were reported to the Board of Governors.

The University of Lincoln Court, established following the governance review, held its inaugural meeting in June 2011 and has held one further meeting since then, presided over by the Chancellor, Lord Adebowale of Thornes CBE. The Court was set up in parallel to the changes to the Board of Governors and in recognition of the part played by the people and businesses of Lincolnshire in the establishment of the University in Lincoln. It brings together major figures of the region and beyond in business, education, arts and the professions who have a serious interest in the University and its future, and who can act as ambassadors and advocates of the University in many wider forums. The Court meets twice a year to discuss matters of major importance to shaping the future of the University, playing a key role in bringing the perspectives of other communities of interest to its strategic deliberations.

As chief executive, the Vice Chancellor is required to develop the institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice Chancellors and the senior administrative officers all contribute in essential ways to these aspects of the work, but the ultimate responsibility for approval of the strategic direction and financial plans rests with the Board of Governors.

The University maintains a register of interests of members of the Board of Governors which may be consulted by arrangement with the Clerk to the Board of Governors. In accordance with the Articles of Government of the University, the University Secretary has been appointed as Clerk to the Board of Governors. In that capacity, he provides independent advice on matters of governance to all members of the Board.

Internal Control

The Board of Governors of the University of Lincoln has responsibility for maintaining and reviewing the effectiveness of a sound system of internal control which supports the achievement of corporate strategies, while safeguarding the public and other funds and assets for which they are responsible. Such a system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The approach to internal control is risk-based, including an evaluation of the likelihood and impact of risks becoming a reality. Review procedures cover business, operational and compliance as well as financial risk. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2012 and up to the date of approval of the annual report and financial statements.

The role of the Board of Governors in relation to risk is at overview level. The Board is not responsible for managing risk at operational level. It does, however need to ensure that a robust system exists for identifying, evaluating and managing risk within the University, and that this process is subject to regular review. Review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the members of the Executive Board 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.

The Audit Committee plays a key role in ensuring the fulfilment of the Board of Governors' responsibilities, as set out in the UK Corporate Governance Code. The Audit Committee monitors the effectiveness of risk management processes and policy development and reports to the Board of Governors on progress. The Board receives an annual report from the Audit Committee which reviews and comments on the internal control systems, including risk management, value for money, the management and quality assurance of data submitted to funding bodies, the work of the internal and external auditors and other audit matters.

The University has a Risk Management Policy and Strategy that sets out the approach to risk management; key elements of the process; roles, responsibilities and reporting procedures relating to risk management in faculties, service areas and the University companies. In accordance with the Policy and Strategy, the Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the operational units and reinforced by risk awareness training.

At a corporate level the University maintains a high level management risk register which details the chief risks to the institution and the actions that the University has in place to mitigate them, incorporating a current articulation of the risks by the relevant risk owners as well as updates on improvement actions and progress to date. Reporting arrangements ensure that Audit Committee, the Board of Governors and the Senior Management Team understand the strategic importance of managing these risks effectively.

The Audit Committee has continued its active oversight of University risk management, receiving a briefing from the Director of Planning and Business Intelligence (the department with lead responsibility for risk management) in November 2011, and a report following re-scoring of the high level risk register in March 2012. The Committee also recommended the adoption of a new Risk Appetite Statement to the Board of Governors following this meeting. The Board of Governors received a report on risk management in May 2012, and approved the Risk Appetite Statement

The Public Interest Disclosure Policy introduced in March 2011 formally sets out a process whereby employees and students may raise any concerns about malpractice, and how any such concerns should be dealt with.

In May 2012, the Board of Governors approved updated Financial Regulations following scrutiny by a Governors' Working Group.

Statement of responsibilities of the board for the year ended 31 July 2012

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum between the Higher Education Funding Council for England and University, the Board of Governors, is required to prepare financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and the cash flows for that year.

In the preparation of the financial statements the Board of Governors has ensured that:

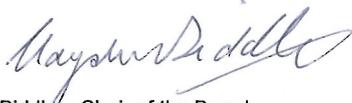
- suitable accounting policies are selected and applied consistently
- judgments and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that the funds from the Higher Education Funding Council for England, the Skills Funding Agency, the Young People's Learning Agency and the Education Funding Agency are used only for the purposes for which they have been given; and in accordance with the Financial Memorandum with HEFCE (and any other conditions which HEFCE may from time to time prescribe) and with the funding agreements with the Skills Funding Agency, the Young People's Learning Agency and the Education Funding Agency
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and to prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors
- Financial Regulations, detailing financial controls and procedures, which have been approved by the Board of Governors; and
- a professional Internal Audit team operating to standards defined in the HEFCE Accountability and Audit Code of Practice, whose annual programme is approved by the Audit Committee and whose head provides the Governors with regular reports on internal audit activity within the University, and independent opinions on the adequacy and effectiveness of the University's system of internal control, including internal financial control, together with recommendations for improvement.



Mr H Biddle – Chair of the Board



Professor M Stuart - Vice Chancellor

Independent auditors report to the board of governors of the University of Lincoln

for the year ended 31 July 2012

We have audited the financial statements of the University of Lincoln for the year ended 31 July 2012 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of group historical cost surpluses and deficits, the statement of group total recognized gains and losses, the group and University balance sheets, the consolidated cash flow statement and the related notes 1 to 35. 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 governing body in accordance with the charter and statutes of the University and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the governing body 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 board of governors 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 Governing Body's Responsibilities Statement, the governing body 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 governing body; 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 group's affairs as at 31 July 2012 and of its surplus for the year then ended; and
- 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, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2012 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council.

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 (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

29 November 2012

Statement of accounting policies

for the year ended 31 July 2012

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University and all of its subsidiary undertakings, ULEX Limited, UL Learning Resources Limited and Riseholme Park Farms Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. The activities of the University of Lincoln Student Union have not been consolidated because the University does not control the Student Union. The University also has a one-third membership interest in Lincoln Student Solutions Limited (LSSL), a company limited by guarantee and with charitable status. In accordance with FRS 2 (Accounting for Subsidiary Undertakings), the University does not consolidate LSSL, as it does not have sufficient control over the company's activities. The University has treated its interest in LSSL as a fixed asset investment at nil cost.

In the University's financial statements, investments in subsidiary undertakings are stated at cost less provision for diminution in value.

Recognition of income

Income from research grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Tuition fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent grants from the Funding Councils are recognised in the period in which they relate.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

Agency arrangements

Funds the institution receives and disburses as paying agent on behalf of the funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoying minimal economic benefit relating to the transaction.

Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Foreign currency translation

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 at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Statement of accounting policies

for the year ended 31 July 2012

Accounting for retirement benefits

The University contributes to the Universities Superannuation Scheme (USS), the East Riding Pension Fund (ERPF) and the Teachers Pension Scheme (TPS). All schemes are defined benefit schemes which are contracted out of the Second State Pension (S2P).

The TPS and USS are multi-employer pension schemes and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS and USS are therefore treated as defined contribution schemes and the contributions are recognised as they are paid each year.

The University is able to identify its share of assets and liabilities of the ERPF and thus the University fully adopts FRS 17 (Retirement Benefits).

Where there is a change in the measure of inflation that dictates the rate of future pension increases of the ERPF, any past service gain or loss will be recognised in the Statement of Recognised Gains and Losses.

The University continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of the ERPF. These liabilities are estimated under FRS17 and are included in the Financial Statements.

Tangible fixed assets

(a) Land and buildings

The University's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Other land and buildings are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University between 10 and 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

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

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

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

(b) Equipment

Equipment costing less than £20,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life at rates of 15% to 33.33% per annum.

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. For work in progress, cost is calculated as the direct cost of time and bought in goods and services. Payments received in excess of project costs are included in creditors. Where necessary, provision is made for obsolete, slow moving and defective stocks and work in progress.

Statement of accounting policies

for the year ended 31 July 2012

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable Value Added Tax on inputs is included in the costs of those inputs. Any irrecoverable Value Added Tax allocated to tangible fixed assets is included in their cost.

The University's subsidiary companies operate as commercial organisations and certain of these are subject to taxation.

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution's treasury management activities. They exclude any such assets held as endowment asset investments.

Investments

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets. Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value. Interests in land and buildings held for their investment potential are included in the balance sheet at their market value without charging depreciation.

Provisions

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

Consolidated income and expenditure account for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Income			
Funding body grants	1	40,669	43,794
Tuition fees and education contracts	2	39,214	33,941
Research grants and contracts	3	3,064	3,031
Other income	4	12,763	10,344
Exceptional item - profit on disposal of tangible fixed asset	10	583	-
Endowment and investment Income	5	205	145
Total income		96,498	91,255
Expenditure			
Staff costs	6	52,717	50,119
Other operating expenses		33,992	33,954
Exceptional item - diminution in value of tangible fixed asset	10	800	581
Depreciation	12	4,253	3,892
Interest and other finance costs	8	1,694	1,378
Total expenditure	9	93,456	89,924
Surplus after depreciation of tangible fixed assets at valuation	25	3,042	1,331
Surplus for the year transferred from accumulated income in endowment funds		50	128
Surplus for the year retained within reserves	23	3,092	1,459

All items of income and expenditure arise from continuing operations.

The notes on pages 31 to 46 form part of these financial statements.

Statement of group historical cost surpluses and deficits for the year ended 31 July 2012

		2012	2011
	Note	£000	£000
Surplus after depreciation of tangible fixed assets at valuation		3,092	1,459
Valuation gains realised on disposal of tangible fixed asset	22	290	-
Inherited debt release	22	-	6
Historical cost surplus for the year before taxation		<u>3,382</u>	<u>1,465</u>
Historical cost surplus for the year after taxation		<u>3,382</u>	<u>1,465</u>

The notes on pages 31 to 46 form part of these financial statements.

Statement of group total recognised gains and losses for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus after depreciation of tangible fixed assets at valuation		3,042	1,331
New endowments	21	94	341
Endowments reallocated as unrestricted expendable	21	(146)	-
Actuarial (loss)/gain on pensions	24	(15,945)	10,123
Total recognised gains and losses relating to the year		<u>(12,955)</u>	<u>11,795</u>
Reconciliation			
Opening reserves and endowments		36,624	
Total recognised gains and losses for the year		<u>(12,955)</u>	
Closing reserves and endowments		<u>23,669</u>	

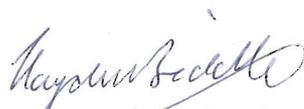
The notes on pages 31 to 46 form part of these financial statements.

Balance sheet

as at 31 July 2012

	Note	Group		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Tangible assets	12	129,528	106,423	129,528	94,674
Investments	13	30	30	10,843	11,547
		<u>129,558</u>	<u>106,453</u>	<u>140,371</u>	<u>106,221</u>
Endowment assets	14	252	354	252	354
Current assets					
Stocks	15	295	355	116	165
Debtors	16	6,999	7,162	7,172	8,127
Short term deposits		17,510	5,088	17,510	4,866
Cash at bank and in hand		3,484	7,376	3,107	6,868
		<u>28,288</u>	<u>19,981</u>	<u>27,905</u>	<u>20,026</u>
Creditors: Amounts falling due within one year	17	(18,894)	(13,905)	(29,357)	(13,762)
Net current assets		<u>9,394</u>	<u>6,076</u>	<u>(1,452)</u>	<u>6,264</u>
Total assets less current liabilities		<u>139,204</u>	<u>112,883</u>	<u>139,171</u>	<u>112,839</u>
Creditors: Amounts falling due after more than one year	18	(38,390)	(14,681)	(38,390)	(14,681)
Provisions for liabilities and charges	19	(3,286)	(3,531)	(3,286)	(3,531)
Total net assets excluding pension liability		<u>97,528</u>	<u>94,671</u>	<u>97,495</u>	<u>94,627</u>
Pension liability	31	(40,404)	(24,228)	(40,404)	(24,228)
Total net assets including pension liability		<u>57,124</u>	<u>70,443</u>	<u>57,091</u>	<u>70,399</u>
Deferred capital grants	20	33,455	33,819	33,455	33,819
Endowments					
Restricted expendable	21	252	354	252	354
Reserves					
Income and expenditure account excluding pension reserve	23	63,821	60,208	63,788	60,164
Pension reserve	24	(40,404)	(24,228)	(40,404)	(24,228)
Income and expenditure account including pension reserve		<u>23,417</u>	<u>35,980</u>	<u>23,384</u>	<u>35,936</u>
Revaluation reserve	22	-	290	-	290
Total reserves		<u>23,417</u>	<u>36,270</u>	<u>23,384</u>	<u>36,226</u>
Total		<u>57,124</u>	<u>70,443</u>	<u>57,091</u>	<u>70,399</u>

The financial statements on pages 23 to 46 were approved by the Board of Governors on 28 November 2012 and were signed on its behalf by:



H Biddle - Chair of the Board



Professor M Stuart - Vice Chancellor

The notes on pages 31 to 46 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	25	11,649	4,987
Returns on investments and servicing of finance	26	(617)	(74)
Capital expenditure and financial investment	27	(26,288)	(7,150)
Management of liquid resources	28	(12,422)	4,722
Financing	29	23,687	(665)
(Decrease)Increase in cash in the year		<u>(3,991)</u>	<u>1,820</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(3,991)	1,820
Change in short term deposits	28	12,422	(4,722)
Change in debt	29	(23,687)	665
Change in net debt resulting from cash flows and movement in debt		<u>(15,256)</u>	<u>(2,237)</u>
Net debt at 1 August		(2,227)	10
Net debt at 31 July	30	<u>(17,483)</u>	<u>(2,227)</u>

The notes on pages 31 to 46 form part of these financial statements.

Notes to the accounts

for the year ended 31 July 2012

1 Funding body grants	2012	2011
	£000	£000
Recurrent grants		
Higher Education Funding Council for England (HEFCE)	36,490	38,885
Skills Funding Agency (SFA)	1,094	880
Young People's Learning Agency (YPLA)	1,119	1,980
Education Funding Agency (EFA)	483	-
Specific grants		
HEFCE – Higher Education Innovation Fund	470	1,192
HEFCE – Other specific grants	-	70
Deferred capital grants released in the year		
Buildings	405	323
Equipment	608	464
	40,669	43,794
2 Tuition fees and education contracts		
Full-time home and EU students	30,775	27,903
Full-time international (non EU) students	4,026	2,298
Part-time students	2,304	2,043
Short courses and summer schools	1,824	1,387
Further education students	285	310
	39,214	33,941
3 Research grants and contracts		
Research Councils	667	955
UK based charities	309	292
UK Central / Local Government / Health / Hospitals	1,097	1,197
UK industry	676	412
European Union	233	99
Overseas	82	76
	3,064	3,031
4 Other income		
Residences, catering and conferences	6,192	3,945
Other income generating activities	6,043	5,857
Released from deferred capital grants	528	542
	12,763	10,344
5 Endowment and investment income		
Income from expendable endowments	2	-
Income from short term investments	203	145
	205	145

Notes to the accounts for the year ended 31 July 2012

6 Staff costs	2012	2011
	£000	£000
Wages and salaries	41,843	39,727
Social security costs	3,591	3,214
Other pension costs (see note 31)	5,962	5,485
Staff restructuring costs	1,321	1,693
	52,717	50,119

Average staff numbers by major category, expressed on a full time equivalent basis	Number	Number
Teaching departments	753	713
Teaching support services	125	128
Other support services	74	71
Administration and central services	226	216
Premises	23	21
	1,201	1,149

7 Senior staff emoluments

The emoluments of the Vice Chancellor were as follows:	£000	£000
Salary	189	182
Benefits in kind	2	2
Pension costs	30	29
	221	213

Remuneration of other higher paid staff, excluding employer's pension contributions	Number	Number
£100,000 - £109,999	4	4
£110,000 - £119,999	2	2
£120,000 - £129,999	1	-
£130,000 - £139,999	1	-
	8	6

8 Interest and other finance costs

	£000	£000
On loans wholly or partly repayable in more than five years	1,109	222
Net charge on pension scheme	585	1,156
	1,694	1,378

Notes to the accounts

for the year ended 31 July 2012

9 Analysis of total expenditure by activity	2012	2011
	£000	£000
Academic departments	43,145	41,128
Academic services	8,820	9,953
Administration and central services	16,797	15,453
Premises	14,421	13,162
Residences and catering operations	6,464	5,414
Research grants and contracts	2,616	2,510
Other expenditure	1,193	2,304
	<u>93,456</u>	<u>89,924</u>
Other operating expenses include:		
External auditor's remuneration in respect of audit services*	31	29
External auditor's remuneration in respect of other services**	102	7
Hire of equipment – operating lease rentals	116	414

* Includes £29,000 in respect of the University (2011: £26,000)

** Includes £28,000 in respect of the University (2011: £7,000)

10 Exceptional items

Diminution in value of tangible fixed asset	(800)	(581)
Profit on disposal of tangible fixed asset	583	-

During the year, the disposal of the Hull campus was completed, realising a profit on disposal of £583,000. In addition, a diminution in the carrying value of some of the University's leasehold buildings of £800,000 was recognised and reflected in the financial statements.

During the prior year, a diminution in the carrying value of one of the University's freehold buildings was recognised and reflected in the financial statements. This building was disposed of in the current year at net book value.

11 Surplus on continuing operations for the year

University's surplus for the year	3,103	1,661
Deficit of related undertakings	(282)	(334)
Consolidation adjustment	271	132
	<u>3,092</u>	<u>1,459</u>

Notes to the accounts

for the year ended 31 July 2012

12 Tangible fixed assets					
Group	Assets in course of construction	Freehold land and buildings	Leasehold land and buildings	Fixtures fittings equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2011	8,198	104,955	10,179	9,179	132,511
Reclassification	(8)	(276)	-	284	-
Additions	4,038	24,799	35	614	29,486
Disposals	-	(4,787)	-	-	(4,787)
Written off	-	-	-	(1,599)	(1,599)
Transfers	(9,349)	8,577	188	584	-
At 31 July 2012	<u>2,879</u>	<u>133,268</u>	<u>10,402</u>	<u>9,062</u>	<u>155,611</u>
Depreciation					
At 1 August 2011	-	18,053	2,567	5,468	26,088
Charge for year	-	2,417	298	1,538	4,253
Eliminated on disposals	-	(3,459)	-	-	(3,459)
Diminution in value	-	-	800	-	800
Written off	-	-	-	(1,599)	(1,599)
At 31 July 2012	<u>-</u>	<u>17,011</u>	<u>3,665</u>	<u>5,407</u>	<u>26,083</u>
Net book value					
At 31 July 2012	<u>2,879</u>	<u>116,257</u>	<u>6,737</u>	<u>3,655</u>	<u>129,528</u>
At 31 July 2011	<u>8,198</u>	<u>86,902</u>	<u>7,612</u>	<u>3,711</u>	<u>106,423</u>
University					
Cost or valuation					
At 1 August 2011	8,198	90,457	10,179	8,556	117,390
Reclassification	(8)	(276)	-	284	-
Additions	4,038	24,799	35	614	29,486
Assets transferred from group companies	-	13,842	-	-	13,842
Disposals	-	(4,787)	-	-	(4,787)
Written off	-	-	-	(1,599)	(1,599)
Transfers	(9,349)	8,577	188	584	-
At 31 July 2012	<u>2,879</u>	<u>132,612</u>	<u>9,602</u>	<u>8,439</u>	<u>153,532</u>
Depreciation					
At 1 August 2011	-	15,305	2,567	4,844	22,716
Charge for year	-	2,141	298	1,538	3,977
Assets transferred from group companies	-	2,369	-	-	2,369
Eliminated on disposals	-	(3,459)	-	-	(3,459)
Diminution in value	-	-	800	-	800
Written off	-	-	-	(1,599)	(1,599)
At 31 July 2012	<u>-</u>	<u>16,356</u>	<u>3,665</u>	<u>4,783</u>	<u>24,804</u>
Net book value					
At 31 July 2012	<u>2,879</u>	<u>116,256</u>	<u>6,737</u>	<u>3,656</u>	<u>129,528</u>
At 31 July 2011	<u>8,198</u>	<u>75,152</u>	<u>7,612</u>	<u>3,712</u>	<u>94,674</u>

On adoption of FRS 15 (Tangible Fixed Assets), the University followed the transitional provision to retain the book value of land and buildings which were revalued in 1994 by a firm of chartered surveyors, but not to adopt the policy of revaluations in the future. At 31 July 2012, freehold land and buildings included £6,675,000 (2011: £6,573,000) in respect of land which is not depreciated.

Notes to the accounts

for the year ended 31 July 2012

13 Fixed asset investment

Group	Other investment
Cost	£000
At 1 August 2011 and 31 July 2012	30
Net book value	
At 1 August 2011 and 31 July 2012	30

University	Shares in related undertakings	Other investment	Total
	£000	£000	£000
Cost			
At 1 August 2011	14,534	30	14,564
Reduction in issued share capital	(428)	-	(428)
At 31 July 2012	14,106	30	14,136
Amounts written off			
At 1 August 2011	3,017	-	3,017
Written off in year	276	-	276
At 31 July 2012	3,293	-	3,293
Net book value			
At 31 July 2012	10,813	30	10,843
At 31 July 2011	11,517	30	11,547

The University holds 100% of the ordinary share capital of ULEX Limited, a company incorporated in England and Wales. The nature of its business is the provision of consultancy, training, conference and research facilities, although the company has not traded during the year.

The University holds 100% of the ordinary share capital of UL Learning Resources Limited, a charitable company incorporated in England and Wales. The nature of its business is the provision of learning resource facilities.

The University holds 100% of the ordinary share capital in Riseholme Park Farms Limited, a company incorporated in England and Wales. The nature of its business is farming.

Other investments represent shares in CVCP Properties plc, a company owned by Universities UK and its member institutions.

During the year, ULEX Limited and Riseholme Park Farms Limited reduced their issued share capital by £49,000 and £379,000 respectively and this was repaid to the University as shareholder.

14 Endowment asset investments

Group and University	2012	2011
	£000	£000
Balance at 1 August	354	141
Endowments reallocated as unrestricted expendable	(146)	-
New endowments	94	340
Decrease in cash balances held for endowment funds	(50)	(127)
Balance at 31 July	252	354
Represented by:		
Bank Balances	252	354

Notes to the accounts

for the year ended 31 July 2012

15 Stocks

	Group		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Goods for resale	49	88	49	88
Raw materials and consumables	208	233	67	77
Work in progress at cost less applicable progress payments	38	34	-	-
	295	355	116	165

16 Debtors

Amounts falling due within one year:

Trade debtors	4,234	3,631	4,225	3,611
Amounts owed by subsidiary undertakings	-	-	207	983
Other debtors	160	585	152	591
Prepayments and accrued income	2,391	2,712	2,374	2,708
	6,785	6,928	6,958	7,893

Amounts falling due after more than one year:

Prepayments and accrued income	214	234	214	234
	6,999	7,162	7,172	8,127

17 Creditors: Amounts falling due within one year

Secured loans	753	702	753	702
Payments received in advance	4,151	3,645	4,151	3,621
Trade creditors	2,388	1,399	2,373	1,356
Amounts owed to subsidiary undertakings	-	-	10,638	-
Other creditors	3,855	1,879	3,858	1,882
Other taxation and social security	1,449	1,229	1,449	1,223
Accruals and deferred income	6,298	5,051	6,135	4,978
	18,894	13,905	29,357	13,762

18 Creditors: Amounts falling due after more than one year

Group and University	2012	2011
	£000	£000
Secured loans	37,479	13,843
Unsecured loans and overdrafts	500	500
Other taxation and social security	59	124
Accruals and deferred income	352	214
	38,390	14,681

Secured and unsecured loans are repayable as follows:

Due within one year or on demand	753	702
Due between one and two years	803	753
Due between two and five years	4,537	2,573
Due in five years or more	32,639	11,017
	38,732	15,045
Due within one year or on demand	(753)	(702)
Due after more than one year	37,979	14,343

Notes to the accounts

for the year ended 31 July 2012

18 Creditors: Amounts falling due after more than one year (continued)

An analysis of the University's borrowings is set out below:

Lender	Amount	Term	Interest rate	Borrower
	£000		%	
Dexia	8,222	2023	5.08	University
Dexia	5,621	2028	5.38	University
Santander	500	2035	5.00	University
Royal Bank of Scotland	24,389	2037	4.75	University
Total	<u>38,732</u>			

19 Provisions for liabilities

Group and University	Restructuring	Property	Total
	£000	£000	£000
At 1 August 2011	1,381	2,150	3,531
Used during the year	(904)	-	(904)
Transferred to creditors	(1,204)	-	(1,204)
Provided during the year and charged to income and expenditure account	1,150	713	1,863
At 31 July 2012	<u>423</u>	<u>2,863</u>	<u>3,286</u>
Due within one year			184
Due between one and two years			977
Due between two and five years			823
Due in five years or more			<u>1,302</u>
			<u>3,286</u>

The restructuring provision relates to redundancy costs and associated pension costs.

The property provision relates to contractual obligations under certain operating leases and contracts.

20 Deferred capital grants

Group and University	Funding Council		Other Grants		Total
	Buildings	Equipment	Buildings	Equipment	
	£000	£000	£000	£000	
At 1 August 2011	18,769	1,318	13,039	693	33,819
Grants received	438	279	460	-	1,177
Released to income and expenditure account	(405)	(608)	(302)	(226)	(1,541)
At 31 July 2012	<u>18,802</u>	<u>989</u>	<u>13,197</u>	<u>467</u>	<u>33,455</u>

Notes to the accounts

for the year ended 31 July 2012

21 Endowment funds and linked charities

	2012	2011
	£000	£000
Group and University		
Balances at 1 August 2011		
Capital	350	138
Accumulated Income	4	3
	354	141
Endowments reallocated as unrestricted expendable	(146)	-
New endowments	94	341
Expenditure	(52)	(129)
Investment income for the year	2	1
At 31 July 2012	252	354
Represented by:		
Capital value	246	350
Accumulated Income	6	4
	252	354

All endowments are restricted expendable.

The University has one linked, paragraph (w) charity, UL Learning Resources Limited. The principal object of this charity is to promote the advancement of education by the provision of learning facilities, other like facilities and services and funds for the educational and charitable needs or purposes of the University of Lincoln. The charity is a wholly owned subsidiary of the University and the results are consolidated in these financial statements. Net assets of the charity were as follows:

	£000
At 1 August 2011	10,914
Deficit for the financial year	(276)
At 31 July 2012	10,638

Copies of the charity's financial statements are available from Companies House.

22 Revaluation reserve

	2012	2011
	£000	£000
Group and University		
At 1 August	290	296
Transfer to income and expenditure reserve in respect of:		
Disposal of property	(290)	-
Inherited debt release	-	(6)
At 31 July	-	290

23 Income and expenditure account reserve

	Group	University
	£000	£000
At 1 August 2011	60,208	60,164
Surplus on continuing operations before transfer from revaluation reserve	3,092	3,103
Transfer from revaluation reserve	290	290
Add back pension deficit	231	231
At 31 July 2012	63,821	63,788

Notes to the accounts

for the year ended 31 July 2012

24 Pension reserve	2012	2011
Group and University	£000	£000
At 1 August	(24,228)	(33,440)
Actuarial (loss)/gain	(15,945)	10,123
Deficit retained within reserves	(231)	(911)
At 31 July	(40,404)	(24,228)
25 Reconciliation of consolidated operating surplus to net cash inflow from operating activities		
Surplus after depreciation of tangible fixed assets at valuation	3,042	1,331
Depreciation	4,253	3,892
Exceptional item – diminution in value of fixed asset	800	581
Deferred capital grants released to income	(1,541)	(1,329)
Profit on disposal of tangible fixed assets	(583)	-
Interest receivable	(205)	(145)
Interest payable	1,109	222
Decrease/(increase) in stocks	60	(14)
Decrease/(increase) in debtors	201	(1,466)
Increase/(decrease) in creditors	4,673	(896)
(Decrease)/increase in provisions	(245)	1,900
Pension costs less contributions payable	231	911
Endowment funds reclassified as unrestricted expendable	(146)	-
Net cash inflow from operating activities	11,649	4,987
26 Returns on investments and servicing of finance		
Interest received	165	148
Interest paid	(782)	(222)
	(617)	(74)
27 Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(29,470)	(12,076)
Proceeds from sale of tangible fixed assets	1,911	-
Deferred capital grants received	1,177	4,585
New endowment received	94	341
	(26,288)	(7,150)
28 Management of liquid resources		
(Increase)/decrease in short term deposits	(12,422)	4,722
Net cash (outflow)/inflow from management of liquid resources	(12,422)	4,722
29 Financing		
New bank loans	24,389	-
Repayments of amounts borrowed	(702)	(665)
	23,687	(665)

Notes to the accounts

for the year ended 31 July 2012

30 Analysis of changes in net debt	At 1 August 2011	Cash flows	Non-cash changes	At 31 July 2012
	£000	£000	£000	£000
Cash at bank and in hand	7,376	(3,889)	-	3,487
Endowment assets	354	(102)	-	252
	7,730	(3,991)	-	3,739
Short term deposits	5,088	12,422	-	17,510
Debt due within one year	(702)	702	(753)	(753)
Debt due after one year	(14,343)	(24,389)	753	(37,979)
	(2,227)	(15,256)	-	(17,483)

31 Pension schemes

The University's employees belong to two principal pension schemes, the Teacher's Pension Scheme (TPS) and the East Riding Pension Fund (ERPF). In addition, contributions are paid to the Universities Superannuation Scheme (USS) for a small number of staff. The total pension cost for the year was:

	2012	2011
	£000	£000
ERPF charge to the Income and Expenditure account	2,705	2,458
TPS contributions paid	2,714	2,592
USS contributions paid	543	435
Total pension cost	5,962	5,485

ERPF

The ERPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2012 was £3,936,000 of which employers' contribution totalled £3,059,000 and employees' contributions totalled £877,000. The employer's contribution rate was 20.4% until 31 March 2012 and 23.3% from 1 April 2012. Employers' contribution rates will also increase in future to 26.3% on 1 April 2013. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 7.5%.

ERPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the ERPF actuary reviews the progress of the ERPF scheme.

Under the definitions set out in FRS17, the ERPF is a multi-employer defined benefit pension scheme. In the case of the ERPF, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2012.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the Scheme after consultation with professional advisers.

FRS17

The following information is based upon a full actuarial valuation of the fund at 31 March 2010, updated to 31 July 2012 on an FRS17 basis by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2012 were:

	2012	2011
	%	%
Pension Increase rate	2.2	2.7
Salary Increase Rate (see note below)	4.5	5.0
Expected return on assets	5.0	6.4
Discount rate for liabilities	4.1	5.3

The salary increase assumption is 1% pa until 31 March 2015 reverting to the long term rate shown thereafter.

Notes to the accounts

for the year ended 31 July 2012

31 Pension schemes

The recommended mortality assumptions have to date been based on those adopted for the most recent funding valuation. These have been set after extensive analysis of actual LGPS pensioner experience and consultation with individual funds. Based on these assumptions average future life expectancies at age 65 are summarised below:

<i>Current pensioners</i>	2012	2011
Males	22.9	22.9
Females	25.7	25.7
<i>Future pensioners</i>		
Males	24.9	24.9
Females	27.7	27.7

The assets of the ERPF scheme and the expected rates of return were:

	2012		2011		2010	
	Long term return %	Fund Value £000	Long term return %	Fund Value £000	Long term return %	Fund Value £000
Equities	5.6	48,519	7.0	47,644	7.3	39,003
Bonds	3.1	7,763	4.6	6,187	4.8	5,798
Property	3.7	3,882	5.1	3,712	5.3	3,162
Cash	2.8	4,529	4.0	4,331	4.4	4,744
Total market value of assets		64,693		61,874		52,707

The following amounts at 31 July 2012 were measured in accordance with the requirements of FRS17.

Analysis of amount shown in balance sheet	2012	2011
	£000	£000
Fair value of employer assets	64,693	61,874
Present value of funded obligations	(102,688)	(83,892)
Present value of unfunded obligations	(2,409)	(2,210)
Deficit in the scheme – net pension liability	(40,404)	(24,228)

Analysis of the amount charged to staff costs within operating surplus

Current service charge	2,615	2,458
Losses on curtailments	90	-
Total operating charge	2,705	2,458

Analysis of the amount charged to interest payable

Expected return on pension scheme net assets	4,019	3,534
Interest on pension scheme liabilities	(4,604)	(4,690)
Net charge	(585)	(1,156)

Analysis of the amount recognised in statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	(3,086)	3,841
Experience gains and losses	(12,859)	6,282
	(15,945)	10,123

Notes to the accounts

for the year ended 31 July 2012

31 Pension schemes (continued)

Movement in deficit during year	2012	2011
	£000	£000
Deficit in scheme at 1 August 2011	(24,228)	(33,440)
Movement in year:		
Current service charge	(2,615)	(2,458)
Employer contributions	2,923	2,565
Contribution in respect of unfunded benefits	136	138
Loss on curtailments	(90)	-
Net return on assets	(585)	(1,156)
Actuarial (loss)/gain	(15,945)	10,123
Deficit in scheme at 31 July 2012	(40,404)	(24,228)

Analysis of the movement in the present value of scheme liabilities

At the beginning of the year	86,102	86,147
Current service cost	2,615	2,458
Interest cost	4,604	4,690
Contributions by members	877	906
Actuarial losses/(gains)	12,859	(6,282)
Past service gains	-	-
Loss on curtailments	90	-
Estimated unfunded benefits paid	(136)	(138)
Estimated benefits paid	(1,914)	(1,679)
At the end of the year	105,097	86,102

Analysis of the movement in the fair value of scheme assets

At the beginning of the year	61,874	52,707
Expected return on assets	4,019	3,534
Contributions by members	877	906
Contributions by employer	2,923	2,565
Contributions in respect of unfunded benefits	136	138
Actuarial (losses)/gains	(3,086)	3,841
Estimated unfunded benefits paid	(136)	(138)
Estimated benefits paid	(1,914)	(1,679)
At the end of the year	64,693	61,874

Notes to the accounts for the year ended 31 July 2012

31 Pension schemes (continued)

History of experience gains and losses Cumulative	31 July 2012	31 July 2011	31 July 2010	31 July 2009	31 July 2008
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(105,097)	(86,102)	(86,147)	(78,821)	(64,159)
Fair value of scheme assets	64,693	61,874	52,707	43,394	45,463
Deficit in the scheme	(40,404)	(24,228)	(33,440)	(35,427)	(18,696)
Difference between the expected and actual return on assets:					
% of scheme assets	4.8%	6.2%	8.1%	16.6%	28.7%
Experience (losses)/gains on scheme liabilities:					
Present value of liabilities	(1,449)	3,789	59	46	2,647
% of scheme liabilities	1.4%	4.4%	0.1%	0.1%	4.1%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £22,726,000 (2011: loss £6,781,000).

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution.

The amount projected to be charged to operating profit for the year ending 31 July 2013 is £4,340,000. The estimated employer's contribution for the year ending 31 July 2013 is £3,527,000.

TPS

TPS is valued every five years by the Government Actuary. Contributions are paid by the Institution at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 14.1% of pensionable salaries.

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme. At 31 March 2012, USS had over 145,000 active members and the institution had active members participating in the scheme.

The total pension cost for the institution was £543,000 (2011: £435,000). This includes £50,000 (2011: £54,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Notes to the accounts

for the year ended 31 July 2012

31 Pension schemes (continued)

FRS17

Under the definitions set out in FRS17 (Retirement Benefits), the TPS and USS are multi-employer pension schemes. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account equalled the contributions payable to the scheme for the year.

32 Financial commitments

Group and University

At 31 July the Group and University had annual commitments under non-cancellable operating leases as follows:

	2012	2011
	£000	£000
Land and buildings		
Expiring between two and five years inclusive	375	482
Expiring in over five years	322	409
	<u>697</u>	<u>891</u>
Other		
Expiring within one year	35	19
Expiring between two and five years inclusive	152	36
	<u>187</u>	<u>55</u>

33 Capital commitments

Group and University

Provision has not been made for the following capital commitments at 31 July:

Commitments contracted for	3,792	1,749
Authorised but not contracted for	13,017	18,123
	<u>16,809</u>	<u>19,872</u>

Notes to the accounts

for the year ended 31 July 2012

34 Amounts disbursed as agent

Group and University	2012	2011
	£000	£000
a) Access to Learning Fund		
Balance at 1 August	14	15
Funding Council Access grant	258	274
	<u>272</u>	<u>289</u>
Disbursed to students	(237)	(267)
Fund running costs	(8)	(8)
Balance at 31 July	<u>27</u>	<u>14</u>
b) Skills Funding Agency / Young Persons Learning Agency		
Funding Council grants	274	239
Disbursed to students	(214)	(192)
Fund running costs	(14)	(12)
Balance at 31 July	<u>46</u>	<u>35</u>
c) General Social Care Council		
Balance at 1 August	101	49
Received from GSCC	649	858
	<u>750</u>	<u>907</u>
Paid to placement providers	(750)	(806)
Balance at 31 July	<u>-</u>	<u>101</u>

Funding Council grants are available solely for students, the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

35 Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations. All major contracts undertaken by the University are subject to an independent tender process controlled by the procurement department. The members of the Board of Governors have no influence over this process or the awarding of contracts to suppliers.

All transactions greater than £1,000 are listed below:

Transactions totalling £443,343 relating to capital grants took place with the East Midlands Development Agency where Mr H Biddle is a director.

A transaction to the value of £8,000 relating to a festival took place with Arts Council England, where Ms M Sinclair is Area Executive Director, London.

Transactions totalling £3,364 relating to marina moorings took place with the Brayford Trust, where Mr K Darwin is a director.

Transactions totalling £1,824 relating to the hire of sports facilities took place with Lincoln Minster School, where Mr R Buttery was a member of the governing body until 31 March 2012.

Transactions totalling £192,509 relating to teaching and medical support took place with NHS Lincolnshire, where Mr R Buttery is a non-executive director.

Transactions totalling £55,296 relating to teaching and medical support took place with United Lincolnshire Hospitals NHS Trust, where Mr K Darwin is a non-executive director.

Transactions totalling £907,103 relating to property rental and research activity took place with Siemens Industrial Turbo Machinery Ltd, where Mr N Corner is a director.

Notes to the accounts

for the year ended 31 July 2012

Transactions totalling £97,975 relating to research activity took place with the University of Nottingham, where Prof S Bailey is Head of the School of Law.

Transactions totalling £366,575 relating to block grant, rental charges and supported activities, took place with the University of Lincoln Students' Union.

At 31 July 2012, the following amounts were owed to the University: £8,000 from Arts Council England; £416,454 from Siemens Industrial Turbo Machinery Ltd; and £23,089 from the University of Lincoln Students' Union.

The University has taken advantage of the exemption allowed by FRS8 (Related Party Disclosures) not to disclose transactions between group companies.

The governing body and officers 2011/12

The Governors who served in the period from 1 August 2011 were as follows;

Mr G Secker (Chair) (until 31 July 2012)

Professor S Bailey

Mr H Biddle

Mr R Buttery (Deputy Chair)

Mr N Corner

Mr K Darwin OBE

Ms J Fox (Student Member) (from 1 July 2012)

Ms D Gilhespy

Ms M Jackson

Dr M Kierstan

Professor G Layer OBE

Mr A Sharif (Student Member) (until 24 November 2011)

Ms M Sinclair

Dr J Slack (Staff Member)

Professor M Stuart (Vice Chancellor)

Ms K Taylor (Student Member) (from 1 February 2012 to 30 June 2012)

Mr R Whetton

The officers who served in the period from 1 August 2011 were as follows;

Senior Management Team

Professor M Stuart	Vice Chancellor
Professor A Atherton	Senior Deputy Vice Chancellor
Professor J S Davidson	Deputy Vice Chancellor
Dr F Mannsaker	Deputy Vice Chancellor (until 31 August 2011)
Professor I Owen	Deputy Vice Chancellor
Mr C Spendlove	University Registrar
Mrs J Billam	Director of Human Resources
Ms D Harry	Chief Finance Officer
Mrs C Low	Director of Planning & Business Intelligence (from 1 September 2011)
Mr J Plumridge	Director of Estates & Commercial Facilities
Professor N Cherry	Pro Vice Chancellor (from 1 September 2011)
Professor A Hunter	Pro Vice Chancellor (from 1 September 2011)
Professor S Owen	Pro Vice Chancellor (from 1 September 2011)
Mr P Walsh	Clerk to the Board of Governors

The governing body and officers 2011/12

The University's principal advisers were;

Lloyds TSB plc

Bankers

Deloitte LLP

External Auditor

KPMG LLP

Internal Auditor



UNIVERSITY OF
LINCOLN

University of Lincoln
Brayford Pool, Lincoln
LN6 7TS

T: 01522 882000
F: 01522 886 041