



UNIVERSITY OF  
**LINCOLN**

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Financial Statements 2014/2015

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## Key Highlights for the year ended 31 July 2015

### Strategic plan

The University of Lincoln continues to make significant progress against the current Strategic Plan. In the Strategic Plan 2011-16, we set out a clear direction for the development of the University whilst enhancing our distinctive reputation for a personal student experience. During this time, the University has grown in reputation and standing within the sector, local community, nationally and internationally.

The Strategic Plan 2016-21 is currently in the final stages of development. The whole University community has contributed towards creating our vision and values over the next five years. The new plan, due to be launched in January 2016, focuses on our intention to experiment, innovate and explore new ways of working together, so that by 2021 the University will be known as one of the great 'small-city' universities in the world, with a reputation as a thought leader for 21<sup>st</sup> century higher education.

### Financial highlights

This set of results reflects another year of financial strength for the University of Lincoln and demonstrates the continued sustainability of the institution. Solid income growth and a strong surplus puts the University in an excellent position to invest significantly in the physical, technological and research infrastructure, and to take advantage of the many exciting opportunities available in the current environment. Revenue investments in improving the student experience, boosting research capacity and developing new courses have resulted in a slightly lower surplus and cash flow compared to last year.

	2015 £000	2014 £000
Total income	129,076	119,380
Surplus for the year	9,405	10,304
Net cash flow from operating activities	11,532	15,289
Cash and short term deposits	29,933	31,590
Capital expenditure	13,047	16,815
Net debt	23,094	21,732

### 'Lighting up Lincolnshire' through £130m investment

In 2015, the University announced a new capital investment programme of £130m which will transform the campus, providing further world class facilities to support education and growth across the region. The investment, which is partly funded by a £48m long-term loan from the European Investment Bank, will strengthen research excellence, enable students to benefit from the latest equipment and laboratories, and build on the University's distinctive student experience.

### Technology investment

The major transformation of the University's business systems and processes, supported by substantial investment in information technology, continued throughout the year. The renewal of multiple key business systems will create a forward-looking technological environment and improve the overall quality of the entire student journey.

### National Student Survey 2015

The University of Lincoln has been rated in the top 25% nationally for student satisfaction in several subjects with its Psychology courses ranked number one in the UK. The latest NSS places Psychology top out of 111 institutions for overall satisfaction. Biology was ranked second out of 78, and Lincoln's Design courses, which include degree programmes such as Creative Advertising, Graphic Design and Fashion, were ranked third out of 72 institutions.

### School of Mathematics and Physics

Following the recent successes of the new Schools of Chemistry and Pharmacy, the new School of Mathematics and Physics, supported by HEFCE Catalyst Funding, welcomed its first students in September 2015. The School's vision is to create an internationally renowned centre for research and teaching that provides a world-class experience for students at all levels, with particular emphasis on developing the analytical skills and depth of knowledge needed by modern industry.

### Internationally excellent and world leading research

The share of national research funding awarded to the University has almost doubled following the outcome of the Research Excellence Framework (REF) 2014. The percentage increase of nearly 90% was one of the largest in the UK higher education sector. More than half of the research submitted by Lincoln was judged to be internationally excellent or world-leading. The University was placed in the top ten nationally for two major subject areas for the quality of its research publications, including its largest discipline of health-related research.

### Siemens' Global Principal Partner

The University has been named one of Siemens' Global Principal Partners for research and development collaborations. The prestigious status was conferred on the University at Siemens' third annual UK University Relations Event with its UK partner universities in June 2015. Siemens has a longstanding global programme of engagement with leading universities and research institutions focused on bringing together the best minds for talent development and innovation.

## Key Highlights for the year ended 31 July 2015

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### **University Technical College**

The Lincoln University Technical College (UTC), jointly developed by the University, Lincoln College, and Siemens, opened to students in September 2014. The UTC provides 14-18 year olds with a unique opportunity to combine core subjects such as Mathematics and English with highly specialist studies in Engineering and Science. Studying for an array of GCSE, A Level and technical qualifications, students are immersed in the worlds of academia and industry.

### **'Grow on Growth Fund' to support UK Businesses**

The University of Lincoln has secured funding to deliver a multi-million pound project that will benefit emerging businesses across the UK. The University's Grow on Growth Fund, created with funding from the Government's Regional Growth Fund, provides financial grants to micro, small and medium-sized enterprises to enhance their 'grow-on' from business incubation environments.



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 2015, its current financial position at the year end and factors likely to affect the University 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

<b>Our vision</b>	By 2016 the University of Lincoln will be recognised internationally for its strong ethos of partnership with employers and industry, and for providing a research-engaged academic experience with a personal student experience at its heart.
<b>Our mission</b>	"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."
<b>Our strategic objectives</b>	<p>Our strategic objectives are:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• to promote an internationalised culture of enterprise and innovation across our communities - locally, regionally and internationally, working closely with employers;</li><li>• to develop and promote purposeful knowledge and research, and to develop innovative practices working to support the changing environment;</li><li>• to help students develop into highly engaged, employable and creative-thinking graduates who contribute to the development of society and the economy; and</li><li>• to create a financial environment that allows us to invest in our future.</li></ul>
<b>Our measures of success</b>	<p>Our key measures of success will be:</p> <ul style="list-style-type: none"><li>• increasing and diversifying our income streams;</li><li>• increasing our postgraduate and international student numbers;</li><li>• increasing the proportion of research active-staff and associated research funding streams;</li><li>• continuing to achieve high levels of student satisfaction in the National Student Survey;</li><li>• increasing levels of graduate employment and improving starting salaries;</li><li>• increasing the number of internships and graduate placements; and</li><li>• increasing our flexible and work-based portfolio.</li></ul>
<b>Where we are now</b>	<p>The Higher Education (HE) 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 current strategic plan in November 2011, against the background of the significant changes taking place in the sector and is preparing the plan for its next stage of development for 2016-21.</p> <p>The transition to the new funding regime presented a significant challenge to all institutions. Lincoln responded well to this challenge with continued income growth and diversification in 2014/15. The most threatening challenges to HE, however, remain to be announced and there is a significant level of uncertainty in relation to policy which creates an imperative for the University to be resilient to major and rapid change, by diversifying our activities to meet demand and the change in context of HE.</p> <p>Investment in facilities and infrastructure has continued over the last year. 2014/15 also saw the University announce new capital investment totaling £130m which will transform the campus, providing world class facilities to support education and growth across the region.</p> <p>There have been many exciting developments across all areas of the University with the first cohorts joining new Maths, Physics, Music and Economics programmes.</p>

## Section 2 - Our Operating Environment

### Competition

Large higher education institutions, mainly located in major UK cities, continue to be the University of Lincoln's key competitors. One of Lincoln's distinct advantages when compared with these competitors is its location within a safe, pleasant and compact city, with a high quality of living.

As Lincoln develops and our profile changes, particularly in terms of our research, this will bring competition from more research-intensive institutions and place us in a different competitor set.

### Policy and Government

The Higher Education landscape in which the University operates has significantly changed, with funding for home/EU undergraduate students transferred from institutions to a system of loans for students, and with ever increasing controls on international students. These changes have created a number of challenges and opportunities for institutions.

The University will continue to focus on:

- Diversifying income streams;
- Development of STEM (Science, Technology, Engineering, Mathematics) provision; and
- Ensuring that both Home EU and International student numbers are optimised.

Changes and reductions to the way in which institutions are funded mean that one of the University's key focuses continues to be on diversifying its income streams. The University continues to model scenarios and sensitivities to ensure that it is able to deliver sustainable and viable plans going forward. The University of Lincoln has developed a clear strategy around growth and diversification.

### Demand for higher education

The lifting of the fees cap to £9,000 in 2012 with the intention of creating a more competitive market, alongside the significant cuts to the Higher Education sector funding, has created a situation of considerable uncertainty within the sector. The Government has also made it easier for private sector providers 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' agenda 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 the portfolio is kept under constant review. Foremost amongst this is the continued development of STEM disciplines.

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 Students' Union.

## 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 2015, its current financial position at the year end and the factors likely to affect the University in the future.

### Financial Management and Sustainability

The University continues to make substantial progress in diversifying income, controlling costs and creating an operating model to establish financial stability and sustainability. It is a challenging time for Higher Education, 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 major changes to the funding regime in 2012/13, and the ongoing uncertainty around Government funding, continues to have a significant effect on the finances of every university. The reliance on government controlled income at the University of Lincoln means that to ensure our financial sustainability, we need to continue to grow and diversify our other income streams, and plan and control the cost base.

We need to do this whilst enhancing 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 another year of strong operating surpluses. The 2014/15 result and the healthy year end cash balances leave us well-positioned to embrace the ongoing funding challenges and ensure the financial stability and sustainability of the University. We have the strength and resources to fund our further planned developments and strategic investments in order to deliver an even better experience to our current and future students.

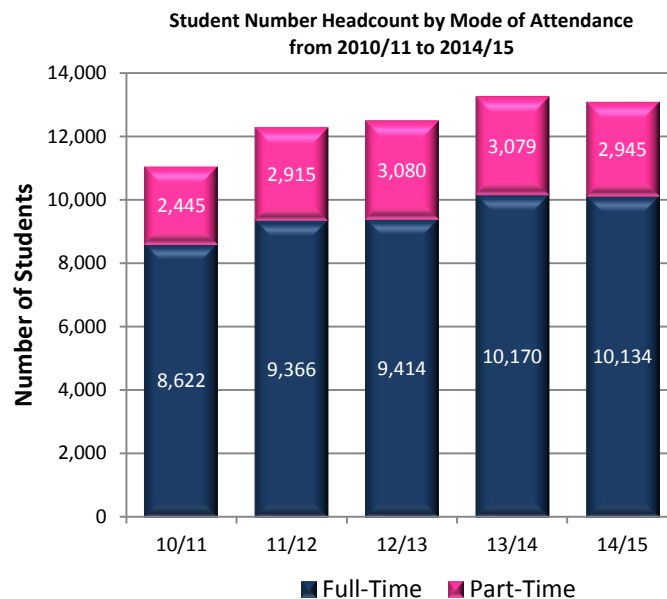
The financial performance for the year and financial position at the year-end are considered in further detail in Section 4 of this Operating and Financial Review.

### Academic Review

#### Students

The University continues to identify student numbers as one of the key risks and opportunities that it faces – and therefore great efforts continue to be made to meet recruitment targets and improve retention rates, in an increasingly competitive market place.

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

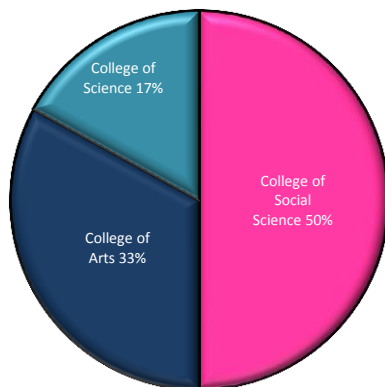


Total headcount for the year ended 31 July 2015 is 13,079 (2014: 13,249).

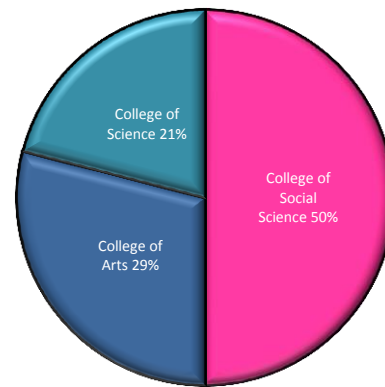
The proportion of part-time students has decreased marginally to 22.5% in 2015 from 23.2% in 2014.

The profile of undergraduate and postgraduate student FTE by College, for the year ended 31 July 2015, is set out below.

Undergraduate FTE by College 2014/15



Postgraduate FTE by College 2014/15



### Teaching and learning strategy

The University's teaching and learning strategy is currently contained in its 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 reflected in the Teaching and Learning Plan and are supplemented by a number of second tier Key Performance Indicators that are specific to the Plan.

The foundation of the Teaching and Learning Plan is the University's Research Engaged Teaching strategy (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 inclusion of research and research-related activities in all parts of the curriculum and the introduction of students to these at the earliest stages of their academic careers. In this way students become active participants in their own education and collaborate with academics in the production and dissemination of knowledge and meaning. Student as Producer is also premised on broad and deep student engagement in all aspects of the University's life, which further contributes to the breadth of their learning experience.

The University's Strategic Plan 2011-16 and its Teaching and Learning Plan 2011-16 are complemented by the Digital Education Plan. This Plan addresses the objectives of the Strategic Plan and the KPIs which have been set around the use of the digital technologies and digital media in the Teaching and Learning Plan. It is also designed to ensure that the University of Lincoln has a digital education environment which not only meets our communities' and stakeholders' immediate needs and expectations, but which also positions the University to prepare for and negotiate an uncertain digital future with confidence.

As the University goes through the process of refreshing its strategy in 2015/16, we will also take the opportunity to review and refresh the Teaching and Learning and Digital Education Plans with the aim of creating a single strategy that is consistent with the University's overarching approach.

### Quality and standards

During academic year 2014/15, the Office of Quality, Standards and Partnerships (OQSP) has worked hard to maintain and enhance the University's robust quality assurance systems. Institutional processes for Programme Approval, Programme Modification, Periodic Academic Review, Annual Programme Monitoring and Academic Partnerships have all been reviewed and updated.

Annual Programme Monitoring processes have been further refined and continued work, with colleagues from Planning and Business Intelligence, has taken place to improve the accessibility and quality of data evaluation and benchmarking. In addition to explicit consideration of Student as Producer's impact on the curriculum and how students are engaged in the review and development of programmes, teams must now confirm that all students on the programme have been assigned a named member of academic staff as their Personal Tutor and describe the arrangements in place for individual and tutorial group meetings to support the implementation of the Personal Tutoring Policy.

Work to improve the University's use of management information has also taken place within the Periodic Academic Review (PAR) process, with defined and pre-populated data reports and templates being designed for Programme Teams to evaluate. In addition, during 2014/15, OQSP piloted the introduction of a Student Written Submission (SWS) document as part of the PAR process. This was very successful, and will be incorporated into all reviews during the forthcoming academic year.



In addition to the SWS, OQSP has continued to develop its quality assurance systems to further embed student engagement and the Student as Producer principles, with students taking seats as full members on Validation, Revalidation, and Periodic Academic Review panels.

This work helps to ensure that the University is in a strong position in the approach to the upcoming mid-cycle Quality Assurance Agency's (QAA) IRENI (Institutional Review of Higher Education Institutions in England and Northern Ireland) visit to the University. The Action Plan produced by the University following the IRENI review was updated again during 2015 and submitted to the QAA to demonstrate continuing progress in responding to the recommendations made by the reviewers (available via - <http://www.lincoln.ac.uk/home/qaa/>). For such a mid-cycle review, the QAA requires universities to report by exception on their action plans, noting those areas where planned actions have not yet been achieved. At Lincoln, OQSP has overseen institutional progress to a position where the University will be able to report that all recommendations have been met.

The University has continued to strengthen its standing in the professions during the 2014/15 academic year, having received formal accreditation (or reaccreditation) from the Broadcast Journalism Training Council, the Forensic Science Society, the British Computer Society, the Institute of Mathematics and Its Applications, the Chartered Institute of Personnel and Development, the Health Care Professions Council, the Nursing and Midwifery Council, the European Herbal and Traditional Medicine Practitioners' Association, the British Psychological Society and the Higher Education Academy. In addition, the School of Pharmacy successfully passed through 'Step Four' of the 'Seven Step' accreditation process by the General Pharmaceutical Council.

#### Careers and employability

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

The 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, our graduates continue to have great employment prospects. The Destination of Leavers from Higher Education (DLHE) survey results show 93% of our 2013/14 students were in employment within six months of completing their course and 71% had secured graduate-level positions. We have continued to invest in this critical area to increase the level of support and opportunities for our students and graduates.

During 2014/15 we built on and enhanced existing activity, including:

- Our Job Shop, in partnership with the Students' Union, has continued to provide high quality opportunities for part time employment for over 1,800 students.
- Our Careers & Employability Framework, the Lincoln Award, has continued to see significant engagement with over 1,300 students taking part in the scheme. This is recognition for the significant developmental work that we have undertaken, including a new format for Skills Assessments, new employer partnerships and an increased engagement with programmes of study linked to the Award.
- The 'Find Your Feet' fair recorded a record number of exhibitors and over 1,300 students in attendance.
- We have built and developed our approach to engage students with their graduate opportunities through an increased number of recruitment 'roadshows' and visits to national fairs and exhibitions – taking our students to the recruiters.
- The Team continue to work closely with the Business Incubation team to offer a comprehensive support package for students self-employment. This has included the development of an information resource, external presenters, and a joined up approach to national entrepreneurship competitions such as University Business Challenge.

## Research, Enterprise and Income Diversification

The University continues to invest strategically in an annual Research Investment Fund to assist academic staff with the development of new strategic research opportunities to support our infrastructure, whilst sustaining continued growth in our external income and contribution levels from research, educational contracts and consultancy activity. In a highly competitive funding environment we continue to promote research of international excellence and impact, building strong academic leadership.

Whilst building on the relationships with our strategic research partners, we continue to seek new ways to develop our support for local and national SMEs, building strategic research collaborations to translate the outputs of our high quality research and to provide innovative solutions to real world problems, in particular through our portfolio of innovative Knowledge Transfer Partnerships (KTPs). This will further enhance the development of academic staff and build on our existing intellectual property portfolio.

As an active anchor institution to our surrounding region, we engage with research users and stakeholders throughout the research lifecycle, from design to delivery, to maximise the scientific, economic, social and cultural impact of our research.

The University of Lincoln is a stimulating and innovative centre of academic excellence. In the REF 2014, more than half of our submitted research was judged to be internationally excellent or world-leading. Over the last 10 years, there has been significant investment in the infrastructure for both research and teaching, but it is the targeted investment in the research environment that has enabled the University to attract high-quality staff, creative and productive students and successful business collaborations.

We have a thriving research portfolio, as evidenced in our REF 2014 results. To further develop a forward-looking research and enterprise culture, we have maximised opportunities to link with other professional research managers nationally to help Lincoln be a major voice and beneficiary of innovative thinking and best practice.

## Engagement with Business and Contribution to the Local Community

### Engagement with strategic business partners

In 2014/15 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. The success of this partnership continues to attract national attention, including being highlighted in the, government-commissioned, Witty Review as an important example of the way in which industry and academia can collaborate.

We have continued to work to implement our plans for the Lincoln Science and Innovation Park (LSIP) in a joint venture with the Lincolnshire Co-operative. We have created a hub of science and technology adjacent to the Brayford Campus, bringing together academic expertise and commercial tenants. We continue to manage the Think Tank Innovation Centre, a 33,000 ft<sup>2</sup> facility adjacent to the LSIP site creating a shared management structure with our incubation centre, Sparkhouse, which provides integrated support to new-start and growing businesses. On behalf of the joint venture company, we have secured investment to create the Boole Technology Centre, providing the first dedicated commercial space on the LSIP site. The University is already acting as the investment magnet for high-value industrial co-location. Together with the City of Lincoln Council and Lincolnshire County Council, we see the development of the LSIP as the heart of a new high-skills employment zone to stimulate the economy of the city and wider region.

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

We continue to work extensively on the student demand side, creating key progression pathways to build our employer links, including in partnership with the Lincoln UTC 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 employers need and want, is truly innovative.

### Community engagement

Since its establishment in Lincoln, the University has been actively engaged with its local and regional communities. It now has a significant positive impact on the economic, social and cultural life of the city of Lincoln and the county of Lincolnshire, and this continues to develop as the University continues to grow.

The University engages with its communities through a broad range of staff and student voluntary contributions, supporting trusts, charities and third-sector organisations with shared expertise. Members of staff act as school and

academy governors, volunteers for charities, advocates for social improvements and better inclusion in Higher Education. Students engage in community support ranging from fundraising for charities, keeping the campus and environs tidy and assisting with literacy and other educational programmes in schools.

In 2015 the University launched the Lincolnshire Children's University offering 5-14 year olds the opportunity to accumulate credits for extra-curricular activities during their time at school, leading to the award of their own Children's University 'degree'. Participation by schools and other stakeholder organisations has revealed considerable support for Lincolnshire children to consider the options of further, higher and apprentice level education as natural next steps in their personal development.

#### **Business Incubation**

Sparkhouse Incubation Centre continues to grow on its success, having now supported more than 350 new businesses to establish, develop and grow. The centre has received national awards, 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 has operated at nearly 100% occupancy and the shared facilities are 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. The University is leading the establishment of an Innovation Board on behalf of the LEP to support and drive business development throughout the area.

#### **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 high quality local Continued Professional Development (CPD) provision. These centres provide the facilities, expertise and focus required to grow significantly our CPD offer to strategic employers, enhancing productivity and performance.

#### **Community volunteers team**

In partnership with the Students' Union, there are more than 600 staff and students registered for voluntary work in the local community. The Community Volunteers Team has established links with more than 100 community partners and local branches of national charities, offering a brokering service to help fill local volunteering opportunities.

### **Staff and Organisational Development**

#### **Strategy**

During 2014/15 our strategic focus was on completing the delivery of the key projects and initiatives highlighted within the 'People Plan'. The overall ambition and focus of our work is to create an environment which challenges and supports our staff to develop and grow with the University. This set the context for us and meant that we have concentrated on enhancing people's performance and development as well as improving the capability of our technology.

#### **Progress**

Our review of progress in delivering the Human Resource (HR) related strategic objectives demonstrates that in 2014/15 we achieved the following, inter alia:

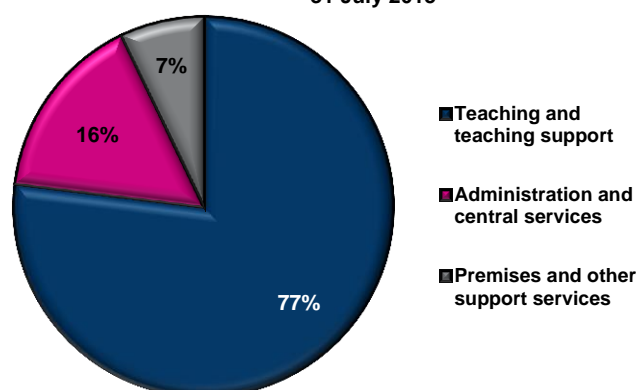
- Implemented an integrated HR and payroll system which has enabled the streamlining of processes, introduced employee self-service as well as bringing payroll in house;
- Benefits: 96% of our workforce is enrolled in one of our three pension schemes and we saw a 17.5% increase in take up of our voluntary benefits package;
- Staff Development: we ran over 80 different development events and programmes with over 1,500 delegates engaging with these events;
- Student engagement; building on established practice of students sitting on all recruitment interviews to recruit staff into student facing roles we are conducting a pilot for students to sit on presentation panels for all teaching roles. This extends their influence to select their lecturers as well as offering them the opportunity to develop their own selection skills; and
- Supporting student employability: we recruited 35 interns in 2014 with 43% of this group securing further employment with the University post completion of their internship.

## Staffing profile

We have continued to grow our workforce as we extend our portfolio, particularly within the College of Science where this year we created the Schools of Maths and Physics. We also continue to increase the number of students we employ.

Average total staff numbers have increased with 1,368 FTEs during year ended 31 July 2015 (2014: 1,255 FTEs).

Staffing Profile by Employee Group - year ended 31 July 2015



## Physical Infrastructure

### Estates strategy

The University will develop a new Estates & Commercial Facilities Strategy following the publication of the University Strategic Plan 2016–21. Meanwhile, the University continues to invest in new and improved facilities, supporting services and environmental sustainability.

### Progress against University strategic priorities

Work continues on three major new investment projects on the Brayford Pool campus which will extend and enhance the University's teaching, research and support facilities:

- The Isaac Newton Building will house the Schools of Computer Science, Engineering and Mathematics & Physics, as well as accommodating the College of Science Executive Office and the University's expanding partnership with Siemens. The first phase of the building is due to open in Spring 2016, with the larger second phase to follow in Summer 2017.
- The Sarah Swift Building will be the new home for the Schools of Health & Social Care and Psychology. Subject to planning permission, construction is expected to start before the end of 2015 with the building opening in summer 2017. This development is the next phase of the University's award-winning regeneration programme in the Wigford Yard area and will contribute to an attractive new pedestrian route connecting the campus to the High Street.
- The Marina Courts Residences will provide attractive new accommodation for up to 500 students. Subject to planning permission, construction is expected to start in 2016 with completion in summer 2017.
- The consolidation of five Schools into the Isaac Newton and Sarah Swift Buildings will release a substantial quantity of academic space across the campus, enabling further improvements to facilities for all three Colleges as well as enhanced central teaching and support facilities.
- In addition, the University is engaged in a significant programme of smaller investment projects to support growth, enhance efficiency, and address remaining pockets of less suitable space.

Highlights for 2014/15 included:

- Continued investment in long-term maintenance, including the third and fourth phases of the Student Village refurbishment programme. This has resulted in a substantially improved student experience and reduced energy consumption in the refurbished rooms.
- The physical infrastructure provided a positive contribution to the University's 40<sup>th</sup> position (out of 113 institutions) in the 2015 Times Higher Education Student Experience Survey. As in 2013 and 2014, the campus and facilities scored highly, including an 8<sup>th</sup> place nationally for "centralised / convenient facilities" and 16<sup>th</sup> place nationally for "good security".
- Further development of processes for gathering, analysing and responding to student feedback, which have translated to a number of improvements across the campus, including improvements to the design of teaching, learning and social spaces.

## **Environmental Sustainability**

<b>Investors in the Environment</b>	In 2014/15, the University achieved Investors in the Environment accreditation at the highest possible level, recognising its progress toward environmental sustainability. The University has convened an Environmental Sustainability Committee to build on this success and oversee progress in this area.
<b>Revolving Green Fund</b>	In January 2015, the University secured £0.5m of external funding for further energy efficiency projects through the Revolving Green Fund 4. A range of energy efficiency measures are being deployed across the estate. The Estates and Commercial Facilities team is also exploring options for on-campus power generation.
<b>Biodiversity</b>	Biodiversity on campus has been enhanced through the creation of two wildflower meadows, and further plans are in development to integrate diverse planting and habitats into future phases of landscaping and construction.
<b>Cycling infrastructure</b>	The University continues to invest in cycling infrastructure and services, with new bikes added to the University's rental fleet, the installation of a 'Hirebike' station on campus, and new secure cycle stores added across campus during 2014/15. Further enhancements and promotions are planned for 2015/16.

## **Future Developments**

The University, like most higher education institutions, is reviewing how it operates its business in response to the ongoing challenges of the current economic and political climate. Government changes to student number controls and immigration, along with changing student behaviours and demand patterns, will necessitate changes to the University's student profile and portfolio. The University continually monitors the market and 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 research, development strategies and the physical and technological infrastructure. 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 enhancing 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.

Financial year 2014/15 has been another very successful year with a record operating result and strong cash generation, allowing us to continue to invest in the infrastructure of the University. Our strong, and sustainable, financial position has allowed us to secure loan funding of £48m from the European Investment Bank (EIB) to support our continued growth programme, further enhancing the student experience and research agenda. The long-term loan funding from the EIB, alongside the University's own funds, will deliver the ambitious capital investment programme planned over the next three years. New world-class facilities will support education and growth across the region, enabling current and future generations of students to benefit from the latest equipment and laboratories, and support the University's distinctive student experience. Alongside all of the other ongoing developments at the University, including the growth of new subjects and the progression of the Science and Innovation Park, this level of investment and growth will make the next few years a very exciting period.



## Section 4 - Financial Performance

This year's result represents another year of sustained progress, and the significant improvement in the control of financial performance during a period of uncertainty. Continuing income growth and operating surpluses, along with a strong balance sheet, demonstrate the continued financial stability and sustainability of the University. We have the strength and resources to fund the further planned developments and strategic investments in order to deliver an even better experience to our current and future students.

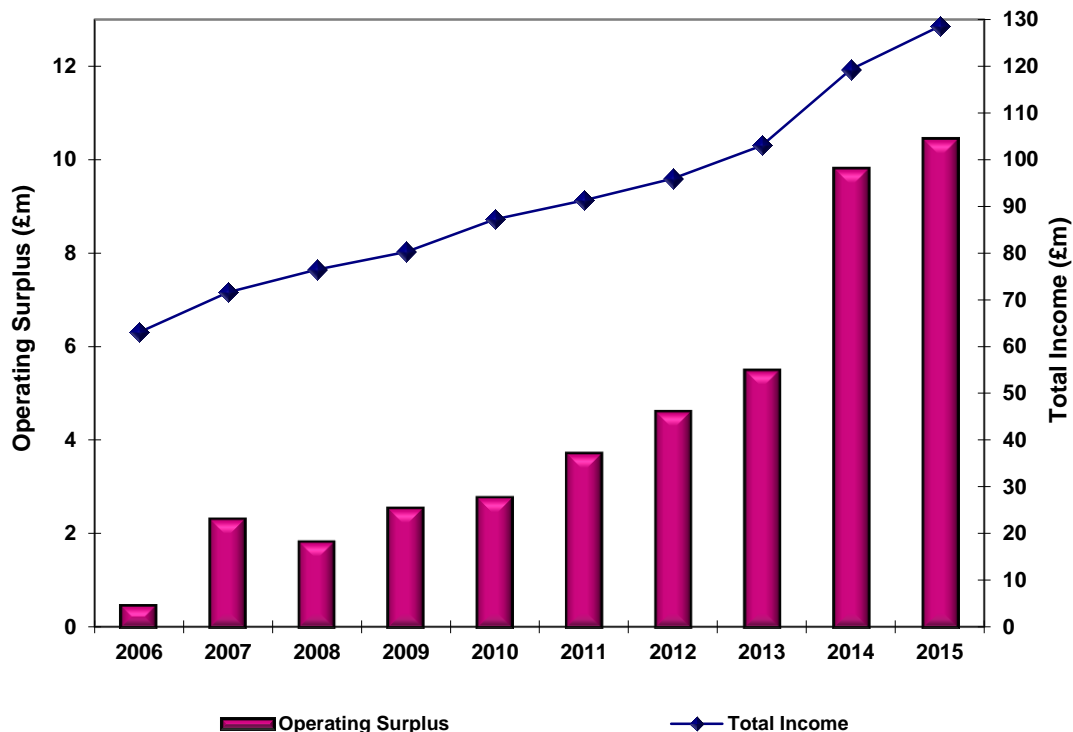
### Income and Expenditure Account

#### Income and Expenditure Account – Year Ended 31 July 2011 to 31 July 2015

##### Historical trend

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Income	91,255	95,915	103,032	119,306	128,914
Operating costs	(82,252)	(85,338)	(89,545)	(100,327)	(109,436)
<b>EBITDA</b>	<b>9,003</b>	<b>10,577</b>	<b>13,487</b>	<b>18,979</b>	<b>19,478</b>
Depreciation	(3,892)	(4,253)	(4,995)	(6,062)	(6,752)
Interest and Financing	(1,378)	(1,694)	(2,975)	(3,104)	(2,529)
<b>Operating Result</b>	<b>3,733</b>	<b>4,630</b>	<b>5,517</b>	<b>9,813</b>	<b>10,197</b>
Staff restructuring	(1,693)	(1,321)	(782)	(359)	(1,042)
Profit on disposal	-	583	-	-	-
Other 'exceptional'	(581)	(800)	(1,600)	850	250
Taxation	-	-	-	-	-
<b>Net surplus</b>	<b>1,459</b>	<b>3,092</b>	<b>3,135</b>	<b>10,304</b>	<b>9,405</b>

Financial Performance - Historical Trend  
Year Ended 31 July 2006 to 31 July 2015

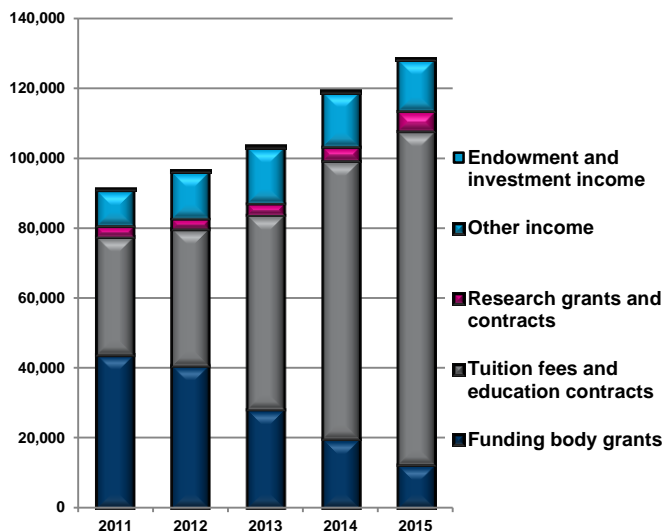


## Operating and financial review for the year ended 31 July 2015

### 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 continued to reduce in 2014/15.

**Income Analysis - Year Ended 31 July 2011 to 2015**



Current year tuition fees are 74% of total income (2014: 67%), with funding body grant income representing 10% (2014: 17%).

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.

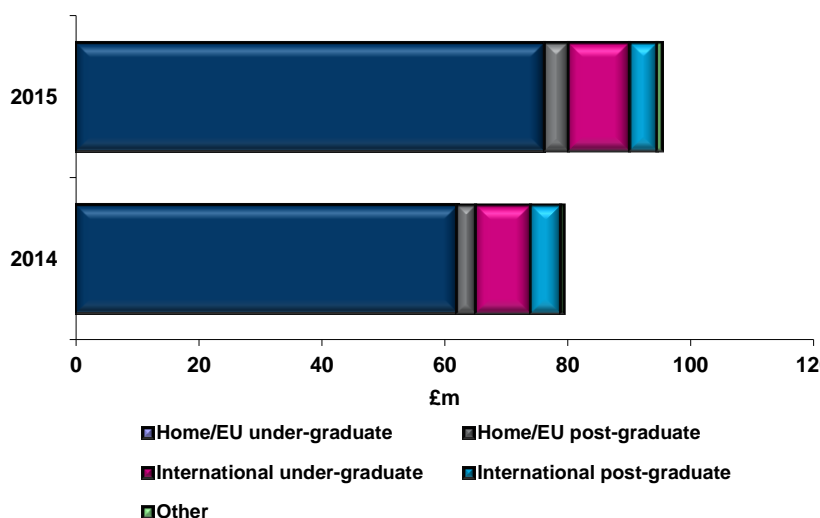
Income before non-operational items increased by 8.1% year on year, from £119.3m in 2013/14 to £128.9m in 2014/15. The reduction in funding body grant income of £7.4m was more than offset by increases in tuition fee income and other income. Tuition fee growth is considered in further detail below.

Tuition fee income has increased by £15.9m from 2013/14 to 2014/15.

As noted, the increase in the home/EU under-graduate fee income is as a consequence of the new fee regime.

The increase in international and post-graduate fee income is consistent with the University's strategy of growing these areas of the student population.

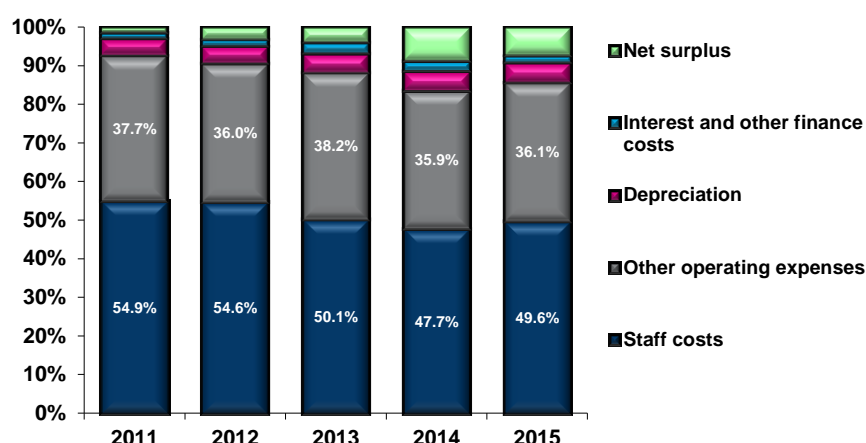
**Analysis of Tuition Fees and Education Contracts  
Year Ended 31 July 2015 vs 31 July 2014**



### 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.

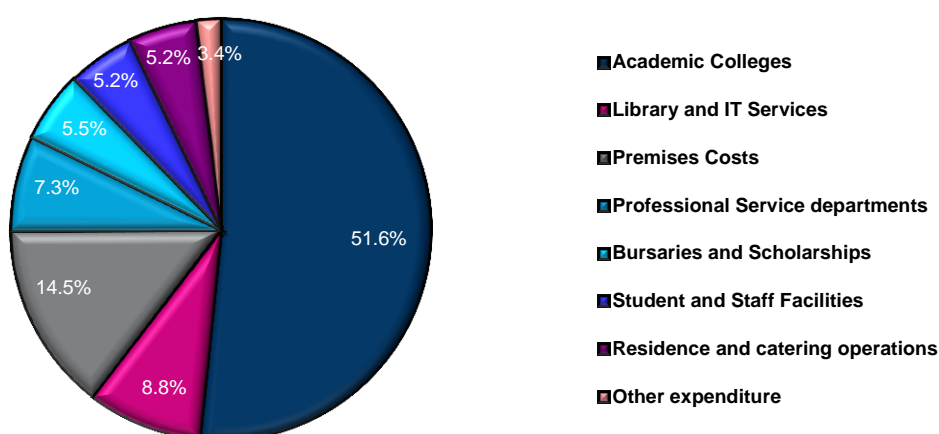
Expenditure Analysis - Year Ended 31 July 2011 to 2015



The University's total annual expenditure increased by 9.6% during 2014/15. The University has ensured that all costs have been closely monitored and controlled with the increased student income being invested in improving the student experience. Substantial investment has been made in the Academic Colleges supporting the research-led teaching agenda along with significant levels of increased bursaries and scholarships.

The chart below shows a breakdown of the University's expenditure in 2014/15.

Where the University Spent its Money - Year Ended 31 July 2015



## Non-operating items

Certain items have been excluded from the operating result set out on page 12 due to their non-operational nature. This includes staff restructuring costs and profits on disposals of assets. In addition, during 2012/13 the University recognised a potential liability arising from an ongoing dispute on a historical educational contract. This liability was reassessed in both 2013/14 and 2014/15 following partial, and then full, settlement of the dispute. This resulted in a non-operational credit to the income and expenditure account in both years.

## Balance Sheet

The consolidated balance sheet is detailed in the financial statements that follow. Total net assets (excluding the pension liability) have increased by £9.7m to £120.4m (2014: £110.8m). The liability in respect of the Local Government Pension Scheme (LGPS) has decreased to £36.4m (2014: £37.7m).

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

## Tangible assets

Tangible fixed assets have increased to £156.4m (2014: £150.1m), with capitalised expenditure during the year of £13.0m. Key projects included:

- The completion of the Joseph Banks Laboratories and Minster House, which opened in September 2014;
- The commencements of building work on phase one of the Isaac Newton Building; and
- The substantial investment in Information Technology as part of the three-year programme to renew multiple key business systems.

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.

#### Net current assets

Net current assets have increased to £16.4m (2014: £14.6m). The University continues to manage working capital to ensure that sufficient liquid funds are available to meet short term liabilities.

#### Long term liabilities

Creditors due after one year of £51.2m (2014: £52.3m) primarily relate to bank loans. There have been no breaches of any existing or new loan covenants during the year.

#### Pension liability

As noted above, the net liability in respect of the Local Government Pension Scheme (LGPS) has decreased to £36.4m (2014: £37.7m). The provision is based on estimates provided by the University's actuary in accordance with FRS17. The shortfall and deficit position at the current year end are in line with most other public sector bodies. The funding position has improved during the year primarily because future salary increase assumptions have reduced. This assumption is used to estimate the future level of pension scheme liabilities with reductions in salary increases reducing the value of the pension liability. We do not anticipate that the 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 future pension liabilities, and does not relate to any significant payment liability arising in the short or medium term.

The University's current employer contribution rate is 28.1%. This represents 17.8% in respect of the future service rate, and 10.3% deficit recovery repayment. The deficit recovery repayment is based on a 15-year recovery plan at the date of the last full formal actuarial revaluation. The recovery plan will be updated following the next actuarial valuation on 31 March 2016. The University does not anticipate making lump sum payments in to the scheme, and will endeavor to continue to reduce the deficit through increased employer contribution rates.

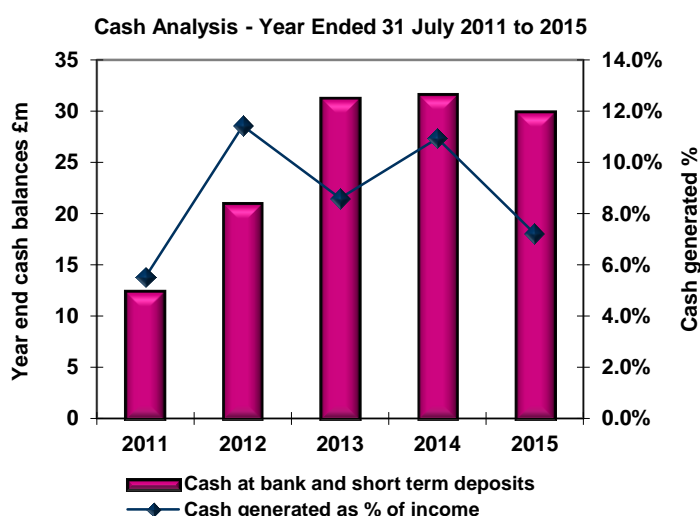
#### Reserves

Total reserves have increased to £48.9m (2014: £39.5m). The movement reflects the surplus for the year of £9.4m transferred to reserves.

#### Cashflow

#### Cash generated

The consolidated cashflow statement shows that the net cash inflow from operating activities during the year was £11.5m (2014: £15.3m). Cash at bank and short term deposits (including endowment assets) decreased from £31.7m at 31 July 2014 to £30.1m at 31 July 2015.



Cash generated from operations was 7.2% of total income for 2014/15. For the purposes of internal reporting this is stated after net interest charges, effectively representing cash generated for reinvestment.

Cash balances, borrowings and net debt have all remained relatively constant compared to 2013/14. All cash generated from operations has been reinvested back into the University facilities.

**Borrowings and  
net debt**

As at 31 July 2015 the University's borrowings amounted to £53.2m (2014: £53.5m). Cash at bank and short term deposits (including endowment assets) were £30.1m (2014: £31.7m) resulting in a net debt position of £23.1m (2014: £21.7m).

During the year the University drew down the latest tranche of the The Royal Bank of Scotland plc (RBS) facility of £1.1m. A further £0.6m is due to be drawn down from the RBS facility over the period to December 2015 to fund the final elements of the backlog refurbishment works at The Lincoln Courts.

Most of the University's borrowings are now on fixed interest rates (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 fixed the interest rate on 94.5% of its drawn down borrowings and 96.6% including all undrawn amounts.

The University fixed the interest rate on all its Dexia loans from January 2012.

The interest rate on the Santander facility was fixed from July 2013. At 31 July 2013 the full £15m facility had been drawn down.

The interest rate payable on the first tranche of the RBS facility (£24.3m) was fixed for the full term of the loan (25 years). The balance of the facility (£3.5m) remains unfixed. The University will continually review the future interest rate expectations with a view to fixing the final tranches of the debt.

Further analysis of the University's drawn borrowings as at 31 July 2015 is set out in note 19 of these financial statements.

During the year the University agreed a £48.0m long-term unsecured loan facility with the European Investment Bank to support the next major stage of development on the Brayford Campus. Based on the expected building work schedule, the University has fully fixed the date of the three drawdowns of funds and the interest rate for the full term from each drawdown. Each tranche of funds is repayable over a 25 year term from the date of drawdown.

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 £30.1m and bank borrowings of £53.2m, leaving net debt standing at £23.1m. All of the University's external funding is long-term in nature with 95.4% repayable beyond one year and 75.1% repayable beyond five years. The University regularly reviews its forecasts of future cash flows and believes that it will continue to comply with all bank loan covenants.

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.



## 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
		Average % of all six sections in the National Student Survey plus overall student satisfaction (Qu22)
		% 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 HE landscape continues to change significantly and the current environment presents all institutions with a number of risks and uncertainties. These are set out in further detail in sections one and two of this Operating and Financial Review.

The University has a systematic method of assessing and managing risks to its effective operation and development. Throughout the academic year, these processes continue to be reviewed and developed to refine and improve existing systems.

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' section of these financial statements.

## Section 7 – Public Benefit: The University as a Charity

*"The £2m from the Regional Growth Fund will enable the University of Lincoln to support emerging businesses across the UK. The Grow on Growth Fund will directly create hundreds of new jobs and safeguard existing ones. This is an important example of the contribution universities can make to economic growth."*

*(Business Secretary Vince Cable, who toured the University's School of Engineering in November 2014)*

In June 2015, the University announced a new £130m programme of capital investment in new academic buildings and facilities; the funding included £48m investment from the European Investment Bank, through a long-term loan. To symbolise the University's role as both a catalyst for growth and a beacon of learning in the region, a giant beacon was lit in the heart of the campus with MARC the robot from the University's School of Computer Science lighting the ceremonial fire. Visiting the campus, Jonathan Taylor, Vice President of the European Investment Bank, said: *"Investment in new teaching and research facilities is essential for ensuring that graduates across Europe have the high-level skills needed by cutting edge companies and public services. New investment by the University of Lincoln will strengthen research excellence, enable students to benefit from the latest equipment and laboratories, and build on the university's distinctive student experience. The European Investment Bank is pleased to support the ambitious investment in the University of Lincoln campus that will benefit future generations of students, create jobs during construction and further enhance the university's contribution to regional economic development."*

The University of Lincoln's pioneering approach to industry engagement has been widely celebrated. The institution has won the Lord Stafford Award for Open Collaboration in 2011 and the 2012 Times Higher Education Award for Outstanding Employer Engagement Initiative. The University of Lincoln was also shortlisted for the award of Entrepreneurial University of the Year in the Times Higher Education Awards 2015.

### 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, and its supplementary guidance on the advancement of education.

### Delivery of Charitable Objectives

The charity's direct beneficiaries are the students enrolled to the University's awards; and 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.

The preceding sections of this Operating and Financial Review 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. In partnership with the University, the Lincolnshire Bomber Command Memorial Trust has secured funding of £3.1m from the Heritage Lottery Fund for the creation of the International Bomber Command Centre. The sections below give a picture of how the principles of contributing to the public good is embedded in the work of the three Colleges that form the academic structure of the University. There are also activities and projects that go across the Colleges - one such project is a cross-disciplinary collaboration between academics from the University of Lincoln's School of Computer Science, School of Psychology and School of Architecture who were all involved in the development of a unique digital garden which won a Gold award at the Harrogate Flower Show in September 2014 (having also won Gold the year before at the Royal Horticultural Society's Chelsea Flower Show). The Digital Capabilities garden responds to social media by monitoring Twitter and translating the trends into changes in the landscape of the garden. By tweeting, the visitors to the shows directly influence how the garden appears at any one time, with the inner depths of the garden only being seen when public excitement about the show reaches a peak.

#### College of Arts

The College of Arts comprises the Schools of Architecture & Design, History & Heritage, Film & Media, English & Journalism, and Fine & Performing Arts, and undertakes programmes of research, teaching, learning and professional practice across a wide range of interrelated subjects. This work is disseminated to our various professional constituencies and the public in several ways – public lectures, conferences, outreach work, online and printed publications, exhibitions, installations, museum and architectural restorations and interventions, consultancies, the public environment, performances, and various forms of knowledge transfer.

The College, home to Siren FM, our 24/7 communication radio station, has won East Midland Station of the Year for the last two years. New Media Lincs was set up as a social enterprise to support local charities, schools and arts organisations to plan for and negotiate any media production needs they have, and to engage students in the creation of high quality media products that help promote their work. The School of English & Journalism runs a School Newspaper Project, through which Lincolnshire schools benefit from academic and industry experts visiting to help pupils partake in the practice of newspaper journalism. The School of Film & Media co-ordinates a Radio in Schools project each year, supporting final year undergraduates to work with up to ten Lincolnshire schools, enabling children and young people to create radio productions for broadcast at SIREN. The Media Archive of Central England (MACE), which contains the recorded media history of our region, is based within the College.

The School of English & Journalism hosted major events, open to member of the public and local schools, addressed by the poet laureate, Carol Anne Duffy, and by the BBC's Foreign Affairs Correspondent, Bridget Kendall. The School of History & Heritage, meanwhile, has played a leading role in the City's celebrations of Magna Carta 800.

The Lincoln Performing Arts Centre (LPAC) runs a wide range of engagement activities aimed at encouraging new audiences to participate in the arts. The free weekly drop-in session called "Little Pacts" has been established to host developmental drama activities for pre-school aged children and remains popular. The programme of events in LPAC is carefully designed with the wider community in mind and features challenging contemporary theatre alongside more mainstream offerings and gala events such as the annual Christmas show. LPAC links with the Lincoln School of Fine & Performing Arts, and the two bodies combine to send a company of students to the Edinburgh Fringe Festival each summer. Six plays were performed in August 2014 were then brought back to the LPAC where they could be enjoyed by members of the university and the public at large. LSFA also hosts Saturday Club, with support from the Sorrel Foundation, which gives young people from the city a chance to come and use the university's fine art facilities.

The Frequency Festival of Digital Culture is now a major biennial event in the East of England arts calendar, and the University of Lincoln is a key partner. Festival events included the Gravity Fields Festival held in Grantham, Gnarl Fest- celebrating new forms of live art, held at the Lincoln Performing Arts Centre each year - and an annual festival based on the work of a different contemporary playwright. The College also supports the work of the Lincoln Book Festival.

Finally, the College has played a key role in the creation of the Bomber Command Memorial Centre. This will show the experiences of those involved in the Lancaster bomber campaign, with performances and screenings created in collaboration with the BBC, local authorities and the RAF.

#### **College of Science**

The College of Science comprises the Schools of Computer Science, Life Sciences, Engineering, Pharmacy, Chemistry, and Mathematics & Physics.

In the last year the College has continued to engage in public engagement activities, including public benefit lectures, and the Newton Academy for Girls scheme that encourages young women to consider a career in Science.

The College continues to develop public benefit in its research. Through the Lincoln Institute for Health, co-founded with the College of Social Science, we contribute expertise in medical imaging, drug development and delivery, and the molecular basis of disease, including a new specialism in computational modeling of bio-molecular interactions.

The College has recently launched the Lincoln Institute for Agri-food Technology (LIAT). Building on the high profile of our National Centre for Food Manufacturing (NCFM), LIAT draws together our research in agri-robotics, food engineering, agronomy, ecology and animal welfare to provide focused support for a sector critical to the economic welfare of the region, and food security for the world. LIAT has strong support from and cooperative links with local agri-food stakeholders.

The School of Mathematics and Physics welcomed its first students in September 2015, providing enhanced regional educational opportunities for students and addressing regional skills shortages. The curriculum includes an optional specialisation in education, and the College anticipates feeding significantly into teacher training initiatives in local schools over the next few years, where Science teachers are in short supply.

#### **College of Social Science**

The College of Social Science consists of seven Schools - Business, Law, Sport & Exercise Science, Social & Political Sciences, Education, Psychology, and Health & Social Care,

The Lincoln Business School (LBS) has continued to build on its portfolio of full-time and work-based distance learning (WBDL) programmes.

The School's links with Britain's armed forces continue to grow, and School was pleased to launch new work-based distance learning degree programmes for the armed forces in Human Resource Management and Humanitarian Supply Chain Management in 2014/15.

LBS aims to deliver research that supports businesses and policy-makers while at the same time deepening knowledge to support our teaching and wider engagement across the academic community. Our Research Groups include:

1. The Community Organisation Group, which in 2014/15 worked on volunteering, community cohesion and community decision making.
2. The Marketing & Supply Chain Research Group, which supports value creation for market, chain and network stakeholders. Our research concerns value chains (supplier, customer and consumer) and the building of social and resource sustainability within a network context.
3. The Rural and Regional Research Group has a growing track record of social and economic development research. This includes locally funded projects to inform economic policies in Lincolnshire as well as national and international collaborations to advise on future approaches to delivering rural policy in England and beyond.
4. The Responsible Management Research Group, which undertakes research to help businesses, as primary drivers of globalisation, ensure that management, businesses, markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

The Visitor Economy Research Group, launched in March 2015, aims to harness the areas of tourism, events and leisure. Current large-scale projects associated with the Group are: research for the Lincoln City Council on visitor satisfaction at, as well as the economic impact of, the Lincoln Christmas Market, and participation in the preparations to launch the International Bomber Command Centre in Lincoln.

The Law School engages in and supports a wide range of extra-curricular activities, a number of which have wider public benefit, including.

- student-run "law clinic" provides legal support to staff and student members of the University community.
- Streetlaw initiative gives students the opportunity to provide legal education classes as part of GCSE and A level programmes in schools and colleges.

- public lectures, including one given by the famed legal journalist, Joshua Rozenberg and another by a former judge of the International Court of Justice.
- the Lincoln Centre for Environmental Law and Justice which, although focused primarily on research, is seeking to develop a wider public engagement remit..

The School has an Advisory Board made up of local professionals to support its work, and on a number of occasions the School has run seminars for the local profession in the changing nature of the legal profession. The Law School is also proud of its student law society, which has had a busy year of activities and which often makes links with the local professions.

The School of Sport & Exercise Science delivers a range of undergraduate programmes including Physical Activity and Health Development. Students on the BSc Sport Development and Coaching degree engage with communities through working in Schools and clubs, and through the module on Adapted Physical Activity, explore disability within the context of physical activity. Members of the Health Advancement Research Team (HART) have recently started a research study with the Lincolnshire Health Trainer Service, part of Lincolnshire District Council.

In the past year School has produced research in areas including Lived Experience of Asthma; and Physical Activity, Ageing and Embodiment. Other research projects of note are:

- Local Food in Lincolnshire: Improving Access to Healthy and Affordable Food for all (2015)
- Providing Weight Management via the Workplace (2014)
- Implementing a Community based Obesity Prevention Programme: Experiences of Stake Holders in the North of England (2014)
- Evaluating Lincolnshire's Exercise Referral Obesity Data (2014)
- LOV project that looked at developing and commissioning artistic and musical performances across Lincolnshire.(2014)
- The School has begun consultancy work with MacMillan, considering people's experiences of exercise during cancer.
- The School works with Slimming World, evaluating online support.

All staff of the School of Social & Political Sciences are research active and are working on a wide range of topic areas including: e-petitions, intelligence and security services, single parent family policy, young people and politics, citizenship, pedagogical issues such as assessment and feedback; and area studies, such as Chinese and Russian politics In 2014, almost all of the School's research was judged to be of an internationally recognised standard, with close to half being internationally leading and a noticeable proportion at a truly world class standard.

The number of postgraduate research students within the School has grown exponentially and includes studies looking at young people and domestic violence; the sociological analysis of brass banding communities; and changing attitudes to welfare benefits in the UK, by way of example.

The newly formed School of Education has developed a School Centred Initial Teacher Training (SCITT) Postgraduate Certificate of Education (PGCE) programme for trainees wanting to be secondary school teachers. The programme has developed in partnership with two local groups of schools: one led by St George's in Sleaford, the other, the Lincolnshire Teaching School Alliance (LTSA), led by the Priory School in Lincoln. The aim of this programme is, in conjunction with our local partnership schools, to train first class teachers in order to help alleviate the shortage of teachers in the Lincolnshire area.

The School of Psychology delivers a range of undergraduate and postgraduate Psychology programmes. Staff have won grants from the UK research councils for projects with a real impact – how to help children with visual impairment; to improve our diagnosis of language delay; to explore our perception of movement. A recent student led campaign was developed to raise awareness of dementia through the dementia friends scheme. Staff research in the area of cognitive function and neuropsychology is tackling practical issues relating to patient care and assessment in collaboration with organisations such as the Order of St John Care home.

In 2015 the School of Health & Social Care worked in collaboration with Lincoln City Council and a broad range of health and social care agencies to launch a strategy towards Lincoln becoming a dementia Friendly City. This initiative built upon the School's engagement with the County Council's Excellent Ageing strategy.

The Community and Health Research Unit continues to expand its reputation, as confirmed in the most recent Research Excellence Framework, for the quality of its outputs and their impact upon practice. Current research projects include Pre-hospital Emergency Quality and Outcomes, Quality and Outcomes in Primary Healthcare, Healthier Ageing, narrative approaches to enhance clinical care for patients with asthma, prescribing safety for GPs plus a recent major award for a study on Improving Cardiac Arrest Recognition and Effectiveness.



**Business  
innovation  
and  
incubation**

Beyond the School and the College, the Lincoln Institute for Health (LIH) is establishing itself as a cross-university research collaboration, formed to research key health and social care problems using a multidisciplinary and multi-professional 'bench to bedside, cell to community' approach.

The University's award-winning Innovation and Incubation Centres, Sparkhouse and Think Tank, have helped more than 350 new companies to get started and grow. Many of these businesses have been started by the University's own graduates, relating in particular to the innovative use of technology, including graphic design, online marketing and social media. This year we have seen the development of an 'Ideas Hub', a creative space for students and graduates to develop their business ideas. Our services are tailored to individual needs with access to accredited incubation support and advice, training and development workshops helping businesses to thrive and achieve their very best.

**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 through the Office for Fair Access (OFFA). For the academic year 2014/15, the standard fee for all new full-time undergraduate UK/EU students was set at £9,000, in line with the majority of English Universities. Most of these students are eligible for UK government funding to pay their tuition fees via a tuition fee loan and for maintenance support, based on a means tested assessment.

The level of tuition fees charged by the University for 2014/15 which was approved through OFFA, was linked to the provision of the University of Lincoln Support Package for students from low income backgrounds. This package of support meant that all eligible students (approximately one in three of the University's 2014/15 entrants) received £3,000 in direct financial support for the first year of their course, with lower amounts being available for future years.

The Earl of Yarborough Scholarship for Chemistry, the Vice Chancellor's Scholarship and the University Excellence Scholarships are provided in addition to the OFFA scholarships and bursaries noted above. The wide range of support packages are designed to ensure, as far as possible, that all students can benefit from higher education, regardless of background or financial circumstance.

Our aim is that nobody should be deterred from applying to the University of Lincoln, or considers leaving their course, due to financial worries.

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

The University offers its students a comprehensive support package, including academic study skills, careers, advice, financial support, sports and exercise facilities, health and counselling services and specialist 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 2014/15, a total amount of £8,000 was paid in respect of claims made by 11 Governors. This figure represents the refunding of out-of-pocket expenses by the Trustees as members of the University governing body in attending meetings and other events, primarily travelling costs. Hotel accommodation, meals and associated costs relating to Board meetings are organised centrally by the University Secretariat and such costs are not included.

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 financial statements 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 2015

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The University of Lincoln is an independent institution, 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 its Instrument and Articles of Government. The following statements are provided to enable readers of the financial statements 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 Higher Education Code of Governance published in December 2014 by the Committee of University Chairs (CUC) states that the governing body of a university must be unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit. The HEFCE Memorandum of Assurance and Accountability emphasises the governing body's "ultimate responsibility that cannot be delegated for overseeing the HEI's activities, to determine its future direction, and to foster an environment in which the HEI's mission is achieved". 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. Conscious of the need for succession planning and refreshment of its membership, the Board undertook a search for new members during 2014 and appointed five new Governors from 1 August 2014, bringing fresh talent to the governance of the University.

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 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 ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators.
3. To delegate authority to the Vice Chancellor, as chief executive, for the academic, corporate, financial, estate and human resource 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 managing conflicts of interest.
5. To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
6. 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.
7. To safeguard the good name and values of the University of Lincoln.
8. To appoint the Vice Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Clerk to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the University, 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 receive assurance that adequate provision has been made for the general welfare of students.
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 this to happen.

## **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 provided by the CUC. 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 Memorandum of Assurance and Accountability 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 University's governance structures and procedures fulfil the Seven Primary Elements set out in the CUC's Higher Education Code of Governance, which the Board of Governors is implementing. In response to one aspect of the Code, the Board has re-established a Nominations Committee, whose remit is to ensure, on behalf of the Board of Governors, that the Board has sufficient skills, knowledge and independence to enable it to discharge its responsibilities. (In recent years, the search for new Board Members, and recommendations as to appointments, has been undertaken by a small 'task-and-finish' working group of Governors.) The Board has appointed a working group to consider the detail of the HE Code of Governance and bring forward any recommendations as to further adjustments.

Between 1 August 2014 and 31 July 2015, the Board of Governors met on eight occasions. It also held a Strategy Day, together with the Senior Management Team, focusing on the development of the University's Strategic Plan for 2016-2021 in the context of the future HE environment, the University's ambitions and values, and the enhancement of the student experience. Prior to June 2015 (when, as mentioned above, a Nominations Committee was re-established) the Board had two sub-committees. The Remuneration Committee, whose responsibilities include reviewing the performance and determining the remuneration of the most senior staff, including the Vice Chancellor, and for considering any proposals for severance payments to the most highly-paid staff, met on three occasions, including a special meeting convened to update the Committee on the impact on changes to pension schemes and taxation arrangements. The Audit Committee met four times; its role includes the consideration of detailed reports from internal auditors, 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 the annual financial statements and external auditor's formal opinion, prior to their presentation to the Board of Governors. 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 University of Lincoln Court, which was set up in June 2011 in recognition of the part played by the people and businesses of Lincolnshire in the establishment of the University, 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 institution in many wider forums. The Court met in November 2013 and June 2014, presided over by the Chancellor, Lord Adebawale of Thornes CBE.

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, reputational 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 2015 and up to the date of approval of the annual report and financial statements.

## Statement of corporate governance and internal control for the year ended 31 July 2015

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The role of the Board of Governors in relation to risk is at overview level; the management of risk at operational level is the responsibility of the University executive. The Board 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 auditor 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 auditor in their management letter and other reports.

The Audit Committee plays a key role in ensuring the fulfilment of the Board's responsibilities. On behalf of the Board, the Audit Committee monitors the effectiveness of risk management processes and policy development. The Board receives an annual report from the Audit Committee which reviews and comments on the adequacy and effectiveness of the University's risk management, control and governance arrangements; processes for promoting value for money through economy, efficiency and effectiveness; 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 set out the approach to risk management; key elements of the process; roles, responsibilities and reporting procedures relating to risk management in the Colleges, professional 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. There is also a Risk Appetite Statement, approved by the Board of Governors.

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 reports from the Director of Planning and Business Intelligence (the department with lead responsibility for risk management), following review and re-scoring of the high level risk register by the Senior Management Team in November 2014 and June 2015. The Committee noted that as part of the risk review process, each risk area had been further broken down into lower sub-risks which represented contributing factors to the high level risks. This approach ensured that monitoring at all levels was undertaken effectively. Additionally, the risks had been categorised as either operational risks (those that could mean the discontinuance of the University) and strategic risks (those centred around the University not achieving its ambitions). The Committee commended these reports as assurance that the Executive was keeping the institutional risk profile under appropriate scrutiny, and taking a proactive approach to risk management. The Board of Governors (which itself received reports on risk management in November 2014 and July 2015) has asked that risk management should be a regular item on the agenda for each of the Audit Committee's meetings, recognising that in the current HE environment significant changes could occur between the detailed biannual reviews of the high level risk register. In October 2014, the Committee discussed the latest internal audit report on risk management, noting the auditor's opinion that the University has an adequate and effective system of risk management, control and governance to address the risk that objectives are not fully achieved. A year later, in October 2015, the Committee considered the most recent internal audit report, which confirmed 'Significant Assurance with minor improvement opportunities'. The Committee welcomed the seven areas of good practice indicated by KPMG, including that 'A well-established Risk Management process is in operation on a twice yearly cycle'

The University's Public Interest Disclosure Policy ('Whistle-Blowing') formally sets out a process whereby employees and students may raise any concerns about malpractice, and how any such concerns should be dealt with. The Policy is kept under review by the Audit Committee, which also receives reports on any whistle-blowing cases.

In May 2015, an update to University's Financial Regulations were approved by the Board of Governors.



## Statement of responsibilities of the board of governors for the year ended 31 July 2015

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The Board of Governors is the principal financial and business authority of the University, charged with ensuring that proper books of account are kept, with approving the annual budget and financial statements, and with maintaining overall responsibility for the University's assets, property and estate. The Board approves financial statements for each financial year, 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; and 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 accounting 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; and
- the 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, and the Skills Funding Agency are used only for the purposes for which they have been given; and in accordance with the HEFCE Memorandum of Assurance and Accountability (and any other conditions which HEFCE may from time to time prescribe) and with the funding agreements with the Skills 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; and
- 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 Audit Code of Practice, whose annual programme is approved by the Audit Committee and whose head provides the Committee 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 auditor's report to the board of governors of the University of Lincoln for the year ended 31 July 2015

We have audited the financial statements of the University of Lincoln for the year ended 31 July 2015 which comprise the Statement of accounting policies, the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the board of governors in accordance with the memorandum of assurance and accountability effective August 2014. 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 to 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 Statement of Responsibilities of the Board of Governors, the Board of Governors 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 and the University's affairs as at 31 July 2015 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 2015 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability and with the funding council; and
- the requirements of HEFCE's accounts direction have been met

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

Date: *26 November 2015*

## Statement of accounting policies for the year ended 31 July 2015

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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 financial statements comprise the consolidated results of the University of Lincoln, its subsidiaries and the University's share of the results and reserves of its joint venture companies. Intra-group sales and profits are eliminated fully on consolidation. Full details of the activities of the subsidiary companies are disclosed in Note 13.

The activities of the University of Lincoln Student Union are not consolidated as it is a separate entity with its own governance and reporting arrangements.

The activities of the Lincolnshire Educational Trust Limited and the Lincoln UTC, where the University is the Academy sponsor, are not consolidated as these entities are not subsidiaries within the definitions of the Companies Act 2006. The University does not have a controlling influence over the activities of either of these companies and does not obtain significant benefits, or have exposure to liabilities, from their operations.

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 to 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.

### **Accounting for retirement benefits**

The University contributes to the Teachers Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the East Riding Pension Fund (ERPF). 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 payable 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 are stated at depreciated historical cost. It is not appropriate to value them on the basis of open market value. 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 costs 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 5% 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.

Assets obtained under finance leases or hire purchase contracts that transfer to the University substantially all the benefits and risks of ownership are treated as if they had been purchased outright. The assets are included in fixed assets and the capital element of the commitments are shown under liabilities. Repayments 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 their useful economic lives. Assets held under hire purchase contracts are depreciated over their useful economic 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.

#### **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) 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 incurred on 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.

## Statement of accounting policies for the year ended 31 July 2015

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### **Joint venture entities**

The University's share of income and expenditure in joint venture entities is recognised in the University's income and expenditure account in accordance with FRS 9 (Associates and Joint Ventures). Similarly, the University's share of assets and liabilities in joint venture entities is recognised in the University's balance sheet in accordance with FRS 9. The gross equity method is used when consolidating joint venture entities.



## Consolidated income and expenditure account for the year ended 31 July 2015

	Note	2015 £000	2014 £000
<b>Income</b>			
Funding body grants	1	12,402	19,768
Tuition fees and education contracts	2	95,225	79,353
Research grants and contracts	3	5,997	4,206
Other income	4	14,857	15,752
Endowment and investment Income	5	595	301
Total income		129,076	119,380
Less: share of income from joint ventures	14	(162)	(74)
<b>Net income</b>		128,914	119,306
<b>Expenditure</b>			
Staff costs	6	63,836	56,957
Other operating expenses		46,433	42,935
Depreciation and impairment of fixed assets	12	6,752	6,062
Interest and other finance costs	8	2,529	3,104
Total expenditure	9,10	119,550	109,058
Share of operating profit in joint venture	14	8	2
<b>Surplus after depreciation of tangible fixed assets at valuation</b>		9,372	10,250
Surplus for the year transferred from accumulated income in endowment funds	22	33	54
<b>Surplus for the year retained within reserves</b>	23	9,405	10,304

All items of income and expenditure arise from continuing operations.

There is no difference between the result disclosed in the income and expenditure account and the result on an unmodified historical cost basis.

The notes on pages 36 to 50 form part of these financial statements.



## Statement of group total recognised gains and losses for the year ended 31 July 2015

		<b>2015</b>	<b>2014</b>
	Note	£000	£000
<b>Surplus after depreciation of tangible fixed assets at valuation</b>		9,372	10,250
New endowments	22	11	34
Actuarial loss on pensions	24	(17)	(3,340)
<b>Total recognised gains and losses relating to the year</b>		<u>9,366</u>	<u>6,944</u>
<b>Reconciliation</b>			
Opening reserves and endowments		39,622	32,678
Total recognised gains and losses for the year		<u>9,366</u>	<u>6,944</u>
<b>Closing reserves and endowments</b>		<u>48,988</u>	<u>39,622</u>

The notes on pages 36 to 50 form part of these financial statements.

**Balance sheet**  
**as at 31 July 2015**

	Note	Group		University	
		2015 £000	2014 £000	2015 £000	2014 £000
<b>Fixed assets</b>					
Tangible assets	12	156,431	150,136	156,431	150,136
Investments	13	40	40	215	215
Investment in joint venture:	14				
Share of gross assets		2,027	2,107	-	-
Share of gross liabilities		(2,016)	(2,104)	-	-
		156,482	150,179	156,646	150,351
<b>Endowment assets</b>	15	132	154	132	154
<b>Current assets</b>					
Stocks	16	295	267	101	88
Debtors	17	10,075	7,709	10,202	7,790
Short term deposits		20,036	17,127	20,036	17,127
Cash at bank and in hand		9,897	14,463	9,711	14,304
		40,303	39,566	40,050	39,309
Creditors: Amounts falling due within one year	18	(23,935)	(24,980)	(23,883)	(24,923)
<b>Net current assets</b>		16,368	14,586	16,167	14,386
<b>Total assets less current liabilities</b>		172,982	164,919	172,945	164,891
Creditors: Amounts falling due after more than one year	19	(51,234)	(52,322)	(51,234)	(52,322)
Provisions for liabilities and charges	20	(1,307)	(1,832)	(1,307)	(1,832)
<b>Total net assets excluding pension liability</b>		120,441	110,765	120,404	110,737
Pension liability	31	(36,445)	(37,736)	(36,445)	(37,736)
<b>Total net assets including pension liability</b>		83,996	73,029	83,959	73,001
<b>Deferred capital grants</b>	21	35,008	33,407	35,008	33,407
<b>Endowments</b>					
Restricted expendable	22	132	154	132	154
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	23	85,301	77,204	85,264	77,176
Pension reserve	24	(36,445)	(37,736)	(36,445)	(37,736)
Income and expenditure account including pension reserve		48,856	39,468	48,819	39,440
<b>Total funds</b>		83,996	73,029	83,959	73,001

The financial statements on pages 28 to 50 were approved by the Board of Governors and authorised for issue on 26 November 2015 and were signed on its behalf by:



H Biddle - Chair of the Board



Professor M Stuart - Vice Chancellor

The notes on pages 36 to 50 form part of these financial statements.

## Consolidated cash flow statement for the year ended 31 July 2015

		<b>2015</b>	<b>2014</b>
	Note	£000	£000
Net cash inflow from operating activities	25	11,532	15,289
Returns on investments and servicing of finance	26	(2,251)	(2,230)
Capital expenditure and financial investment	27	(10,643)	(13,060)
Management of liquid resources	28	(2,909)	(2,110)
Financing	29	(317)	297
Decrease in cash in the year		<u>(4,588)</u>	<u>(1,814)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Decrease in cash in the year		(4,588)	(1,814)
Change in short term deposits	28	2,909	2,110
Change in debt	29	<u>317</u>	<u>(297)</u>
Change in net debt resulting from cash flows and movement in debt		(1,362)	(1)
Net debt at 1 August		<u>(21,732)</u>	<u>(21,731)</u>
Net debt at 31 July	30	<u>(23,094)</u>	<u>(21,732)</u>

The notes on pages 36 to 50 form part of these financial statements.

**Notes to the financial statements  
for the year ended 31 July 2015**

<b>1</b>	<b>Funding body grants</b>	<b>2015</b>	<b>2014</b>
		£000	£000
	<b>Recurrent grants</b>		
	Higher Education Funding Council for England (HEFCE)	10,124	17,869
	Skills Funding Agency (SFA)	715	672
	<b>Specific grants</b>		
	HEFCE – Higher Education Innovation Fund	540	529
	HEFCE – Other specific grants	17	-
	<b>Deferred capital grants released in the year</b>		
	Buildings	587	419
	Equipment	419	279
		<u>12,402</u>	<u>19,768</u>
<b>2</b>	<b>Tuition fees and education contracts</b>		
	Full-time home and EU students	70,111	57,115
	Full-time international (non EU) students	13,398	12,766
	Part-time students	4,393	2,804
	Short courses and summer schools	7,160	6,537
	Further education students	163	131
		<u>95,225</u>	<u>79,353</u>
<b>3</b>	<b>Research grants and contracts</b>		
	Research Councils	1,106	801
	UK based charities	1,178	740
	UK Central / Local Government / Health / Hospitals	1,616	855
	UK industry	620	635
	European Union	1,301	974
	Overseas	176	201
		<u>5,997</u>	<u>4,206</u>
<b>4</b>	<b>Other income</b>		
	Residences, catering and conferences	6,779	8,294
	Other income generating activities	7,161	6,948
	Released from deferred capital grants	917	510
		<u>14,857</u>	<u>15,752</u>
<b>5</b>	<b>Endowment and investment income</b>		
	Income from short term investments	274	301
	Net credit on pension scheme (see note 31)	321	-
		<u>595</u>	<u>301</u>

**Notes to the financial statements  
for the year ended 31 July 2015**

**6 Staff costs**

	<b>2015</b>	<b>2014</b>
	£000	£000
Wages and salaries	50,498	45,385
Social security costs	4,150	3,748
Other pension costs (see note 31)	8,146	7,465
Staff restructuring costs	1,042	359
	<b>63,836</b>	<b>56,957</b>

Average staff numbers by major category, expressed on a full time equivalent basis

	<b>Number</b>	<b>Number</b>
Teaching departments	911	805
Teaching support services	142	130
Other support services	62	74
Administration and central services	218	220
Premises	35	26
	<b>1,368</b>	<b>1,255</b>

**7 Senior staff emoluments**

The emoluments of the Vice Chancellor were as follows:

	£000	£000
Salary	221	224
Benefits in kind	2	2
Pension costs	35	35
	<b>258</b>	<b>261</b>

Remuneration of other higher paid staff, excluding employer's pension contributions

	<b>Number</b>	<b>Number</b>
£100,000 - £109,999	-	4
£110,000 - £119,999	10	4
£120,000 - £129,999	-	-
£130,000 - £139,999	2	2

**8 Interest and other finance costs**

	£000	£000
On loans wholly or partly repayable in more than five years	2,529	2,557
Net charge on pension scheme (see note 31)	-	547
	<b>2,529</b>	<b>3,104</b>

**9 Analysis of total expenditure by activity**

	<b>2015</b>	<b>2014</b>
	£000	£000
Academic departments	53,864	46,160
Academic services	13,348	12,024
Administration and central services	24,125	24,861
Premises	17,385	14,544
Residences and catering operations	6,261	6,858
Research grants and contracts	5,013	3,629
Other (credit)/expenditure	(446)	982
	<u>119,550</u>	<u>109,058</u>
Other operating expenses include:		
External auditor's remuneration in respect of audit services*	32	37
External auditor's remuneration in respect of other services**	32	108
Hire of equipment – operating lease rentals	<u>162</u>	<u>175</u>

\* Includes £28,000 in respect of the University (2014: £27,000)

\*\* Includes £32,000 in respect of the University (2014: £108,000)

**10 Exceptional items**

Exceptional items comprise significant items of income or expenditure which are considered to be of a non-operational nature. During 2012/13 the University recognised a potential liability arising from an ongoing dispute on a historical educational contract. This potential liability was reassessed in both the current year and prior year, and released as appropriate. In the prior year, the depreciation charge includes an asset write down due to a permanent diminution in value.

Exceptional items of expenditure items are included within the statutory format headings to which they relate as follows:

	<b>2015</b>	<b>2014</b>
	£000	£000
Other operating expenses credit	250	850
Depreciation and impairment of fixed assets charge	<u>-</u>	<u>(852)</u>

**11 Surplus on continuing operations for the year**

	<b>2015</b>	<b>2014</b>
	£000	£000
University's surplus for the year	9,396	10,313
Surplus/(deficit) of related undertakings	<u>9</u>	<u>(9)</u>
	<u>9,405</u>	<u>10,304</u>



## 12 Tangible fixed assets

Group and University	Assets in course of construction £000	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures fittings and equipment £000	Total £000
<b>Cost or valuation</b>					
At 1 August 2014	11,620	145,826	12,263	12,414	182,123
Additions	11,952	304	17	774	13,047
Written off	-	-	-	(3,141)	(3,141)
Transfers	(17,087)	17,087	-	-	-
At 31 July 2015	6,485	163,217	12,280	10,047	192,029
<b>Depreciation</b>					
At 1 August 2014	-	22,015	3,013	6,959	31,987
Charge for year	-	3,152	1,121	2,479	6,752
Written off	-	-	-	(3,141)	(3,141)
At 31 July 2015	-	25,167	4,134	6,297	35,598
<b>Net book value</b>					
At 31 July 2015	6,485	138,050	8,146	3,750	156,431
At 31 July 2014	11,620	123,811	9,250	5,455	150,136

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 2015, freehold land and buildings included £5,945,000 (2014: £5,939,000) in respect of land which is not depreciated.

## 13 Fixed asset investments

Group	Other investment £000
<b>Cost and net book value</b>	
At 1 August 2014 and 31 July 2015	40

University	Shares in related undertakings £000	Other investment £000	Total £000
<b>Cost and net book value</b>			
At 1 August 2014 and 31 July 2015	175	40	215

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, although the company has not traded during the year.

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.

### 13 Fixed asset investments (continued)

The University holds 25% of the ordinary share capital of Lincoln Science and Innovation Park Ltd, a company incorporated in England and Wales. The nature of the business is the development of a science and innovation park in Lincoln. The investment is treated as a joint venture in the group financial statements (see note 14).

Other investments represent shares in:

- CVCP Properties plc, a company owned by Universities UK and its member institutions; and
- Metnano Limited, a company invested in during 2013/14 to exploit intellectual property with a commercial partner.

The University holds no investment in either the Lincolnshire Educational Trust Ltd or the Lincoln UTC. These are companies limited by guarantee with the University's liability limited, in both cases, to £10.

### 14 Investment in joint venture

The University has a joint venture agreement with Lincolnshire Co-operative Limited. The joint venture company, Lincoln Science and Innovation Park Limited (LSIP), is limited by shares. LSIP is jointly owned by the Lincolnshire Co-operative Limited, who hold 75% of the shares, and the University of Lincoln, who hold 25% of the shares. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 25% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 25% of its net income is reported in the University's consolidated income and expenditure account.

The Group's 25% share of the joint venture is as follows:

	2015	2014
	£000	£000
<b>Income and Expenditure Account</b>		
Income	162	74
Operating profit	8	2
<b>Balance Sheet</b>		
Fixed assets	2,014	1,989
Current assets	13	118
	2,027	2,107
Creditors: amounts falling due within one year	(73)	(86)
Creditors: amounts falling due after more than one year	(1,943)	(2,018)
<b>Share of net assets</b>	11	3

### 15 Endowment asset investments

#### Group and University

Balance at 1 August	154	174
New endowments	11	34
Decrease in cash balances held for endowment funds	(33)	(54)
Balance at 31 July	132	154
Represented by:		
Bank Balances	132	154

### 16 Stocks

	Group		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Goods for resale	49	45	49	45
Raw materials and consumables	55	47	52	43
Work in progress at cost less applicable progress payments	191	175	-	-
	295	267	101	88

**17 Debtors**

	<b>Group</b>		<b>University</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Trade debtors	4,552	3,877	4,545	3,877
Amounts owed by subsidiary undertakings	-	-	159	109
Other debtors	114	118	103	90
Prepayments and accrued income	4,930	3,182	4,916	3,182
	<u>9,596</u>	<u>7,177</u>	<u>9,723</u>	<u>7,258</u>
<b>Amounts falling due after more than one year:</b>				
Other Debtors	327	352	327	352
Prepayments and accrued income	152	180	152	180
	<u>10,075</u>	<u>7,709</u>	<u>10,202</u>	<u>7,790</u>

**18 Creditors: Amounts falling due within one year**

Secured loans	1,695	1,038	1,695	1,038
Unsecured loans	750	375	750	375
Payments received in advance	6,484	5,582	6,482	5,582
Trade creditors	2,725	3,878	2,722	3,878
Other creditors	3,713	4,194	3,730	4,193
Other taxation and social security	1,431	1,342	1,431	1,342
Accruals and deferred income	7,137	8,571	7,073	8,515
	<u>23,935</u>	<u>24,980</u>	<u>23,883</u>	<u>24,923</u>

**19 Creditors: Amounts falling due after more than one year**

	<b>2015</b>	<b>2014</b>
	£000	£000
<b>Group and University</b>		
Secured loans	36,839	37,438
Unsecured loans	13,875	14,625
Accruals and deferred income	520	259
	<u>51,234</u>	<u>52,322</u>
Secured and unsecured loans are repayable as follows:		
Due within one year or on demand	2,445	1,413
Due between one and two years	2,545	2,361
Due between two and five years	8,241	7,698
Due in five years or more	39,928	42,004
	<u>53,159</u>	<u>53,476</u>
Due within one year or on demand	(2,445)	(1,413)
Due after more than one year	<u>50,714</u>	<u>52,063</u>

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

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

Lender	Amount £000	Term	Interest rate %	Borrower
Dexia	6,534	2023	5.08	University
Dexia	4,896	2028	5.38	University
Santander	14,625	2035	4.75	University
Royal Bank of Scotland	27,104	2037	4.44	University
Total	53,159			

The interest rates of the majority of the loans are fully hedged at fixed interest rates. At 31 July 2015, the fair value of the interest rate swaps had a negative fair value of £4,903,000 (2014: £2,950,000).

**20 Provisions for liabilities**

	Restructure	Onerous contracts and other matters	Total
	£000	£000	£000
At 1 August 2014	-	1,832	1,832
Utilised during the year	-	(659)	(659)
Provided during the year and charged to income and expenditure account	380	4	384
Released during the year and credited to income and expenditure account	-	(250)	(250)
At 31 July 2015	380	927	1,307
Due within one year			465
Due between one and two years			842
			1,307

The onerous contracts and other matters provision mainly relates to the estimated liabilities in respect of onerous contractual obligations arising from certain operating leases, and from other contracts and activities.

**21 Deferred capital grants**

Group and University	Funding Council		Other Grants		Total
	Buildings £000	Equipment £000	Buildings £000	Equipment £000	
At 1 August 2014	18,646	1,901	12,667	193	33,407
Grants received during the year	2,367	957	200	-	3,524
Released to income and expenditure account	(587)	(419)	(846)	(71)	(1,923)
At 31 July 2015	20,426	2,439	12,021	122	35,008

## 22 Endowment funds and linked charities

	2015	2014
Group and University	£000	£000
Balances at 1 August		
Capital	154	168
Accumulated Income	-	6
	154	174
New endowments	11	34
Expenditure	(33)	(54)
At 31 July	132	154
Represented by:		
Capital value	132	154

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.

The company is dormant and has not traded during the year. Net assets of the charity at 31 July 2015 were £1 (31 July 2014: £1).

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

## 23 Income and expenditure account excluding pension reserve

	Group	University
	£000	£000
At 1 August 2014	77,204	77,176
Surplus on continuing operations	9,405	9,396
Transfer to pension reserve	(1,308)	(1,308)
At 31 July 2015	85,301	85,264

## 24 Pension reserve

	2015	2014
Group and University	£000	£000
At 1 August	(37,736)	(34,370)
Actuarial loss	(17)	(3,340)
Surplus/(deficit) retained within reserves	1,308	(26)
At 31 July	(36,445)	(37,736)

<b>25 Reconciliation of consolidated operating surplus to net cash inflow from operating activities</b>	<b>2015</b>	<b>2014</b>
	£000	£000
Surplus after depreciation of tangible fixed assets at valuation	9,372	10,250
Depreciation	6,752	5,210
Diminution in value of fixed asset	-	852
Deferred capital grants released to income	(1,923)	(1,208)
Loss on disposal of tangible fixed assets	-	47
Interest receivable	(274)	(301)
Interest payable	2,529	2,557
(Increase)/decrease in stocks	(28)	81
(Increase)/decrease in debtors	(2,322)	840
Decrease in creditors	(741)	(1,436)
Decrease in provisions	(525)	(1,629)
Pension costs less contributions payable	(1,308)	26
Net cash inflow from operating activities	11,532	15,289

**26 Returns on investments and servicing of finance**

Interest received	231	291
Interest paid	(2,482)	(2,521)
	(2,251)	(2,230)

**27 Capital expenditure and financial investment**

Payments to acquire tangible fixed assets	(14,178)	(15,241)
Proceeds from sale of tangible fixed assets	-	253
Purchase of investment	-	(10)
Deferred capital grants received	3,524	1,904
New endowment received	11	34
	(10,643)	(13,060)

**28 Management of liquid resources**

Increase in short term deposits	(2,909)	(2,110)
Net cash outflow from management of liquid resources	(2,909)	(2,110)

**29 Financing**

New bank loans	1,100	1,100
Repayments of amounts borrowed	(1,417)	(803)
	(317)	297

**30 Analysis of changes in net debt**

	<b>At 1 August 2014</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>At 31 July 2015</b>
	£000	£000	£000	£000
Cash at bank and in hand	14,463	(4,566)	-	9,897
Endowment assets	154	(22)	-	132
	14,617	(4,588)	-	10,029
Short term deposits	17,127	2,909	-	20,036
Debt due within one year	(1,413)	1,417	(2,449)	(2,445)
Debt due after one year	(52,063)	(1,100)	2,449	(50,714)
Net debt	(21,732)	(1,362)	-	(23,094)



### 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:

	2015	2014
	£000	£000
ERPF charge to the Income and Expenditure account	4,032	3,852
TPS contributions payable	3,096	2,799
USS contributions payable	1,018	814
Total pension cost	8,146	7,465

#### 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 2015 was £6,078,000 of which employers' contribution totalled £4,875,000 and employees' contributions totalled £1,203,000. The employer's contribution rate was 28.1%. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 12.5%.

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 2015.

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 2013, updated to 31 July 2015 on an FRS17 basis by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2015 were:

	2015	2014
	%	%
Pension Increase rate	2.6	2.7
Salary Increase Rate	3.5	4.0
Expected return on assets	3.7	6.1
Discount rate for liabilities	3.7	4.0

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:

	2015	2014
<i>Current pensioners</i>		
Males	21.9	21.9
Females	24.1	24.1
<i>Future pensioners</i>		
Males	24.2	24.2
Females	26.7	26.7

### 31 Pension schemes (continued)

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

	2015		2014		2013	
	Long term return	Fund Value	Long term return	Fund Value	Long term return	Fund Value
	%	£000	%	£000	%	£000
Equities	3.7	71,795	6.7	65,851	6.5	59,432
Bonds	3.7	9,447	3.5	8,443	3.7	7,718
Property	3.7	9,447	4.7	5,910	4.6	4,631
Cash	3.7	3,779	3.6	4,221	3.4	5,403
Total market value of assets		94,468		84,425		77,184

The following amounts at 31 July 2015 were measured in accordance with the requirements of FRS17.

Analysis of amount shown in balance sheet	2015	2014
	£000	£000
Fair value of employer assets	94,468	84,425
Present value of funded obligations	(128,688)	(119,912)
Present value of unfunded obligations	(2,225)	(2,249)
Deficit in the scheme – net pension liability	(36,445)	(37,736)

#### Analysis of the amount charged to staff costs within operating surplus

Current service charge	4,032	3,772
Past service cost	-	34
Losses on curtailments and settlements	-	46
Total operating charge	4,032	3,852

#### Analysis of the amount charged to interest payable

Expected return on pension scheme net assets	(5,261)	(4,636)
Interest on pension scheme liabilities	4,940	5,183
Net (credit)/charge	(321)	547

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

Actual return less expected return on pension scheme assets	1,095	(342)
Experience gains and losses	(1,112)	(2,998)
Actuarial loss	(17)	(3,340)

### 31 Pension schemes (continued)

<b>Movement in deficit during year</b>	<b>2015</b>	<b>2014</b>
	£000	£000
At beginning of year	(37,736)	(34,370)
<b>Movement in year:</b>		
Current service charge	(4,032)	(3,772)
Employer contributions	4,875	4,233
Contribution in respect of unfunded benefits	144	140
Past service cost	-	(34)
Loss on curtailments and settlements	-	(46)
Net return on assets	321	(547)
Actuarial loss	(17)	(3,340)
At end of year	(36,445)	(37,736)

#### Analysis of the movement in the present value of scheme liabilities

At the beginning of the year	122,161	111,554
Current service cost	4,032	3,772
Interest cost	4,940	5,183
Contributions by members	1,203	1,047
Actuarial losses	1,112	2,998
Past service cost	-	34
Loss on curtailments	-	46
Estimated unfunded benefits paid	(144)	(140)
Estimated benefits paid	(2,391)	(2,333)
At the end of the year	130,913	122,161

#### Analysis of the movement in the fair value of scheme assets

At the beginning of the year	84,425	77,184
Expected return on assets	5,261	4,636
Contributions by members	1,203	1,047
Contributions by employer	4,875	4,233
Contributions in respect of unfunded benefits	144	140
Actuarial gains/(losses)	1,095	(342)
Estimated unfunded benefits paid	(144)	(140)
Estimated benefits paid	(2,391)	(2,333)
At the end of the year	94,468	84,425

### 31 Pension schemes (continued)

History of experience gains and losses Cumulative	31 July 2015 £000	31 July 2014 £000	31 July 2013 £000	31 July 2012 £000	31 July 2011 £000
Present value of scheme liabilities	(130,913)	(122,161)	(111,554)	(105,097)	(86,102)
Fair value of scheme assets	94,468	84,425	77,184	64,693	61,874
Deficit in the scheme	(36,445)	(37,736)	(34,370)	(40,404)	(24,228)
Difference between the expected and actual return on assets:	1,095	(342)	8,558	(3,096)	3,841
% of scheme assets	1.2%	0.4%	11.1%	4.8%	6.2%
Experience gains/(losses) on scheme liabilities:	1,029	1,894	40	(1,449)	3,789
Present value of liabilities	130,913	122,161	111,554	105,097	86,102
% of scheme liabilities	0.8%	1.6%	0.0%	1.4%	4.4%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £20,131,000 (2014: loss £20,114,000).

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 2016 is £5,908,000. The estimated employer's contribution for the year ending 31 July 2016 is £5,028,000.

#### 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. The employees' contribution rate is based on earnings per annum and ranges from 7.4% to 11.7%.

#### 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 institution is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the institution's employees. In 2015, the percentage was 16% (2014: 16%). The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the income and expenditure account is £1,018,000 (2014: £814,000). This includes £86,500 (2014: £70,000) outstanding contributions at the balance sheet date. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and which is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

### **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:

	<b>2015</b>	<b>2014</b>
	£000	£000
<b>Land and buildings</b>		
Expiring within one year	93	-
Expiring between two and five years inclusive	53	146
Expiring in over five years	1,068	1,088
	<u>1,214</u>	<u>1,234</u>
<b>Other</b>		
Expiring within one year	3	43
Expiring between two and five years inclusive	146	108
	<u>149</u>	<u>151</u>

### **33 Capital commitments**

#### **Group and University**

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

Commitments contracted for	6,740	5,678
Authorised but not contracted for	79,809	14,836
	<u>86,549</u>	<u>20,514</u>

### **34 Amounts disbursed as agent**

#### **Group and University**

	<b>2015</b>	<b>2014</b>
	£000	£000
<b>a) Access to Learning Fund</b>		
Balance at 1 August	-	8
Funding Council grant	-	267
	<u>-</u>	<u>275</u>
Disbursed to students	-	(274)
Fund running costs	-	(1)
Balance at 31 July	<u>-</u>	<u>-</u>



<b>34</b>	<b>Amounts disbursed as agent (continued)</b>	<b>2015</b>	<b>2014</b>
		£000	£000
<b>b) Practice Learning Placements</b>			
Balance at 1 August		19	104
Received from GSCC		349	320
		368	424
Paid to grantees		(309)	(405)
Balance at 31 July		59	19
<b>c) Lincoln Growth Fund</b>			
Balance at 1 August		19	-
Received from DCLG		603	272
		622	272
Paid to placement providers		(591)	(253)
Balance at 31 July		31	19

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 team within the University Finance 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 £5,000 are listed below:

- Transactions totalling £284,049 relating to secondments, occupational health services and project management support with United Lincolnshire Hospitals Trust where Mr K Darwin is a Non-Executive Director;
- Transactions totalling £55,144 relating to subscriptions and expenses with Thomson Reuters where Ms J Reeves is Senior Vice President;
- Transactions totalling £49,694 relating to rental charges and supporting activity from the University of Lincoln Students' Union and Students' Union Board of Trustees where Mr B Alcorn is Director and Ms H J Wilkinson is President;
- Transactions totalling £17,981 relating to the sub lease of moorings and trust membership with the Brayford Trust where Mr K Darwin is a Director;
- Transactions totalling £17,559 relating to services provided by NUS UK where Mr B Alcorn is a Student Trustee; and
- Transactions totalling £10,507 relating to research activity and expenses for Professor S Bailey with the University of Nottingham where he is a Professor.

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

### 36 Contingent Liability

A contingent liability exists in relation to the USS pension valuation recovery plan, since the institution is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the institution is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet.

The Governors who served in the period from 1 August 2014 were as follows:

Mr H Biddle (Chair)  
Mr B Alcorn (Student Member) (until 30 June 2015)  
Professor S Bailey  
Dr S Barrow (Staff Member)  
Mr N Corner  
Mr K Darwin OBE  
Sir Graeme Davies  
Ms D Gilhespy  
Mr N Gray  
Mr N Herbert  
Ms M Jackson (Deputy Chair)  
Ms D Lees CBE  
Ms C McEwen  
Ms J Reeves  
Professor M Stuart (Vice Chancellor)  
Mr C Swinson OBE  
Mr R Whetton  
Ms HJ Wilkinson (Student Member) (from 1 July 2015)

The officers who served in the period from 1 August 2014 were as follows:

Professor M Stuart	Vice Chancellor
Professor J S Davidson	Deputy Vice Chancellor
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
Mr J Plumridge	Director of Estates & Commercial Facilities
Professor M Cragoe	Pro Vice Chancellor
Professor A Hunter	Pro Vice Chancellor
Professor S Owen	Pro Vice Chancellor
Mr P Walsh	Clerk to the Board of Governors

The University's principal advisers were:

Lloyds TSB plc	Bankers
Deloitte LLP	External Auditor
KPMG LLP	Internal Auditor